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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)

**ANNOUNCEMENT OF ANNUAL RESULTS FOR  
THE YEAR ENDED 31 DECEMBER 2018**

The board (the “**Board**”) of directors (the “**Directors**”) of Xiwang Property Holdings Company Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2018 (the “**Year**”). The Group’s financial information in this announcement was prepared based on the audited consolidated financial statements of the Group for the Year.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

Year ended 31 December

|  | Notes | 2018<br>RMB’000    | 2017<br>RMB’000 |
|--|-------|--------------------|-----------------|
| REVENUE  | 3     | <b>42,088</b>      | 41,208          |
| Cost of sales  |       | <b>(39,266)</b>    | (53,033)        |
| Gross profit/(loss)  |       | <b>2,822</b>       | (11,825)        |
| Other income   | 3     | <b>54,795</b>      | 7,890           |
| Selling and marketing expenses   |       | <b>(167)</b>       | (198)           |
| Administrative expenses  |       | <b>(10,848)</b>    | (5,775)         |
| PROFIT/(LOSS) BEFORE TAX   | 4     | <b>46,602</b>      | (9,908)         |
| Income tax credit  | 5     | <b>1,298</b>       | 2,015           |
| PROFIT/(LOSS) FOR THE YEAR   |       | <b>47,900</b>      | (7,893)         |
| Profit/(Loss) attributable to owners of the Company                                    |       | <b>47,900</b>      | (7,893)         |
| EARNINGS/(LOSS) PER SHARE<br>ATTRIBUTABLE TO ORDINARY<br>EQUITY HOLDERS OF THE COMPANY | 7     |                    |                 |
| Basic and diluted<br>– For profit/(loss) for the year                                  |       | <b>RMB3.4 cent</b> | RMB(0.62) cent  |

Details of the dividends for the Year are disclosed in note 6 to the financial statements.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December

|   | <b>2018</b>          | 2017            |
|---|----------------------|-----------------|
|   | <b>RMB'000</b>       | RMB'000         |
| <b>PROFIT/(LOSS) FOR THE YEAR</b>   | <u><b>47,900</b></u> | <u>(7,893)</u>  |
| <b>OTHER COMPREHENSIVE LOSS</b>   |                      |                 |
| Other comprehensive loss to be reclassified to<br>profit or loss in subsequent periods:<br>Exchange differences on translation of<br>foreign operations | <u>(740)</u>         | <u>(2,963)</u>  |
| <b>TOTAL COMPREHENSIVE INCOME/(LOSS)<br/>FOR THE YEAR</b>   | <u><b>47,160</b></u> | <u>(10,856)</u> |
| Profit/(loss) attributable to<br>owners of the Company  | <u><b>47,160</b></u> | <u>(10,856)</u> |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

|   | Notes | 2018<br>RMB'000       | 2017<br>RMB'000       |
|---|-------|-----------------------|-----------------------|
| <b>NON-CURRENT ASSETS</b>                           |       |                       |                       |
| Property, plant and equipment                       |       | 151                   | 92                    |
| Goodwill  |       | <u>200,583</u>        | <u>180,405</u>        |
| Total non-current assets                            |       | <u>200,734</u>        | <u>180,497</u>        |
| <b>CURRENT ASSETS</b>                               |       |                       |                       |
| Completed properties held for sale                  |       | 159,579               | 52,055                |
| Properties under development                        | 8     | 293,878               | 293,878               |
| Prepayments and other receivables                   | 9     | 91,763                | 93,029                |
| Amount due from a related company                   |       | –                     | 3                     |
| Cash and cash equivalents                           |       | <u>128,666</u>        | <u>126,311</u>        |
| Total current assets                                |       | <u>673,886</u>        | <u>565,276</u>        |
| <b>CURRENT LIABILITIES</b>                          |       |                       |                       |
| Trade and other payables                            | 10    | 126,313               | 64,509                |
| Contract liabilities                                |       | 1,426                 | –                     |
| Amounts due to related companies                    |       | <u>7,979</u>          | <u>6,164</u>          |
| Total current liabilities                           |       | <u>135,718</u>        | <u>70,673</u>         |
| <b>NET CURRENT ASSETS</b>                           |       | <u>538,168</u>        | <u>494,603</u>        |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>        |       | <u>738,902</u>        | <u>675,100</u>        |
| <b>LESS: NON-CURRENT LIABILITIES</b>                |       |                       |                       |
| Deferred tax liabilities                            |       | <u>111,619</u>        | <u>94,977</u>         |
| Total non-current liabilities                       |       | <u>111,619</u>        | <u>94,977</u>         |
| Net assets  |       | <u><u>627,283</u></u> | <u><u>580,123</u></u> |
| <b>EQUITY</b>                                       |       |                       |                       |
| <b>Equity attributable to owners of the Company</b> |       |                       |                       |
| Share capital                                       |       | 175,672               | 175,672               |
| Reserves  |       | <u>451,611</u>        | <u>404,451</u>        |
| Total equity  |       | <u><u>627,283</u></u> | <u><u>580,123</u></u> |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 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.

The immediate holding company of the Company is Xiwang Investment Company Limited, 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, which is established in the People’s Republic of China (the “**PRC**”).

### 1.1 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. The consolidated financial statements are presented in Renminbi (“**RMB**”) which is the same as the functional currency of the Group. All values are rounded to the nearest thousand except when otherwise indicated.

#### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income/consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

## 1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

|                       |   |
|-----------------------|---|
| 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  |

Except as described below, the application of the new and amendments to HKFRSs in the current year 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.

### 1.2.1 HKFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS (“HKFRS 15”)

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

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. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to the contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared with HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the following sources which arise from contracts with customers:

- Property development – sales of properties

**Summary of effects arising from initial application of HKFRS 15**

The application on HKFRS 15 has no material impact on the Group's retained earnings at 1 January 2018. The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

|                            | <b>Carrying<br/>amounts<br/>previously<br/>reported at<br/>31 December<br/>2017</b> | <b>Reclassification</b>     | <b>Carrying<br/>amounts under<br/>HKFRS 15 at<br/>1 January<br/>2018</b> |
|----------------------------|---|-----------------------------|--|
|                            | RMB'000   | RMB'000                     | RMB'000  |
|                            |   | <i>(Note)</i>               |  |
| <b>Current Liabilities</b> |   |                             |  |
| Trade and other payables   | 64,509  | (32,773)                    | 31,736   |
| Contract liabilities       | –   | 32,773                      | 32,773   |
|                            | <u>                    </u>   | <u>                    </u> | <u>                    </u>  |

*Note:* As at 1 January 2018, receipts in advance from properties pre-sold of approximately RMB32,773,000 previously included in trade and other payables were reclassified to contract liabilities.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

**Impact on the consolidated statement of financial position**

|                            | <b>As reported</b>          | <b>Adjustments</b>          | <b>Amounts<br/>without<br/>application<br/>of HKFRS 15</b> |
|----------------------------|-----------------------------|-----------------------------|--|
|                            | RMB'000                     | RMB'000                     | RMB'000  |
| <b>Current Liabilities</b> |                             |                             |  |
| Trade and other payables   | 126,313                     | 1,426                       | 127,739  |
| Contract liabilities       | 1,426                       | (1,426)                     | –  |
|                            | <u>                    </u> | <u>                    </u> | <u>                    </u>                                |

## Impact on the consolidated statement of cash flows

|                                      | As reported     | Adjustments | Amounts<br>without<br>application<br>of HKFRS 15 |
|--------------------------------------|-----------------|-------------|--|
|                                      | RMB'000         | RMB'000     | RMB'000  |
| <b>Operating activities</b>          |                 |             |  |
| Decrease in trade and other payables | (11,271)        | (31,347)    | (42,618)   |
| Decrease in contract liabilities     | (31,347)        | 31,347      | –  |
|                                      | <u>(42,618)</u> | <u>–</u>    | <u>–</u>   |

### 1.2.2 HKFRS 9 FINANCIAL INSTRUMENTS (“HKFRS 9”)

In the current year, the Group has applied HKFRS 9 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 lease receivables 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 under ECL model) 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 retained earnings 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* (“HKAS 39”).

ECL for other financial assets at amortised cost, including other receivables and bank balances, are assessed on 12-month ECL (“12m ECL”) basis as there had been no significant increase in credit risk since initial recognition.

The directors considered that the measurement of ECL has no material impact to the Group’s retained earnings at 1 January 2018.

### 1.2.3 IMPACTS ON OPENING CONSOLIDATED STATEMENT OF FINANCIAL POSITION ARISING FROM THE APPLICATION OF ALL NEW STANDARDS

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the individual line items affected. Line items that were not affected by the changes have not been included.

|                            | <b>31 December<br/>2017</b> | <b>HKFRS 15</b>             | <b>HKFRS 9</b>              | <b>1 January<br/>2018</b>   |
|----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                            | <b>(audited)</b>            |                             |                             | <b>(Restated)</b>           |
|                            | RMB'000                     | RMB'000                     | RMB'000                     | RMB'000                     |
| <b>Current Liabilities</b> |                             |                             |                             |                             |
| Trade and other payables   | 64,509                      | (32,773)                    | –                           | 31,736                      |
| Contract liabilities       | –                           | 32,773                      | –                           | 32,773                      |
|                            | <u>                    </u> | <u>                    </u> | <u>                    </u> | <u>                    </u> |

### 1.3 NEW AND REVISED HKFRSS THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

|                                   |  |
|-----------------------------------|--|
| HKAS 1 and HKAS 8 (Amendments)    | Definitions of Material <sup>3</sup>   |
| HKAS 19 (Amendments)              | Plan Amendment, Curtailment or Settlement <sup>1</sup>   |
| HKAS 28 (Amendments)              | Long-term interests in Associates and Joint Ventures <sup>1</sup>                                  |
| HKFRS (Amendments)                | Annual Improvements to HKFRSs 2015-2017 Cycle <sup>1</sup>   |
| HKFRS 3 (Amendments)              | Definition of a business <sup>2</sup>  |
| HKFRS 9 (Amendments)              | Prepayment Features with Negative Compensation <sup>1</sup>  |
| HKFRS 10 and HKAS 28 (Amendments) | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>5</sup> |
| HKFRS 16                          | Leases <sup>1</sup>  |
| HKFRS 17                          | Insurance Contract <sup>4</sup>  |
| HK(IFRIC) – Int 23                | Uncertainty over Income Tax Treatment <sup>1</sup>   |

<sup>1</sup> Effective for annual periods beginning on or after 1st January 2019.

<sup>2</sup> Effective for business combination for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1st January 2020.

<sup>3</sup> Effective for annual period beginning on or after 1st January 2020.

<sup>4</sup> Effective for annual period beginning on or after 1st January 2021.

<sup>5</sup> Effective for annual period beginning on or after a date to be determined.



## 2. 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

|                | 2018<br>RMB'000 | 2017<br>RMB'000 |
|----------------|-----------------|-----------------|
| Mainland China | 120             | 38              |
| Hong Kong      | 31              | 54              |
|                | <u>151</u>      | <u>92</u>       |

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

## 3. REVENUE AND OTHER INCOME

Revenue represents proceeds from the sale of properties.

An analysis of revenue and other income is as follows:

|   | 2018<br>RMB'000 | 2017<br>RMB'000 |
|---|-----------------|-----------------|
| <b>Revenue</b>                          |                 |                 |
| Sale of properties                      | <u>42,088</u>   | <u>41,208</u>   |
| <b>Other income</b>                     |                 |                 |
| Bank interest income                    | 3               | 9               |
| Compensation income*                    | 48,272          | –               |
| Foreign exchange gains, net             | –               | 3,239           |
| Interest income from a related party    | 2,401           | 2,341           |
| Rental income                           | 3,481           | –               |
| Waiver of amount due to a related party | –               | 2,284           |
| Others                                  | <u>638</u>      | <u>17</u>       |
|   | <u>54,795</u>   | <u>7,890</u>    |

\* The compensation income is related to the Yintaishan Corn Cultural Project which the vendor promised to compensate the Group for its failure to obtain the State-owned Land Use Certificates and the construction work planning permit.

#### 4. PROFIT/(LOSS) BEFORE TAX

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

|   | 2018<br>RMB'000 | 2017<br>RMB'000 |
|---|-----------------|-----------------|
| Cost of inventories sold  | 41,937          | 58,979          |
| Reversal of write-down of completed properties held for sale to net realisable value along with properties sold | (2,671)         | (5,946)         |
|   | <u>39,266</u>   | <u>53,033</u>   |
| Auditors' remuneration  | 559             | 563             |
| Auditor's remuneration for non-audit service  | 26              | 26              |
| Depreciation  | 80              | 38              |
| Foreign exchange loss, net  | 1,671           | –               |
| Minimum lease payments under operating leases:  |                 |                 |
| Land and buildings  | 679             | 628             |
| Employee benefit expense (including directors' and chief executive's remuneration):                             |                 |                 |
| Wages and salaries  | 2,794           | 1,680           |
| Equity-settled share option expense   | –               | 603             |
| Pension scheme contributions  | 279             | 144             |
|   | <u>3,073</u>    | <u>2,427</u>    |

#### 5. 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 (2017: 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 2018, the applicable tax rate for the subsidiaries of the Company established in the PRC was 25% (2017: 25%).

PRC Land Appreciation Tax ("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 RMB366,000 is charged (2017: RMB773,000 credited to the consolidated statement of profit or loss) to the consolidated statement of profit or loss for the year ended 31 December 2018.

|  | <b>2018</b>                 | 2017                        |
|--|-----------------------------|-----------------------------|
|  | <b>RMB'000</b>              | RMB'000                     |
| Group:                                       |                             |                             |
| Current – Mainland China                     | –                           | –                           |
| LAT charge/(credit) in Mainland China        | <b>366</b>                  | (773)                       |
| Deferred Mainland China corporate income tax | <b>(1,664)</b>              | (1,242)                     |
|  | <u>                    </u> | <u>                    </u> |
| Total tax credit for the year                | <b>(1,298)</b>              | (2,015)                     |
|  | <u>                    </u> | <u>                    </u> |

## 6. DIVIDENDS

No final dividend was proposed by the Board for both ordinary shares and convertible preference shares for the year ended 31 December 2018 (2017: Nil).

Payment of the preferred annual distribution of RMB1 cent per convertible preference share as at 31 December 2018 will be deferred.

## 7. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,408,773,319 (2017: 1,272,039,538) in issue during the year.

The calculation of the diluted earnings/(loss) per share amount for the year ended 31 December 2018 and 31 December 2017 is based on the profit/(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 earnings/(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 earnings/(loss) per share amounts presented for the years ended 31 December 2018 and 2017 in respect of a dilution as the impact of convertible preference shares outstanding and share options would not have a dilutive effect on the basic earnings/loss per share amounts presented.

The calculations of basic and diluted earnings/(loss) per share amounts are based on:

|  | <b>2018</b>                 | 2017                 |
|--|-----------------------------|----------------------|
|  | <b>RMB'000</b>              | RMB'000              |
| <b>Profit/(loss)</b>   |                             |                      |
| Profit/(loss) attributable to ordinary equity holders of the Company   | <u><b>47,900</b></u>        | <u>(7,893)</u>       |
|  | <b>Number of shares</b>     |                      |
|  | <b>2018</b>                 | 2017                 |
| <b>Shares</b>  |                             |                      |
| Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings/(loss) per share calculations | <u><b>1,408,733,319</b></u> | <u>1,272,039,538</u> |
| <b>8. PROPERTIES UNDER DEVELOPMENT</b>   |                             |                      |
|  | <b>2018</b>                 | 2017                 |
|  | <b>RMB'000</b>              | RMB'000              |
| Land in Mainland China held at cost:   |                             |                      |
| At 1 January and at 31 December  | <u><b>291,983</b></u>       | <u>291,983</u>       |
| Development expenditure, at cost:  |                             |                      |
| At 1 January   | <b>1,895</b>                | 10,634               |
| Additions  | –                           | 10,614               |
| Transfer to completed properties held for sale   | <u>–</u>                    | <u>(19,353)</u>      |
| At 31 December   | <u><b>1,895</b></u>         | <u>1,895</u>         |
|  | <u><b>293,878</b></u>       | <u>293,878</u>       |
| <b>9. PREPAYMENTS AND OTHER RECEIVABLES</b>  |                             |                      |
|  | <b>2018</b>                 | 2017                 |
|  | <b>RMB'000</b>              | RMB'000              |
| Prepayments  | <b>79,709</b>               | 79,866               |
| Prepaid tax  | <b>7,346</b>                | 9,124                |
| Other receivables  | <u><b>4,708</b></u>         | <u>4,039</u>         |
|  | <u><b>91,763</b></u>        | <u>93,029</u>        |

## 10. TRADE AND OTHER PAYABLES

|                             | 2018<br>RMB'000 | 2017<br>RMB'000 |
|-----------------------------|-----------------|-----------------|
| Trade payables              | 27,977          | 21,280          |
| Receipts in advance         | –               | 32,773          |
| Other payables              | 97,969          | 10,141          |
| Salary and welfare payables | 367             | 315             |
|                             | <u>126,313</u>  | <u>64,509</u>   |

### 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:

|              | 2018<br>RMB'000 | 2017<br>RMB'000 |
|--------------|-----------------|-----------------|
| 0 – 30 days  | 11,124          | 2,977           |
| 31 – 60 days | –               | 193             |
| 61 – 90 days | 75              | 429             |
| Over 90 days | 16,778          | 17,681          |
|              | <u>27,977</u>   | <u>21,280</u>   |

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 sole source of revenue of the Year is sales of developed properties. 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 RMB42,088,000 (2017: RMB41,208,000), representing an increase of 2.1% as compared to last year. The revenue from the sales of properties in Binzhou City decreased from RMB41,208,000 in 2017 to RMB34,812,000 in 2018, and the decrease was mainly due to the decrease in gross floor area (the "GFA") sold as compared to last year. The GFA sold in Binzhou City was 10,716 square meters in 2017 and decreased to 7,701 square meters in 2018, representing a decrease of 28.1%. And sales of properties of RMB7,276,000 was newly incurred in Qingdao City, representing 17.3% of the total revenue. Therefore, the Group maintained a similar level of revenue in 2018.

### II. FINANCIAL REVIEW

#### Operating results

##### 1. Revenue

The Group's revenue amounted to RMB42,088,000 during the Year (2017: RMB41,208,000), representing an increase of 2.1% as compared to last year. The increase in sales of properties in Qingdao City outweighed the decrease in the sales of properties in Binzhou City as compared to last year which maintained the revenue in a similar level. The sales of each cities was as follows:

|              | Revenue         |                 | GFA sold                          |                                   | Average GFA price    |                      |
|--------------|-----------------|-----------------|-----------------------------------|-----------------------------------|----------------------|----------------------|
|              | 2018<br>RMB'000 | 2017<br>RMB'000 | 2018<br>square metres<br>("sq m") | 2017<br>square metres<br>("sq m") | 2018<br>RMB/<br>sq m | 2017<br>RMB/<br>sq m |
| Binzhou City | 34,812          | 41,208          | 7,701                             | 10,716                            | 4,520                | 3,845                |
| Qingdao City | 7,276           | -               | 472                               | -                                 | 15,410               | -                    |
|              | <u>42,088</u>   | <u>41,208</u>   | <u>8,173</u>                      | <u>10,716</u>                     | <u>5,150</u>         | <u>3,845</u>         |

## **2. Cost of sales**

The Group's cost of sales amounted to RMB39,266,000 during the Year (2017: RMB53,033,000), representing a decrease of 26.0% as compared to last year. The decrease in cost of sales was mainly due to the decrease in GFA sold as compared to last year.

## **3. Other income**

Other income represented compensation income, interest income and rental income. Other income for the Year amounted to RMB54,795,000 (2017: RMB7,890,000), representing an increase of 5.9 times as compared to last year. The substantial increase for the Year was mainly due to the compensation income of RMB48,272,000 received during the Year. The compensation income is related to the Yintaishan Corn Cultural Project which the vendor promised to compensate the Group for its failure to obtain the State-owned Land Use Certificates and the construction work planning permit.

## **4. Administrative expenses**

Administrative expenses include general administrative fees, legal and professional fees, salaries of management and administrative staff. The administrative expenses amounted to RMB10,848,000 during the Year (2017: RMB5,775,000), representing an increase of 87.8% as compared to that of last year, which was mainly due to the administrative expenses incurred by the newly acquired subsidiary during the Year.

## **5. Income tax credit**

The Group credited an income tax of RMB1,298,000 to the consolidated statement of profit or loss during the Year (2017: RMB2,015,000 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 subsidiary.

## **Financial position**

### **Liquidity and capital resources**

As at 31 December 2018, the Group's cash and cash equivalents amounted to RMB128,666,000, representing an increase of RMB2,355,000, as compared to RMB126,311,000 as at 31 December 2017. 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 2018, the gearing ratio, being the ratio of total liabilities divided by total equity was 39.4% (31 December 2017: 28.6%). As at 31 December 2018, the Group had no bank and other borrowings (31 December 2017: Nil).

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

During the Year, the Group had no significant investments and neither it had entered into any significant acquisitions and disposals of subsidiaries nor had made future plans for significant investments or capital asset acquisitions.

### **Pledge of assets**

As at 31 December 2018, none of property, plant and equipment of the Group was pledged to secure bank and other borrowings (31 December 2017: Nil).

### **Capital commitments**

As at 31 December 2018, the Group's capital commitment amounted to RMB2,477,000 (31 December 2017: RMB3,470,000), 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 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 2018, the Group employed approximately 36 staff (31 December 2017: 25). Staff-related costs (including Directors' remuneration) incurred during the Year was RMB3,073,000 (2017: RMB2,427,000). 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.

### **Contingent liabilities/advance to an entity**

The Group did not have any contingent liabilities as at 31 December 2018.



### **III. BUSINESS OUTLOOK**

Under the pretext of stable operation for the real estate market, many regulation and control policies were aimed at maintaining stability, while emphasizing on the city-specific policies, reasonable implementation of policy and structural moderation. Many restrictive regulation and control policies on the demand side will be advancing, and with the moderation of certain administrative regulation and control methods, the overall policy will be more reasonable and more conducive to the smooth operation of the market. The supply side will centre on increasing short-term supply, adjusting the housing and land supply structure, enhancing financing service for indemnificatory housing, advancing for the policy establishment for the medium to long term housing system reform, and continuing to protect the “effective demand and supply”. In the medium and long term, the policies will change comprehensively into a basket of policy tools including aspects in financial, land, finance and taxation, housing protection and market management, so as to maintain the stability, rationality and long term effectiveness of the policies. Shandong Province is currently speeding up the establishment of long term effective real estate market system to guarantee the smooth development of the real estate market. It is expected that the effective demand and supply will further increase and the total price of commercial buildings will remain stable in 2019. The business of the Group was mainly conducted in Zouping City, Shandong Province. Apart from the influence of overall policy and market trend, the business has displayed specific local characteristics. With the strong inelastic demand in housing, strong demand for housing improvement and the limited land supply and few development of new housing projects. It is expected that the prices in commercial housing in Zouping City will fluctuate narrowly within the present high price level.

### **DIVIDEND**

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

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

### **ANNUAL GENERAL MEETING**

The annual general meeting (the “AGM”) of the Company is proposed to be held on Thursday, 6 June 2019. A notice convening the AGM will be published on the respective websites of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.xiwangproperty.com](http://www.xiwangproperty.com)). The notice of the AGM, which constitutes part of a circular to shareholders, and proxy form, together with the annual report, are expected to be despatched to shareholders on or around Monday, 29 April 2019.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members in respect of ordinary shares of the Company will be closed from Monday, 3 June 2019 to Thursday, 6 June 2019, (both days inclusive), during which period no transfer of ordinary shares will be registered for the purpose of ascertaining shareholders' entitlement for attending and voting at the AGM. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates and, in the case of holders of convertible preference shares, all duly completed notices of conversion accompanied by the relevant certificates of convertible preference shares must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 31 May 2019.

## **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.

## **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 Year.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**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 announcement.

## **REVIEW OF ANNUAL RESULTS**

The audit committee of the Company has reviewed with the management, the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters, including the review of the Company's annual results for the Year.

## **SCOPE OF WORK ON THE ANNUAL RESULTS ANNOUNCEMENT BY AUDITOR**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditors, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on the preliminary announcement.

## **PUBLICATION OF ANNUAL REPORT**

The 2018 annual report will be despatched to the shareholders on or around 29 April 2019 and published on the respective websites of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.xiwangproperty.com](http://www.xiwangproperty.com)).

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

Hong Kong, 22 March 2019

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

*Executive Directors:*

Mr. WANG Jin Tao  
Mr. WANG Wei Min

*Independent non-executive Directors:*

Mr. WONG Kai Ming  
Mr. WANG An  
Mr. WANG Zhen

*Non-executive Directors:*

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

\* *For identification purpose only*