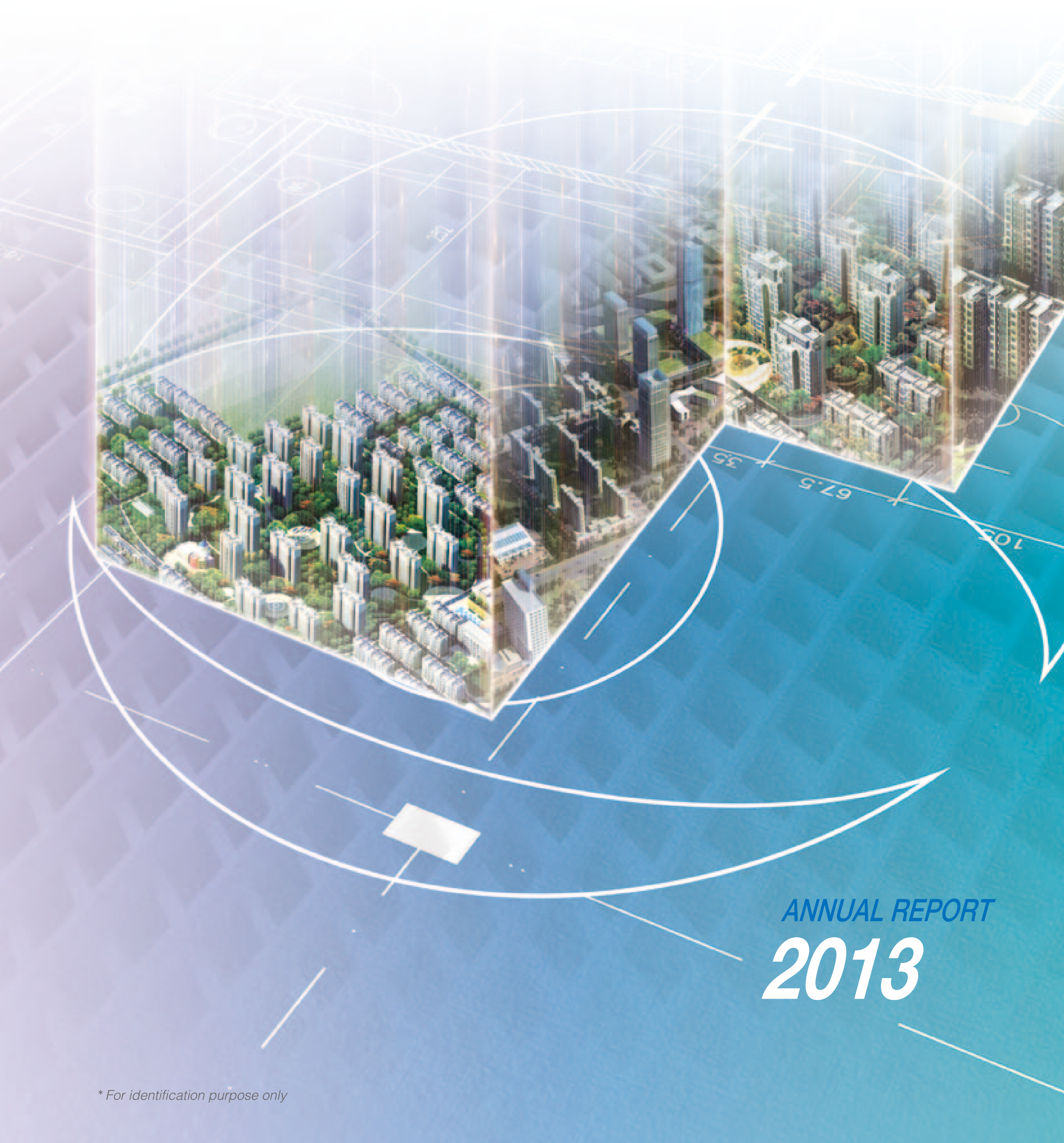
XIWANG PROPERTY HOLDINGS COMPANY LIMITED
西王置業控股有限公司*

(Incorporated in Bermuda with limited liability)
Stock code : 2088

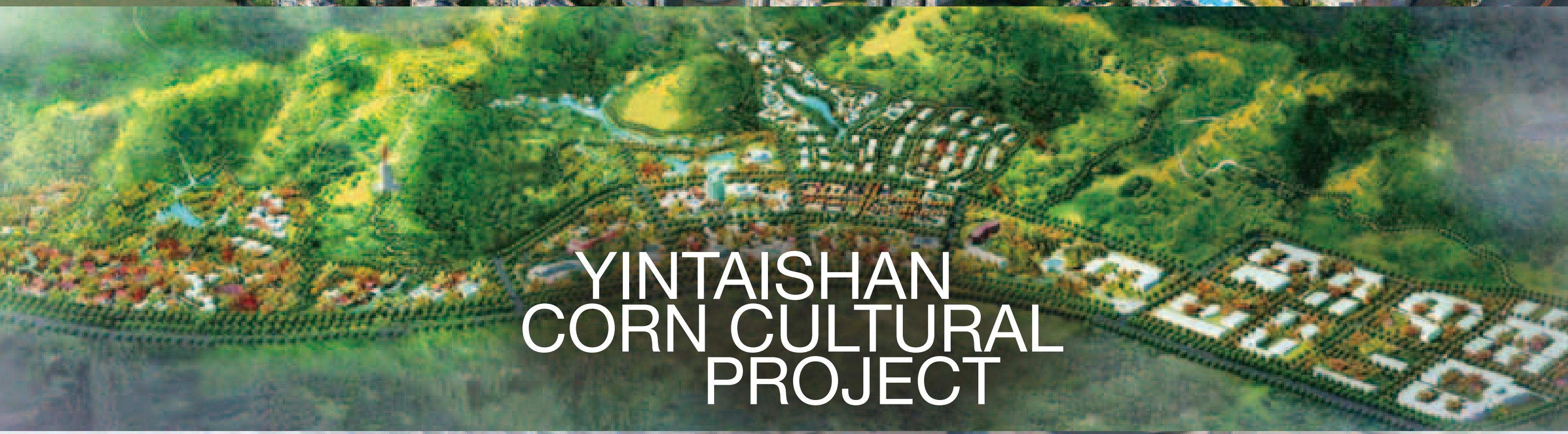


ANNUAL REPORT
2013

** For identification purpose only*


MEIJUN
PROJECT

LANTING
PROJECT

QINGHE
PROJECT

YINTAISHAN
CORN CULTURAL
PROJECT

JIMO
PROJECT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. WANG Chuan Wu
(Chief Executive Officer)
Mr. ZHOU Xiang Lin
Mr. CHENG Gang

Non-Executive Directors

Mr. WANG Di *(Chairman)*
Mr. WANG Yong *(Deputy Chairman)*
Mr. SUN Xinhu

Independent Non-Executive Directors

Mr. WONG Kai Ming
Mr. WANG An
Mr. WANG Shu Jie

COMMITTEES

Audit Committee

Mr. WONG Kai Ming *(Chairman)*
Mr. WANG An
Mr. WANG Shu Jie

Remuneration Committee

Mr. WANG An *(Chairman)*
Mr. WONG Kai Ming
Mr. SUN Xinhu

Nomination Committee

Mr. WONG Kai Ming *(Chairman)*
Mr. WANG Shu Jie
Mr. SUN Xinhu

COMPANY SECRETARY

Miss. LAM Wai Lin *(FCCA, CPA)*

AUTHORISED REPRESENTATIVES

Mr. WANG Yong
Miss. LAM Wai Lin
Mr. SUN Xinhu
(alternate to Mr. WANG Yong and Miss. LAM Wai Lin)

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Xiwang Industrial Area
Zouping County
Shandong Province
People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2110, 21/F Harbour Centre
25 Harbour Road
Wanchai
Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China
Bank of China
China Construction Bank
The Bank of East Asia, Limited
Wing Lung Bank

AUDITORS

Ernst & Young
Certified Public Accountants
22nd Floor CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

LEGAL ADVISERS

As to Hong Kong law:
MinterEllison
Level 25
One Pacific Place
88 Queensway
Hong Kong

As to Bermuda law:
Conyers Dill & Pearman
2901, One Exchange Square
8 Connaught Place
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

INVESTOR RELATIONS AND CORPORATE COMMUNICATION

Mr. WANG Jianxiang
Tel : (86) 543 461 9688
Email : ir@xiwangproperty.com

COMPANY WEBSITE

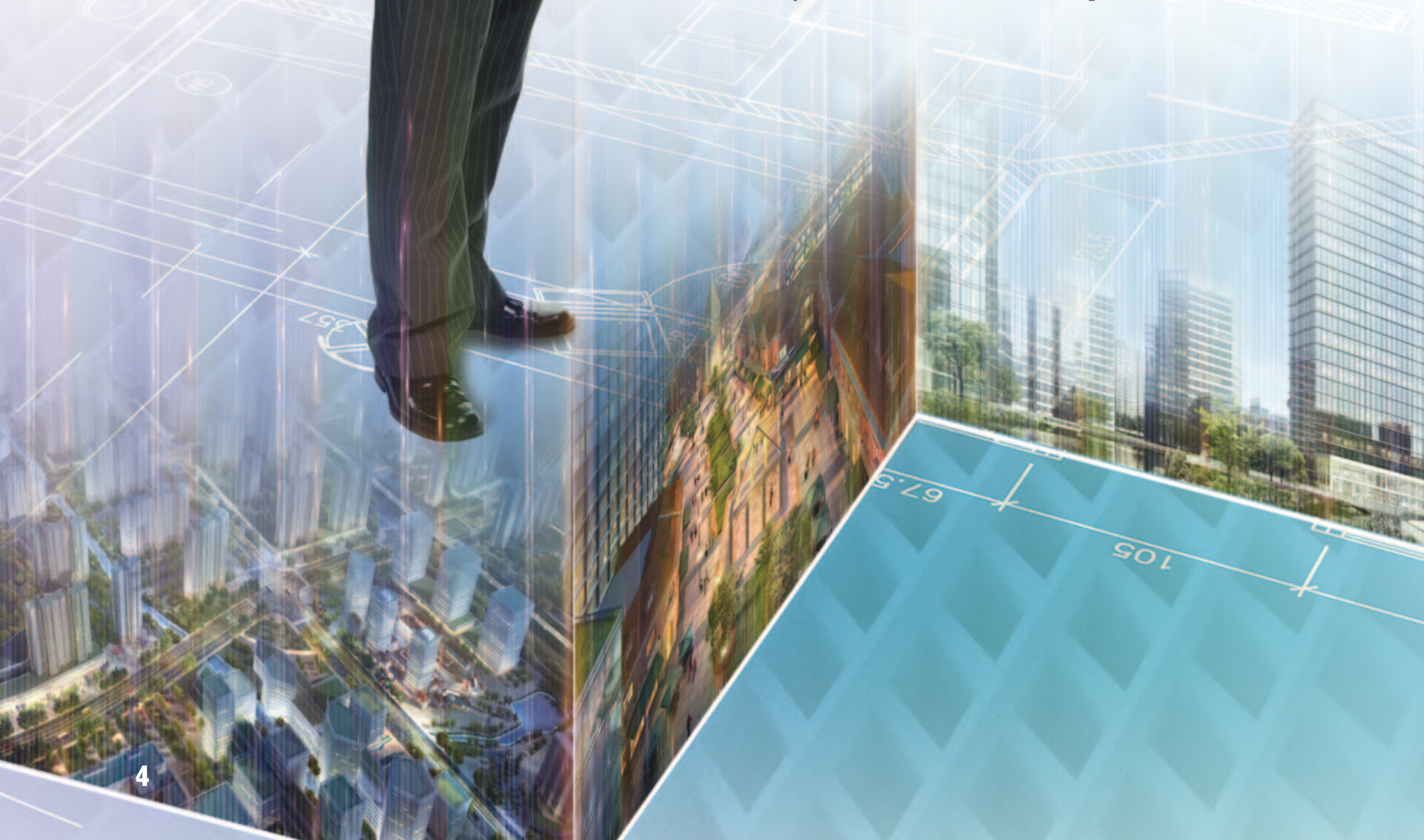
www.xiwangproperty.com

CHAIRMAN'S STATEMENT

WANG DI
Chairman and Non-executive Director

DEAR SHAREHOLDERS

2013 is a significant year for Xiwang Property Holdings Company Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**"), as it marked the year of transition in its major business from corn processing to property development. The disposal of the corn processing business (the "**Disposal**") was approved by independent shareholders on 29 June 2013. Currently, the Group has five property projects in Shandong Province of the People's Republic of China (the "**PRC**" or "**China**"). These projects are under different stages of development. Upon the presales and delivery of these projects upon completion, the Group would generate satisfactory revenue for its future expansion.



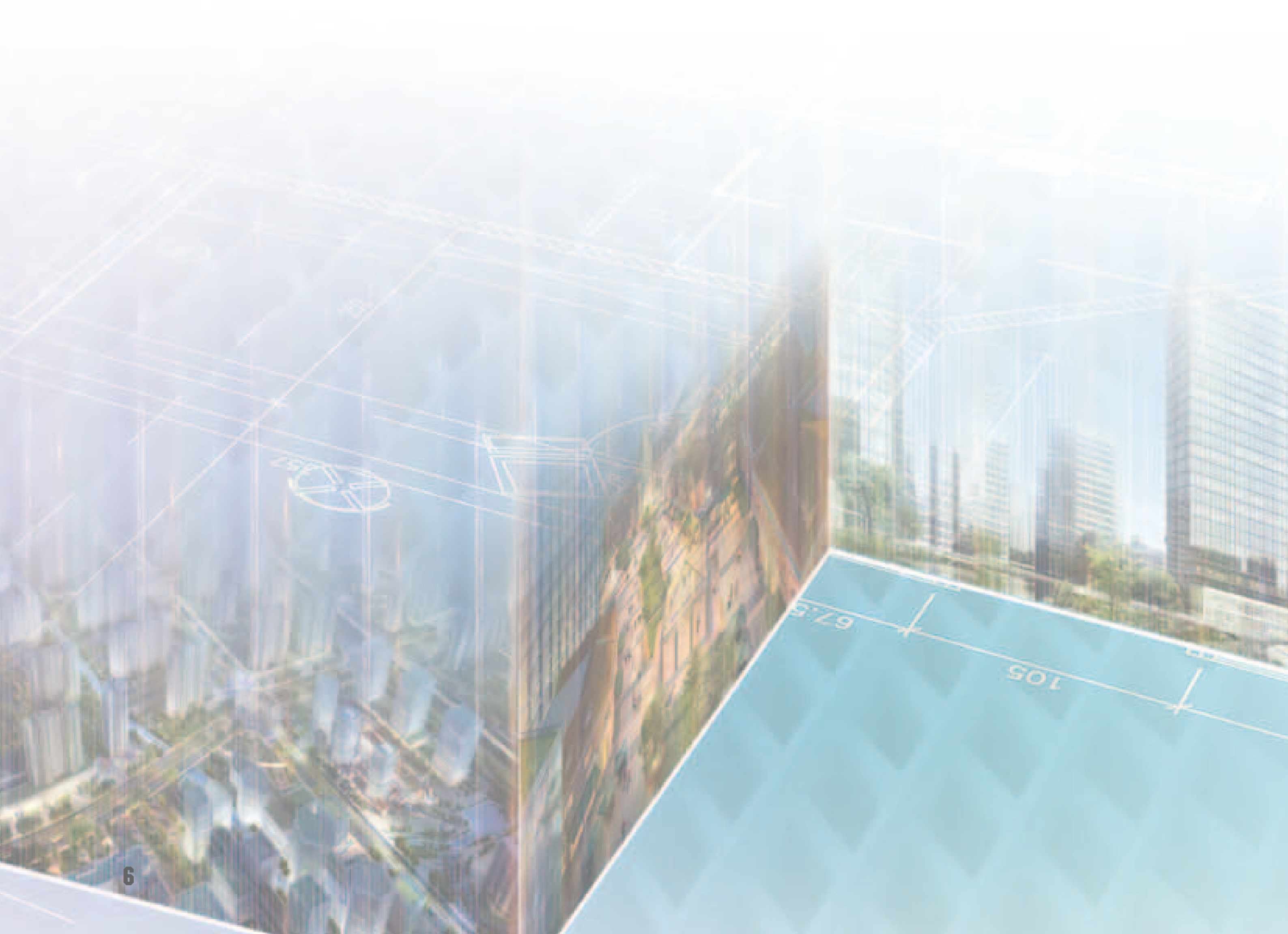
The Group reconstituted the composition of the board (the "**Board**") of directors (the "**Directors**") on 15 July 2013 to cope with future development of the property development business. To better reflect the new principal business in property development, the Company changed its name from "Xiwang Sugar Holdings Company Limited" to "Xiwang Property Holdings Company Limited" with the approval of the shareholders at the special general meeting held on 30 August 2013. The change of stock short name to XIWANG PROPERTY "西王置業" and change of company website (www.xiwangproperty.com) became effective on 18 October 2013.

Apart from the four property projects namely Lanting Project, Meijun Project, Qinghe Project and Yintaishan Corn Cultural Project acquired in December 2012, the Group strives for sustainability of its property development business. On 29 May 2013, the Group and the Jimo City People's Government of the PRC (the "**Jimo Government**") entered into a framework agreement regarding their proposed cooperation on the development of a multi-purpose property development project comprising a station square and commercial, residential and office zones located at the Qing-Rong intercity railway station (青榮城際鐵路火車站) area in Jimo City, Qingdao, Shandong Province of the PRC. Further to the framework agreement, on 28 September 2013, the Group entered into the development cooperation agreement (the "**Development Cooperation Agreement**") with the Jimo Government in relation to the re-development of six villages in the Jimo City with an estimated aggregate site area of approximately 3,091 mu (equivalent to approximately 2,060,677 sq. m.) into "Jimo Metropolitan" (即墨商都). The official demolition work and the project construction will start once after the Jimo government and residents have finalized the arrangement on demolition and resettlement.

CHAIRMAN'S STATEMENT

For the year ended 31 December 2013 (the "**Year**"), the property development business contributed revenue of approximately RMB 179 million (2012: RMB 173 million), to the Group, representing an increase of around 3.6% over 2012. The revenue was mainly generated from Lanting Project (North Zone) and Meijun Project (Phase Two). For Lanting Project (North Zone), approximately 52.8% of the gross floor area ("**GFA**") of the project had been completed and approximately 34.6% of the GFA of the project had been sold as at 31 December 2013. Meijun Project (Phase Two) was completed in 2013 and 87.2% of the GFA of the project had been sold as at 31 December 2013. In the years to come, the Group is expected to record higher revenue upon the pre-sales and completion of different projects.

No final dividend was proposed for the ordinary shares and convertible preference shares by the Board in order to reserve working capital for business development.



In 2013, China registered a growth rate of 7.7% for the gross domestic product (“**GDP**”). Investment in property development also increased by 19.4%. The economic growth in China created a positive operating environment for the development of property business. We believe that we can conform to the economic development and urbanization of the country, in particularly the market in Shandong Province where we established foundation and possess constructive relationship and extensive experience.

I would like to take this opportunity to express my sincere gratitude to our shareholders, business partners and customers for their valuable support. I would also like to extend my appreciation to the Board, the management team and all staff members for their diligence and contribution in the past year. We will continue to strive our best to expand our property development business and reap higher returns for our shareholders.

WANG Di
Chairman
28 March 2014

MANAGEMENT DISCUSSION AND ANALYSIS

1. Introduction

The Group was established in 2001 with headquarters located in Zouping County, Shandong Province of China.

Currently, the Group has five property projects in Shandong Province of China. The Lanting Project, the Meijun Project and the Qinghe Project are residential projects. The Yintaishan Corn Cultural Project is a key cultural industry park in Shandong Province which consists of cultural, residential and commercial portions, while the Jimo Project is a multi-purpose property development project comprising a station square and commercial, residential and office zones. Details of the projects are as follows:

Project Name	Group's Interest	Location	Land-use Purpose	Land Area (sq m)	Estimated GFA (sq m)	Development Stage as at 31 December 2013
Lanting Project	100%	South of Heban 3rd and west of Liquan 1st Road, Zouping County, Binzhou City, Shandong	Residential			
North Zone				25,964	60,308	GFA of around 31,832 sq m completed; GFA of 20,890 sq m sold
South Zone				16,067	52,381	Under development
Meijun Project	100%	East of Daiqi 3rd Road South – 1st Road, Chengnan New District, Zouping County, Binzhou City, Shandong	Residential	13,333	21,407	Completed in December 2008; 1,727 sq m unsold as at 31 December 2013
Phase One						
Phase Two				54,330	153,674	Completed in December 2013, GFA of 134,026 sq m sold
Phase Three				159,821	489,051	To be developed
Qinghe Project	100%	Kaihe Village, Handian Town, Zouping County, Binzhou City, Shandong	Residential	131,258	200,000	Construction is expected to commence under two phases in 2014 and 2015 respectively and completed in 2017 and 2018 respectively
Yintaishan Corn Cultural Project	100%	South of Jinan-Qingdao Expressway, North of Yintai Mountain and the ridge of Laorenfeng, extending in the north-south orientation to the east of Tourist Road of Tangli Nunnery and to the west of west outer loop of Zouping County, Binzhou City, Shandong	A comprehensive project with cultural, residential and commercial construction	3,200,016	1,400,000	under preliminary work, pending completion of the procedures of the listing-for-sale and entering into the State-owned Land Use Rights Grant Contract
Jimo Project	100%	Qing-Rong intercity railway station in Jimo City, Qingdao, Shandong	A multi-purpose project comprising a station square and commercial, residential and office zones	2,060,677	To be determined	Entered into development cooperation agreement with the Jimo Government on 28 September 2013. Local government is finalizing the arrangement on demolition and resettlement with the residents.
Total				5,661,466	2,376,821	

MANAGEMENT DISCUSSION AND ANALYSIS

LANTING PROJECT

Located at the junction between the south of Heban 3rd Road and the west of Liquan 1st Road which is a newly developed area in Zouping County closed to the county government headquarters, Lanting Project is a comprehensive residential development which will be developed into two phases, known as North Zone and South Zone. There will be 14 blocks of 6 to 14-storey residential buildings providing around 510 residential units. For the Year, units of this project with a total GFA of approximately 14,028 sq m were delivered, generating revenue approximately RMB 58 million.

MEIJUN PROJECT

Meijun Project is located at the east of Daiqi 3rd Road South of Chengnan New District, a newly developed area in Zouping County and the county government headquarters, hospital and colleges are nearby. The Meijun Project is a residential development divided into 3 phases. Phase One was completed in December 2008 and comprises 4 blocks of 5-storey residential buildings providing around 110 residential units. Phase Two comprises 19 blocks of 5 to 18-storey residential buildings providing around 700 residential units, and was completed in December 2013. During the Year, units of Phase Two of this project with a total GFA of approximately 49,057 sq m were delivered, generating revenue of approximately RMB 118 million; and units of Phase One of this project with a total GFA of approximately 709 sq m were delivered, generating revenue of approximately RMB 3 million.

Management Discussion and Analysis

QINGHE PROJECT

Qinghe Project is located at Kaihe Village, Handian Town of Zouping County. The project comprises a parcel of land with a site area of approximately 131,258 sq m for the construction of residential units. The construction work of the property with a site area of approximately 66,667 sq m is currently expected to commence in 2014 and completed in 2017 while the remaining portion of the property with a site area of approximately 64,591 sq m is expected to commence in 2015 and completed in 2018.

YINTAISHAN CORN CULTURAL PROJECT

Yintaishan Corn Cultural Project lies to the south of Jinan-Qingdao expressway and to the north of Yintai Mountain. It is one of the 20 key cultural industrial parks of Shandong Province. The project will include a conference reception centre, a corn kingdom film studio, a corn museum, a leisure aged-nursing home as well as tourist and cultural real estates. Of the total estimated GFA of 1,400,000 sq m, cultural real estate will take up a GFA of not less than 400,000 sq m, and its ancillary residences will take up a GFA of not less than 800,000 sq m, with ancillary commercial real estate for the residential cluster area cover a GFA of not less than 200,000 sq m. Currently, the project is under preliminary work and pending completion of the procedures of listing-for-sale and entering into the State-owned Land Use Rights Grant Contract.

MANAGEMENT DISCUSSION AND ANALYSIS

JIMO PROJECT

Jimo Project, located in Jimo City of Qingdao, is a multi-purpose high-end property development project adjacent to the Qing-Rong intercity railway station, with the commercial and trading, hotel, service and residential functions and a station square as the development centre. The project has an aggregate site area of approximately 3,091 mu (equivalent to approximately 2,060,677 sq.m.), tentatively located to the east of Ma Shan Road, the west of Hua Shan Third Road, the south of Qing Wei Road and the north of Lan Ao Road and will involve the re-development of six villages of the Jimo City into the "Jimo Metropolitan". The Group and the Jimo Government entered into a framework agreement in relation to the principles of the cooperation intention in May 2013. In September 2013, the Group entered into the Development Cooperation Agreement with the Jimo Government. The preliminary demolition and resettlement work is being carried out. The official demolition work and the project construction could be carried out after the Jimo government and residents have finalized the arrangement on demolition and resettlement. Subject to the grant of governmental approvals and the obtaining of relevant land use rights of project sites, the construction work of the resettlement zone and the Group's independent development zone are expected to be commenced in around June 2014 and the third quarter of 2014 respectively.

2. Review of Financial Results

Financial results of the Group for the Year, together with the comparative figures of 2012, are summarized as follow:

For the year ended 31 December	2013 RMB'000	2012 RMB'000 (Restated)	Increase %
Revenue	179,149	172,999	3.6
Gross Profit	33,914	27,344	24.0
Operating Profit	16,705	13,848	20.6
Net Loss	(965,792)	(18,033)	5,255.7

The Disposal was completed on 29 June 2013 ("**Date of Completion**"). Revenue, gross profit and operating profit stated above excluded that of the corn processing business, with only net loss of corn processing business up to Date of Completion included in the net loss of the Group stated above.

Net loss for the Year mainly included net loss of the corn processing business up to the Date of Completion of approximately RMB 37 million and non-recurring finance costs, other expenses of approximately RMB 115 million and the loss on disposal of the corn processing business of approximately RMB 818 million. Details are discussed in the sections of "Finance costs" and "Other expenses".

During the Year, the Group delivered units of projects with a total GFA of approximately 63,794 sq m, generating revenue of approximately RMB 179 million in total, with gross profit of approximately RMB 34 million. During the Year, the Group achieved contracted sales of approximately RMB 130 million for units of the Lanting Project and Meijun Project, with a total GFA of approximately 41,276 sq m.

Contracted sales and GFA completed by project:

Project	**During the year ended 31 December 2013**	
	Contracted sales	
	GFA sq m	Amount RMB million
Lanting (North Zone)	8,521	34
Lanting (South Zone)	19,583	58
Meijun (Phase One)	590	2
Meijun (Phase Two)	12,582	36
Total	41,276	130

Management Discussion and Analysis

Other expenses

It mainly included the exchange loss of approximately RMB 20 million arisen from the assignment of the loans owed by the companies disposed under the Disposal.

Selling and marketing expenses

The Group's selling and marketing expenses mainly consisted of advertising and marketing expenses and salaries of sales staff. Selling and marketing expenses during the Year were approximately RMB 1.5 million (2012: RMB 0.08 million).

Administrative expenses

The Group's administrative expenses included general administrative overheads, legal and professional fees and staff cost for management and administrative staff. Administrative expenses for the Year were approximately RMB 15.8 million (2012: RMB 13.4 million).

During the Year, the Group's selling, marketing and administrative expenses altogether represented approximately 9.6% of the total revenue (2012: 7.8%). New subsidiaries were established during the Year, selling, marketing and administrative expenses for the Year increased as compared with last year.

Finance costs

The finance cost of the Group was approximately RMB 98.9 million in 2013 (2012: RMB 2.0 million).

The finance costs during the Year included non-recurring interest expenses and amortization cost of the promissory note with the principal amount of RMB 308 million issued to Xiwang Investment Company Limited ("**Xiwang Investment**") in December 2012 (the "**Promissory Note**") and extinguished on 29 June 2013 for offsetting against part of the consideration of the Disposal payable by Xiwang Investment, totally around RMB 94.7 million.

During the Year, the bank loan interest of the Group was approximately RMB 4.2 million (2012: RMB 2.0 million)

Income tax expense

The Group's income tax expense was approximately RMB 9.7 million (2012: RMB 8.0 million) during the Year, including land appreciation tax ("**LAT**") of approximately RMB 3.1 million (2012: RMB 1.2 million) and corporate income tax of approximately RMB 6.6 million (2012: RMB 6.8 million).

Pursuant to the PRC Corporate Income Tax ("**CIT**"), all PRC enterprises are subject to a standard enterprise income tax of 25%, except for enterprise under specific preferential policies and provisions.

In 2013, the applicable tax rate of Shandong Yintaishan Cultural Development Company Limited*(山東印台山文化發展有限公司), Shandong Xiwang Investment Holdings Company Limited* (山東西王投資控股有限公司), Shandong Xiwang Property Company Limited* (山東西王置業有限公司) ("**Shandong Xiwang Property**"), Qingdao Xiwang Property Company Limited* (青島西王置業有限公司) ("**Qingdao Xiwang Property**") and Qingdao Jimo City Xiwang Metropolitan Company Limited (青島即墨市西王商都有限公司) is 25% (2012: 25%).

Pursuant to the CIT law and relevant regulations, withholding tax is levied on dividends paid to foreign investors from PRC enterprises relating to profit earned after 1 January 2008. The Directors consider that its subsidiaries in the PRC would not distribute its profits earned after 1 January 2008 in the foreseeable future, accordingly, no deferred tax had been recognized for the undistributed retained earnings as at 31 December 2013.

Liquidity, capital resources and gearing ratio

	31 December 2013 RMB million	31 December 2012 RMB million
Cash and cash equivalents	9	592
Total borrowings [a]	–	2,139
Net current assets	551	59
Total equity	688	2,813
Current ratio [b]	3.51	1.02
Gearing ratio [c]	0	0.55

[a] Total borrowings include borrowings and promissory note payable.

[b] Current ratio is calculated as total current assets divided by total current liabilities.

[c] Gearing ratio is calculated as net borrowings divided by total equity, of which net borrowings equals to total borrowings minus cash and cash equivalents.

The Group's cash and cash equivalents as at 31 December 2013 amounted to approximately RMB 9 million (as at 31 December 2012: RMB 592 million). During the Year, the Group had net cash outflow from operating activities of approximately RMB 639 million (2012: net cash inflow of RMB 283 million). The Group has net cash inflow from investing activities of approximately RMB 667 million (2012: net cash outflow of RMB 1,213 million) which is mainly from the partial proceeds received from the Disposal. The Group has net cash outflow from financing activities of approximately RMB 613 million during the Year (2012: net cash inflow of RMB 1,289 million), for the repayment of the bank loans and payment of special dividend.

The Group had no borrowings as at 31 December 2013.

Total equity decreased from RMB 2,813 million as at 31 December 2012 to RMB 688 million as at 31 December 2013. Apart from the net loss for the Year which was mainly caused by the one-off loss from the Disposal, including the shortfall of the consideration and net assets disposed under the Disposal amounted to approximately RMB 818 million, the Group declared special dividend amounted to approximately RMB 1,158 million.

As at 31 December 2013, current ratio increased to 3.51 (as at 31 December 2012: 1.02), mainly due to the decrease of the Group's borrowings after the Disposal.

Capital investment

No significant capital investment related to purchase of property, plant and equipment for the continuing operations of the Group during the Year (2012: RMB 991 million). As at the date of this report, the Group has no plan for material investment or acquisition of capital assets.

Contingent liabilities/Advance to an Entity

As at the date of this report and as disclosed in the circular of the Company dated 11 December 2012 (the "**2012 Circular**"), Shandong Xiwang Property provided a guarantee in favour of Agricultural Development Bank of China, Zouping County Branch, in respect of the loan of an independent third party PRC company named "Zouping County State-owned Assets Investment Operation Company Limited*" (鄒平縣國有資產投資經營有限公司) with a term of 10 years from December 2011 of RMB 350 million, for a guarantee period up to the end of two years after the next day following repayment of the loan in full (the "**PRC Company Guarantee**"). The PRC Company Guarantee was provided by Shandong Xiwang Property with a view to maintaining a sound relationship with the local government. Xiwang Investment has provided an indemnity to the Company and Shandong Xiwang Property against any loss arising from any claim or demand of repayment made against Shandong Xiwang Property under the PRC Company Guarantee. Further details of the PRC Company Guarantee are set out in the 2012 Circular.

Foreign exchange risk

The Group's main operation is in the PRC while the functional currency is RMB. During the Year, majority of the Group's assets, liabilities, incomes, payments and cash balances were denominated in RMB. Therefore, the Directors believed that the risk exposure of the Group to fluctuation of foreign exchange rate was not significant as a whole.

Human Resources

As at 31 December 2013, the Group employed approximately 79 staff (as at 31 December 2012: 3,680). The Group reviews regularly the remuneration packages of the directors and employees with respect to their experience and responsibilities to the Group's business. The Group has established a remuneration committee to determine and review the terms of remuneration packages, bonuses and other compensation payable to the directors and senior management. In addition to basic remuneration packages and discretionary bonuses, share options may be granted based on individual performance.

For the Year, the employee costs (including Directors' emoluments) for the continuing operations of the Group was approximately RMB 5.3 million (2012: 5.4 million).

Management Discussion and Analysis

3. Outlook and Development

The economic development of China showed positive momentum in 2013. The National Bureau of Statistics of China announced that the GDP of China grew by 7.7% in 2013 and hit RMB 56,884.5 billion, which met the target set at the beginning of 2013. Disposal income per capita for urban residents was RMB 26,955, represented a growth of 7.0%. Investment in property development in China recorded an increase of 19.4% to RMB 8,601.3 billion. Area of commodity property sold in 2013 was 1,305.51 million sq m, surged by 17.3% from 2012. Sales volume of commodity property also jumped 26.3% to RMB 8,142.8 billion for the Year.

Held from 9 to 12 November 2013 in Beijing, the Third Plenary Session of the 18th Communist Party of China Central Committee (the "**CPC Meeting**") (「中國共產黨第十八屆中央委員會第三次全體會議」) (「三中全會」) laid out the vision of the Chinese leaders for the government reforms in the next decade. It was announced to loosen the decades-long one-child population policy, allowing couples to have two children if one of them is an only child. The plan to relax the country's one-child policy is expected to come into practice in stages, and depend on local conditions. The China's family planning policy introduced in the 1970s had caused the country's birth rate decreased from 33.4 per thousand in 1970 to 12.1 per thousand in 2012, successfully preventing population growth. The release of the one-child policy will certainly stimulate the growth of population in China and the demand for property in the coming future.

The CPC Meeting discussed major issues concerning comprehensive and deepened reforms and determined the direction of reform. One of the many issues targeted by the Central Committee includes urbanization. As part of its urbanization push, China will accelerate the reform of its "Hukou" system (「戶口制度」), or household registration system, to help farmers become urban residents. The "Hukou" system was set up five decades ago and gradually become an obstacle to urbanization as migrant workers who live in cities but without local permanent residence cards are unable to claim basic social services. The reform of the Hukou system will be a favourable factor to the progress of urbanization in China. Urbanization, being the driver of economic growth and property demand, is at the heart of China's plans for the coming decade.

In line with the economic growth of China, Shandong Province also registered strong economic growth in 2013. Figures from the Bureau of Statistics of Shandong Province showed that the GDP growth rate of the province in 2013 was 9.6% and achieved a GDP amount of approximately RMB 5,468.43 billion. Urbanization rate of the Province reached 52.43% in 2012 whereas the rate of four cities including Qingdao, Jinan, Zibo and Dongying exceeded 60%.

The People's Government of Shandong Province (the "**Shandong Government**") announced in August 2013 "the Planning of Provincial Cities Economic Zones" (《省會城市群經濟圈發展規劃》) (the "**Plan**") for the period from 2013 to 2020, which positions the provincial cities as the priority development zone with an aim to strengthen the provincial economy and regional development. According to the Plan, the targeted provincial cities are seven cities including provincial capital Jinan City and Binzhou City where four of our projects are located. The Shandong Government targets to achieve regional production volume of approximately RMB 3,500 billion with an annual growth rate of around 9% and the urbanization rate to reach approximately 65% for the region in 2020.

Looking forward, with the promising economic development and supportive governmental policies, the Group is confident in the property development business in Shandong Province. For sustainability of the business, the Group will continue to look for good opportunities in the market and acquire suitable land plots for expansion in the future. We strive to maximize investment values and reap satisfactory returns.

* *For identification purpose only*

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

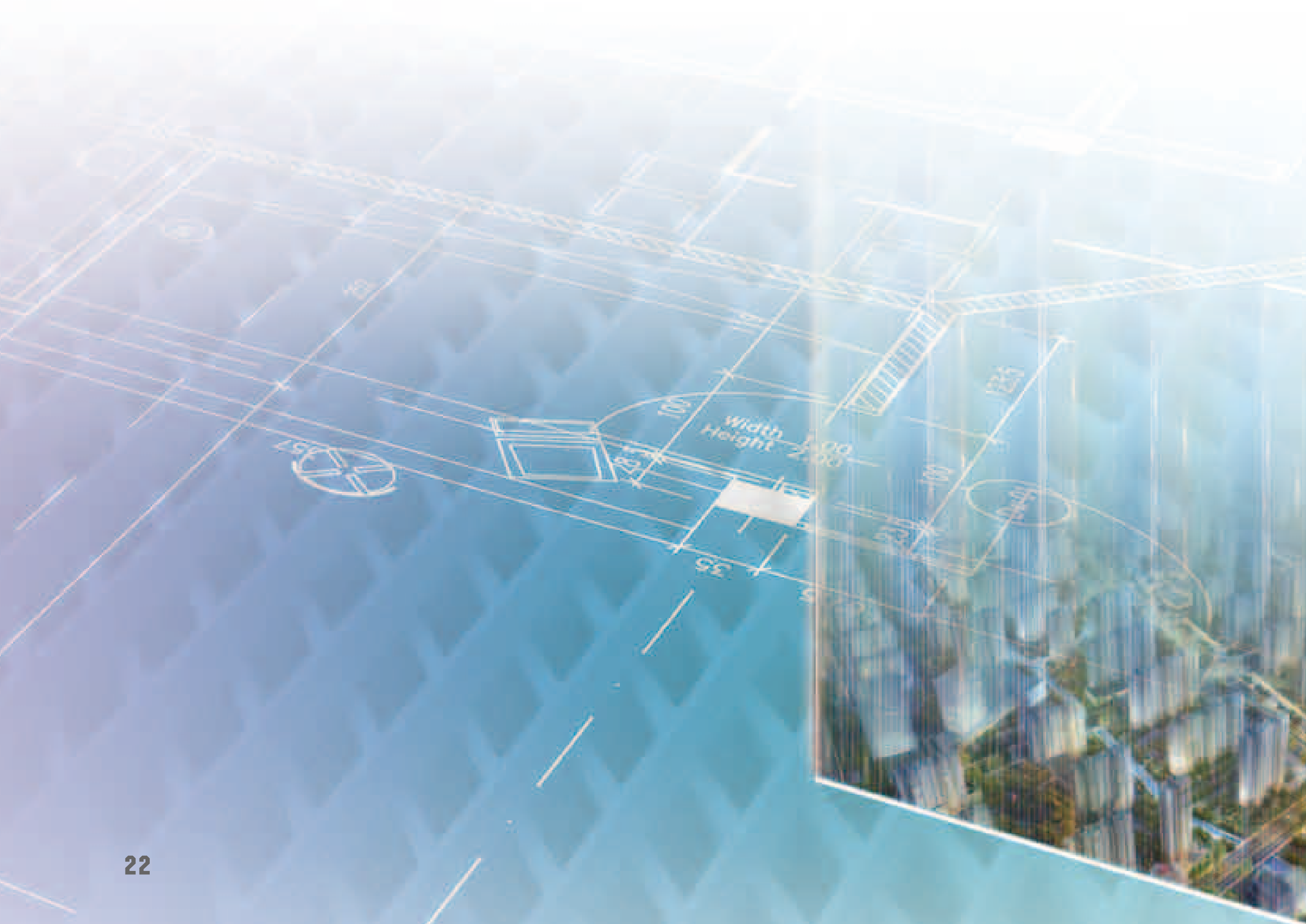
EXECUTIVE DIRECTORS

WANG CHUAN WU (王傳武)

Chief Executive Officer

(appointed on 15 July 2013)

Aged 45, is executive Director and the chief executive officer of the Company since 15 July 2013. Mr. WANG possess approximately 27 years of solid experience in property development. He graduated from the Professional Course in Industrial and Residential Construction from Zouping County Professional College* (鄒平縣成人中等專業學校) of Shandong province in 1998. During the period from 1986 to 1993, Mr. WANG worked at Zouping County Handian Town Construction Company* (鄒平縣韓店鎮建築公司) and participated in various construction and technical duties. He was the general manager of Zouping County Xiwang Construction Company Limited* (鄒平縣西王建築有限責任公司) from 1993 to 2006. Since 2006, he is the general manager of Shandong Xiwang Property, a subsidiary of the Company.



ZHOU XIANG LIN (周相林)

(appointed on 15 July 2013)

Aged 39, is an executive Director since 15 July 2013. Mr. ZHOU is also the general manager of Qingdao Xiwang Property, a subsidiary of the Company and has around 17 years of experience in property development and construction. Mr. ZHOU graduated from Qingdao Architecture and Construction College* (青島建築工程學院) with a bachelor degree in Architecture in 1997. He was qualified as a national first-class architect in 2007 and was qualified as a senior engineer by Human Resources Bureau of Shandong Province (山東省人事廳) in 2008. During the period from 1997 to 2002, Mr. ZHOU worked as a construction designer at Qingdao Chemical Industrial Design Institute*(青島化工設計院). He joined Qingdao Public Utilities Design and Research Institute Company Limited* (青島市公用建築設計研究院有限公司) as deputy general manager and project in-charge from 2002 to 2010. From 2010 to 2012, Mr. ZHOU worked for Hutchison Whampoa Properties (Qingdao) Limited as construction manager. Before joining Qingdao Xiwang Property in April 2013, he was the manager of Design and Management Department of Hong Kong China Merchants Group Qingdao Lanwan Wangu Limited (香港招商局青島藍灣網谷有限公司). He has participated in a number of construction projects in Qingdao and Shandong Province, including residential and office buildings, shopping centres, elderly activity centre and schools etc.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

CHENG GANG (程剛)

(appointed on 15 July 2013)

Aged 41, is an executive Director since 15 July 2013. Mr. CHENG has around 17 years of experience in property development. He studied Construction and Structural Engineering Professional Course at Tsinghu University from 1997 to 2000 and was qualified as a registered national first-class constructor in 2010. During the period from 1996 to 2006, Mr. CHENG worked at Shandong Tonglian Information Industrial (Group) Company Limited* (山東通聯信息產業(集團)有限公司) as technician and was promoted from assistant engineer to manager of construction department in 2002. Since 2006, Mr. CHENG joined Shandong Xiwang Property as project-in-charge and was promoted to deputy general manager in 2011.

WANG FANGMING (王方明)

General Manager

(resigned on 15 July 2013)

Aged 46, was executive Director and the previous general manager of the Company. He was responsible for the execution of plans and policies as determined by the Board. Mr. WANG joined Xiwang Group Company Limited* (西王集團有限公司) ("**Xiwang Group**") since 1998. He has been appointed as the general manager of Shandong Xiwang Sugar Industry Company Limited, which was the major operational subsidiary of corn processing business of the Company and was disposed on 29 June 2013, since October 2009. Mr. WANG is the vice president of China Starch Industry Association (中國澱粉工業協會) and the vice president of Binzhou City Association of Grain Sector (濱州市糧食行業協會). Mr. WANG has obtained several awards, including Outstanding Entrepreneur of Binzhou City Non-stated owned Enterprise* (濱州市優秀民營企業家) and Labour Model of the Nation* (全國優秀農民工).

Mr. WANG was appointed as executive Director and the general manager of the Company in July 2012, and resigned as both of these positions of the Company on 15 July 2013.

LI WEI (李偉)

(resigned on 15 July 2013)

Aged 37, was an executive Director, and was responsible for the manufacturing, production technology and quality control of the Group. Dr. LI obtained a doctorate certificate in food science from Southern Yangtze University (江南大學) in 2003, and was the chief engineer of the Group from May 2003 to June 2013. Dr. LI is the spouse of Mr. SUN Xinhu who is a non-executive Director. Dr. LI was appointed as an executive Director in November 2005 and resigned on 15 July 2013.

HAN ZHONG (韓忠)

(resigned on 15 July 2013)

Aged 58, was an executive Director and one of the founders of the Group. Mr. HAN was responsible for the overall financial management of the Group's operation in the PRC. Mr. HAN was the deputy head of the finance department of Zouping County Cotton Mill* (鄒平縣棉紡織廠) from 1980 to 1997 and joined Xiwang Group since 1997. He graduated from Shandong Chinese Accountant's School Zouping* (山東省中華會計函授學校鄒平分校) in 1990 and obtained the accountant's qualification in the PRC in 1992. Mr. HAN was appointed as an executive Director in November 2005 and resigned on 15 July 2013.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

WANG DI (王棣)

Chairman

(re-designated as non-executive Director and the chairman of the Company on 15 July 2013)

Aged 30, is non-executive Director and the chairman of the Company. He was appointed as an executive Director in November 2010 and the deputy chairman of the Company in July 2012. He was the head of branding of the Group from 2006 to June 2013. Mr. WANG has been re-designated as non-executive Director and the chairman of the Company from 15 July 2013. Mr. WANG attended the bachelor's degree course of Information Conflict from the Electronic Engineering Institute of the Chinese People's Liberation Army (中國人民解放軍電子工程學院) from 2001 to 2005. He joined Xiwang Group in August 2005 and the Group in January 2006. He was in charge of the international trading business of the Group from 2005 to June 2013 and has been in charge of international trading business of Xiwang Group for more than eight years. Mr. WANG has been granted with various awards and honours, including outstanding worker for enterprise education and training of Shandong Province in 2006, labour model of Binzhou City of Shangdong Province of the PRC, labour model of Shandong Province and outstanding entrepreneur in food industry of Shandong Province. Mr. WANG is the chairman of Xiwang Foodstuffs Co. Ltd. ("**Xiwang Foodstuffs**") (a company listed on the Main Board of the Shenzhen Stock Exchange under stock code 000639 in February 2010 and is effectively held as to 52.08% by Xiwang Group), and a non-executive director of Xiwang Special Steel Company Limited ("**Xiwang Special Steel**") (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") under stock code 1266 in February 2012 and is effectively held as to 75% by Xiwang Holdings Limited ("**Xiwang Holdings**"), the holding company of the Company). Mr. WANG Di is the son of Mr. WANG Yong, who is a non-executive Director and the deputy chairman of the Company.

WANG YONG (王勇)

Deputy Chairman

(re-designated as non-executive Director and the deputy chairman of the Company on 15 July 2013)

Aged 63, is non-executive Director and the deputy chairman of the Company. He is one of the founders of the Group. Mr. WANG was appointed as executive Director and the Chairman of the Company in March 2005 and has been re-designated as non-executive Director and the deputy chairman of the Company from 15 July 2013. Mr. WANG was the legal representative of Zouping County Xiwang Social Benefits Oil and Cotton Factory (鄒平縣西王社會福利油棉廠) from 1986 to 1992 and of Zouping County Xiwang Industrial Head Company (鄒平縣西王實業總公司) from 1993 to 1996. He was the managing director of Xiwang Group from 1996 to 2001. Mr. WANG has been the chairman of the board of directors of Xiwang Group since 2001. Mr. WANG has been assessed by Professional Position Evaluation Committee of Binzhou Non-Public Ownership Organisations (濱州市非公有制經濟組織專業技術職務評審委員會) as a senior economist. He was awarded as the National Labour Role Model (全國勞動模範) by the State Council in 2000 and was appointed as the vice president of the third council of China Fermentation Industry Association (中國發酵工業協會) in 2004.

Mr. WANG was awarded with several prizes and titles, including the National Advanced Worker in Quality Management of Township Enterprise (全國鄉鎮企業質量管理先進工作者) awarded by the Ministry of Agriculture of China (中國農業部) in 2000, the Fourth National Township Entrepreneur Award (第四屆全國鄉鎮企業家) and National Advanced Worker in Technological Progress of Township Enterprise of the Eighth Five-year Plan (「八五」全國鄉鎮企業科技進步先進工作者) awarded by the Ministry of Agriculture of the PRC in 2001. Mr. WANG Yong received secondary education in the PRC. Mr. WANG has held several positions in listed companies. Mr. WANG is a director of Xiwang Foodstuffs. He is also the chairman and non-executive director of Xiwang Special Steel. Mr. WANG Yong is father of Mr. WANG Di, who is a non-executive Director and the chairman of the Company.

Board of Directors and Senior Management

SUN XINHU (孫新虎)

Aged 39, is a non-executive Director and the head of the Business Development Department of the Group. Mr. SUN joined the Group since 2003. He had over 4 years of experience in an international fast food chain in China. Mr. SUN graduated with a bachelor degree in food science from Shandong Institute of Light Industry (山東輕工業學院) in 1997, and a master degree in food science from Southern Yangtze University (江南大學) in 2004. Mr. SUN has been a director of Xiwang Foodstuffs since 2010, and Mr SUN was the secretary of the board of Xiwang Foodstuffs from 2010 to October 2013. Mr. SUN has been a non-executive director of Xiwang Special Steel since 2011. Mr. SUN was appointed as an executive Director in December 2008 and re-designated as a non-executive Director on 5 July 2012. Mr. SUN is the spouse of Dr. LI Wei, a previous executive Director who resigned on 15 July 2013.

INDEPENDENT NON-EXECUTIVE DIRECTORS

WONG KAI MING (黃啟明)

Aged 59, is an independent non-executive Director. Mr. WONG has over 23 years of experience in accounting and finance and is presently the proprietor of Wong Kai Ming, Certified Public Accountant. Mr. WONG holds a higher diploma in accountancy and a bachelor of arts in accountancy degree from the Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic). He is a fellow member of the Association of Chartered Certified Accountants and a practicing member of the Hong Kong Institute of Certified Public Accountants. Mr. WONG was appointed as an independent non-executive Director in November 2005.

WANG AN (王安)

Aged 67, is an independent non-executive Director. Mr. WANG has extensive experience in agriculture and knowledge in economics. He graduated from Beizhen Agricultural Professional College of Shandong Province* (山東省北鎮農業專科學校) in 1968. In 1971, he graduated from the Professional Course in Economic Statistics from the Party School of Liaoning Province* (遼寧省黨校函授經濟統計專業班) and was promoted to Senior Professor. During the period from 1968 to 1998, Mr. WANG worked at Agricultural Bureau and Forestry Bureau of Zouping County (鄒平縣農業局及林業局) and was the secretary and deputy director of the County Government Office and Director of Bureau of the Legislative Affairs (法制局), Director of the County Government Office, and communist party member of the County Government Office of Zouping County, Shandong Province, of the PRC. Before retirement in 2007, he was the secretary of the Party's Committee at the Luzhong Professional School in Shandong Province, of the PRC* (山東省魯中職業學院). Mr. WANG was appointed as an independent non-executive Director on 1 April 2013.

WANG SHU JIE (王淑杰)

(appointed on 15 July 2013)

Aged 40, is an independent non-executive Director. Mr. WANG studied Laws of Economics at Xibei Textile Vocational College (西北紡織工學院) from 1995 to 1997. He passed the China Judicial Examination (國家司法考試) and obtained a qualification in legal professional in 2002. He participated in legal services at Zouping County Chengzhong Legal Firm (鄒平縣城中法律服務所) of Shandong Province from 1999 to 2005 and since 2006, he joined Shandong Tianjian Legal Firm (山東天健律師事務所) as a lawyer. He has around 15 years of experience in legal practice. Mr. WANG was appointed as an independent non-executive Director on 15 July 2013.

SHI WEI CHEN (石維忱)

(resigned on 15 July 2013)

Aged 57, was an independent non-executive Director. Mr. SHI is a professor and has been the president of China Fermentation Industry Association since 1999. Mr. SHI was a senior engineer in the Food Industry Department (食品工業司) of the Ministry of Light Industry of the PRC (中國輕工業部), the deputy head of Commission for Economic and Trade of Wulanchabu League of Inner Mongolia* (內蒙古烏蘭察布盟經委) from 1991 to 1992, the deputy head of Administration Office of the Food Processing and Paper Making Department of Food Industry of the Ministry of Light Industry of the PRC* (中國輕工業部食品工業食品造紙部任綜合辦公室) from 1992 to 1998, and the head of Food Management Centre of the China National Bureau of Light Industry* (國家輕工業局食品管理中心) from 1998 to 1999. From January 2011, Mr. SHI is an independent director of Mei Hua Holdings Group Co., Ltd., a company publicly listed on the Shanghai Stock Exchange and is not a related party of the Group. Mr. SHI was appointed as an independent non-executive Director in November 2005 and resigned on 15 July 2013.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

LAM WAI LIN (林惠蓮)

Aged 45, is the financial controller and company secretary of the Company. Ms. LAM joined the Company in June 2007 and is responsible for the financial management and company secretarial functions of the Group. Ms. LAM has over 17 years of experience in auditing, accounting and financial management. Ms. Lam is also the company secretry of Xiwang Special Steel since June 2011. Prior to joining the Company, Ms. LAM was the finance manager of a media company listed on the Main Board of the Stock Exchange. From 2000 to 2004, she was an auditor of an international accounting firm in Hong Kong. Ms. LAM graduated from the University of London with a bachelor degree in Economics. She is a fellow member of the Association of Chartered Certified Accountants and an associate member of Hong Kong Institute of Certified Public Accountants.

CHUNG KWOK MO JOHN (鍾國武)

(resigned on 31 December 2013)

Aged 45, was an executive vice president of the Company. He joined the Company as the Chief Financial Officer from May 2008 to September 2011 and the Financial Consultant of the Company from September 2011 to 15 July 2013. He was re-designated as executive vice president of the Company on 15 July 2013. He was also the Chief Financial Officer of Xiwang Special Steel from September 2011 to 15 July 2013 and re-designated as executive vice president of Xiwang Special Steel since 15 July 2013. In addition, he is an independent non-executive director of Zhengye International Holdings Company Limited, a company listed on the Stock Exchange under stock code 3363 since March 2011, and an independent non-executive director of BYD Electronic (International) Company Limited, a company listed on the Stock Exchange under stock code 285 since June 2013. Mr. CHUNG has over 20 years of experience in auditing, financial management and corporate finance. Mr. CHUNG was an auditor in an international accounting firm during 1992 to 1999. Since 2000 and prior to joining the Company, Mr. CHUNG had held several senior management positions, including chief financial officer, executive director and independent non-executive director in several listed companies in Hong Kong. Mr. CHUNG has a bachelor degree of Economics from Macquarie University, Australia. He is also a member of Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr. CHUNG resigned as an executive vice president of the Company on 31 December 2013 and is an external consultant of the Company with effect from 1 January 2014.

* *For identification purpose only*

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain good corporate governance practices and procedures. The Company has adopted the code provisions contained in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code of corporate governance. The Board considers that the Company was in compliance with all applicable code provisions set out in the CG Code throughout the Year.

The Board is committed to upholding the corporate governance of the Company to ensure that formal and transparent procedures are in place to protect and maximize the interests of the shareholders.

The Board is responsible for performing the duties on corporate governance function as set out below:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance and legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with the CG Code and disclosure in the corporate governance report.

During the Year, the Board has reviewed the Company's corporate governance practices and the duties performed by the committees of the Board, including the revised terms of reference for the nomination committee of the Company (the "**Nomination Committee**") and the adoption of the board diversity policy (the "**Board Diversity Policy**")

CORPORATE GOVERNANCE REPORT

The Board Diversity Policy sets out its approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

The Nomination Committee is responsible for monitoring the implementation of the Board Diversity Policy and review the same as appropriate. In designing the Board's composition, the Board should have a balance of skills, experience and knowledge in the industry and diversity of perspectives appropriate to the Company's business. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The full set of the Board Diversity Policy is published on the Company's website for public information.

The Board has set objectives (including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) to implement the Board Diversity Policy and review such objects from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

Detailed discussion of the major corporate governance practices adopted and observed by the Company during the Year or where applicable, up to the date of this report is set out as below.

A. Directors' securities transactions

The Company has adopted the Model Code for Securities Transactions by the Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its model code for securities transactions by Directors. Having made specific enquiries, all the Directors confirmed that they have complied with the Model Code during the Year and up to the date of this report.

B. Board of Directors

(i) Board composition

The Board currently comprises a combination of three executive Directors, three non-executive Directors and three independent non-executive Directors. During the Year and up to the date of this annual report, the Board consisted of the following Directors:

Executive Directors:
Mr. WANG Chuan Wu *(Chief Executive Officer)* (appointed on 15 July 2013)
Mr. ZHOU Xiang Lin (appointed on 15 July 2013)
Mr. CHENG Gang (appointed on 15 July 2013)
Mr. WANG Fangming *(General Manager)* (resigned on 15 July 2013)
Dr. LI Wei (resigned on 15 July 2013)
Mr. HAN Zhong (resigned on 15 July 2013)

Non-executive Directors:
Mr. WANG Di *(Chairman)* (re-designated as chairman and non-executive Director on 15 July 2013)
Mr. WANG Yong *(Deputy Chairman)* (re-designated as deputy chairman and non-executive Director on 15 July 2013)
Mr. SUN Xinhu

Independent Non-executive Directors:
Mr. WONG Kai Ming
Mr. WANG An (appointed on 1 April 2013)
Mr. WANG Shu Jie (appointed on 15 July 2013)
Mr. SHEN Chi (resigned on 1 April 2013)
Mr. SHI Wei Chen (resigned on 15 July 2013)

During the Year, the Board at all times met the requirements under Rules 3.10 and 3.10 (A) of the Listing Rules that, at least one-third of members of the Board being independent non-executive directors, with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

Effective from 1 April 2013, Mr. SHEN Chi resigned as an independent non-executive Director and Mr WANG An has been appointed as an independent non-executive Director.

Effective from 15 July 2013, Mr. WANG Di and Mr. WANG Yong have been re-designated as non-executive Directors, and Mr. WANG Di has been re-designated as the chairman of the Company, while Mr. WANG Yong has been re-designated as the deputy chairman of the Company.

Mr. WANG Fangming, Dr LI Wei and Mr. HAN Zhong have resigned as executive Directors effective from 15 July 2013. Mr. WANG Chuan Wu, Mr. ZHOU Xiang Lin and Mr. CHENG Gang have been appointed as executive Directors effective from 15 July 2013, Mr. WANG Chuan Wu has also been appointed as the chief executive officer of the Company.

Effective from 15 July 2013, Mr. SHI Wei Chen has resigned as an independent non-executive Director, and Mr. WANG Shu Jie has been appointed as an independent non-executive Director.

(ii) Appointment and re-elections of directors
In accordance with the Bye-laws of the Company, the Board is authorized to appoint any person as a director of the Company either to fill a casual vacancy on the Board or, subject to authorization by the members in general meeting, as an additional member of the Board.

CORPORATE GOVERNANCE REPORT

According to the Bye-laws of the Company, new appointments to the Board are subject to re-election by shareholders at the next following annual general meeting. Moreover, one-third of the Directors of the Board (or, the number nearest to but not less than one-third if the number of directors is not a multiple of three) shall retire from office by rotation and is eligible for re-election by shareholders at the annual general meeting. A retiring Director shall continue to act as a Director throughout the meeting at which he retires. The Board should ensure that every Director shall be subject to retirement at least once every three years.

In compliance with Rule 3.10(1) of the Listing Rules, the Company has appointed three independent non-executive Directors. The Board considers that all independent non-executive Directors have appropriate and sufficient industry or finance experience and qualifications to carry out their duties so as to protect the interests of shareholders of the Company as a whole. One of the independent non-executive Directors, Mr. WONG Kai Ming, has over 23 years of experience in the accounting and finance fields and is a fellow member of the Association of Chartered Certified Accountants and a practicing member of the Hong Kong Institute of Certified Public Accountants. Non-executive Directors are appointed for a term of three years.

The Company has received the annual written confirmations from each of Mr. WONG Kai Ming, Mr. WANG An and Mr. WANG Shu Jie in respect of their independence respectively pursuant to Rule 3.13 of the Listing Rules. Based on such confirmations, the Board considers that all independent non-executive Directors are independent.

(iii) Responsibilities and contributions of the Board

The Board, with the assistance from the senior management, forms the core management team of the Company. The Board takes the overall responsibility for management of the Company, formulating the business strategies and development plan of the Company, decision making on important issues, including but not limited to substantial mergers and acquisitions and disposals, Directors' appointments and significant operational and financial matters, and review and approval of annual and interim results of the Company. The senior management are responsible for supervising and executing the Board policies and strategies including the provision of monthly updates of the Group's performance, position and prospects to the Board, to enable the Board and each of the Directors to deliver and discharge their duties under the Listing Rules. Daily management, administration and operation of the Company are delegated to the management team of the Company.

The Directors have timely and full access to all relevant information of the Company. The company secretary of the Company (the "**Company Secretary**") provides advice and services to the Directors to ensure the Directors follow all the Company's Board procedures and all applicable rules and regulations. Company Secretary notifies the Directors of rule amendments and updates in respect of corporate governance practices, to assist the Directors of the Company to fulfill their responsibilities.

(iv) Financial reporting

The Directors acknowledge their responsibility for preparing the financial statements for the Year, which give a true and fair view of the state of affairs of the Group, and ensure that they are prepared in accordance with statutory requirements and applicable accounting standards. The financial statements of the Company and the Group for the Year were prepared on a going concern basis. The Audit Committee reviewed and recommended the Board to adopt the audited accounts for the Year. The Board is not aware of any material uncertainties relating to the events or condition that may undermine the Company's ability to continue as a going concern.

The statements of the external auditors of the Company with regard to their reporting responsibilities on the financial statements of the Company are set out in the Independent Auditors' Report on page 59 to 60.

CORPORATE GOVERNANCE REPORT

(v) Relationship among members of the Board

Dr. LI Wei, previous executive Director resigned on 15 July 2013, is the spouse of Mr. SUN Xinhu, a non-executive Director. Mr. WANG Di, the chairman and non-executive Director, is the son of Mr. WANG Yong, the deputy chairman and non-executive Director. Saved as disclosed, there is no relationship (including financial, business, family or other material/relevant relationship(s)) between any of the Directors or chief executive officer of the Company.

Each of Mr. WANG Di, Mr. WANG Chuan Wu, Mr. WANG Fangming, Dr. LI Wei, Mr. HAN Zhong and Mr. SUN Xinhu, among others, have entered into a voting agreement in respect of their shares held in Xiwang Holdings dated 27 September 2011 and as supplemented by a supplemental voting agreement dated 7 February 2012. Under these agreements, each of the shareholders of Xiwang Holdings shall only vote, when in the capacity of a shareholder of Xiwang Holdings, in accordance with the instruction of Mr. WANG Yong at any shareholders meeting of Xiwang Holdings.

(vi) Continuous professional development of directors

Induction seminars of comprehensive guidance on directors' duties and liabilities are provided by the Company's legal advisors to Directors once they joined the Board. Senior management of the Company provides briefings to all Directors for updates of their knowledge and skills of the industry of the Company. Company Secretary provides updates or amendments of the Listing Rules of the Stock Exchange and other statutory regulations for Directors' fulfillment of their responsibilities and duties in the Company.

During the Year, the Company provided the Directors with written materials for the updates of corporate governance practices, especially the sections related to the Board and discussion and case study of market misconduct affairs. All Directors have confirmed they have studied the materials provided by the Company.

C. Chairman and chief executive officer

Mr. WANG Di is the chairman of the Company who is principally responsible for formulation of plans and policies of the Group. The chairman also chairs the Board meetings and briefs the Board members on the issues discussed at the Board meetings. The chief executive officer of the Company is Mr. WANG Chuan Wu who is responsible for the supervision for the execution of the plans and policies determined by the Board.

D. Board committees

The Board has three board committees, namely audit committee of the Company (the "**Audit Committee**"), remuneration committee of the Company (the "**Remuneration Committee**") and Nomination Committee. Independent non-executive Directors are majority of members of these committees appointed by the Board. Written terms of reference of these committees based on the CG Code have been approved and adopted by the Board.

Sufficient resources are provided to the Board committees for their discharge of their duties. They are able to seek independent professional advice, at the Company's expenses, upon reasonable request and under appropriate circumstances.

(i) Audit Committee

In accordance with the written terms of reference of the Audit Committee, all members of the Audit Committee should be non-executive Directors with majority of them being independent non-executive Directors. At least one of them shall be an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rules. Former partner of the Company's existing external auditors from time to time may not act as a member of the Audit Committee for a period of at least one year from the date of his ceasing (a) to be a partner of the firm or (b) to have any financial interest in the firm, whichever is later.

On 1 April 2013, Mr. SHEN Chi resigned as an independent non-executive Director and ceased to be a member of the Audit Committee. Mr. WANG An was appointed as a member of the Audit Committee on 1 April 2013.

On 15 July 2013, Mr. SHI Wei Chen resigned as an independent non-executive Director and ceased to be a member of the Audit Committee, Mr. WANG Shu Jie was appointed as a member of the Audit Committee on 15 July 2013.

At present, the members of Audit Committee comprised Mr. WONG Kai Ming (chairman), Mr. WANG An and Mr. WANG Shu Jie.

CORPORATE GOVERNANCE REPORT

The primary responsibilities of the Audit Committee are to monitor the integrity of the Group's financial statements and reports and review significant financial reporting judgements contained therein, exercise independent judgment in reviewing and supervising the Group's financial reporting process and internal control procedures; and system of the Group, to provide recommendations to the Board for the improvements of the Group's financial reporting system and internal control procedures and system and to provide recommendations to the Board for the appointment and removal of external auditors. The terms of reference of the Audit Committee are available on the Company's website and the website of the Stock Exchange.

Two meetings were held by the Audit Committee during the Year. During the Year, the Audit Committee reviewed the Company's internal control procedures and financial reporting system. The Audit Committee reviewed and recommended the Board to adopt the audited accounts and final result announcement for the year ended 31 December 2012 and the unaudited accounts and interim result announcement for the six months ended 30 June 2013. The Audit Committee reviewed and recommended the Board for the re-appointment of external auditor. During the Year, the Audit Committee also reviewed and recommended to the Board the change of independent auditors of the Company.

At the meeting held on 28 March 2014, the Audit Committee has reviewed the Company's annual results for the year ended 31 December 2013.

(ii) Remuneration Committee

In accordance with the written terms of reference of the Remuneration Committee, majority of members of the Remuneration Committee should be independent non-executive Directors, with the chairman must be an independent non-executive Director. The terms of reference of the Remuneration Committee are available on the Company's website and the website of the Stock Exchange.

On 1 April 2013, Mr. SHEN Chi resigned as an independent non-executive Director and ceased to be a member of the Remuneration Committee. Mr. WANG An was appointed as a member of the Remuneration Committee on 1 April 2013.

On 15 July 2013, Mr. SUN Xinhu was appointed as the chairman of Remuneration Committee and Mr. WONG Kai Ming ceased to be the chairman of Remuneration Committee but remains as the member of it. On 15 July 2013, Mr. SHI Wei Chen resigned as an independent non-executive Director and ceased to act as a member of the Remuneration Committee.

On 22 August 2013, Mr. WANG An was appointed as the chairman of the Remuneration Committee in place of Mr. SUN Xinhu.

At present, the members of Remuneration Committee comprised Mr. WANG An (chairman), Mr. WONG Kai Ming and Mr. SUN Xinhu.

The primary responsibilities of the Remuneration Committee are to make recommendations to the Board on the policy and structure of the Company for all Directors and senior management remuneration, and to review and recommend to the Board on the remuneration packages of individual executive Directors and senior management, by reference to the duties, responsibilities, experience and qualifications of each candidate.

Two meetings were held by the Remuneration Committee during the Year. During the Year, the Remuneration Committee reviewed and recommended to the Board the remuneration packages of newly appointed Directors, namely, Mr. WANG An, Mr. WANG Chuan Wu, Mr. ZHOU Xiang Lin and Mr. CHENG Gang and Directors being re-designated, namely, Mr. WANG Yong and Mr. WANG Di. The Remuneration Committee also reviewed and recommended to the Board the share options package granted during the Year.

(iii) Nomination Committee

In accordance with the written terms of reference of the Nomination Committee, majority of members of the Nomination Committee should be independent non-executive Directors, with the chairman must be an independent non-executive Director. The terms of reference of the Nomination Committee are available on the Company's website and the website of the Stock Exchange.

On 1 April 2013, Mr. SHEN Chi resigned as an independent non-executive Director and ceased to be a member of the Nomination Committee, Mr. WANG An was appointed as a member of the Nomination Committee on 1 April 2013.

On 15 July 2013, Mr. SHI Wei Chen resigned as an independent non-executive Director and ceased to be a member of the Nomination Committee. Mr. WANG Shu Jie was appointed as a member of the Nomination Committee on 15 July 2013.

On 15 July 2013, Mr. SUN Xinhu was appointed as a member of the Nomination Committee in place of Mr. WANG An.

At present, the members of the Nomination Committee comprised Mr. WONG Kai Ming (chairman), Mr. WANG Shu Jie and Mr. SUN Xinhu.

Corporate Governance Report

The primary responsibilities of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge, experience and diversity of perspective) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy and make recommendations to the Board on the nominees for appointment as Directors and senior management of the Group, by reference to the experience and qualification of each candidate.

Nomination Committee is also responsible for monitoring the implementation of the Board Diversity Policy and review the same as appropriate.

During the Year, the Board revised the terms of reference of the Nomination Committee for the compliance with the CG Code.

Three meetings were held by the Nomination Committee during the Year. During the Year, the Nomination Committee reviewed the terms of the service contracts of the Directors appointed in July 2013 and recommended to the Board the appointment of Mr. WANG An as independent non-executive Director; the appointments of Mr. WANG Chuan Wu, CHENG Gang and ZHOU Xiang Lin as executive Directors; and Mr. WANG Chuan Wu as chief executive officer of the Company. The Nomination Committee also performed annual review of the structure of the Board during the Year.

(iv) Attendance record of the Board, and Board committee meetings and general meetings

The details of Directors' attendance of the Board and board committee meetings as well as general meetings held during the Year are set out in the following table:

	No. of meetings attended/no. of meetings held				
	Board Meeting *(Note 1)*	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	General Meeting
Executive Directors:					
WANG Chuan Wu *(Chief Executive Officer) (Note 4)*	2/2	N/A	N/A	N/A	0/2
ZHOU Xiang Lin *(Note 4)*	2/2	N/A	N/A	N/A	0/2
CHENG Gang *(Note 4)*	2/2	N/A	N/A	N/A	0/2
WANG Fangming *(General Manager) (Note 4)*	3/4	N/A	N/A	N/A	0/2
LI Wei *(Note 4)*	1/4	N/A	N/A	N/A	0/2
HAN Zhong *(Note 4)*	4/4	N/A	N/A	N/A	0/2
Non-executive Directors:					
WANG Di *(Chairman) (Note 3)*	4/6	N/A	N/A	N/A	0/4
WANG Yong *(Deputy Chairman) (Note 3)*	5/6	N/A	N/A	N/A	0/4
SUN Xinhu *(Note 6)*	6/6	N/A	0/0	1/1	4/4
Independent Non-executive Directors:					
WONG Kai Ming	5/6	2/2	2/2	3/3	4/4
WANG An *(Note 2)*	4/4	1/2	1/1	1/1	0/2
WANG Shu Jie *(Note 5)*	2/3	1/2	N/A	1/1	0/2
SHI Wei Chen *(Note 5)*	2/3	0/2	1/2	1/2	0/2
SHEN Chi *(Note 2)*	1/2	1/2	0/1	0/1	0/0

Note 1: During the Year, the Board held six meetings, one of which was to consider the fund management of the Group.

Note 2: Mr. SHEN Chi resigned as an independent non-executive Director and ceased to be a member of the Audit Committee, Remuneration Committee and Nomination Committees with effect from 1 April 2013. Mr. WANG An was appointed as an independent non-executive Director and a member of each of the Audit Committee, Remuneration Committee and Nomination Committee with effect from 1 April 2013. On 15 July 2013, Mr. WANG An ceased to be a member of the Nomination Committee.

CORPORATE GOVERNANCE REPORT

Note 3: Mr. WANG Yong was re-designated from the chairman to the deputy chairman of the Company with effect from 15 July 2013. Mr. WANG Di was re-designated from the deputy chairman to the chairman of the Company with effect from 15 July 2013. Both Mr. WANG Yong and Mr. WANG Di were re-designated from executive Directors to non-executive Directors on 15 July 2013.

Note 4: Mr. WANG Fangming, Dr. LI Wei and Mr. HAN Zhong resigned as executive Directors with effect from 15 July 2013. Mr. WANG Fangming ceased to be the general manager of the Company with effect from 15 July 2013. Mr. WANG Chuan Wu, Mr. Zhou Xiang Lin and Mr. CHENG Gang were appointed as executive Directors with effect from 15 July 2013.

Note 5: Mr. SHI Wei Chen resigned as an independent non-executive Director and ceased to be a member of the Audit Committee, the Remuneration Committee and the Nomination Committee with effect from 15 July 2013. Mr. WANG Shu Jie was appointed as an independent non-executive Director and a member of the Audit Committee and the Nomination Committee with effect from 15 July 2013.

Note 6: Mr. SUN Xinhu was appointed as a member of the Remuneration Committee and a member of the Nomination Committee on 15 July 2013.

E. Remuneration of senior management

The remuneration payable to members of senior management (comprising executive Directors) of the Company by band is as follows:

	Number of senior management
Nil to RMB500,000	4
RMB500,001 to RMB1,000,000	1
	5

F. Auditors' remuneration

A breakdown of the remuneration of the Group's external auditor is as follows:

	For the year ended 31 December 2013 (RMB'000)
Service rendered	
PricewaterhouseCoopers	
Annual audit services	–
Non-audit services	
– Major connected transaction of the Disposal	1,800
Ernst & Young	
Annual audit services	1,500
Non-audit services	
– Major transaction	

G. Internal control

All Directors acknowledge their responsibility for establishing and maintaining a sound and effective internal control system to safeguard the Group's assets and shareholders' interests, and to ensure the quality of internal and external reporting and compliance with applicable laws and regulations.

During the Year, the Board has reviewed through the Audit Committee the effectiveness of the Group's internal control systems and financial reporting system. Relevant recommendations made by the Audit Committee would be adopted, if appropriate, as soon as possible by the Group to improve its internal control systems. There were no irregularities or material deficiencies found during the Year.

H. Company Secretary

The Company Secretary provides advice and services to the Board to ensure the Board follows all the Company's Board procedures and all applicable rules and regulations. Company Secretary notifies the Board of rule amendments and updates in respect of corporate governance practices, to assist the Directors of the Company to fulfill their responsibilities.

The biographical details of the Company Secretary are set out on page 30 of this Annual Report.

The Company Secretary has sufficient relevant professional training during the Year as required under Rule 3.29 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

I. Directors' and Officers' liability insurance

The Company has taken out liability insurance to indemnify its Directors and senior management for their liabilities arising from the performance of their duties. The insurance coverage is reviewed by the Company on an annual basis. No claim has been made against the Directors and senior management of the Company during the Year.

J. Shareholders' Rights and Investor Relations

The Company's shareholders' communication policy is to maintain transparency and provide timely information of the Group's material developments to shareholders and investors.

General meetings of the Company are formal channels for communication between shareholders and the Board. The chairmen of the Board and the Board committees are invited to attend the general meetings to have direct communication with the shareholders. External auditor of the Company also attend annual general meetings to answer shareholders' enquires.

Under the Company's bye-laws, the Bermuda Companies Act 1981 and applicable legislation and regulation, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition sent to the Company's registered office at Clarendon House, 2 Church Street, Hamilton, Bermuda HM11 and its principal office at Unit 2110, 21/F, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong, for the attention of the Board or the Company Secretary, to require a special general meeting ("**SGM**") to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

The written requisition must state the purposes of the general meeting, signed by the shareholder(s) concerned and may consist of several documents in like form, each signed by one or more of those shareholders.

If the requisition is in order, the Company Secretary will ask the Board to convene a SGM by serving sufficient notice in accordance with the statutory requirements to all the registered shareholders. On the contrary, if the requisition is invalid, the shareholders concerned will be advised of this outcome and accordingly, a SGM will not be convened as requested.

The notice period to be given to all the registered shareholders for consideration of the proposal raised by the shareholder(s) concerned at a SGM varies according to the nature of the proposal, as follows:

– at least twenty-one (21) clear days' and not less than ten (10) clear business days' notice in writing if the proposal constitutes a special resolution of the Company, which cannot be amended other than to a mere clerical amendment to correct a patent error; and

– at least fourteen (14) clear days' and not less than ten (10) clear business days' notice in writing if the proposal constitutes an ordinary resolution of the Company.

Shareholders who have enquires about the above procedures or have enquires to put to the Board or have suggestions on the Company's business may write to the Company Secretary at Unit 2110, 21/F, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong. The Board and senior management of the Company will seriously consider shareholders' enquiries and address them accordingly and in compliance with the Listing Rules. During the Year, no shareholders' written enquiry was received.

The investor relations and corporate communication department of the Company in Hong Kong maintains regular communication and dialogue with shareholders, investors and analysts. It can be accessed during normal business hour by phone (Telephone: 3188 4518) or email (ir@xiwangproperty.com).

Shareholders and investors can also visit the Company's website at www.xiwangproperty.com and the Stock Exchange's website for the Company's announcements, circulars, financial information, corporate governance practices, annual reports, interim reports and other corporate information and updates of business development and operations.

Business Model and Strategy

The Group will maintain flexible strategies in business development and prudent risk and capital management in order to achieve sustainable long term profitability and asset growth which in turns will maximize the shareholders' interest. The Group aims in maintaining its gearing at reasonable level and good banking relationships which enables the Group to obtain the funding for business needs and investments when opportunities arise.

The Group is optimistic about the long term economic potentials of the real estate market in China, and will focus on the development of residential projects in Shandong Province and look for development potential in other areas in China from time to time to explore new markets.

On behalf of the Board

WANG Di
Chairman

Hong Kong, 28 March 2014

DIRECTORS' REPORT

The Board is pleased to present its annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Group has changed its principal activity from corn processing business to property development business during the Year.

DIVIDEND

A special dividend of HK$ 0.75 per ordinary share for ordinary shareholders and HK$ 0.75 per convertible preference share for convertible preference shareholders, payable in cash, was approved at the special general meeting held on 29 June 2013. The deferred preferred distribution of RMB 0.01 per convertible preference share of 2012 was paid together with the approved special dividend. Special dividend and preferred distribution of RMB 1,157,738,000 in total was payable accordingly. The entitlement of Xiwang Investment to the total amount of special dividend and preferred distribution totaling RMB 901,734,000, offset against part of the consideration of the Disposal. As a result, special dividend and preferred distribution of RMB 256,004,000 was paid in cash in July 2013.

No final dividend was proposed by the Board for both ordinary shares and convertible preference shares in respect of the Year (2012: Nil).

Payment of the preferred annual distribution of RMB 1 cent per convertible preference share will be deferred.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital for the Year are set out in note 27 to the consolidated financial statements.

During the Year, 227,210,778 ordinary shares of the Company were issued pursuant to the exercise of the conversion rights attached to convertible preference shares.

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 133.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "**Scheme**") on 6 November 2005. The purpose of the Scheme is to enable the Group to grant options to selected participants as defined in Clause 4 of the Scheme as incentives or rewards for their contribution to the Group.

The principal terms of the Scheme are summarised as follows:

The maximum number of ordinary shares of the Company which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of the Group must not exceed 80,000,000 ordinary shares, being 10% of ordinary shares in issue on the date of listing of the ordinary shares on the Stock Exchange (the "**Listing Date**") and approximately 6.47% of ordinary shares in issue and listed on the Stock Exchange as at the date of this report and which must not in aggregate exceed 30% of the ordinary shares in issue from time to time.

The maximum number of ordinary shares issued and to be issued upon exercise of the options granted to any eligible person (including exercised and outstanding options) in any 12-month period shall not exceed 1% of the issued ordinary shares from time to time.

The subscription price for the ordinary shares under the Scheme shall be such price as the Board may in its absolute discretion determine at the time of grant of the option but the subscription price shall not be less than the highest of (i) the closing price of the ordinary share as stated in the Stock Exchange's daily quotations sheet on the date of the Board approving the grant of an option, which must be a business day (the "**Offer Date**"); (ii) the average closing price of the ordinary share as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the Offer Date; and (iii) the nominal value of the ordinary share.

An option may be exercised in whole or in part in accordance with the terms of the Scheme at any time during the period commencing immediately after the business day on which the option is deemed to be granted and accepted in accordance with the Scheme (the "**Commencement Date**") and expiring on such date of the expiry of the option as the Board may in its absolute discretion determine and which shall not exceed ten years from the Commencement Date but subject to the provisions for early termination thereof as set out in the Scheme.

Upon acceptance of the option, the grantee shall pay HKD1.00 to the Company as consideration for the grant.

The Scheme shall be valid and effective for a period of ten years commencing on 6 November 2005 i.e. the date of adoption of the Scheme.

DIRECTORS' REPORT

As at 31 December 2013, options to subscribe for 16,593,000 ordinary shares of the Company outstanding, details of which are set out in note 28 to the consolidated financial statements and below:

Class of grantee	Date of grant	Granted	During the year ended 31 December 2013 Exercised	Lapsed	Outstanding as at 1 January 2013	Outstanding as at 31 December 2013	Exercise price per Share (HK$)	Exercise period
Directors								
WANG Di	5 November 2013	3,000,000	–	–	–	3,000,000	1.112	*(Note 4,5)*
SUN Xinhu	5 November 2013	3,000,000	–	–	–	3,000,000	1.112	*(Note 4,5)*
Employees *(Note 1)*	8 May 2009	–	–	–	2,193,000	2,193,000	1.32	*(Note 2,5)*
	14 September 2011	–	–	500,000	7,500,000	7,000,000	1.55	*(Note 3,5)*
	5 November 2013	1,400,000	–	–	–	1,400,000	1.112	*(Note 4,5)*
		7,400,000	–	500,000	9,693,000	16,593,000		

Notes:

1. Employees include employees of the Group (other than the directors) working under employment contracts with the Group which are regarded as "continuous contracts" for the purpose of the Employment Ordinance (Chapter 57 of the Laws of Hong Kong).

2. The closing price of the ordinary shares as stated in the Stock Exchange's daily quotations sheet on 7 May 2009, being the trading day immediately preceding the date of grant of options, was HKD1.28 per share.

3. The closing price of the ordinary shares as stated in the Stock Exchange's daily quotations sheet on 12 September 2011, being the trading day immediately preceding the date of grant of options was HKD1.49 per share.

4. The closing price of the ordinary shares as stated in the Stock Exchange's daily quotations sheet on 4 November 2013, being the trading day immediately preceding the date of grant of options was HKD1.10 per share.

5. These options can only be exercised by the grantee in the following manner:

Commencing from	Maximum cumulative number of ordinary shares under the options that can be subscribed for pursuant to the exercise of the options
8 May 2012	2,193,000
13 September 2012	2,333,333
13 September 2013	2,333,333
13 September 2014	2,333,334
5 November 2014	2,400,000
5 November 2015	2,400,000
5 November 2016	2,600,000

6. The value of options granted during the Year is set out in note 28 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the Year.

RESERVES

Details of movements in the reserves of the Company during the Year are set out in note 29 to the consolidated financial statements and in the consolidated statement of changes in equity.

As the 31 December 2013, the reserves available for distribution to shareholders of the Company was approximately RMB 448,254,000.

MAJOR CUSTOMERS AND SUPPLIERS

For the Year, purchases from the largest supplier of the Group accounted for approximately 89.9% of the Group's total purchase and purchases from the Group's five largest suppliers accounted for approximately 97.5% of the Group's total purchase.

For the Year, the Group's five largest customers accounted for approximately 3.3% of the Group's total revenue.

Save as disclosed in note 33 to the consolidated financial statements and save as disclosed above, none of the Directors or any of their associates or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interests in the Group's five largest suppliers and five largest customers of the Group during the Year.

Directors' Report

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors:

Mr. WANG Chuan Wu *(Chief Executive Officer)* (appointed on 15 July 2013)
Mr. ZHOU Xiang Lin (appointed on 15 July 2013)
Mr. CHENG Gang (appointed on 15 July 2013)
Mr. WANG Fangming *(General Manager)* (resigned on 15 July 2013)
Dr. LI Wei (resigned on 15 July 2013)
Mr. HAN Zhong (resigned on 15 July 2013)

Non-executive Directors:

Mr. WANG Di *(Chairman)* (re-designated as chairman and non-executive Director on 15 July 2013)
Mr. WANG Yong *(Deputy Chairman)* (re-designated as deputy chairman and non-executive Director on 15 July 2013)
Mr. SUN Xinhu

Independent Non-executive Directors:

Mr. WONG Kai Ming
Mr. WANG An (appointed on 1 April 2013)
Mr. WANG Shu Jie (appointed on 15 July 2013)
Mr. SHEN Chi (resigned on 1 April 2013)
Mr. SHI Wei Chen (resigned on 15 July 2013)

On 1 April 2013, Mr. SHEN Chi resigned and Mr. WANG An was appointed as an independent non-executive Director.

On 15 July 2013, Mr. WANG Fangming, Dr. LI Wei, Mr. HAN Zhong resigned as executive Directors, and Mr. SHI Wei Chen resigned as an independent non-executive Director. On 15 July 2013, Mr. WANG Chuan Wu, Mr. ZHOU Xiang Lin and Mr. CHENG Gang were appointed as executive Directors and Mr. WANG Shu Jie was appointed as an independent non-executive Director.

On 15 July 2013, Mr. WANG Yong was re-designated as deputy chairman of the Company, while Mr. WANG Di was re-designated as chairman of the Company.

Each of Mr. WANG Chuan Wu, Mr. ZHOU Xiang Lin, Mr. CHENG Gang and Mr. WANG Shu Jie will retire as Director, and being eligible, offer himself for re-election as Director at the forthcoming annual general meeting in accordance with Bye-law 86(2) of the Bye-laws of the Company.

In accordance with Bye-law 87(1) of the Bye-laws of the Company, each of Mr. SUN Xinhu and Mr. WONG Kai Ming will retire as Director by rotation at the forthcoming annual general meeting and, being eligible, offer himself for re-election as Director.

During the Year, Mr. WANG Yong and Mr. WANG Di were re-designated from executive Directors to non-executive Directors. The Company renewed the service contract with Mr. WANG Yong and Mr. WANG Di for a term of three years. The Company has also entered into a service contract with each of Mr. WANG Chuan Wu, Mr. ZHOU Xiang Lin and Mr. CHENG Gang, as executive Director, and Mr. WANG Shu Jie, as an independent non-executive Director, for a term of three years, commencing from 15 July 2013. In addition, the Company also has entered into a service contract with Mr. WANG An, as an independent non-executive Director, for a term of three years commencing from 1 April 2013.

The Company has entered into a service contract with Mr. WONG Kai Ming, as an independent non-executive Director, for a term of three years commencing from 5 November 2011.

The Company has entered into a service contract with Mr. SUN Xinhu, as a non-executive Director, for a term of three years commencing from 6 July 2012.

The service contracts mentioned above may be terminated by either party by giving to the other not less than three months' prior notice in writing.

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company considered all the independent non-executive Directors to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 22 to 30 of this annual report.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the paragraph headed "Connected transactions" below and in note 33 to the consolidated financial statements, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party subsisted at the end of the Year or at any time during the Year.

DIRECTORS' REPORT

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the Year was the Company or any of its subsidiaries or the holding company or a subsidiary of the Company's holding company a party to any arrangements to enable the Directors to acquire benefits by means of an acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2013, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("**SFO**")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

Company/Name of associated corporations	Name of directors	Capacity	Number/amount and class of securities *(Note 1)*	Approximate percentage of the issued securities as at 31 December 2013
Company	WANG Yong	Interest of a controlled corporation *(Note 2)*	810,903,622 ordinary shares (L) *(Note 4)*	65.62%
			678,340,635 convertible preference shares (L) *(Note 4)*	99.67%
	WANG Di	Beneficial owner	3,000,000 *(Note 7)*	0.24%
	SUN Xinhu	Beneficial owner	3,000,000 *(Note 7)*	0.24%
Xiwang Holdings	WANG Yong	Beneficial owner *(Note 2)* Others *(Note 2)*	130,495 shares (L) 69,505 shares (L)	65.25.% 34.75%

Company/Name of associated corporations	Name of directors	Capacity	Number/amount and class of securities *(Note 1)*	Approximate percentage of the issued securities as at 31 December 2013
Xiwang Investment	WANG Yong	Interest of controlled corporations *(Note 2)*	3 shares (L) promissory note in the principal amount of RMB 441,223,765 *(Note 5)*	100% N/A
Xiwang Special Steel	WANG Yong	Interest of controlled corporations *(Note 2)*	1,500,000,000 shares(L) *(Note 3,6)*	75%
Xiwang Holdings	WANG Di	Beneficial owner *(Note 2)*	3,546 shares (L)	1.77%
Xiwang Holdings	WANG Chuan Wu	Beneficial owner *(Note 2)*	3,546 shares (L)	1.77%
Xiwang Holdings	SUN Xinhu	Beneficial owner *(Note 2)*	1,773 shares (L)	0.89%

Notes:

(1) The letter "L" represents the Director's interests in the shares.

(2) Xiwang Investment is a wholly-owned subsidiary of Xiwang Holdings, the voting right of which is in turn controlled as to 100% by Mr. WANG Yong and the shares of which are directly and beneficially owned as to 65.25% by Mr. WANG Yong. Mr. WANG Yong is therefore deemed to be interested in the entire issued share capital in Xiwang Investment and Xiwang Holdings. Mr. WANG Yong is the sole director of Xiwang Investment and Xiwang Holdings.

Xiwang Holdings is directly and beneficially owned as to 65.25% by Mr. WANG Yong, 1.77% by each of Mr. WANG Di and Mr. WANG Chuan Wu respectively and 0.89% by Mr. SUN Xinhu.

(3) These shares are registered in the name of Xiwang Investment. Mr. WANG Yong is deemed to be interested in all the shares of Xiwang Special Steel held by Xiwang Investment.

(4) These shares and promissory note are registered in the name of Xiwang Investment. Mr. WANG Yong is deemed to be interested in all shares and the promissory note of the Company held by Xiwang Investment.

(5) This promissory note (the "**Promissory Note**") with principal amount of RMB 441,223,765 was issued by Xiwang Investment in favour of the Company to satisfy part of the consideration of the disposal of the entire issued share capital of Master Team International Limited by the Company to Xiwang Investment in 2013. Mr. WANG Yong is deemed to have interest in the Promissory Note through his interest in the Company and Xiwang Holdings.

(6) Xiwang Investment has charged all its shares in Xiwang Special Steel in favour of the Company as security for its indebtedness owed to the Company under the Promissory Note. Mr. WANG Yong is deemed to have interest in the security interest over the shares of Xiwang Investment in Xiwang Special Steel through his interest in the Company and Xiwang Holdings.

(7) These interests represent the Directors' beneficial interests in the underlying shares in respect of the share options granted by the Company to the Directors. Details of which are set out in the section headed "Share Option Scheme".

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTERESTS PURSUANT TO PART XV OF THE SFO

(a) Substantial shareholders of the Company

As at 31 December 2013, so far as it is known to any Directors of the Company, the following shareholders (other than the Directors and chief executive of the Company whose interests and short positions in the shares and underlying shares of the Company are set out above) had or were deemed or taken to have interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of substantial shareholders	Capacity	Number of shares of the Company held *(Note 1)*	Approximate percentage of interest as at 31 December 2013
Xiwang Investment	Beneficial owner	810,903,622 ordinary shares (L)	65.62%
		678,340,635 convertible preference shares (L)	99.67%
Xiwang Holdings	Interest of a controlled corporation *(Note 2)*	810,903,622 ordinary shares (L)	65.62%
		678,340,635 convertible preference shares (L)	99.67%
ZHANG Shufang	Interest of spouse *(Note 3)*	810,903,622 ordinary shares (L)	65.62%
		678,340,635 convertible preference shares (L)	99.67%

Notes:

(1) The letter "L" represents the entity's interests in the shares.

(2) Xiwang Investment is a wholly owned subsidiary of Xiwang Holdings. Xiwang Holdings is deemed to be interested in the shares in which Xiwang Investment is interested.

(3) Ms. ZHANG Shufang, being the spouse of Mr. WANG Yong, is deemed to be interested in all the shares in which Mr. WANG Yong is deemed to be interested.

(b) Other persons who are required to disclose their interests pursuant to Part XV of the SFO

Save as disclosed in the paragraph headed "Directors' Interests in shares, underlying shares and debentures of the Company and its associated corporations" and paragraph (a) above, as at 31 December 2013, no other person had interests or short positions in the shares and underlying shares of the Company which are required to be recorded in the register required to be kept by the Company under section 336 of the SFO.

CONNECTED TRANSACTIONS

Details of the connected transactions undertaken by the Group during the Year which were subject to reporting requirements under Chapter 14A of the Listing Rules are set out below.

A. Set out below are a brief description of the continuing connected transactions which are non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules and their annual cap amounts approved by the independent shareholders and actual transaction amounts for the year ended 31 December 2013.

Description		Actual transaction amounts	Approved annual cap	Relationship with the Company
1.	Sales of corn germs by the Group to Shandong Xiwang Food Company Limited	RMB 269 million	RMB 874 million	Subsidiary of Xiwang Group
2.	Sale of corn starch by the Group to Xiwang Pharmaceutical Company Limited ("**Xiwang Pharmaceutical**")	RMB 528 million	RMB 1,609 million	Subsidiary of Xiwang Group
3.	Sale of crystalline glucose by the Group to Xiwang Pharmaceutical	RMB 178 million	RMB 505 million	Subsidiary of Xiwang Group
4.	Provision of sewage service by the Group to Xiwang Group	RMB 3 million	RMB 6.3 million	Subsidiary of Xiwang Group

DIRECTORS' REPORT

The agreements of the continuing connected transactions stated above were terminated after the completion of the Disposal.

The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

(1) in the ordinary and usual course of business of the Company;

(2) on normal commercial terms or terms no less favourable to the Company than terms available to or from independent third parties;

(3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The transaction amount in respect of each type of the continuing connected transactions above during the Year has not exceeded the annual cap for that transaction.

The Company has received a written confirmation from the auditors. The auditors have confirmed that the continuing connected transactions during the Year compiled with Rule 14A.38, that is, the continuing connected transactions:

(1) have received the approval of the Board;

(2) are in accordance with the pricing policies of the Group, if the transactions involve provision of goods or services by the Group;

(3) have been entered into in accordance with the relevant agreements governing the transactions; and

(4) have not exceeded the caps disclosed in previous announcements.

B. On 29 June 2013, the Group completed the Disposal and assigned various unsecured and non-interest bearing loans owed by each of the company disposed under the Disposal to Xiwang Investment, a controlling shareholder of the Company (the "**Assignment**") at the consideration of RMB 2,096 million. The Disposal and the Assignment were approved by independent shareholders of the Company at the special general meeting held on 29 June 2013. For details, please refer to the circular of the Company dated 13 June 2013.

C. Related Party Transactions

Details of the related party transactions undertaken by the Group during the Year are set out in note 33 to the financial statements. The Company has complied with the applicable requirements under the Listing Rules for those related party transactions which constituted non-exempt connected transactions/continuing connected transactions. Other related party transactions either did not constitute connected transactions/continuing connected transactions or constituted connected transactions/continuing connected transactions but were exempted from all disclosure and independent shareholders' approval requirements under the Listing Rules.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 31 to 45 of this annual report.

AUDIT COMMITTEE

The Company established an Audit Committee with written terms of reference based upon the provisions and recommended practices of the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures and system of the Group. During the Year, members of the Audit Committee comprised Mr. WONG Kai Ming (chairman), Mr. SHI Wei Chen and Mr. SHEN Chi, being the three independent non-executive Directors. Mr. SHEN Chi resigned and Mr. WANG An was appointed as an independent non-executive Director and member of the Audit Committee of the Company, both effective from 1 April 2013. Mr. SHI Wei Chen resigned and Mr. WANG Shu Jie was appointed as an independent non-executive Director and member of the Audit Committee of the Company, both effective from 15 July 2013. At present, the members of the Audit Committee comprised Mr. WONG Kai Ming (Chairman), Mr. WANG An and Mr. WANG Shu Jie.

The Group's consolidated financial statements for the Year have been reviewed by the Audit Committee, which is of the opinion that such statement complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float not less than 25% of the total issued share capital as at the date of this report.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting ("**AGM**") of the Company will be held on Thursday, 22 May 2014.

DIRECTORS' REPORT

CLOSURE OF REGISTER OF MEMBERS

The register of members in respect of ordinary shares of the Company will be closed from Tuesday, 20 May 2014 to Thursday, 22 May 2014, (both days inclusive), during which period no transfer of ordinary shares will be registered for the purpose of ascertaining shareholders' entitlement for attending and voting at the AGM. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates and, in the case of holders of convertible preference shares, all duly completed notices of conversion accompanied by the relevant certificates of convertible preferences shares, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 19 May 2014.

AUDITORS

The Company's auditors changed from PricewaterhouseCoopers to Ernst & Young, with effect from 26 September 2013. The consolidated financial statements have been audited by Ernst & Young who retire and, being eligible, offer themselves for re-appointment. A resolution will be proposed at the AGM to re-appoint Ernst & Young as auditors of the Company.

On behalf of the Board

WANG Di
Chairman

Hong Kong, 28 March 2014

INDEPENDENT AUDITORS' REPORT

EY 安永

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the shareholders of Xiwang Property Holdings Company Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Xiwang Property Holdings Company Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages 61 to 132, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory 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 Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITORS' REPORT

OPINION

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

Certified Public Accountants
Hong Kong
28 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2013	Note	2013 RMB'000	2012 RMB'000 (Restated)
CONTINUING OPERATIONS			
REVENUE	5	**179,149**	172,999
Cost of sales		**(145,235)**	(145,655)
Gross profit		**33,914**	27,344
Other income	5	**2,107**	–
Other expenses		**(20,160)**	(769)
Selling and marketing expenses		**(1,464)**	(80)
Administrative expenses		**(15,771)**	(13,416)
Finance costs	7	**(98,918)**	(2,008)
(LOSS)/PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	6	**(100,292)**	11,071
Income tax expense	10	**(9,697)**	(7,968)
(LOSS)/PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**(109,989)**	3,103
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	12	**(855,803)**	(21,136)
LOSS FOR THE YEAR		**(965,792)**	(18,033)
Attributable to:			
Owners of the parent		**(965,518)**	(18,033)
Non-controlling interests		**(274)**	–
		(965,792)	(18,033)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	14		
Basic and diluted			
– For loss for the year		**RMB (131) cents**	RMB (5) cents
– For loss from continuing operations		**RMB (57) cents**	RMB (3) cents

Details of the dividends payable and proposed for the year are disclosed in note 13 to the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2013	2013 RMB'000	2012 RMB'000 (Restated)
LOSS FOR THE YEAR	**(965,792)**	(18,033)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(4,163)**	–
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(969,955)**	(18,033)
Attributable to:		
Owners of the parent	**(969,681)**	(18,033)
Non-controlling interests	**(274)**	–
	(969,955)	(18,033)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013	Note	31 December 2013 RMB'000	31 December 2012 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	15	**1,857**	2,641,718
Prepaid land lease payments	16	**–**	262,189
Goodwill	17	**180,405**	180,405
Long-term prepayment	21	**70,093**	–
Deferred tax assets	26	**–**	6,587
Total non-current assets		**252,355**	3,090,899
CURRENT ASSETS			
Inventories	20	**–**	714,343
Completed properties held for sale		**120,298**	27,973
Properties under development	18	**432,564**	460,656
Trade and other receivables	22	**86,828**	1,122,334
Promissory note receivable	24	**117,945**	–
Due from related parties	33	**1,430**	144,002
Pledged deposits	23	**–**	171,198
Restricted cash	23	**2,368**	116,160
Cash and cash equivalents	23	**8,669**	591,690
Total current assets		**770,102**	3,348,356
CURRENT LIABILITIES			
Trade and other payables	25	**211,230**	1,030,766
Interest-bearing bank and other borrowings		**–**	1,922,094
Tax payable		**5,789**	–
Due to related parties	33	**2,084**	336,672
Total current liabilities		**219,103**	3,289,532
NET CURRENT ASSETS		**550,999**	58,824
TOTAL ASSETS LESS CURRENT LIABILITIES		**803,354**	3,149,723

Consolidated Statement of Financial Position

31 December 2013	Note	31 December 2013 RMB'000	31 December 2012 RMB'000 (Restated)
TOTAL ASSETS LESS CURRENT LIABILITIES		**803,354**	3,149,723
NON-CURRENT LIABILITIES			
Promissory note payable		**–**	217,155
Deferred tax liabilities	26	**115,280**	119,742
Total non-current liabilities		**115,280**	336,897
Net assets		**688,074**	2,812,826
EQUITY			
Equity attributable to owners of the parent			
Issued capital	27	**175,672**	175,672
Reserves	29	**510,526**	2,637,154
		686,198	2,812,826
Non-controlling interests		**1,876**	–
Total equity		**688,074**	2,812,826

WANG Di
Director

WANG Yong
Director

Consolidated Statement of Changes in Equity

	Attributable to owners of the parent									
Year ended 31 December 2013	Issued capital RMB'000	Share premium account RMB'000	Share option reserve RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Discretionary reserve RMB'000	Contributed surplus RMB'000	Merger reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
At 1 January 2012	102,086	326,400	5,807	103,060	87,466	333,369	471,853	–	718,611	2,148,652
Loss for the year and total comprehensive loss for the year	–	–	–	–	–	–	–	–	(18,033)	(18,033)
Proceeds from issue of convertible preference shares	73,586	787,957	–	–	–	–	–	–	–	861,543
Acquisition of subsidiaries under common control	–	–	–	–	–	–	–	(118,063)	–	(118,063)
Equity-settled share option arrangement	–	–	1,538	–	–	–	–	–	–	1,538
2011 dividend declared	–	–	–	–	–	–	(62,813)	–	–	(62,813)
Transfer from retained profits	–	–	–	–	2,213	174,353	–	–	(176,566)	–
Proceeds from bonus issue of warrants	–	2	–	–	–	–	–	–	–	2
At 31 December 2012	175,672	1,114,359*	7,345*	103,060*	89,679*	507,722*	409,040*	(118,063)*	524,012*	2,812,826

Consolidated Statement of Changes in Equity

		Attributable to owners of the parent												
Year ended 31 December 2013	Note	Issued capital RMB'000	Share premium account RMB'000	Share option reserve RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Discretionary reserve RMB'000	Contributed surplus RMB'000	Merger reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2013		175,672	1,114,359	7,345	103,060	89,679	507,722	409,040	(118,063)	–	524,012	2,812,826	–	2,812,826
Loss for the year		–	–	–	–	–	–	–	–	–	(965,518)	(965,518)	(274)	(965,792)
Other comprehensive loss for the year		–	–	–	–	–	–	–	–	(4,163)	–	(4,163)	–	(4,163)
Total comprehensive loss for the year		–	–	–	–	–	–	–	–	(4,163)	(965,518)	(969,681)	(274)	(969,955)
Capital contribution from non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	6,000	6,000
Acquisition of non-controlling interests		–	–	–	(274)	–	–	–	–	–	–	(274)	(5,726)	(6,000)
Decrease in the interests without loss of control		–	–	–	124	–	–	–	–	–	–	124	1,876	2,000
Transfer from share premium to contributed surplus	27	–	(1,114,359)	(7,345)	–	–	–	1,121,704	–	–	–	–	–	–
Transfer of reserves upon disposal of a discontinued operation		–	–	–	–	(39,084)	(507,722)	–	–	–	546,806	–	–	–
Equity-settled share option arrangement	28	–	–	941	–	–	–	–	–	–	–	941	–	941
Special dividend declared	13	–	–	–	–	–	–	(1,157,738)	–	–	–	(1,157,738)	–	(1,157,738)
Transfer from retained profits		–	–	–	–	2,143	–	–	–	–	(2,143)	–	–	–
At 31 December 2013		175,672	–*	941*	102,910*	52,738*	–*	373,006*	(118,063)*	(4,163)*	103,157*	686,198	1,876	688,074

* These reserve accounts comprise the consolidated reserves of RMB 510,526,000 (2012: RMB 2,637,154,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2013	Note	2013 RMB'000	2012 RMB'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax:			
From continuing operations		**(100,292)**	11,071
From a discontinued operation		**(854,627)**	(26,539)
Adjustments for:			
Finance costs		**156,252**	106,759
Interest income		**(4,212)**	(21,409)
Depreciation	15	**87,893**	135,698
Recognition of prepaid land lease payments	16	**3,196**	5,854
Loss on disposal of items of property, plant and equipment		**1,688**	–
Write-off of other receivables	6	**1,256**	–
Loss on disposal of a discontinued operation	12	**818,344**	–
Equity-settled share option expense		**941**	1,538
		110,439	212,972
Increase in inventories		**(60,055)**	(130,195)
Decrease in properties under development		**28,092**	130,044
Increase in completed properties for sale		**(92,325)**	(12,669)
Increase in long-term prepayment		**(70,093)**	–
(Increase)/decrease in trade and other receivables		**(222,607)**	192,270
Increase in amounts due from related parties		**(76,798)**	(32,123)
(Decrease)/increase in trade and other payables		**(173,099)**	192,682
(Decrease)/increase in amounts due to related parties		**(293,856)**	137,035
Decrease/(increase) in pledged deposits		**171,198**	(112,792)
Decrease/(increase) in restricted cash		**113,792**	(171,198)
Cash (used in)/from operations		**(565,312)**	406,026
Interest paid		**(61,589)**	(106,759)
Mainland China taxes paid		**(12,056)**	(15,902)
Net cash flows (used in)/from operating activities		**(638,957)**	283,365

Consolidated Statement of Cash Flows

Year ended 31 December 2013	Note	2013 RMB'000	2012 RMB'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**2,783**	21,409
Acquisition of subsidiaries		**–**	(217,486)
Acquisition of non-controlling interests		**(6,000)**	–
Disposal of a discontinued operation	12	**742,355**	–
Purchases of items of property, plant and equipment		**(74,265)**	(976,599)
Purchase of land lease prepayments		**–**	(40,074)
Proceeds from decrease in the interests without loss of control of a subsidiary		**2,000**	–
Net cash flows from/(used in) investing activities		**666,873**	(1,212,750)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of convertible preference shares		**–**	868,312
Issuance expense of convertible preference shares		**–**	(6,769)
Proceeds from bonus issue of warrants		**–**	2
Capital contribution from non-controlling interests		**6,000**	–
New bank and other borrowings		**–**	1,602,943
Repayment of bank and other borrowings		**(362,922)**	(1,113,091)
Dividends paid		**(256,004)**	(62,813)
Net cash flows (used in)/from financing activities		**(612,926)**	1,288,584
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(585,010)**	359,199
Cash and cash equivalents at beginning of year		**591,690**	232,491
Effect of foreign exchange rate changes, net		**1,989**	–
CASH AND CASH EQUIVALENTS AT END OF YEAR		**8,669**	591,690
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**8,669**	447,888
Non-pledged time deposits with original maturity of less than three months when acquired		**–**	143,802
Cash and cash equivalents as stated in the statement of cash flows	23	**8,669**	591,690

Statements of Financial Position

31 December 2013	Note	31 December 2013 RMB'000	31 December 2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**341**	457
Investments in subsidiaries	19	**217,260**	217,215
Due from a subsidiary	19	**–**	697,169
Total non-current assets		**217,601**	914,841
CURRENT ASSETS			
Trade and other receivables	22	**511**	1,072
Promissory note receivable	24	**117,945**	–
Due from subsidiaries	19	**437,531**	95,841
Due from related parties	33	**1,430**	920,452
Dividend receivable		**–**	222,875
Cash and cash equivalents	23	**1,404**	8,701
Total current assets		**558,821**	1,248,941
CURRENT LIABILITIES			
Trade and other payables	25	**2,998**	4,945
Interest-bearing bank and other borrowings		**–**	62,922
Due to related parties	33	**2,061**	2,136
Total current liabilities		**5,059**	70,003
NET CURRENT ASSETS		**553,762**	1,178,938
TOTAL ASSETS LESS CURRENT LIABILITIES		**771,363**	2,093,779
NON-CURRENT LIABILITIES			
Promissory note payable		**–**	217,155
Total non-current liabilities		**–**	217,155
Net assets		**771,363**	1,876,624
EQUITY			
Issued capital	27	**175,672**	175,672
Reserves	29(b)	**595,691**	1,700,952
Total equity		**771,363**	1,876,624

WANG Di
Director

WANG Yong
Director

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Xiwang Property Holdings Company Limited (the "**Company**") is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The name of the Company was changed from Xiwang Sugar Holdings Company Limited to Xiwang Property Holdings Company Limited effective on 12 September 2013.

After disposal of the corn processing business (the "**Disposal**") on 29 June 2013, the Company and its subsidiaries (collectively referred to as the "**Group**") was principally involved in property development.

In the opinion of the directors, the immediate holding company of the Company is Xiwang Investment Company Limited ("**Xiwang Investment**"), which is a private company incorporated in the British Virgin Islands (the "**BVI**"). The ultimate holding company of the Company is Xiwang Holdings Limited ("**Xiwang Holdings**"), which is incorporated in the BVI.

2.1 BASIS OF PREPARATION

The Company's financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirement of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

On 29 June 2013, the Company obtained the independent shareholders' approval to the Disposal to Xiwang Investment and the Disposal was completed on the same day. During the six months ended 30 June 2013, the Group recognised the shortfall arising from the disposal amounted to RMB 818,344,000 in reserves in its management accounts. On 28 March 2014, the Board approved the recognition of such shortfall as the loss on the disposal in profit or loss in accordance with HKFRSs.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.1 BASIS OF PREPARATION (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 described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 *– Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

The adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the consolidated financial statements.

HKFRS 9	*Financial Instruments*[3]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[3]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[1]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC)-Int 21	*Levies*[1]
Annual Improvements Project	*Annual Improvements to HKFRSs 2010-2012 Cycle*[4]
Annual Improvements Project	*Annual Improvements to HKFRSs 2011-2013 Cycle*[4]
HKFRS 14	*Regulatory Deferral Accounts*[5]

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 No mandatory effective date yet determined but is available for adoption

4 Generally for annual periods or transactions beginning on or after 1 July 2014, although entities are permitted to apply them earlier

5 Effective for annual periods beginning on or after 1 January 2016

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "**Additions**") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("**FVO**"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

In December 2013, the HKICPA added to HKFRS 9 the requirements related to hedge accounting and made some related changes to HKAS 39 and HKFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other HKFRS 9 requirements at the same time.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to setoff" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

NOTES TO FINANCIAL STATEMENTS

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

Business combinations of entities under common control

Business combinations of entities under common control are accounted for using the pooling of interests method. Under the pooling of interests method, the assets and liabilities of the combining entities are reflected at their existing carrying values at the date of combination. No amount is recognised in respect of goodwill or excess of the acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost at the time of common control combination, which is instead recorded as part of equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, and goodwill) the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person,

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (continued)

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly-controlled by a person identified in (a); and

(vii) person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

NOTES TO FINANCIAL STATEMENTS

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2.25%
Plant and machinery	6.3%
Equipment and motor vehicles	9.5% – 31.7%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Operating Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement of loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or loans and borrowings, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to related parties, interest-bearing bank and other borrowings and promissory note payable.

Subsequent measurement of loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Properties under development

Properties under development are intended to be held for sale after completion.

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

Development cost of property comprises cost of land use rights, construction costs, and professional fees incurred during the development period. On completion, the properties are transferred to completed properties for sale.

Properties under development are classified as current assets when the construction of the relevant properties commences unless the construction of the relevant property development project is expected to complete beyond normal operating cycle.

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total land and buildings costs attributable to unsold properties. Net realisable value is estimated by the directors based on the prevailing market prices, on an individual property basis.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and a joint venture when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

NOTES TO FINANCIAL STATEMENTS

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) income from the sale of properties, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the properties and goods sold;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate to the net carrying amount of the financial asset; and

(c) dividend income, when the shareholders' right to receive payment has been established.

Dividends

Final and special final dividends proposed by the directors are classified as a separate allocation of retained profits or contributed surplus within the equity section of the consolidated statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when 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 capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 28 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period. If the share options granted vest immediately, the Group recognises the fair value in the period in which the options are granted.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification, that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

NOTES TO FINANCIAL STATEMENTS

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Each of the Group's subsidiaries operating in Mainland China participates in the central pension scheme (the "**CPS**") operated by the local municipal government for all of its staff of Mainland China. These subsidiaries are required to contribute a percentage of their payroll costs to the CPS. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the CPS.

Foreign currencies

These financial statements are presented in RMB, which is the Company's presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on the settlement or transaction of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of the Company and certain Hong Kong and overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Income tax

Deferred tax is provided using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognised for unused tax losses carried forward to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portions or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at the end of each reporting period and to the extent that there is sufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the tax losses carried forward, and that the asset balance will be reduced and charged to the statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (continued)

Land appreciation tax

Under the Provisional Regulations on Land Appreciation Tax ("**LAT**") implemented upon the issuance of the Provisional Regulations of the Public on 27 January 1995, all gains arising from the transfer of real estate properties in Mainland China with effect from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures.

The subsidiaries of the Group engaging in the property development business in Mainland China are subject to LAT, which has been included in income tax. However, the implementation of these taxes varies amongst various Mainland China cities and the Group has not finalised its LAT returns with various tax authorities. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. When the final tax outcome of these matters is different from the amounts that were initially recorded, the differences will impact the income tax and provisions of land appreciation taxes in the period in which the determination is made.

Estimation uncertainty

The key assumptions concerning the future and other 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 described below.

Useful lives and residual values of property, plant and equipment

In determining the useful life and residual value of an item of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation may be made if the estimated useful lives and/or the residual values of items of the property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at the end of the reporting period based on changes in circumstances.

Allowance for impairment of trade receivables

The Group makes allowance for impairment of trade receivables based on the assessment of the recoverability of trade receivables with reference to the extent and duration that the amount will be recovered. Allowances are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables and impairment expenses in the period in which such estimate has been changed.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2013 was RMB 180,405,000 (2012: RMB 180,405,000). Further details are given in note 17.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

4. OPERATING SEGMENT INFORMATION

For the year ended 31 December 2012, the Group had three operating segments, including starch sugars, corn co-products and property development, after the disposal of the starch sugars and corn co-products business on 29 June 2013, which is presented as a discontinued operation in the financial statements for the year ended 31 December 2013, the Group is principally engaged in property development business.

Information reported to the Group's management for the purpose of resources allocation and performance assessment, focuses on the operating results of property development business which is the sole operating segment of the Group. Accordingly, no operating segment information is presented.

Geographical information

(a) All revenue from external customers are from Mainland China.

(b) Non-current assets

	2013 **RMB'000**	2012 RMB'000
Mainland China	**71,609**	1,075
Hong Kong	**341**	457
	71,950	1,532

The non-current asset information of continuing operations above is based on the locations of the assets and excludes deferred tax assets and goodwill.

NOTES TO FINANCIAL STATEMENTS

5. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents proceeds from the sale of properties.

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

	2013 RMB'000	2012 RMB'000 (Restated)
Revenue		
Sale of properties	179,149	172,999
Other income		
Bank interest income	78	–
Interest income from promissory note receivable	2,003	–
Others	26	–
	2,107	–

6. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax from continuing operations is arrived at after charging/(crediting):

	2013 RMB'000	2012 RMB'000 (Restated)
Cost of inventories sold	135,292	136,054
Auditors' remuneration	1,500	4,100
Depreciation	595	495
Minimum lease payments under operating leases:		
Land and buildings	637	646
Employee benefit expense (excluding directors' and chief executive's remuneration, note 8):		
Wages and salaries	4,093	3,637
Equity-settled share option expense	867	1,538
Pension scheme contributions	290	203
	5,250	5,378
Foreign exchange differences, net*	20,160	769
Write-off of other receivables**	1,256	–

6. (LOSS)/PROFIT BEFORE TAX (CONTINUED)

* The foreign exchange differences, net is included in "Other expenses" in the consolidated statement of profit or loss. The exchange loss in 2013 was mainly arisen from the assignment of the loans due from a discontinued operation (note 12).

** The write-off of other receivables is included in "Administrative expenses" in the consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
		(Restated)
Interest on bank loans wholly repayable within five years	**4,200**	2,008
Amortised cost of promissory note payable*	**94,718**	–
	98,918	2,008

* It represented the amortised cost of the promissory note payable which was issued by the Company to Xiwang Investment for the acquisition of subsidiaries in 2012. The promissory note payable is measured at amortised cost using the effective interest rate method. Upon the Disposal on 29 June 2013, the promissory note payable was offset against part of the consideration payable by Xiwang Investment (note 12). The extinguishment of the promissory note payable accelerated the recognition of the amortised cost of approximately RMB 78,303,000 in 2013.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year from continuing operations, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Fees	**222**	322
Other emoluments:		
Salaries, allowances and benefits in kind	**880**	120
Equity-settled share option expense	**74**	–
Pension scheme contributions	**18**	–
	972	120
	1,194	442

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	Fees RMB'000	Equity-settled share option expense RMB'000	Total RMB'000
2013			
Mr. WONG Kai Ming	**122**	**–**	**122**
Mr. WANG An*	**50**	**–**	**50**
Mr. WANG Shu Jie**	**50**	**–**	**50**
	222	**–**	**222**
2012			
Mr. WONG Kai Ming	122	–	122
Mr. SHEN Chi*	100	–	100
Mr. SHI Wei Chen**	100	–	100
	322	–	322

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(a) Independent non-executive directors (continued)

* Mr. SHEN Chi resigned as an independent non-executive director while Mr. WANG An was appointed as an independent non-executive director on 1 April 2013.

** Mr. SHI Wei Chen resigned as an independent non-executive director while Mr. WANG Shu Jie was appointed as an independent non-executive director on 15 July 2013.

There were no other emoluments payable to the independent non-executive directors during the year (2012: Nil).

(b) Executive directors and non-executive directors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2013					
Executive directors:					
Mr. WANG Chuan Wu*	–	400	–	–	400
Mr. ZHOU Xiang Lin*	–	360	–	9	369
Mr. CHENG Gang*	–	120	–	9	129
	–	880	–	18	898
Non-executive directors:					
Mr. WANG Yong**	–	–	–	–	–
Mr. WANG Di**	–	–	37	–	37
Mr. SUN Xinhu	–	–	37	–	37
	–	–	74	–	74

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(b) Executive directors and non-executive directors (continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2012					
Executive directors:					
Mr. WANG Yong**	–	–	–	–	–
Dr. ZHANG Yan***	–	–	–	–	–
Mr. WANG Di**	–	–	–	–	–
Mr. WANG Fangming^	–	–	–	–	–
Dr. LI Wei^	–	120	–	–	120
Mr. HAN Zhong^	–	–	–	–	–
	–	120	–	–	120
Non-executive directors:					
Mr. SUN Xinhu	–	–	–	–	–
	–	–	–	–	–

* Mr. WANG Chuan Wu, Mr. ZHOU Xiang Lin and Mr. CHENG Gang were appointed as executive directors and Mr. WANG Chuan Wu was also appointed as the chief executive officer of the Company on 15 July 2013.

** With effect from 15 July 2013, Mr. WANG Yong has been re-designated from the chairman to the deputy chairman of the Company and Mr. WANG Di has been re-designated from the deputy chairman to the chairman of the Company. Both Mr. WANG Yong and Mr. WANG Di were re-designated from executive directors to non-executive directors.

*** Dr. ZHANG Yan resigned as an executive director on 5 July 2012.

^ Mr. WANG Fangming, Dr. LI Wei and Mr. HAN Zhong resigned as executive Directors and Mr. WANG Fangming also ceased to be the general manager of the Company on 15 July 2013.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors and no chief executive (2012: no directors and no chief executive), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2012: five) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**1,427**	1,637
Equity-settled share option expense	**867**	1,538
Pension scheme contributions	**12**	43
	2,306	3,218

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2013	2012
Nil to RMB 1,000,000	**2**	4
RMB 1,000,001 to RMB 1,500,000	**1**	–
RMB 1,500,001 to RMB 2,000,000	**–**	–
RMB 2,000,001 to RMB 2,500,000	**–**	1
	3	5

During the year, share options were granted to a non-director and non-chief executive highest paid employee in respect of his services to the Group, further details of which are included in note 28 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

NOTES TO FINANCIAL STATEMENTS

10. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year (2012: Nil).

Pursuant to the People's Republic of China (the "**PRC**") Corporate Income Tax ("**CIT**"), all PRC enterprises are subject to a standard enterprise income tax rate of 25%, except for enterprises under specific preferential policies and provisions. In 2013, the applicable tax rate for the subsidiaries of the Company incorporated in the PRC is 25% (2012: 25%).

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including amortisation of land use rights and all property development expenditures. LAT of RMB 3,083,000 (2012: RMB 1,206,000) is charged to the consolidated statement of profit or loss for the year ended 31 December 2013.

	2013 RMB'000	2012 RMB'000 (Restated)
Group:		
Current – Mainland China	**8,667**	5,002
LAT in Mainland China	**3,083**	1,206
Deferred Mainland China corporate income tax	**(2,053)**	1,760
Total tax charge for the year	**9,697**	7,968

10. INCOME TAX EXPENSE (CONTINUED)

A reconciliation of the tax expense applicable to (loss)/profit before tax at the statutory income tax rate to the tax expense at the Group's effective income tax rate for the year, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	2013		2012	
	RMB'000	%	RMB'000 (Restated)	%
(Loss)/Profit before tax from continuing operations	(100,292)		11,071	
Tax at the statutory tax rate	(25,073)	25	2,768	25
Lower statutory tax rates for Hong Kong subsidiaries	10,594	(10.6)	1,217	11
Income not subject to tax	(3)	0.0	(1)	(0.0)
Tax losses not recognised	21,312	(21.3)	2,739	24.7
Expenses not deductible for tax	343	(0.3)	39	0.4
LAT	3,083	(3.1)	1,206	10.9
Tax effect of LAT	(559)	0.6	–	–
Tax expense at the Group's effective rate	9,697	(9.7)	7,968	72.0

11. LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated loss attributable to owners of the parent for the year ended 31 December 2013 includes a loss of RMB 124,482,000 (2012: RMB 14,296,000) which has been dealt with in the financial statements of the Company.

12. DISCONTINUED OPERATION AND DISPOSAL OF SUBSIDIARIES

On 29 June 2013, the Company obtained the independent shareholders' approval to dispose the corn processing business, through the sale of the entire issued share capital of Master Team International Limited, the holding company of the companies which engaged in the corn processing business in the PRC prior to the Disposal, to Xiwang Investment and the assignment of the benefits of the loans owed by each of such companies to the Group to Xiwang Investment, for the consideration of RMB 661,000,000 and RMB 1,435,000,000 respectively. The Group decided to cease its corn processing business and to focus its resources on its property development business. The Disposal was completed on 29 June 2013. The corn processing business was presented as a discontinued operation for the years ended 31 December 2013 and 2012.

NOTES TO FINANCIAL STATEMENTS

12. DISCONTINUED OPERATION AND DISPOSAL OF SUBSIDIARIES (CONTINUED)

Analysis of the result of the discontinued operation for the year is as follows:

	2013 RMB'000	2012 RMB'000
Revenue	**2,844,008**	4,155,145
Other income	**11,154**	9,314
Expenses	**(2,834,111)**	(4,106,788)
Finance costs	**(57,334)**	(84,210)
Loss on disposal	**(818,344)**	–
Loss before tax from the discontinued operation	**(854,627)**	(26,539)
Income tax	**(1,176)**	5,403
Loss for the year from the discontinued operation	**(855,803)**	(21,136)

The net cash flows incurred by the discontinued operation are as follows:

	2013 RMB'000	2012 RMB'000
Operating activities	**(409,041)**	329,413
Investing activities	**(71,750)**	(149,350)
Financing activities	**7,328**	126,930
Net cash (outflow)/inflow	**(473,463)**	306,993
Loss per share:		
Basic and diluted, from the discontinued operation	**RMB (74) cents**	RMB (2) cents

The calculations of basic and diluted earnings per share from the discontinued operation are based on:

	2013	2012
Loss attributable to ordinary equity holders of the parent from the discontinued operation	**RMB 855,803,000**	RMB 21,136,000
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation (note 14)	**1,155,117,645**	1,008,566,559

12. DISCONTINUED OPERATION AND DISPOSAL OF SUBSIDIARIES (CONTINUED)

The net assets of the discontinued operation which was disposed on 29 June 2013 are as follows:

	2013 RMB'000
Net assets disposed of:	
Property, plant and equipment (note 15)	2,624,545
Prepaid land lease payments (note 16)	265,322
Trade receivables	945,886
Amounts due from related parties	220,799
Other receivables	309,298
Inventories	774,398
Cash and cash equivalents	22,148
Deferred tax assets (note 26)	5,616
Interest-bearing bank loans	(1,566,500)
Trade payables	(529,814)
Amounts due to related parties	(40,731)
Other payables	(116,623)
	2,914,344
Loss on disposal of a discontinued operation	(818,344)
	2,096,000
Satisfied by:	
Cash	441,224
Promissory note receivable*	1,342,958
Offsetting promissory note payable**	311,818
	2,096,000

* The amount of the consideration was settled by issuing two promissory notes with the principal amount totaling RMB 1,342,958,000 to the Company. One of the promissory notes with the principal amount of RMB 901,734,000 was fully offset by the special dividend and preferred distribution of convertible preference shares entitled by Xiwang Investment in July 2013. The other promissory note with principal amount of RMB 441,224,000 was partially settled in cash amounted to RMB 316,549,000 and RMB 6,730,000 in July and December 2013, respectively (note 24).

** Part of the consideration was offset by the amount due by the Group to Xiwang Investment under the promissory note issued by the Company in 2012, totaling RMB 311,818,000.

NOTES TO FINANCIAL STATEMENTS

12. DISCONTINUED OPERATION AND DISPOSAL OF SUBSIDIARIES (CONTINUED)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2013 RMB'000
Cash consideration	441,224
Cash settlement on promissory note	323,279
Cash and bank balances disposed of	(22,148)
Net inflow of cash and cash equivalents in respect of the disposal of the discontinued operation	742,355

13. DIVIDENDS

A special dividend of HK$0.75 per ordinary share for ordinary shareholders and HK$0.75 per convertible preference share for convertible preference shareholders, payable in cash, was approved at the special general meeting held on 29 June 2013. The deferred preferred distribution of RMB 0.01 per convertible preference share of 2012 was paid together with the approved special dividend. Special dividend and preferred distribution of RMB 1,157,738,000 in total was payable accordingly. The entitlement of Xiwang Investment to the total amount of special dividend and preferred distribution, totaling RMB 901,734,000, offset against part of the consideration of the Disposal. As a result, special dividend and preferred distribution of RMB 256,004,000 was paid in cash in July 2013.

No final dividend was proposed by the Board for both ordinary shares and convertible preference shares for the year ended 31 December 2013 (2012: Nil).

Payment of the preferred annual distribution of RMB 1 cent per convertible preference share will be deferred.

14. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,155,117,645 (2012: 1,008,566,559) in issue during the year.

The calculation of the diluted loss per share amount for the year ended 31 December 2013 is based on the loss for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

14. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (CONTINUED)

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2013 and 2012 in respect of a dilution as the impact of convertible preference shares outstanding and share option would not have a dilutive effect on the basic loss per share amounts presented.

The calculations of basic and diluted loss per share amounts are based on:

	2013 **RMB'000**	2012 RMB'000 (Restated)
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:		
From continuing operations	**(109,989)**	3,103
From a discontinued operation	**(855,803)**	(21,136)
	(965,792)	(18,033)
Less: Distribution to holders of convertible preference shares	**(553,017)**	(34,541)
Loss attributable to ordinary equity holders of the parent	**(1,518,809)**	(52,574)
Attributable to:		
Continuing operations	**(663,006)**	(31,438)
Discontinued operation	**(855,803)**	(21,136)
	(1,518,809)	(52,574)

	Number of shares	
	2013	2012
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	**1,155,117,645**	1,008,566,559

NOTES TO FINANCIAL STATEMENTS

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000	Plant and machinery RMB'000	Equipment and motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2013					
At 31 December 2012 and at 1 January 2013:					
Cost	977,090	2,158,489	97,725	13,124	3,246,428
Accumulated depreciation	(47,149)	(504,828)	(13,917)	–	(565,894)
Impairment	(1,758)	(37,058)	–	–	(38,816)
Net carrying amount	928,183	1,616,603	83,808	13,124	2,641,718
At 1 January 2013, net of accumulated depreciation and impairment	928,183	1,616,603	83,808	13,124	2,641,718
Additions	54,949	8,993	7,393	2,930	74,265
Disposal of a discontinued operation (note 12)	(971,287)	(1,556,913)	(80,291)	(16,054)	(2,624,545)
Disposals	(107)	(384)	(1,197)	–	(1,688)
Depreciation provided during the year	(11,738)	(68,299)	(7,856)	–	(87,893)
At 31 December 2013, net of accumulated depreciation and impairment	–	–	1,857	–	1,857
At 31 December 2013:					
Cost	–	–	3,703	–	3,703
Accumulated depreciation	–	–	(1,846)	–	(1,846)
Net carrying amount	–	–	1,857	–	1,857

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group (continued)

	Buildings RMB'000	Plant and machinery RMB'000	Equipment and motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2012					
At 31 December 2011 and at 1 January 2012:					
Cost	420,383	1,822,773	35,409	14,530	2,293,095
Accumulated depreciation	(35,366)	(386,381)	(7,567)	–	(429,314)
Impairment	(1,758)	(37,058)	–	–	(38,816)
Net carrying amount	383,259	1,399,334	27,842	14,530	1,824,965
At 1 January 2012, net of accumulated depreciation and impairment	383,259	1,399,334	27,842	14,530	1,824,965
Additions	35,815	48,502	557	866,472	951,346
Acquisition of subsidiaries	–	–	1,105	–	1,105
Transfers from construction in progress	520,892	287,214	59,772	(867,878)	–
Depreciation provided during the year	(11,783)	(118,447)	(5,468)	–	(135,698)
At 31 December 2012, net of accumulated depreciation and impairment	928,183	1,616,603	83,808	13,124	2,641,718
At 31 December 2012:					
Cost	977,090	2,158,489	97,725	13,124	3,246,428
Accumulated depreciation	(47,149)	(504,828)	(13,917)	–	(565,894)
Impairment	(1,758)	(37,058)	–	–	(38,816)
Net carrying amount	928,183	1,616,603	83,808	13,124	2,641,718

NOTES TO FINANCIAL STATEMENTS

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 31 December 2013, none of property, plant and equipment of the Group was pledged to secure bank and other borrowings (2012: RMB 415,146,000).

Company	**Furniture, fixtures and equipment RMB'000**
31 December 2013	
At 1 January 2013, net of accumulated depreciation	**457**
Depreciation provided during the year	**(116)**
At 31 December 2013, net of accumulated depreciation	**341**
At 31 December 2013:	
Cost	**833**
Accumulated depreciation	**(492)**
Net carrying amount	**341**

Company	Furniture, fixtures and equipment RMB'000
31 December 2012	
At 1 January 2012, net of accumulated depreciation	577
Depreciation provided during the year	(120)
At 31 December 2012, net of accumulated depreciation	457
At 31 December 2012:	
Cost	833
Accumulated depreciation	(376)
Net carrying amount	457

16. PREPAID LAND LEASE PAYMENTS

	Group	
	2013	2012
	RMB'000	RMB'000
		(Restated)
Carrying amount at 1 January	**268,518**	234,298
Addition	**–**	40,074
Recognised during the year	**(3,196)**	(5,854)
Disposal of a discontinued operation (note 12)	**(265,322)**	–
Carrying amount at 31 December	**–**	268,518
Current portion included in trade and other receivables (note 22)	**–**	(6,329)
Non-current portion	**–**	262,189

17. GOODWILL

Group	RMB'000
At 1 January 2012:	
Cost	–
Accumulated impairment	–
Net carrying amount	–
Cost at 1 January 2012, net of accumulated impairment	–
Acquisition of subsidiaries	180,405
Impairment during the year	–
At 31 December 2012	180,405
At 31 December 2012	
Cost	180,405
Accumulated impairment	–
Net carrying amount	180,405
Cost at 1 January 2013, net of accumulated impairment	180,405
Impairment during the year	–
Cost and net carrying amount at 31 December 2013	180,405
At 31 December 2013:	
Cost	180,405
Accumulated impairment	–
Net carrying amount	180,405

17. GOODWILL (CONTINUED)

Goodwill acquired through business combinations has been allocated to the following cash-generating units ("**CGUs**") for impairment testing:

	2013 RMB'000	2012 RMB'000
Meijun project Phase Three	**107,647**	107,875
Qinghe project	**61,600**	56,146
Lanting project	**11,158**	16,384
	180,405	180,405

The recoverable amount of all the above CGUs has been determined based on a value in use calculation using cash flow projections based on financial budgets covering three to five-year period approved by the senior management. The discounted rates applied to the cash flow projection range from 16% to 18% (2012: 16% to 18%).

The key assumptions on which management has based its cash flow projections to undertake the impairment testing of goodwill are as follows:

The selling price of properties is based on the current selling price of similar properties in the same location with no growth.

The construction cost of properties is based on the actual cost of similar properties in the same location with 10% growth.

Plot ratio is calculated by the total gross floor areas divided the land areas and estimated based on the project design.

	Plot ratio 2013	2012
Meijun project Phase Three	**3.06**	3.06
Qinghe project	**1.52**	1.52
Lanting project	**2.07**	2.07

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

In the opinion of the Directors, a decrease in the selling price of Lanting project by 5% would cause the carrying amount of the CGU to exceed its recoverable amount by approximately RMB 7,927,000.

18. PROPERTIES UNDER DEVELOPMENT

	Group	
	2013	2012
	RMB'000	RMB'000
Land in Mainland China held, at cost:		
At 1 January	**388,121**	–
Additions	**–**	–
Acquisition of subsidiaries	**–**	401,729
Transfer to completed properties held for sale	**(7,301)**	(13,608)
At 31 December	**380,820**	388,121
Development expenditure, at cost:		
At 1 January	**72,535**	–
Additions	**199,338**	18,149
Acquisition of subsidiaries	**–**	188,971
Transfer to completed properties held for sale	**(220,129)**	(134,585)
At 31 December	**51,744**	72,535
	432,564	460,656

	Group	
	2013	2012
	RMB'000	RMB'000
Properties under development expected to be recovered:		
Within one year	**105,859**	108,654
After one year	**326,705**	352,002
	432,564	460,656

NOTES TO FINANCIAL STATEMENTS

19. INVESTMENTS IN SUBSIDIARIES

	Company	
	2013	2012
	RMB'000	RMB'000
Unlisted shares, at cost	**217,333**	217,155
Capital contribution in respect of employee share-based compensation*	**(73)**	60
	217,260	217,215

* The capital contribution arose from share-based payments relating to options over 500,000 shares granted to an employee of a subsidiary in the Group. As at 31 December 2013, the number of shares was forfeited due to the disposal of the subsidiary in the Disposal.

The amounts due from subsidiaries included in the Company's current assets of RMB 437,531,000 (2012: RMB 95,841,000) are unsecured, interest-free and repayable on demand or within one year. The amounts due from a subsidiary included in the Company's non-current assets of RMB 697,169,000 as at 31 December 2012 are unsecured and interest-free. It was assigned to Xiwang Investment in the Disposal (note 12). The carrying amounts of amounts due from subsidiaries approximate to their fair values.

19. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries are as follows:

Name	Place of registration and business	Nominal value of issued and fully paid-up capital/registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct %	Indirect %	
Keen Lofty Investments Limited	British Virgin Islands	US$15,756,000	100	–	Investment holding
Glorious Prosper Limited	Hong Kong	HK$1	–	100	Investment holding
Prosperous China Development Limited *	Hong Kong	HK$1	–	100	Investment holding
Shandong Yintaishan Cultural Development Company Limited (山東印台山文化發展有限公司)#	Mainland China	US$15,000,000	–	100	Property investment and development
Shandong Xiwang Investment Holdings Company Limited (山東西王投資控股有限公司)	Mainland China	RMB 20,000,000	–	100	Investment holding
Shandong Xiwang Property Company Limited (山東西王置業有限公司)	Mainland China	RMB 200,000,000	–	100	Property investment and development
Qingdao Xiwang Property Company Limited (青島西王置業有限公司)*	Mainland China	RMB 20,000,000	–	90	Property investment and development
Qingdao Jimo City Xiwang Metropolitan Company Limited (青島即墨市西王商都有限公司)*	Mainland China	RMB 200,000,000	–	100	Property investment and development

* Established during the year

\# Established in Mainland China as a wholly-foreign-owned enterprise

NOTES TO FINANCIAL STATEMENTS

20. INVENTORIES

	Group	
	2013	2012
	RMB'000	RMB'000
Raw materials	**–**	382,632
Work in progress	**–**	106,024
Finished goods	**–**	225,687
	–	714,343

21. LONG-TERM PREPAYMENT

Long-term prepayment as at 31 December 2013 mainly represented a prepayment of RMB 70,093,000 (2012: Nil) related to acquisition of land use rights.

22. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Trade receivables	**1,673**	140,932	**–**	–
Bills receivable	**–**	575,723	**–**	–
Advances to suppliers	**–**	143,438	**–**	–
Prepayments	**67,426**	227,778	**–**	–
Prepaid tax	**14,165**	17,892	**–**	–
Current portion of prepaid land lease payments (note 16)	**–**	6,329	**–**	–
Other receivables	**3,564**	10,242	**511**	1,072
	86,828	1,122,334	**511**	1,072

Trade receivables

For products sale, certain major customers are granted credit periods ranging from 30 to 90 days while most sales to other customers are on cash on delivery basis, or with prepayments covering the full sales amounts being made before goods delivery.

Under normal circumstances, for property sale, the Group does not grant any credit terms to its customers. The Group seeks to maintain strict control over its outstanding receivables and to minimise credit risk. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

22. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables (continued)

An aged analysis of the trade receivables as at the end of the reporting period, based on the contract date or invoice date, is as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
0 – 30 days	**114**	93,198
31 – 60 days	**–**	26,348
61 – 90 days	**–**	11,272
Over 90 days	**1,559**	10,114
	1,673	140,932

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Neither past due nor impaired	**114**	130,818
Less than one year past due	**1,559**	10,114
	1,673	140,932

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good credit record. Based on the past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

23. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PLEDGED DEPOSITS

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Cash and bank balances	**11,037**	564,048	**1,404**	8,701
Time deposits	**–**	315,000	**–**	–
	11,037	879,048	**1,404**	8,701
Less: Pledged time deposits:				
Pledged for bills payable	**–**	(171,198)	**–**	–
Less: Restricted cash*	**(2,368)**	(116,160)	**–**	–
Cash and cash equivalents	**8,669**	591,690	**1,404**	8,701

* In accordance with relevant documents issued by the PRC State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place in designated bank accounts a certain amount of presale proceeds of properties as guarantee deposits for the construction of related properties. The deposits can only be used for purchases of construction materials and the payments of construction fees of the relevant property projects when approval from the PRC State-Owned Land and Resource Bureau is obtained. These guarantee deposits will only be released after completion of the related pre-sold properties.

At the end of the reporting period, the cash and cash equivalents of the Company's subsidiaries in the PRC denominated in RMB amounted to RMB 3,531,000 (2012: RMB 528,342,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

24. PROMISSORY NOTE RECEIVABLE

This represented the principal amount outstanding of the promissory note issued by Xiwang Investment for the partial settlement of the consideration of the Disposal (note 12). The principal amount of the promissory note was RMB 441,224,000, which carries interest at the rate of 2.5% per annum and is secured by certain ordinary shares of Xiwang Special Steel Company Limited, a company listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 1266) held by Xiwang Investment. The promissory note was partially settled in cash as to the principal amount of RMB 316,549,000 and RMB 6,730,000 in July and December 2013, respectively, and the outstanding balance of RMB 117,945,000 will be collected in 2014.

25. TRADE AND OTHER PAYABLES

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables	**21,142**	186,376	**–**	–
Bills payable	**–**	297,000	**–**	–
Deposits received	**23,831**	48,581	**–**	–
Receipts in advance on sales of properties	**138,278**	185,219	**–**	–
Other payables	**23,433**	285,910	**–**	–
Accruals	**2,998**	9,262	**2,998**	4,945
Salary and welfare payables	**1,548**	18,418	**–**	–
	211,230	1,030,766	**2,998**	4,945

Trade payables

An aged analysis of the trade payables as at the end of the reporting period, based on the contract date or invoice date, is as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
0 – 30 days	**12,668**	150,686
31 – 60 days	**7,718**	9,928
61 – 90 days	**–**	6,734
Over 90 days	**756**	19,028
	21,142	186,376

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 60 days.

Other payables are non-interest-bearing and payable on demand.

NOTES TO FINANCIAL STATEMENTS

26. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities:
Group

	2013			
	LAT from sales of properties RMB'000	Fair value adjustment arising from acquisition of subsidiaries RMB'000	Prepaid tax from advance proceeds from properties RMB'000	Total RMB'000
At 1 January 2013	48,026	68,279	3,437	119,742
Deferred tax credited to the statement of profit or loss during the year	(2,409)	(2,053)	–	(4,462)
Gross deferred tax liabilities at 31 December 2013	45,617	66,226	3,437	115,280

Deferred tax assets:
Group

	2013		
	Inventories provision RMB'000	Impairment charge on property, plant and equipment RMB'000	Total RMB'000
At 1 January 2013	1,997	4,590	6,587
Deferred tax charged to the statement of profit or loss during the year	(971)	–	(971)
Disposal of a discontinued operation (note 12)	(1,026)	(4,590)	(5,616)
Gross deferred tax assets at 31 December 2013	–	–	–

26. DEFERRED TAX (CONTINUED)

Deferred tax liabilities:
Group

	2012			
	LAT from sales of properties RMB'000	Fair value adjustment arising from acquisition of subsidiaries RMB'000	Prepaid tax from advance proceeds from properties RMB'000	Total RMB'000
At 1 January 2012	–	–	–	–
Deferred tax charged/(credited) to the statement of profit or loss during the year	(1,597)	(4,874)	3,437	(3,034)
Acquisition of subsidiaries	49,623	73,153	–	122,776
Gross deferred tax liabilities at 31 December 2012	48,026	68,279	3,437	119,742

Deferred tax assets:
Group

	2012			
	Losses available for offsetting against future taxable profits RMB'000	Inventories provision RMB'000	Impairment charge on property, plant and equipment RMB'000	Total RMB'000
At 1 January 2012	–	–	5,051	5,051
Deferred tax credited/(charged) to the statement of profit or loss during the year	(3,197)	1,997	(461)	(1,661)
Acquisition of subsidiaries	3,197	–	–	3,197
Gross deferred tax assets at 31 December 2012	–	1,997	4,590	6,587

The Group has tax losses arising in Hong Kong of RMB 106,683,000 (2012: RMB 54,247,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

26. DEFERRED TAX (CONTINUED)

The Group has tax losses arising in Mainland China of RMB 3,229,000 (2012: RMB 49,404,000) that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

At 31 December 2013, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the Directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB 3,914,000 at 31 December 2013 (2012: RMB 1,992,000).

27. SHARE CAPITAL

Shares

	2013 HK$'000	2012 HK$'000
Authorised:		
4,000,000,000 (2012: 4,000,000,000) ordinary shares of HK$0.1 (2012: HK$0.1) each	**400,000**	400,000
2,000,000,000 (2012: 2,000,000,000) convertible preference shares of HK$0.1 (2012: HK$0.1) each	**200,000**	200,000
	600,000	600,000
Issued and fully paid:		
1,235,777,000 (2012: 1,008,566,000) ordinary shares of HK$0.1 (2012: HK$0.1)	**123,578**	100,857
680,499,000 (2012: 907,710,000) convertible preference shares of HK$0.1 (2012: HK$0.1) each	**68,050**	90,771
	191,628	191,628

27. SHARE CAPITAL (CONTINUED)

During the year, the movements in share capital were as follows:

	Number of shares in issue '000	Number of convertible preference shares '000	Issued share capital RMB'000	Convertible preference shares RMB'000	Share premium account RMB'000	Share option reserve RMB'000	Total RMB'000
At 1 January 2013	1,008,566	907,710	102,086	73,586	1,114,359	7,345	1,297,376
Share premium transferred to contribution surplus*	–	–	–	–	(1,114,359)	(7,345)	(1,121,704)
Exercise of subscription rights of convertible preference shares	227,211	(227,211)	18,218	(18,218)	–	–	–
Share options exercised	–	–	–	–	–	941	941
At 31 December 2013	1,235,777	680,499	120,304	55,368	–	941	176,613

* The balance of the share premium and the share option reserve of the Company as at 31 December 2012 was approved to transfer to contributed surplus account of the Company in the annual general meeting held on 22 May 2013.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 28 to the financial statements.

28. SHARE OPTION SCHEME

The Company operates a share option scheme (the "**Scheme**"), which was adopted pursuant to a resolution passed at a shareholders' meeting held on 6 November 2005, for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Scheme became effective on 6 November 2005 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares issuable upon exercise of all outstanding options which may be granted under the Scheme and any other share option scheme of the Group shall not exceed 80,000,000 ordinary shares in aggregate. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting (with such participant and his associates abstaining from voting).

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 1% of the shares of the Company in issue at any time within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

NOTES TO FINANCIAL STATEMENTS

28. SHARE OPTION SCHEME (CONTINUED)

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period of one to three years and ends on a date which is not later than five years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer, and (iii) the nominal value of a share in the Company.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Scheme during the year:

	2013		2012	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	**1.5000**	**9,693**	1.5000	9,693
Granted during the year	**1.1120**	**7,400**	–	–
Forfeited during the year	**1.5500**	**(500)**	–	–
At 31 December	**1.3119**	**16,593**	1.5000	9,693

28. SHARE OPTION SCHEME (CONTINUED)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2013

Number of options '000	Exercise price* HK$ per share	Exercise period
2,193	1.32	8-5-2012 to 7-5-2019
2,333	1.55	13-9-2012 to 12-9-2021
2,333	1.55	13-9-2013 to 12-9-2021
2,334	1.55	13-9-2014 to 12-9-2021
2,400	1.112	5-11-2014 to 5-11-2023
2,400	1.112	5-11-2015 to 5-11-2023
2,600	1.112	5-11-2016 to 5-11-2023
16,593		

2012

Number of options '000	Exercise price* HK$ per share	Exercise period
2,193	1.32	8-5-2012 to 7-5-2019
2,500	1.55	13-9-2012 to 12-9-2021
2,500	1.55	13-9-2013 to 12-9-2021
2,500	1.55	13-9-2014 to 12-9-2021
9,693		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The fair value of the share options granted during the year was RMB 2,500,902 (RMB 0.34 each) (2012: Nil) of which the Group recognised a share option expense RMB 224,000 during the year ended 31 December 2013.

The fair value of equity-settled share options granted during the year 2013 was estimated as at the date of grant, using the binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	3.31
Expected volatility (%)	55
Historical volatility (%)	55
Risk-free interest rate (%)	1.87
Expected life of options (year)	10
Weighted average share price (HK$ per share)	0.4423

NOTES TO FINANCIAL STATEMENTS

28. SHARE OPTION SCHEME (CONTINUED)

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 16,593,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 16,593,000 additional ordinary shares of the Company and additional share capital of HK$1,659,300 (equivalent to RMB 1,305,000) and share premium of HK$20,314,000 (equivalent to RMB 15,972,000) (before issue expenses).

As at the date of this report, options carrying rights to subscribe for 16,593,000 shares remain outstanding and yet to be exercised, which represented approximately 1.34% of the Company's ordinary shares in issue as at that date.

29. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

Pursuant to the relevant laws and regulations for Foreign Invested Enterprise ("**FIEs**") registered in the PRC, a portion of the profits of the Group's subsidiaries in Mainland China has been transferred to the statutory reserve which is restricted as to use and discretionary reserve which is not restricted to use.

Merger reserve represents the reserve arising from business combinations under common control.

Contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired, over the nominal value of the Company's shares issued in exchange therefor. Pursuant to Bermuda company law, a company may make distributions to its members out of the contributed surplus in certain circumstances.

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire.

29. RESERVES (CONTINUED)

(b) Company

	Note	Share premium account RMB'000	Share option reserve RMB'000	Capital reserve RMB'000	Contributed surplus RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2012		326,400	5,807	151,442	471,853	–	33,062	988,564
Loss for the year and total comprehensive loss for the year		–	–	–	–	–	(14,296)	(14,296)
Proceeds from issue of convertible preference shares		787,957	–	–	–	–	–	787,957
Equity-settled share option arrangement		–	1,538	–	–	–	–	1,538
Proceeds from bonus issue of warrants		2	–	–	–	–	–	2
2011 dividend declared		–	–	–	(62,813)	–	–	(62,813)
At 31 December 2012		1,114,359	7,345	151,442	409,040	–	18,766	1,700,952
Profit for the year		–	–	–	–	–	56,482	56,482
Other comprehensive loss for the year		–	–	–	–	(4,946)	–	(4,946)
Total comprehensive loss for the year		–	–	–	–	(4,946)	56,482	51,536
Transfer from share premium to contributed surplus	27	(1,114,359)	(7,345)	–	1,121,704	–	–	–
Equity-settled share option arrangement	28	–	941	–	–	–	–	941
Special dividend declared	13	–	–	–	(1,157,738)	–	–	(1,157,738)
At 31 December 2013		–	941	151,442	373,006	(4,946)	75,248	595,691

Notes to Financial Statements

30. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for the properties are negotiated for terms ranging from three to nineteen years.

As at 31 December 2013, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**689**	1,224	**689**	1,224
In the second year	**574**	433	**574**	433
	1,263	1,657	**1,263**	1,657

31. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 30 above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2013	2012
	RMB'000	RMB'000
Property, plant and equipment expenditure:		
Contracted but not provided for	**–**	10,137
Authorised but not contracted for	**–**	101,800
	–	111,937
Property development expenditure		
Contracted but not provided for	**35,468**	96,337
	35,468	208,274

32. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	2013 RMB'000	2012 RMB'000
Guarantee given to an independent third party in respect of borrowings	**350,000**	350,000

This represented the maximum exposure of the guarantee provided by a subsidiary of the Company, in favour of a PRC bank in respect of a bank loan of RMB 350 million to an independent company for a term of 10 years from December 2011, with a guarantee period up to the end of two years after the next day following repayment of the bank loan in full (the "**PRC Company Guarantee**"). Xiwang Investment agreed to provide an indemnity on 18 November 2012 to the Group against any loss arising from any claim or demand of repayment made against the Group under the PRC Company Guarantee.

33. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year. These transactions are arisen from the discontinued operation:

	Group	
	2013 RMB'000	2012 RMB'000
Fellow subsidiaries:		
Sales of corn germs:		
Shandong Xiwang Food Company Limited	**268,978**	392,168
Sales of corn starch:		
Xiwang Pharmaceutical Company Limited	**527,878**	248,985
Sales of crystalline glucose:		
Xiwang Pharmaceutical Company Limited	**178,078**	269,191
Provision of sewage service		
Xiwang Group Company Limited	**3,084**	4,420
	978,018	914,764

The pricing of these transactions was determined based on mutual negotiation and agreement reached between the Group and the related parties on each individual transaction pursuant to the guidance laid down in the relevant framework agreements executed.

NOTES TO FINANCIAL STATEMENTS

33. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) (continued)

The transaction amounts stated above for the year ended 31 December 2013 represented the transactions conducted by the Group before the completion of the disposal of the corn processing business on 29 June 2013. Since then, the agreements of the continuing connected transactions stated above have been terminated.

(b) Other transactions with related parties

On 29 June 2013, the Company obtained the independent shareholders' approval to dispose the corn processing business, through the sale of the entire issued share capital of Master Team International Limited, the holding company of the companies engaging in the corn processing business in the PRC, and assignment of the loans owed by each of the companies disposed to Xiwang Investment, for a total consideration of RMB 2,096,000,000. Further details of the transaction are included in note 12 to the financial statements.

(c) Outstanding balances with related parties

Group

	Notes	2013 RMB'000	2012 RMB'000
Promissory note receivable	(i)	**117,945**	–
Due from related parties:			
Xiwang Investment	(ii)	**1,430**	109
Xiwang Pharmaceutical Company Limited		**–**	143,197
Xiwang Hong Kong Company Limited		**–**	696
		1,430	144,002
Promissory note payable		**–**	217,155
Due to related parties:			
Xiwang Group Company Limited	(iii)	**2,084**	292,094
Shandong Xiwang Food Company Limited		**–**	30,782
Zouping Xiwang Power Company Limited		**–**	13,789
Wang Yong		**–**	7
		2,084	336,672

33. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Outstanding balances with related parties (continued)

Company

	Notes	2013 RMB'000	2012 RMB'000
Promissory note receivable	(i)	**117,945**	–
Due from related parties:			
Xiwang Investment	(ii)	**1,430**	–
Winning China Limited		**–**	892,992
Shandong Xiwang Sugar Industry Company Limited		**–**	27,460
		1,430	920,452
Promissory note payable		**–**	217,155
Due to related parties:			
Xiwang Group Company Limited	(iii)	**2,061**	2,136

(i) The Group had a promissory note receivable of RMB 117,945,000 (2012: Nil) due from Xiwang Investment and interest receivable balance of RMB 1,430,000 (2012: Nil) as at the end of the reporting period.

(ii) The Group had an outstanding balance due from Xiwang Investment, the immediate holding company, of RMB 1,430,000 (2012: RMB 109,000) as at the end of the reporting period. The outstanding balance owed by the Company from Xiwang Investment amounted to RMB 1,430,000 (2012: Nil). These balances are unsecured, interest-free and have no fixed terms of repayment.

(iii) The Group had an outstanding balance due to Xiwang Group Company Limited, a company controlled by Mr. WANG Yong, of RMB 2,084,000 (2012: RMB 292,094,000) as at the end of the reporting period. The outstanding balance owed by the Company to Xiwang Group Company Limited amounted to RMB 2,061,000 (2012: RMB 2,136,000). These balances are unsecured, interest-free and have no fixed terms of repayment.

NOTES TO FINANCIAL STATEMENTS

33. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Compensation of key management personnel of the Group:

	2013 RMB'000	2012 RMB'000
Short term employee benefits	**2,007**	1,209
Post-employment benefits	**29**	19
Equity-settled share option expense	**941**	1,482
Total compensation paid to key management personnel	**2,977**	2,710

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

34. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	Group	
Financial assets – Loans and receivables	**2013 RMB'000**	2012 RMB'000
Financial assets included in trade and other receivables (note 22)	**19,402**	744,789
Due from related parties	**1,430**	144,002
Promissory note receivable	**117,945**	–
Pledged deposits	**–**	171,198
Restricted cash	**2,368**	116,160
Cash and cash equivalents	**8,669**	591,690
	149,814	1,767,839

	Group	
Financial liabilities at amortised cost	**2013 RMB'000**	2012 RMB'000
Financial liabilities included in trade and other payables (note 25)	**49,121**	796,966
Interest-bearing bank and other borrowings	**–**	1,922,094
Promissory note payable	**–**	217,155
Due to related parties	**2,084**	336,672
	51,205	3,272,887

34. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

	Company	
	2013	2012
Financial assets – Loans and receivables	**RMB'000**	RMB'000
Due from subsidiaries	**437,531**	793,010
Due from related parties	**1,430**	920,452
Promissory note receivable	**117,945**	–
Dividend receivable	**–**	222,875
Cash and cash equivalents	**1,404**	8,701
	558,310	1,945,038

	Company	
	2013	2012
Financial liabilities at amortised cost	**RMB'000**	RMB'000
Financial liabilities included in trade and other payables	**2,998**	4,945
Interest-bearing bank and other borrowings	**–**	62,922
Promissory note payable	**–**	217,155
Due to related parties	**2,061**	2,136
	5,059	287,158

35. FAIR VALUE OF FINANCIAL INSTRUMENTS

At 31 December 2013 and 2012, the fair values of the Group's financial assets and financial liabilities approximated to their carrying amounts.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Management has assessed that the fair values of cash and cash equivalents, restricted cash, pledged deposits, due from related parties, financial assets included in trade and other receivables, promissory note receivable, financial liabilities included in trade and other payables, interest-bearing bank and other borrowings, due to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of promissory note payable have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The promissory note payable was settled in 2013.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, comprise interest-bearing bank and other borrowings, promissory note, cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The interest risk of the Group is mainly due to the interest rate fluctuations of its bank borrowings and promissory note payable. Interest on these borrowings is computed based on market rates and the Group has no payable balances for bank borrowings and promissory note as at 31 December 2013. Therefore the Group does not have any significant exposure to risk of changes in market interest rates. The Group has not used any financial instruments to hedge its exposure to interest rate risk during the reporting period.

Foreign currency risk

All of the Group's turnover and substantially all of the Group's cost of sales and operating expenses are denominated in RMB. The Group had no significant assets and liabilities denominated in foreign currency other than the functional currency. Accordingly, the transactional currency exposures of the Group are not significant.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

There are no significant concentrations of credit risk within the Group as the Group's trade and bills receivables are widely dispersed among different customers. Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in note 22. The Group is also exposed to credit risk through the granting of financial guarantee, further details of which is disclosed in note 32 to the financial statements.

The credit risk of the Group's other financial assets, which mainly comprise cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets.

To manage the risk, deposits are mainly placed with licensing banks which are all high credit quality financial institutions. The Group would not release the property ownership certificates to the buyers before the buyers fully settle the payment. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivable to ensure that adequate impairment losses are made for irrecoverable amounts.

Liquidity risk

Liquidity risk arises when the Group is unable to meet its current liabilities that fall due. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of short and long term bank loans. Through maintaining a reasonable proportion in its asset and liability structure, the Group is able to meet its ongoing financial needs.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period is as follows:

Group	**2013**					
	On demand RMB'000	**Within one year RMB'000**	**One to two years RMB'000**	**Two to five years RMB'000**	**Over five years RMB'000**	**Total RMB'000**
Trade and other payables	**27,979**	**21,142**	**–**	**–**	**–**	**49,121**
Due to related parties	**2,084**	**–**	**–**	**–**	**–**	**2,084**
Total	**30,063**	**21,142**	**–**	**–**	**–**	**51,205**

Group	2012					
	On demand RMB'000	Within one year RMB'000	One to two years RMB'000	Two to five years RMB'000	Over five years RMB'000	Total RMB'000
Trade and other payables	313,590	483,376	–	–	–	796,966
Interest-bearing bank and other borrowings	–	1,983,683	–	–	–	1,983,683
Promissory note payable	–	–	–	331,000	–	331,000
Due to related parties	336,672	–	–	–	–	336,672
Total	650,262	2,467,059	–	331,000	–	3,448,421

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

The maturity profile of the Company's financial liabilities as at the end of the reporting period is as follows:

Company	**2013**					
	On demand RMB'000	**Within one year RMB'000**	**One to two years RMB'000**	**Two to three years RMB'000**	**Over three years RMB'000**	**Total RMB'000**
Trade and other payables	**2,998**	**–**	**–**	**–**	**–**	**2,998**
Due to other related parties	**2,061**	**–**	**–**	**–**	**–**	**2,061**
Total	**5,059**	**–**	**–**	**–**	**–**	**5,059**

Company	2012					
	On demand RMB'000	Within one year RMB'000	One to two years RMB'000	Two to three years RMB'000	Over three years RMB'000	Total RMB'000
Trade and other payables	4,945	–	–	–	–	4,945
Interest-bearing bank and other borrowing	–	64,630	–	–	–	64,630
Promissory note payable	–	–	–	331,000	–	331,000
Due to other related parties	2,136	–	–	–	–	2,136
Total	7,081	64,630	–	331,000	–	402,711

Capital management

The objectives of the Group's capital management policy are to ensure the financing capabilities of the Company in running its operation on a going concern basis, to maintain an optimal capital structure, to reduce capital cost and to maximise shareholders' value.

The Group manages and adjusts its capital structure appropriately according to the specific features of the risks of its assets and the changes in various economic conditions. Through adjustments in dividend distribution, injections and repayments of capital by shareholders or issuance of new shares, the Group is able to maintain an optimal capital structure of the Company.

Notes to Financial Statements

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management (continued)

The Group monitors capital using a gearing ratio, which is net debts divided by equity attributable to owners of the parent. The Group's policy is to keep the gearing ratio at a reasonable level. Net debts are interest-bearing bank and other borrowings, trade and other payables, promissory note payable less cash and cash equivalents, pledged deposits and restricted cash. The gearing ratios as at the end of the reporting periods are as follows:

Group	2013 RMB'000	2012 RMB'000
Interest-bearing bank and other borrowings	–	1,922,094
Promissory note payable	–	217,155
Trade and other payables (note 25)	211,230	1,030,766
Less: Cash and cash equivalents (note 23)	8,669	591,690
Pledged deposits (note 23)	–	171,198
Restricted cash (note 23)	2,368	116,160
Net debts	200,193	2,290,967
Equity attributable to owners of the parent	686,198	2,812,826
Gearing ratio	29%	81%

37. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2014.

FIVE-YEAR FINANCIAL SUMMARY

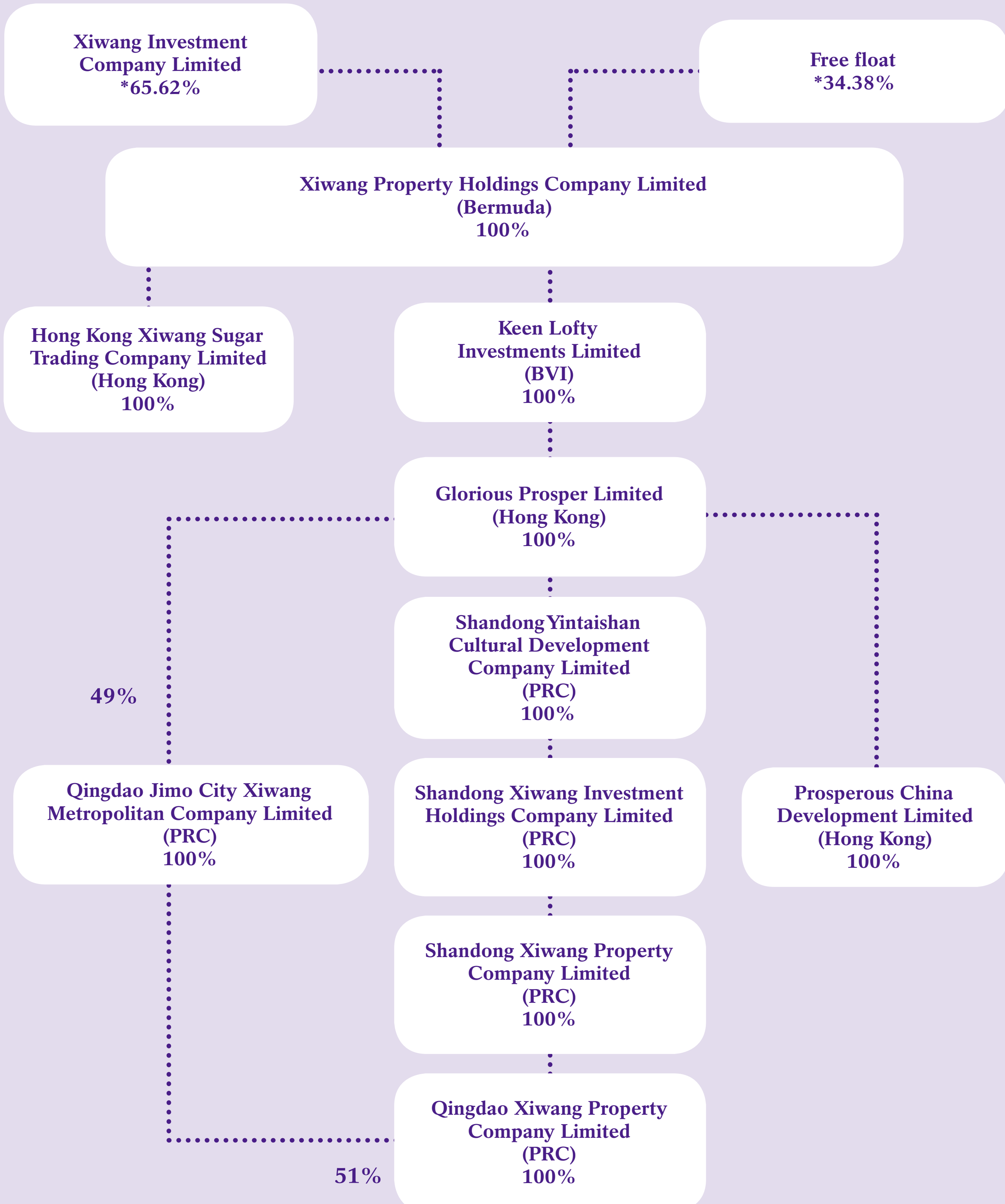
	2013	2012 (Restated)	2011	2010	2009
For the year (RMB million)					
Revenue	**179**	173	3,633	3,257	2,481
Gross profit	**34**	27	456	472	317
EBITDA*	**19**	14	382	395	269
Operating profit	**17**	14	256	293	172
Net (loss)/profit	**(966)**	(18)	179	210	102
As at December 31 (RMB million)					
Current assets	**770**	3,348	2,075	1,976	2,184
Non-current assets	**252**	3,091	2,065	2,005	1,826
Total assets	**1,022**	6,439	4,140	3,981	4,010
Current liabilities	**219**	3,289	1,672	1,184	2,347
Non-current liabilities	**115**	337	319	831	190
Total liabilities	**334**	3,626	1,991	2,015	2,537
Total equity	**688**	2,813	2,149	1,966	1,473
Total liabilities and equity	**1,022**	6,439	4,140	3,981	4,010
Per share (RMB)					
Basic (loss)/earnings per share	**(1.31)**	(0.05)	0.18	0.21	0.12
Dividends per ordinary share**	**0.60**	–	0.028	–	0.037
Dividends per CPS**	**0.61**	–	0.038	N/A	N/A
Financial and performance ratios					
Gross profit margin (%)	**18.9**	15.8	12.6	14.5	12.8
Operating profit margin (%)	**9.3**	8.0	7.0	9.0	6.9
Net (loss)/profit margin (%)	**(539.1)**	(10.4)	4.9	6.4	4.1
Current ratio	**3.51**	1.02	1.24	1.67	0.93
Net debts to equity	**0**	0.55	0.56	0.52	0.92

* excluded non-recurring expenses amounted to approximately RMB 20,160,000

** amount of the year 2013 represented special dividend declared and paid during the Year

ORGANIZATION STRUCTURE

As at the date of this annual report:



* These represent the percentage shareholdings of ordinary shares of the Company issued as at the date of this annual report.

INFORMATION FOR SHAREHOLDERS

CORPORATE CALENDAR

Announcement of 2013 annual results	28 March 2014 (Friday)
Annual general meeting	22 May 2014 (Thursday)
Website	www.xiwangproperty.com

STOCK CODE

The Stock Exchange of Hong Kong Limited:	2088
Bloomberg:	2088 HK EQUITY
Board lot	2,000 shares
Financial year-end date	31 December

AS AT 31 DECEMBER 2013

Market Value:	HKD 1,013 million
Issued shares:	
Ordinary shares	1,235,777,333 shares
Convertible preference shares	680,499,122 shares
Closing market price:	HKD 0.82 per share

ANNUAL REPORT

This annual report is printed in English and Chinese and available on the respective websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.xiwangproperty.com).

CLOSURE OF REGISTER OF MEMBERS

The register of members in respect of ordinary shares of the Company will be closed from Tuesday, 20 May 2014 to Thursday, 22 May 2014, (both days inclusive), during which period no transfer of ordinary shares will be registered for the purpose of ascertaining shareholders' entitlement for attending and voting at the AGM. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates and, in the case of holders of convertible preference shares, all duly completed notices of conversion accompanied by the relevant certificates of convertible preference shares must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 19 May 2014.

INFORMATION FOR SHAREHOLDERS

ANNUAL GENERAL MEETING

The AGM of the Company will be held on Thursday, 22 May 2014. A notice convening the AGM will be published on the respective websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.xiwangproperty.com). The proxy form together with the annual report are expected to be dispatched to shareholders on or around Thursday, 17 April 2014.

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This annual report contains certain forward-looking statements and opinions with respect to the operations and businesses of the Company. These forward-looking statements and opinions relate to, among other things, our objectives, goals, strategies, intentions, plans, beliefs, expectations and estimates and are generally indicated by the use of forward-looking terminology such as believe, expect, anticipate, estimate, plan, project, target, may, will, would or other results of actions that may or are expected to occur in the future. Shareholders and potential investors should not place undue reliance on these forward-looking statements and opinions, which apply only as of the date of this annual report. These forward-looking statements are based on the Company's own information and information from other sources which the Company believes to be reliable. Our actual results may be materially less favorable than those expressed or implied by these forward-looking statements and opinions which could affect the market price of our shares. Neither the Company nor its Directors and employees assume any liability in the event that any forward-looking statements or opinions does not materialize or turn out to be incorrect. Subject to the requirements of the Listing Rules, the Company does not undertake to update any forward-looking statements or opinions contained in this annual report.

MISCELLANEOUS

In the event of inconsistency, the English texts of this annual report shall prevail on the Chinese texts.