XIWANG PROPERTY HOLDINGS COMPANY LIMITED
西王置業控股有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 2088)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

The board (the "**Board**") of directors (the "**Directors**") of Xiwang Property Holdings Company Limited (the "**Company**") hereby announces the annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2022 (the "**Year**"). This announcement, complies with the relevant requirements of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in relation to the information to accompany preliminary announcement of the annual results. The Group's final results for the year ended 31 December 2022 have been reviewed by the audit committee of the Company. This announcement is also published on the Company's website and the designated website of the Stock Exchange. The annual report for the year ended 31 December 2022 will be despatched to the shareholders and available on the above websites in due course.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	**For the year ended 31 December 2022** *RMB'000*	2021 *RMB'000*
Revenue	*3*	**48,455**	25,169
Cost of sales		**(47,521)**	(24,475)
Gross profit		**934**	694
Other income	*3*	**3,196**	3,292
Selling and marketing expenses		**(157)**	(175)
Reversal of impairment losses on trade receivable under expected credit loss ("**ECL**") model	*4*	**128**	8
Administrative expenses		**(10,384)**	(5,483)
Impairment loss recognised in respect of goodwill		**(1,950)**	–
Loss from operation		**(8,233)**	(1,664)
Finance cost	*5*	**(43)**	(35)
Loss before tax	*6*	**(8,276)**	(1,699)
Income tax credit	*7*	**944**	9,464
(Loss)/profit for the year		**(7,332)**	7,765
(Loss)/profit attributable to:			
Owners of the Company		**(7,332)**	7,765
(Loss)/earnings per share attributable to ordinary equity holders of the Company			
Basic and diluted	*9*		
– Basic (loss)/earnings for the year		**RMB(0.5) cent**	RMB0.6 cent
– Diluted (loss)/earnings for the year		**RMB(0.5) cent**	RMB0.4 cent

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
(Loss)/profit for the year	**(7,332)**	7,765
Other comprehensive income/(loss)		
Other comprehensive income/(loss) may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**2,792**	(1,193)
Total comprehensive (loss)/income for the year	**(4,540)**	6,572
Total comprehensive (loss)/income for the year attributable to:		
Owners of the Company	**(4,540)**	6,572

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2022	2021
	Notes	***RMB'000***	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**3**	–
Right-of-use asset		**2,298**	453
Goodwill		**178,455**	180,405
Total non-current assets		**180,756**	180,858
CURRENT ASSETS			
Completed properties held for sale		**3,921**	4,284
Properties under development		**295,169**	295,169
Trade receivables	*10*	**8,771**	10,682
Prepayments and other receivables	*11*	**88,007**	87,656
Cash and cash equivalents		**150,500**	148,233
Total current assets		**546,368**	546,024
CURRENT LIABILITIES			
Trade and other payables	*12*	**46,660**	47,315
Lease liabilities		**759**	462
Contract liabilities		**594**	323
Amounts due to related companies		**17,110**	13,308
Total current liabilities		**65,123**	61,408
Net current assets		**481,245**	484,616
Total assets less current liabilities		**662,001**	665,474
NON-CURRENT LIABILITIES			
Lease liabilities		**1,554**	–
Deferred tax liabilities		**92,671**	93,158
Total non-current liabilities		**94,225**	93,158
Net assets		**567,776**	572,316
EQUITY			
Equity attributable to owners of the Company			
Share capital		**175,672**	175,672
Reserves		**392,104**	396,644
Total equity		**567,776**	572,316

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1.1 CORPORATE AND GROUP INFORMATION

Xiwang Property Holdings Company Limited (the "**Company**") is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business of the Company is disclosed in the corporate information section to the annual report. In the opinion of the directors, 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**").

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.

1.2 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). For the purpose of preparation of the consolidation financial statements, information is considered material if such information is reasonably expected to influence decision made by primary users. In addition, the consolidated financial statements include applicable disclosures required by 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 on the historical cost basis. These consolidated financial statements are presented in Renminbi ("**RMB**") as the Group's principal activities were carried out in the PRC. The functional currency of the Company is the Hong Kong dollar ("**HKD**"). The functional currency of the Company's subsidiaries in PRC is RMB. All values are rounded to the nearest thousand except when otherwise indicated.

1.3 APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of the amendments to HKFRSs in the current year has had 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.

New and amendments to HKFRSs in issue but 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 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2024.

The directors of the Company anticipate that the application of all 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 senior management, being the chief operating decision marker ("**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 organised into business units based on their principal activities and has three reportable operating segments as follows: (i) property development business; (ii) property management services business; and (iii) 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. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The segment results and other segment items included in profit/loss before tax for the reporting period are as follows:

Segment revenues and results

The following is an analysis of the Group's turnover and results by reportable and operating segment:

	Property development		Property management services		Trading of construction material		Consolidated	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue	**422**	–	**903**	–	**47,130**	25,169	**48,455**	25,169
Segment result	**(1,890)**	–	**510**	–	**364**	694	**(1,016)**	694
Other segment information:								
Other income							**3,196**	3,292
Finance cost							**(43)**	(35)
Unallocated corporate expenses							**(10,413)**	(5,650)
Loss before tax							**(8,276)**	(1,699)

The accounting policies of the operating segments are the same as the Group's accounting policies.

Segment profit/(loss) represents the profit/(loss) from each segment without allocation of central administration costs, other income and finance cost. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

The CODM makes decisions according to operating results of each segment. No analysis of segment asset and liability is presented as the CODM does not regularly review such information for the purpose of resources allocation and performance assessment.

Other segment information

	Property development		Property management services		Trading of construction material		Unallocated		Consolidated	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Depreciation on property, plant and equipment	**–**	(3)	**–**	–	**–**	–	**–**	(25)	**–**	(28)
Depreciation on right-of-use assets	**–**	–	**–**	–	**–**	–	**(603)**	(550)	**(603)**	(550)
Reversal of/(impairment loss) under ECL model	**–**	–	**(16)**	–	**144**	8	**–**	–	**128**	8
Impairment loss recognised in respect of goodwill	**(1,950)**	–	**–**	–	**–**	–	**–**	–	**(1,950)**	–

Geographical information

All revenues are derived from PRC.

Non-current assets

	2022	2021
	RMB'000	*RMB'000*
PRC	**3**	–
Hong Kong	**2,298**	453
	2,301	453

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

Information about major customers

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

	2022	2021
	RMB'000	*RMB'000*
Customer A *(Note (i))*	**–**	14,568
Customer B *(Note (ii))*	**23,422**	10,601
Customer C *(Note (iii))*	**19,667**	–

Notes:

(i) Revenue generated from the Customer A is derived from trading of construction materials. The corresponding revenue did not contribute over 10% of the total revenue of the Group for the year ended 31 December 2022.

(ii) Revenue generated from the Customer B is derived from trading of construction materials for approximately RMB23,422,000 (2021: RMB10,601,000).

(iii) Revenue from the Customer C is derived from trading of construction materials. The corresponding revenue did not contribute over 10% of the total revenue of the Group for the year ended 31 December 2021.

3. REVENUE AND OTHER INCOME

Revenue represents proceeds from the sale of properties, property management services income and trading of construction materials in the PRC. An analysis of revenue and other income is as follows:

	2022	2021
	RMB'000	*RMB'000*
Revenue		
Sale of properties	**422**	–
Property management services income	**903**	–
Trading of construction materials	**47,130**	25,169
	48,455	25,169

All revenue contracts are for period of one year or less, as permitted by practical expedient under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

	2022	2021
	RMB'000	*RMB'000*
Other income		
Interest income from a related party	**3,172**	3,027
Bank interest income	**2**	2
Government grants *(Note)*	**20**	–
Others	**2**	263
	3,196	3,292

Note: During the year ended 31 December 2022, the Group recognised government grant of approximately RMB20,000 in respect of COVID-19 related subsidies which is related to Employment Support Scheme provided by the Hong Kong Government.

4. REVERSAL OF IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL

	2022	2021
	RMB'000	*RMB'000*
Reversal of impairment losses recognised on:		
– trade receivables	**128**	8

5. FINANCE COST

	2022	2021
	RMB'000	*RMB'000*
Interest on lease liabilities	**43**	35

6. LOSS BEFORE TAX

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

	2022	2021
	RMB'000	*RMB'000*
Cost of inventories sold	**47,521**	24,475
Auditors' remuneration	**556**	539
Auditors' remuneration for non-audit service	**120**	50
Depreciation		
– Property, plant and equipment	**–**	28
– Right-of-use asset	**603**	550
Expenses relating to short-term leases	**382**	18
Foreign exchange loss/(gain), net	**3,170**	(1,363)
Employee benefit expense (including directors' and chief executive's remuneration):		
– Wages and salaries	**2,024**	2,228
– Pension scheme contributions	**226**	102
	2,250	2,330

7. 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 (2021: Nil). On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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 2022, the applicable tax rate for the subsidiaries of the Company established in the PRC was 25% (2021: 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 RMB4,799,000 is credited to the consolidated statement of profit or loss for the year ended 31 December 2021.

	2022	2021
	RMB'000	*RMB'000*
Current tax		
Over-provision of LAT in respect of prior years	**–**	(4,799)
Over-provision in respect of prior years	**(457)**	(4,665)
	(457)	(9,464)
Deferred tax		
Credit for the year	**(487)**	–
Total tax credit for the year	**(944)**	(9,464)

8. DIVIDENDS

No final dividend was proposed by the Board for both ordinary shares and convertible preference shares for the year ended 31 December 2022 (2021: Nil).

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

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

	2022	2021
	RMB'000	*RMB'000*
(Loss)/profit attributable to ordinary equity holders of the Company	**(7,332)**	7,765

	Number of shares	
	2022	2021
Weighted average number of ordinary shares in issue during the year used in the basic (loss)/earnings per share calculations	**1,408,784,198**	1,408,784,198
Effect of dilutive potential ordinary shares in respect of the convertible preference shares	**507,492,257**	507,492,257
Weighted average number of ordinary shares in issue during the year used in the diluted (loss)/earnings per share calculations	**1,916,276,455**	1,916,276,455

For the year ended 31 December 2021, the weighted average number of ordinary shares for the purpose of diluted earnings per share has been adjusted for the potential dilutive effect in respect of the potential ordinary shares to be issued on convertible preference shares. The computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price for shares.

For the year ended 31 December 2022, the basic loss per share is the same as the diluted loss per share. No adjustment has been made to the basic loss per share amounts presented for the year ended 31 December 2022 in respect of a dilution as the impact of convertible preference shares and outstanding share options would not have a dilutive effect on the basic loss per share amounts presented.

10. TRADE RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**8,837**	10,876
Less: Allowance for expected credit losses	**(66)**	(194)
	8,771	10,682

The following is an aged analysis of trade receivables, before allowance for credit losses, presented based on the contract dates.

	2022	2021
0-180 days	**8,837**	10,876

The Group generally allows a credit period of 30 days to its customers.

11. PREPAYMENTS AND OTHER RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Prepayments *(note)*	**79,943**	78,714
Other receivables	**1,583**	1,583
Prepaid tax	**6,481**	7,359
	88,007	87,656

Note:

The prepayments mainly comprised of prepaid construction and development costs for the projects of approximately RMB74,428,000 (2021: RMB73,199,000).

12. TRADE AND OTHER PAYABLES

	2022	2021
	RMB'000	*RMB'000*
Trade payables	**18,502**	17,658
Other payables	**27,340**	29,075
Salary and welfare payables	**818**	582
	46,660	47,315

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:

	2022	2021
	RMB'000	*RMB'000*
0 – 30 days	**381**	237
31 – 60 days	**–**	–
61 – 90 days	**–**	–
Over 90 days	**18,121**	17,421
	18,502	17,658

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

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

The Group was established in 2001 with headquarters located in Zouping, Shandong Province of the PRC. Xiwang Property Holdings Company Limited (the "**Company**", together with its subsidiaries collectively referred to as the "**Group**") 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, trading of construction materials and provision of property management services in the PRC.

PROPERTY DEVELOPMENT BUSINESS

Property development business has been the principal business of the Group since 2012. In the past 10 years, the Group successfully completed Phase One and Phase Two of the Lanting Project and Meijun Project. The unsold portion of these two projects are approximately 1,352 sq.m. as at 31 December 2022 which mainly included storage rooms and car parking spaces. The Group would use its best endeavour to sell them as soon as practicable. During the Year, the Group successfully sold 123.80 sq.m. of Lanting Project.

The business environment of property development market is heavily affected by the national and local governmental policies in the past years. The real estate market of Zouping City also fluctuated a lot and showed a downward trend in the recent years. All these factors rendered the management of the Company to take a conservative approach in dealing with all the potential projects. Property development is a capital intensive industry and it will heavily tie up the working capital of the Group once a project is kicked off. As such, it takes longer time for the Group to identify profitable projects while preserving a healthy financial position. The Company has never depended heavily on aggressive fund raising for any project development and does not have the pressure of de-stock and deleverage which other property developers may currently encounter.

Meijun Project Phase Three is one of the flagship projects of the Group. The management has strong confidence in kicking off this project in the years 2023 and 2024. The Company intends to complete this project and closely monitor the business environment to see if there is any other opportunity.

The management of the Company considers that the location of Meijun Project Phase Three is attractive and worthwhile for the Group to deploy more resources for development. Meijun Project Phase Three is mainly a residential housing project.

In order to cater for the growth of local population and the economic needs, the local government has been putting enormous efforts in town planning to develop Zouping City South New Town (鄒平城南新城), as the south side of Zouping City is nearly saturated with no land available for further expansion. The city government headquarters has also been relocated to the neighbouring land of Meijun Project Phase Three and thereby brings positive effect to the land value. The district of Meijun Project Phase Three therefore has matured and is now an ideal place for people to live and work. Since Meijun Project Phase Three is an undeveloped land within the district, the government now has more incentive to push forward this project.

The Group is fully committed to develop Meijun Project Phase Three with its internal resources and manpower. Meijun Project Phase Three has been delayed for years because it is situated in the regeneration area which is subject to demolition requests by the local government. The Group has liaised with various government departments that are responsible for such demolition works and plot ratio planning during the Year. Up to the date of this announcement, the government departments had not yet come up with a revised schedule on the demolition works. Nonetheless, the Group received positive responses from the stakeholders such as the potential customers and local communities.

The development of Meijun Project Phase Three will be divided into two stages. Meijun Project Phase Three Stage 1 will include a parcel of land area of approximately 95,820 sq.m. ("**Meijun Land A**") while the Meijun Project Phase Three Stage 2 will be developed in a parcel of land area of approximately 77,334 sq.m. ("**Meijun Land B**"). The Group has already obtained the State-owned Land Use Certificate ("**Land Use Certificate**") of Meijun Land A but the Land Use Certificate of Meijun Land B is yet to be granted.

The Group has set out the following time-table in connection with the development of Meijun Project Phase Three:

Early 2024	Commencement of the demolition works of the existing structures for Meijun Project Phase Three
Late 2024	Completion of demolition works
2025	Obtainment of the Land Use Certificate of Meijun Land B; commencement of pre-sale activities of Meijun Project Phase Three Stage 1
Late 2027	Completion of the entire development of Meijun Project Phase Three Stage 1

To the best knowledge and belief of the Directors, the development of Meijun Land B ("**Meijun Project Phase Three Stage 2**") is subject to the grant of Land Use Certificate which is currently expected to be obtained in year 2025.

Details of the development of Meijun Project Phase Three is set out in the announcement dated 25 July 2022.

As to the Qinghe Project, it comprises a parcel of land with a site area of approximately 131,258 sq.m. for the construction of residential units. Due to its heavy working capital investment, the Group is very cautious in starting this project. Besides, the Group also considers that the progress of the Qinghe Project is very slow and it is difficult for the Group to obtain the land use rights certificate through public tender, auction and listing-for-bidding. Continuous discussion with the government is still in progress. Due to the COVID-19 pandemic, the discussion with government did not proceed smoothly in the second half of 2022. The Group would also explore other possibilities to recover the costs incurred for the Qinghe Project, so that the Group's resources can be utilised properly and the risks in excessive borrowings could be avoided. It is estimated that Qinghe Project may not commence before year 2025. As such, an impairment loss in respect of goodwill of approximately RMB2.0 million was recognised.

PROVISION OF PROPERTY MANAGEMENT SERVICES

The Company is well-aware of the importance of diversifying its income streams and has always been looking for and has been active in seeking acquisition opportunities at reasonable prices in the past few years. At the same time, the Company has decided to commence its property management services recently. In July 2022, the Group set up a new company in Zouping City, namely Shandong Keen Lofty Property Management Limited* (山東建軒物業管理有限公司) ("**SKLPML**"). SKLPML has already successfully secured management service contracts with its customers and commenced its business up to the date of this announcement and recruited staff to run the services. The Group has formed a team of professionals and will further explore other business opportunities outside Zouping City. As at the date of this announcement , the Group provided services in Zouping City with an aggregate contracted gross floor area of approximately 179,000 sq.m.. All are residential properties. During the Year, a gross profit of RMB0.5 million was recorded.

Details of this new business are also set out in the announcement dated 13 July 2022.

TRADING OF CONSTRUCTION MATERIALS

The Group considers trading of construction materials supplemental to the business of property development. Given the Group has developed years of relationship and network in the industry, the Group intends to expand its scale of trading construction materials in Zouping City.

The Group intends to rigorously develop its business of trading construction materials. During the Year, the Group sold approximately 12,801 tonnes of construction materials (2021: approximately 5,545 tonnes). The Group will recruit more sales personnels to expand its customer base, particularly outside Shandong Province. Besides, the Group will also broaden its sourcing network in order to enrich and offer a variety of products to its customers.

The future business development of this segment largely depends on the economic situation in Shandong Province and also the construction works therein. The Group will closely discuss with potential customers and explore their needs in the future.

IMPACT OF COVID-19 TO THE GROUP

COVID-19 pandemic has swept the world since the beginning of 2020, causing immeasurable losses to people and the global economies. All segments of Mainland China's real estate industry have been negatively influenced. This has significantly affected the real estate market activities and customer sentiments. The real estate market in Mainland China has been under tremendous pressure as the COVID-19 outbreak has curbed demand and off-plan sales. Construction schedules and flat delivery schedules have been delayed due to quarantine and shortage of construction materials.

As mentioned, the Group's operations are concentrated in Shandong Province. During the Year, the Group experienced lockdowns in Zouping City in March, April, November and December 2022. The Group's operations and business plans were affected. There was no revenue recorded in December 2022 from the trading of construction materials as the Group's customers delayed their orders. With the recent easing of the lockdown policy, strict lockdown imposed by local government on large area is not likely to happen again. Other measures such as lifting inter-provincial travel restrictions and removing health monitoring apps will help business activities to resume normal in the coming months. The customers of the Group may benefit from these measures which in return bring in more business opportunities or transactions to the Group. The impact of COVID-19 to the Group is expected to be minimal in the future.

I. BUSINESS REVIEW

The Group's sources of revenue for the Year includes trading of construction materials in the PRC. Geographically, Shandong Province remains the Group's main market. All revenues of the Group during the Year were derived from Shandong Province. To diversify revenue sources in the challenging global economic environment, the Group had commenced the provision of property management services in the PRC. It is expected that the provision of property management services business will broaden the revenue base for the Group and create value for shareholders.

II. FINANCIAL REVIEW

Operating results

1. *Revenue*

   The Group's revenue amounted to RMB48,455,000 (Previous Year: RMB25,169,000) representing revenue from trading of construction materials, sales of properties and provision of property management services businesses.

   The Group successfully sold 123.8 sq.m. of land from Lanting Project during the Year. The Group mainly engaged in provision of property management services and sales of construction materials during the Year.

2. *Cost of sales*

   The Group's cost of sales amounted to RMB47,521,000 (Previous Year: RMB24,475,000) representing cost of sales from trading of construction materials, sales of properties and provision of property management services businesses.

3. *Other income*

   Other income amounted to RMB3,196,000 (Previous Year: RMB3,292,000) mainly representing interest income from Xiwang Group Finance Company Limited ("**Xiwang Finance**").

4. *Selling and marketing expenses*

Selling and marketing expenses mainly represented the remuneration of sales staff. The expense remained stable for the Year.

5. *Reversal of impairment losses on trade receivables under expected credit loss model*

Under the Hong Kong Financial Reporting Standard 9 "Financial Instruments", the management assessed the measurement of expected credit losses ("**ECL**") in relation to trade receivables and used a collectively assessed provision matrix to calculate ECL. During the Year, a reversal of impairment loss of approximately RMB128,000 (Previous Year: reversal of RMB8,000) was recognised due to the decrease in trade receivable balances.

6. *Administrative expenses*

Administrative expenses include general administrative fees, legal and professional fees, salaries of management and administrative staff. The amount increased to RMB10,384,000 in 2022 from RMB5,483,000 in 2021 which was mainly due to (i) exchange loss incurred of approximately RMB3,170,000 during the Year and (ii) legal and professional fee of approximately RMB2,228,000.

7. *Income tax credit*

Income tax credit decreased to RMB944,000 in 2022 from RMB9,464,000 in 2021. This is mainly attributable to the income tax credit of approximately RMB457,000 and due to the utilisation of deferred income tax liabilities from fair value adjustment arising from acquisition of subsidiary of approximately RMB487,000 during the Year.

Financial position

Liquidity and capital resources

As at 31 December 2022, the Group's cash and cash equivalents amounted to RMB150,500,000 (31 December 2021: RMB148,233,000). The Group primarily utilised 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 2022, the gearing ratio, which is total debt divided by total equity, was 3.4% (31 December 2021: 2.4%). As at 31 December 2022, the Group had no bank and other borrowings (31 December 2021: 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 2022, none of the property, plant and equipment of the Group was pledged to secure bank and other borrowings (31 December 2021: Nil).

Pledge of shares by controlling shareholders

The controlling shareholder of the Company had notified the Board on 28 September 2017 that it had entered into share charge agreements with an independent third party pursuant to which it had charged all of its shareholding in ordinary shares and convertible preference shares of 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 million. For further details of this transaction, please refer to the announcement of the Company dated 28 September 2017. Subsequent to the announcement dated 28 September 2017, the preference shareholder, Xiwang Investment Company Limited ("**Xiwang Investment**"), converted 172,095,966 preference shares to 172,095,966 ordinary shares of the Company.

The Company was informed by a letter from the Official Receiver's Office of Hong Kong ("**Official Receiver**") dated 21 March 2023 that a winding-up order dated 20 March 2023 was made against Xiwang Investment, which, as at the date of this announcement, Xiwang Investment directly holds a total of 982,999,588 ordinary shares of the Company, representing approximately 69.78% of the total issued share capital of the Company. The Company was informed by the Official Receiver that he has the interest in the shares held by Xiwang Investment and requested the Company to freeze the transfer of the said shares without any written consent from the Official Receiver.

Capital commitments

As at 31 December 2022, the Group's capital commitment amounted to RMB935,000 (31 December 2021: RMB935,000), which was mainly expenditures for property developments.

Foreign exchange risk

The Group primarily operates in the PRC with Renminbi ("**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 believe 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 2022, the Group employed approximately 23 staff members (31 December 2021: 16). Staff-related costs (including Directors' remuneration) incurred during the Year was RMB2,250,000 (Previous Year: RMB2,330,000). 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 2022 (31 December 2021: Nil).

Continuing Disclosure Obligations Pursuant to the Listing Rules

The Company does not have any disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

III. BUSINESS OUTLOOK

The PRC government has implemented a series of measures with a view to control the real estate industry in recent years. In particular, the PRC government has continued to introduce various restrictive measures to discourage speculative behaviours in the real estate market. The government exerts considerable direct and indirect influence on the development of the PRC real estate industry by imposing industry policies and other economic measures, such as controls over the supply of land for property development, and controls of foreign exchange, property financing, taxation and foreign investment. As a result, the PRC government may restrict or reduce property development activities, place limitations on the ability of commercial banks to make loans to property purchasers or impose additional taxes and levies on property sales, which may thereby affect the delivery schedule and occupancy rates of the properties.

The principle of "Houses are for living in, not for speculations" ("房子是用來住的，不是用來炒的") is firstly proposed by the PRC government in 2016 and has been implemented since then. In 2018, the PRC government has published "city-specific policies and category-specific guidance" ("因城施策分類指導"), announcing that in order to regulate the real estate market, cities may set policies according to their own situations.

In 2020, the Ministry of Housing and Urban-Rural Development, together with the People's Bank of China, proposed to issue the "three red-line" regulation for real estate enterprises, with the intention to accelerate the deleveraging process of real estate enterprises and facilitate the healthy development of PRC's real estate industry. All property developers had to comply with these rules when they obtain external financing from banks.

Recently, there was indication that the PRC government is planning to relax such restrictions and allow property developers to add more leverage by easing the borrowing caps. This is a dramatic change in PRC's real estate policy and probably can help to restore market confidence in the real estate market.

The PRC government will continue to promulgate new laws and regulations in relation to the PRC real estate industry based on macroeconomic considerations from time to time. During the Year, the central government emphatically stepped in to support beleaguered developers in an attempt to arrest the market's free fall. Property developers are allowed to reopen their equity financing activities. The Company considers this is a good indication for the industry. However, the sales activities may not restore quickly until the economy actually recovers and the consumers resume their interest and confidence in buying properties and see their future home being completed on time.

All the above measures can bring tremendous impact to the Group in the course of development of the properties. In the past years, the management noted a number of counterparts faced difficulties in securing sufficient external financing which resulted in delay in completion of the development of property projects or failure to deliver the properties to their customers as scheduled. Many property developers face hurdles to implement their business strategies, acquire land parcels and manage liquidity crisis. To minimise these risks, the management will continue to closely monitor the governmental policy and the market demand for properties in particular in Zouping City where the Group operates.

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 (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 throughout the Year and up to the date of this announcement.

REVIEW OF ANNUAL RESULTS

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

EVENTS AFTER THE REPORTING PERIOD

The Company was informed by a letter from the Official Receiver's Office of Hong Kong dated 21 March 2023 that:

(i) a winding-up order dated 20 March 2023 was made against Xiwang Investment, which, as at the date of this announcement, Xiwang Investment directly holds a total of 982,999,588 ordinary shares of the Company, representing approximately 69.78% of the total issued share capital of the Company and the officer receiver of the Official Receiver's Office is now the provisional liquidator of Xiwang Investment ("**Provisional Liquidator**"); and

(ii) the Company is requested by the Provisional Liquidator to remit the amounts due to Xiwang Investment by the Company to the Provisional Liquidator within the next 21 days from the date of such letter. The amount due to Xiwang Investment was approximately RMB15,216,000 as at 31 December 2022.

Details please refer to Company's announcement dated on 29 March 2023.

SCOPE OF WORK ON THE ANNUAL RESULTS ANNOUNCEMENT BY AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's auditors, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's draft consolidated financial statements for the Year. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on the preliminary announcement.

PUBLICATION OF ANNUAL REPORT

The 2022 annual report will be despatched to the shareholders and published on the respective websites of the Stock Exchange (www.hkex.com.hk) and the Company (www. xiwangproperty.com) in due course.

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

Hong Kong, 30 March 2023

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 Hing
Mr. WANG An
Mr. WANG Zhen

Non-executive Directors:
Mr. WANG Yong
Mr. SUN Xinhu

* *For identification purpose only*