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**XIWANG PROPERTY HOLDINGS COMPANY LIMITED**

**西王置業控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 2088)

**ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR  
THE YEAR ENDED 31 DECEMBER 2019**

The board (the “**Board**”) of directors (the “**Directors**”) of Xiwang Property Holdings Company Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2019 (the “**Year**”). The Group’s unaudited financial information in this announcement was prepared based on the unaudited consolidated financial statements of the Group for the Year.

**UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

Year ended 31 December

	Notes	2019 RMB'000 (unaudited)	2018 RMB'000 (audited)
REVENUE	3	111,702	42,088
Cost of sales		(146,746)	(39,266)
Gross (loss)/profit		(35,044)	2,822
Other income	3	3,305	54,795
Impairment loss recognised in respect of goodwill	11	(20,178)	–
Selling and marketing expenses		(167)	(167)
Administrative expenses		(13,464)	(10,848)
(Loss)/Profit from operation		(65,548)	46,602
Finance cost		(25)	–
(LOSS)/PROFIT BEFORE TAX	4	(65,573)	46,602
Income tax credit	5	13,572	1,298
(LOSS)/PROFIT FOR THE YEAR		(52,001)	47,900
(Loss)/profit attributable to owners of the Company		(52,001)	47,900
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic and diluted – (loss)/profit for the year		RMB(3.7) cent	RMB3.4 cent

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

## UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December

	<b>2019</b> <b>RMB'000</b> <b>(unaudited)</b>	2018 RMB'000 (audited)
<b>(LOSS)/PROFIT FOR THE YEAR</b>	<u><b>(52,001)</b></u>	<u>47,900</u>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u><b>839</b></u>	<u>(740)</u>
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR</b>	<u><b>(51,162)</b></u>	<u>47,160</u>
(Loss)/profit attributable to owners of the Company	<u><b>(51,162)</b></u>	<u>47,160</u>

## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	Notes	2019 RMB'000 (unaudited)	2018 RMB'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		57	151
Right of use assets		503	–
Goodwill	11	<u>180,405</u>	<u>200,583</u>
Total non-current assets		<u>180,965</u>	<u>200,734</u>
<b>CURRENT ASSETS</b>			
Completed properties held for sale		18,163	159,579
Properties under development	8	293,878	293,878
Prepayments and other receivables	9	100,409	91,763
Cash and cash equivalents		<u>143,833</u>	<u>128,666</u>
Total current assets		<u>556,283</u>	<u>673,886</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	51,000	126,313
Lease liabilities		511	–
Tax payable		4,711	–
Contract liabilities		1,084	1,426
Amounts due to related companies		<u>10,497</u>	<u>7,979</u>
Total current liabilities		<u>67,803</u>	<u>135,718</u>
NET CURRENT ASSETS		<u>488,480</u>	<u>538,168</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>669,445</u>	<u>738,902</u>
<b>LESS: NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		<u>93,325</u>	<u>111,619</u>
Total non-current liabilities		<u>93,325</u>	<u>111,619</u>
Net assets		<u>576,120</u>	<u>627,283</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		175,672	175,672
Reserves		<u>400,448</u>	<u>451,611</u>
Total equity		<u>576,120</u>	<u>627,283</u>

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

## 1. CORPORATE AND GROUP INFORMATION

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

The Company and its subsidiaries (collectively referred to as the “**Group**”) were principally involved in property development.

The immediate holding company of the Company is Xiwang Investment Company Limited, which is a private company incorporated in the British Virgin Islands (the “**BVI**”). The ultimate holding company of the Company is Xiwang Group Company Limited, which is established in the People’s Republic of China (the “**PRC**”).

### 1.1 BASIS OF PREPARATION

The unaudited consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. The functional currency of the Company is Hong Kong dollars (“**HKD**”). However, the consolidated financial statements are presented in Renminbi (“**RMB**”) instead of its functional currency as the principal currency of the economic environment on which the Group operates.

#### **Basis of consolidation**

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

## 1.2 APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

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

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except for the new and amendments to HKFRSs and interpretations mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs and interpretations will have no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### **HKFRS 16 Leases**

#### *Transition and summary of effects arising from initial application of HKFRS 16*

On 1 January 2019, the Group has applied HKFRS 16. HKFRS 16 superseded HKAS 17, and the related interpretations. The Group applied the HKFRS 16 in accordance with the transition provisions of HKFRS 16.

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HKFRIC – Int 4 *Determining whether an Arrangement contains a Lease* and not applied this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

#### *As a lessee*

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying *HKAS 37 Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ending within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iv. applied a single discount rate to a portfolio of leases with similar remaining terms for similar class of underlying assets in similar economic environment; and
- v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS16:

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The incremental borrowing rate applied by relevant group entity approximates 3.04%.

	<b>At</b> <b>1 January</b> <b>2019</b> RMB'000
Operating lease commitments disclosed as at 31 December 2018	1,239
Change in allocation basis between lease and non-lease components	(150)
Effect from discounting at the incremental borrowing rate as at 1 January 2019	(6)
Lease liabilities as at 1 January 2019	1,083
Analysed as:	
Current	583
Non-current	500
	1,083

	<b>Right-of-use assets</b> RMB'000
Right-of-use assets as at 1 January 2019	1,083
By class	
Building	1,083

*As a lessor*

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated. During the year ended 31 December 2019, application of HKFRS 16 by the Group as a lessor has no material impact on the Group's consolidated financial statements.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	<b>Carrying amounts previously report at 31 December 2018</b>	<b>Adjustments</b>	<b>Carrying amounts under HKFRS 16 at 1 January 2019</b>
	RMB'000	RMB'000	RMB'000
Non-current assets			
Right-of-use assets	–	1,083	1,083
Current liabilities			
Lease liabilities – due within one year	–	583	583
Non-current liabilities			
Lease liabilities – due over one year	–	500	500

For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

### 1.3 NEW AND AMENDMENTS TO HKFRSs THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE

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

HKFRS 17	Insurance Contracts <sup>2</sup>
Amendments to HKFRS 3	Definition of a Business <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>4</sup>
Amendments to HKFRS 9 HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after a date to be determined

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>3</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

The Group anticipates that the application of all these new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.



## 2. OPERATING SEGMENT INFORMATION

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

### Geographical information

All revenues are from Mainland China.

Non-current assets

	<b>2019</b> <b>RMB'000</b> <b>(unaudited)</b>	2018 RMB'000 (audited)
Mainland China	<b>43</b>	120
Hong Kong	<b>14</b>	31
	<b>57</b>	151

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

### Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	<b>2019</b> <b>RMB'000</b> <b>(unaudited)</b>	2018 RMB'000 (audited)
Customer A	<b>91,477</b>	–
Customer B	<b>19,435</b>	–
Customer C <sup>1</sup>	–	6,324

<sup>1</sup> The corresponding revenue did not contribute over 10% of the total revenue of the Group for the year ended 31 December 2019.

### 3. REVENUE AND OTHER INCOME

Revenue represents proceeds from the sale of properties.

An analysis of revenue and other income is as follows:

	2019 RMB'000 (unaudited)	2018 RMB'000 (audited)
<b>Revenue</b>		
Sale of properties	<u>111,702</u>	<u>42,088</u>
<b>Other income</b>		
Rental income	2,299	3,481
Interest income from a related party	871	2,401
Compensation income*	–	48,272
Bank interest income	130	3
Others	<u>5</u>	<u>638</u>
	<u>3,305</u>	<u>54,795</u>

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

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

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

	2019 RMB'000 (unaudited)	2018 RMB'000 (audited)
Cost of inventories sold	147,675	41,937
Reversal of write-down of completed properties held for sale to net realisable value along with properties sold	<u>(929)</u>	<u>(2,671)</u>
	<u>146,746</u>	<u>39,266</u>
Auditors' remuneration	576	559
Auditor's remuneration for non-audit service	132	26
Depreciation		
– Property, plant and equipment	47	80
– Right-of-use asset	597	–
Foreign exchange loss, net	1,043	1,671
Minimum lease payments under operating leases:		
Land and buildings	–	679
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	3,256	2,794
Pension scheme contributions	<u>252</u>	<u>279</u>
	<u>3,508</u>	<u>3,073</u>

## 5. INCOME TAX CREDIT

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year (2018: Nil).

Pursuant to the PRC Corporate Income Tax (“CIT”), all PRC enterprises are subject to a standard enterprise income tax rate of 25%, except for enterprises under specific preferential policies and provisions. In 2019, the applicable tax rate for the subsidiaries of the Company established in the PRC was 25% (2018: 25%).

PRC Land Appreciation Tax (“LAT”) is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including amortisation of land use rights and all property development expenditures. LAT of RMB93,000 is credited (2018: RMB366,000 charged to the consolidated statement of profit or loss) to the consolidated statement of profit or loss for the year ended 31 December 2019.

	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(audited)
Group:		
Current – Mainland China	<b>4,711</b>	–
LAT (credit)/charge in Mainland China	<b>(93)</b>	366
Deferred Mainland China corporate income tax	<b>(18,190)</b>	(1,664)
Total tax credit for the year	<b>(13,572)</b>	(1,298)

## 6. DIVIDENDS

No final dividend was proposed by the Board for both ordinary shares and convertible preference shares for the year ended 31 December 2019 (2018: Nil).

Payment of the preferred annual distribution of RMB1 cent per convertible preference share as at 31 December 2019 will be deferred.

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

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,408,779,382 (2018: 1,408,773,319) in issue during the year.

The calculation of the diluted (loss)/earnings per share amount for the year ended 31 December 2019 and 31 December 2018 is based on the (loss)/profit for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic (loss)/earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic (loss)/earnings per share amounts presented for the years ended 31 December 2019 and 2018 in respect of a dilution as the impact of convertible preference shares outstanding and share options would not have a dilutive effect on the basic (loss)/earnings per share amounts presented.

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

	<b>2019</b> <b>RMB'000</b> <b>(unaudited)</b>	2018 RMB'000 (audited)
<b>(Loss)/profit</b>		
(Loss)/profit attributable to ordinary equity holders of the Company	<u><u>(52,001)</u></u>	<u><u>47,900</u></u>

	<b>Number of shares</b>	
	<b>2019</b> <b>(unaudited)</b>	2018 (audited)
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted (loss)/earnings per share calculations	<u><u>1,408,779,382</u></u>	<u><u>1,408,773,319</u></u>

## 8. PROPERTIES UNDER DEVELOPMENT

	<b>2019</b> <b>RMB'000</b> <b>(unaudited)</b>	2018 RMB'000 (audited)
Land in Mainland China held at cost:		
At 1 January and at 31 December	<u>291,983</u>	291,983
Development expenditure, at cost:		
At 1 January and at 31 December	<u>1,895</u>	1,895
	<u><u>293,878</u></u>	<u><u>293,878</u></u>

**9. PREPAYMENTS AND OTHER RECEIVABLES**

	<b>2019</b> <b>RMB'000</b> <b>(unaudited)</b>	2018 RMB'000 (audited)
Prepayments	79,729	79,709
Other receivables	13,252	4,708
Prepaid tax	7,428	7,346
	<u>100,409</u>	<u>91,763</u>

**10. TRADE AND OTHER PAYABLES**

	<b>2019</b> <b>RMB'000</b> <b>(unaudited)</b>	2018 RMB'000 (audited)
Trade payables	16,286	27,977
Other payables	34,410	97,969
Salary and welfare payables	304	367
	<u>51,000</u>	<u>126,313</u>

**Trade payables**

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

	<b>2019</b> <b>RMB'000</b> <b>(unaudited)</b>	2018 RMB'000 (audited)
0 – 30 days	309	11,124
31 – 60 days	–	–
61 – 90 days	7	75
Over 90 days	15,970	16,778
	<u>16,286</u>	<u>27,977</u>

The trade payables are non-interest-bearing and are normally settled on terms of one year.

Other payables are non-interest-bearing and payable on demand.

## 11. GOODWILL

Goodwill acquired through business combinations has been allocated to the following cash-generating units (“CGUs”) for impairment testing:

	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(audited)
Meijun Project Phase Three	<b>107,420</b>	107,420
Qinghe Project	<b>72,985</b>	72,985
Xiwang Property Company Limited	<u>–</u>	<u>20,178</u>
	<b><u>180,405</u></b>	<b><u>200,583</u></b>

The recoverable amount of all the above CGUs has been determined based on a value in use calculation using cash flow projections based on financial budgets covering three to five-year periods approved by the senior management. The discount rates applied to the cash flow projections are 10% to 11% (2018: 14% to 16%).

During the year, upon disposal of all completed properties held for sale in Qingdao which adversely affects the cash flow projection of Xiwang Property Company Limited, it has minimal foreseeable future cash flow from its operations. The directors of the Company have consequently determined impairment of goodwill directly related to Xiwang Property Company Limited amounting to RMB20,178,000. The impairment loss has been included in profit or loss in the impairment loss recognised in respect of goodwill. The recoverable amount of the Xiwang Property Company Limited is considered minimal as at 31 December 2019.

## MANAGEMENT DISCUSSION AND ANALYSIS

### I. BUSINESS REVIEW

The Group's sole source of revenue of the Year is sales of developed properties. Geographically, Shandong remains as the Group's main market. All revenues of the Group during the Year were derived from Shandong. The Group's revenue increased from RMB42,088,000 in 2018 to RMB111,702,000 in 2019. The revenue from the sales of properties in Qingdao City increased from RMB7,276,000 in 2018 to RMB91,477,000 in 2019, mainly due to the increase in gross floor area (the "GFA") sold from 472 sq m in 2018 to 5,695 sq m in 2019. The revenue from the sales of properties in Binzhou City decreased from RMB34,812,000 in 2018 to RMB20,225,000 in 2019 mainly due to the decrease in GFA sold in 2019 as compared to 2018, offset by the revenue from bulk sales of carpark units of RMB14,257,000. Gross loss for the Year amounted to RMB35,044,000 (2018: Gross profit of RMB2,822,000) mainly due to the disposal of the Group's completed properties held for sale, representing certain units in an office building in Qingdao, Shandong Province, PRC, at a loss in December 2019.

### II. FINANCIAL REVIEW

#### Operating results

#### 1. Revenue

The Group's revenue increased from RMB42,088,000 in 2018 to RMB111,702,000 in 2019. The increase in sales of properties in Qingdao City outweighed the decrease in the sales of properties in Binzhou City as compared to 2018.

#### 2. Cost of sales

The Group's cost of sales increased from RMB39,266,000 in 2018 to RMB146,746,000 in 2019. The increase in cost of sales was mainly due to the increase in GFA sold in Qingdao City in 2019.

#### 3. Other income

Other income represented compensation income, interest income and rental income. The amount in 2018 mainly represents the compensation income of RMB48,272,000 received in 2018. The compensation income is related to the Yintaishan Corn Cultural Project which the vendor promised to compensate the Group for its failure to obtain the State-owned Land Use Certificates and the construction work planning permit.

#### **4. Administrative expenses**

Administrative expenses include general administrative fees, legal and professional fees, salaries of management and administrative staff. The amount increased from RMB10,848,000 in 2018 to RMB13,464,000 in 2019, which was mainly in line with the increase with revenue in 2019.

#### **5. Income tax credit**

Income tax credit increased from RMB1,298,000 in 2018 to RMB13,572,000 in 2019 mainly due to the utilisation of deferred income tax liabilities from fair value adjustment arising from acquisition of subsidiary.

### **Financial position**

#### **Liquidity and capital resources**

As at 31 December 2019, the Group's cash and cash equivalents increased from RMB128,666,000 in 2018 to RMB143,833,000 in 2019. The Group primarily utilized the cash flow from operations, cash inflow from investing activities and cash on hand to finance operational requirements during the Year.

As at 31 December 2019, the gearing ratio, being the ratio of total liabilities divided by total equity was 28% (31 December 2018: 39%). As at 31 December 2019, the Group had no bank and other borrowings (31 December 2018: Nil).

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

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

#### **Pledge of assets**

As at 31 December 2019, none of the property, plant and equipment of the Group was pledged to secure bank and other borrowings (31 December 2018: Nil).

#### **Capital commitments**

As at 31 December 2019, the Group's capital commitment amounted to RMB1,508,000 (31 December 2018: RMB2,477,000), which was mainly expenditures for property developments.

#### **Foreign exchange risk**

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



### **Human resources**

As at 31 December 2019, the Group employed approximately 29 staff (31 December 2018: 36). Staff-related costs (including Directors' remuneration) incurred during the Year was RMB3,508,000 (2018: RMB3,073,000). The Group reviews regularly the remuneration packages of the Directors and employees with respect to their experience and responsibilities to the Group's business. The Group has established a remuneration committee to determine and review the terms of remuneration packages, bonuses and other compensation payables to the Directors and senior management.

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

The Group did not have any contingent liabilities as at 31 December 2019 (31 December 2018: Nil).

## **III. BUSINESS OUTLOOK**

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

## **DIVIDEND**

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

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

## **ANNUAL GENERAL MEETING**

The annual general meeting (the “**AGM**”) of the Company is proposed to be held on Friday, 12 June 2020. A notice convening the AGM will be published on the respective websites of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.xiwangproperty.com](http://www.xiwangproperty.com)). The notice of the AGM, which constitutes part of a circular to shareholders, and proxy form, together with the annual report, are expected to be despatched to shareholders in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members in respect of ordinary shares of the Company will be closed from Tuesday, 9 June 2020 to Friday, 12 June 2020, (both days inclusive), during which period no transfer of ordinary shares will be registered for the purpose of ascertaining shareholders’ entitlement for attending and voting at the AGM. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates and, in the case of holders of convertible preference shares, all duly completed notices of conversion accompanied by the relevant certificates of convertible preference shares must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Monday, 8 June 2020.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

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

## **CORPORATE GOVERNANCE**

The Company has adopted the code provisions contained in the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The Board considers that the Company was in compliance with all applicable code provisions set out in the CG Code throughout the Year.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as set out in Appendix 10 to the Listing Rules as its model code for securities transactions by Directors. Having made specific enquiries, all the Directors confirmed that they have complied with the Model Code during the Year and up to the date of this announcement.

## REVIEW OF UNAUDITED ANNUAL RESULTS

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

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to restrictions in force in parts of the PRC to combat the COVID-19 coronavirus outbreak. The unaudited results contained herein have not been agreed by the Company's auditors. An announcement relating to the audited results for the year ended 31 December 2019 will be made as soon as the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants, the expected date of which cannot be determined at this stage and depends largely on the development of the COVID-19 coronavirus outbreak in the PRC. The unaudited annual results contained herein have been reviewed by the audit committee of the Company.

## PUBLICATION OF ANNUAL REPORT

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

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

Hong Kong, 23 March 2020

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*