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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 INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

The Board of Directors of Xiwang Property Holdings Company Limited (the “**Company**”) hereby announces the interim results of the Company and its subsidiaries for the six months ended 30 June 2021. This announcement, containing the full text of the 2021 interim report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”). This announcement is also published on the Company’s website and the designated website of the Stock Exchange. The printed version of the interim report for the six months ended 30 June 2021 will be despatched to the shareholders and available on the above websites in due course.

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

Hong Kong, 27 August 2021

As at the date hereof, the Board comprises the following Directors:

Executive Directors:

Mr. WANG Jin Tao
Mr. WANG Wei Min

Non-executive Directors:

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

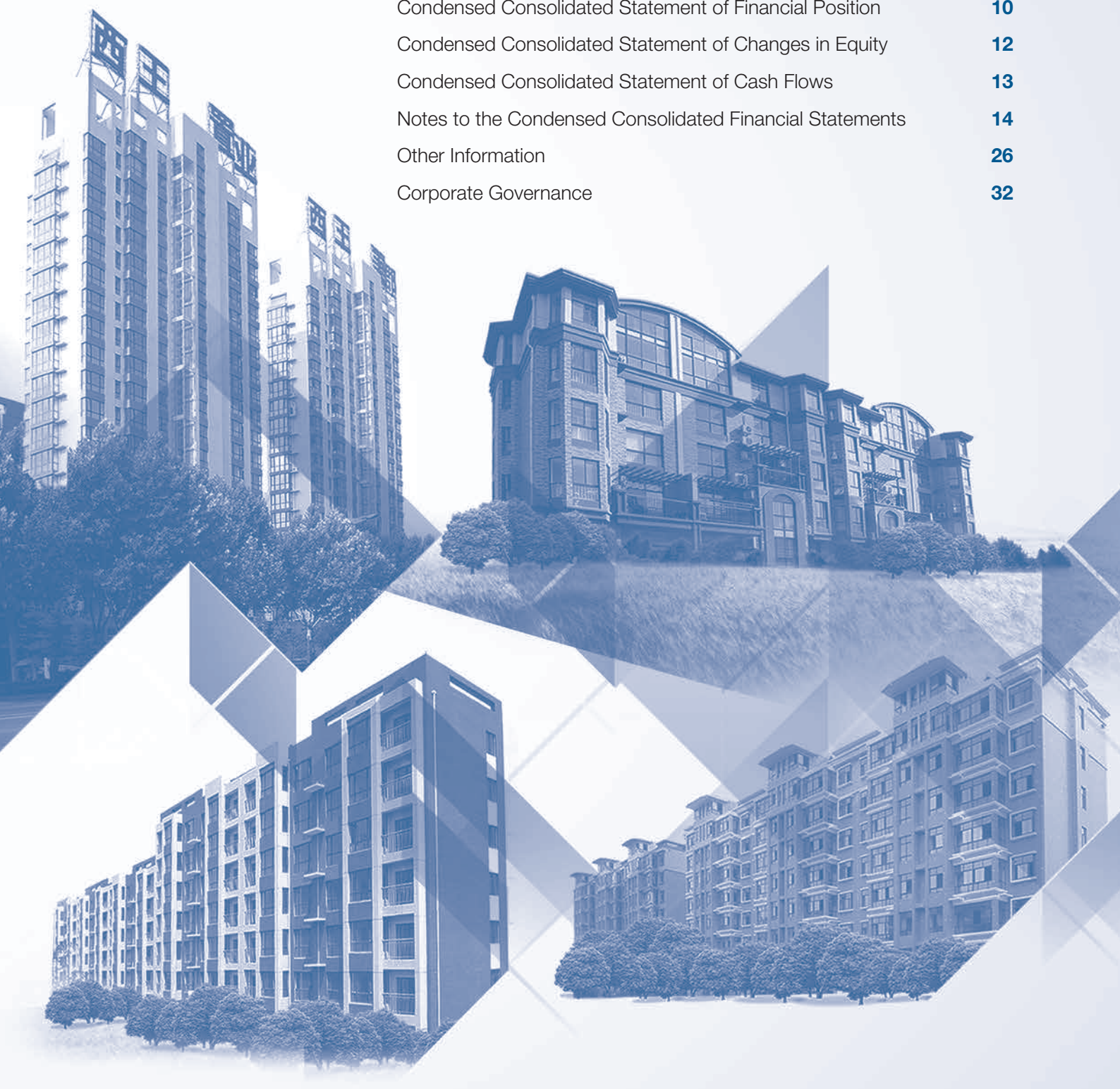
Independent non-executive Directors:

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

* For identification purpose only

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CORPORATE INFORMATION

Board of Directors

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

Committees

Audit Committee

Mr. WONG Kai Ming *(Chairman)*
Mr. WANG An
Mr. WANG Zhen

Remuneration Committee

Mr. WANG An *(Chairman)*
Mr. WONG Kai Ming
Mr. SUN Xihu

Nomination Committee

Mr. WONG Kai Ming *(Chairman)*
Mr. SUN Xihu
Mr. WANG Zhen

Company Secretary

Mr. YU Chi Kit

Authorised Representatives

Mr. WANG Yong
Mr. YU Chi Kit
Mr. SUN Xihu
*(alternate to Mr. WANG Yong and
Mr. YU Chi Kit)*

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business in the PRC

Xiwang Industrial Area
Zouping
Shandong Province
People's Republic of China

Principal Place of Business in Hong Kong

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

CORPORATE INFORMATION

Principal Bankers

Agricultural Bank of China
Bank of China
China Construction Bank
Bank of East Asia
Wing Lung Bank

Auditors

HLB Hodgson Impey Cheng Limited
31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group
(Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Investor Relations and Corporate Communication

Mr. WANG Jianxiang
Tel : (86) 543 461 9688
Email : ir@xiwangproperty.com

Company Website

www.xiwangproperty.com

CORPORATE PROFILE

Xiwang Property Holdings Company Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) was established in 2001 with headquarters located in Zouping City, Shandong Province of the People’s Republic of China (the “**PRC**”). The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in December 2005. The Group is principally engaged in property development and trading of construction materials in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

The Group's main source of revenue for the six months ended 30 June 2021 (the "Period") is trading of construction materials in the PRC. Geographically, Shandong remains as the Group's main market. All revenues of the Group during the Period were derived from Shandong.

II. FINANCIAL REVIEW

Operating Results

1. Revenue

Revenue amounted to RMB14,568,000 during the Period (1H2020: RMB14,294,000).

Sales from trading of construction materials in the PRC amounted to RMB14,568,000 during the Period (1H2020: RMB Nil)

2. Cost of sales

Cost of sales amounted to RMB13,895,000 during the Period (1H2020: RMB13,179,000).

3. Gross profit

Gross profit amounted to RMB673,000 during the Period (1H2020: RMB1,115,000).

4. Other income

Other income mainly represented interest income from Xiwang Group Finance Company Limited ("**Xiwang Finance**") of RMB1,475,000 (1H2020: RMB1,304,000), gain on disposal of property, plant and equipment of RMBNil (1H2020: RMB328,000), government grant of RMBNil (1H2020: RMB30,000), and bank interest income of RMB1,000 (1H2020: RMB1,000).

MANAGEMENT DISCUSSION AND ANALYSIS

5. Administrative expenses

Administrative expenses included general administrative fees, legal and professional fees, salaries of management and administrative staff. Administrative expenses for the Period amounted to RMB1,966,000 (1H2020: RMB4,145,000). The decrease for the Period was mainly due to the decrease in wages and salaries and repair and maintenance fee incurred during the Period.

Financial position

Liquidity and capital resources

As at 30 June 2021, the Group's cash and cash equivalents amounted to RMB147,678,000, (31 December 2020: RMB144,368,000). The Group primarily utilized the cash flow from operations and cash on hand to finance operational requirements during the Period. As at 30 June 2021, the gearing ratio, being the ratio of total liabilities divided by total equity, was 2.4% (31 December 2020: 2.3%). As at 30 June 2021, the Group had no bank borrowing (31 December 2020: Nil).

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

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

Pledge of assets

As at 30 June 2021, none of property, plant and equipment of the Group was pledged to secure bank and other borrowings (31 December 2020: RMB Nil).

Capital commitments

As at 30 June 2021, the Group's capital commitment amounted to RMB935,000 (31 December 2020: RMB1,377,000), which was mainly expenditure incurred for property development.

Foreign exchange risk

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

MANAGEMENT DISCUSSION AND ANALYSIS

Human resources

As at 30 June 2021, the Group employed approximately 20 staffs (30 June 2020: 30). Staff-related costs incurred during the Period was RMB1,015,000 (1H2020: RMB1,486,000). The Group reviewed regularly the remuneration packages of directors and employees with respect to their experience and responsibilities to the Group's business. The Group established a remuneration committee to determine and review the terms of remuneration packages, bonuses and other compensation payables to directors and senior management. In addition to basic remuneration packages and discretionary bonuses, share options may also be granted based on individual performance.

III. BUSINESS OUTLOOK

The property market as a whole remained stable and continued to move towards an integrated approach involving land, finance, market management and housing protection, in line with the city-specific policies. When Vice Premier of the State Council Han Zheng attended a teleconference on “Accelerating the development of guaranteed rental housing and further improving the regulation of the real estate market” held in July, he reiterated his insistence on the position of “no speculation in housing” and the full implementation of the long-term mechanism of “stabilizing land prices, stabilizing housing prices and stabilizing expectations”. The expected long-term mechanism proposed accelerate the development of rental housing and implement supporting policies such as land use and taxation, with emphasis on the two key issues of real estate finance and land auctions. The Ministry of Finance also proposed at the same time to improve the taxation policies related to residential leasing, including value-added tax at a reduced rate of 1.5% for residential leasing businesses renting housing to individuals. It is expected that in the second half of the year, the real estate market regulation and control policies will still be in a state of tightening, with more stringent management of the “third-line and four-tiers”, and the further implementation of superimposed housing loan concentration management will further increase the pressure on the liquidity of housing companies. At the same time, the effect of centralized land supply control will be strengthened. Hotspot cities may strengthen restrictions on real estate companies' land auctions and capital scrutiny, and superimpose restrictions on land acquisitions and sales ratio, which may lead to a dual cooling of land acquisitions and sales by real estate companies in the second half of the year. The real estate industry has shifted from the “incremental era” to the “stock era”. With the in-depth implementation of the long-term regulatory mechanism, the overall leverage ratio will gradually decline and risks will be gradually released. The overall development of the industry will become more benign after the adjustment. In Zouping City, Shandong Province, where the Group's principal operations are located, prices of some high-end residential properties were reduced slightly in the first half of the year and remained stable overall, leaving more room for demand for new and improved housing, limited land supply and fewer new housing developments, and commercial housing prices are expected to remain at the current level with narrow fluctuations.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended 30 June	
		2021 RMB'000 Unaudited	2020 RMB'000 Unaudited
Revenue	4	14,568	14,294
Cost of sales		(13,895)	(13,179)
Gross profit		673	1,115
Other income	4	1,476	1,663
Selling and marketing expenses		(89)	(80)
Administrative expenses		(1,966)	(4,145)
Finance cost		(24)	(6)
Profit/(loss) before tax	5	70	(1,453)
Income tax credit/(expense)	6	4,665	(212)
Profit/(loss) for the period		4,735	(1,665)
Profit/(loss) attributable to:			
Owners of the Company		4,735	(1,665)
Earnings/(loss) per share attributable to ordinary equity holders of the company			
Basic and diluted	7	RMB0.3 cents	RMB(0.1) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	Unaudited	Unaudited
PROFIT/(LOSS) FOR THE PERIOD	4,735	(1,665)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(379)	697
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	4,356	(968)
Total comprehensive income/(loss) attributable to owners of the Company	4,356	(968)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2021 RMB'000 Unaudited	31 December 2020 RMB'000 Audited
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		26	28
Right-of-use asset		740	1,024
Goodwill		180,405	180,405
Total non-current assets		181,171	181,457
CURRENT ASSETS			
Completed properties held for sale		4,284	4,284
Properties under development	9	293,708	293,878
Trade receivables		11,501	12,611
Prepayments and other receivables	10	85,726	89,384
Cash and cash equivalents		147,678	144,368
Total current assets		542,897	544,525
CURRENT LIABILITIES			
Trade and other payables	11	46,833	48,926
Lease liability		272	551
Contract liabilities		313	323
Tax payable		–	4,665
Amounts due to related companies	15	12,922	12,139
Total current liabilities		60,340	66,604
Net current assets		482,557	477,921
Total assets less current liabilities		663,728	659,378
Less: Non-current liabilities			
Lease liability		470	476
Deferred tax liabilities		93,158	93,158
Total non-current liabilities		93,628	93,634
Net assets		570,100	565,744

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2021	31 December 2020
		RMB'000	RMB'000
	Notes	Unaudited	Audited
EQUITY			
Equity attributable to owners of the Company			
Share capital	12	175,672	175,672
Reserves		394,428	390,072
Total equity		570,100	565,744

WANG Jin Tao
Director

SUN Xihu
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity shareholders of the Company

	Issued capital RMB'000	Share option reserve RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Contributed surplus RMB'000	Merger reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits/ (Accumulated losses) RMB'000	Total equity RMB'000
(Unaudited)									
At 1 January 2021	175,672	1,770	102,910	52,738	373,006	(118,063)	7,011	(29,300)	565,744
Profit for the Period	-	-	-	-	-	-	-	4,735	4,735
Other comprehensive income for the Period	-	-	-	-	-	-	(379)	-	(379)
At 30 June 2021	175,672	1,770	102,910	52,738	373,006	(118,063)	6,632	(24,565)	570,100
(Unaudited)									
At 1 January 2020	175,672	1,770	102,910	52,738	373,006	(118,063)	6,265	(18,178)	576,120
Loss for the Period	-	-	-	-	-	-	-	(1,665)	(1,665)
Other comprehensive income for the Period	-	-	-	-	-	-	697	-	697
At 30 June 2020	175,672	1,770	102,910	52,738	373,006	(118,063)	6,962	(19,843)	575,152

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	Unaudited	Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash flows generated from/(used in) operating activities	2,404	(934)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,476	1,305
Proceed from disposal of property, plant and equipment	-	350
Net cash flows from investing activities	1,476	1,655
CASH FLOWS FROM FINANCING ACTIVITY		
Repayment of lease liability	(285)	(347)
Net cash flow used in financing activity	(285)	(347)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,595	374
Cash and cash equivalents at the beginning of Period	144,368	143,833
Effect of foreign exchange rate changes, net	(285)	7
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	147,678	144,214

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Xiwang Property Holdings Company Limited (the “**Company**”) is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The Company and its subsidiaries (collectively referred to as the “**Group**”) were principally involved in property development and trading of construction materials in the PRC. The immediate holding company of the Company is Xiwang Investment Company Limited (“**Xiwang Investment**”), which is a private company incorporated in the British Virgin Islands (the “**BVI**”). The ultimate holding company of the Company is Xiwang Group Company Limited (“**Xiwang Group**”), which is established in the People’s Republic of China (the “**PRC**”).

2.1 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2021 are prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”). The condensed consolidated financial statements of the Group have not been audited but have been reviewed by the Company’s Audit Committee. These unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s audited annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with HKFRSs.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2.2 PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis. Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the annual financial statements of the Group for the year ended 31 December 2020.

2.3 APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendment to HKFRS 16	COVID-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39 HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION

Information reported to the Group's senior management, being the chief operating decision maker ("CODM") for the purpose of resources allocation and performance assessment, focuses on the operating results the property development business and trading of construction materials business. For management purposes, the Group is organized into business units based on their principal activities and has two reportable operating segments as follows: (i) property development business and (ii) trading of construction materials business. Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment.

Geographical information

The Group operates within one geographical area. For the six months ended 30 June 2021, 100% (1H2020: 100%) of its revenue was generated in the PRC and the principal assets and capital expenditure of the Group were located and incurred in the PRC. Accordingly, no geographical information is presented.

Information about major customers

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	Unaudited	Unaudited
Customer A	14,568	12,686

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. REVENUE AND OTHER INCOME

Revenue represents proceeds from the sale of properties. An analysis of revenue and other income is as follows:

	Six months ended 30 June	
	2021 RMB'000 Unaudited	2020 RMB'000 Unaudited
Revenue		
Trading of construction materials	14,568	–
Sale of properties	–	14,294
	14,568	14,294
Other income		
Interest income from Xiwang Group Finance Company Limited (“ Xiwang Finance ”) (Note 15(b))	1,475	1,304
Gain on disposal of property, plant and equipment	–	328
Government grant	–	30
Bank interest income	1	1
	1,476	1,663

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	Unaudited	Unaudited
Cost of inventories sold	13,895	13,179
Depreciation		
– property, plant and equipment	2	15
– right-of-use asset	247	337
Employee benefit expense (including directors' and chief executive's remuneration)		
Wages and salaries	970	1,355
Pension scheme contributions	45	131
	1,015	1,486

6. INCOME TAX CREDIT/(EXPENSE)

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	Unaudited	Unaudited
Current tax		
– Land Appreciation Tax in PRC	–	(442)
Reversal of over-provisions in prior year	4,665	–
	4,665	(442)
Deferred tax		
– PRC corporate income tax	–	57
– Land Appreciation Tax in PRC	–	173
	–	230
Total tax credit/(expense) for the Period	4,665	(212)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the Period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,408,784,198 (1H2020: 1,408,784,198) in issue during the Period. The calculation of the diluted earnings/(loss) per share amount for the Period is based on the profit/(loss) for the Period attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the Period, as used in the basic earnings/(loss) per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares. No adjustment has been made to the basic earnings/(loss) per share amounts presented for the six months ended 30 June 2021 and 2020 in respect of a dilution as the impact of convertible preference share outstanding and share option would not have a dilutive effect on the basic earnings/(loss) per share amounts presented. The calculations of basic and diluted earnings/(loss) per share amounts are based on:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	Unaudited	Unaudited
Profit/(loss) attributable to ordinary equity holders of the Company	4,735	(1,665)
	Number of shares	
	Six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
Shares		
Weighted average number of ordinary shares in issue during the Period used in the basic and diluted (loss)/earnings per share calculation	1,408,784,198	1,408,784,198

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. DIVIDENDS

No interim dividend was proposed for the six months ended 30 June 2021 (1H2020: RMB Nil).

9. PROPERTIES UNDER DEVELOPMENT

	2021 RMB'000 Unaudited	2020 RMB'000 Audited
Land in PRC held at cost: At 1 January and at 30 June/31 December	291,983	291,983
Development expenditure, at cost: At 1 January & at 30 June/31 December	1,725	1,895
	293,708	293,878

10. PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2021 RMB'000 Unaudited	31 December 2020 RMB'000 Audited
Prepayments	80,340	80,232
Other receivables	2,842	1,668
Prepaid tax	2,544	7,484
	85,726	89,384

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. TRADE AND OTHER PAYABLES

	30 June 2021 RMB'000 Unaudited	31 December 2020 RMB'000 Audited
Trade payables	18,252	19,519
Other payables	28,165	29,071
Salary and welfare payables	416	336
	46,833	48,926

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

	30 June 2021 RMB'000 Unaudited	31 December 2020 RMB'000 Audited
31 – 60 days	–	4,737
Over 90 days	18,252	14,782
	18,252	19,519

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. SHARE CAPITAL

Shares

	30 June 2021 HK\$'000 Unaudited	31 December 2020 HK\$'000 Audited
Authorised:		
4,000,000,000 (2020: 4,000,000,000) ordinary shares of HK\$0.1 (2020: HK\$0.1) each	400,000	400,000
2,000,000,000 (2020: 2,000,000,000) convertible preference shares of HK\$0.1 (2020: HK\$0.1) each	200,000	200,000
	600,000	600,000
Issued and fully paid:		
1,408,784,198 (2020: 1,408,784,198) ordinary shares of HK\$0.1 (2020: HK\$0.1) each	140,879	140,879
507,492,257 (2020: 507,492,257) convertible preference shares of HK\$0.1 (2020: HK\$0.1) each	50,749	50,749
	191,628	191,628

Share options

Details of the Company's share option scheme and share options issued under the scheme are included in note 13 to the financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. SHARE OPTION SCHEME

The Company used to operate a share option scheme (the “**2005 Scheme**”), which was adopted pursuant to a resolution passed at a shareholders’ meeting held on 6 November 2005, for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. The Scheme became effective on 6 November 2005 and expired on 5 November 2015. The share options granted under the 2005 Scheme prior to its termination shall continue to be valid and exercisable in accordance with the 2005 Scheme.

In view of the expiry of the 2005 Scheme, the Company adopted a share option scheme pursuant to a resolution passed at a shareholders’ meeting held on 10 May 2018 (the “**2018 Scheme**”), as incentives or rewards for eligible participants’ contribution to the Group. The 2018 Scheme became effective on 10 May 2018 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. No share options have been granted under the 2018 Scheme since its adoption. The maximum number of shares issuable upon exercise of all outstanding options which may be granted under the 2005 Scheme, the 2018 Scheme and any other share option scheme of the Group shall not exceed 140,877,331 ordinary shares in aggregate. Any further grant of share options in excess of this limit is subject to shareholders’ approval in a general meeting (with such participant and his associates abstaining from voting). Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 1% of the shares of the Company in issue at any time within any 12-month period, are subject to shareholders’ approval in advance in a general meeting. The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors. The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company’s shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company’s shares for the five trading days immediately preceding the date of offer, and (iii) the nominal value of a share in the Company. Share options do not confer rights on the holders to dividends or to vote at shareholders’ meetings.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. SHARE OPTION SCHEME (CONTINUED)

The following share options were outstanding under the share option scheme during the Period:

	Six months ended 30 June		2020	
	2021			
	Weighted average exercise price HK\$ per share	Number of options '000 Unaudited	Weighted average exercise price HK\$ per share	Number of options '000 Unaudited
At 1 January and 30 June	1.112	6,400	1.112	6,400

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

Number of options '000	Exercise price HK\$ per share	Exercise period
2,100	1.112	5-11-2014 to 5-11-2023
2,100	1.112	5-11-2015 to 5-11-2023
2,200	1.112	5-11-2016 to 5-11-2023
<u>6,400</u>		

14. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2021 RMB'000 Unaudited	31 December 2020 RMB'000 Audited
Property development expenditure contracted but not provided for	935	1,377

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Outstanding Balances with Related Parties

	Notes	30 June 2021 RMB'000 Unaudited	31 December 2020 RMB'000 Audited
Due to related parties:			
Xiwang Investment Company Limited	(i) (ii)	8,568	8,568
Xiwang Hong Kong Company Limited	(i) (iii)	1,042	1,042
Master Team International Limited	(i) (iii)	3,312	2,529
		12,922	12,139
Outstanding balance of deposit:			
Xiwang Finance	(iii)	146,786	143,090

- (i) These outstanding balances with related companies are unsecured, interest-free and have no fixed terms of repayment.
- (ii) The immediate holding company of the Company.
- (iii) The subsidiaries of the ultimate holding company of the Company.

(b) Transaction with related parties:

		Six months ended 30 June 2021 RMB'000 Unaudited	2020 RMB'000 Unaudited
Xiwang Finance	Interest income	1,475	1,304

16. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the Board on 27 August 2021.

OTHER INFORMATION

Interim Dividend

The Directors resolved not to declare any interim dividend for the Period (1H2020: RMB Nil).

Directors' and Chief Executive's Interests in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 30 June 2021, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Name of company/ associated corporation	Capacity	Number and class of securities held/interested in the relevant corporation (Note 1)	Approximate percentage shareholding in the same class of securities in the relevant corporation as at 30 June 2021
WANG Yong	Company	Interest of controlled corporations (Note 2)	982,999,588 ordinary shares (L) (Note 4)	69.78%
			506,244,669 convertible preference shares (L) (Note 4)	99.75%
	Xiwang Investment	Interest of controlled corporations (Note 2)	3 shares (L)	100%
	Xiwang Holdings	Beneficial owner (Note 2)	6,738 shares (L)	3.37%
		Interest of controlled corporations (Note 2)	190,000 shares (L)	95%
	Xiwang Hong Kong Company Limited ("Xiwang Hong Kong")	Interest of controlled corporations (Note 2)	694,132,000 shares (L)	100%
	Xiwang Group	Beneficial owner (Note 2)	RMB1,383,000,000 (L)	26.85%
	Xiwang Special Steel Company Limited ("Xiwang Special Steel")	Interest of controlled corporations (Note 2)	1,165,539,000 shares (L) (Note 3)	49.20%

OTHER INFORMATION

Name of Director	Name of company/ associated corporation	Capacity	Number and class of securities held/interested in the relevant corporation (Note 1)	Approximate percentage shareholding in the same class of securities in the relevant corporation as at 30 June 2021
WANG Di	Company	Beneficial owner	3,000,000 ordinary shares (L) (Note 5)	0.21%
	Xiwang Holdings	Beneficial owner	177 shares (L)	0.09%
	Xiwang Group	Beneficial owner	RMB35,400,000 (L)	1.54%
	Xiwang Special Steel	Beneficial owner	11,000,000 shares (L)	0.46%
SUN Xihu	Company	Beneficial owner	3,000,000 ordinary shares (L) (Note 5)	0.21%
	Xiwang Holdings	Beneficial owner	89 shares (L)	0.04%
	Xiwang Group	Beneficial owner	RMB35,460,000 (L)	1.54%
	Xiwang Special Steel	Beneficial owner	2,102,000 shares (L)	0.09%

Notes:

- (1) The letter “L” represents the Director’s interests in the shares.
- (2) As at 30 June 2021, Xiwang Group is the ultimate holding company of the Company. Xiwang Group is owned as to 26.85% by Mr. WANG Yong, 34.41% by 20 individuals (including WANG Di) and the remaining 38.74% by other shareholders. Further, 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. Accordingly, Mr. WANG Yong is deemed to be interested in 61.26% shares of the Company in which Xiwang Group is interested. Xiwang Hong Kong is a wholly-owned subsidiary of Xiwang Group. Xiwang Hong Kong directly holds 95% and Mr. WANG Yong and 22 individuals directly hold 5% of the issued share capital of Xiwang Holdings, respectively. Xiwang Investment is a wholly-owned subsidiary of Xiwang Holdings. Therefore, Xiwang Holdings, Xiwang Hong Kong and Xiwang Group are deemed to be interested in the number of shares of the Company held by Xiwang Investment.
- (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 shares are registered in the name of Xiwang Investment. Mr. WANG Yong is deemed to be interested in all shares of the Company held by Xiwang Investment.
- (5) These interests represent the Directors’ beneficial interests in the underlying shares in respect of the share options granted by the Company to the Directors. Details of which are set out in the section headed “Share Option Scheme”.

OTHER INFORMATION

Substantial Shareholders and Other Persons who are Required to Disclose their Interests pursuant to Part XV of the SFO

(a) Substantial shareholders of the Company

As at 30 June 2021, so far as it is known to any Directors of the Company, the following shareholders (other than the Directors and chief executive of the Company whose interests and short positions in the shares and underlying shares of the Company are set out above) had or were deemed or taken to have interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of substantial shareholder	Capacity	Number of shares of the Company held (Note 1)	Approximate percentage of interest as at 30 June 2021
Xiwang Investment	Beneficial owner	982,999,588 ordinary shares (L)	69.78%
		506,244,669 convertible preference shares (L)	99.75%
Xiwang Holdings	Interest of a controlled corporation (Note 2)	982,999,588 ordinary shares (L)	69.78%
		506,244,669 convertible preference shares (L)	99.75%
Xiwang Hong Kong	Interest of controlled corporations (Notes 2, 3)	982,999,588 ordinary shares (L)	69.78%
		506,244,669 convertible preference shares (L)	99.75%
Xiwang Group	Interest of controlled corporations (Notes 2, 3)	982,999,588 ordinary shares (L)	69.78%
		506,244,669 convertible preference shares (L)	99.75%

OTHER INFORMATION

Name of substantial shareholder	Capacity	Number of shares of the Company held (Note 1)	Approximate percentage of interest as at 30 June 2021
ZHANG Shufang	Interest of spouse (Note 4)	982,999,588 ordinary shares (L)	69.78%
		506,244,669 convertible preference shares (L)	99.75%
Qilu Investment Funds (acting for and on behalf of Zhongtai Dingfeng Classified Fund SP) (“Qilu”)	Person having a security interest in shares (Note 5)	982,999,588 ordinary share (L)	69.78%
Zhongtai International Asset Management Limited	Investment Manager (Note 6)	982,999,588 ordinary share (L)	99.75%

Notes:

- (1) The letter “L” represents the entity’s interests in the shares.
- (2) Xiwang Holdings directly holds 100% of the issued share capital of Xiwang Investment and therefore is deemed to be interested in the number of shares of the Company held by Xiwang Investment.
- (3) Xiwang Hong Kong directly holds 95% and Mr. WANG Yong and 22 individuals directly hold 5% of the issued share capital of Xiwang Holdings, respectively. Xiwang Hong Kong is in turn wholly-owned by Xiwang Group. Therefore, Xiwang Hong Kong and Xiwang Group are deemed to be interested in the number of shares of the Company held by Xiwang Investment.
- (4) Ms. ZHANG Shufang, being the spouse of Mr. WANG Yong, is deemed to be interested in all the shares in which Mr. WANG Yong is deemed to be interested.
- (5) The controlling shareholder of the Company notified the Board on 28 September 2017 that it entered into share charge agreements with an independent third party pursuant to which it charged all of its shareholding in the Company in favour of such independent third party as security for notes issued by its subsidiary to such independent third party in the aggregate principal amount of HK\$200,000,000.
- (6) Zhongtai International Asset Management Limited is the fund manager of Qilu, as such it is deemed to be interested in all the shares Qilu is interested pursuant to the SFO.

OTHER INFORMATION

(b) Other persons who are required to disclose their interests pursuant to Part XV of the SFO

Save as disclosed in the paragraph headed “Directors’ and Chief Executive’s Interests in shares, underlying shares and debentures of the Company and its associated corporations” and paragraph (a) above, as at 30 June 2021, no other person had interests or short positions in the shares and underlying shares of the Company which are required to be recorded in the register required to be kept by the Company under section 336 of the SFO.

Share Option Scheme

The Company adopted the 2005 Scheme on 6 November 2005 and the 2018 Scheme on 10 May 2018. The purpose of both schemes is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. As at 30 June 2021, options to subscribe for 6,400,000 ordinary shares of the Company were outstanding under the 2005 Scheme, details of which are set out in note 13 to the condensed consolidated financial statements and below:

Class of grantee	Date of grant	During the six months ended 30 June 2021				Outstanding	Outstanding	Exercise price per share (HK\$)	Exercise period
		Granted	Exercised	Cancelled	Lapsed	as at 1 January 2021	as at 30 June 2021		
Directors									
WANG Di	5 November 2013	-	-	-	-	3,000,000	3,000,000	1.112	(Notes 2, 3)
SUN Xinqu	5 November 2013	-	-	-	-	3,000,000	3,000,000	1.112	(Notes 2, 3)
Employee (Note 1)	5 November 2013	-	-	-	-	400,000	400,000	1.112	(Notes 2, 3)
		-	-	-	-	6,400,000	6,400,000		

OTHER INFORMATION

Notes:

- (1) Employees include employees of the Group (other than the directors) working under employment contracts with the Group which are regarded as “continuous contracts” for the purpose of the Employment Ordinance (Chapter 57 of the Laws of Hong Kong).
- (2) The closing price of the ordinary shares as stated in the Stock Exchange’s daily quotations sheet on 4 November 2013, being the trading day immediately preceding the date of grant of options, was HK\$1.10 per share.
- (3) These options can only be exercised by the grantee in the following manner:

Commencing from	Maximum cumulative number of ordinary shares under the options that can be subscribed for pursuant to the exercise of the options
5 November 2014	2,100,000
5 November 2015	2,100,000
5 November 2016	2,200,000

- (4) The share options represent personal interests held by the relevant Directors as beneficial owners.
- (5) No share options were cancelled under the 2005 Scheme during the Period.

Save as disclosed above, at no time during the Period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Purchase, Sale or Redemption of the Company’s Securities

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

CORPORATE GOVERNANCE

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 of Directors considers that the Company was in compliance with all applicable code provisions set out in the CG Code throughout the Period.

Model Code for Securities Transactions by Directors

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

Audit Committee

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