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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)

**Financial adviser to the Company**



**Independent Financial Adviser to the Independent Board Committee**



**Titan Financial Services Limited**

**UPDATE OF MAJOR AND CONTINUING CONNECTED TRANSACTIONS  
RENEWAL OF FINANCIAL SERVICES FRAMEWORK AGREEMENT**

Reference is made to the circular of Xiwang Property Holdings Company Limited (the “**Company**”) dated 25 October 2019 (the “**Circular**”) in relation to the major and continuing connected transactions contemplated under the financial services framework agreement entered into by the Company with Xiwang Group Finance Company Limited\* (西王集團財務有限公司) on 12 August 2019. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Circular.

As set out in the Circular, 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 Board wishes to draw the attention of the Shareholders to the fact that subsequent to the Latest Practicable Date, the credit rating of Xiwang Group Company was lowered to “BB” by Golden Credit Rating International Co., Ltd. (東方金誠國際信用評估有限公司) (“**Golden Credit**”) as opposed to “AA+” as disclosed on page 15 of the Circular. This is because Xiwang Group Company has recently defaulted in the repayment of a debenture which was due on 24 October 2019 due to short term liquidity problem caused by the overall stagnancy of the macro financial and corporate financing environment.

Notwithstanding the degrading of Xiwang Group Company, the Directors are of the view that the risk associated with the deposit services contemplated under the Financial Services Framework Agreement is still under control for the following reasons:

- (a) according to the unaudited consolidated financial statements of Xiwang Group Company for the nine months ended 30 September 2019, it had net assets attributable to shareholders of approximately RMB19,078.8 million as at 30 September 2019, which is approximately 38 times the amount of the highest Proposed Annual Cap;
- (b) when the Group first entered into the Existing Financial Services Framework Agreement in 2016, Xiwang Finance was just set up with a capital of RMB1,000 million. Now, it has a capital of RMB2,000 million which is 4 times the amount of the highest Proposed Annual Cap. Its scale of business has also grown after its relocation to Jinan, the capital of Shandong province, in 2018 as it enables Xiwang Finance to have access to a greater financial market and have co-operation with major commercial banks which usually would only be present in the capital of a province. According to the unaudited consolidated financial statements of Xiwang Finance for the nine months ended 30 September 2019, it had net assets attributable to shareholders of approximately RMB2,357.0 million as at 30 September 2019;
- (c) Xiwang Finance is heavily regulated by the China Banking and Insurance Regulatory Commission (“**CBIRC**”) in the PRC. It has to comply with various perimeters laid down by CBIRC, including but not limited to capital adequacy ratio, non-performing asset ratio, non-performing loan ratio and liquidity ratio which is tested monthly. As confirmed by Xiwang Finance, it has complied with all such perimeters as of 30 September 2019.

In light of the above and the other risk management measures set out in the Circular, the Directors would still 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 Proposed Annual Caps.

The Independent Financial Adviser, having considered the relevant facts and circumstances, maintains the view 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. A supplemental letter from the Independent Financial Adviser (the “**Supplemental IFA Letter**”) setting out their advice is enclosed with this announcement.

The Independent Board Committee having taken into account the advice of the Independent Financial Adviser as set out in the Supplemental IFA Letter, maintains 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 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.

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

Hong Kong, 7 November 2019

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

*Executive Directors:*

Mr. WANG Jin Tao  
Mr. WANG Wei Min

*Independent non-executive Directors:*

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

*Non-executive Directors:*

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

\* *For identification purpose only*

*The following is the 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 the Announcement.*



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

7 November 2019

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

Dear Sirs,

**UPDATE OF MAJOR AND CONTINUING CONNECTED TRANSACTIONS  
RENEWAL OF FINANCIAL SERVICES FRAMEWORK AGREEMENT**

**INTRODUCTION**

We refer to the announcement of the Company dated 7 November 2019 (the “**Announcement**”), of which this letter forms part, and 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 contained in the circular of the Company to the Shareholders dated 25 October 2019 (the “**Circular**”). Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless specified otherwise.

As set out in the Circular, 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**”). The Announcement draws the attention of the Shareholders to the fact that subsequent to the Latest Practicable Date, the credit rating of Xiwang Group Company was lowered to “BB” by Golden Credit Rating International Co., Ltd. (東方金誠國際信用評估有限公司) (“**Golden Credit**”) as opposed to “AA+” as disclosed on page 15 of the Circular (the “**Updated Information**”).

Given the Updated Information as stated in the Announcement, this supplemental letter of advice from the Independent Financial Adviser 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, after taking into the principal factors and analyses under the section headed “principal factors and reasons considered” in the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders included in the Circular (the “**1st IFA Letter**”) and the Updated Information.

As at the date of the Announcement, 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 Announcement and 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 date of the Announcement. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Announcement and the Circular were reasonably made after due enquires and careful consideration by the Directors and there are no other facts not contained in the Announcement or the Circular the omission of which would make any such statement contained in the Announcement or the Circular misleading. We 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 of the contents of the Announcement and the Circular, which include 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 Announcement and 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 therein or the Announcement or the Circular misleading.

This supplemental 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.

This supplemental letter of advice should be read in conjunction with the Announcement, the Circular and the 1st IFA Letter.

### **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 principal factors and reasons set out in the 1st IFA Letter and below. Our conclusions are based on the results of our analyses taken as a whole.

#### **Credit rating of Xiwang Group Company**

As set out in the Circular, 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. Subsequent to the Latest Practicable Date, the credit rating of Xiwang Group Company was lowered to “BB” by Golden Credit as opposed to “AA+” as disclosed in the 1st IFA Letter on page 27 of the Circular. This is because Xiwang Group Company has recently defaulted in the repayment of a debenture which was due on 24 October 2019 due to short term liquidity problem caused by the overall stagnancy of the macro financial and corporate financing environment.

As set out in the Announcement, although the credit rating of Xiwang Group Company has been lowered, the Directors are of the view that the risk associated with the Deposit Services contemplated under the Financial Services Framework Agreement is still under control for the following reasons:

- (i) according to the unaudited consolidated financial statements of Xiwang Group Company for the nine months ended 30 September 2019, it had net assets attributable to shareholders of approximately RMB19,078.8 million as at 30 September 2019, which is approximately 38 times the amount of the highest Proposed Annual Cap;

- (ii) when the Group first entered into the Existing Financial Services Framework Agreement in 2016, Xiwang Finance was just set up with a capital of RMB1,000 million. Now, it has a capital of RMB2,000 million which is 4 times the amount of the highest Proposed Annual Cap. Its scale of business has also grown after its relocation to Jinan, the capital of Shandong province, in 2018 as it enables Xiwang Finance to have access to a greater financial market and have co-operation with major commercial banks which usually would only be present in the capital of a province. According to the unaudited consolidated financial statements of Xiwang Finance for the nine months ended 30 September 2019, it had net assets attributable to shareholders of approximately RMB2,357.0 million as at 30 September 2019; and
- (iii) Xiwang Finance is heavily regulated by the China Banking and Insurance Regulatory Commission (“CBIRC”) in the PRC. It has to comply with various perimeters laid down by CBIRC, including but not limited to capital adequacy ratio, non-performing asset ratio, non-performing loan ratio and liquidity ratio which is tested monthly. As confirmed by Xiwang Finance, it has complied with all such perimeters as of 30 September 2019.

We have further reviewed the unaudited consolidated financial statements of Xiwang Finance for the nine months ended 30 September 2019. The following sets out the key financial line items of Xiwang Finance for the nine months ended 30 September 2019 and the comparative figures:

	<b>For the nine months ended</b>	
	<b>30 September 2018</b>	<b>30 September 2019</b>
	<i>RMB (in million)</i>	<i>RMB (in million)</i>
Revenue	168.1	221.2
Net profit before tax for the period	106.9	149.5
Net profit for the period	80.0	112.2
	<b>As at</b>	
	<b>31 December 2018</b>	<b>30 September 2019</b>
	<i>RMB (in million)</i>	<i>RMB (in million)</i>
Total assets	6,055.7	6,912.2
Total liabilities	3,811.0	4,555.2
Net assets	2,244.7	2,357.0

As can be seen from the above, Xiwang Finance had improvement in revenue and net profit for the nine months ended 30 September 2019 as compared with the corresponding period in 2018. Xiwang Finance also had net assets of approximately RMB2,357.0 million as at 30 September 2019 which is more than 4 times the amount of the highest Proposed Annual Cap. Furthermore, we have been advised by the Management that Xiwang Finance had no record of non-compliance with relevant laws, rules or regulations and had no history of default as regards to the Group’s deposit with Xiwang Finance up to the date of the Announcement.

Notwithstanding the degrading of Xiwang Group Company's credit rating, taking into consideration (i) the reason of downgrading was due to short term liquidity problem caused by the overall stagnancy of the macro financial and corporate financing environment and Xiwang Group Company maintained a strong net asset position of Xiwang Group Company as at 30 September 2019; (ii) the performance of Xiwang Finance for the nine months ended 30 September 2019 and its financial position as at 30 September 2019 as seen from above; (iii) the fact that Xiwang Finance, is heavily regulated by CBIRC in the PRC and that there are the other risk management measures as set out in the Circular in relation to the Financial Services Framework Agreement; and (iv) that Xiwang Finance had no record of non-compliance with relevant laws, rules or regulations and had no history of default as regards to the Group's deposit with Xiwang Finance confirmed by the Management, we are of the view that the degrading of Xiwang Group Company's credit rating do not have direct and material impact on the credit risk associated with the Deposit Services and we concur with the Directors' view that that the risk associated with the Deposit Services is under control.

## **OPINION AND RECOMMENDATION**

Having considered the factors and reasons as set out in the 1st IFA Letter and the 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 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.*