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 2023

The board (the "**Board**") of directors (the "**Directors**") of Xiwang Property Holdings Company Limited (the "**Company**"; together with its subsidiaries, the "**Group**") hereby announces the consolidated annual results of the Group for the year ended 31 December 2023 (the "**Year**"), together with the comparative figures for the year ended 31 December 2022 (the "**Previous 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 annual results for the Year have been reviewed by the audit committee of the Company (the "**Audit Committee**"). This announcement is published on the Company's website and the designated website of the Stock Exchange. The annual report for the Year (the "**2023 Annual Report**") will be despatched to the shareholders of the Company (the "**Shareholders**") and made available on the aforementioned websites in due course.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the year ended 31 December	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
Revenue	*3*	**20,790**	48,455
Cost of sales		**(19,348)**	(47,521)
Gross profit		**1,442**	934
Other income	*3*	**3,268**	3,196
Selling and marketing expenses		**(132)**	(157)
Reversal of allowance of expected credit loss ("**ECL**") on trade receivables	*4*	**56**	128
Administrative expenses		**(6,184)**	(10,384)
Impairment loss recognised in respect of goodwill		**(71,035)**	(1,950)
Written off of prepayment		**(79,401)**	–
Loss from operation		**(151,986)**	(8,233)
Finance cost	*5*	**(155)**	(43)
Loss before tax	*6*	**(152,141)**	(8,276)
Income tax credit	*7*	**17,699**	944
Loss for the year		**(134,442)**	(7,332)
Loss attributable to:			
Owners of the Company		**(134,442)**	(7,332)
Loss per share attributable to ordinary equity holders of the Company			
Basic and diluted	*9*		
– Basic loss for the year		**RMB(9.5) cent**	RMB(0.5) cent
– Diluted loss for the year		**RMB(9.5) cent**	RMB(0.5) cent

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Loss for the year	**(134,442)**	(7,332)
Other comprehensive income		
Other comprehensive income may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**322**	2,792
Total comprehensive loss for the year	**(134,120)**	(4,540)
Total comprehensive loss for the year attributable to:		
Owners of the Company	**(134,120)**	(4,540)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**2**	3
Right-of-use asset		**1,509**	2,298
Goodwill	*10*	**107,420**	178,455
Total non-current assets		**108,931**	180,756
CURRENT ASSETS			
Completed properties held for sale		**3,715**	3,921
Properties under development		**295,169**	295,169
Trade receivables	*11*	**262**	8,771
Prepayments and other receivables	*12*	**8,589**	88,007
Cash and cash equivalents		**150,882**	150,500
Total current assets		**458,617**	546,368
CURRENT LIABILITIES			
Trade and other payables	*13*	**37,829**	46,660
Lease liabilities		**832**	759
Contract liabilities		**461**	594
Tax payable		**17**	–
Amounts due to related companies		**19,096**	17,110
Total current liabilities		**58,235**	65,123
Net current assets		**400,382**	481,245
Total assets less current liabilities		**509,313**	662,001
NON-CURRENT LIABILITIES			
Lease liabilities		**744**	1,554
Deferred tax liabilities		**74,913**	92,671
Total non-current liabilities		**75,657**	94,225
Net assets		**433,656**	567,776
EQUITY			
Equity attributable to owners of the Company			
Share capital		**175,672**	175,672
Reserves		**257,984**	392,104
Total equity		**433,656**	567,776

NOTES TO FINANCIAL INFORMATION

For the year ended 31 December 2023

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda and its shares are listed on the Stock Exchange. 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 in Hong Kong is located at unit 2110, 21/F, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong, and the principal place of business of the Company in the People's Republic of China (the "**PRC**") is located at Xiwang Industrial Area, Zouping City, Shandong Province, PRC. The immediate holding company of the Company is Xiwang Investment Company Limited (in liquidation) ("**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 Company**"), which is established in the PRC.

The Company is an investment holding company and its subsidiaries are principally involved in property development, provision of property management services and trading of construction materials in the PRC (particularly in Zouping City, Shandong Province).

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 Listing Rules and the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong). 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 during the Year. The functional currency of the Company is the Hong Kong dollar ("**HK$**"). The functional currency of the Company's subsidiaries in the 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

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 HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Polices

Except as described below, the application of the amendments to HKFRSs 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 the consolidated financial statements.

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund – Long Service Payment offsetting mechanism in Hong Kong

In June 2022, the Government of the Hong Kong Special Administrative Region (**"Government"**) gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (**"Amendment Ordinance"**), which will come into effect from 1 May 2025 (**"Transition Date"**). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund (**"MPF"**) scheme to reduce the long service payment (**"LSP"**) in respect of an employee's service from the Transition Date (the abolition of the **"offsetting mechanism"**). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published the captioned accounting guidance relating to the abolition of the offsetting mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP. To better reflect the substance of the abolition of the offsetting mechanism, the Group has applied the above HKICPA guidance and changed its accounting policy in connection with its LSP liability.

The change in accounting policy in the current year had no material impact on the consolidated financial statements.

Amendments to HKFRSs and interpretation(s) in issue but not yet effective

The Group has not applied the following amendments to HKFRSs and interpretation(s) that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause[2]

1. Effective for annual periods beginning on or after a date to be determined
2. Effective for annual periods beginning on or after 1 January 2024
3, Effective for annual periods beginning on or after 1 January 2025

The Directors anticipate that the application of all new and amendments to HKFRSs and interpretation(s) will have no material impact on the consolidated financial statements of the Group in the foreseeable future.

2. OPERATING SEGMENT INFORMATION

HKFRS 8, *Operating Segments*, requires the identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the chief operating decision maker (the "**CODM**"), being the senior management of the Company, for the purposes of resource allocation and performance assessment.

Information reported to the Group's senior management in accordance with HKFRS 8 focuses on the operating results the property development business, property management services 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 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 materials		Consolidated	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue	**90**	422	**2,729**	903	**17,971**	47,130	**20,790**	48,455
Segment result	**(150,502)**	(1,890)	**1,562**	494	**2**	508	**(148,938)**	(888)
Other segment information:								
Other income							**3,268**	3,196
Finance cost							**(155)**	(43)
Unallocated corporate expenses							**(6,316)**	(10,541)
Loss before tax							**(152,141)**	(8,276)

The accounting policies applied to the operating segments are the same as the Group's general accounting policies.

Segment profit/(loss) represents the profit/(loss) from each operating 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 purposes of resources allocation and performance assessment.

Other segment information

	Property development		Property management services		Trading of construction materials		Unallocated		Consolidated	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
	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	**–**	–	**(1)**	–	**–**	–	**–**	–	**(1)**	–
Depreciation on right-of-use assets	**–**	–	**–**	–	**–**	–	**(817)**	(603)	**(817)**	(603)
Reversal of/(provision for) allowance of ECL on trade receivables	**50**	–	**6**	(16)	**–**	144	**–**	–	**56**	128
Impairment loss recognised in respect of goodwill	**(71,035)**	(1,950)	**–**	–	**–**	–	**–**	–	**(71,035)**	(1,950)
Written off of prepayment	**(79,401)**	–	**–**	–	**–**	–	**–**	–	**(79,401)**	–

Geographical information

All revenues were derived from PRC during the Year and the Previous Year.

All non-current assets of the Group were located in the PRC (including Hong Kong) during the Year and the Previous Year.

Non-current assets

	2023	2022
	RMB'000	*RMB'000*
PRC	**2**	3
Hong Kong	**1,509**	2,298
	1,511	2,301

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

Information about major customers

Revenue from customers contributing to over 10% of the total revenue of the Group are during the Year and the Previous Year are as follows:

	2023	2022
	RMB'000	*RMB'000*
Customer A *(Note (i))*	**9,126**	–
Customer B *(Note (ii))*	**8,845**	23,422
Customer C *(Note (iii))*	**–**	19,667

Notes:

(i) Revenue generated from the Customer A during the Year was derived from trading of construction materials. The corresponding revenue did not contribute to over 10% of the total revenue of the Group for the Previous Year.

(ii) Revenue generated from the Customer B during the Year was derived from trading of construction materials for approximately RMB8,845,000 (2022: RMB23,422,000).

(iii) Revenue from Customer C during the Previous Year was derived from trading of construction materials. The corresponding revenue did not contribute to over 10% of the total revenue of the Group for the Year.

3. REVENUE AND OTHER INCOME

Revenues of the Group during the Previous Year and the Year represented 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:

	2023	2022
	RMB'000	*RMB'000*
Revenue		
Sale of properties	**90**	422
Property management services income	**2,729**	903
Trading of construction materials	**17,971**	47,130
	20,790	48,455

As revenue contracts during the Year and the Previous Year were for a 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.

	2023	2022
	RMB'000	*RMB'000*
Other income		
Interest income from a related party	**3,262**	3,172
Bank interest income	**3**	2
Government grants *(Note)*	**–**	20
Others	**3**	2
	3,268	3,196

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

4. REVERSAL OF ALLOWANCE OF ECL

	2023	2022
	RMB'000	*RMB'000*
Reversal of allowance of ECL recognised on:		
– Trade receivables	**56**	128

5. FINANCE COST

	2023	2022
	RMB'000	*RMB'000*
Interest on lease liabilities	**155**	43

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging the following:

	2023	2022
	RMB'000	*RMB'000*
Cost of inventories sold	**19,348**	47,521
Auditors' remuneration	**585**	556
Auditors' remuneration for non-audit service	**–**	120
Depreciation		
– Property, plant and equipment	**1**	–
– Right-of-use asset	**817**	603
Expenses relating to short-term leases	**9**	382
Foreign exchange loss, net	**612**	3,170
Employee benefit expense (including directors' and chief executive's remuneration):		
– Wages and salaries	**2,225**	2,024
– Pension scheme contributions	**259**	226
	2,484	2,250

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 (2022: Nil). On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**"), which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was published in the 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, all PRC enterprises are subject to a standard enterprise income tax rate of 25%, except for enterprises under specific preferential policies and provisions. In 2023, the applicable tax rate for the subsidiaries of the Company established in the PRC was 25% (2022: 25%). PRC Land Appreciation Tax 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.

	2023	2022
	RMB'000	*RMB'000*
Current tax		
Over-provision in respect of prior years	**–**	(457)
Charge for the year	**59**	–
	59	(457)
Deferred tax		
Credit for the year	**(17,758)**	(487)
Total tax credit for the year	**(17,699)**	(944)

8. DIVIDENDS

No final dividend was proposed by the Board for both ordinary shares and convertible preference shares for the Year (2022: nil).

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculations of basic and diluted loss per share amounts are based on:

	2023	2022
	RMB'000	*RMB'000*
Loss attributable to ordinary equity holders of the Company	**(134,442)**	(7,332)

	Number of shares	
	2023	2022
Weighted average number of ordinary shares in issue during the year used in the basic loss 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 per share calculations	**1,408,784,198**	1,408,784,198

For the Year and the Previous Year, the basic loss per share was the same as the diluted loss per share. No (2022: nil) adjustment has been made to the basic loss per share amounts presented for the Year in respect of a dilution as the impact of convertible preference shares (2022: 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. GOODWILL

	RMB'000
Cost:	
As at 1 January 2022, 31 December 2022, 1 January 2023 and **31 December 2023**	**200,583**
Accumulated impairment:	
As at 1 January 2022	20,178
Impairment loss recognised in the Year	1,950
At 31 December 2022 and at 1 January 2023	22,128
Impairment loss recognised in the Year	71,035
At 31 December 2023	**93,163**
Carrying values:	
At 31 December 2022	178,455
At 31 December 2023	**107,420**

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

	2023 *RMB'000*	2022 *RMB'000*
Meijun Project	**107,420**	107,420
Qinghe Project	**–**	71,035
	107,420	178,455

11. TRADE RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**272**	8,837
Less: Allowance for expected credit losses	**(10)**	(66)
	262	8,771

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

	2023	2022
	RMB'000	*RMB'000*
0-180 days	**272**	8,837

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

12. PREPAYMENTS AND OTHER RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Prepayments *(note)*	**576**	79,943
Other receivables	**1,532**	1,583
Prepaid tax	**6,481**	6,481
	8,589	88,007

Note:

During the Year, there were written off of prepayments amounting to approximately RMB79,401,000 (2022: nil) due to the uncertainty in future prospects of the Qinghe Project. The real estate market in the PRC experienced a downward trend. The Board considered that the Qinghe Project has minimal foreseeable future cash inflow from its further development. The amounts prepaid are non-refundable.

13. TRADE AND OTHER PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Trade payables	**9,886**	18,502
Other payables	**27,218**	27,340
Salary and welfare payables	**725**	818
	37,829	46,660

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:

	2023	2022
	RMB'000	*RMB'000*
0 – 30 days	**92**	381
31 – 60 days	**29**	–
61 – 90 days	**29**	–
Over 90 days	**9,736**	18,121
	9,886	18,502

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 City, Shandong Province of the PRC. The Company was listed on the Main Board of the Stock Exchange in December 2005. The Group is principally engaged in the businesses of property development, provision of property management services and trading of construction materials in the PRC, particularly in the Shandong Province.

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, both of which are residential projects located in Zouping, Shandong Province. As at 31 December 2023, the total unsold portion of these two projects was approximately 1,317 sq.m., which mainly consisted of storage rooms and car parking spaces. The Group will use its best endeavour to sell such unsold portion as soon as practicable. During the Year, the Group successfully sold 36.0 sq.m. of Lanting Project.

The business environment of the property development market is heavily affected by the national and local governmental policies in the past few years. The real estate market of Zouping City also fluctuated significantly and showed a downward trend in recent years. All these factors led the management of the Company to take a conservative approach in dealing with potential projects, particularly given that property development is a capital intensive industry and a significant portion of the working capital of the Group will be tied up 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 fundraising for any project and does not have the pressure of de-stocking and deleveraging which other property developers may currently encounter.

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

Meijun Project Phase Three has been delayed for years as the site is located in a regeneration area subject to demolition of existing structures erected on the site. The Group has actively liaised with various government departments which are responsible for such demolition works and plot ratio planning.

In particular, the Board would like to highlight that, during the Year, the Group took the following actions in furtherance of Meijun Project Phase Three:

– liaised with the relevant officials of the government of Zouping City and/or Huangshan Street Office* (黃山街道辦事處) on multiple occasions to follow up on and push forward the demolition works of Meijun Project Phase Three;

– liaised with the Zouping City Natural Resources and Planning Bureau* (鄒平市自然資源和規劃局) to further understand the restrictions on the overall planning of floor area ratio for Meijun Project Phase Three;

– communicated with the deputy director in charge and followed up on the progress of adjustments to the floor area ratio; and

– communicated with Planning Designing House (規劃設計院) regarding the overall planning design of Meijun Project Phase Three.

As at the date of this announcement, the local government departments have already started the demolition works of the existing structures and it is expected that a period of approximately one year will be required to complete the demolition works. The demolition works are entirely undertaken and handled by the local government.

The development of Meijun Land B is subject to the grant of the Land Use Certificate which is currently expected to be obtained in 2025. The Company will carefully assess the Meijun Project Phase Three pre-sale activities after considering certain important factors such as prevailing conditions and forecasts of the overall economy and the real estate market in Zouping City.

The Group has set out the following timetable 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	Obtaining the Land Use Certificate of MeijunLand 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

Another potential real estate development project of the Group is the Qinghe Project, which involves 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 requirements, the Group has been very cautious in starting this project. In addition, the management also considers that the progress of the Qinghe Project has been very slow and it is difficult for the Group to obtain the land use rights certificate through public tender, auction and listing-for-bidding.

The development of the Qinghe Project has been affected by the weakening of PRC real estate market. In view of the slow progress and the risk of overstocking of properties in the future, the management considers that it is highly unlikely that the Group will develop this project in the coming years until there are signs that demonstrate an upward trend in the demand for residential properties in the PRC (in particular Zouping City, Shandong Province). Based on independent valuations and management's assessment, the Group recorded impairment losses recognised in respect of goodwill and written off of prepayment of approximately RMB71.0 million and RMB79.4 million respectively for the Year (Previous Year: impairment loss recognised in respect of goodwill of approximately RMB2.0 million).

Reasons for and the circumstances leading to the impairment loss and written off

The real estate market in the PRC drew a lot of attention in 2023. Many industrial giants had debt defaults recorded and entered into restructuring processes. A number of property developers even went into liquidation. Property sales by value in the PRC dropped to under RMB12 trillion in 2023 from RMB15 trillion in 2021. Overall, in 2023, investment in real estate development in the PRC fell by 9.6% when compared to that of 2022 in according to statistics published by the National Bureau of Statistics of the PRC.

The management expects that the housing market in the PRC will face additional pressures in coming years from structural factors, in particular slowdown in the growth of the domestic income per person. The need for additional new housing will diminish in coming years as the pace of urbanisation slows. Large public subsidies in the previous decade helped millions of people move to newer housing from older buildings lacking modern amenities. However, such demand will likely be more limited as depressed land sale revenues have tightened local government fiscal constraints and there are fewer residents who are living in older housing and in need of newer housing. Despite continued discussion with the local government, the government has not provided concrete responses (such as a public tender timetable) to the Group.

In addition, the site of the Qinghe Project is located in the sub-urban area of Zouping City and is out of the prime location of the city. The demand for residential housing in this area has diminished with customers taking a more conservative approach in acquiring properties in Zouping City in recent years. A weak demand would push down the selling price of the properties. The management has reviewed the development plan of the Qinghe Project, taking into account the purchasing power of the potential customers, demand for better quality housing in the area and the real estate market conditions. It is anticipated that the selling prices of the properties would be lower than those in the previous years. If the Group continues to develop the Qinghe Project, it may have an adverse effect on the Group's financial results in the long term. The management has made attempts to identify suitable business partner(s) to collaborate in the development of the Qinghe Project. However, due to the above-mentioned factors, the management has not been able to identify a suitable potential business partner.

The Group has conducted annual review on goodwill in connection to the Qinghe Project to assess the expected recoverable amount of the same. The Group engaged an external valuer to perform assessment on the expected recoverable amount of goodwill based on the higher of fair value less costs of disposal and value in use ("**VIU**") calculation. After careful review and assessment, the Group recorded impairment losses recognised in respect of goodwill, details of which are set out in Note 10 above.

The prepayments with respect to the Qinghe Project represented the prepaid construction costs which include, without limitation, the costs of relocation house construction (回遷房建設), fence project, community billboard project, construction of supporting facilities, demolition compensation, land acquisition management fee paid to the Bureau of Land and Resources, temporary handling fee charged by the Bureau of Land and Resources and other miscellaneous prepaid development costs. All prepayments incurred are non-fundable. The management considered that the real estate market in the PRC is unlikely to have significant improvement in the coming few years. The Qinghe Project may not be able to generate significant cash inflow from presales of properties to support its cash outflow in construction works from its further development. As such, prepayments which amounted to approximately RMB79.4 million was written off during the Year.

The impairment losses on goodwill and written off of prepayment, which were non-cash in nature, did not affect the Group's working capital condition during the Year.

Key basis and assumptions adopted for projected cash flow of the Qinghe Project

In the Year, the management expected that the field works of the Qinghe Project would only be able to commence in 2026. The Group will start the planning work and further negotiate with the government. If the real estate market is stable, the management expected that the construction works would start in 2028 and that it would take approximately two years to complete such construction works during the forecast period from 2024 to 2033 ("**Forecast Period**"). The management expected that the profit margin may decrease significantly.

In the Previous Year, the management anticipated that the construction works of the Qinghe Project would commence in 2026 and that it would take two years to complete the construction works during the forecast period from 2024 to 2031 ("**Previous Forecast Period**"). However, it was then anticipated that a positive net profit margin for the whole project would result.

The decrease in expected net profit margin was mainly due to the management setting a lower unit selling price in view of market conditions and adjustments to the costs of development for the Qinghe Project.

The commencement time of the construction works of the Qinghe Project is expected to be in 2028 for the Forecast Period (Previous Forecast Period: in 2026). The commencement of the pre-sale activities of the Qinghe Project will depend on the conditions of the real estate market and the demand for housing in Zouping City. The management expected that the pre-sale activities of the Qinghe Project would commence in 2028 for the Forecast Period (Previous Forecast Period: in 2026). The management will periodically revise the development plan of the Qinghe Project and will prioritise Meijun Project Phase Three in the deployment of the Group's resources.

There were no significant changes in the basis adopted in the preparation of the projected cash flow for the Forecast Period in 2023 as compared with those adopted for the Previous Forecast Period in 2022. The expected annual net profit margin during the Forecast Period in 2023 was lower than the projection of the same for the Previous Forecast Period made in 2022, taking into consideration various factors, including but not limited to the increase in development expenditure, the estimated time to kick off the project, reduction in the unit selling price of the property and the market condition in the real estate market in the PRC (in particular, Zouping City, Shandong Province).

The valuation method of discounted cash flow was adopted for the calculation of the VIU of the Qinghe Project. In accordance with Hong Kong Accounting Standard 36 Impairment of Assets, a CGU to which goodwill has been allocated shall be tested for impairment annually, and whenever there is an indication that the CGU may be impaired, by comparing the carrying amount of the CGU, including the goodwill, with the recoverable amount of the CGU, which is the higher of the VIU and the fair value less costs of disposal. The valuation method of fair value less costs of disposal was not adopted as there were limited transactions of comparable CGU available in the market for the determination of fair value after having carried out research on an international research database, all announcements on the websites of the Stock Exchange, the Shenzhen Stock Exchange and the Shanghai Stock Exchange and the financial reports and publicly available information of listed companies in Hong Kong. In accordance with Hong Kong Accounting Standard 36, it will not be possible to measure fair value less costs of disposal because there is no reasonable basis for making a reliable estimate of the price at which an orderly transaction to sell the CGU would take place between market participants at the measurement date under the then prevailing current market condition. On the other hand, costs of disposal of transactions can vary on a case-by-case basis and such information is not easily assessable. As such, VIU was adopted as the recoverable amount of the CGU. The valuation method of discounted cash flow has been consistently applied in the valuation on the CGU of the Qinghe Project since 2012.

The reason for the decrease in the VIU of the December 2023 valuation as compared to the VIU of the Previous Year is that the projected annual net profit margin for the Forecast Period was lower than the projection of the same for the Previous Forecast Period made in 2022, taking into consideration various factors including but not limited to, the estimated time to kick off the project, the unit selling price of the property and the market condition in the real estate market.

PROVISION OF PROPERTY MANAGEMENT SERVICES

The Company is well-aware of the importance of diversifying its income streams and has been actively seeking acquisition opportunities at reasonable prices in the past few years. The Group has successfully secured property management service contracts with a number of customers in Zouping City. The Group will also further explore other business opportunities outside Zouping City. As at the date of this announcement, the Group provides services to residential properties in Zouping City with an aggregate contracted gross floor area of approximately 179,000 sq.m.. During the Year, a gross profit of RMB1.6 million was recorded.

TRADING OF CONSTRUCTION MATERIALS

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

The Group intends to rigorously develop its business of construction materials trading. During the Year, the Group sold approximately 4,453 tonnes of construction materials (2022: approximately 12,801 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 wider variety of products to its customers. Due to the weak demand for construction materials, the Group recorded an approximately 65% decrease in the sales volume during the Year as compared to the Previous Year.

The future development of this segment of the Group's businesses 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.

I. BUSINESS REVIEW

The Group's sources of revenue for the Year include sales of properties, provision of property management services and trading of construction materials in the PRC. Geographically, Shandong Province remains the Group's main market. The revenues of the Group during the Year were entirely derived from Shandong Province. To diversify revenue sources in the challenging national and global economic environment, the Group commenced the businesses of construction materials trading and provision of property management services in the PRC in December 2020 and July 2022 respectively. It is expected that the continued development of these new businesses will broaden the revenue base for the Group and create value for shareholders.

II. FINANCIAL REVIEW

Operating results

1. *Revenue*

   During the Year, the Group's total revenue amounted to RMB20,790,000 (Previous Year: RMB48,455,000), representing revenues from the businesses of trading of construction materials, sales of properties and provision of property management services.

   The Group successfully sold 36.0 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*

   During the Year, the Group's total cost of sales amounted to RMB19,348,000 (Previous Year: RMB47,521,000), representing costs of sales from the businesses of trading of construction materials, sales of properties and provision of property management services.

3. *Other income*

The Group's other income during the Year amounted to RMB3,268,000 (Previous Year: RMB3,196,000), mainly representing interest income from Xiwang Group Finance Company Limited, a related company of the Company.

4. *Selling and marketing expenses*

Selling and marketing expenses of the Group mainly represented the remuneration of sales staff. These expenses remained stable during the Year.

5. *Reversal of allowance of expected credit loss on trade receivables*

In accordance with 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 RMB56,000 (Previous Year: reversal of RMB128,000) was recognised due to the decrease in trade receivable balances.

6. *Administrative expenses*

Administrative expenses of the Group include general administrative fees, legal and professional fees and salaries of management and administrative staff. During the Year, the total amount of administrative expenses was RMB6,184,000, representing a decrease of RMB4,200,000 compared to the figure of RMB10,384,000 during the Previous Year. The decrease was mainly due to (i) decrease in exchange loss to RMB612,000 (2022: RMB3,170,000) and (ii) decrease in legal and professional fees to RMB493,000 during the Year (2022: RMB2,089,000).

7. *Income tax credit*

In the Year, income tax credit increased to RMB17,699,000, representing an increase of RMB16,755,000 from RMB944,000 in the Previous Year. This was mainly attributable to the utilisation of deferred income tax liabilities from fair value adjustment arising from acquisition of subsidiary of approximately RMB17,758,000 during the Year.

8. *Impairment loss recognised in respect of goodwill and written off of prepayment*

The Company recognised a provision for impairment loss of goodwill and written off of prepayment of approximately RMB71.0 million and RMB79.4 million respectively during the Year (Previous Year: impairment loss recognised in respect of goodwill of approximately RMB2.0 million). Such impairment and written off were attributable to the Qinghe Project of the property development business of the Group. Details of impairment set out under "Property Development Business" which is included within the "Management Discussion and Analysis" section.

Financial position

Liquidity and capital resources

As at 31 December 2023, the Group's cash and cash equivalents amounted to RMB150,882,000 (31 December 2022: RMB150,500,000). The Group primarily utilised the cash flow from operations, cash inflow from investing activities and cash on hand to finance its operational requirements during the Year.

As at 31 December 2023, the Group's gearing ratio, which is total debt divided by total equity, was 4.8% (31 December 2022: 3.4%). As at 31 December 2023, the Group had no bank and other borrowings (31 December 2022: 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 did not enter into any significant acquisitions or disposals of subsidiaries. The Group has not made future plans for any significant investments or capital asset acquisitions.

Pledge of assets

As at 31 December 2023, none of the property, plant and equipment of the Group was pledged to secure bank and other borrowings (31 December 2022: nil).

Pledge of shares by controlling shareholders

The controlling shareholder of the Company, Xiwang Investment Company Limited (in liquidation) ("**Xiwang Investment**"), 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 aforementioned announcement, Xiwang Investment converted 172,095,966 preference shares into 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 had been made against Xiwang Investment. 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 number of ordinary shares issued by the Company, and 506,244,669 convertible preference shares of the Company, representing approximately 99.75% of the total number of convertible preference shares issued by the Company. The Company was informed by the Official Receiver that he had the interest in the shares of the Company held by Xiwang Investment and was requested to freeze the transfer of the said shares unless prior written consent has been obtained from the Official Receiver. As at the date of this announcement, Mr. Lai Kar Yan and Ms. Chu Ching Man are the joint and several liquidators of Xiwang Investment.

On 2 August 2023, Mr. Osman Mohammed Arab and Mr. Lai Wing Lun were appointed as the joint and several receivers of 982,999,588 ordinary shares and 506,244,669 convertible preference shares of the Company held by Xiwang Investment. Details of the event is set out in the announcement of the Company dated 4 August 2023.

Capital commitments

As at 31 December 2023, the Group's capital commitment amounted to RMB935,000 (31 December 2022: RMB935,000), which mainly comprised expenditures for property development.

Foreign exchange risk

The Group primarily operates in the PRC with RMB as its functional currency. During the Year, the 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 fluctuations of foreign exchange rates was not significant as a whole.

Human resources

As at 31 December 2023, the Group employed approximately 20 staff members (31 December 2022: 23). Staff-related costs (including Directors' remuneration) incurred during the Year amounted to RMB2,484,000 (Previous Year: RMB2,250,000). The Group regularly reviews the remuneration packages of the Directors and employees having regard to their experience and responsibilities in relation to the Group's business. The Group has established a remuneration committee (the "**Remuneration Committee**") to determine and review the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management of the Company.

Contingent liabilities/advance to an entity

As at 31 December 2023, the Group did not have any contingent liabilities (31 December 2022: nil).

Continuing Disclosure Obligations Pursuant to the Listing Rules

As at the date of this announcement, the Company does not have any disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

III. BUSINESS OUTLOOK

Policy adjustment is one of the key factors affecting the real estate market in the PRC. Looking at key data changes in real estate development investment and sales in 2023, although decreases occurred in various parameters such as real estate development investment and enterprise available funds, such decreases narrowed compared with the previous year. Meanwhile, the comprehensive adoption of policy tools such as "recognising housing rather than loans" (i.e. financial institutions are required to treat homebuyers and their family members as first-time buyers and extend favourable terms on loans so long as they have no existing housing property registered under their names in the region, regardless of whether they have taken a loan to buy a home in the past), reducing the down payment ratio and interest rate and relaxing purchase restrictions in various regions have been regarded as effective means to boost the market.

It is expected that real estate policies will continue to ease further in 2024. Second-tier cities are expected to fully lift restrictive policies, while policies for first-tier cities are expected to be relaxed to some extent. Financial policies supporting financing of property developers are expected to continue to be strengthened, and rehabilitation of the reputation and credibility of property developers is expected to accelerate, thus promoting stable recovery in demand.

Looking ahead, the position of "housing is for living in, not for speculation" is still the bottom line firmly held by the PRC regulators. Since the introduction of such positioning in 2016, the determination of real estate to return to its residential attributes has been determined, which is not a short-term real estate strategy but a decisive positioning for the long-term future.

In 2023, the Central Economic Work Conference proposed to accelerate the construction of "three major projects (三大工程)", i.e. the construction of affordable housing, dual-use public infrastructure for both ordinary and emergency use and urban village redevelopment, which shall be one of the priorities of local governments and financial institutions in 2024. It is estimated that the advance in construction of the "three major projects" may significantly alleviate the downward risk of the real estate market. Nonetheless, it takes time for the economy to fully recover and for consumers to restore confidence in property, and the real estate market is still gathering steam for revitalisation from its present low levels.

All the above measures can bring tremendous impact to the Group's property development and sales business. In the past years, the Company's management noted a number of other players in the industry 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 in implementing their business strategies, acquiring land parcels and management of liquidity risks. To minimise these risks, the management will continue to closely monitor the governmental policies and the market demand for properties, in particular in Zouping City where the Group primarily operates.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries 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.

During the Year, the Board was in compliance with the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors, representing at least one-third of the Board, with at least one independent non-executive director possessing appropriate professional qualifications and accounting and related financial management expertise (the "**Qualification**"), except during the period from 8 May 2023 (the date of the resignation of Mr. WANG Zhen as independent non-executive Director) to 5 July 2023, before the appointment of Ms. LI Shaorui as an independent non-executive Director on 6 July 2023.

According to Rule 3.10(1) of the Listing Rules, the Company is required to have at least three independent non-executive Directors. According to Rule 3.10A of the Listing Rules, the Company's independent non-executive Directors must represent at least one-third of the Board. According to Rule 3.10(2) of the Listing Rules, at least one of the independent non-executive Directors of the Company must possess the Qualification.

According to Rule 3.21 of the Listing Rules, the Audit Committee of the Company must comprise non-executive Directors only and must comprise a minimum of three members, at least one of whom must be an independent non-executive Director who possesses the Qualification. Rule 3.21 also provides that the majority of the members of the Audit Committee must be independent non-executive Directors and that the Audit Committee must be chaired by an independent non-executive Director. According to Rule 3.27A of the Listing Rules, the nomination committee of the Company (the "**Nomination Committee**") must comprise a majority of independent non-executive Directors and must be chaired by the chairman of the Board or an independent non-executive Director. Further, pursuant to Rule 3.25 of the Listing Rules, the Company's Remuneration Committee must comprise a majority of independent non-executive Directors and must be chaired by an independent non-executive Director.

In accordance with code provision B.1.4, the Board is committed to assessing the independence of independent non-executive Directors annually and ensuring that independent views and input are made available to the Board.

As disclosed in the announcement of the Company dated 8 May 2023, immediately following the resignation of Mr. WANG Zhen as an independent non-executive Director, a member of the Audit Committee and a member of the Nomination Committee:

(a) the Company only had two independent non-executive Directors, such that the number of independent non-executive Directors fell below the minimum number required under Rule 3.10(1) of the Listing Rules and below one-third of the members of the Board required under Rule 3.10A of the Listing Rules;

(b) the Audit Committee only had two members, such that the number of members fell below the minimum number required under Rule 3.21 of the Listing Rules; and

(c) the Nomination Committee did not comprise a majority of independent non-executive Directors as required under Rule 3.27A of the Listing Rules.

With the appointment of Ms. LI Shaorui as an independent non-executive Director, a member of the Audit Committee and a member of the Nomination Committee on 6 July 2023: (i) the Board comprises three independent non-executive directors representing at least one-third of the members of the Board; (ii) the Audit Committee has three members; and (iii) the Nomination Committee comprises a majority of independent non-executive Directors. Save as disclosed hereinabove, the Company was in compliance with the aforementioned provisions of the Listing Rules relating to the composition and chairmanship of the Board and the Board committees throughout the Year and up to the date of this announcement.

Code provision F.2.2 of the CG Code provides that the chairman of the Board should invite the chairmen of the Board committees to attend the annual general meeting. In their absence, the chairman of the Board should invite another member of the relevant Board committee or, failing this, his/her duly appointed delegate to attend. These persons should be available to answer questions at the annual general meeting. Additionally, code provision F.2.2 of the CG Code provides that the Company should ensure the external auditor attends the annual general meeting to answer questions relating to the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence. Due to other work commitments, the chairman of the Board and one member of the Remuneration Committee and Nomination Committee of the Company did not attend the annual general meeting of the Company held on 16 June 2023 ("**2023 AGM**"). In order to ensure effective communication with the shareholders of the Company, other Board members (including the executive Directors and chairmen of the Audit Committee, Nomination Committee and Remuneration Committee) attended the 2023 AGM to answer relevant questions from the shareholders of the Company present thereat. The external auditor of the Company, HLB Hodgson Impey Cheng Limited, as well as the Company's legal advisors, Henry Yu & Associates, also attended the 2023 AGM.

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, each of the Directors confirmed that he or she has complied with the Model Code throughout the Year and up to the date of this announcement.

REVIEW OF ANNUAL RESULTS

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

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 as set out in this announcement have been compared by the Group's auditors, HLB Hodgson Impey Cheng Limited ("**HLB**"), to the amounts set out in the Group's draft consolidated financial statements for the Year. The work performed by HLB 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 HKICPA and consequently no assurance has been expressed by HLB on this announcement.

PUBLICATION OF ANNUAL REPORT

The 2023 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, 26 March 2024

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

Executive Directors:
Mr. WANG Jin Tao
Mr. WANG Wei Min

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

Independent non-executive Directors:
Mr. WONG Kai Hing
Mr. WANG An
Ms. LI Shaorui

* *For identification purpose only*