XIWANG PROPERTY HOLDINGS COMPANY LIMITED

西王置業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 2088)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board (the "**Board**") of directors (the "**Directors**") of Xiwang Property Holdings Company Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2018 (the "**Period**"), together with the comparative figures, as follows. The consolidated results are unaudited, but have been reviewed by the Company's audit committee (the "**Audit Committee**").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended 30 June **2018** **RMB'000** **Unaudited**	 2017 RMB'000 Unaudited
REVENUE	4	**14,206**	19,035
Cost of sales		**(14,854)**	(17,045)
GROSS (LOSS)/PROFIT		**(648)**	1,990
Other income	4	**49,122**	2,629
Selling and marketing expenses		**(88)**	(104)
Administrative expenses		**(3,601)**	(2,483)
PROFIT BEFORE TAX	5	**44,785**	2,032
Income tax credit	6	**1,374**	1,420
PROFIT FOR THE PERIOD		**46,159**	3,452
Profit attributable to:			
Owners of the Company		**46,159**	3,452
		46,159	3,452
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	7	**RMB3.28 cents**	RMB0.28 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	Unaudited	Unaudited
PROFIT FOR THE PERIOD	**46,159**	3,452
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(1,399)**	(1,308)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**44,760**	2,144
Total comprehensive income attributable to owners of the Company	**44,760**	2,144
	44,760	2,144

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2018 RMB'000 Unaudited**	31 December 2017 RMB'000 Audited
NON-CURRENT ASSETS			
Property, plant and equipment		**169**	92
Goodwill		**200,583**	180,405
Total non-current assets		**200,752**	180,497
CURRENT ASSETS			
Completed properties held for sale		**183,200**	52,055
Properties under development		**293,878**	293,878
Bill and other receivables	9	**94,638**	93,029
Amount due from a related company		**19**	3
Cash and cash equivalents		**126,429**	126,311
Total current assets		**698,164**	565,276
CURRENT LIABILITIES			
Trade and other payables	10	**154,710**	64,509
Amounts due to related companies		**6,851**	6,164
Total current liabilities		**161,561**	70,673
NET CURRENT ASSETS		**536,603**	494,603
TOTAL ASSETS LESS CURRENT LIABILITIES		**737,355**	675,100
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**112,472**	94,977
Total non-current liabilities		**112,472**	94,977
NET ASSETS		**624,883**	580,123

	30 June 2018 RMB'000 Unaudited	31 December 2017 RMB'000 Audited
EQUITY		
Equity attributable to owners of the Company		
Share capital	**175,672**	175,672
Reserves	**449,211**	404,451
Total equity	**624,883**	580,123

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

Xiwang Property Holdings Company Limited (the "**Company**") is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The 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 attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
Keen Lofty Investments Limited	British Virgin Islands	US$15,756,000	100	–	Investment holding
Glorious Prosper Limited	Hong Kong	HK$1	–	100	Investment holding
Shandong Xiwang Property Company Limited # (山東西王置業有限公司)	PRC	RMB200,000,000	–	100	Property investment and development
Qingdao Ouya Property Limited # (青島歐亞置業有限公司)	PRC	RMB50,000,000	–	100	Property investment, development and management

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

2.1 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2018 are prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**").

The condensed consolidated financial statements of the Group have not been audited but have been reviewed by the Company's Audit Committee.

The accounting policies and method of computation used in the preparation of these condensed consolidated interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2017.

These unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's audited annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with HKFRSs.

2.2 PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

2.2 PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRS

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with "HKFRS 4" Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group recognizes revenue from the following major sources:

- Sales of properties
- Rental income from operating lease

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Difference at the date of initial application, if any, is recognized in the opening accumulated losses and comparative information has not been restated.

2.2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (Continued)

Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognizing revenue:

- 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 Group satisfies a performance obligation.

Under HKFRS 15, the Group 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.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs:

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or services.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The revenue of the Group is recognised at a point in time. The application of HKFRS 15 does not have significant impact on the amounts reported in the condensed consolidated financial statements.

2.2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2.2 Impacts and changes in accounting policies of application of HKFRS 9 "Financial Instruments"

In the current period, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Key changes in accounting policies resulting from application of HKFRS 9

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables and loan receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are made based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition

2.2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2.2 Impacts and changes in accounting policies of application of HKFRS 9 "Financial Instruments" (Continued)

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating:
- significant deterioration in external market indictors of credit risk e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 60 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

2.2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2.2 Impacts and changes in accounting policies of application of HKFRS 9 "Financial Instruments" (Continued)

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed below.

Impairment under ECL model

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.

In the current period, the Group has applied HKFRS 9 simplified approach to measure ECL using lifetime ECL for trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics.

Loss allowance for other financial assets at amortised cost mainly comprise of loan receivables, pledged bank deposits, bank trust account balances and bank balances, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

Summary of effects arising from initial application of HKFRS 9

As at 1 January 2018, no additional credit loss allowance has been recognised in the condensed consolidated financial statements.

2.2 PRINCIPAL ACCOUNTING POLICIES (Continued)

The Group has not early applied the following new HKFRSs, amendments to Hong Kong Accounting Standards ("HKASs") and HKFRSs and a new interpretation ("new and revised standards") that have been issued but are not yet effective.

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatment[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long term interests in Associates and Joint Venture[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2019

[2] Effective for annual periods beginning on or after a date to be determined

[3] Effective for annual periods beginning on or after 1 January 2021

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related Interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

2.2 PRINCIPAL ACCOUNTING POLICIES (Continued)

HKFRS 16 "Leases" (Continued)

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 30 June 2018, the Group has non-cancellable operating lease commitments. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16.

The Group currently considers refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the deposits would be recognised initially at fair value with the difference between fair value and nominal amount considered as additional lease payments and be included in the carrying amount of right-of-use assets. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

The directors of the Company do not anticipate that the application of the other new and revised standards issued but not yet effective will have a material impact on the results and financial position of the Group.

3.1 SEGMENT INFORMATION

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

3.2 GEOGRAPHICAL INFORMATION

The Group operates within one geographical area. For the six months ended 30 June 2018, 100% (six months ended 30 June 2017: 100%) of its revenue was generated in the PRC and the principal assets and capital expenditure of the Group were located and incurred in the PRC. Accordingly, no geographical information is presented.

4 REVENUE AND OTHER INCOME

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

An analysis of revenue and other income is as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	Unaudited	Unaudited
Revenue		
Sale of properties	**12,598**	19,035
Rental income	**1,608**	–
	14,206	19,035
Other income		
Bank interest income	**2**	8
Interest income from Xiwang Group Finance Company Limited ("**Xiwang Finance**")	**1,203**	1,164
Compensation income	**47,339**	–
Foreign exchange gain, net	**137**	1,457
Others	**441**	–
	49,122	2,629

5 PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	Unaudited	Unaudited
Cost of inventories sold	**14,854**	17,045
Depreciation	**52**	30
Minimum lease payments under operating leases: Land and buildings	**665**	623
Employee benefit expense (including directors' and chief executive's remuneration)		
Wages and salaries	**1,013**	978
Equity-settled share option expense	**–**	45
Pension scheme contributions	**128**	90
	1,141	1,113

6 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.

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	Unaudited	Unaudited
Group:		
Current – Mainland China	**–**	–
Land Appreciation Tax in Mainland China	**134**	443
Deferred Mainland China corporate income tax	**1,240**	977
Total tax credit for the Period	**1,374**	1,420

7 EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the Period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,408,773,319 (six months ended 30 June 2017: 1,236,677,353) in issue during the Period.

The calculation of the diluted earnings per share amount for the Period is based on the profit for the Period 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 Period, as used in the basic earnings 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 earnings per share amounts presented for the six months ended 30 June 2018 and 2017 in respect of a dilution as the impact of convertible preference share outstanding and share option would not have a dilutive effect on the basic earnings per share amounts presented.

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	Unaudited	Unaudited
Profit attributable to ordinary equity holders of the Company	**46,159**	3,452

	Number of shares	
	Six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
Shares		
Weighted average number of ordinary shares in issue during the Period used in the basic and diluted earnings per share calculation	**1,408,773,319**	1,236,677,353

8 DIVIDENDS

No interim dividend was proposed for the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

9 BILL AND OTHER RECEIVABLES

	30 June 2018 RMB'000 Unaudited	31 December 2017 RMB'000 Audited
Bill receivable	**1,000**	–
Prepayments	**79,192**	79,866
Prepaid tax	**8,714**	9,124
Interest receivable from Xiwang Finance	**1,203**	–
Other receivables	**4,529**	4,039
	94,638	93,029

Ageing analysis of the bill receivable at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2018 RMB'000 Unaudited	31 December 2017 RMB'000 Audited
0-30 days	**1,000**	–
31-60 days	**–**	–
61-90 days	**–**	–
91-120 days	**–**	–
	1,000	–

10 TRADE AND OTHER PAYABLES

	30 June 2018 RMB'000 Unaudited	31 December 2017 RMB'000 Audited
Trade payables	**27,858**	21,280
Receipts in advance	**27,272**	32,773
Other payables	**99,338**	10,141
Salary and welfare payables	**242**	315
	154,710	64,509

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

	30 June 2018 RMB'000 Unaudited	31 December 2017 RMB'000 Audited
0 – 30 days	**–**	2,977
31 – 60 days	**–**	193
61 – 90 days	**–**	429
Over 90 days	**27,858**	17,681
	27,858	21,280

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.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

The Group's main source of revenue is sales of developed properties and rental income. Geographically, Shandong remains as the Group's main market. All revenues of the Group during the Period were derived from Shandong.

The Group's turnover of the Period is RMB14,206,000 (first half of 2017: RMB19,035,000), representing a decrease of 25.4% as compared to the corresponding period of last year. The decrease of turnover was mainly due to the decrease in gross floor area (the "**GFA**") sold as compared to the corresponding period of last year. The GFA sold in Binzhou City decreased from 4,590 square meters in the first half of 2017 to 1,970 square meters in the first half of 2018, representing a decrease of 57.1%. The average GFA price in Binzhou City remained stable in the first half of 2018 as compared to the corresponding period of last year. In the first half of 2018, sales of developed properties of RMB4,537,000 was newly incurred in Qingdao City, representing 36.0% of the total sales of properties.

II. FINANCIAL REVIEW

Operating Results

1. Revenue

The Group's revenue amounted to RMB14,206,000 during the Period (first half of 2017: RMB19,035,000), representing a decrease of 25.4% as compared to the same period of last year. Revenue decreased was mainly due to the sharp decrease in GFA sold in Binzhou City which outweighed the increase in the sales in Qingdao City as compared to the same period of last year.

Sales breakdown:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Sales of properties	**12,598**	19,035
Rental income	**1,608**	–
	14,206	19,035

Sales of properties breakdown:

	Revenue Six months ended 30 June		GFA sold Six months ended 30 June		Average GFA price Six months ended 30 June	
	2018	2017	**2018**	2017	**2018**	2017
	RMB'000	RMB'000	**square metre ("sq m")**	square metre sq m	**RMB/ sq m**	RMB/ sq m
Binzhou City	**8,061**	19,035	**1,970**	4,590	**4,092**	4,147
Qingdao City	**4,537**	–	**297**	–	**15,287**	–
	12,598	19,035	**2,267**	4,590	**5,558**	4,147

2. Cost of sales

The Group's cost of sales amounted to RMB14,854,000 during the Period (first half of 2017: RMB17,045,000), representing a decrease of 12.9% as compared to the same period of last year. The decrease in cost of sales was mainly due to the decrease in GFA sold as compared to the same period of last year.

3. Other income

Other income represented compensation income, interest income and rental income from car parking spaces. Other income for the Period amounted to RMB49,122,000 (first half of 2017: RMB2,629,000), representing an increase of 17.7 times as compared to the corresponding period of last year. The substantial increase for the Period was mainly due to the compensation income of RMB47,339,000 received during the Period.

4. Administrative expenses

Administrative expenses included general administrative fees, legal and professional fees, salaries of management and administrative staff. Administrative expenses for the Period amounted to RMB3,601,000 (first half of 2017: RMB2,483,000), representing an increase of 45.0% as compared to the corresponding period of last year. The increase for the Period was mainly due to the administrative expenses incurred by the newly acquired subsidiary during the Period.

Financial position

Liquidity and capital resources

As at 30 June 2018, the Group's cash and cash equivalents amounted to RMB126,429,000 which increased by RMB118,000, as compared to RMB126,311,000 as at 31 December 2017. The Group primarily utilized the cash flow from operations and cash on hand to finance operational requirements during the Period.

As at 30 June 2018, the gearing ratio, being the ratio of total liabilities divided by total equity, was 43.9% (31 December 2017: 28.6%). As at 30 June 2018, the Group had no bank borrowing (31 December 2017: nil).

Significant investments held, material acquisitions and disposals and future plans for material investments or capital assets

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

Capital commitments

As at 30 June 2018, the Group's capital commitment amounted to RMB2,628,000 (31 December 2017: RMB3,470,000), which was mainly expenditure incurred for property development.

Charges on Group Assets

As at 30 June 2018, our Group had no pledge of assets (30 June 2017: nil).

Foreign exchange risk

The Group primarily operated in the PRC with RMB as its functional currency. During the Period, the majority of the Group's assets, liabilities, income, payments and cash balances were denominated in RMB. Therefore, the Directors believed that the Group's risk exposure to fluctuation of exchange rates was not significant as a whole.

Human resources

As at 30 June 2018, the Group employed approximately 34 staff (30 June 2017: 22). Staff-related costs incurred during the Period was RMB1,141,000 (first half of 2017: RMB1,113,000). The Group reviewed regularly the remuneration packages of directors and employees with respect to their experience and responsibilities to the Group's business. The Group established a remuneration committee to determine and review the terms of remuneration packages, bonuses and other compensation payables to directors and senior management. In addition to basic remuneration packages and discretionary bonuses, share options may also be granted based on individual performance.

III. BUSINESS OUTLOOK

In the first half of 2018, regulation and control of real estate policy entered a new phase, with the central government of the PRC stepping up regulation and control, and more implementation of local responsibilities. As a result, the transaction area of new properties in key cities continued to shrink. The overall supply of the land market continued to grow, with the largest increase in mostly third- and fourth-tier cities. Most of the sales volume came from brand enterprises, with sales volume of which continued to grow. In the second half of the year, it is expected that the central government of the PRC will continue to maintain regulation and control. The construction and sales of the national commercial housing market will become more rational, with prices rising steadily.

In the first half of this year, with the successive intervention of large-scale real estate developers such as Country Garden and R&F Real Estate, the Zouping real estate project entered a new stage of development. In the first half of the year, with the government's regulation and control and stepping up supervision, the new development projects in Chengnan New District were mostly in the stage of perfecting procedures, with prices remaining high. The old district of Chengbei is mainly represented by the school district. In Shannan, with the overall situation of new properties becoming less and less, second-hand transaction prices have been rising. The township area is mainly comprised of townships and towns around the county town. Due to the rigid demand for staff accommodation of several large enterprises, large property houses and properties with limited property rights which were developed and constructed were basically sold out, with relatively large increase in prices.

With further regulation, control and supervision of the government, the intervention of large real estate developers, the scarcity of development projects and the launch of Jiqing High-speed Railway and the completion of its extension, supporting facilities of real estate will be further improved and the Zouping real estate market will face new challenges and opportunities.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed herein, no other significant events took place after the reporting date and up to the date of this announcement.

CORPORATE GOVERNANCE

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 Listing Rules as its own code of corporate governance. The Board considers that the Company was in compliance with all applicable code provisions set out in the CG Code throughout the Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has also adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code for securities transactions of the Directors. Having made specific enquiries with all Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code during the Period.

AUDIT COMMITTEE

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

INTERIM DIVIDEND

The Directors resolved not to declare any interim dividend for the Period (corresponding period in 2017: nil).

By order of the Board
Xiwang Property Holdings Company Limited
WANG Di
Chairman

Hong Kong, 23 August 2018

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

Executive Directors:
Mr. WANG Jin Tao
Mr. WANG Wei Min

Non-executive Directors:
Mr. WANG Di
Mr. WANG Yong
Mr. SUN Xinhu

Independent non-executive Directors:
Mr. WONG Kai Ming
Mr. WANG An
Mr. WANG Zhen

* *For identification purpose only*