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XIWANG PROPERTY HOLDINGS COMPANY LIMITED

西王置業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 2088)

**INSIDE INFORMATION,
ACCOUNTING TREATMENT OF
THE SHORTFALL ARISING FROM THE DISPOSAL,
PROFIT WARNING
AND
RESUMPTION OF TRADING**

ACCOUNTING TREATMENT OF THE SHORTFALL ARISING FROM THE DISPOSAL

It was stated in the VSD Circular that the Group proceeded with the Disposal of its corn processing business. The VSD Circular included, among other things, (a) the unaudited pro forma financial information of the remaining Group prepared under the Reserve Approach (i.e. the shortfall arising from the Disposal having been treated as reduction of reserves); and (b) the report received from the Company's ex-auditors on the aforesaid unaudited pro forma financial information. The Reserve Approach was consistently adopted by the Company in preparing the financial statements of the Group subsequent to the publication of the VSD Circular. On this basis, the Company disclosed in the 2013 Interim Report that a shortfall of approximately RMB818.3 million arising from the Disposal was charged to other reserves (as shown in the condensed consolidated statement of changes in equity for the six months ended 30 June 2013 contained in the 2013 Interim Report).

Having considered factors set out in the body of this announcement, the Directors are of the view that it is in the interests of the Company and its shareholders as a whole to adopt the P&L Approach.

It should be noted that the consolidated net asset value of the Group as at 31 December 2013 remains unchanged no matter whether the Reserve Approach or the P&L Approach is adopted in preparing the financial statements of the Group. Moreover, the amount of approximately RMB818.3 million involved is a non-cash and non-recurring item and does not affect the cashflow position of the Group.

PROFIT WARNING

Based on the adoption of the Reserve Approach, it was disclosed in the Profit Warning Announcement that the Group expected to record substantial loss, amounting to more than the 2012 audited loss of approximately RMB18 million, for the year ended 31 December 2013. As a result of the adoption of the P&L Approach, additional loss of approximately RMB818.3 million arising from the Disposal is expected to be recognised in the consolidated statement of profit or loss and the consolidated statement of comprehensive income of the Group for the year ended 31 December 2013 and the total loss attributable to equity holders of the Company to be recorded for the year is expected to increase significantly to approximately RMB965.5 million.

RESUMPTION OF TRADING

At the request of the Company, trading in its shares has been halted from 9:00 a.m. on 27 March 2014 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading of its shares from 9:00 a.m. on 31 March 2014.

This announcement is made by Xiwang Property Holdings Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) and Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

ACCOUNTING TREATMENT OF THE SHORTFALL ARISING FROM THE DISPOSAL

Reference is made to (1) the announcement of the Company dated 22 January 2014 in respect of, among other things, profit warning in respect of the annual results of the Group for the year ended 31 December 2013 (the “**Profit Warning Announcement**”); and (2) trading halt announcement of the Company dated 27 March 2014.

Background

It was stated in the circular (the “**VSD Circular**”) of the Company dated 13 June 2013 that the Group proceeded with a disposal of its corn processing business (the “**Disposal**”). The VSD Circular included, among other things, (a) the unaudited pro forma financial information of the remaining Group prepared on the basis that the shortfall arising from the Disposal would be treated as reduction of reserves (the “**Reserve Approach**”); and (b) the report received from the Company’s ex-auditors on

the aforesaid unaudited pro forma financial information. The Reserve Approach was consistently adopted by the Company in preparing the financial statements of the Group subsequent to the publication of the VSD Circular. On this basis, the Company disclosed in its interim report for the six months ended 30 June 2013 (the “**2013 Interim Report**”) that a shortfall of approximately RMB818.3 million arising from the Disposal was charged to other reserves (as shown in the condensed consolidated statement of changes in equity for the six months ended 30 June 2013 contained in the 2013 Interim Report).

Accounting treatment of the shortfall arising from the Disposal for 2013 annual results

After trading hours on 26 March 2014, Ernst & Young, existing auditors of the Company appointed by the Company since 26 September 2013, formally informed the Company their view that the shortfall of approximately RMB818.3 million arising from the Disposal should be recognised as a loss on disposal in the consolidated statement of profit or loss and the consolidated statement of comprehensive income of the Group for the year ended 31 December 2013 (the “**P&L Approach**”).

On 28 March 2014, the board (the “**Board**”) of directors (the “**Directors**”) of the Company decided to adopt the P&L Approach in preparing the financial statements of the Group for the year ended 31 December 2013 having considered, among other things, that the following factors:

- (1) As the Directors consider it is unlikely that Ernst & Young will change their view from the adoption of the P&L Approach to the Reserve Approach, it is not in the interests of the Company and its shareholders to further discuss with Ernst & Young on this issue, which will result in the postponement of the publication of the annual results of the Group for the year ended 31 December 2013 (the “**2013 Annual Results**”) and suspension in the trading in shares of the Company.
- (2) The consolidated net asset value of the Group as at 31 December 2013 remains unchanged no matter whether the Reserve Approach or the P&L Approach is adopted in preparing the financial statements of the Group.
- (3) The amount of approximately RMB818.3 million involved is a non-cash and non-recurring item, and does not affect the cashflow position of the Group.

On the basis set out above, the Directors are of the view that it is in the interests of the Company and its shareholders as a whole to adopt the P&L Approach.

Set out below are (1) the reported figures of certain key items as shown in the 2013 Interim Report which was prepared on the basis of the Reserve Approach; and (2) the reported figures of the same items if the P&L Approach were adopted in preparing the same financial statements:

	Reported figures as shown in the 2013 Interim Report <i>RMB million Approximate</i>	Reported figures if the P&L Approach were adopted <i>RMB million Approximate</i>
Loss attributable to equity holders of the Company for the six months ended 30 June 2013	159.6	977.9 (being the sum of 159.6 and 818.3)
Total comprehensive loss for the six months ended 30 June 2013	159.7	978.0 (being the sum of 159.7 and 818.3)
Retained earnings as at 30 June 2013	910.2	91.9 (being 910.2 minus 818.3)
Other reserves as at 30 June 2013	(408.8)	409.5 (being the sum of (408.8) and 818.3)

PROFIT WARNING

Based on the adoption of the Reserve Approach, it was disclosed in the Profit Warning Announcement that the Group expected to record substantial loss, amounting to more than the 2012 audited loss of approximately RMB18 million, for the year ended 31 December 2013. As a result of the adoption of the P&L Approach, additional loss of approximately RMB818.3 million arising from the Disposal is expected to be recognised in the consolidated statement of profit or loss and the consolidated statement of comprehensive income of the Group for the year ended 31 December 2013 and the total loss attributable to equity holders of the Company to be recorded for the year is expected to increase significantly to approximately RMB965.5 million.

RESUMPTION OF TRADING

At the request of the Company, trading in its shares has been halted from 9:00 a.m. on 27 March 2014 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading of its shares from 9:00 a.m. on 31 March 2014.

By order of the Board
XIWANG PROPERTY HOLDINGS COMPANY LIMITED
WANG Di
Chairman

Hong Kong, 28 March 2014

As at the date of this announcement, the Board comprises the following Directors:

Executive Directors:

Mr. WANG Chuan Wu
Mr. ZHOU Xiang Lin
Mr. CHENG Gang

Independent Non-executive Directors:

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

Non-executive Directors:

Mr. WANG Di
Mr. WANG Yong
Mr. SUN Xihu

* *For identification purpose only*