XIWANG PROPERTY HOLDINGS COMPANY LIMITED

西王置業控股有限公司*

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

Stock code 股份代號 : 2088

INTERIM REPORT

2018

中 期 報 告




西王置业

Contents

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. WANG Jin Tao
(Chief Executive Officer)
Mr. WANG Wei Min

Non-Executive Directors

Mr. WANG Di *(Chairman)*
Mr. WANG Yong *(Deputy Chairman)*
Mr. SUN Xinhu

Independent Non-Executive Directors

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

Committees

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Company Secretary

Mr. WONG Kai Hing

Authorised Representatives

Mr. WANG Yong
Mr. WONG Kai Hing
Mr. SUN Xinhu
(alternate to Mr. WANG Yong and Mr. WONG Kai Hing)

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business in the PRC

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

Principal Place of Business in Hong Kong

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

Principal Bankers

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

Auditors

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

Legal Advisers

As to Hong Kong law:
Woo Kwan Lee & Lo
26th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

As to Bermuda law:
Conyers Dill & Pearman
2901, One Exchange Square
8 Connaught Place
Central
Hong Kong

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Investor Relations and Corporate Communication

Mr. WANG Jianxiang
Tel : (86) 543 461 9688
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Company Website

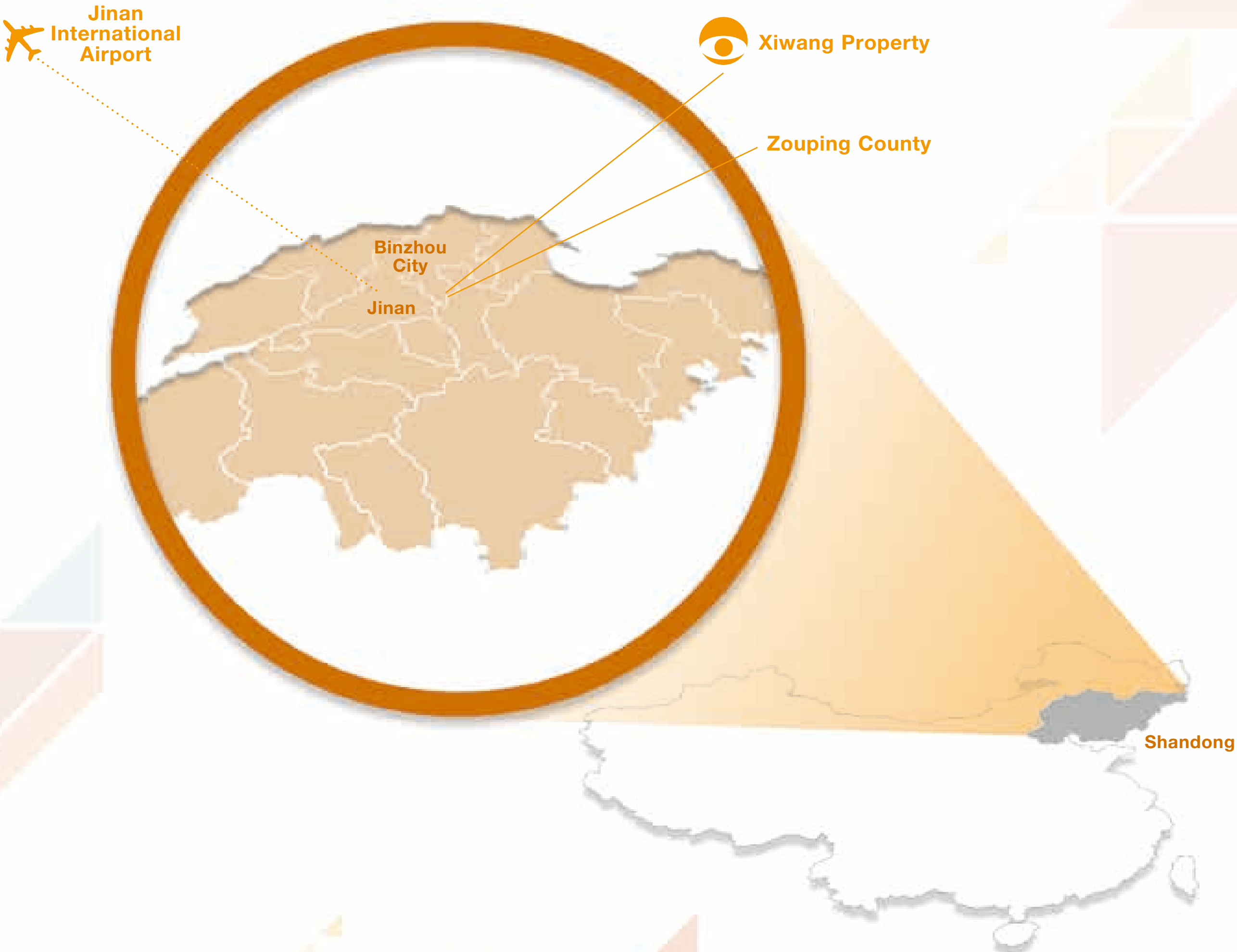
www.xiwangproperty.com

CORPORATE PROFILE

Xiwang Property Holdings Company Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") was established in 2001 with headquarters located in Zouping County, Shandong Province of the People's Republic of China (the "**PRC**"). The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in December 2005.

The Group is principally engaged in property development in the PRC.

Currently, the Group has three property projects in Shandong Province of the PRC, namely Lanting Project, Meijun Project and Qinghe Project, which are under development and on sale.



LANTING PROJECT

Lanting Project is located at the junction between the south of Heban 3rd Road and the west of Liquan 1st Road, which is a newly developed area in Zouping County, Binzhou City, Shandong Province and is close to the county government headquarter. Lanting Project is a comprehensive residential development with two phases, namely North Zone and South Zone, and were completed in December 2013 and December 2014 respectively. There are 11 blocks of 6 to 14-storey residential buildings providing around 390 residential units.

CORPORATE PROFILE

MEIJUN PROJECT

Meijun Project is located at the east of Daixi 3rd Road South of Chengnan New District, a newly developed area in Zouping County, Binzhou City, Shandong Province and is close to the county government headquarter, hospital and colleges. Meijun Project is a residential development with 3 phases. Phase One, completed in December 2008, comprises 4 blocks of 5-storey residential buildings providing around 110 residential units. Phase Two comprises 19 blocks of 5 to 18-storey residential buildings providing around 700 residential units, and was completed in December 2013. Phase Three is still under planning.

QINGHE PROJECT

Qinghe Project is located at Kaihe Village, Handian Town of Zouping County, Binzhou City, Shangdong Province. The project comprises a parcel of land with a site area of approximately 131,258 square metres ("**sq m**") for the construction of residential units. At present, the project has completed the construction of resettlement houses and is coordinating the handling of land certificate.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

The Group's main source of revenue for the six months ended 30 June 2018 (the "**Period**") is sales of developed properties and rental income. Geographically, Shandong remains as the Group's main market. All revenues of the Group during the Period were derived from Shandong.

The Group's turnover of the Period is RMB14,206,000 (first half of 2017: RMB19,035,000), representing a decrease of 25.4% as compared to the corresponding period of last year. The decrease of turnover was mainly due to the decrease in gross floor area (the "**GFA**") sold as compared to the corresponding period of last year. The GFA sold in Binzhou City decreased from 4,590 square meters in the first half of 2017 to 1,970 sq m in the first half of 2018, representing a decrease of 57.1%. The average GFA price in Binzhou City remained stable in the first half of 2018 as compared to the corresponding period of last year. In the first half of 2018, sales of developed properties of RMB4,537,000 was newly incurred in Qingdao City, representing 36.0% of the total sales of properties.

II. FINANCIAL REVIEW

Operating Results

1. Revenue

The Group's revenue amounted to RMB14,206,000 during the Period (first half of 2017: RMB19,035,000), representing a decrease of 25.4% as compared to the same period of last year. Revenue decreased was mainly due to the sharp decrease in GFA sold in Binzhou City which outweighed the increase in the sales in Qingdao City as compared to the same period of last year.

Sales breakdown:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Sales of properties	**12,598**	19,035
Rental income	**1,608**	–
	14,206	19,035

Sales of properties breakdown:

	Revenue Six months ended 30 June		GFA sold Six months ended 30 June		Average GFA price Six months ended 30 June	
	2018 **RMB'000**	2017 RMB'000	**2018** **sq m**	2017 sq m	**2018** **RMB/** **sq m**	2017 RMB/ sq m
Binzhou City	**8,061**	19,035	**1,970**	4,590	**4,092**	4,147
Qingdao City	**4,537**	–	**297**	–	**15,287**	–
	12,598	19,035	**2,267**	4,590	**5,557**	4,147

2. Cost of sales

The Group's cost of sales amounted to RMB14,854,000 during the Period (first half of 2017: RMB17,045,000), representing a decrease of 12.9% as compared to the same period of last year. The decrease in cost of sales was mainly due to the decrease in GFA sold as compared to the same period of last year.

3. Other income

Other income included compensation income, interest income and rental income from car parking spaces. Other income for the Period amounted to RMB49,122,000 (first half of 2017: RMB2,629,000), representing an increase of 17.7 times as compared to the corresponding period of last year. The substantial increase for the Period was mainly due to the compensation income of RMB47,339,000 received during the Period.

4. Administrative expenses

Administrative expenses included general administrative fees, legal and professional fees, salaries of management and administrative staff. Administrative expenses for the Period amounted to RMB3,601,000 (first half of 2017: RMB2,483,000), representing an increase of 45.0% as compared to the corresponding period of last year. The increase for the Period was mainly due to the administrative expenses incurred by the newly acquired subsidiary during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial position

Liquidity and capital resources

As at 30 June 2018, the Group's cash and cash equivalents amounted to RMB126,429,000 which increased by RMB118,000, as compared to RMB126,311,000 as at 31 December 2017. The Group primarily utilized the cash flow from operations and cash on hand to finance operational requirements during the Period.

As at 30 June 2018, the gearing ratio, being the ratio of total liabilities divided by total equity, was 43.9% (31 December 2017: 28.6%). As at 30 June 2018, the Group had no bank borrowing (31 December 2017: nil).

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

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

Capital commitments

As at 30 June 2018, the Group's capital commitment amounted to RMB2,628,000 (31 December 2017: RMB3,470,000), which was mainly expenditure incurred for property development.

Charges on Group Assets

As at 30 June 2018, our Group had no pledge of assets (30 June 2017: nil).

Foreign exchange risk

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

Human resources

As at 30 June 2018, the Group employed approximately 34 staff (30 June 2017: 22). Staff-related costs incurred during the Period was RMB1,141,000 (first half of 2017: RMB1,113,000). The Group reviewed regularly the remuneration packages of directors and employees with respect to their experience and responsibilities to the Group's business. The Group established a remuneration committee to determine and review the terms of remuneration packages, bonuses and other compensation payables to directors and senior management. In addition to basic remuneration packages and discretionary bonuses, share options may also be granted based on individual performance.

Contingent Liabilities

As at 30 June 2018, the contingent liabilities of the Group was Nil (31 December 2017: nil).

III. BUSINESS OUTLOOK

In the first half of 2018, regulation and control of real estate policy entered a new phase, with the central government of the PRC stepping up regulation and control, and more implementation of local responsibilities. As a result, the transaction area of new properties in key cities continued to shrink. The overall supply of the land market continued to grow, with the largest increase mostly in third- and fourth-tier cities. Most of the sales volume came from brand enterprises, with sales volume of which continued to grow. In the second half of the year, it is expected that the central government of the PRC will continue to maintain regulation and control. The construction and sales of the national commercial housing market will become more rational, with prices rising steadily.

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of this year, with the successive intervention of large-scale real estate developers such as Country Garden and R&F Real Estate, the Zouping real estate project entered a new stage of development. In the first half of the year, with the government's regulation and control and stepping up supervision, the new development projects in Chengnan New District were mostly in the stage of perfecting procedures, with prices remaining high. The old district of Chengbei is mainly represented by the school district. In Shannan, with the supply of new properties reducing, second-hand transaction prices have been rising. The township area is mainly comprised of townships and towns around the county town. Due to the rigid demand for staff accommodation of several large enterprises, large property houses and properties with limited property rights which were developed and constructed were basically sold out, with relatively large increase in prices.

With further regulation, control and supervision of the government, the intervention of large real estate developers, the scarcity of development projects and the launch of Jiqing High-speed Railway and the completion of its extension, supporting facilities of real estate will be further improved and the Zouping real estate market will face new challenges and opportunities.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB$'000 (Unaudited)
Revenue	4	**14,206**	19,035
Cost of sales		**(14,854)**	(17,045)
Gross (loss)/profit		**(648)**	1,990
Other income	4	**49,122**	2,629
Selling and marketing expenses		**(88)**	(104)
Administrative expenses		**(3,601)**	(2,483)
Profit before tax	5	**44,785**	2,032
Income tax credit	6	**1,374**	1,420
Profit for the Period		**46,159**	3,452
Profit attributable to:			
Owners of the parent		**46,159**	3,452
		46,159	3,452
Earnings per share attributable to ordinary equity holders of the Company			
Basic and diluted	7	**RMB3.28 cents**	RMB0.28 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**46,159**	3,452
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(1,399)**	(1,308)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	**44,760**	2,144

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**169**	92
Goodwill		**200,583**	180,405
Total non-current assets		**200,752**	180,497
CURRENT ASSETS			
Completed properties held for sale		**183,200**	52,055
Properties under development	9	**293,878**	293,878
Bill and other receivables	10	**94,638**	93,029
Amount due from a related party	17	**19**	3
Cash and cash equivalents		**126,429**	126,311
Total current assets		**698,164**	565,276
CURRENT LIABILITIES			
Trade and other payables	11	**154,710**	64,509
Amounts due to related companies	17	**6,851**	6,164
Total current liabilities		**161,561**	70,673
NET CURRENT ASSETS		**536,603**	494,063
TOTAL ASSETS LESS CURRENT LIABILITIES		**737,355**	675,100
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**112,472**	94,977
Total non-current liabilities		**112,472**	94,977
NET ASSETS		**624,883**	580,123

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2018 RMB'000 (Unaudited)**	31 December 2017 RMB'000 (Audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital	12	**175,672**	175,672
Reserves		**449,211**	404,451
Total equity		**624,883**	580,123

Wang Di
Director

Wang Yong
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Issued capital RMB'000	Share option reserve RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Contributed surplus RMB'000	Merger reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
		Attributable to equity shareholders of the Company								
(Unaudited)										
At 1 January 2017		175,672	1,167	102,910	52,738	373,006	(118,063)	9,130	(6,184)	590,376
Loss for the Period		–	–	–	–	–	–	–	3,452	3,452
Other comprehensive income for the Period		–	–	–	–	–	–	(1,308)	–	(1,308)
Total comprehensive income/(loss) for the Period		–	–	–	–	–	–	(1,308)	3,452	(2,144)
Equity-settled share option arrangement	13	–	45	–	–	–	–	–	–	45
At 30 June 2017		175,672	1,212*	102,910*	52,738*	373,006*	(118,063)*	7,822*	(2,732)*	592,565
(Unaudited)										
At 1 January 2018		**175,672**	**1,770**	**102,910**	**52,738**	**373,006**	**(118,063)**	**6,167**	**(14,077)**	**580,123**
Profit for the Period		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**46,159**	**46,159**
Other comprehensive income for the Period		**-**	**-**	**-**	**-**	**-**	**-**	**(1,399)**	**-**	**(1,399)**
At 30 June 2018		**175,672**	**1,770***	**102,910***	**52,738***	**373,006***	**(118,063)***	**4,768***	**32,082***	**624,883**

Note:

* Those reserve accounts comprise other reserves of RMB449,211,000 (30 June 2017: RMB416,893,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash flows generated from operating activities	**44,524**	999
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**2**	15
Acquisition of interest in a subsidiary	**(42,928)**	–
Purchases of items of property, plant and equipment	**(81)**	–
Net cash flows (used in)/from investing activities	**(43,007)**	15
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,517**	1,014
Cash and cash equivalents at beginning of Period	**126,311**	126,215
Effect of foreign exchange rate changes, net	**(1,399)**	(1,615)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**126,429**	125,614

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Group is principally engaged in property development in the PRC. The immediate holding company of the Company is Xiwang Investment Company Limited ("**Xiwang Investment**") which is wholly owned by Xiwang Holdings Limited ("**Xiwang Holdings**") (西王控股有限公司). The ultimate holding company of the Company was Xiwang Group Company Limited ("**Xiwang Group**") (西王集團有限公司).

Information about subsidiaries

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered capital	Percentage of equity interest attributable to the Company Direct %	Indirect %	Principal activities
Keen Lofty Investments Limited	British Virgin Islands	US$15,756,000	100	–	Investment holding
Glorious Prosper Limited	Hong Kong	HK$1	–	100	Investment holding
Shandong Xiwang Property Company Limited # (山東西王置業有限公司)	PRC	RMB200,000,000	–	100	Property investment and development
Qingdao Ouya Property Limited # (青島歐亞置業有限公司)	PRC	RMB50,000,000	–	100	Property investment, development and management

Established in the PRC as a wholly-foreign-owned enterprise

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2.1 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2018 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and Hong Kong Accounting Standard (the "**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

The condensed consolidated financial statements of the Group have not been audited but have been reviewed by the Company's Audit Committee.

The accounting policies and method of computation used in the preparation of these condensed consolidated interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2017.

These unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's audited annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with HKFRSs.

2.2 PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

2.2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Application of new and amendments to HKFRS

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with "HKFRS 4" Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group recognizes revenue from the following major sources:

- Sales of properties
- Rental income from operating lease

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Difference at the date of initial application, if any, is recognized in the opening accumulated losses and comparative information has not been restated.

2.2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (Continued)

Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognizing revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs:

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or services.

2.2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (Continued)

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The revenue of the Group is recognised at a point in time. The application of HKFRS 15 does not have significant impact on the amounts reported in the condensed consolidated financial statements.

2.2.2 Impacts and changes in accounting policies of application of HKFRS 9 "Financial Instruments"

In the current period, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Key changes in accounting policies resulting from application of HKFRS 9

2.2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.2.2 Impacts and changes in accounting policies of application of HKFRS 9 "Financial Instruments" (Continued)

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables and loan receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are made based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

2.2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.2.2 Impacts and changes in accounting policies of application of HKFRS 9 "Financial Instruments" (Continued)

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating:

- significant deterioration in external market indictors of credit risk e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 60 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

2.2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.2.2 Impacts and changes in accounting policies of application of HKFRS 9 "Financial Instruments" (Continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed below.

Impairment under ECL model

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

2.2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.2.2 Impacts and changes in accounting policies of application of HKFRS 9 "Financial Instruments" (Continued)

Impairment under ECL model (Continued)

In the current period, the Group has applied HKFRS 9 simplified approach to measure ECL using lifetime ECL for trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics.

Loss allowance for other financial assets at amortised cost mainly comprise of loan receivables, pledged bank deposits, bank trust account balances and bank balances, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

Summary of effects arising from initial application of HKFRS 9

As at 1 January 2018, no additional credit loss allowance has been recognised in the condensed consolidated financial statements.

The Group has not early applied the following new HKFRSs, amendments to Hong Kong Accounting Standards ("HKASs") and HKFRSs and a new interpretation ("new and revised standards") that have been issued but are not yet effective.

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatment[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[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 HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long term interests in Associates and Joint Venture[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2019
[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 2021

2.2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "**Leases**" and the related Interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 30 June 2018, the Group has non-cancellable operating lease commitments. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16.

2.2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

HKFRS 16 "Leases" (Continued)

The Group currently considers refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the deposits would be recognised initially at fair value with the difference between fair value and nominal amount considered as additional lease payments and be included in the carrying amount of right-of-use assets. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

The directors of the Company do not anticipate that the application of the other new and revised standards issued but not yet effective will have a material impact on the results and financial position of the Group.

3.1 SEGMENT INFORMATION

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

3.2 GEOGRAPHICAL INFORMATION

The Group operates within one geographical area. For the six months ended 30 June 2018, 100% (six months ended 30 June 2017: 100%) of its revenue was generated in the PRC and the principal assets and capital expenditure of the Group were located and incurred in the PRC. Accordingly, no geographical information is presented.

4. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents proceeds from the sale of properties and rental income.

An analysis of revenue and other income is as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	Unaudited	Unaudited
Revenue		
Sale of properties	**12,598**	19,035
Rental Income	**1,608**	–
	14,206	19,035
Other income		
Bank interest income	**2**	8
Interest Income from Xiwang Group Finance Company Limited ("**Xiwang Finance**")	**1,203**	1,164
Compensation income	**47,339**	–
Foreign exchange gain, net	**137**	1,457
Others	**441**	–
	49,122	2,629

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	Unaudited	Unaudited
Cost of inventories sold	**14,854**	17,045
Depreciation	**52**	30
Minimum lease payments under operating leases:		
Land and buildings	**665**	623
Employee benefit expense (including directors' and chief executive's remuneration)		
Wages and salaries	**1,013**	978
Equity-settled share option expense	**–**	45
Pension scheme contributions	**128**	90
	1,141	1,113

6. 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.

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	Unaudited	Unaudited
Group:		
Current – Mainland China	**–**	–
Land Appreciation Tax in Mainland China	**134**	443
Deferred Mainland China corporate Income tax	**1,240**	977
Total tax credit for the Period	**1,374**	1,420

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the Period attributable to ordinary equity holders of the company, and the weighted average number of ordinary shares of 1,408,773,319 (six months ended 30 June 2017: 1,236,677,353) in issue during the Period.

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

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2018 and 2017 in respect of a dilution as the impact of convertible preference share outstanding and share option would not have a dilutive effect on the basic earnings per share amounts presented.

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	Unaudited	Unaudited
Profit attributable to ordinary equity holder of the Company	**46,159**	3,452

	Number of shares	
	Six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
Shares		
Weighted average number of ordinary shares in issue during the Period used in the basic and diluted earnings per share calculation	**1,408,773,319**	1,236,677,353

8. DIVIDENDS

No interim dividend was proposed for the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

9. PROPERTIES UNDER DEVELOPMENT

	30 June 2018 RMB'000 Unaudited	31 December 2017 RMB'000 Audited
Land in Mainland China held at cost:		
At 1 January and at 30 June/31 December	**291,983**	291,983
Development expenditure, at cost:		
At 1 January	**1,895**	10,634
Additions	**–**	10,614
Transfer to completed properties hold for sale	**–**	(19,353)
At 30 June/31 December	**1,895**	1,895
	293,878	293,878

10. BILL AND OTHER RECEIVABLES

	30 June 2018 RMB'000 Unaudited	31 December 2017 RMB'000 Audited
Bill receivable	**1,000**	–
Prepayments	**79,192**	79,866
Prepaid tax	**8,714**	9,124
Interest receivable from Xiwang Finance	**1,203**	–
Other receivables	**4,529**	4,039
	94,638	93,029

10. BILL AND OTHER RECEIVABLES (CONTINUED)

Ageing analysis of the bill receivable at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2018 RMB'000 Unaudited	31 December 2017 RMB'000 Audited
0 – 30 days	**1,000**	–
31 – 60 days	**–**	–
61 – 90 days	**–**	–
91 – 120 days	**–**	–
	1,000	–

11. TRADE AND OTHER PAYABLES

	30 June 2018 RMB'000 Unaudited	31 December 2017 RMB'000 Audited
Trade payables	**27,858**	21,280
Receipts in advance	**27,272**	32,773
Other payables	**99,338**	10,141
Salary and welfare payables	**242**	315
	154,710	64,509

11. TRADE AND OTHER PAYABLES (CONTINUED)

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

	30 June 2018 RMB'000 Unaudited	31 December 2017 RMB'000 Audited
0 – 30 days	–	2,977
31 – 60 days	–	193
61 – 90 days	–	429
Over 90 days	27,858	17,681
	27,858	21,280

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.

12. SHARE CAPITAL

Shares

	30 June 2018 HK$'000 Unaudited	31 December 2017 HK$'000 Audited
Issued and fully paid:		
1,408,773,319 (2017: 1,408,773,319) ordinary shares of HK$0.1 (2017: HK$0.1)	140,878	140,878
507,503,136 (2017: 507,503,136) convertible preference shares of HK$0.1 (2017: HK$0.1) each	50,750	50,750
	191,628	191,628

12. SHARE CAPITAL (CONTINUED)

Shares (continued)

During the Period, the movements in share capital were as follows:

	Number of shares in issue '000	Number of convertible preference shares '000	Share capital RMB'000	Convertible preference shares RMB'000	Share option reserve RMB'000	Total RMB'000
At 1 January 2018	**1,408,773**	**507,503**	**120,304**	**55,368**	**1,770**	**177,442**
Equity-settled share option arrangement	-	-	-	-	-	-
At 30 June 2018	**1,480,773**	**507,503**	**120,304**	**55,368**	**1,770**	**177,442**

Share options

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

13. SHARE OPTION SCHEME

The Company operates a share option scheme (the "**2005 Scheme**"), which was adopted pursuant to a resolution passed at a shareholders' meeting held on 6 November 2005, for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Scheme became effective on 6 November 2005 and expired on 5 November 2015. The share options granted under the 2005 Scheme prior to its termination shall continue to be valid and exercisable in accordance with the 2005 Scheme. Details of movement of the 2005 Scheme during the Period were as follows:

The following share options were outstanding under the 2005 Scheme during the Period:

	Six months ended 30 June			
	2018		2017	
	Weighted average exercise price HK$ per share	**Number of options '000 Unaudited**	Weighted average exercise price HK$ per share	Number of options '000 Unaudited
At 1 January	**1.112**	**6,400**	1.1120	6,400
Forfeited during the Period	**–**	**–**	–	–
At 30 June	**1.112**	**6,400**	1.1120	6,400

The exercise prices and exercise periods of the share options outstanding under the 2005 Scheme as at the end of the reporting period are as follows:

30 June 2018

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. SHARE OPTION SCHEME (CONTINUED)

In view of the expiry of the 2005 Scheme, the Company adopted a share option scheme pursuant to a resolution passed at a shareholders' meeting held on 10 May 2018 (the "**2018 Scheme**"), as incentives or rewards for eligible participants' contribution to the Group. The 2018 Scheme became effective on 10 May 2018 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. No share options have been granted under the 2018 Scheme since its adoption.

The maximum number of shares issuable upon exercise of all outstanding options which may be granted under the 2005 Scheme, the 2018 Scheme and any other share option scheme of the Group shall not exceed 140,877,331 ordinary shares in aggregate. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting (with such participant and his associates abstaining from voting).

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 1% of the shares of the Company in issue at any time within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer, and (iii) the nominal value of a share in the Company.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

14. OPERATION LEASE ARRANGEMENTS

The Group leases certain of its office properties under operating lease arrangements. Leases for the properties are negotiated for terms of two years.

As at 30 June 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2018 RMB'000 Unaudited	31 December 2017 RMB'000 Audited
Within one year	**211**	542

15. CAPITAL COMMITMENTS

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

	30 June 2018 RMB'000 Unaudited	31 December 2017 RMB'000 Audited
Property development expenditure contracted but not provided for	**2,628**	3,470

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. BUSINESS COMBINATION

On 6 February 2018, the Company acquired 100% of the issued shares in Qingdao Ouya Property Limited, a property development company, for consideration of RMB46,100,000. The acquisition is expected to increase the Group's market share.

Details of the purchases consideration, the net assets acquired and goodwill are as follows:

	RMB'000
Purchases consideration	
Cash paid	46,100
Contingent consideration	–
Total purchases consideration	46,100

The assets and liabilities recognized as a result of the acquisition are as follows:

	Fair value RMB'000
Cash and cash equivalents	3,173
Property, plant and equipment	48
Inventory	144,821
Trade and other receivable	1,668
Trade and other payable	(104,885)
Net Deferred tax liabilities	(18,903)
Net identifiable assets acquired	25,922
Add: Goodwill	20,178
	46,100

17. RELATED PARTY TRANSACTIONS AND BALANCES

Outstanding Balances with Related Parties

	30 June 2018 RMB'000 Unaudited	31 December 2017 RMB'000 Audited
Due to related parties:		
Xiwang Investment Company Limited	**5,029**	5,324
Xiwang Hong Kong Company Limited	**980**	–
Master Team International Limited	**842**	840
	6,851	6,164
Due from a related company:		
Xiwang Special Steel Company Limited	**19**	3

18. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the Board on 23 August 2018.

OTHER INFORMATION

Interim Dividend

The Directors resolved not to declare any interim dividend for the Period (corresponding period in 2017: nil).

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

As at 30 June 2018, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("**SFO**")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**"), to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Name of company/ associated corporation	Capacity	Number and class of securities held/interested in the relevant corporation *(Note 1)*	Approximate percentage shareholding in the same class of securities in the relevant corporation as at 30 June 2018
WANG Yong	Company	Interest of controlled corporations *(Note 2)*	982,999,588 ordinary shares (L) *(Note 4)*	69.78%
			506,244,669 convertible preference shares (L) *(Note 4)*	99.75%
	Xiwang Investment	Interest of controlled corporations *(Note 2)*	3 shares (L)	100%
	Xiwang Holdings	Beneficial owner *(Note 2)*	6,738 shares (L)	3.37%
		Interest of controlled corporations *(Note 2)*	190,000 shares (L)	95%
	Xiwang Hong Kong Company Limited ("**Xiwang Hong Kong**")	Interest of controlled corporations *(Note 2)*	694,132,000 shares (L)	100%
	Xiwang Group	Beneficial owner *(Note 2)*	RMB1,383,000,000 (L)	69.15%
	Xiwang Special Steel Company Limited ("**Xiwang Special Steel**")	Interest of controlled corporations *(Note 2)*	1,500,000,000 shares (L) *(Note 3)*	66.12%

Name of Director	Name of company/ associated corporation	Capacity	Number and class of securities held/interested in the relevant corporation *(Note 1)*	Approximate percentage shareholding in the same class of securities in the relevant corporation as at 30 June 2018
WANG Di	Company	Beneficial owner	3,000,000 ordinary shares (L) *(Note 5)*	0.21%
	Xiwang Holdings	Beneficial owner	177 shares (L)	0.09%
	Xiwang Group	Beneficial owner	RMB35,400,000 (L)	1.77%
	Xiwang Special Steel	Beneficial owner	11,000,000 shares (L)	0.48%
SUN Xinhu	Company	Beneficial owner	3,000,000 ordinary shares (L) *(Note 5)*	0.21%
	Xiwang Holdings	Beneficial owner	89 shares (L)	0.04%
	Xiwang Group	Beneficial owner	RMB35,460,000 (L)	1.77%
	Xiwang Special Steel	Beneficial owner	2,500,000 shares (L)	0.11%

Notes:

(1) The letter "L" represents the Director's interests in the shares.

(2) As at 30 June 2018, Xiwang Group is the ultimate holding company of the Company. Xiwang Group is owned as to 69.15% by Mr. WANG Yong and remaining 30.85% by 20 individuals. Further, these 20 individuals are accustomed to act in accordance with the directions of Mr. WANG Yong in respect of the exercise by such 20 individuals of their voting powers as a shareholder of Xiwang Group. Accordingly, Mr. WANG Yong is deemed to be interested in all the shares of the Company in which Xiwang Group is interested.

Xiwang Hong Kong is a wholly-owned subsidiary of Xiwang Group. Xiwang Hong Kong directly holds 95% and Mr. WANG Yong and 22 individuals directly hold 5% of the issued share capital of Xiwang Holdings, respectively. Xiwang Investment is a wholly-owned subsidiary of Xiwang Holdings. Therefore, Xiwang Holdings, Xiwang Hong Kong and Xiwang Group are deemed to be interested in the number of shares of the Company held by Xiwang Investment.

(3) These shares are registered in the name of Xiwang Investment. Mr. WANG Yong is deemed to be interested in all the shares of Xiwang Special Steel held by Xiwang Investment.

(4) These shares are registered in the name of Xiwang Investment. Mr. WANG Yong is deemed to be interested in all shares of the Company held by Xiwang Investment.

(5) These interests represent the Directors' beneficial interests in the underlying shares in respect of the share options granted by the Company to the Directors. Details of which are set out in the section headed "Share Option Scheme".

OTHER INFORMATION

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

(a) Substantial shareholders of the Company

As at 30 June 2018, so far as it is known to any Directors of the Company, the following shareholders (other than the Directors and chief executive of the Company whose interests and short positions in the shares and underlying shares of the Company are set out above) had or were deemed or taken to have interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of substantial shareholder	Capacity	Number of shares of the Company held *(Note 1)*	Approximate percentage of interest as at 30 June 2018
Xiwang Investment	Beneficial owner	982,999,588 ordinary shares (L)	69.78%
		506,244,669 convertible preference shares (L)	99.75%
Xiwang Holdings	Interest of a controlled corporation *(Note 2)*	982,999,588 ordinary shares (L)	69.78%
		506,244,669 convertible preference shares (L)	99.75%
Xiwang Hong Kong	Interest of controlled corporations *(Notes 2, 3)*	982,999,588 ordinary shares (L)	69.78%
		506,244,669 convertible preference shares (L)	99.75%
Xiwang Group	Interest of controlled corporations *(Notes 2, 3)*	982,999,588 ordinary shares (L)	69.78%
		506,244,669 convertible preference shares (L)	99.75%

Name of substantial shareholder	Capacity	Number of shares of the Company held *(Note 1)*	Approximate percentage of interest as at 30 June 2018
ZHANG Shufang	Interest of spouse *(Note 4)*	982,999,588 ordinary shares (L)	69.78%
		506,244,669 convertible preference shares (L)	99.75%
Qilu Investment Funds (acting for and on behalf of Zhongtai Dingfeng Classified Fund SP) ("**Qilu**")	Person having a security interest in shares *(Note 5)*	982,999,588 ordinary share (L)	69.78%
Zhongtai International Asset Management Limited	Investment Manager *(Note 6)*	982,999,588 ordinary share (L)	99.75%

Notes:

(1) The letter "L" represents the entity's interests in the shares.

(2) Xiwang Holdings directly holds 100% of the issued share capital of Xiwang Investment and therefore is deemed to be interested in the number of shares of the Company held by Xiwang Investment.

(3) Xiwang Hong Kong directly holds 95% and Mr. WANG Yong and 22 individuals directly hold 5% of the issued share capital of Xiwang Holdings, respectively. Xiwang Hong Kong is in turn wholly-owned by Xiwang Group. Therefore, Xiwang Hong Kong and Xiwang Group are deemed to be interested in the number of shares of the Company held by Xiwang Investment.

(4) Ms. ZHANG Shufang, being the spouse of Mr. WANG Yong, is deemed to be interested in all the shares in which Mr. WANG Yong is deemed to be interested.

(5) The controlling shareholder of the Company notified the Board on 28 September 2017 that it entered into share charge agreements with an independent third party pursuant to which it charged all of its shareholding in the Company in favour of such independent third party as security for notes issued by its subsidiary to such independent third party in the aggregate principal amount of HK$200,000,000.

(6) Zhongtai International Asset Management Limited is the fund manager of Qilu, as such it is deemed to be interested in all the shares Qilu is interested pursuant to the SFO.

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

Save as disclosed in the paragraph headed "Directors' and Chief Executive's Interests in shares, underlying shares and debentures of the Company and its associated corporations" and paragraph (a) above, as at 30 June 2018, no other person had interests or short positions in the shares and underlying shares of the Company which are required to be recorded in the register required to be kept by the Company under section 336 of the SFO.

Share Option Scheme

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

Class of grantee	Date of grant	During the six months ended 30 June 2018				Outstanding as at 1 January 2018	Outstanding as at 30 June 2018	Exercise price per share (HK$)	Exercise period
		Granted	Exercised	Cancelled	Lapsed				
Directors									
WANG Di	5 November 2013	–	–	–	–	3,000,000	3,000,000	1.112	*(Notes 2, 3)*
SUN Xinhu	5 November 2013	–	–	–	–	3,000,000	3,000,000	1.112	*(Notes 2, 3)*
Employee *(Note 1)*	5 November 2013	–	–	–	–	400,000	400,000	1.112	*(Notes 2, 3)*
		–	–	–	–	6,400,000	6,400,000		

Notes:

(1) Employees include employees of the Group (other than the directors) working under employment contracts with the Group which are regarded as "continuous contracts" for the purpose of the Employment Ordinance (Chapter 57 of the Laws of Hong Kong).

(2) The closing price of the ordinary shares as stated in the Stock Exchange's daily quotations sheet on 4 November 2013, being the trading day immediately preceding the date of grant of options, was HK$1.10 per share.

(3) These options can only be exercised by the grantee in the following manner:

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

(4) The share options represent personal interests held by the relevant Directors as beneficial owners.

(5) No share options were cancelled under the 2005 Scheme during the Period.

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

Purchase, Sale or Redemption of the Company's Securities

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

CORPORATE GOVERNANCE

Corporate Governance

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

Model Code for Securities Transactions by Directors

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

Audit Committee

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


西王

XIWANG PROPERTY HOLDINGS COMPANY LIMITED

西王置業控股有限公司*

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

* For identification purpose only 僅供識別

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