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

(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)

Stock code 股份代號 : 2088

Annual Report 2016 年報


西王

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. WANG Jin Tao *(Chief Executive Officer)*
Mr. WANG Wei Min
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 Zhen (appointed on 23 March 2016)
Mr. YAO Yong Jun (resigned on 23 March 2016)

COMMITTEES

Audit Committee

Mr. WONG Kai Ming *(Chairman)*
Mr. WANG An
Mr. WANG Zhen (appointed on 23 March 2016)
Mr. YAO Yong Jun (resigned on 23 March 2016)

Remuneration Committee

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

Nomination Committee

Mr. WONG Kai Ming *(Chairman)*
Mr. SUN Xinhu
Mr. WANG Zhen (appointed on 23 March 2016)
Mr. YAO Yong Jun (resigned on 23 March 2016)

COMPANY SECRETARY

Mr. WONG Kai Hing

AUTHORISED REPRESENTATIVES

Mr. WANG Yong
Mr. WONG Kai Hing
Mr. SUN Xinhu
(alternate to Mr. WANG Yong and Mr. WONG Kai Hing)

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

HLB Hodgson Impey Cheng Limited
31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

LEGAL ADVISERS

As to Hong Kong law:
Woo Kwan Lee & Lo
26th Floor, Jardine House
1 Connaught Place
Central
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

Dear Shareholders,

The Group's business is based in Shandong Province. In 2016, the province attached great importance to destock property inventories and introduced a series of policies and measures to absorb property inventories. As a result, inventories dropped for the first time after an increase for 6 years in a row and the real estate market of the province stabilized.

WANG DI
Chairman and Non-executive Director

Throughout the year of 2016, the sales of commodity housing of property developers in the province maintained a good momentum. Commodity housing with an area of 118 million square meters was sold, representing an increase of 21.2%; among which, residential housing accounted for 106 million square meters, representing an increase of 24.3%. The sales amount of commodity housing was RMB690.29 billion, representing an increase of 27.6%. Furthermore, at the end of 2016, the area of existing housing held for sale by property developers in the province was 41.781 million square meters; among which, the area of existing residential housing held for sale was 23.790 million square meters, representing a decrease of 5.9%.

For the year ended 31 December 2016 (the "**Year**"), the property development business contributed revenue of approximately RMB28 million (2015: RMB101 million), to the Group. The revenue was mainly generated from Lanting Project and Meijun Project (Phase Two). Lanting Project (South Zone) was completed in 2014 and approximately 81.2% of the GFA of the project had been sold as at 31 December 2016. Meijun Project (Phase Two) was completed in 2013 and 90.9% of the GFA of the project had been sold as at 31 December 2016.

In order to retain fund for operation and business development, the board (the "**Board**") of directors (the "**Directors**") of the Company do not recommend the payment of final dividend for both ordinary shares and convertible preference shares.

In view of the progress of urbanization and improvement of living standard of people in Shandong, our strategy will pay particular attention on developing properties of higher class. Besides, the Group will keep on seeking business opportunities for property development project.

I would like to take this opportunity to thank our shareholders, business partners, customers, the Board and our staff for their contribution in the past year.

WANG Di
Chairman

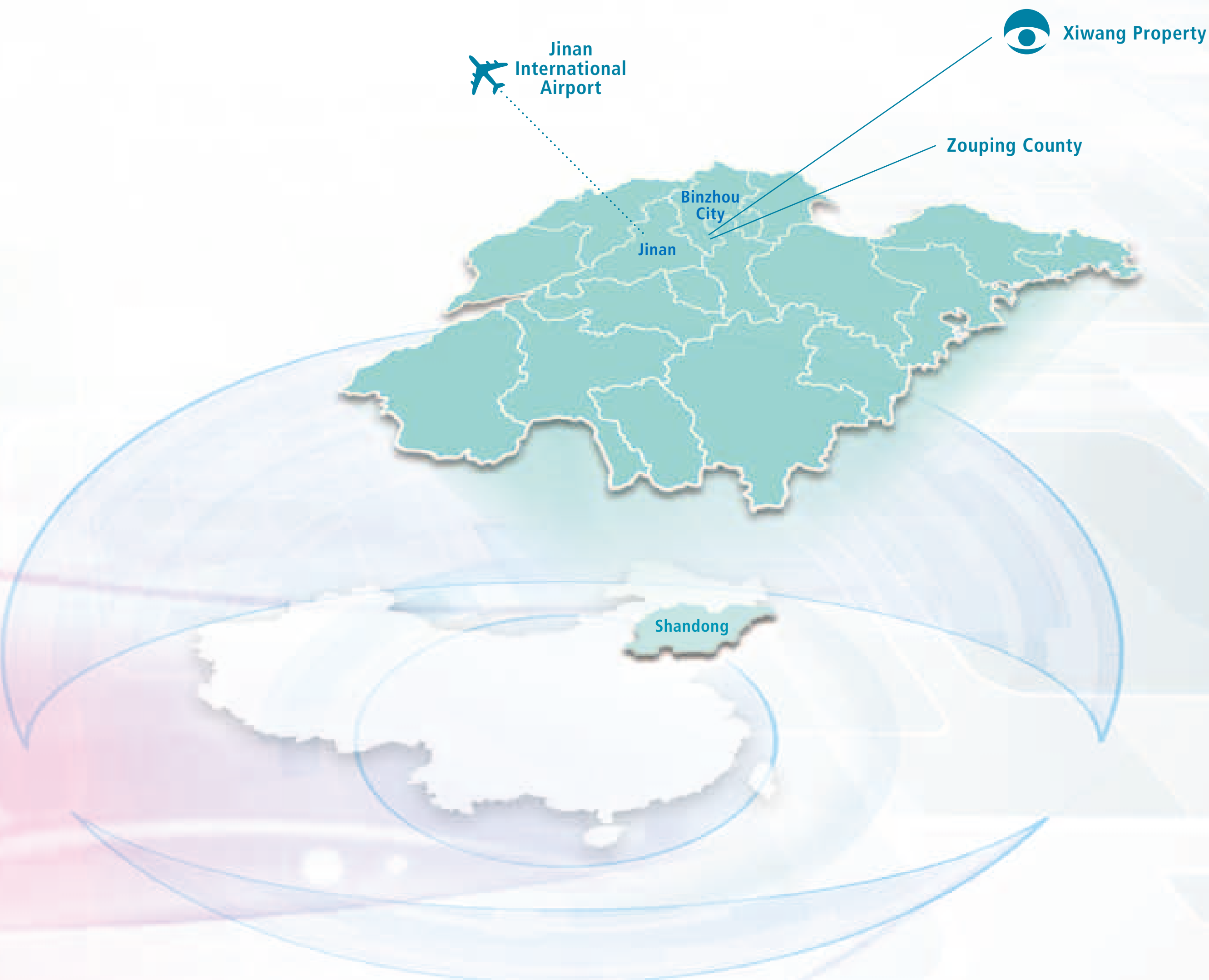
22 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

Introduction

The Group was established in 2001 with headquarters located in Zouping County, Shandong Province of the PRC. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in December 2005.

The Group is principally engaged in property development in the PRC.



I. Business Review

The Group's sole source of revenue of the year is sales of developed property. Geographically, Shandong remains as the Group's main market. All revenues of the Group during the year were derived from Shandong.

The Group's turnover of the year is RMB27,818,000 (2015: RMB100,783,000), representing a decrease of 72.4% as compared to last year. The decrease of turnover is mainly due to decrease in gross floor area (the "**GFA**") sold as compared to last year, among which the GFA sold under Lanting Project decreased from 22,002 square meters in 2015 to 4,861 square meters in 2016, representing a decrease of 77.9%. The average GFA price increased from RMB3,893 per square meter in 2015 to RMB4,386 per square meter in 2016, representing an increase of 12.7%.

Ii. Financial Review

Operating results

1. Revenue

The Group's revenue amounted to RMB27,818,000 during the Year (2015: RMB100,783,000), representing a decrease of 72.4% as compared to last year. The decrease in revenue was mainly due to the decrease in GFA sold as compared to last year. The average GFA price of Lanting Project, a high-class residential development, was higher than that of last year, however, the GFA sold of Lanting Project declined dramatically and resulted in a decrease in revenue of RMB65,616,000, representing a decrease of 73.2%. The sales of each project was as follows:

	Revenue		**GFA sold**		**Average GFA price**	
	2016	2015	**2016**	2015	**2016**	2015
	RMB'000	RMB'000	**square metres ("sq m")**	sq m	**RMB/ sq m**	RMB/ sq m
Meijun Project	**3,767**	11,116	**1,481**	3,889	**2,544**	2,858
Lanting Project	**24,051**	89,667	**4,861**	22,002	**4,947**	4,075
	27,818	100,783	**6,342**	25,891	**4,386**	3,893

MANAGEMENT DISCUSSION AND ANALYSIS

LANTING PROJECT

Lanting Project is located at the junction between the south of Heban 3rd Road and the west of Liquan 1st Road in Zouping County, Binzhou City of Shandong Province, which is a newly developed area in Zouping County closed to the county government headquarters. Lanting Project is a comprehensive residential development which is developed in two phases, known as North Zone and South Zone. There are 11 blocks of 6 to 14-storey residential buildings providing around 390 residential units.

MEIJUN PROJECT

Meijun Project is located at the east of Daixi 3rd Road South of Chengnan New District in Zouping County, Binzhou City of Shandong Province, a newly developed area in Zouping County and the county government headquarters, hospital and schools are nearby. The Meijun Project is a residential development divided into 3 phases. Phase One, completed in December 2008, 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. Phase Three is in the planning stage.

MANAGEMENT DISCUSSION AND ANALYSIS

QINGHE PROJECT

Qinghe Project is located at Kaihe Village, Handian Town of Zouping County, Binzhou City of Shandong Province. 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 in respect of the area is expected to commence in 2017 and be completed in 2020. For the year ended 31 December 2016, Qinghe Home Settlements were basically completed.

2. Cost of sales

The Group's cost of sales amounted to RMB24,558,000 during the Year (2015: RMB109,654,000), representing an decrease of 77.6% as compared to last year. The decrease in cost of sales was mainly due to (i) the dramatic decrease in the sales as compared to last year, and (ii) no impairment provision being made for completed properties held for sales during the year (2015: RMB5,210,000).

	2016	2015
	RMB'000	RMB'000
Costs of land	**1,565**	7,439
Compensation for relocation	**6,142**	30,798
Development costs	**14,206**	70,108
Other costs^^	**6,463**	28,483
	28,376	136,828
Write-down of completed properties held for sale to net realisable value	**–**	5,210
Reversal of write-down of completed properties held for sale to net realisable value	**(3,818)**	(32,384)
	24,558	109,654
Average Floor Area cost (RMB/sq m)	**3,872**	4,235
Average Floor Area cost (net of impairment reversals/provisions) (RMB/sq m)	**4,474**	5,285

^^ Other costs include loan interests capitalised, planning fees, initial fees, adjustments to fair value and taxes.

MANAGEMENT DISCUSSION AND ANALYSIS

3. **Gross profit/(loss)**

   The Group's gross profit amounted to RMB3,260,000 during the Year (2015 gross loss: RMB8,871,000). The gross profit margin was 11.7% (2015 gross loss margin: 8.8%) and was 20.5 percentage points higher than that of last year. The increase in gross profit margin was mainly resulted from the increase of average GFA price from RMB3,893 per square meter in 2015 to RMB4,386 per square meter in 2016.

4. **Other expenses**

   Other expenses represent exchange loss. The exchange loss amounted to RMB13,220,000 during the Year (2015: RMB4,732,000), representing a increase of 1.8 times as compared to that of last year. The exchange loss incurred during the Year was mainly attributable to RMB deposits and the unrealised foreign exchange loss arising from the intragroup monetary balances in group companies in Hong Kong.

5. **Administrative expenses**

   Administrative expenses include general administrative fees, legal and professional fees, salaries of management and administrative staff. The administrative expenses amounted to RMB5,069,000 during the Year (2015: RMB7,245,000), representing a decrease of 30.0% as compared to that of last year, which was mainly due to the cost control of the Group that resulted in a decrease in administrative expenses, such as audit fee and general administrative fees, during the Year.

6. **Income tax credit**

   The Group credited an income tax of RMB1,202,000 to the consolidated statement of profit or loss during the Year (2015: RMB5,289,000 credited to the consolidated statement of profit or loss), which was mainly due to the utilisation of deferred income tax liabilities from fair value adjustment arising from acquisition of subsidiaries.

Financial position

Liquidity and capital resources

As at 31 December 2016, the Group's cash and cash equivalents amounted to RMB126,215,000, representing an increase of RMB28,603,000, or 29.3%, as compared to RMB97,612,000 as at 31 December 2015. The Group primarily utilized the cash flow from operations, cash inflow from investing activities and cash on hand to finance operational requirements during the Year.

As at 31 December 2016, the gearing ratio, being the ratio of total liabilities divided by total equity was 33.5% (31 December 2015: 47.9%). As at 31 December 2016, the Group had no bank and other borrowings (31 December 2015: Nil).

Significant investments held, significant acquisitions and disposals of subsidiaries and future plans for significant investments or capital asset acquisitions

Save as disclosed herein, during the Year, the Group had no other significant investments and neither it had entered into any significant acquisitions and disposals of subsidiaries, associates and joint ventures nor had made future plans for significant investments or capital asset acquisitions.

Pledge of assets

As at 31 December 2016, none of property, plant and equipment of the Group was pledged to secure bank and other borrowings (31 December 2015: Nil).

Capital commitments

As at 31 December 2016, the Group's capital commitment amounted to RMB8,716,000 (31 December 2015: RMB8,595,000), which was mainly expenditures for property developments.

Foreign exchange risk

The Group primarily operates in the PRC with RMB as its functional currency. During the Year, majority of the Group's assets, liabilities, incomes, payments and cash balances were denominated in RMB. Therefore, the Directors of the Company 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 2016, the Group employed approximately 24 staff (31 December 2015: 25). Staff-related costs (including Directors' remuneration) incurred during the Year was RMB1,594,000 (2015: RMB2,215,000). 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 payables to the Directors and senior management.

MANAGEMENT DISCUSSION AND ANALYSIS

Contingent liabilities/advance to an entity

The Group did not have any contingent liabilities as at 31 December 2016.

III. Business Outlook

In 2017, the real estate market will continue the upward trend started in the second quarter of 2016, national policies and bank credit policies will continue to be introduced to regulate the market. We believe that housing prices will not fluctuate violently, but the upward pressure continues to exist. The sales amount of new house is expected to once again exceed market expectations, the year on year growth of new house sales is expected to be 0–5%, which should be mainly concentrated in the second half of the year. In addition, urban-level supply and demand will be improved, but in 2017, the core cities are still facing a shortage of housing supply. In 2016, Chinese residents increased their mortgage significantly, but the overall leverage level (from the perspective of total loan balance) is still within reasonable limits and the capital market is loose.

Having experienced the de-inventory in 2016, the inventory of Zouping's real estate market has been fully digested, the purchase needs of the residents are far more than the supply of existing houses, and the real estate market is expected to continue to heat up in 2017. It is expected that in 2017, land supply in Zouping will continue to shrink, with its main development projects focused on the southern new district; bank loans continue to maintain a relaxed policy, commercial credit rate discounts, and the current purchase limit policy basically has no impact on Zouping's real estate market. In view of the above mentioned reasons, we believe that Zouping's real estate market will not have violent fluctuations in 2017, but the pressure on housing prices to rise is higher.

Based on market changes, the Company will actively start the demolition, relocation and land clearance work of Phase Three of the Meijun Project, and actively look for new development projects to raise its market share.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. WANG Jin Tao (王金濤)

Chief Executive Officer

Mr. WANG Jin Tao, aged 33, is executive Director and the chief executive officer of the Company since 26 October 2015. He possess more than 10 years of management experience. He graduated from the professional course in business administration of The Open University of China (中央廣播電視大學) in January 2011 and worked as the deputy department head of the security department of the Xiwang Group, ultimate holding company of the Company between July 2005 to May 2006. He became the administrative deputy general manager of Xiwang Foodstuffs Company Limited (西王食品股份有限公司) (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 the Xiwang Group) ("**Xiwang Foodstuffs**") from May 2006 to December 2006. He was appointed as the procuring deputy general manager of the Xiwang Foodstuffs from December 2006 to October 2008, the executive deputy general manager of Shandong Xiwang Biotechnology Company Limited* (山東西王生化科技有限公司) ("**Xiwang Biotechnology**") from October 2008 to August 2009, the production deputy general manager of Shandong Xiwang Sugar Company Limited* (山東西王糖業有限公司) from August 2009 to December 2009, the executive deputy general manager of the Xiwang Group First Industrial Park* (西王集團第一工業園) from December 2009 to November 2010, the factory manager of the Fourth Starch Plant of Xiwang Biotechnology (山東西王生化科技有限公司澱粉四廠) from May 2011 to August 2012, and the general manager of the Zouping County Xiwang Power Co. Ltd* (鄒平縣西王動力有限公司) from August 2012 to May 2015. Since June 2015, he has been the general manager of Shangdong Xiwang Property Company Limited* (山東西王置業有限公司) ("**Shangdong Xiwang Property**"), a wholly-owned subsidiary of the Company.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Mr. WANG Wei Min (王偉民)

Mr. WANG Wei Min, aged 47, is executive Director of the Company since 26 October 2015. He joined the Group in September 1992 and has more than 22 years of experience in engineering management. He graduated from the professional course in microcomputer of the Zouping County Professional College*（鄒平縣成人中等專業學校）of Shandong Province in July 1992 and worked in the Zouping Xiwang Oil Cotton Factory*（鄒平西王油棉廠）from September 1989 to September 1992. He joined the Shandong Xiwang Property as the department head of the engineering department from September 1992 to October 2001 and became the general manager of Xiwang Real Estate Development Company Limited*（西王房地產開發有限公司）, a subsidiary of Shangdong Xiwang Property from October 2001 to February 2008. Since February 2008, he has been the deputy general manager of Shangdong Xiwang Property.

Mr. CHENG Gang (程剛)

Mr. CHENG Gang, aged 44, 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 Tsinghua 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. Mr. CHENG joined Shandong Xiwang Property as project in-charge from 2006 to 2011 and was appointed as the deputy general manager of Shandong Xiwang Property from November 2011 to April 2014. He has joined Qingdao Ouya Property Limited* (青島歐亞置業有限公司) as the general manager since April 2014.

Non-executive Directors

Mr. WANG Di (王棣)

Chairman

Mr. WANG Di, aged 33, 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 Company Limited* (西王集團有限公司) ("**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 also served as a director of each of Xiwang Hong Kong Limited (a wholly-owned subsidiary of Xiwang Group) ("**Xiwang Hong Kong**") since April 2006, Xiwang Holdings Limited (a company held as to 95% by Xiwang Hong Kong) ("**Xiwang Holdings**") since November 2015 and Xiwang Investment Company Limited (being a wholly-owned subsidiary of Xiwang Holdings and the holding company of the Company) since November 2015. 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, and the chairman and non-executive director of Xiwang Special Steel Company Limited ("**Xiwang Special Steel**") (a company listed on the Main Board of the Stock Exchange under stock code 1266 in February 2012 and is effectively held as to 74.75% by Xiwang Holdings. Mr. WANG Di is the son of Mr. WANG Yong, who is a non-executive Director and the deputy chairman of the Company.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Mr. WANG Yong (王勇)

Deputy Chairman

Mr. WANG Yong, aged 66, 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.

Mr. SUN Xinhu (孫新虎)

Mr. SUN Xinhu, aged 42, 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's degree in food science from Shandong Polytechnic University (山東輕工業學院) in July 1997, and a master's degree in food science from Southern Yangtze University (江南大學) in July 2004. Mr. SUN has been a director of Xiwang Foodstuffs since 2010 and the vice chairman of the board of Xiwang Foodstuffs since June 2014. 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 and was re-designated as an executive director in April 2015. Mr. SUN has been serving as vice general manager since he joined Xiwang Group in March 2003 and has served as a director of Xiwang Group since January 2013. 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. Mr. SUN is a member of the nomination committee ("**Nomination Committee**") and the remuneration committee (the "**Remuneration Committee**") of the Company.

Independent non-executive Directors

Mr. WONG Kai Ming (黃啟明)

Mr. WONG Kai Ming, aged 62, is an independent non-executive Director. Mr. WONG has over 30 years of experience in accounting and finance and is presently the sole director of EMKT CPA Limited, Certified Public Accountant and the sole proprietor of Wong Kai Ming, Certified Public Accountant. Mr. WONG has obtained 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) in 1980 and 1996 respectively. He is a fellow member of the Association of Chartered Certified Accountants and a practising member of the Hong Kong Institute of Certified Public Accountants. Mr. WONG was appointed as an independent non-executive Director in November 2005. Mr. WONG is the chairman of the audit committee of the Company (the "**Audit Committee**") and the Nomination Committee, and also a member of the Remuneration Committee.

Mr. WANG AN (王安)

Mr. WANG An, aged 70, 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. Mr. WANG is the chairman of the Remuneration Committee and a member of the Audit Committee.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Mr. WANG Zhen (王鎮)

Mr. WANG Zhen, aged 31, is an independent non-executive Director, Mr. WANG, has over 5 years of experience in the legal field. He graduated with a bachelor degree from Weifang University* (濰坊學院) in 2009. After obtaining his professional legal qualifications in the PRC in 2009, Mr. WANG has served as a professional lawyer of Shandong Lizhi Law Office* (山東勵志律師事務所) from 2010 till present.

Senior Management

Mr. WONG Kai Hing (黃繼興)

Mr. Wong Kai Hing, aged 42, was appointed as Chief Financial Officer and Company Secretary of the Company (the "**Company Secretary**") commencing from 20 November 2015. Mr. Wong is a member of the Hong Kong Institute of Certified Public Accountants and a member of Chartered Financial Analyst. Mr. Wong holds a Bachelor's degree in Business Administration in Professional Accountancy from the Chinese University of Hong Kong in 1997. He obtained a Master of Business Administration from the Chinese University of Hong Kong in 2006. He has over 17 years of experience in company secretary, auditing, finance and accounting fields in various listed companies and an international accounting firm in Hong Kong. Prior to joining the Company, Mr. Wong was the financial controller and company secretary of China Modern Dairy Holdings Limited from April 2012 to October 2015.

Mr. Wong was appointed as the Chief Financial Officer and the Company Secretary of Xiwang Special Steel commencing from 20 November 2015.

* *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. Save as disclosed herein, 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 uphold 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.

The Board adopted a board diversity policy (the "**Board Diversity Policy**") which 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.

CORPORATE GOVERNANCE REPORT

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 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 Jin Jao *(Chief Executive Officer)*
Mr. WANG Wei Min
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 Zhen (appointed on 23 March 2016)
Mr. YAO Yong Jun (resigned on 23 March 2016)

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.

(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.

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 30 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 Zhen 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.

CORPORATE GOVERNANCE REPORT

(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 pages 52 to 57.

(v) Relationship among members of the Board

Mr. WANG Di, the chairman and a non-executive Director, is the son of Mr. WANG Yong, the deputy chairman and a 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, 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 connected transaction and inside information disclosure. 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 Jin Tao who is responsible for the supervision for the execution of the plans and policies determined by the Board.

CORPORATE GOVERNANCE REPORT

D. Board Committees

The Board has three board committees, namely Audit Committee, 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.

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

The primary responsibilities of the Audit Committee are to monitor the integrity of the Group's financial statements and reports and to review significant financial reporting judgements contained therein, to review the Company's financial controls, risk management and internal control system, to make recommendations to the Board for the improvement of the Group's risk management and internal control procedures and system and to make 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.

Three meetings were held by the Audit Committee during the Year. During the Year, the Audit Committee reviewed the Company's risk management and internal control systems, the effectiveness of its internal audit function and financial reporting system. The Audit Committee reviewed and recommended the Board to adopt the audited accounts and final results announcement for the year ended 31 December 2015 and the unaudited accounts and interim results announcement for the six months ended 30 June 2016. The Audit Committee reviewed and made recommendation to the Board for the re-appointment of external auditor and the subsequent appointment of HLB Hodgson Impey Cheng Limited as the external auditor of the Group to fill the casual vacancy following the resignation of Ernst & Young.

(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.

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, to review and recommend to the Board on the remuneration packages of individual executive Directors and senior management including benefits in kind, pension rights and compensation payments.

One meeting was held by the Remuneration Committee during the Year. During the Year, Remuneration Committee has reviewed remuneration of senior management.

(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.

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

The primary responsibilities of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, to identify individuals suitably qualified to become Board members and to select or make recommendations to the Board on the selection of individuals nominated for directorship, and to assess the independence of the independent non-executive Directors.

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

CORPORATE GOVERNANCE REPORT

One meeting was held by the Nomination Committee during the Year. The Nomination Committee performed annual review of the structure of the Board and recommended the nomination of Directors for re-election at the annual general meeting of the Company held on 17 June 2016 and the appointment of Mr. WANG Zhen as an independent non-executive Director 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	**Audit Committee Meeting**	**Remuneration Committee Meeting**	**Nomination Committee Meeting**	**General Meeting**
Executive Directors:					
WANG Jin Tao *(Chief Executive Officer)*	4/4	N/A	N/A	N/A	2/2
WANG Wei Min	4/4	N/A	N/A	N/A	1/2
CHENG Gang	4/4	N/A	N/A	N/A	1/2
Non-executive Directors:					
WANG Di *(Chairman)*	2/4	N/A	N/A	N/A	1/2
WANG Yong *(Deputy Chairman)*	2/4	N/A	N/A	N/A	1/2
SUN Xinhu	4/4	N/A	1/1	1/1	1/2
Independent Non-executive Directors:					
WONG Kai Ming	4/4	3/3	1/1	1/1	2/2
WANG An	4/4	3/3	1/1	N/A	1/2
YAO Yong Jun (resigned on 23 March 2016)	0/1	0/1	N/A	0/1	N/A
WANG Zhen (appointed on 23 March 2016)	3/3	2/2	N/A	0/0	1/2

E. Remuneration of Senior Management

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

	Number of senior management
Nil to RMB500,000	1
RMB500,001 to RMB1,000,000	0
	1

F. Auditors' Remuneration

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

	For the year ended 31 December 2016 (RMB'000)
HLB Hodgson Impey Cheng Limited	
Annual audit services	557
Non-audit services	
– Review and issue comfort letter for continuing connected transaction	86

CORPORATE GOVERNANCE REPORT

G. Internal Control

Risk Management and Internal Control

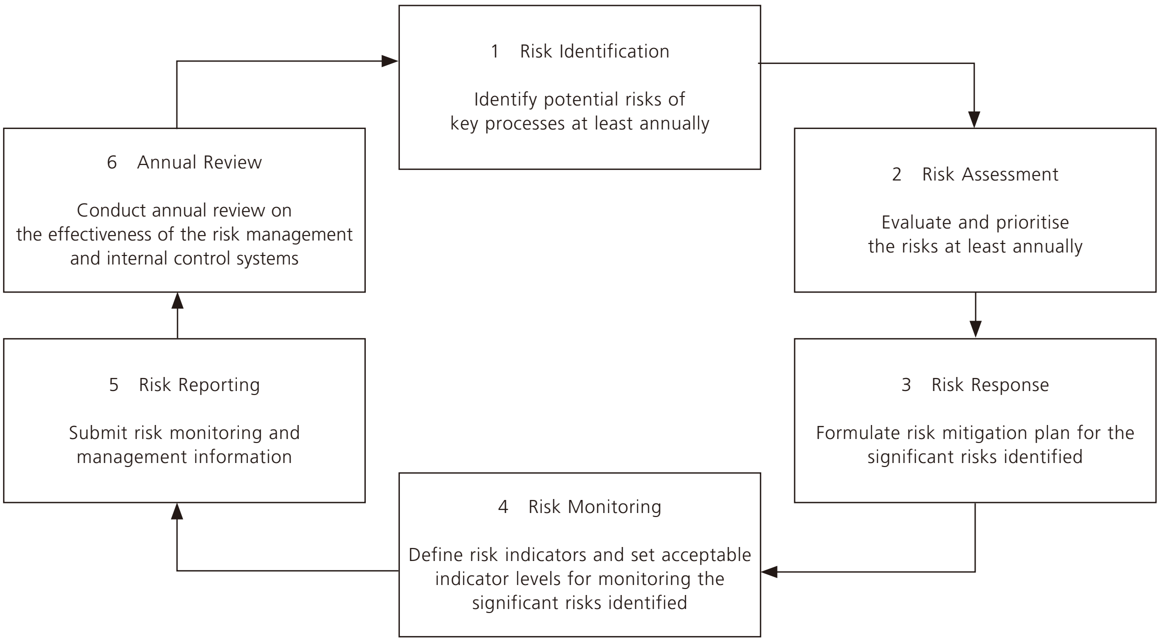
Maintaining sound risk management and internal control systems is pivotal to the fulfillment of the Group's business objectives and its long-term sustainable growth. The Board acknowledges its overall responsibility for evaluating and determining the nature and extent of the risks the Group is willing to take in achieving the Group's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems to safeguard shareholders' investment and the Group's assets. To this end, the Board continuously reviews and makes improvements in its risk management and internal control framework. During the Year, the Group has set up its own internal audit department which conducted a comprehensive review of the Group's risk management system, resulting in an enhanced enterprise risk management ("**ERM**") framework through a robust and inclusive system that manages risks at all levels of the organisation. During the Year, the Board, through the Audit Committee, also reviewed the effectiveness of the Group's risk management and internal control systems, covering operational, financial and compliance controls of the Group.

Risk Management Framework

The Group's risk management system is aligned with the internal control framework of international body consisting of the five elements, namely, the control environment, risk assessment, control activities, information and communication, and monitoring. The risk management and internal control systems of the Company are designed to manage rather than eliminate the risk of failure to achieve business objectives of the Group and can provide reasonable, but not absolute assurance against material misstatement or loss. The systems consist of two essential features, the risk governance structure and the risk management process.

Risk Governance Structure – The Group's risk governance structure is based on the "3 lines of defence" model, which comprises day-to-day operational management and control, risk and compliance oversight, and independent assurance. The ERM policy formalised by the Group clearly defines roles and responsibilities of each of the multiple layers of the structure, including the Board, the Audit Committee, senior management, department heads, operational level and internal audit.

Risk Management Process – The Group's ERM approach is a structured mechanism and a continuous process of identifying, evaluating, prioritising, managing and monitoring the risks that the Group faces. The key process of the Group's ERM is illustrated below:



The ERM adopted by the Group is embedded in our strategy development, business planning and day-to-day operations. The Group adopts a control and risk self-assessment methodology and continuously assesses and manages its risk profile on a regular basis. Risks that are relevant to the Group's business are identified, assessed and ranked according to their likelihood, financial consequence and reputational impact on the Group. The ERM system uses risk indicators and red flags to monitor the priority risks identified. Risk owners are required to submit risk alerts with risk mitigation plan promptly and regular risk reports are presented to the senior management and Audit Committee for ongoing review and monitoring. The key risks identified, managed and monitored during the Year include market risk, business development risk and policy risk. Action plans were formulated and implemented during the Year to address the areas of concern effectively.

CORPORATE GOVERNANCE REPORT

The Group's internal audit department conducts risk management and internal control reviews covering operational, financial and compliance controls of the Group. The Group's internal audit function reports directly to the Audit Committee. It carries out independent reviews of key business processes and controls in accordance with its annual audit plan approved by the Audit Committee. The head of internal audit has regular meetings with the Audit Committee to report the key findings and recommendations for improvement of audit issues. The Audit Committee and the Board were not aware of any areas of concern that would have a material impact on the financial position or results of operations of the Group and considered the risk management and internal control systems to be effective and adequate.

H. Inside Information

The Company takes seriously of its obligations under the Part XIVA of the Securities and Futures Ordinance ("**SFO**") and the Listing Rules with respect to procedures and internal controls for the handling and dissemination of inside information. The Group has a disclosure policy which sets out guidelines and procedures to the Directors and officers of the Group to ensure inside information of the Group is to be disseminated to the public in equal and timely manner (the "Disclosure Policy"). Under the Disclosure Policy, the Company's disclosure team comprising executive Director and members of senior management have the overall delegated authority to decide whether the information reported is inside information and require disclosure and refer the subject matter to the Board for decision. Measures are in place to preserve the confidentiality of inside information and to ensure that its recipients recognise their obligations to maintain it confidential. In communicating with external parties, only designated officers are authorised to respond to enquiries in allocated areas of issues. Briefing session is held regularly for officers to facilitate their understanding and compliance with the policy.

I. Company Secretary

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

The biographical details of the Company Secretary, Mr. WONG Kai Hing, are set out on page 20 of this Annual Report.

Mr. WONG Kai Hing has confirmed that he has sufficient relevant professional training during the Year as required under Rule 3.29 of the Listing Rules.

J. 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.

K. 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 should also attend annual general meetings to answer shareholders' enquiries.

Pursuant to code provision A.6.7 of the CG Code, independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. Code provision E.1.2 of the CG Code stipulates that the chairman of the Board should attend the annual general meeting of the Company. Mr. WANG An and Mr. WANG Zhen, independent non-executive Directors, Mr. WANG Yong and Mr. SUN Xinhu, non-executive Directors, and Mr. WANG Di, non-executive Director and Chairman of the Board, were absent from the annual general meeting of the Company held on 17 June 2016 for their overseas or other engagements.

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 purpose(s) 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.

CORPORATE GOVERNANCE REPORT

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 enquiries about the above procedures or have enquiries 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.

L. Business Model and Strategy

The Group generates revenue from selling properties in the PRC. 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, 22 March 2017

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 2016.

Principal Activities

The Group is principally involved in property development.

Dividend

No final dividend was proposed by the Board for both ordinary shares and convertible preference shares in respect of the Year (2015: Nil).

Payment of the preferred annual distribution of RMB0.01 per convertible preference share will be deferred as at 31 December 2016.

Business Review

Business review of the Company and a discussion and analysis of the Group's performance during the Year, the material factors underlying its results and financial position, and an indication of likely future development in the Company's business are set out on pages 6 to 14 of this Annual Report. An analysis of Group's performance using financial key performance indicators is provided on pages 6 to 14 of this Annual Report. These discussions form part of this Directors' report.

Principal Risks and Uncertainties

A number of factors may affect the results and business operations of the Group, some of which are inherent to fashion business and some are from external sources. Major risks are summarized below.

(i) Increased Pressure of Macro-economy Downturn

In 2016, under circumstances where the world economy struggled to revive and the deep contradiction within China has become prominent, China had successfully withstood the pressure of economic downturn and recorded an annual growth of 6.7% in GDP. Based on preliminary judgement, it is expected that China's GDP will maintain a medium-to-high growth rate of above 6.5% in 2017. Under the influence of various factors such as the US interest rate hike, bubble in the domestic asset price, and the monetary policy transmission mechanism, the accommodative monetary policy in China will shift and become more prudent and neutral, which will weaken its effect on facilitating the domestic investment growth; de-capacity will be promoted in deep and profound manner, and the growth of investment in underlying industries will continue to decelerate; the Central Economic Working Conference has clearly put forward to insist on the position that "residential properties are for owner's use, not for speculation". It is expected that the policy on limiting housing purchases and loans will be more stringent in first and second tier cities, which may potentially lead to a continuous deceleration on the growth of real estate investment.

DIRECTORS' REPORT

(ii) Market Risk

After a series of policies, such as reduction in interest rates and deposit reserves as well as taxation adjustment, introduced by the Central Government under the "destocking" strategy, the real estate market in China has shown a growth momentum in terms of both sales volume and price since the second half of 2015, which turned around the trend of high inventory and low price in the real estate market since 2013 and 2014. Meanwhile, we should also beware of the negative effect brought by high housing price. The high housing price increased the acquisition cost or lease expense of enterprise as well as accommodation cost of enterprise employees, which prompted an increase in employee salaries, and thereby an increase in the cost of enterprise. In addition, the continuous high housing price has increased the downside risk of overall market price. The Group embraced the change of government policies by improving the products' quality and enhancing its competitive edge.

(iii) Policy Risk

China's property development industry has been closely monitored and regulated by the government. Changes of state policy may affect the orientation of development of the industry. Meanwhile, property developers are required to obtain various permits, licenses, certificates and other instruments during different stages of property development, and each approval is subject to satisfaction of certain conditions. In the event of failure to obtain relevant approvals, the development plan of target property project will be affected, and the Company's business and financial condition as well as operation performance will be harmed accordingly.

(1) In order to restrict excessive growth of housing price, China introduced certain policies since the fourth quarter of 2016 to curb all sorts of speculative behaviors in the real estate market, and controlled the excessive growth in real estate market price in some regions, which would facilitate the stability of real estate market in the mainland.

(2) Since 1 January 2016, the full liberalisation of two-child policy that promotes one couple to bear two children would lead to the growth in population and the future residential demand would increase correspondingly.

(3) The effect of taxation policy

The Ministry of Finance, the State Administration of Taxation and the Ministry of Housing, Urban and Rural Construction jointly published a notice to adjust the preferential policy of deed tax and business tax on real estate transaction since 22 February 2016.

The new policies will revitalise market circulation and selling activities in non-first-tier cities. Together with a significant reduction in the down-payment proportion for housing provident fund loan and second housing loan through commercial loan, buyers seeking a replacement and improvement for their housing would take advantage of this period to participate actively in the market. From the perspective of first-hand market inventory, the active participation from demands seeking for improvement in the market will improve the structure of inventory in most of the cities and reduce the share of middle and large-sized property in the inventory market, which will accelerate destocking and reduce the pressure of inventory clearance for the market. The Group closely monitors the laws, regulation and policies in China, so as to duly apply for licences and permits in advance, carry out its operation activities in strict compliance with relevant government policies, tackle and deal with ad hoc issues in an immediate and active manner.

Environmental Policies and Performance

The Group paid attention to nourish and enhance employees' awareness of cherishing resources and utilizing resources with high efficiency, and proactively promoted environmental protection. It urged and encouraged supervisory employees on duty to save energy and paper at work. The ultimate goal is to save resources and costs and protect the environment.

Compliance with Laws and Regulations

The Group's operations are mainly carried out by the Company's subsidiaries in the mainland China while the Company itself is listed on the Stock Exchange. Our establishment and operations accordingly shall comply with relevant laws and regulations in the mainland China and Hong Kong. During the year ended 31 December 2016 and up to the date of this report, we have complied with all the relevant laws and regulations in the mainland China and Hong Kong.

Explanatory Notes to Important Relationship with Employees, Customers and Suppliers

The Group promoted people-oriented management cultures and emphasized the value of employees as it believed employees were important resources for enhancing the Company's productivity and core competency. To provide employees with competitive remunerations and opportunities to receive skill trainings is closely connected to the realization of employees' individual values as well as the Group's strategic goals.

The Group maintained good cooperation and communications with upstream builders and material suppliers, and ensured both sides were mutually benefited. The Group also paid close attention to customers' satisfaction, carefully listened to opinions of property owners and constantly enhanced service quality in order to maintain good reputation of the Company.

DIRECTORS' REPORT

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 12 to the consolidated financial statements.

Share Capital

Details of movements in the Company's share capital for the Year are set out in note 21 to the consolidated financial statements.

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 127.

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. Accordingly, the Scheme had been expired on 5 November 2015 and no further options would be granted under the Scheme, but options granted prior to its expiration shall continue to be valid and exercisable in accordance with the provisions of the Scheme.

DIRECTORS' REPORT

As at 31 December 2016, options to subscribe for 6,400,000 ordinary shares of the Company were outstanding, details of which are set out in note 22 to the consolidated financial statements and below:

Class of grantee	Date of grant	During the year ended 31 December 2016 Granted	Exercised	Lapsed	Outstanding as at 1 January 2016	Outstanding as at 31 December 2016	Exercise price per Share *(HK$)*	Exercise period
Directors								
WANG Di	5 November 2013	–	–	–	3,000,000	3,000,000	1.112	(Note 2,3)
SUN Xinhu	5 November 2013	–	–	–	3,000,000	3,000,000	1.112	(Note 2,3)
Employees								
(Note 1)	5 November 2013	–	–	–	400,000	400,000	1.112	(Note 2,3)
		–	–	–	6,400,000	6,400,000		

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 4 November 2013, being the trading day immediately preceding the date of grant of options, was HKD1.10 per share.

3. The validity period of the options is from 5 November 2013 to 4 November 2023. The options can only be exercised by the grantees 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
5 November 2014	2,100,000
5 November 2015	2,100,000
5 November 2016	2,200,000

Equity-linked Agreements

Other than the Scheme as disclosed above, no equity-linked agreements were entered into by the Company, or existed during the year.

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 23 to the consolidated financial statements and in the consolidated statement of changes in equity.

As the 31 December 2016, the reserves available for distribution to shareholders of the Company was RMB183,434,000 (31 December 2015: RMB438,834,000).

DIRECTORS' REPORT

Major Customers and Suppliers

For the Year, purchases from the largest supplier of the Group accounted for approximately 12.5% of the Group's total purchase and purchases from the Group's five largest suppliers accounted for approximately 36.5% of the Group's total purchase.

For the Year, the Group's five largest customers accounted for approximately 23.7% of the Group's total revenue.

Save as disclosed in note 27 to the consolidated financial statements and save as disclosed above, none of the Directors or any of their close 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 and Directors' Service Contracts

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

Executive Directors:
Mr. WANG Jin Tao *(Chief Executive Officer)*
Mr. WANG Wei Min
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 Zhen (appointed on 23 March 2016)
Mr. YAO Yong Jun (resigned on 23 March 2016)

Pursuant to Bye-law 87(1) of the Bye-laws of the Company, each of Mr. WANG Di, Mr. WANG Yong and Mr. WANG An shall retire from office at the forthcoming annual general meeting and, being eligible, will offer himself for re-election.

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 15 to 20 of this annual report.

Directors' Interests in Contracts of Significance

Save as disclosed in note 27 to the consolidated financial statements, no transaction, arrangement or contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party in which a Director or an entity connected with a Director had a material interest, either directly or indirectly, in any subsisted at the end of the Year or at any time during the Year.

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 Competing Business

Pursuant to Rule 8.10 of the Listing Rules, the Company disclosed that none of the Directors has any interest in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly with the Group's business.

Permitted Indemnity Provision

The Company has taken out liability insurance to indemnify its Directors for their liabilities arising from the performance of their duties.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company and the Group were entered into or existed during the year ended 31 December 2016.

DIRECTORS' REPORT

Directors' Interests in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 31 December 2016, 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:

Name of Director	Name of company/ associated corporation	Capacity	Number and class of securities held/interested *(Note 1)*	Approximate percentage shareholding in the same class of securities in the relevant corporation as at 31 December 2016
WANG Yong	Company	Interest of controlled corporations *(Note 2)*	810,903,622 ordinary shares (L) *(Note 4)*	65.57%
			678,340,635 convertible preference shares (L) *(Note 4)*	99.81%
	Xiwang Investment Company Limited ("**Xiwang Investment**")	Interest of controlled corporations *(Note 2)*	3 shares (L)	100%
	Xiwang Holdings	Beneficial owner *(Note 2)*	6,738 shares (L)	3.37%
		Interest of controlled corporations *(Note 2)*	190,000 shares (L)	95%
	Xiwang Hong Kong Company Limited ("**Xiwang Hong Kong**")	Interest of controlled corporations *(Note 2)*	694,132,000 shares (L)	100%

Name of Director	Name of company/ associated corporation	Capacity	Number and class of securities held/interested *(Note 1)*	Approximate percentage shareholding in the same class of securities in the relevant corporation as at 31 December 2016
	Xiwang Group	Beneficial owner *(Note 2)*	RMB1,383,000,000 (L)	69.15%
	Xiwang Special Steel	Interest of controlled corporations *(Note 2)*	1,500,000,000 shares (L) *(Note 3)*	74.75%
WANG Di	Company	Beneficial owner	3,000,000 ordinary shares (L) *(Note 5)*	0.24%
	Xiwang Holdings	Beneficial owner	177 shares (L)	0.09%
	Xiwang Group	Beneficial owner	RMB35,400,000 (L)	1.77%
	Xiwang Special Steel	Beneficial owner	11,000,000 shares (L)	0.55%
SUN Xinhu	Company	Beneficial owner	3,000,000 ordinary shares (L) *(Note 5)*	0.24%
	Xiwang Holdings	Beneficial owner	89 shares (L)	0.04%
	Xiwang Group	Beneficial owner	RMB35,400,000 (L)	1.77%
	Xiwang Special Steel	Beneficial owner	2,900,000 shares (L)	0.14%

DIRECTORS' REPORT

Notes:

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

(2) As at 31 December 2016, Xiwang Group is the ultimate holding company of the Company. Xiwang Group is owned as to 69.15% by Mr. WANG Yong and remaining 30.85% by 20 individuals. Further, these 20 individuals are accustomed to act in accordance with the directions of Mr. WANG Yong in respect of the exercise by such 20 individuals of their voting powers as a shareholder of Xiwang Group. Accordingly, Mr. WANG Yong is deemed to be interested in all the shares of the Company in which Xiwang Group is interested.

Xiwang Hong Kong is a wholly-owned subsidiary of Xiwang Group. Xiwang Hong Kong directly holds 95% and Mr. WANG Yong and 22 individuals directly hold 5% of the issued share capital of Xiwang Holdings, respectively. Xiwang Investment is a wholly-owned subsidiary of Xiwang Holdings. Therefore, Xiwang Holdings, Xiwang Hong Kong and Xiwang Group are deemed to be interested in the number of shares of the Company held by Xiwang Investment.

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

(5) 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".

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 2016, 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 shareholder	Capacity	Number of shares of the Company held *(Note 1)*	Approximate percentage of interest as at 31 December 2016
Xiwang Investment	Beneficial owner	810,903,622 ordinary shares (L)	65.57%
		678,340,635 convertible preference shares (L)	99.81%
Xiwang Holdings	Interest of a controlled corporation *(Note 2)*	810,903,622 ordinary shares (L)	65.57%
		678,340,635 convertible preference shares (L)	99.81%
Xiwang Hong Kong	Interest of controlled corporations *(Notes 2, 3)*	810,903,622 ordinary shares (L)	65.57%
		678,340,635 convertible preference shares (L)	99.81%

DIRECTORS' REPORT

Name of substantial shareholder	Capacity	Number of shares of the Company held *(Note 1)*	Approximate percentage of interest as at 31 December 2016
Xiwang Group	Interest of controlled corporations *(Notes 2, 3)*	810,903,622 ordinary shares (L)	65.57%
		678,340,635 convertible preference shares (L)	99.81%
ZHANG Shufang	Interest of spouse *(Note 4)*	810,903,622 ordinary shares (L)	65.57%
		678,340,635 convertible preference shares (L)	99.81%

Notes:

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

(2) Xiwang Holdings directly holds 100% of the issued share capital of Xiwang Investment and therefore is deemed to be interested in the number of shares of the Company held by Xiwang Investment.

(3) Xiwang Hong Kong directly holds 95% and Mr. WANG Yong and 22 individuals directly hold 5% of the issued share capital of Xiwang Holdings, respectively. Xiwang Hong Kong is in turn wholly-owned by Xiwang Group. Therefore, Xiwang Hong Kong and Xiwang Group are deemed to be interested in the number of shares of the Company held by Xiwang Investment.

(4) 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 2015, 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

Related Party Transactions

The related party transactions set out in note 27 to the consolidated financial statements constitute continuing connected transactions under Chapter 14A of the Listing Rules.

Save as the provision of financial services under the Financial Services Framework Agreement dated 27 October 2016 entered into between the Company and Xiwang Group Finance Company Limited ("**Xiwang Finance**") as described below which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements, all other continuing connected transactions as set out in note 27 to the consolidated financial statements were exempt continuing connected transactions under Rule 14A.33 of the Listing Rules and were exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

On 27 October 2016, the Company and Xiwang Finance, a subsidiary of Xiwang Group Company Limited ("**Xiwang Group**", the ultimate holding company of the Company and a connected person of the Company), entered into the Financial Services Framework Agreement in respect of the provision of a range of financial services, including but not limited to deposit services, loan services and other financial services, commencing from 16 December 2016 to 30 November 2019. For each of the years ending 31 December 2016, 31 December 2017, 31 December 2018 and for the eleven months ending 30 November 2019, the caps on the maximum daily outstanding balance of deposits (including accrued interests) at Xiwang Finance shall be RMB120 million, RMB200 million, RMB300 million and RMB580 million respectively. For the year ended 31 December 2016, the transaction amount did not exceed the annual cap.

Further details of the Financial Services Framework Agreement were disclosed in the announcement of the Company dated 27 October 2016 and the circular of the Company dated 24 November 2016.

DIRECTORS' REPORT

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the above continuing connected transactions and are of the opinion that the above continuing connected transactions have been (i) carried out in the usual and ordinary course of business of the Group; (ii) conducted on normal commercial terms; and (iii) entered into in accordance with the terms of the agreement which are fair and reasonable and in the interests of the Company's shareholders as a whole.

The Company's external auditor was engaged to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. For the purpose of Rule 14A.56 of the Listing Rules, the auditor of the Company, has provided a letter to the Board confirming that nothing has come to their attention to cause them to believe that the continuing connected transactions:

(i) have not been approved by the Board;

(ii) were not, in all material respects, in accordance with the pricing policies of the Company if the transactions involve provision of services by the Company;

(iii) were not entered into, in all material respects, in accordance with the agreement governing the transactions; and

(iv) have exceeded the cap.

A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

The Board also considers that the transactions have been conducted in accordance with the pricing policies under the Financial Services Framework Agreement and the Company's internal control procedures are adequate and effective.

Corporate governance

A report on the principal corporate governance practices adopted by the Company is set out on pages 21 to 34 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. WANG An, Mr. WANG Zhen (appointed on 23 March 2016) and Mr. YAO Yong Jun (resigned on 23 March 2016), being the independent non-executive Directors.

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.

Auditors

Ernst & Young resigned as auditors of the Group with effect from 12 July 2016. HLB Hodgson Impey Cheng Limited was appointed by the Board to fill the casual vacancy following the resignation of Ernst & Young and to hold office until the conclusion of the next annual general meeting of the Company. A resolution will be proposed at the upcoming annual general meeting of the Company to re-appoint HLB Hodgson Impey Cheng Limited as auditors of the Company. There have been no other changes of auditors in the past three years.

On behalf of the Board

WANG Di
Chairman

Hong Kong, 22 March 2017

INDEPENDENT AUDITORS' REPORT

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

To the Shareholders of Xiwang Property Holdings Company Limited

(incorporated in the Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Xiwang Property Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 58 to 126, which comprise the consolidated statement of financial position as at 31 December 2016, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Goodwill

Refer to Notes 2.4 and 13 to the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
The Group has goodwill of approximately RMB180,405,000 relating to the property development projects as at 31 December 2016. Management performed impairment assessment on the goodwill and concluded that no impairment was recognised. This conclusion was based on value in use model that required significant management judgement with respect to the selling price and construction cost of properties, plot ratio and the discount rate.	Our procedures in relation to management's impairment assessment included: • Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the relevant industry and using our valuation experts; • Challenging the reasonableness of key assumptions based on our knowledge of the business and industry; and • Checking, on a sampling basis, the accounting and relevance of the input data used. We found the key assumptions were supported by the available evidence.

INDEPENDENT AUDITORS' REPORT

Carrying values of properties under development and completed properties held for sale

Refer to Notes 2.4 and 18 to the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
The carrying values of property under development and completed properties held for sale were approximately RMB81,594,000 and RMB302,617,000 as at 31 December 2016 respectively. The management estimated the net realisable values of the property under development and completed properties held for sale by reference to the sales 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, which involve significant management estimation.	Our procedures in relation to management's determination of the carrying values of property under development and completed properties held for sale included: • Assessing the appropriateness of the methodologies used by management for the assessments of the net realisable values of property under development and completed properties held for sale; • Comparing the management's estimates to relevant market data; and • Checking, on a sampling basis, the accounting and relevance of the input data used. We found the carrying values of property under development and completed properties held for sale were supported by the available evidence.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2015 were audited by another auditor who expressed an unmodified opinion on those statements on 23 March 2016.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon ("Other Information").

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITORS' REPORT

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditors' report is Wong Sze Wai, Basilia.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Wong Sze Wai, Basilia
Practicing Certificate Number: P05806

Hong Kong, 22 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December	Notes	**2016** **RMB'000**	2015 RMB'000
Revenue	5	**27,818**	100,783
Cost of sales		**(24,558)**	(109,654)
Gross profit/(loss)		**3,260**	(8,871)
Other income	5	**381**	704
Other expenses		**(13,220)**	(4,732)
Selling and marketing expenses		**(241)**	(291)
Administrative expenses		**(5,069)**	(7,245)
Loss before tax	6	**(14,889)**	(20,435)
Income tax credit	9	**1,202**	5,289
Loss for the year		**(13,687)**	(15,146)
Attributable to:			
Owners of the Company		**(13,687)**	(15,086)
Non-controlling interests		**–**	(60)
		(13,687)	(15,146)
Loss per share attributable to ordinary equity holders of the Company			
Basic and diluted	11		
– For loss for the year		**RMB(1) cent**	RMB(1) cent

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	**2016** **RMB'000**	2015 RMB'000
Loss for the year	**(13,687)**	(15,146)
Other comprehensive loss		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**9,976**	2,699
Total comprehensive loss for the year	**(3,711)**	(12,447)
Attributable to:		
Owners of the Company	**(3,711)**	(12,387)
Non-controlling interests	**–**	(60)
	(3,711)	(12,447)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December	Notes	**2016** **RMB'000**	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**119**	226
Goodwill	13	**180,405**	180,405
Long-term prepayment	14	**–**	54,585
Total non-current assets		**180,524**	235,216
CURRENT ASSETS			
Completed properties held for sale		**81,594**	104,831
Properties under development	15	**302,617**	300,418
Other receivables	16	**96,322**	140,460
Amount due from a related company	27(a)	**655**	–
Cash and cash equivalents	17	**126,215**	97,612
Total current assets		**607,403**	643,321
CURRENT LIABILITIES			
Trade and other payables	18	**91,387**	127,353
Amount due to related parties	27(a)	**9,092**	58,948
Total current liabilities		**100,479**	186,301
Net current assets		**506,924**	457,020

As at 31 December	Notes	**2016** **RMB'000**	2015 RMB'000
Total assets less current liabilities		**687,448**	692,236
Less: Non-current liabilities			
Deferred tax liabilities	20	**97,072**	98,236
Total non-current liabilities		**97,072**	98,236
Net assets		**590,376**	594,000
EQUITY			
Equity attributable to owners of the company			
Share capital	21	**175,672**	175,672
Reserves	23	**414,704**	418,328
Total equity		**590,376**	594,000

These consolidated financial statements were approved and authorised for issue by the Board on 22 March 2017 and signed on its behalf by:

WANG Di
Director

WANG Yong
Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the Company										
	Note	Share capital RMB'000	Share option reserve RMB'000	Capital reserve RMB'000	Statutory 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 2015		175,672	681*	102,910*	52,738*	373,006*	(118,063)*	(3,545)*	22,589*	605,988	849	606,837
Loss for the year		–	–	–	–	–	–	–	(15,086)	(15,086)	(60)	(15,146)
Other comprehensive income for the year		–	–	–	–	–	–	2,699	–	2,699	–	2,699
Total comprehensive loss for the year		–	–	–	–	–	–	2,699	(15,086)	(12,387)	(60)	(12,447)
Equity-settled share option arrangement	22	–	399	–	–	–	–	–	–	399	–	399
Decrease in non-controlling interests		–	–	–	–	–	–	–	–	–	(789)	(789)
At 31 December 2015		175,672	1,080*	102,910*	52,738*	373,006*	(118,063)*	(846)*	7,503*	594,000	–	594,000
At 1 January 2016		175,672	1,080*	102,910*	52,738*	373,006*	(118,063)*	(846)*	7,503*	594,000	–	594,000
Loss for the year		–	–	–	–	–	–	–	(13,687)	(13,687)	–	(13,687)
Other comprehensive income for the year		–	–	–	–	–	–	9,976	–	9,976	–	9,976
Total comprehensive loss for the year		–	–	–	–	–	–	9,976	(13,687)	(3,711)	–	(3,711)
Equity-settled share option arrangement	22	–	87	–	–	–	–	–	–	87	–	87
At 31 December 2016		**175,672**	**1,167***	**102,910***	**52,738***	**373,006***	**(118,063)***	**9,130***	**(6,184)***	**590,376**	**–**	**590,376**

Notes:

* These reserve accounts comprise the consolidated other reserves of RMB414,704,000 (2015: RMB418,328,000) in the consolidated statement of financial position.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016	Notes	**2016** **RMB$'000**	2015 RMB$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(14,889)**	(20,435)
Adjustments for:			
Interest income		**(86)**	(28)
Depreciation	12	**107**	259
Loss on disposal of items of property, plant and equipment		**–**	394
Gain on decrease in non-controlling interests		**–**	(790)
Net gain on disposal of subsidiaries		**(330)**	–
Write-down of completed properties held for sale to net realisable value	6	**–**	5,210
Reversal of write-down of completed properties held for sale to net realisable value	6	**(3,818)**	(32,384)
Reversal of impairment of trade receivables	6	**(226)**	–
Equity-settled share option expense		**87**	398
		(19,155)	(47,376)
Increase in properties under development		**(2,199)**	(3,060)
Decrease in completed properties for sale		**27,055**	124,845
(Increase)/decrease in trade and other receivables		**14,812**	32,405
Decrease in trade and other payables		**(35,618)**	(80,027)
Increase in amount due from related parties		**(655)**	–
Increase in amount due to related parties		**18,528**	54,531
Decrease in restricted cash		**–**	1,875
Cash generated from operations		**2,768**	83,193
Mainland China taxes paid		**–**	–
Net cash flows generated from operating activities		**2,768**	83,193

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016	Notes	**2016 RMB$'000**	2015 RMB$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**86**	–
Purchases of items of property, plant and equipment		**(3)**	–
Net cash inflow from disposal of subsidiaries	19	**15,776**	–
Proceeds from disposal of property, plant and equipment		**–**	476
Net cash flows from investing activities		**15,859**	476
NET INCREASE IN CASH AND CASH EQUIVALENTS		**18,627**	83,669
Cash and cash equivalents at beginning of year		**97,612**	11,243
Effect of foreign exchange rate changes, net		**9,976**	2,700
CASH AND CASH EQUIVALENTS AT END OF YEAR		**126,215**	97,612
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of cash flows	17	**126,215**	97,612

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. CORPORATE AND GROUP 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 Company and its subsidiaries (collectively referred to as the "**Group**") were 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 Group Company Limited ("**Xiwang Group**"), which is established in the People's Republic of China (the "**PRC**").

Information about subsidiaries

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered capital	Percentage of equity interest and voting rights attributable to the Company Direct	Indirect	Principal activities
			%	%	
Keen Lofty Investments Limited	British Virgin Islands	US$15,756,000	100	–	Investment holding
Glorious Prosper Limited	Hong Kong	HK$1	–	100	Investment holding
Shandong Xiwang Property Company Limited # (山東西王置業有限公司)	PRC/Mainland China	RMB200,000,000	–	100	Property investment and development

Established in the PRC as a wholly-foreign-owned enterprise

Shandong Xiwang Agricultural Development Company Limited and Shandong Xiwang Investment Holdings Company Limited were disposed in 2016.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2.1 BASIS OF PREPARATION

The consolidated 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 requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and 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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

The application of these new and amendments to HKFRSs has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 Effective date for annual periods beginning on or after a date to be determined

HKFRS 9 FINANCIAL INSTRUMENTS

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a fair value through other comprehensive income measurement category for certain simple debt instruments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

HKFRS 9 FINANCIAL INSTRUMENTS (continued)

Key requirements of HKFRS 9 that are relevant to the Group are described as follows:

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

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

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

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

HKFRS 9 FINANCIAL INSTRUMENTS (continued)

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

The directors of the Company anticipate that the application of HKFRS 9 in the future may impact the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

AMENDMENTS TO HKFRS 10 AND HKAS 28 SALE OR CONTRIBUTION OF ASSETS BETWEEN AN INVESTOR AND ITS ASSOCIATE OR JOINT VENTURE

Amendments to HKFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into HKFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.

- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

AMENDMENTS TO HKFRS 10 AND HKAS 28 SALE OR CONTRIBUTION OF ASSETS BETWEEN AN INVESTOR AND ITS ASSOCIATE OR JOINT VENTURE (continued)

Amendments to HKAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.

- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.

- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

The directors of the Company do not anticipate that the application of these amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group's consolidated financial statements.

HKFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations when it becomes effective.

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

HKFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

The Group is in the process of assessing the potential impact of the other new and revised HKFRSs upon initial application but is not yet in a position to state whether the other new and revised HKFRSs, will have a significant impact on the Group's financial performance and position.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2016. 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 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 Company 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.

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 above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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.

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 of the acquiree.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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 is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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 operation disposed of and the portion of the cash-generating unit retained.

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 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; or

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(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);

(vii) a 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); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

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 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Initial recognition and measurement (continued)

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, and amounts due to related parties.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities (continued)

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.

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 sales 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 costs of property comprise 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 consolidated 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.

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 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 dividends are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the directors were classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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 21 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. 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.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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.

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 in 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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 difference 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 RMB 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.

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 CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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 from 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 for 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.

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 2016 was RMB180,405,000 (2015: RMB180,405,000). Further details are given in note 13.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

4. OPERATING SEGMENT INFORMATION

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

Geographical information

All revenues are from Mainland China.

Non-current assets

	2016 RMB'000	2015 RMB'000
Mainland China	**61**	54,713
Hong Kong	**58**	98
	119	54,811

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

5. REVENUE AND OTHER INCOME

Revenue represents proceeds from the sale of properties.

An analysis of revenue and other income is as follows:

	2016 RMB'000	2015 RMB'000
Revenue		
Sale of properties	**27,818**	100,783
Other income		
Bank interest income	**86**	28
Net gain on disposal of subsidiaries (Note 19)	**330**	–
Others	**(35)**	676
	381	704

6. LOSS BEFORE TAX

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

	2016 RMB'000	2015 RMB'000
Cost of inventories sold	**28,376**	136,828
Write-down of completed properties held for sale to net realisable value	**–**	5,210
Reversal of write-down of completed properties held for sale to net realisable value along with properties sold	**(3,818)**	(32,384)
	24,558	109,654
Auditors' remuneration	**557**	1,200
Auditors' remuneration for non-audit service	**86**	–
Depreciation	**107**	259
Minimum lease payments under operating leases:		
Land and buildings	**625**	587
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**1,364**	1,636
Equity-settled share option expense	**87**	399
Pension scheme contributions	**143**	180
	1,594	2,215
Foreign exchange differences, net*	**13,220**	4,732
Reversal of impairment of trade receivables**	**(226)**	–

* The foreign exchange differences, net are included in "Other expenses" in the consolidated statement of profit or loss.

** The reversal of impairment of trade receivables is included in "Administrative expenses" in the consolidated statement of profit or loss.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2016	2015
	RMB'000	RMB'000
Fees	**224**	220
Other emoluments:		
Salaries, allowances and benefits in kind	**341**	300
Equity-settled share option expense	**78**	376
Pension scheme contributions	**24**	17
	443	693
	667	913

7. DIRECTORS’ AND CHIEF EXECUTIVE’S REMUNERATION (continued)

(a) Independent non-executive directors

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

	Fees
	RMB’000
2016	
Mr. Wong Kai Ming	**129**
Mr. Wang An	**50**
Mr. Wang Zhen*	**37**
Mr. Yao Yong Jun*	**8**
	224
2015	
Mr. YAO Yong Jun	8
Mr. WONG Kai Ming	122
Mr. WANG An	50
Mr. WANG Shu Jie	40
	220

* Mr. YAO Yong Jun resigned on 23 March 2016, and Mr. Wang Zhen has been appointed as independent non-executive director on 23 March 2016.

There were no other emoluments payable to the independent non-executive directors during the year (2015: Nil).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(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
2016					
Executive directors:					
Mr. WANG Jin Tao	**–**	**204**	**–**	**14**	**218**
Mr. WANG Wei Min	**–**	**137**	**–**	**10**	**147**
Mr. CHENG Gang	**–**	**–**	**–**	**–**	**–**
	–	**341**	**–**	**24**	**365**
Non-executive directors:					
Mr. WANG Yong	**–**	**–**	**–**	**–**	**–**
Mr. WANG Di	**–**	**–**	**39**	**–**	**39**
Mr. SUN Xinhu	**–**	**–**	**39**	**–**	**39**
	–	**–**	**78**	**–**	**78**
2015					
Executive directors:					
Mr. WANG Jin Tao	–	222	–	7	229
Mr. WANG Wei Min	–	78	–	10	88
Mr. CHENG Gang	–	–	–	–	–
Mr. WANG Chuan Wu*	–	–	–	–	–
Mr. ZHOU Xiang Lin*	–	–	–	–	–
	–	300	–	17	317
Non-executive directors:					
Mr. WANG Yong	–	–	–	–	–
Mr. WANG Di	–	–	188	–	188
Mr. SUN Xinhu	–	–	188	–	188
	–	–	376	–	376

* Mr. WANG Chuan Wu and Mr. ZHOU Xiang Lin resigned on 26 October 2015.

One (2015: Three executive directors) executive director waived remuneration amounting to RMB150,000 in aggregate during the year ended 2016 (2015: RMB805,000).

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2015: two directors and the chief executive), details of whose remuneration are set out in note 7 above. Details of the remuneration for the year of the remaining three (2015: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2016	2015
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**451**	400
Equity-settled share option expense	**–**	23
Pension scheme contributions	**31**	16
	482	439

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	
	2016	2015
Nil to RMB1,000,000	**3**	2
RMB1,000,001 to RMB1,500,000	**–**	–
	3	2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

9. INCOME TAX CREDIT

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 (2015: Nil).

Pursuant to 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 2016, the applicable tax rate for the subsidiaries of the Company established in the PRC was 25% (2015: 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 RMB1,212,000 is credited (2015: RMB1,794,000) to the consolidated statement of profit or loss for the year ended 31 December 2016.

	2016	2015
	RMB'000	RMB'000
Group:		
Current – Mainland China	**600**	–
LAT credit in Mainland China	**(1,212)**	(1,794)
Deferred Mainland China corporate income tax	**(590)**	(3,495)
Total tax credit for the year	**(1,202)**	(5,289)

9. INCOME TAX CREDIT (continued)

A reconciliation of the tax expense applicable to loss 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:

	2016		2015	
	RMB'000	%	RMB'000	%
Loss before tax	(14,889)		(20,435)	
Tax at the statutory tax rate	(3,722)	25.0	(5,109)	25.0
Lower statutory tax rates for Hong Kong subsidiaries	854	(5.7)	433	(2.1)
Tax losses and deductible temporary differences not recognised	3,324	(22.3)	6,087	(29.8)
Income not subject to tax	(123)	0.8	–	–
Benefit arising from previously unrecognised temporary difference	(383)	2.6	(4,940)	24.2
Expense not deductible for tax	344	(2.3)	1,418	(6.9)
LAT	(1,212)	8.1	(1,794)	8.8
Tax effect of LAT and business tax	(284)	1.9	(1,384)	6.8
Tax credit at the Group's effective rate	(1,202)	8.1	(5,289)	26.0

10. DIVIDENDS

No final dividend was proposed by the board of directors for both ordinary shares and convertible preference shares for the year ended 31 December 2016 (2015: Nil).

Payment of the preferred annual distribution of RMB0.01 per convertible preference share will be deferred as at 31 December 2016.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

11. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,236,677,333 (2015: 1,236,677,333) in issue during the year.

The calculation of the diluted loss per share amount for the year ended 31 December 2016 is based on the loss for the year attributable to ordinary equity holders of the Company. 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.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2016 and 2015 in respect of a dilution as the impact of convertible preference shares and outstanding share options 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:

	2016	2015
	RMB'000	RMB'000
Loss		
Loss attributable to ordinary equity holders of the Company	**(13,687)**	(15,086)

	Number of shares	
	2016	2015
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculations	**1,236,677,333**	1,236,677,333

12. PROPERTY, PLANT AND EQUIPMENT

	Equipment and motor vehicles
	RMB'000
Cost	
At 1 January 2015:	3,833
Addition	–
Disposal	(870)
At 31 December 2015 and at 1 January 2016:	2,963
Addition	3
Disposal of subsidiary	(27)
As 31 December 2016	2,939
Accumulated depreciation	
At 1 January 2015:	2,478
Charge for the year	443
Disposal	(184)
At 31 December 2015 and at 1 January 2016:	2,737
Charge for the year	107
Write back upon disposal of subsidiary	(24)
As 31 December 2016	2,820
Net carrying values	
As at 31 December 2016	119
As at 31 December 2015	226

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

13. GOODWILL

	RMB'000
At 1 January 2015 and 31 December 2015:	
Cost	180,405
Accumulated impairment	–
Net carrying amount	180,405
Cost at 1 January 2016, net of accumulated impairment	180,405
Impairment during the year	–
At 31 December 2016, net of accumulated depreciation and impairment	180,405
At 31 December 2016:	
Cost	180,405
Accumulated impairment	–
Net carrying amount	180,405

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

	2016 **RMB'000**	2015 RMB'000
Meijun Project Phase Three	**107,420**	107,420
Qinghe Project	**72,985**	72,985
	180,405	180,405

13. GOODWILL (continued)

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 periods approved by the senior management. The discount rates applied to the cash flow projections range from 16% to 18% (2015: 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 forecasted based on the current selling price of similar properties in the same location with no expected growth.

The construction cost of properties is based on the actual cost of similar properties in the same location considering the factors such as the increase of labour cost and inflation.

Pre-sale is expected to take place in 2018 both for Qinghe Project and Meijun Project Phase Three.

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

	Plot ratio	
	2016	2015
Meijun Project Phase Three	**3.06**	3.06
Qinghe Project	**2.20**	2.20

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

14. LONG-TERM PREPAYMENT

Long-term prepayment as at 31 December 2015 mainly represented a prepayment of RMB54,585,000 related to the acquisition of land use rights.

15. PROPERTIES UNDER DEVELOPMENT

	2016	2015
	RMB'000	RMB'000
Land in Mainland China held at cost:		
At 1 January and at 31 December	**291,983**	291,983
Development expenditure, at cost:		
At 1 January	**8,435**	5,375
Additions	**2,199**	3,060
At 31 December	**10,634**	8,435
	302,617	300,418

16. OTHER RECEIVABLES

	2016	2015
	RMB'000	RMB'000
Prepayments	**78,182**	123,785
Prepaid tax	**11,002**	12,455
Other receivables	**7,138**	4,220
	96,322	140,460

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

17. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	2016	2015
	RMB'000	RMB'000
Cash and bank balances	**126,215**	97,612
Less: Restricted cash*	**–**	–
Cash and cash equivalents	**126,215**	97,612

* In accordance with the 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 the 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 Mainland China denominated in RMB amounted to RMB120,940.000 (2015: RMB94,606,000). 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.

18. TRADE AND OTHER PAYABLES

	2016 RMB'000	2015 RMB'000
Trade payables	**15,345**	30,529
Deposits received	**–**	9,869
Receipts in advance	**64,760**	79,110
Other payables	**11,031**	5,415
Accruals	**–**	1,400
Salary and welfare payables	**251**	1,030
	91,387	127,353

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:

	2016 RMB'000	2015 RMB'000
0 - 30 days	**5,628**	26
31 – 60 days	**960**	3
61 – 90 days	**–**	28
Over 90 days	**8,757**	30,472
	15,345	30,529

The trade payables are non-interest-bearing and are normally settled on terms of one year.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

19. DISPOSAL OF SUBSIDIARIES

(a) In October 2016, an indirectly wholly-owned subsidiary of the Company, Glorious Prosper Limited, entered into a sale and purchase agreement and agreed to sell all 100% equity interests in Shandong Xiwang Agricultural Development Company Limited ("**Xiwang Agricultural**") with a consideration of RMB15,800,000. The disposal was completed on 26 October 2016.

Summary of the effects of the disposal of Xiwang Agricultural is as follows:

	RMB'000
Net assets disposed of:	
Property, plant and equipment	3
Long term prepayment	54,585
Trade and other receivable	29,553
Trade and other payable	(311)
Amount due to related party	(68,384)
Cash and cash equivalents	3
	15,449
Gain on disposal	351
Consideration received in cash and cash equivalents for disposal of Xiwang Agricultural	15,800
Net cash inflow on disposal of Xiwang Agricultural:	
Consideration received in cash and cash equivalents for disposal of Xiwang Agricultural	15,800
Less: cash and cash equivalent balances disposed of	(3)
Net cash inflow	15,797

19. DISPOSAL OF SUBSIDIARIES

(b) In June 2016, an indirectly wholly-owned subsidiary of the Company, Shandong Xiwang Agricultural Development Company Limited, entered into a sale and purchase agreement and agreed to sell all 100% equity interests in Shandong Xiwang Investment Holdings Company Limited ("**Shandong Xiwang Investment**") with a consideration of RMB14,800,000. The disposal was completed on 3 June 2016.

Summary of the effects of the disposal of Shandong Xiwang Investment is as follows:

	RMB'000
Net assets disposed of:	
Cash and cash equivalents	14,821
	14,821
Loss on disposal	(21)
Consideration received in cash and cash equivalents for disposal of Shandong Xiwang Investment	14,800
Net cash inflow on disposal of Shandong Xiwang Investment:	
Consideration received in cash and cash equivalents for disposal of Shandong Xiwang Investment	14,800
Less: cash and cash equivalent balances disposed of	(14,821)
Net cash outflow	(21)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

20. DEFERRED TAX

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

Deferred tax liabilities:

	2016			
	LAT from Sales of Properties RMB'000	Fair value adjustment arising from acquisition of subsidiaries RMB'000	Prepaid tax for advance proceeds from properties RMB'000	Total RMB'000
At 1 January 2016	40,516	56,645	1,075	98,236
Deferred tax credited to the consolidated statement of profit or loss during the year	(574)	(306)	(284)	(1,164)
Gross deferred tax liabilities at 31 December 2016	39,942	56,339	791	97,072

20. DEFERRED TAX (continued)

Deferred tax liabilities: (continued)

	2015			
	LAT from Sales of Properties RMB'000	Fair value adjustment arising from acquisition of subsidiaries RMB'000	Prepaid tax for advance proceeds from properties RMB'000	Total RMB'000
At 1 January 2015	43,105	58,756	2,459	104,320
Deferred tax credited to the consolidated statement of profit or loss during the year	(2,589)	(2,111)	(1,384)	(6,084)
Gross deferred tax liabilities at 31 December 2015	40,516	56,645	1,075	98,236

Deferred tax assets:

No deferred tax assets have been recognised as at 31 December 2016 and 2015.

Deferred tax assets have not been recognised in respect of the following items:

	2016 RMB'000	2015 RMB'000
Tax losses	**167,247**	149,853
Deductible temporary differences	**–**	–
	167,247	149,853

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

20. DEFERRED TAX (continued)

The Group has tax losses of RMB151,163,000 (2015: RMB126,816,000) which are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

The Group has tax losses arising in Mainland China of RMB16,084,000 (2015: RMB23,037,000) that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

At 31 December 2014, 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 RMB187,000 at 31 December 2014. At 31 December 2015 and 2016, the Group's subsidiaries established in Mainland China made accumulated losses, therefore no deferred tax was recognised for withholding taxes accordingly.

21. SHARE CAPITAL

Shares

	2016 **HK$'000**	2015 HK$'000
Authorised:		
4,000,000,000 (2015: 4,000,000,000) ordinary shares of HK$0.1 (2015: HK$0.1 each)	**400,000**	400,000
2,000,000,000 (2015: 2,000,000,000) convertible preference shares of HK$0.1 (2015: HK$0.1 each)	**200,000**	200,000
	600,000	600,000
Issued and fully paid:		
1,236,677,333 (2015: 1,236,677,333) ordinary shares of HK$0.1 (2015: HK$0.1) each	**123,668**	123,668
679,599,122 (2015: 679,599,122) convertible preference shares of HK$0.1 (2015: HK$0.1) each	**67,960**	67,960
	191,628	191,628

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

	Number of shares in issue '000	**Number of convertible preference shares** '000	**Share capital** RMB'000	**Convertible preference shares** RMB'000	**Share option reserve** RMB'000	**Total** RMB'000
At 1 January 2016	1,236,677	679,599	120,304	55,368	1,080	176,752
Equity-settled share option arrangement	–	–	–	–	87	87
At 31 December 2016	1,236,677	679,599	120,304	55,368	1,167	176,839

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 22 to the financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

22. 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, shall remain in force for 10 years from that date. Accordingly, the Scheme had been expired on 5 November 2015.

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.

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 highest 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; (iii) the nominal value of a share of the Company.

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

22. SHARE OPTION SCHEME (continued)

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

	2016 Weighted Average Exercise Price HK$ per share	**2016** Number of options '000	2015 Weighted average exercise price HK$ per share	2015 Number of options '000
At 1 January	**1.1120**	**6,400**	1.1120	6,400
Granted during the year	**–**	**–**	–	–
Forfeited during the year	**–**	**–**	–	–
Expired during the year	**–**	**–**	–	–
At 31 December	**1.1120**	**6,400**	1.1120	6,400

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

22. 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:

2016

Number of options '000	Exercise price* HK$ per share	Exercise period
2,100	**1.112**	**5-11-2014 to 5-11-2023**
2,100	**1.112**	**5-11-2015 to 5-11-2023**
2,200	**1.112**	**5-11-2016 to 5-11-2023**
6,400		

2015

Number of options '000	Exercise price* HK$ per share	Exercise period
2,100	1.112	5-11-2014 to 5-11-2023
2,100	1.112	5-11-2015 to 5-11-2023
2,200	1.112	5-11-2016 to 5-11-2023
6,400		

* 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.

At the end of the reporting period, the Company had 6,400,000 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 6,400,000 additional ordinary shares of the Company and additional share capital of HK$640,000 and share premium of approximately HK$6,477,000 (equivalent to RMB5,092,000) (before issue expenses).

As at the date of this report, options carrying rights to subscribe for 6,400,000 shares remain outstanding and yet to be exercised, which represented approximately 0.52% of the Company's ordinary shares in issue as at that date.

23. RESERVES

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.

24. 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 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016	2015
	RMB'000	RMB'000
Within one year	**505**	568
In the second year	**–**	568
	505	1,136

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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25. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 24 above, the Group had the following capital commitments at the end of the reporting period:

	2016	2015
	RMB'000	RMB'000
Property development expenditure		
Contracted but not provided for	**8,716**	8,595
	8,716	8,595

26. FINANCIAL GUARANTEE

	2016	2015
	RMB'000	RMB'000
Guarantee given to an independent third party in respect of borrowings	**–**	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 RMB350 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.

27. MATERIAL RELATED PARTY TRANSACTIONS

(a) Outstanding balances with related parties

	Notes	2016 RMB'000	2015 RMB'000
Due to related parties:			
Xiwang Group	(i)	**2,357**	2,207
Xiwang Investment Company Limited	(ii)	**5,786**	55,751
Xiwang Hong Kong Company Limited	(ii)	**44**	58
Master Team International Limited	(ii)	**905**	932
		9,092	58,948
Due from a related party:			
Xiwang Special Steel Company Limited	(ii), (iii)	**655**	–
		655	–

(i) The Group had an outstanding balance due to Xiwang Group, of RMB2,357,000 (2015: RMB2,207,000) as at the end of the reporting period. The outstanding balance owed by the Company to Xiwang Group amounted to RMB2,357,000 (2015: RMB2,207,000). These balances are unsecured, interest-free and have no fixed terms of repayment.

(ii) These outstanding balances with related parties are unsecured, interest-free and have no fixed terms of repayment.

(iii) The maximum outstanding balance during the year ended 31 December 2016 was approximately RMB1,885,000 (2015: Nil).

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For the year ended 31 December 2016

27. MATERIAL RELATED PARTY TRANSACTIONS (continued)

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

	2016 RMB'000	2015 RMB'000
Short term employee benefits	**565**	520
Post-employment benefits	**24**	17
Equity-settled share option expense	**78**	376
Total compensation paid to key management personnel	**667**	913

Further details of directors' and the chief executive's emoluments are included in note 7 to the financial statements.

(c) During the year ended 31 December 2016, the Company entered into the Financial Services Framework Agreement with Xiwang Group Finance Company Limited, a subsidiary of Xiwang Group in respect of the provision of a range of financial services. As at 31 December 2016, the outstanding balance of deposit at Xiwang Group Finance Company Limited was approximately RMB120,000,000. It constitutes a continuing connected transaction under Chapter 14A of the Listing Rules. Please refer to the paragraph headed "Connected Transactions" in the Directors' Report for details.

28. 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:

	2016 RMB'000	2015 RMB'000
Financial asset – Loans and receivables		
Financial assets included in other receivables (note 16)	**7,138**	4,220
Restricted cash	**–**	–
Due from a related party	**655**	–
Cash and cash equivalents	**126,215**	97,612
	134,008	101,832
Financial liabilities at amortised cost		
Financial liabilities included in trade and other payables (note 18)	**26,627**	38,374
Due to related parties	**9,092**	58,948
	35,719	97,322

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

At 31 December 2016 and 2015, 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, financial assets included in other receivables, amount due from a related party, financial liabilities included in trade and other payables, amounts due to related parties approximate to their carrying amounts largely due to the short-term maturities of these instruments.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise 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 other receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are 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.

Foreign currency risk

All of the Group's revenue and substantially all of the Group's cost of sales and operating expenses are denominated in RMB. Accordingly, the transactional currency exposures of the Group are not significant.

Credit risk

There are no significant concentrations of credit risk within the Group as the Group's other receivables are widely dispersed among different customers. The Group is also exposed to credit risk through the granting of a financial guarantee in 2015, further details of which are disclosed in note 26 to the financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

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 payments. 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.

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

	2016					
	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	**17,254**	**9,373**	**–**	**–**	**–**	**26,627**
Due to related parties	**9,092**	**–**	**–**	**–**	**–**	**9,092**
Total	**26,346**	**9,373**	**–**	**–**	**–**	**35,719**

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	2015					
	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	7,845	3,704	26,825	–	–	38,374
Due to related parties	58,948	–	–	–	–	58,948
Total	66,793	3,704	26,825	–	–	97,322

Capital management

The primary objectives of the Group's capital management policy are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 31 December 2015.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

Net debts are trade and other payables less cash and cash equivalents and restricted cash. The gearing ratios as at the end of the reporting periods are as follows:

	2016	2015
	RMB'000	RMB'000
Trade and other payables (note 18)	**91,387**	127,353
Less: Cash and cash equivalents (note 17)	**126,215**	97,612
Restricted cash (note 17)	**–**	–
Net (asset)/debts	**(34,828)**	29,741
Equity attributable to owners of the Company	**590,376**	594,000
Gearing ratio	**N/A**	5%

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	31 December 2016 RMB'000	31 December 2015 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**58**	98
Investments in subsidiaries	**217,260**	217,260
Total non-current assets	**217,318**	217,358
CURRENT ASSETS		
Other receivables	**1,327**	1,205
Due from subsidiaries	**372,235**	638,353
Due from related parties	**–**	–
Cash and cash equivalents	**2,055**	1,503
Total current assets	**375,617**	641,061
CURRENT LIABILITIES		
Trade and other payables	**961**	390
Due to related parties	**9,092**	58,976
Total current liabilities	**10,053**	59,366
NET CURRENT ASSETS	**365,564**	581,695
TOTAL ASSETS LESS CURRENT LIABILITIES	**582,882**	799,053
Net assets	**582,882**	799,053
EQUITY		
Share capital	**175,672**	175,672
Other reserves (note 31)	**407,210**	623,381
Total equity	**582,882**	799,053

WANG Di
Director

WANG Yong
Director

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	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 2015		–	681	151,442	373,006	(2,076)	71,393	594,446
Loss for the year		–	–	–	–	–	(5,566)	(5,566)
Other comprehensive income for the year		–	–	–	–	34,102	–	34,102
Total comprehensive income/(loss) for the year		–	–	–	–	34,102	(5,566)	28,536
Equity-settled share option arrangement	22	–	399	–	–	–	–	399
At 31 December 2015		–	1,080	151,442	373,006	32,026	65,827	623,381
Loss for the year		–	–	–	–	–	(255,399)	(255,399)
Other comprehensive income for the year		–	–	–	–	39,141	–	39,141
Total comprehensive income/(loss) for the year		–	–	–	–	39,141	(255,399)	(216,258)
Equity-settled share option arrangement	22	–	87	–	–	–	–	87
At 31 December 2016		–	1,167	151,442	373,006	71,167	(189,572)	407,210

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 or be forfeited.

32. APPROVED OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 March 2017.

FIVE-YEAR FINANCIAL SUMMARY

	2016	2015	2014	2013	2012
For the year (RMB million)					
Revenue	**28**	101	122	179	173
Gross profit/(loss)	**3**	(9)	(55)	34	27
(LBITDA)/EBITDA*	**(15)**	(20)	(88)	19	14
Operating (loss)/profit	**(15)**	(20)	(88)	17	14
Net (loss)/profit	**(14)**	(15)	(82)	(966)	(18)
As at December 31 (RMB million)					
Current assets	**607**	644	686	770	3,348
Non-current assets	**181**	235	236	252	3,091
Total assets	**788**	879	922	1,022	6,439
Current liabilities	**100**	186	211	219	3,289
Non-current liabilities	**97**	98	104	115	337
Total liabilities	**197**	284	315	334	3,626
Total equity	**591**	595	607	688	2,813
Total liabilities and equity	**788**	879	922	1,022	6,439
Per share (RMB)					
Basic (loss)/earnings per share	**(0.01)**	(0.01)	(0.07)	(1.31)	(0.05)
Dividends per ordinary share**	**–**	–	–	0.60	–
Dividends per CPS**	**–**	–	–	0.61	–

* amount of the year 2013 excluded non-recurring expenses amounted to approximately RMB 20,160,000

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

PARTICULARS OF PROPERTIES

COMPLETED PROPERTIES HELD FOR SALE

Property name	Location	Approximate gross floor area square metres ("sq m")	Use	Attributable interest of the Group
Meijun Project	The east of Daixi 3rd Road South of Chengnan New District, Zouping County, Binzhou City, Shandong Province	14,980	Residential	100%
Lanting Project	The south of Heban 3rd Road and the west of Liquan 1st Road, Zouping County, Binzhou City, Shandong Province	13,700	Residential	100%

PROPERTIES UNDER DEVELOPMENT

Location	Approximate site area (sq m)	Estimated approximate gross floor area (sq m)	Use	Estimated completion date	Stage of completion	Attributable interest of the Group
The east of Daixi 3rd Road South of Chengnan New District, Zouping County, Binzhou City, Shandong Province	159,800	489,100	Residential & Commercial	N/A	Construction in progress	100%

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

(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)

* *For identification purpose only 僅供識別*

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