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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in Xiwang Property Holdings Company Limited (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or the transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)

MAJOR AND CONTINUING CONNECTED TRANSACTIONS RENEWAL OF FINANCIAL SERVICES FRAMEWORK AGREEMENT AND NOTICE OF SPECIAL GENERAL MEETING

Financial adviser to the Company



Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders



Titan Financial Services Limited

A letter from the Board is set out on pages 5 to 18 of this circular. A letter from the Independent Board Committee is set out on pages 19 to 20 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 21 to 40 of this circular.

A notice convening the SGM to be held at Boardrooms 3-4, Mezzanine Floor, Renaissance Hong Kong Harbour View Hotel, No.1 Harbour Road, Wanchai, Hong Kong on Thursday, 21 November 2019 at 2:30 p.m. is set out on pages 49 to 50 of this circular. A form of proxy for use at the SGM (or any adjournment thereof) is also enclosed.

Whether or not you are able to attend the SGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending the SGM or any adjournment thereof and voting in person if you so wish.

* For identification purpose only

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DEFINITIONS

In this circular, unless the context requires otherwise, the following terms have the following meanings:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CBRC”	China Banking Regulatory Commission
“Company”	Xiwang Property Holdings Company Limited (西王置業控股有限公司*) (Stock Code: 2088), a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Effective Date”	the date on which all the conditions precedent set out in the Financial Services Framework Agreement are fulfilled
“Existing Financial Services Framework Agreement”	a framework agreement dated 27 October 2016 entered into between the Company and Xiwang Finance in relation to the provision of deposit services, loan services and other financial services to the Company and the Qualified Entities for the period from 16 December 2016 (being the effective date of the Existing Financial Services Framework Agreement) to 30 November 2019
“Financial Services Framework Agreement”	a framework agreement dated 12 August 2019 entered into between the Company and Xiwang Finance in relation to provision of financial services (deposit services and loan services) by Xiwang Finance to the Company and the Qualified Entities
“Group”	the Company and its subsidiaries
“Guarantee”	a guarantee dated 12 August 2019 executed by Xiwang Group Company in favour of the Company to secure the due performance of the obligations of Xiwang Finance under the Financial Services Framework Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

* For identification purposes only

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board comprising Mr. Wong Kai Ming, Mr. Wang An and Mr. Wang Zhen, being all the independent non-executive Directors, formed to advise the Independent Shareholders in relation to the deposit services under the Financial Services Framework Agreement and the Proposed Annual Caps
“Independent Financial Adviser” or “Titan Financial”	Titan Financial Services Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the deposit services under the Financial Services Framework Agreement and the Proposed Annual Caps
“Independent Shareholders”	Shareholders other than Xiwang Investment and its associates, who are not involved or interested in the relevant resolution(s) to be approved at the SGM with respect to the deposit services and the Proposed Annual Caps
“Latest Practicable Date”	21 October 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parties”	the Company and Xiwang Finance, and “Party” means any one of them
“PBOC”	People’s Bank of China
“PRC”	the People’s Republic of China
“Proposed Annual Caps”	the proposed maximum daily outstanding balance of deposits (including accrued interest) placed by the Group with Xiwang Finance during the term of the Financial Services Framework Agreement

DEFINITIONS

“Qualified Entities”	companies which are owned as to (i) 51% or above by the Company, (ii) 20% or above by the Company and its subsidiaries, individually or collectively, or (iii) less than 20% by the Company and its subsidiaries, individually or collectively, but as the largest shareholders
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM” or “Special General Meeting”	the special general meeting of the Company to be held at Boardrooms 3-4, Mezzanine Floor, Renaissance Hong Kong Harbour View Hotel, No.1 Harbour Road, Wanchai, Hong Kong on Thursday, 21 November 2019 at 2:30 p.m. to consider, and if appropriate, to approve the resolution contained in the notice of the SGM which is set out on pages 49 to 50 of this circular
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xiwang Finance”	Xiwang Group Finance Company Limited* (西王集團財務有限公司), a company established in the PRC with limited liability, which was at the Latest Practicable Date, a subsidiary of Xiwang Group Company
“Xiwang Group”	Xiwang Group Company and its subsidiaries
“Xiwang Group Company”	Xiwang Group Company Limited* (西王集團有限公司), a company established in the PRC with limited liability which was at the Latest Practicable Date, the ultimate holding company of the Company

* For identification purposes only

DEFINITIONS

“Xiwang Holdings”	Xiwang Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, which was at the Latest Practicable Date, held as to 95% by Xiwang Hong Kong and 5% by Mr. Wang Yong and 22 individuals
“Xiwang Hong Kong”	Xiwang Hong Kong Limited (西王香港有限公司), a company incorporated in Hong Kong with limited liability, which was at the Latest Practicable Date, a wholly-owned subsidiary of Xiwang Group Company
“Xiwang Investment”	Xiwang Investment Company Limited, a company incorporated in the British Virgin Islands with limited liability, which was at the Latest Practicable Date, the controlling shareholder of the Company and a wholly-owned subsidiary of Xiwang Holdings
“Xiwang Special Steel”	Xiwang Special Steel Company Limited (Stock Code: 1266), a company incorporated in Hong Kong with limited liability and a subsidiary of Xiwang Investment, the shares of which are listed on the main board of the Stock Exchange
“%”	per cent.

The English names of the Chinese nationals, companies, entities, departments, facilities, certificates, titles and the like are translation of their Chinese names and are included in this circular for identification purpose only and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese name shall prevail.

LETTER FROM THE BOARD



XIWANG PROPERTY HOLDINGS COMPANY LIMITED

西王置業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 2088)

Executive Directors:

Mr. Wang Jin Tao (*Chief Executive Officer*)

Mr. Wang Wei Min

Non-executive Directors:

Mr. Wang Di (*Chairman*)

Mr. Wang Yong (*Deputy Chairman*)

Mr. Sun Xihu

Independent non-executive Directors:

Mr. Wong Kai Ming

Mr. Wang An

Mr. Wang Zhen

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Principal place of business in

Hong Kong:

Unit 2110, 21/F

Harbour Centre

25 Harbour Road

Wanchai

Hong Kong

25 October 2019

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONTINUING CONNECTED TRANSACTIONS RENEWAL OF FINANCIAL SERVICES FRAMEWORK AGREEMENT

1. INTRODUCTION

Reference is made to the announcement of the Company dated 12 August 2019 in relation to the Financial Services Framework Agreement and the transactions contemplated thereunder.

* For identification purpose only

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further information on the deposit services contemplated under the Financial Services Framework Agreement; (ii) a letter from the Independent Board Committee; (iii) a letter from the Independent Financial Adviser; and (iv) the notice convening the SGM.

2. FINANCIAL SERVICES FRAMEWORK AGREEMENT

As disclosed in the announcement of the Company dated 12 August 2019, the Company entered into the Existing Financial Services Framework Agreement with Xiwang Finance on 27 October 2016 for the provision of a range of financial services, including but not limited to deposit services, loan services and other financial services, by Xiwang Finance to the Company and the Qualified Entities. As the Existing Financial Services Framework Agreement will expire on 30 November 2019, the Company entered into the Financial Services Framework Agreement with Xiwang Finance on 12 August 2019 to renew the provision of deposit services and loan services, by Xiwang Finance to the Company and the Qualified Entities for a term commencing from the Effective Date to 30 November 2022.

(a) Principal Terms

The principal terms of the Financial Services Framework Agreement are summarized below:

Date

12 August 2019

Parties

- (a) the Company; and
- (b) Xiwang Finance

Term

From the Effective Date to 30 November 2022

Scope of services

Xiwang Finance shall provide the Company and the Qualified Entities with deposit services and loan services, subject to the terms and conditions provided in the Financial Services Framework Agreement.

LETTER FROM THE BOARD

The Parties shall enter into separate agreements in respect of the transactions contemplated under the Financial Services Framework Agreement and such agreements shall be consistent with the terms and principles set out in the Financial Services Framework Agreement.

Fees and charges

(1) Deposit services

The interest rates payable by Xiwang Finance to the Group in respect of the deposit services shall not be lower than (i) the relevant benchmark interest rates set by the PBOC; and (ii) the interest rates offered by other independent major commercial banks in the PRC for comparable services during the same period, and shall be in compliance with the requirements set by the PBOC.

(2) Loan and financing services

The rates to be charged by Xiwang Finance for the provision of loan and financing services to the Group shall not be higher than (i) the relevant benchmark interest rates set by the PBOC; and (ii) the relevant rates charged by other independent major commercial banks in the PRC for comparable loan and financing services during the same period and shall be in compliance with the requirements set by the PBOC.

Capital risk management measures

Xiwang Finance undertakes to the Company that:

- (1) Xiwang Finance shall ensure the secure operation of its funds management network and safety of funds, control the asset-debt risks and satisfy the payment requirements of the Company and the Qualified Entities;
- (2) Xiwang Finance shall ensure that it is in strict compliance with the risk monitoring indicators applicable for Xiwang Finance issued by the CBRC and that its major regulatory indicators such as asset-liability ratio and liquidity ratio will also comply with the requirements of the CBRC and other relevant laws and regulations;

LETTER FROM THE BOARD

- (3) if certain events that may threaten the safety of the deposits of the Company and the Qualified Entities as specified in the Financial Services Framework Agreement arise; or on occurrence of any other circumstances which may cause security concerns in relation to the safety of the deposits of the Company, Xiwang Finance shall give written notice to the Company within two business days and adopt effective measures to avoid or mitigate losses while the Company shall have the right to (i) require Xiwang Finance to explain the underlying reasons and offer the relevant measures to prevent, control and resolve the issues; (ii) in the event that Xiwang Finance defaults in its payment obligations, inform and request the board of Xiwang Group Company to adopt remedial measures and increase the capital fund of Xiwang Finance to settle such payment obligations; and/or (iii) suspend or terminate the Financial Services Framework Agreement; and
- (4) in respect of the deposits placed by the Company and/or the Qualified Entities with Xiwang Finance, in case of default or misuse or breach by Xiwang Finance which renders the Company and/or the Qualified Entities unable to recover the deposits (including accrued interest) placed with Xiwang Finance, the Company and/or the Qualified Entities have the right to lawfully set off such deposits (including accrued interest) against the outstanding loans (including accrued interest) extended by Xiwang Finance to the Company and/or the Qualified Entities. However, if the Company and/or the Qualified Entities fail to repay the loans extended by Xiwang Finance on time, Xiwang Finance does not have the right to set off such outstanding loans due from the Company and/or the Qualified Entities with the deposits placed by the Company and/or the Qualified Entities with Xiwang Finance.

Conditions precedent

The Financial Services Framework Agreement shall become unconditional upon:

- (1) the Financial Services Framework Agreement and the transactions contemplated thereunder having been approved by the Board;
- (2) the Financial Services Framework Agreement and the transactions contemplated thereunder (including but not limited to the Proposed Annual Caps) having been announced and (if applicable) approved by the Independent Shareholders at the SGM in accordance with the requirements of the Listing Rules;
- (3) all necessary approvals and waivers for the transactions contemplated under the Financial Services Framework Agreement (including but not limited to the approvals and waivers required under the Listing Rules (if applicable)) having been obtained; and
- (4) the expiry of the Existing Financial Services Framework Agreement which shall be on 30 November 2019.

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(b) **Proposed Annual Caps**

Deposit services

The Proposed Annual Caps in respect of the deposit services pursuant to the Financial Services Framework Agreement from the Effective Date to 31 December 2019, for the years ending 31 December 2020 and 2021 and the eleven months ending 30 November 2022 are as follows:

Period	Maximum daily outstanding balance of deposits (including accrued interest) (RMB million)
From the Effective Date to 31 December 2019	150
For the year ending 31 December 2020	150
For the year ending 31 December 2021	250
For the eleven months ending 30 November 2022	500

The Proposed Annual Caps were determined after taking into account the following:

- (i) the historical monetary funds (being cash and cash equivalents and restricted cash) of the Group, which were approximately RMB126.2 million, RMB126.3 million, RMB128.7 million and RMB128.4 million as at 31 December 2016, 31 December 2017, 31 December 2018 and 30 June 2019 respectively;
- (ii) the expected net cash flow position of the Group in the next three years resulting from disposal of the key property development projects of the Group which include Meijun Project (美郡項目) and Lanting Project (蘭亭項目) and other properties, namely, Xiwang Tower (西王大廈); and
- (iii) a buffer of approximately 1.3% to 38.0% to cover any increase in the net cash position of the Group arising out of possible disposal of other key property development projects or any future business opportunities not within the current contemplation of the Group.

The following illustrates the expected cash flows of the Group for the period from 30 June 2019 to 31 December 2022.

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For the period from 30 June 2019 to 31 December 2019

	Approximate amount <i>(RMB million)</i> ¹
Cash inflow	
– Sale of remaining units and parking lots of Phase 2 of Meijun Project and Lanting Project ²	36.1
– Other income and receivables	9.8
Cash outflow	
– Construction costs payable in respect of Qinghe Project (清河項目)	(20.8)
– Taxation	(2.9)
– Other operating expenses and payables	(13.2)
Net cash flow	9.0

Notes:

1. The figures shown in this table (other than the construction costs payable in respect of the resettlement houses of Qinghe Project which have already been incurred) are to the best estimate of the Directors having made all reasonable enquiries and assumptions.
2. This is determined with reference to the current selling price of these properties which is in turn determined with reference to (a) the historical selling price of other residential properties of the Group in the same area, (b) the acquisition and construction costs of Lanting Project and Phase 2 of Meijun Project and (c) the prevailing selling price of other residential properties and parking lots in the proximity.

For the year ending 31 December 2020

	Approximate amount <i>(RMB million)</i> ¹
Cash inflow	
– Sale of one unit of Xiwang Tower ²	21.3
– Other income and receivables	10.0
Cash outflow	
– Construction costs payable in respect of Phase 3 of Meijun Project ³	(37.1)
– Taxation	(9.4)
– Other operating expenses and payables	(13.5)
Net cash flow	(28.7)

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Notes:

1. The figures shown in this table are to the best estimate of the Directors having made all reasonable enquiries and assumptions.
2. This is determined with reference to the acquisition costs of Xiwang Tower.
3. This is determined with reference to (a) the historical construction costs of other residential properties of the Group in the same area, (b) the design of Phase 3 of Meijun Project, (c) the estimated increase in the labour costs and selling price of building materials in the PRC based on an inflation rate of approximately 6.8% and (d) the estimated timeframe for payment of construction costs based on the Group's past experience with other residential projects in the same area.

For the year ending 31 December 2021

	Approximate amount (RMB million)¹
Cash inflow	
– Sale of stage 1 of Phase 3 of Meijun Project and one unit of Xiwang Tower ²	282.2
– Other income and receivables	11.1
Cash outflow	
– Construction costs payable in respect of Phase 2 of Meijun Project	(2.5)
– Construction costs payable in respect of Phase 3 of Meijun Project ³	(116.4)
– Taxation	(18.4)
– Other operating expenses and payables	(17.8)
Net cash flow	138.2

Notes:

1. The figures shown in this table (other than the construction costs payable in respect of Phase 2 of Meijun Project which has already been incurred) are to the best estimate of the Directors having made all reasonable enquiries and assumptions.
2. This is, in respect of Phase 3 of Meijun Project, determined with reference to (a) the historical selling price of other residential properties of the Group in the same area, (b) the acquisition and estimated construction costs of Phase 3 of Meijun Project, (c) the prevailing selling price of other residential properties in the proximity and (d) the estimated progress of sales of Phase 3 of Meijun Project based on the Group's selling track record where it is expected that the Group would be able to sell approximately 12.7% of the gross floor area of Phase 3 of Meijun Project in 2021. According to the current construction plan which is formulated based on the previous experience of the Group, it is expected that the Group would be able to complete construction of 25% of stage 1 of Phase 3 of Meijun Project and thus commence pre-sale thereof in 2021. In the PRC, property buyers usually pay 30% down payment upon execution of the pre-sale contract with the balance to be paid on or before completion.

The proceeds expected to be received from the sale of one unit of Xiwang Tower are determined with reference to the acquisition costs of Xiwang Tower.

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3. This is determined with reference to (a) the historical construction costs of other residential properties of the Group in the same area, (b) the design of Phase 3 of Meijun Project, (c) the estimated increase in the labour costs and selling price of building materials in the PRC based on an inflation rate of approximately 6.8% and (d) the estimated timeframe for payment of construction costs based on the Group's past experience with other residential projects in the same area.

For the year ending 31 December 2022

	Approximate amount <i>(RMB million)</i> ¹
Cash inflow	
– Sale of stages 1 and 2 of Phase 3 of Meijun Project and two units of Xiwang Tower ²	491.7
– Other income and receivables	12.2
Cash outflow	
– Construction costs payable in respect of Phase 3 of Meijun Project ³	(215.4)
– Taxation	(50.7)
– Other operating expenses and payables	(20.9)
Net cash flow	216.9

Notes:

1. The figures shown in this table are to the best estimate of the Directors having made all reasonable enquiries and assumptions.
2. This is, in respect of Phase 3 of Meijun Project, determined with reference to (a) the historical selling price of other residential properties of the Group in the same area, (b) the acquisition and estimated construction costs of Phase 3 of Meijun Project, (c) the prevailing selling price of other residential properties in the proximity and (d) the estimated progress of sales of Phase 3 of Meijun Project based on the Group's selling track record where it is expected that the Group would be able to sell approximately 22.4% of the gross floor area of Phase 3 of Meijun Project in 2022.

The proceeds expected to be received from the sale of two unit of Xiwang Tower are determined with reference to the acquisition costs of Xiwang Tower.

3. This is determined with reference to (a) the historical construction costs of other residential properties of the Group in the same area, (b) the design of Phase 3 of Meijun Project, (c) the estimated increase in the labour costs and selling price of building materials in the PRC based on an inflation rate of approximately 6.8% and (d) the estimated timeframe for payment of construction costs based on the Group's past experience with other residential projects in the same area.

The Directors (including the independent non-executive Directors after considering the advice from the Independent Financial Adviser) consider that the above Proposed Annual Caps in respect of the deposit services are fair and reasonable.

LETTER FROM THE BOARD

(c) Historical transaction amounts

The maximum daily outstanding balance of deposits (including accrued interest) with Xiwang Finance for the years ended 31 December 2016, 2017 and 2018, and the eight months ended 31 August 2019 under the Existing Financial Services Framework Agreement were as below:

Period	Maximum daily outstanding balance of deposits (including accrued interest) <i>(RMB in million)</i>
For the year ended 31 December 2016	120
For the year ended 31 December 2017	123
For the year ended 31 December 2018	127
For the eight months ended 31 August 2019	127

(d) Internal control on pricing policies and risk management measures

The interest rates for deposit and loan services will be arrived at after considering (i) the relevant benchmark interest rates set by the PBOC; and (ii) the interest rates charged/offered by other independent commercial banks and financial institutions in the PRC for provision of similar level of services, which will be obtained by the Company for comparison each time before entering into specific financial service agreements with Xiwang Finance.

There are stringent internal control policies with regard to financial service transactions. The finance department of the Company will compare the interest rates for deposit and loan services quoted from Xiwang Finance with the terms from other independent third parties (including at least 2 financial institutions and commercial banks in the PRC) to ensure that the most favourable terms are obtained from Xiwang Finance.

In addition, the financial service transactions under the Financial Services Framework Agreement will be reported to and approved by the head of the finance department of the Company.

By adopting the policy set out above, the Company can ensure that (i) the interest rate payable for the Company's deposits shall not be lower than the interest rate offered by other independent commercial banks for comparable deposits in the PRC; and (ii) the interest rate for loans to be charged by Xiwang Finance shall not be higher than those charged by other independent commercial banks for providing comparable services in the PRC.

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Other internal control and risk management measures with respect to the deposit services include without limitation to the following:–

- (i) the Group will, no less frequent than on a monthly basis, evaluate the financial performance and position of Xiwang Finance. The Company has been informed by Xiwang Finance that Xiwang Finance will provide the Company with its management accounts every month during the term of the Financial Services Framework Agreement. If the Group is aware of any material adverse change in the financial conditions of Xiwang Finance, the Group will adopt measures immediately, such as early withdrawal of deposits from Xiwang Finance and place such deposits with other financial institutions, to minimise the potential adverse effects; and
- (ii) the Group will, on a daily basis, monitor the deposit balance to ensure the Proposed Annual Caps are not exceeded.

(e) Provision of guarantee by Xiwang Group Company

On the same day as signing of the Financial Services Framework Agreement, Xiwang Group Company executed the Guarantee in favour of the Company to secure the performance of the obligations of Xiwang Finance under the Financial Services Framework Agreement. The Guarantee will be effective from the date on which the Financial Services Framework Agreement becomes effective. No fees will be charged by Xiwang Group Company for the provision of such guarantee.

Pursuant to the terms of the Guarantee, Xiwang Group Company has undertaken that if Xiwang Finance experiences or foresees to experience any liquidity problems, Xiwang Group Company will inject capital to Xiwang Finance based on Xiwang Finance's needs in order to maintain the normal operations of Xiwang Finance. Xiwang Group Company has also undertaken to compensate the Company and/or the Qualified Entities jointly and severally with Xiwang Finance for all the substantial risks or losses (including but not limited to the deposits, interests and related expenses incurred) caused by or potentially caused by Xiwang Finance's breaches or potential breaches of PRC laws and regulations, or by any major operational or liquidity problems on the part of Xiwang Finance, or by Xiwang Finance's non-performance of any terms or default under the Financial Services Framework Agreement.

Xiwang Group Company is the ultimate holding company of the Company. Subsidiaries of Xiwang Group Company include but not limited to the Company and two other listed companies, namely, Xiwang Special Steel Company Limited (西王特鋼有限公司) listed on the Stock Exchange (Stock Code: 1266) and Xiwang Foodstuffs Company Limited (西王食品股份有限公司) listed on the Shenzhen Stock Exchange (Stock Code: 000639).

According to the audit report of Xiwang Group Company for the year ended 31 December 2018, Xiwang Group Company had:

- (i) net assets attributable to shareholders of approximately RMB13,061.1 million as at 31 December 2018;

LETTER FROM THE BOARD

- (ii) consolidated cash and cash equivalents of approximately RMB3,179.0 million as at 31 December 2018; and
- (iii) generated net profit attributable to shareholders of approximately RMB213.9 million and net operating cash inflow of approximately RMB7,361.9 million for the year ended 31 December 2018.

Further, according to the credit rating report published by Golden Credit Rating International Co., Ltd (東方金誠國際信用評估有限公司), one of the main credit rating companies in the PRC holding all the qualifications for credit rating recognized by the PRC government, on 3 June 2019, Xiwang Group Company had a credit rating of “AA+” which is defined as very high credit quality, meaning Xiwang Group Company has very low default risk with very strong capacity for payment of financial commitments.

Based on the foregoing, the Board is confident that Xiwang Group Company should be able to honour its obligations under the Guarantee.

(f) Reasons for and benefits of entering into the Financial Services Framework Agreement

The Group requires deposit and loan services in its ordinary course of business which are currently provided by both Xiwang Finance and other independent third party banks and/or financial institutions. As the interest rates on deposits and loans to be offered by Xiwang Finance to the Group under the Financial Services Framework Agreement will be equal to or more favourable than those offered by other independent financial institutions and/or commercial banks in the PRC in respect of comparable services, this represents potential cost savings to the Group.

Xiwang Finance is established as a non-banking financial institution in the PRC regulated by the PBOC and the CBRC, and provides its services in accordance with the rules and operational requirements of these regulatory authorities. In addition, capital risks are reduced through the introduction of the risk control measures stipulated in the Financial Services Framework Agreement.

The Group is expected to benefit from Xiwang Finance’s better understanding of the business needs of the Group which will allow more expedient and efficient services than those rendered by other PRC financial institutions and/or commercial banks. For example, in the event that the Group needs to obtain loan and/or guarantee from Xiwang Finance in view of its business and financial needs, it is expected that the time required for the examination and approval of such loan and/or guarantee to be provided by Xiwang Finance will be generally shorter than that required by other financial institutions and/or commercial banks.

By entering into the Financial Services Framework Agreement with Xiwang Finance, the Company will be able to centralise its control and management over the financial resources of the Group, thereby improving the utilisation and efficiency of fund usage and mitigating its operating risks. It can also accelerate the turnover of funds and reduce transaction costs and expenses, thereby further enhancing the amount and efficiency of funds utilisation.

LETTER FROM THE BOARD

In view of the reasons and benefits as set out above, the Directors are of the view that the terms of the deposit services contemplated under the Financial Services Framework Agreement (including the Proposed Annual Caps) are fair and reasonable and on normal commercial terms which are no less favourable than those available from independent third parties under the prevailing market conditions, and in the interests of the Company and the Shareholders as a whole.

The Directors are also of the view that the terms of the loan services contemplated under the Financial Services Framework Agreement and the terms of the Guarantee are fair and reasonable and on normal commercial terms which are no less favourable than those available from independent third parties under the prevailing market conditions, and in the interest of the Company and the Shareholders as a whole.

2. INFORMATION OF THE PARTIES

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

Xiwang Finance is principally engaged in the provision of financial services for the member companies of Xiwang Group (including but not limited to the provision of consultancy and agency services, entrusted loans, guarantee and bills acceptance and discounting services and taking deposit from the member companies of Xiwang Group), inter-bank lending and borrowing and other businesses approved by the CBRC.

3. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Xiwang Investment is the controlling shareholder of the Company and is wholly owned by Xiwang Holdings. Xiwang Holdings is held as to 95% by Xiwang Hong Kong and Xiwang Hong Kong is in turn wholly-owned by Xiwang Group Company. As at the Latest Practicable Date, Xiwang Group Company is the ultimate holding company of the Company, and hence Xiwang Finance, being a subsidiary of Xiwang Group Company is a connected person of the Company, and the transactions contemplated under the Financial Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Proposed Annual Caps exceed 25% but are less than 100%, the deposit services under the Financial Services Framework Agreement constitute major and non-exempt continuing connected transactions of the Company, which are subject to the reporting, announcement, independent shareholders' approval and annual review requirements under Chapters 14 and 14A of the Listing Rules.

The provision of loan services by Xiwang Finance to the Group under the Financial Services Framework Agreement will constitute financial assistance to be received by the Group from a connected person. As such services will be conducted on normal commercial terms which are no less favourable to the Group than those offered by independent third parties, and will not be secured by any assets of the Group, the loan services are exempt from the independent shareholders' approval, annual review and all disclosure requirements under Rule 14A.90 of the Listing Rules.

LETTER FROM THE BOARD

The provision of the Guarantee by Xiwang Group Company to the Group will constitute financial assistance to be received by the Group from a connected person. As the Guarantee is provided on normal commercial terms or better and will not be secured by any assets of the Group, the provision of the Guarantee is exempt from the independent shareholders' approval, annual review and all disclosure requirements under Rule 14A.90 of the Listing Rules.

The Company will disclose the relevant details of the transactions conducted under the Financial Services Framework Agreement in its annual reports and accounts in accordance with the relevant requirements of Rule 14A.49 of the Listing Rules.

The Company will convene the SGM to consider and approve the provision of deposit services under the Financial Services Framework Agreement and the Proposed Annual Caps. Xiwang Investment and its associates, which together held approximately 69.78% of the issued share capital of the Company as at the Latest Practicable Date, shall abstain from voting at the SGM for the approval of the resolution relating to the deposit services under the Financial Services Framework Agreement and the Proposed Annual Caps.

As (i) each of Mr. Wang Yong, Mr. Wang Di and Mr. Sun Xihu, being a Director, is also a director and shareholder of Xiwang Group Company, and (ii) Mr. Wang Di, being a Director, is also a director of Xiwang Finance, such Directors have abstained from voting on the resolutions of the Board approving the Financial Services Framework Agreement and the transactions contemplated thereunder. Save as disclosed above, none of the Directors has a material interest in the transactions contemplated under the Financial Services Framework Agreement.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in relation to the deposit services contemplated under the Financial Services Framework Agreement (including the Proposed Annual Caps). Titan Financial Services Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders in respect of the same.

As at the Latest Practicable Date and to the best knowledge, information and belief of the Directors, save for Xiwang Investment which is interested in the transactions to be approved at the SGM, none of the Shareholders is required to abstain from voting on the relevant resolution.

4. THE SGM AND PROXY ARRANGEMENT

A notice convening the SGM is set out on pages 49 to 50 of this circular.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the Shareholders at the SGM must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. An announcement of the poll results will be published by the Company after the SGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

LETTER FROM THE BOARD

A form of proxy for use at the SGM is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.xiwangproperty.com). To be valid, the accompanying form of proxy must be completed and signed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority, at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting at the SGM or any adjourned meeting if you so wish.

5. RECOMMENDATION

The Independent Board Committee having taken into account the advice of the Independent Financial Adviser, considers that the deposit services contemplated under the Financial Services Framework Agreement are required in the ordinary and usual course of business of the Group, the terms are fair and reasonable and on normal commercial terms no less favourable than those available from independent third parties under the prevailing market conditions, and in the interests of the Company and the Shareholders as a whole, and the Proposed Annual Caps for the continuing connected transactions contemplated thereunder are fair and reasonable. Accordingly, the Board (including the Independent Board Committee having taken into account the advice of the Independent Financial Adviser) recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Financial Services Framework Agreement and the Proposed Annual Caps.

6. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders, the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, and additional information set out in Appendices I and II to this circular.

Yours faithfully,
By Order of the Board
Xiwang Property Holdings Company Limited
WANG DI
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is a full text of the letter from the Independent Board Committee prepared for the purpose of inclusion in this circular:



XIWANG PROPERTY HOLDINGS COMPANY LIMITED

西王置業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 2088)

25 October 2019

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONTINUING CONNECTED TRANSACTIONS RENEWAL OF FINANCIAL SERVICES FRAMEWORK AGREEMENT

We refer to the circular issued by the Company to the Shareholders dated 25 October 2019 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board to consider the terms of the Financial Services Framework Agreement with respect to the deposit services (including the Proposed Annual Caps) and to advise the Independent Shareholders as to whether, in our opinion, its terms are fair and reasonable so far as the Independent Shareholders are concerned. Titan Financial Services Limited has been appointed as the Independent Financial Adviser to advise us in this respect.

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We wish to draw your attention to the letter from the Board, as set out on pages 5 to 18 of the Circular and the letter from the Independent Financial Adviser, as set out on pages 21 to 40 of the Circular. Having considered the terms of the Financial Services Framework Agreement and the advice of the Independent Financial Adviser, we are of the view that the deposit services contemplated under the Financial Services Framework Agreement are required in the ordinary and usual course of business of the Group, the terms and conditions are fair and reasonable and on normal commercial terms, and in the interests of the Company and the Shareholders as a whole, and the Proposed Annual Caps for the continuing connected transactions contemplated thereunder are fair and reasonable. Our view relating to fairness and reasonableness is based on information, facts and circumstances currently prevailing.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to approve the Financial Services Framework Agreement and the transactions contemplated thereunder and the Proposed Annual Caps.

Yours faithfully,

For and on behalf of the Independent Board Committee

WONG KAI MING

WANG AN

WANG ZHEN

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice to the Independent Board Committee and the Independent Shareholders from Titan Financial Services Limited in respect of the deposit services under the Financial Services Framework Agreement and the Proposed Annual Caps for the purpose of inclusion in this circular.



Titan Financial Services Limited
Suites 3201-02, 32/F
COSCO Tower, Grand Millennium Plaza
183 Queen's Road Central
Hong Kong

25 October 2019

*To the Independent Board Committee and the Independent Shareholders
of Xiwang Property Holdings Company Limited*

Dear Sirs,

MAJOR AND CONTINUING CONNECTED TRANSACTIONS RENEWAL OF FINANCIAL SERVICES FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the provision of deposit services by Xiwang Finance to the Group under the Financial Services Framework Agreement (the “**Deposit Services**”) and the Proposed Annual Caps, the details of which are set out in letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 25 October 2019 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the circular unless specified otherwise.

Reference is made to the announcement of the Company dated 27 October 2016. As the Existing Financial Service Framework Agreement will expire on 30 November 2019, the Company entered into the Financial Services Framework Agreement with Xiwang Finance on 12 August 2019 to renew the provision of deposit services and loan services, by Xiwang Finance to the Company and the Qualified Entities for a term of commencing from the Effective Date to 30 November 2022.

As all of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Proposed Annual Caps exceed 25% but are less than 100%, the deposit services under the Financial Services Framework Agreement constitute major and non-exempt continuing connected transactions of the Company, which are subject to the reporting, announcement, independent shareholders' approval and annual review requirements under Chapters 14 and 14A of the Listing Rules (the “**Non-Exempted CCT**”).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As (i) each of Mr. Wang Yong, Mr. Wang Di and Mr. Sun Xihu being a Director is also a director and shareholder of Xiwang Group Company; and (ii) Mr. Wang Di, being a director of Xiwang Finance, each of such Directors had abstained from voting on the resolutions of the Board approving the Financial Services Framework Agreement and the transactions contemplated thereunder. Save as disclosed above, none of the Directors has a material interest in the transactions contemplated under the Financial Services Framework Agreement.

Xiwang Investment and its associates, which together held approximately 69.78% of the issued share capital of the Company as at the Latest Practicable Date, shall abstain from voting at the SGM for the approval of the resolution relating to the deposit services under the Financial Services Framework Agreement and the Proposed Annual Caps. Save as disclosed above, no other Shareholders are required to abstain from voting on the resolutions at the SGM.

The Independent Board Committee comprising Mr. Wong Kai Ming, Mr. Wang An and Mr. Wang Zhen, being all the independent non-executive Directors, has been established to advise the Independent Shareholders in relation to the Deposit Services and the Proposed Annual Caps. As the Independent Financial Adviser, our role is to provide independent opinion and recommendation to the Independent Board Committee and the Independent Shareholders as to whether the Deposit Services are in the ordinary and usual course of business of the Group, whether the terms of the Deposit Services are fair and reasonable and on normal commercial terms no less favourable than those available from independent third parties under the prevailing market conditions, and in the interests of the Company and the Shareholders as a whole, and whether the Proposed Annual Caps for the Non-Exempted CCT are fair and reasonable.

As at the Latest Practicable Date, we were not aware of any relationships or interests between us and the Company or any other parties involved in the Financial Services Framework Agreement, or their respective connected person(s), that could reasonably be regarded as hindrance to our independence to act as the Independent Financial Adviser. Accordingly, we are considered eligible to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Non-Exempted CCT. In addition to our appointment as the Independent Financial Adviser, we have not acted as the independent financial adviser in respect of any transactions of the Company in the past two years.

BASIS OF OUR OPINION

In formulating our recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Directors and/or the management of the Company (the “**Management**”).

We have assumed that all information and representations provided by the Directors and/or the Management, for which they are solely and wholly responsible for are true, accurate and complete in all material respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquires and careful consideration by the Directors and there are no other facts not contained in the Circular the omission of which would make any such statement contained in the Circular misleading. We

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. We have not, however, carried out any independent verification of the information provided by the Directors and/or the Management nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group, the connected persons, and any of their subsidiaries or the prospects of the markets in which they respectively operate.

The Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading.

This letter was issued to the Independent Board Committee and the Independent Shareholders solely in connection with their consideration in respect of the Non-Exempted CCT under the Financial Services Framework Agreement.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendations and opinion to the Independent Board Committee and the Independent Shareholders, we have taken into consideration of the following principal factors and reasons. Our conclusions are based on the results of our analyses taken as a whole.

1. Background of the Group, the Xiwang Group and Xiwang Finance

(i) *Information on the Group*

(a) *Principal business of the Group*

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

(b) *Financial information of the Group*

For each of the three financial years ended 31 December 2016, 2017 and 2018 and for the six months ended 30 June 2019, all of the revenue of the Group was generated from the sale of properties. We are advised by the Management that the residential sector of Shandong Province of the PRC has been and is expected to continue to be the main market of the Group.

As stated in the annual report of the Company for the year ended 31 December 2018 (“AR2018”), (i) in view of the progress of urbanization and improvement of living standard of people in Shandong Province of the PRC, the Group will pay particular attention on developing properties of higher class; and (ii) the Group will keep on seeking business opportunities for property development project.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We note that, according to the AR2018:

- the Group has several property projects in Shandong Province of the PRC, including but not limited to Lanting Project (蘭亭項目), Meijun Project (美郡項目) and Qinghe Project (清河項目), which are residential developments, as well as Xiwang Tower (西王大廈), which is commercial development.

We also note that, according to the interim report of the Group for the six months ended 30 June 2019 (“**IR2019**”):

- the Company had net assets attributable to the Shareholders of approximately RMB639.7 million as at 30 June 2019; and
- the largest asset items for properties of the Group were properties under development and completed properties held for sale of approximately RMB448.7 million in aggregate, which accounted more than half of the Group’s total assets, as at 30 June 2019.

(c) *The Group’s projects*

Set out below are the details of each of the Group’s existing projects as extracted from the AR2018 and the status of these projects as at the Latest Practicable Date:

Project	Description	Status as at the Latest Practicable Date
Lanting Project (蘭亭項目)	Residential development in the south of Heban 3 rd Road and west of Liquan 1 st Road, Zouping County, Binzhou City of Shangdong Province	Lanting Project (South Zone) was completed in 2014 and approximately 98.7% of Gross Floor Area (the “ GFA ”) of the project had been sold as at the Latest Practicable Date. As advised by the Management, the remaining area of the project is expected to be sold during the year ending 31 December 2019.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Project	Description	Status as at the Latest Practicable Date
Meijun Project (美郡項目)	Residential development in the east of Daixi 3 rd Road South of Chengnan New District, Zouping County, Binzhou City of Shangdong Province	Phase 2 of Meijun Project was completed in 2013 and 94.8% of the GFA of the project had been sold as at the Latest Practicable Date. As advised by the Management, the remaining area of Phase 2 of Meijun Project is expected to be sold during the year ending 31 December 2019. Phase 3 of Meijun Project is in the planning stage. As advised by the Management, the construction of Phase 3 of Meijun Project will commence during the year ending 31 December 2020 and the Group intended to pre-sale the uncompleted units of the project by phases from 2021 onwards upon obtaining all the necessary consents and regulatory approvals.
Xiwang Tower (西王大廈)	Commercial building in No. 138, Dunhua Road, Shibei District, Qingdao City of Shandong Province	Xiwang Tower was completed, obtained the immovable title certificates and held for sale. As advised by the Management, four more units are expected to be sold during the years ending 31 December 2021 and 2022.
Qinghe Project (清河項目)	Residential development in Kaihe Village, Handian Town of Zouping County, Binzhou City of Shangdong Province	Qinghe Project has completed the construction of resettlement houses and is coordinating the handling of land certificate.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(d) *Overview of commodity properties sold in Shandong Province of the PRC*

The property development business of the Group is based in Shandong Province and is focused on the residential sector. The following table shows the year on year growth of commodity properties sold in Shandong Province of the PRC, which is published by the Shandong Provincial Statistical Bureau (山東省統計局) (the “**Shandong Government Statistics**”).

	For the year ended		For the seven months ended	
	31 December		31 July	
	2017	2018	2018	2019
	<i>(RMB in million)</i>	<i>(RMB in million)</i>	<i>(RMB in million)</i>	<i>(RMB in million)</i>
	<i>(Year on year growth)</i>	<i>(Year on year growth)</i>	<i>(Year on year growth)</i>	<i>(Year on year growth)</i>
Amount of commodity properties sold (商品房銷售額)	809,697	1,006,570	511,212	521,959
	+17.3%	+24.3%	+32.3%	+2.1%

Source: Shandong Government Statistics

As seen from the above, the amount of commodity properties sold increased from the year ended 31 December 2017 to the year ended 31 December 2018 and from the seven months ended 31 July 2018 to the corresponding period of 2019. In view of the historical positive trend, we consider that the industry environment for the property development business in Shandong Province for upcoming years remains positive.

(ii) *Information on the Xiwang Group Company*

As at the Latest Practicable Date, Xiwang Group Company is the ultimate holding company of the Company. Subsidiaries of Xiwang Group Company include but not limited to the Company and two other listed companies, namely Xiwang Special Steel Company Limited (西王特鋼有限公司) and Xiwang Foodstuffs Company Limited (西王食品股份有限公司) listed on the Stock Exchange (stock code: 1266) and Shenzhen Stock Exchange (stock code: 000639), respectively (the “**Two Other Listed Companies**”).

We have reviewed the audit report for the year ended 31 December 2018 of Xiwang Group Company dated 15 April 2019 published on the website of the Shanghai Stock Exchange (上海證券交易所), where we note that Xiwang Group Company had:

- net assets attributable to shareholders of approximately RMB13,061.1 million as at 31 December 2018;
- consolidated cash and cash equivalents (貨幣資金) of approximately RMB3,179.0 million as at 31 December 2018; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- generated net profit attributable to shareholders of approximately RMB213.9 million and net operating cash inflow of approximately RMB7,361.9 million for the year ended 31 December 2018.

We have reviewed the credit rating report of Xiwang Group Company dated 3 June 2019 issued by Golden Credit Rating International Co., Ltd (東方金誠國際信用評估有限公司) (“**Golden**”) and published on the website of the Shanghai Stock Exchange (上海證券交易所) and the website of Golden, where we note that:

- Xiwang Group Company had a credit rating of “AA+”, which is defined as very high credit quality, meaning Xiwang Group Company has very low default risk with very strong capacity for payment of financial commitments:
- according to the classification of Golden, credit rating scales from best to worst are “AAA”, “AA”, “A”, “BBB”, “BB”, “B”, “CCC”, “CC” and “C”; and
- Golden was founded in 2005 and one of the main credit rating companies in China. Golden holds all the qualification for credit rating recognized by the PRC government and is a credit rating agency recognized by, among other entities, The People’s Bank of China (中國人民銀行), China Securities Regulatory Commission (中國證券監督管理委員會), National Development and Reform Commission (國家發展和改革委員會), and China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會).

We have reviewed the website of All-China Federation of Industry and Commerce (中華全國工商業聯合會), where we understand Xiwang Group Company is one of the companies in Top 500 Chinese Private Enterprises in 2018 (2018中國民營企業500強).

The financial position of Xiwang Group Company is significantly stronger than the Company as the net assets attributable to shareholders of Xiwang Group Company was approximately 20.8 times of the Company as at 31 December 2018.

(iii) Information on Xiwang Finance

As set out in the Letter from the Board, Xiwang Finance is a subsidiary of Xiwang Group Company. Xiwang Finance is established as a non-banking financial institution in the PRC regulated by the PBOC and the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會). Xiwang Finance is principally engaged in the provision of financial services for the member companies of Xiwang Group (including but not limited to the provision of consultancy and agency services, entrusted loans, guarantee and bills acceptance and discounting services and taking deposit from the member companies of the Xiwang Group), inter-bank lending and borrowing and other businesses approved by the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have reviewed the audit report of Xiwang Finance for the year ended 31 December 2018, where we note that:

- Xiwang Finance has a registered capital of RMB2.0 billion;
- Xiwang Finance had total assets of approximately RMB6,055.7 million, total liabilities of approximately RMB3,811.0 million and net assets of approximately RMB2,244.7 million as at 31 December 2018; and
- Xiwang Finance recorded net profit of approximately RMB135.8 million for the year ended 31 December 2018.

We are advised by the Management that Xiwang Finance (i) had no record of non-compliance with relevant laws, rules or regulations as at the Latest Practicable Date; (ii) had no history of default as regards to the Group's deposit with Xiwang Finance; and (iii) has been leveraging on the financial resources of the members of the Xiwang Group, including but not limited to the Company and the Two Other Listed Companies since its establishment.

2. The Deposit Services

(i) Reasons for and benefits of the Deposit Services

As the Existing Financial Services Framework Agreement will expire on 30 November 2019, the Company and Xiwang Finance entered into the Financial Services Framework Agreement on 12 August 2019 to renew the provision of Deposit Services and loan services.

The Independent Shareholders should note that (i) the Financial Services Framework Agreement provides the flexibility to, and does not impose an obligation on the Group to procure financial services from Xiwang Finance; (ii) the Financial Services Framework Agreement does not prevent the Group from using services provided by independent financial institutions, where the Group retains the discretion to select its financial service provider according to its business needs as well as the rate and the quality of the relevant services; and (iii) Xiwang Finance may provide better financial services in general given it may be more familiar with the business and management of the Group as compared with independent financial institutions.

As advised by the Management, as at 31 December 2016, 2017 and 2018 and 30 June 2019, over 95% of the Group's cash and cash equivalents of the Group were deposited with Xiwang Finance.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In respect of the Deposit Services, we understand from the Letter from the Board that (i) the Group requires the Deposit Services, being the depository of cash to earn interest, from time to time to facilitate its business operation; (ii) the Group has been using the deposit services of Xiwang Finance since December 2016 pursuant to the Existing Financial Services Framework Agreement; and (iii) the Deposit Services are one of the services offered by Xiwang Finance under the Financial Services Framework Agreement. As set out in the Letter from the Board, it is expected that the Company will benefit from Xiwang Finance's better understanding of the business needs of the Company which will allow more expedient and efficient services than those rendered by other PRC financial institutions and/or commercial banks. For example, in the event that the Group needs to obtain loan and/or guarantee from Xiwang Finance in view of its business and financial needs, it is expected that the time required for the examination and approval of such loans and/or guarantee to be provided by Xiwang Finance will be generally shorter than that required by other financial institutions and/or commercial banks. By entering into the Financial Services Framework Agreement with Xiwang Finance, the Company will be able to centralise its control and management over the financial resources of the Group, thereby improving the utilisation and efficiency of fund usage and mitigating its operating risks. It can also accelerate the turnover of funds and reduce transaction costs and expenses, thereby further enhancing the amount and efficiency of funds utilisation.

Taking into consideration that (i) the Group needs Deposit Services from time to time to facilitate its business operation; (ii) the Financial Services Framework Agreement provides the flexibility to, and does not impose an obligation on, to the Group to procure the Deposit Services from Xiwang Finance; (iii) the Group has a history of depositing with Xiwang Finance since 2016 and that the terms for the Deposit Services under the Financial Services Agreement are essentially the same as under the Existing Financial Services Framework Agreement; (iv) the Deposit Services are one of the services offered by Xiwang Finance, including obtaining borrowings from Xiwang Finance; (v) Xiwang Finance may provide better services given it may be more familiar with the business and management of the Group as compared with other independent financial institutions and/or other commercial banks; (vi) the terms of the Deposit Services shall be no less favourable than those offered by independent financial institutions as discussed below; and (vii) the capital risk management measures and internal control measures in respect of the Deposit Services as discussed below, we are of the view that the procurement of the Deposit Services pursuant to the Financial Services Framework Agreement is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) *Principal terms of the Deposit Services*

The Financial Services Framework Agreement shall be valid for a term commencing from the Effective Date to 30 November 2022, being a period of approximately three years.

The major terms of the Deposit Services pursuant to the Financial Services Framework Agreement, which are set out in the Letter from the Board, are summarised as follows:

- the deposit interest rate payable shall not be lower than the relevant benchmark interest rates set by the PBOC; and
- the deposit interest rate payable shall not be lower than the interest rates offered by other independent major commercial banks in the PRC for comparable deposit services during the same period and shall be in compliance with the requirement set by the PBOC.

In addition, certain capital risk management measures are stipulated in the Financial Services Framework Agreement to reduce the capital risks of the Group. Under the Financial Services Framework Agreement, Xiwang Finance provided various undertakings to the Company, including but not limited to the following undertakings:

- Xiwang Finance shall ensure the secure operation of its funds management network and safety of funds, control the asset-debt risks and satisfy the payment requirements of the Company and the Qualified Entities;
- Xiwang Finance shall ensure that it is in strict compliance with the risk monitoring indicators applicable for Xiwang Finance issued by the CBRC and that its major regulatory indicators such as asset-liability ratio and liquidity ratio will also comply with the requirements of the CBRC and other relevant laws and regulations;
- If certain events that may threaten the safety of the deposits of the Company and the Qualified Entities as specified in the Financial Services Framework Agreement arise; or on occurrence of any other circumstances which may cause security concerns in relation to the safety of the deposits of the Company, Xiwang Finance shall give written notice to the Company within two business days and adopt effective measures to avoid or mitigate losses while the Company shall have the right to (i) require Xiwang Finance to explain the underlying reasons and offer the relevant measures to prevent, control and resolve the issues; (ii) in the event that Xiwang Finance defaults in its payment obligations, inform and request the board of Xiwang Group Company to adopt remedial measures and increase the capital fund of Xiwang Finance to settle such payment obligations; and/or (iii) suspend or terminate the Financial Services Framework Agreement; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- In respect of the deposits placed by the Company and/or the Qualified Entities with Xiwang Finance, in case of default or misuse or breach by Xiwang Finance which renders the Company and/or the Qualified Entities unable to recover the deposits (including accrued interest) placed with Xiwang Finance, the Company and/or the Qualified Entities have the right to lawfully set off such deposits (including accrued interest) against the outstanding loans (including accrued interest) extended by Xiwang Finance to the Company and/or the Qualified Entities. However, if the Company and/or the Qualified Entities fail to repay the loans extended by Xiwang Finance on time, Xiwang Finance does not have the right to set off such outstanding loans due from the Company and/or the Qualified Entities with the deposits placed by the Company and/or the Qualified Entities with Xiwang Finance.

The Financial Services Framework Agreement shall become unconditional upon:

- (1) the Financial Services Framework Agreement and the transactions contemplated thereunder having been approved by the Board;
- (2) the Financial Services Framework Agreement and the transactions contemplated thereunder (including but not limited to the Proposed Annual Caps) having been announced and (if applicable) approved by the Independent Shareholders at the SGM in accordance with the requirements of the Listing Rules;
- (3) all necessary approvals and waivers for the transactions contemplated under the Financial Services Framework Agreement (including but not limited to the approvals and waivers required under the Listing Rules (if applicable)) having been obtained; and
- (4) the expiry of the Existing Financial Services Framework Agreement which shall be on 30 November 2019.

In addition, on the same day as signing of the Financial Services Framework Agreement, Xiwang Group Company executed a guarantee in favour of the Company to secure the performance of the obligations of Xiwang Finance under the Financial Services Framework Agreement (the “**Guarantee**”). No fees will be charged by Xiwang Group Company for the provision of the Guarantee. Pursuant to the Guarantee:

- Xiwang Group Company has undertaken that if Xiwang Finance experiences or foresees to experience any liquidity problems, Xiwang Group Company will inject capital to Xiwang Finance based on the Xiwang Finance’s needs in order to maintain the normal operations of Xiwang Finance; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- Xiwang Group Company has also undertaken to compensate the Company and/or the Qualified Entities jointly and severally with Xiwang Finance for all the substantial risks or losses (including but not limited to the deposits, interests and related expenses incurred) caused by or potentially caused by Xiwang Finance's breaches or potential breaches of PRC laws and regulations, or by any major operational or liquidity problems on the part of Xiwang Finance, or Xiwang Finance's non-performance of any terms or default under the Financial Services Framework Agreement by Xiwang Finance.

In respect of the internal control measures for the Deposit Services, we are advised by the Management that, among other things, that:

- the finance department of the Company will compare the interest rates for deposit and loan services quoted from Xiwang Finance with the terms from other independent third parties (including at least 2 financial institutions and commercial banks in the PRC) to ensure that the most favourable terms are obtained from Xiwang Finance;
- the Group will, no less frequent than on a monthly basis, evaluate the financial performance and position of Xiwang Finance. The Company has been informed by Xiwang Finance that Xiwang Finance will provide the Company with its management accounts every month during the term of the Financial Services Framework Agreement. If the Group is aware of any material adverse change in the financial conditions of Xiwang Finance, the Group will adopt measures immediately, such as early withdrawal of deposits from Xiwang Finance and place such deposits with other financial institutions, to minimise the potential adverse effects;
- the Group will, on a daily basis, monitor the deposit balance to ensure the Proposed Annual Caps are not exceeded; and
- in accordance with the Listing Rules, (i) the independent non-executive Directors will report annually on whether the Deposit Services are, among other things, on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) the independent auditors of the Company will also report annually on the Deposit Services.

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We have reviewed the interest rate offered by Xiwang Finance to the Group on recent samples and the interest rates offered by independent third parties, where we note that interest rate offered by Xiwang Finance were more favourable than those offered by independent third parties to the Group. We have further reviewed the two most recent annual reports of the Company and noted that, for each of the years ended 31 December 2017 and 2018, (i) the independent non-executive Directors had reviewed the continuing connected transactions of the Company, including those for conducted under the Existing Financial Services Framework Agreement, and confirmed, among other things, that such transactions were conducted on normal commercial terms; and (ii) the independent auditors of the Company had also reported on such transactions. Accordingly, we understand the Group has a positive track record in respect of compliance with the Chapter 14A of the Listing Rules.

Taking into consideration (i) that the deposit interest rate shall not be lower than those offered by the other independent third parties for comparable deposit services in the PRC; (ii) that Xiwang Group Company is the guarantor for in the Financial Services Framework Agreement and to secure the performance of the obligations of Xiwang Finance; (iii) of the financial strength of Xiwang Group Company; and (iv) of the risk control measures stipulated in the Financial Services Framework Agreement to reduce the capital risk of the Group and the internal control measures of the Group, particularly the review of the deposit interest rates offered by at least two independent financial institutions, to ensure the interest rates of the Deposit Services are no less favourable than those offered by independent financial institutions from time to time, we are of the view that the terms of the Deposit Services are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

(iii) Historical maximum daily deposit balance and the Proposed Annual Caps

Set out below are the historical maximum daily deposit balance (including accrued interest) for the years ended 31 December 2016, 2017 and 2018, and the eight months ended 31 August 2019 under the Existing Financial Services Framework Agreement:

Period	Maximum daily outstanding balance of deposits (including accrued interest) (RMB in million)
For the year ended 31 December 2016	120
For the year ended 31 December 2017	123
For the year ended 31 December 2018	127
For the eight months ended 31 August 2019	127

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Set out below are the Proposed Annual Caps in respect of the deposit services pursuant to the Financial Services Framework Agreement from the Effective Date to 31 December 2019, for the years ending 31 December 2020 and 2021 and the eleven months ending 30 November 2022:

Period	Maximum daily outstanding balance of deposits (including accrued interest) <i>(RMB in million)</i>
From the Effective Date to 31 December 2019	150
For the year ending 31 December 2020	150
For the year ending 31 December 2021	250
For the eleven months ending 30 November 2022	500

Notes:

The Proposed Annual Caps shall not be construed as an assurance by the Group of its future revenue, profitability or cashflow.

As set out in the Letter from the Board, that (i) the Proposed Annual Caps were determined primarily with reference to the historical monetary funds (being cash and cash equivalents and restricted cash) of the Group, which were approximately RMB126.2 million, RMB126.3 million, RMB128.7 million and RMB128.4 million as at 31 December 2016, 31 December 2017, 31 December 2018 and 30 June 2019 respectively; (ii) the expected net cash flow position of the Group in the next three years resulting from disposal of the key property development projects of the Group (the “**Business Plan**”) which include Meijun Project, Lanting Project and other properties, namely, Xiwang Tower (the “**Projects**”); and (iii) a buffer of approximately 1.3% to 38.0% to cover any increase in the net cash position of the Group arising out of possible disposal of other key property development projects or any future business opportunities not within the current contemplation of the Group.

The expected cash flows of the Group for the period from 30 June 2019 to 31 December 2022 have been set out in page 9 to page 12 of the Letter from the Board. In assessing the reasonableness of the Proposed Annual Caps, we have reviewed the cash flow forecast of the Group for the period from 30 June 2019 to 30 November 2022 which had taken into consideration the expected cash inflows and cash outflows as set out in the Letter from the Board in relation to the Group’s Business Plan.

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(a) *Expected cash inflows under the Business Plan*

In assessing the Company's forecasted cash inflows under the Business Plan, we understand that the major expected cash inflows are generated through the sales of the Projects under the Business Plan, where we have (i) discussed with the Management the existing status of each of the projects; and (ii) reviewed where available, the sales agreement or the draft letter of intent or the sales and marketing plan of each of the Projects, which stated the saleable area and the selling price or the estimated average selling price of such Projects which has been determined with reference to the basis as set out in the Letter from the Board. For key property development projects, i.e. Lanting Project, Phase 2 and Phase 3 of Meijun Project, we note that the estimated selling prices per square metre of the properties in the Business Plan are no more than the average listed selling prices per square metre of comparable residential properties and car park units recently displayed on online platforms, namely 趕集網 (<http://www.ganji.com>), 58同城網 (<http://bz.58.com>), 鄒平房產網 (<http://www.zpfdc.com>) and 鄒平百姓網 (<https://zouping.baixing.com>), which provide the sales and rental information for the residential properties and car park units in Binzhou City, Shandong Province where Lanting Project, Phase 2 and Phase 3 of Meijun Project are located. The comparables found in the aforesaid websites are selected based on residential properties/ car park units of similar location as Lanting Project, Phase 2 and Phase 3 of Meijun Project to be sold by the Group and are considered exhaustive. As for the case for Xiwang Tower, the estimated selling price has been determined with reference to the acquisition costs of the properties. Based on the above, we consider the expected cash inflows under the Business Plan reasonable.

We have further discussed with the Management the basis of determining the timing of receipts for the Projects. For completed units already sold, i.e. Lanting Project, the expected receipts of proceeds is based on the payment schedule under the relevant sales agreement for units being sold where we have obtained and reviewed such sales agreement. For the unsold completed units, i.e. the remaining units of Phase 2 of Meijun Project and four more units of Xiwang Tower, the expected receipts of proceeds will be based on the Group's sales plan and we have also obtained and reviewed, where available, the payment schedule under draft letter of intent to be entered into, particularly for Phase 2 of Meijun Project. For uncompleted units, i.e. Phase 3 of Meijun Project, we are advised by the Management that the Group intended to sell the project by 3 stages upon obtaining the pre-sale permits from the relevant authority for the stage upon the Group completed construction of 25% of the stage. As further advised by the Management, this expected timetable is with reference to Measures for Administration of Pre-sales of Commodity Properties (城市商品房預售管理辦法) which stipulated that one of the conditions to pre-sale uncompleted units was that funds invested in the development of the commodity properties intended for presale to be representing 25% or more of the total investment in the project and the progress of construction and the completion and delivery dates having been properly determined. As set out from the Letter from the Board, the construction of Phase 3 of Meijun Project will commence during the year ending 31

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December 2020. Each of the stage will be completed within 2 years and the entire phase 3 of Meijun Project is expected to be completed by 2024. The Group intended to pre-sale the uncompleted units of the project by stages and record receipts from the sales from 2021 onwards. It is estimated under the Business Plan that by the eleven months ending 30 November 2022, the Group is expected to sell approximately 35% of the GFA of Phase 3 of Meijun Project. As advised by the Management, the expected progress of sales and timing of receipts from Phase 3 of Meijun Project has been considered with reference to the pattern of sales progress and sales receipts of Lanting Project. We have reviewed such breakdown of pattern of sales receipts of Lanting Project and note the consistency with the forecasted schedule of receipts for Phase 3 of Meijun Project. As Lanting Project is the project the most recently completed and sold by the Group in similar location, i.e., Zouping County, Binzhou City of Shandong Province, Lanting Project is considered to be the most appropriate project for reference and comparison purposes compared with that of Phase 2 of Meijun Project. Considering the above and given that (i) the historical positive trend of sale of commodity properties in Shandong Province, where in particular, the amount of uncompleted residential units sold achieved double digit year on year growth rate of 33.0% from the year ended 31 December 2017 to the year ended 31 December 2018 and of 10.2% from the seven months ended 31 July 2018 to the corresponding period of 2019 as published by the Shandong Provincial Statistical Bureau (山東省統計局); and (ii) the percentage of GFA to be sold of Phase 3 of Meijun Project under the Business Plan will only be approximately 35% of the entire project, we consider the sales of Phase 3 of Meijun Project under the Business Plan as well as the estimated timing of sales receipts gradual and reasonable.

(b) Expected cash outflows under the Business Plan

As for the anticipated cash outflow under the Business Plan, we have discussed with the Management the major items of anticipated cash outflows and reviewed the breakdown of the anticipated cash outflows. We understand that the anticipated cash outflows mainly represents the development costs of Phase 3 of Meijun Project which is expected to commence construction during the year ending 31 December 2020 as the rest of the Projects have been completed. As advised by the Management, the development costs of Phase 3 of Meijun Project and the related payment schedule has been estimated with reference to the historical development costs per square meter of Lanting Project, which is the project the most recently completed and sold by the Group in similar location as aforesaid, as adjusted for estimation of prevailing material costs with reference to an inflation rate of approximately 6.8% per year. In assessing the fairness and reasonableness of the Company's anticipated development and construction costs of Phase 3 of Meijun Project, we have reviewed the calculations of estimating the development costs for Phase 3 of Meijun Project. We have further obtained and reviewed the relevant costs breakdown for Lanting Project and considered the inflation adjustment reasonable after taking into consideration the growth of gross domestic product of the construction industry in Shandong Province at a compound annual growth rate of approximately 7.7% from 2012 to 2017 as published by the Shandong Government Statistics. As for the payment schedule, it has been estimated with reference to the payment schedule of Lanting Project. We have reviewed such breakdown of payment schedule of Lanting Project and note the consistency with the forecasted payment schedule for Phase 3 of Meijun Project.

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Apart from the above, according to the breakdown of anticipated cash outflows, the anticipated cash outflows also considered other costs items such as the expected selling and administrative expenses as well as the other operating costs of the Group for the next three years. We have obtained the breakdown of the expected selling and administrative expenses as well as the other operating costs and compared with the cost items as set out in the AR2018. We have discussed with the Management on the key fluctuation items, which is mainly attributable to the sales and marketing expenses in relation to the sales of Phase 3 of Meijun Project. We note that the sales and marketing expenses will increase as accompanied by the increase in sales of Phase 3 of Meijun Project gradually from 2020 to 2022 and is considered reasonable after taking into consideration the sales plan of Phase 3 of Meijun Project.

From the Effectine Date to 30 November 2022, other than the material expenditure, commitment or contingent liabilities as set out above, we had been advised by the Management that there would not be other material expenditure, commitment or contingent liabilities envisaged by the Group, as at the Latest Practicable Date.

Based on the above, we are satisfied with the fairness and reasonableness of assumptions of the cash flow forecast of the Group which forms the key component in determining the Proposed Annual Caps.

In addition, the increment of the Proposed Annual Caps from the existing monetary funds (being cash and cash equivalents and restricted cash) of the Group as at 30 June 2019 of approximately RMB128.4 million to the eleven months ending 30 November 2022 represents an increase of approximately RMB371.6 million, which is less than and represents approximately 82.8% of the aggregate value of the Group's properties under development and completed properties of approximately RMB448.7 million as at 30 June 2019 in the IR2019. Therefore we consider a buffer of approximately 1.2% to 38.0% in determining the Proposed Annual Caps to cover any increase in the net cash position of the Group arising out of the possible disposal of other key property development projects or any future business opportunities not within the current contemplation of the Group reasonable.

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As an alternative assessment of the Proposed Annual Caps, we have also, among other things, reviewed the IR2019. The following table summarises the financial position of the Group based on the IR2019.

	As at 30 June 2019 <i>RMB'000</i> <i>(unaudited)</i>
NON-CURRENT ASSETS	
Property, plant and equipment	122
Right-of-use asset	1,567
Goodwill	200,583
	<hr/>
Total non-current assets	202,272
CURRENT ASSETS	
Completed properties held for sale	154,935
Properties under development	293,810
Prepayments and other receivables	100,980
Cash and cash equivalents	128,414
	<hr/>
Total current assets	678,139
CURRENT LIABILITIES	
Trade and other payables	115,131
Contract liabilities	2,744
Lease liabilities	1,179
Amounts due to related companies	9,750
	<hr/>
Total current liabilities	128,804
Net current assets	549,335
Total assets less current liabilities	751,607
Less: Non-current liabilities	
Lease liabilities	403
Deferred tax liabilities	111,488
	<hr/>
Total non-current liabilities	111,891
Net assets	639,716
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LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on our review, we note that, as at 30 June 2019, the net assets of the Group was approximately RMB639.7 million. For illustrative purpose, we understand the Proposed Annual Caps from the Effective Date to 31 December 2019, the year ending 31 December 2020, the year ending 31 December 2021 and for the eleven months ending 30 November 2022 is lower than and represents approximately 23.4%, 23.4%, 39.1% and 78.2% of the net assets of the Group as at 30 June 2019, respectively. We also understand that the net assets of the Group may grow along with the possible business development of the Group in the upcoming years.

The Independent Shareholders should also note that, in view of the magnitude of the Proposed Annual Caps, there is a possibility that the cash of the Group might have been over-concentrated in Xiwang Finance in the future, and might lead to liquidity risk in the extreme case of the default of Xiwang Finance. Nonetheless, in view of (i) the Proposed Annual Caps merely provide the flexibility to, and do not impose an obligation on, the Group to deposit its cash with Xiwang Finance; (ii) the Guarantee executed by Xiwang Group Company in favour of the Company to secure the performance of the obligations of Xiwang Finance under the Financial Services Framework Agreement; (iii) the financial strength of Xiwang Group Company as discussed above and the largest Proposed Annual Caps, being RMB500 million for the eleven months ending 30 November 2022, represents less than 4.0% of the net assets attributable to shareholders of Xiwang Group Company as at 31 December 2018; and (iv) the internal control measures of the Group as discussed above, particularly the Group would evaluate the financial performance and position of Xiwang Finance on a monthly basis and take appropriate actions where necessary, we consider the liquidity risk implied by the Proposed Annual Caps to be acceptable.

Taking into account, in particular, (i) the cash position of the Group as at 30 June 2019; (ii) our review of the cash flow forecast of the Group, which has taken into account the forecasted cash inflows or outflows of the Projects under the Business Plans and we are satisfied with the fairness and reasonableness of assumptions of the cash flow forecast of the Group which forms the key component in determining the Proposed Annual Caps; (iii) that the increment of the Proposed Annual Caps of RMB371.6 million from the existing monetary funds (being cash and cash equivalents and restricted cash) of the Group as at 30 June 2019 of approximately RMB128.4 million to the maximum daily outstanding balance of deposit (including accrued interest) under the Proposed Annual Caps for the eleven months ending 30 November 2022 of approximately RMB500 million, represents approximately 82.8% of the aggregate value of the Group's properties under development and completed properties of approximately RMB448.7 million as at 30 June 2019 as set out in the IR2019; (iv) that the Proposed Annual Caps are less than the latest published net assets of the Group, being approximately RMB639.7 million as at 30 June 2019; (v) the gradual increase in the Proposed Annual Caps is in line with the Group's Business Plan; and (vi) that the Proposed Annual Caps provide a flexibility to the Group, and does not impose an obligation on, the Group to deposit its cash with Xiwang Finance on terms no less favourable than those with independent third parties; and (vii) our above discussion on liquidity risk, we consider the Proposed Annual Caps to be fair and reasonable so far as the Independent Shareholders are concerned.

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OPINION AND RECOMMENDATION

Having considered the factors and reasons as mentioned above, we consider that the principal terms of the Deposit Services contemplated under the Financial Services Framework Agreement are on normal commercial terms and are conducted in the ordinary and usual course of business of the Group and the Deposit Services are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole, and the Proposed Annuals Caps for the Non-Exempted CCT contemplated thereunder are fair and reasonable. Leveraging the reasons mentioned above, we recommend would therefore recommend the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Financial Services Framework Agreement and the transactions contemplated thereunder and the Proposed Annual Caps.

Yours faithfully,
For and on behalf of
Titan Financial Services Limited

Eric Koo **Gwen Leung**
Managing Director *Associate Director*

Mr. Eric Koo is a licensed person registered with the Securities and Futures Commission and a responsible officer of Titan Financial to carry out Type 6 (advising on corporate finance) regulated activities under the SFO. He has over 18 years of experience in corporate finance.

Ms. Gwen Leung is a licensed person registered with the Securities and Futures Commission and a responsible officer of Titan Financial to carry out Type 6 (advising on corporate finance) regulated activities under the SFO. She has over 7 years of experience in corporate finance.

1. SUMMARY OF FINANCIAL INFORMATION

Financial information of the Group for each of the three financial years ended 31 December 2016, 2017 and 2018 have been disclosed in the following documents published on both websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.xiwangproperty.com):

- annual report of the Company for the year ended 31 December 2016 published on 27 April 2017 (pages 58 to 126);
- annual report of the Company for the year ended 31 December 2017 published on 26 April 2018 (pages 58 to 126); and
- annual report of the Company for the year ended 31 December 2018 published on 29 April 2019 (pages 59 to 142).

2. STATEMENT OF INDEBTEDNESS

At the close of business on 31 August 2019 for the purpose of ascertaining information contained in this statement of indebtedness prior to the printing of this circular, the details of the Group's indebtedness are as follows:

- Unaudited outstanding interest-bearing bank loan and other borrowings are NIL.
- Unaudited outstanding lease liabilities are approximately RMB1,426,000.

Save as aforesaid and apart from intra-group liabilities, the Group did not have any mortgages, charges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits, or any guarantees, or any other contingent liabilities outstanding at the close of business on 31 August 2019.

3. WORKING CAPITAL SUFFICIENCY

The Directors, after due and careful enquiry and taking into consideration the financial resources and banking facilities available to the Group, are of the opinion that, after entering into the Financial Services Framework Agreement, the Group will have sufficient working capital to satisfy its present requirements for the next twelve months from the date of this circular in the absence of unforeseen circumstances.

4. EFFECT ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP

The Financial Services Framework Agreement with Xiwang Finance is to strengthen the supervision and control of funds, raise lower-interest-rate loans and access higher-interest-rate deposits through the funds management platform of Xiwang Finance, which will not only further enhance the capital usage efficiency and improve the overall operational standards of corporate funds, but reinforce the bargaining power of the Group for external financing. Despite this, it is expected that the Group will not depend on Xiwang Finance for accessing such services, and that entering into the Financial Services Framework Agreement will not impede the Group from entering into similar agreements with other financial institutions when it considers necessary.

The Company can accumulate the idle funds within the Group quickly through the capital pool of Xiwang Finance and apply them through unified allocation, which will effectively save the finance costs and realise the profitability potential of the Company. The improvement of the capital usage efficiency will reduce the dependence of the Group on external financing and the lines of credit, which will in turn decrease the overall gearing of the Company to some extent.

5. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Group currently possesses three property projects in different developing phases in Shandong Province, namely Lanting Project and Meijun Project, which are located at Zouping County and Qinghe Project, which is located at Handian Town of Zouping County.

The Group's development strategy is to further develop Meijun Project Phase Three and Qinghe Project. Meijun Project Phase Three is located at the east of Daiqi 3rd Road, South of Chengnan New District, a newly developed area in Zouping County and the county government headquarters, hospital and colleges are nearby. The planned gross floor area of the project is approximately 250,000 square meters, which will be developed in three phases. The construction work in respect of the area is expected to commence in 2020, 2021 and 2022 respectively and all of the construction work will be completed in 2024.

Qinghe Project is located at Kaihe Village, Handian Town of Zouping County. The project comprises a parcel of land with a site area of approximately 131,258 square meters for the construction of residential units. At present, the project has completed the construction of resettlement houses and is coordinating the handling of land certificate.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, the following Directors and chief executive of the Company had interests or short positions in the Shares, underlying Shares and/or debentures (as the case may be) of the Company or any of its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director or chief executive is taken or deemed to have under such provisions of the SFO) or which were required to be entered into the register required to be kept by the Company under section 352 of the SFO or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules:

Name of Director	Name of company/ associated corporation	Capacity	Number and class of securities held/ interested <i>(Note 1)</i>	Approximate percentage shareholding in the same class of securities in the relevant corporation as at the Latest Practicable Date
WANG Yong	Company	Interest of controlled corporations <i>(Note 2)</i>	982,999,588 (L) ordinary shares	69.78%
			506,244,669 (L) convertible preference shares	99.75%
	Xiwang Investment	Interest of controlled corporations <i>(Note 2)</i>	3 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 the Latest Practicable Date
	Xiwang Holdings	Beneficial owner	6,738 shares (L)	3.37%
		Interest of controlled corporations (Note 2)	190,000 shares (L)	95%
	Xiwang Hong Kong	Interest of controlled corporations (Note 2)	694,132,000 shares (L)	100%
	Xiwang Group Company	Beneficial owner (Note 2)	RMB1,383,000,000 (L)	69.15%
	Xiwang Special Steel	Interest of controlled corporations (Note 3)	1,498,000,000 shares (L)	66.02%
WANG Di	Company	Beneficial owner	3,000,000 (L) ordinary shares (Note 4)	0.21%
	Xiwang Holdings	Beneficial owner	177 shares (L)	0.09%
	Xiwang Group Company	Beneficial owner	RMB35,400,000 (L)	1.77%
	Xiwang Special Steel	Beneficial owner	11,000,000 shares (L)	0.48%
SUN Xinqu	Company	Beneficial owner	3,000,000 (L) ordinary shares (Note 4)	0.21%
	Xiwang Holdings	Beneficial owner	89 shares (L)	0.04%
	Xiwang Group Company	Beneficial owner	RMB35,400,000 (L)	1.77%
	Xiwang Special Steel	Beneficial owner	2,102,000 shares (L)	0.09%

Notes:

- (1) The letter “L” represents the Director’s long position in the shares of the relevant corporation.
- (2) As at the Latest Practicable Date, Xiwang Investment held approximately 69.78% ordinary shares and 99.75% convertible preference shares in the Company. Xiwang Investment is a wholly-owned subsidiary of Xiwang Holdings. Xiwang Holdings is in turn held as to 95% by Xiwang Hong Kong and 5% by Mr. WANG Yong and 22 individuals. Xiwang Hong Kong is a wholly-owned subsidiary of Xiwang Group Company which is in turn owned as to 69.15% by Mr. WANG Yong and 30.85% by 20 individuals. 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 Company. Accordingly, Mr. WANG Yong is deemed to be interested in all the shares of Xiwang Investment, Xiwang Holdings and Xiwang Hong Kong in which Xiwang Group Company is interested and all the ordinary shares and convertible preference in the Company in which Xiwang Investment is interested.
- (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 interests represent the Directors’ beneficial interests in the underlying Shares in respect of share options granted by the Company to the Directors.

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have since 31 December 2018, being the date to which the latest published audited financial statements of the Company were made up, been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

Save for the Existing Financial Services Framework Agreement and the Financial Services Framework Agreement, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

As at the Latest Practicable Date, so far as was known to the Directors, the following Directors were also directors or employees of a company which has an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Director	Name of company	Position
Wang Yong	Xiwang Group Company	director
Wang Di	Xiwang Group Company	director
	Xiwang Hong Kong	director
	Xiwang Holdings	director
	Xiwang Investment	director
Sun Xihu	Xiwang Group Company	director

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which will not expire or is not determinable by the Group within one year without payment of compensation other than statutory compensation.

4. MATERIAL ADVERSE CHANGE

The Directors confirm that there was no material adverse change in the financial or trading position of the Group since 31 December 2018, being the date to which the latest published audited financial statements of the Company were made up.

5. COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors nor his close associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

6. EXPERT

- (a) The following sets out the qualifications of the expert which has given its opinion, letter or advice contained in this circular:

Name	Qualifications
Titan Financial Services Limited	a licensed corporation under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities

- (b) As at the Latest Practicable Date, Titan Financial did not have any shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) As at the Latest Practicable Date, Titan Financial did not have any interest, direct or indirect, in any assets which had, since 31 December 2018, being the date to which the latest published audited financial statements of the Company were made up, been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (d) Titan Financial has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they are included.
- (e) The letter, recommendation and opinion given by Titan Financial are given as of the date of this circular for incorporation herein.

7. LITIGATION

As at the Latest Practicable Date, to the best knowledge of the Directors, no member of the Group was engaged in any litigation or claim of material importance and, so far as the Directors are aware, no litigation or claim of material importance was pending or threatened against any member of the Group.

8. MATERIAL CONTRACTS

Save for the Financial Services Framework Agreement and the Guarantee, no other contracts (not being contracts in the ordinary course of business) were entered into by the Company or any of its subsidiaries within two years immediately preceding the date of this circular and up to the Latest Practicable Date which are or may be material.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at Unit 2110, 21/F, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong during normal business hours on any business day from the date of this circular up to and including the date of the SGM:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for the three financial years ended 31 December 2016, 2017 and 2018;
- (c) the letter from the Board, the text of which is set out on pages 5 to 18 of this circular;
- (d) the letter from the Independent Board Committee, the text of which is set out on pages 19 to 20 of this circular;
- (e) the letter from the Independent Financial Adviser, the text of which is set out on pages 21 to 40 of this circular;
- (f) written consent of the Independent Financial Adviser referred to in the paragraph headed "Expert" in this Appendix;
- (g) the Financial Services Framework Agreement;
- (h) the Guarantee; and
- (i) this circular.

10. GENERAL

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company in Hong Kong is at Unit 2110, 21/F, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong.
- (b) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The Company currently does not have a company secretary and is in the process of identifying a suitable candidates following the resignation of its former company secretary.
- (d) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

NOTICE OF SGM

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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)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “**SGM**”) of Xiwang Property Holdings Company Limited (the “**Company**”) will be held at Boardrooms 3-4, Mezzanine Floor, Renaissance Hong Kong Harbour View Hotel, No.1 Harbour Road, Wanchai, Hong Kong on Thursday, 21 November 2019 at 2:30 p.m. (or any adjournment thereof) for the purposes of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT

the Financial Services Framework Agreement and the Proposed Annual Caps (both as defined and described in the circular of the Company dated 25 October 2019), the implementation of the deposit services thereunder, and all other transactions contemplated thereunder and in connection therewith and any other ancillary documents be and are hereby approved, confirmed and/or ratified; and the directors of the Company be and are hereby authorised for and on behalf of the Company, to sign, seal, execute, perfect, perform, deliver all such agreements, instruments, documents and deeds, and do all such acts and things and take all such steps as they may in their discretion consider necessary, desirable or expedient for the implementation of and/or giving effect to the Financial Services Framework Agreement and the Proposed Annual Caps, the implementation of the deposit services thereunder, and all other transactions contemplated thereunder and all such acts and things the directors have done are hereby approved, confirmed and ratified.”

By Order of the Board
Xiwang Property Holdings Company Limited
WANG DI
Chairman

Hong Kong, 25 October 2019

* *For identification purpose only*

NOTICE OF SGM

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:

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

Notes:

1. A shareholder of the Company entitled to attend and vote at the SGM (or any adjournment thereof) may appoint one or more than one proxy to attend and to vote in his stead. A proxy need not be a shareholder of the Company.
2. In the case of joint holders of an ordinary share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such ordinary share as if he/she was solely entitled thereto; but if more than one of such joint holders are present at the SGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
3. To be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.
4. Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the SGM or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.

As at the date of this notice, 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