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XIWANG SPECIAL STEEL COMPANY LIMITED
西王特鋼有限公司

(incorporated in Hong Kong with limited liability)

(Stock code: 1266)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2022	2021
Sales volume of Steel *(tonnes)*	**2,459,638**	2,964,119
Revenue *(RMB'000)*		
Ordinary Steel — Rebar	**4,166,964**	6,258,588
Ordinary Steel — Wire Rod	**1,778,968**	3,156,303
Special Steel	**3,483,072**	3,664,146
Trading of commodities and sales of by-products	**5,031,267**	6,037,084
Total *(RMB'000)*	**14,460,271**	19,116,121
Gross (loss)/profit *(RMB'000)*	**(749,999)**	783,956
Gross (loss)/profit per tonne		
— Productions and sales of steel *(RMB)*	**(294)**	239
(LBITDA)/EBITDA[1] *(RMB'000)*	**(809,345)**	946,358
(Loss)/profit attributable to owners *(RMB'000)*	**(1,328,792)**	65,031
Basic and diluted (loss)/earnings per share *(RMB)*	**(56.09) cents**	2.74 cents

The Board did not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

Note:

(1) (LBITDA)/EBITDA refers to (loss)/profit before tax plus finance cost, depreciation of property, plant and equipment and right-of-use assets and amortisation of other intangible assets.

The board (the "**Board**") of directors (the "**Directors**") of Xiwang Special Steel Company Limited (the "**Company**") hereby announces the annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2022 (the "**Year**"), together with the comparative figures, as follows. The Group's financial information in this announcement was prepared based on the consolidated financial statements of the Group for the Year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2022 *RMB'000*	2021 *RMB'000*
REVENUE	*3*	**14,460,271**	19,116,121
Cost of sales		**(15,210,270)**	(18,332,165)
Gross (loss)/profit		**(749,999)**	783,956
Other income and other (losses)/gains, net	*3*	**(27,793)**	58,650
Selling and distribution expenses		**(8,428)**	(13,123)
Administrative expenses		**(128,229)**	(90,314)
Other operating expenses	*4*	**(148,980)**	–
Reversal of/(impairment losses) on financial assets, net		**3,802**	(5,373)
Research and development costs		**(378,848)**	(387,076)
Finance costs	*5*	**(238,048)**	(289,473)
(LOSS)/PROFIT BEFORE TAX	*4*	**(1,676,523)**	57,247
Income tax credit	*6*	**347,731**	7,784
(LOSS)/PROFIT FOR THE YEAR		**(1,328,792)**	65,031
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	*8*	**RMB(56.09) cents**	RMB2.74 cents

	2022	2021
	RMB'000	*RMB'000*
(LOSS) / PROFIT FOR THE YEAR	**(1,328,792)**	65,031
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**18,782**	(3,778)
Bills receivables at fair value through other comprehensive income:		
Release on disposal of debt instruments at fair value through other comprehensive income	**–**	591
	18,782	(3,187)
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**(15,073)**	(9,402)
Income tax effect	**2,261**	1,410
	(12,812)	(7,992)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**5,970**	(11,179)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	**(1,322,822)**	53,852

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 December 2022** *RMB'000*	31 December 2021 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**10,849,247**	11,218,379
Right-of-use assets		**117,971**	87,834
Prepayments for long term assets	*10*	**172,248**	198,361
Other intangible assets		**579,736**	477,917
Equity investment designated at fair value through other comprehensive income		**51,023**	66,096
Deferred tax assets		**368,228**	48,469
Total non-current assets		**12,138,453**	12,097,056
CURRENT ASSETS			
Inventories		**348,262**	1,387,544
Trade receivables	*9*	**31,061**	57,505
Prepayments, other receivables and other assets	*10*	**1,971,327**	1,875,311
Pledged deposits		**269,466**	419,272
Cash and cash equivalents		**311,599**	332,182
Total current assets		**2,931,715**	4,071,814
CURRENT LIABILITIES			
Trade and bills payables	*11*	**2,235,169**	2,254,123
Other payables and accruals	*12*	**531,966**	660,789
Contract liabilities	*12*	**2,811,334**	3,389,324
Dividend payables		**290,369**	290,369
Lease liabilities		**–**	479
Interest-bearing bank and other borrowings	*13*	**3,572,545**	3,540,868
Borrowings from the ultimate holding company		**447**	447
Income tax payables		**38,902**	50,373
Total current liabilities		**9,480,732**	10,186,772
NET CURRENT LIABILITIES		**(6,549,017)**	(6,114,958)
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,589,436**	5,982,098

	Notes	**31 December 2022** *RMB'000*	31 December 2021 *RMB'000*
NON-CURRENT LIABILITIES			
Other payables	*12*	**77,828**	–
Interest-bearing bank and other borrowings	*13*	**904,813**	33,791
Deferred tax liabilities		**14,879**	33,569
Other long term payables		**130,000**	130,000
Total non-current liabilities		**1,127,520**	197,360
Net assets		**4,461,916**	5,784,738
CAPITAL AND RESERVES			
Share capital		**1,369,681**	1,369,681
Reserves		**3,092,235**	4,415,057
Total equity		**4,461,916**	5,784,738

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.1 CORPORATE INFORMATION

Xiwang Special Steel Company Limited (the "**Company**") is a limited company and was incorporated in the Special Administrative Region of Hong Kong ("**Hong Kong**") of the People's Republic of China (the "**PRC**" or "**China**") on 6 August 2007. The Company's registered office is located at Unit 2110, 21/F, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong. The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 23 February 2012. The Group is principally engaged in the production and sales of steel products, trading of commodities and sale of by-products mainly in the PRC.

In the opinion of the Directors, the immediate holding company of the Company is Xiwang Investment Limited Company ("**Xiwang Investment**") (西王投資有限公司), which is wholly owned by Xiwang Holdings Limited ("**Xiwang Holdings**") (西王控股有限公司). During the Year, the ultimate holding company of the Company was Xiwang Group Company Limited ("**Xiwang Group Company**") (西王集團有限公司), which is incorporated in Zouping, Shandong Province, the PRC.

1.2 BASIS OF PREPARATION

The financial information relating to the years ended 31 December 2022 and 2021 included in these preliminary announcements of annual results for the years ended 31 December 2022 and 2021 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance of Hong Kong (Chapter 622 of the Laws of Hong Kong, the "**Companies Ordinance**") is as follows.

The Company has delivered the consolidated financial statements for the year ended 31 December 2021 to the Registrar of Companies of Hong Kong as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 December 2022 in due course.

The Company's auditors have reported on the consolidated financial statements of the Group. For the year ended 31 December 2021, the auditors' report was unqualified; included a reference to matters to which the auditors drew attention by way of emphasis without qualifying its report, for details of which, please refer to the section headed "Material Uncertainty Related to Going Concern" in the Independent Auditors' Report on page 60 of the annual report of the Company for the financial year ended 31 December 2021 published on 29 April 2022; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

For the year ended 31 December 2022, the auditors' report would include a disclaimer of opinion. For details, please refer to the section "Extract of Independent Auditors' Report" below. The opinion would not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

These financial statements have been prepared in accordance with the 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 consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and by the Companies Ordinance. They have been prepared under the historical cost basis, except for financial instruments that are measured at fair value. These financial statements are presented in Renminbi ("**RMB**") which is different from the functional currency of the Company of Hong Kong dollars ("**HK$**"). The Directors adopted RMB as presentation currency as most of Group's transactions are denominated and settled in RMB and this presentation is more useful for its current and potential investors. All values are rounded to the nearest thousand except when otherwise indicated.

In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by RMB6,549,017,000 as at 31 December 2022. The Directors have reviewed the cash flow projections prepared by management to evaluate the Group's ability to continue as a going concern. Based on the cash flow projections, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence and to meet its financial obligations as and when they fall due in the coming twelve months from 31 December 2022. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

Going concern

As at 31 December 2022, the Group incurred a gross loss and a net loss of approximately RMB749,999,000 and RMB1,328,792,000 for the year ended 31 December 2022 and, as at that date, the Group's current liabilities exceeded its current assets by approximately RMB6,549,017,000, and the Group had outstanding bank and other borrowings with aggregate amount of approximately RMB3,572,545,000 which were due for repayment in the next twelve months from 31 December 2022, while its cash and cash equivalents amounted to approximately RMB311,599,000 as at 31 December 2022. The Group had defaulted on repayments of its debts, including: i) default in repayment of principal amount of guaranteed secured bonds of approximately RMB99,521,000 and interests thereon of approximately RMB12,895,000; and ii) default in repayment of principal amount of other borrowings of approximately RMB9,605,000 and interests thereon of approximately RMB4,732,000 which had triggered other borrowings with principal amounts of approximately RMB381,000,000 to become immediately repayable upon demand.

These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability as a going concern, in particular the ability to discharge its liabilities due within the next twelve months in the normal course of business. In such circumstances, the Directors have taken, or will continue to take, the below measures in order to improve the Group's short-term liquidity and cash flows in order for the Group to sustain as a going concern and adopted the going concern basis in the preparation of consolidated financial statements.

- Upon the gradual stabilisation of economic situation in the PRC, management has benchmarked to latest price level in the steel product market, together with rigorous cost control measures over its production, to generate enhanced positive operating cash flows.

- The Group has requested its lenders to extend the repayment dates of the outstanding bank and other borrowings falling due in the next twelve months for at least another twelve months upon their maturity during the coming year, all of which were included in the Group's current liabilities as at 31 December 2022. The Directors are confident in further extending the repayment dates of the principals of the bank and other borrowings, while the terms were not finalised as at the date of approving these consolidated financial statements.

- The Group has received a written confirmation dated 24 March 2023 from Xiwang Group Company, the Copmany's ultimate holding company and the controlling shareholder, that it will provide continuing financial support to the Group to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future, and agreed not to demand repayment of any of the amounts due to Xiwang Group Company and its subsidiaries ("**Xiwang Group**") by the Group in the next twelve months from the date of approval for issuing these consolidated financial statements.

- The Group is currently soliciting different sources of funds, including additional banking facilities with PRC financial institutions and strategic institutional investors, to further support the Group's funding needs should the aforesaid operating cash inflows turned out to be less than forecasted.

- The Group is reviewing the business operations for various new initiatives such as accelerating the sales of steel products to new customers and upgrading the existing products to improve the Group's profitability.

- The Group commenced renegotiations of the terms of defaulted other borrowings and defaulted guaranteed secured bonds. The Group offered revised repayment proposals to the relevant lenders and such proposals had been reviewed by them. The negotiations are still in progress. The Directors are confident that their negotiations with the lender/bondholder will ultimately reach a successful conclusion.

The Directors have critically evaluated the practical realisation of those measures that have not yet happened, together with the management of the Company. Taking into account their evaluation and other measures as above, the Directors expect that the Group would be able to improve its working capital in order to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. As such, they are of the opinion that it is appropriate to prepare the consolidated financial statements of the Company for the Year on a going concern basis.

Should the going concern assumption be inappropriate, adjustments may have to be made to write down the values of the assets to their recoverable amounts, to provide for any further liabilities that may arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

The Audit Committee of the Board ("**the Audit Committee**") has confirmed that it has objectively and critically reviewed the measures stated above. The Audit Committee and the Board have confidence that the Group's business plan as referred above is feasible and achievable.

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountant ("**HKICPA**") for the first time for their annual reporting period commencing on or after 1 January 2022:

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

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

New and amendments to HKFRSs in issue but not yet effective

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

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

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

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

2. OPERATING SEGMENT INFORMATION

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of Directors that makes strategic decisions.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

For management purposes, the Group is organised into business units based on their products and has four reportable operating segments as follows:

(a) the ordinary steel segment, which engages in the production and sale of ordinary steel products;

(b) the special steel segment, which engages in the production and sale of special steel products;

(c) the trading of commodities segment, which mainly engages in the trading of commodities such as iron ore dust, pellets, steel billets and coke; and

(d) the by-products segment, which includes the sale of by-products such as steel slag, steam and electricity.

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.

Segment (loss)/profit represents the (losses)/profit by each segment without allocation of other income and other gains/(losses), net, selling and distribution expenses, administrative expenses, other operating expenses, reversal of/(impairment loss) on financial assets, net, research and development costs and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

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

The segment results and other segment items included in (loss)/profit before tax for the reporting period are as follows:

	Ordinary steel *RMB'000*	Special steel *RMB'000*	Trading of commodities *RMB'000*	By-products *RMB'000*	Consolidated *RMB'000*
Year ended 31 December 2022					
Segment revenue *(note 3)*:					
Sales to external customers	**5,945,932**	**3,483,072**	**4,525,714**	**505,553**	**14,460,271**
Intersegment sales	**6,677,849**	**3,911,822**	**1,237,446**	**417,260**	**12,244,377**
	12,623,781	**7,394,894**	**5,763,160**	**922,813**	**26,704,648**
Cost of sales	**(6,193,482)**	**(3,958,632)**	**(4,532,238)**	**(525,918)**	**(15,210,270)**
Gross loss	**(247,550)**	**(475,560)**	**(6,524)**	**(20,365)**	**(749,999)**
Reconciliation:					
Other income and other (losses)/gains, net					**(27,793)**
Selling and distribution expenses					**(8,428)**
Administrative expenses					**(128,229)**
Other operating expenses					**(148,980)**
Reversal of impairment losses on financial assets, net					**3,802**
Research and development costs					**(378,848)**
Finance costs					**(238,048)**
Loss before tax					**(1,676,523)**

	Ordinary steel *RMB'000*	Special steel *RMB'000*	Trading of commodities *RMB'000*	By-products *RMB'000*	Consolidated *RMB'000*
Year ended 31 December 2021					
Segment revenue *(note 3)*:					
Sales to external customers	9,414,891	3,664,146	5,372,183	664,901	19,116,121
Intersegment sales	8,486,909	2,846,689	2,005,311	1,439,148	14,778,057
	17,901,800	6,510,835	7,377,494	2,104,049	33,894,178
Cost of sales	(8,778,307)	(3,591,925)	(5,324,887)	(637,046)	(18,332,165)
Gross profit	636,584	72,221	47,296	27,855	783,956
Reconciliation:					
Other income and gains/(losses), net					58,650
Selling and distribution expenses					(13,123)
Administrative expenses					(90,314)
Impairment loss on financial assets, net					(5,373)
Research and development costs					(387,076)
Finance costs					(289,473)
Profit before tax					57,247

Geographical information

	2022 ***RMB'000***	2021 *RMB'000*
PRC	**14,460,271**	19,116,121

The revenue information above is based on the locations of the customers.

The principal non-current assets and capital expenditure of the Group were located and incurred in PRC. Accordingly, no further geographical information is presented.

Information about major customers

For the year ended 31 December 2022, revenue from transactions with a single external customer amounted to approximately 60.1% (2021: approximately 64.6%) of the Group's total revenue which are from sales of ordinary steel and special steel.

3. REVENUE, OTHER INCOME AND OTHER (LOSSES)/GAINS, NET

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2022

Segments	Sale of ordinary steel *RMB'000*	Sale of special steel *RMB'000*	Trading of commodities *RMB'000*	Sale of by-products *RMB'000*	Total *RMB'000*
Type of goods					
Sales of industrial products	**5,945,932**	**3,483,072**	**4,525,714**	**505,553**	**14,460,271**
Geographical markets					
PRC	**5,945,932**	**3,483,072**	**4,525,714**	**505,553**	**14,460,271**
Timing of revenue recognition					
A point in time	**5,945,932**	**3,483,072**	**4,525,714**	**505,553**	**14,460,271**

For the year ended 31 December 2021

Segments	Sale of ordinary steel *RMB'000*	Sale of special steel *RMB'000*	Trading of commodities *RMB'000*	Sale of by-products *RMB'000*	Total *RMB'000*
Type of goods					
Sales of industrial products	9,414,891	3,664,146	5,372,183	664,901	19,116,121
Geographical markets					
PRC	9,414,891	3,664,146	5,372,183	664,901	19,116,121
Timing of revenue recognition					
A point in time	9,414,891	3,664,146	5,372,183	664,901	19,116,121

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

(ii) Other income and other (losses)/gains, net

	2022	2021
	RMB'000	*RMB'000*
Gain on disposal of a subsidiary	**–**	9,165
Bank interest income	**6,902**	5,661
Interest income from Xiwang Group Finance Company Limited ("**Xiwang Finance**") (西王集團財務有限公司)	**3,653**	2,932
Rental income	**721**	895
Government grants *(note)*	**4,658**	17,667
Guarantee fee from Xiwang Group Company	**3,306**	–
Foreign exchange differences, net	**(46,512)**	30,060
Late charge for late payment of tax	**–**	(233)
Loss on disposal of property, plant and equipment	**(526)**	(2,353)
Loss on derecognition of financial assets measured at fair value through other comprehensive income	**(750)**	–
Written-off of trade receivables	**–**	(1,618)
Others	**755**	(3,526)
	(27,793)	58,650

Note: During the year ended 31 December 2022, government grants were mainly granted to the Group as (i) subsidies to support the operations of the PRC subsidiaries and (ii) coronavirus disease ("**COVID-19**")-related subsidies which is related to Employment Support Scheme provided by the Hong Kong government. The government grant had no conditions or contingencies attracted to them and they were non-recurring in nature.

During the year ended 31 December 2021, government grants were mainly granted to the Group as subsidies to support the operations of the PRC subsidiaries.

4. (LOSS)/PROFIT BEFORE TAX

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

	2022	2021
	RMB'000	*RMB'000*
Cost of inventories sold	**14,302,219**	17,687,861
Depreciation of property, plant and equipment	**566,401**	561,226
Depreciation of right-of-use assets	**2,780**	2,820
Amortisation of other intangible assets	**59,949**	35,592
Research and development costs	**378,848**	387,076
Expenses incurred during suspension of production *(Note (i))*	**148,980**	–
Lease payments not included in the measurement of lease liabilities	**1,062**	5,116
Auditor's remuneration		
– audit service	**1,500**	1,500
– non-audit service	**564**	130
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**217,657**	265,153
Pension scheme and mandatory provident fund scheme ("**MPF Scheme**") contributions *(Note (ii))*	**36,983**	20,973
Staff welfare expenses	**6,036**	4,523
	260,676	290,649
(Reversal of)/impairment losses of financial assets under expected credit loss model:		
Trade receivables	**414**	(785)
Other receivables	**(4,216)**	6,158
	(3,802)	5,373

Notes:

(i) Included in the other operating expenses.

(ii) As at the end of the reporting period, the Group had no forfeited contributions available to reduce its contributions to the pension scheme or the MPF Scheme in future years.

5. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2022	2021
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**270,258**	321,645
Finance costs on bills discounted	**24,282**	41,540
Interest on borrowings from the ultimate holding company	**–**	4
Interest on borrowings from Xiwang Finance	**2,166**	2,067
Interest on lease liabilities	**26**	40
Total interest expense on financial liabilities not at FVTPL	**296,732**	365,296
Less: Interest capitalised	**(58,684)**	(75,823)
	238,048	289,473

6. INCOME TAX CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the Year. Taxes on profits assessable in PRC have been calculated at the prevailing tax rates, based on existing legislation, interpretations and practices in respect thereof.

Pursuant to the PRC Corporate Income Tax Law effective on 1 January 2008 (as amended from time to time), PRC subsidiaries except for Xiwang Metal Science & Technology Company Limited 西王金屬科技有限公司 ("**Xiwang Metal Science**") are subject to corporate income tax ("**CIT**") at a statutory rate of 25% on their respective taxable income for the years ended 31 December 2022 and 2021. Xiwang Metal Science is subject to CIT at a rate of 15% on its respective taxable income for the years ended 31 December 2022 and 2021 as a national-grade high-tech enterprise.

	2022	2021
	RMB'000	*RMB'000*
Current tax – PRC		
Charge for the year	**–**	28,559
Over-provision in respect of prior years	**(11,543)**	–
	(11,543)	28,559
Deferred tax		
Credit for the year	**(336,188)**	(36,343)
Total tax credit for the year	**(347,731)**	(7,784)

7. DIVIDEND

No final dividend is proposed for the year ended 31 December 2022 (2021: Nil).

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

The calculation of the basic (loss)/earnings per share is based on the (loss)/profit for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the year.

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

	2022	2021
	RMB'000	*RMB'000*
(Loss)/profit attributable to ordinary equity holders of the Company	**(1,328,792)**	65,031

	2022	2021
Number of shares		
Weighted average number of ordinary shares in issue during the year for the purpose of basic and diluted (loss)/earnings per share *(in thousands)*	**2,369,111**	2,369,111

For the years ended 31 December 2022 and 2021, the basic (loss)/earnings per share are the same as the diluted (loss)/earnings per share. For the year ended 31 December 2021, the computation of diluted (loss)/earnings per share does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price for the shares.

9. TRADE RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**32,124**	58,154
Less: loss allowance	**(1,063)**	(649)
Trade receivables, net of loss allowance	**31,061**	57,505

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2022	2021
	RMB'000	*RMB'000*
Within 3 months	**16,292**	46,589
3 to 6 months	**6,441**	7,936
6 months to 1 year	**5,241**	2,257
Over 1 year	**3,087**	723
Trade receivables, net of loss allowance	**31,061**	57,505

The Group generally allows a credit period with a range of 6 months to 1 year to its customers.

10. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022	2021
	RMB'000	*RMB'000*
Non-current		
Prepayments for long term assets	**172,248**	198,361
Current		
Prepayments for raw materials	**1,877,559**	1,727,208
Deposits and other receivables	**93,610**	150,196
Bank interest receivables	**316**	4,225
	1,971,485	1,881,629
Less: loss allowance	**(158)**	(6,318)
	1,971,327	1,875,311
	2,143,575	2,073,672

11. TRADE AND BILLS PAYABLES

	2022	2021
	RMB'000	*RMB'000*
Trade payables	**2,077,053**	1,724,142
Bills payables	**158,116**	529,981
	2,235,169	2,254,123

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

	2022	2021
	RMB'000	*RMB'000*
Within 1 month	**220,073**	949,008
1 to 3 months	**1,191,779**	556,542
3 to 6 months	**222,790**	187,092
6 to 12 months	**108,514**	157,789
Over 12 months	**492,013**	403,692
	2,235,169	2,254,123

As at 31 December 2022, the Group's bills payables amounting to RMB33,116,000 (2021: RMB313,116,000) were secured by the pledged deposits of RMB16,558,000 (2021: RMB156,558,000).

The Group's certain bills payables are guaranteed by certain related parties.

The trade payables are non-interest-bearing and are to be settled within a range from six months to 1 year.

12. OTHER PAYABLES AND ACCRUALS/CONTRACT LIABILITIES

Other payables and accruals

	2022	2021
	RMB'000	*RMB'000*
Construction and equipment payables	**291,692**	479,095
Other tax payables	**53,833**	8,900
Other payables	**227,454**	137,678
Salaries and welfare payables	**27,850**	26,808
Deferred revenue *(Note)*	**8,965**	8,308
	609,794	660,789
Analysed for reporting purpose as:		
Non-current	**77,828**	–
Current	**531,966**	660,789
	609,794	660,789

Note: Assets related governments grants on the project on research and development.

Contract liabilities

Details of contract liabilities are as follows:

	2022	2021
	RMB'000	*RMB'000*
Short-term advances received from customers		
Sales of goods	**2,811,334**	3,389,324

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

Sales of industrial products

When the Group receives a deposit before the production activity commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract.

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2022	2021
	RMB'000	*RMB'000*
Analysed into:		
The carrying amounts of the borrowings are repayable:		
Within one year *(note)*	**3,572,545**	3,540,868
With a period of more than one year but not exceeding two years	**–**	33,791
With a period of more than two years but not exceeding five years	**904,813**	–
	4,477,358	3,574,659
Less: Amounts due within one year shown under current liabilities	**(3,572,545)**	(3,540,868)
Amounts shown under non-current liabilities	**904,813**	33,791

Note:

During the year ended 31 December 2022, the Group has defaulted in repayment of principals and interests of guaranteed secured bonds amounting to approximately RMB99,521,000 and RMB12,895,000, respectively, which were matured on 30 September 2022.

On discovery of the default, the Directors informed the bondholder and commenced a renegotiation of the terms of the bonds with the relevant bondholder. As at 31 December 2022, those negotiations had not been concluded. Up to the date of approval for issuance of the consolidated financial statements, the negotiations are still in progress. The Directors are confident that their negotiations with the bondholder will ultimately reach a successful conclusion.

During the year ended 31 December 2022, the Group had also defaulted in repayment of principals and interests of other borrowings amounting to approximately RMB9,605,000 and RMB4,732,000, respectively, according to scheduled repayment date. Due to the existence of default clauses relating to the other borrowings of the Group, this payment default had triggered repayment clause of other borrowings with principal amounts totaling approximately RMB381,000,000. As a result, other borrowings with a principal amount of approximately RMB339,348,000 with original contractual repayment dates between year 2024 to 2028, were reclassified as current liabilities from non-current liabilities as at 31 December 2022 as these amounts shall become immediately repayable upon demand. In addition, the Group had a loan in principal amount of approximately RMB41,652,000 which was scheduled to be repayable within one year from 31 December 2022 and classified under current liabilities. Due to the abovementioned payment default according to scheduled repayment date, it also became default and the amount become immediately repayable upon demand. Accordingly, the total defaulted other borrowings as at 31 December 2022 were approximately RMB381,000,000.

On discovery of the default, the Directors informed the lender and commenced a renegotiation of the terms of the other borrowings with the relevant lender. As at 31 December 2022, those negotiations had not been concluded. Since the lender had not agreed to waive its right to demand immediate payment as at the end of the reporting period, the loan was classified as a current liability as at 31 December 2022. Up to the date of approval for issuance of the consolidated financial statements for the Year, the negotiations are still in progress. The Group offered a revised repayment proposal to the relevant lender and such proposal had been reviewed by them. The Directors are confident that their negotiations with the lender will ultimately reach a successful conclusion. In any event, should the lender call for immediate repayment of the loan, the Directors believe that adequate alternative sources of finance from Xiwang Group are available to ensure that there is no threat to the continuing operations of the Group.

EXTRACT OF INDEPENDENT AUDITORS' REPORT

The following is the extract of the draft independent auditors' report from HLB Hodgson Impey Cheng Limited (the "**Auditors**"), on the Group's consolidated financial statements for the Year.

Disclaimer of opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Companies Ordinance.

Basis for Disclaimer of Opinion

Multiple uncertainties relating to going concern basis

We draw attention to the consolidated financial statements, which describes that the Group incurred a gross loss and a net loss of approximately RMB749,999,000 and RMB1,328,792,000 respectively for the year ended 31 December 2022 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB6,549,017,000. As at that date, the Group had outstanding bank and other borrowings with aggregate amount of approximately RMB4,477,358,000, whilst its cash and cash equivalents amounted to approximately RMB311,599,000. The Group had defaulted on repayments of its debts, including: i) default in repayment of principal amount of guaranteed secured bonds of approximately RMB99,521,000 and interests thereon of approximately RMB12,895,000; and ii) default in repayment of principal amount of other borrowings of approximately RMB9,605,000 and interests thereon of approximately RMB4,732,000 which had triggered other borrowings with principal amounts of approximately RMB381,000,000 to become immediately repayable upon demand.

These events and conditions, along with other matters as set forth in note 2.1 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

The directors have certain plans and measures to improve the Group's liquidity and financial position, which are set out in Note 2.1 to the consolidated financial statements and have reviewed the cash flow forecast of the Group, which have been prepared based on the assumptions that these plans and measures will be successfully implemented by the Group. The consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the outcomes of these plans and measures, which are subject to multiple uncertainties, including (i) whether the Group is able to sell its products at the forecasted selling prices as the Group has benchmarked to latest price level in the steel product market, and whether the Group is able to control its operating costs in the forecast period based on the rigorous cost control measures planned to be undertaken by the Group over its production process, and hence whether the cash flow forecast showing positive operating cash flows could be achieved by the Group, which is also dependent upon the gradual stabilisation of economic situation in PRC; (ii) whether the Group is able to successfully conclude its negotiations for extension of the repayment dates of the outstanding bank and other borrowings which have fallen due or are falling due in the next twelve months for at least another twelve months upon their maturity during the coming year, all of which were included in the Group's current liabilities as at 31 December 2022; (iii) whether Xiwang Group Company, the ultimate holding company and the controlling shareholder, will be able to provide financial support to the Group despite the fact that the Group has received a written confirmation dated 24 March 2023 from Xiwang Group Company that it will provide continuing financial support to the Group to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future from the date of approval for issue of these consolidated financial statements; and (iv) whether the Group is successful in soliciting different sources of funds, including additional banking facilities with PRC financial institutions and strategic institutional investor, to further support the Group's funding needs should the aforesaid operating cash inflows turn out to be less than forecasted.

We have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves about the appropriateness of the use of the going concern basis of accounting in the preparation of the consolidated financial statements because of the lack of detailed analyses provided by management in relation to its plans and measures for future actions in its going concern assessment which take into account the uncertainty of outcome of these plans and measures and how variability in outcome would affect the future cash flows of the Group.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the carrying values of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these consolidated financial statements and we were unable to determine whether such adjustments might have been found necessary.

THE MANAGEMENT'S AND AUDIT COMMITTEE'S VIEWS ON THE DISCLAIMER OF OPINION

The Company has considered the rationale of the Auditors and understood its consideration in arriving at the disclaimer of opinion. The Directors have reviewed the Group's cash flow forecast prepared by the Group's management covering a period of 12 months from 31 December 2022. The Directors have also considered the measures taken or to be taken by the Group in order to improve the Group's short-term liquidity and cash flows, details of which are set out in Note 1.2 to the consolidated financial statements in this announcement. The Directors are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due within 12 months from 31 December 2022. Accordingly, the Directors are satisfied that it is appropriate to prepare these consolidated financial statements of the Group for the year ended 31 December 2022 on a going concern basis.

The Audit Committee has reviewed the basis for the disclaimer of opinion, the Company's view concerning the basis for disclaimer of opinion and measures taken or to be taken by the Company in addressing the matters and issues underlying the basis for disclaimer of opinion. The Audit Committee has also discussed with the Auditors and management regarding the financial position of the Group, the measures taken and to be taken by the Company and the internal system of the Group in continuously monitoring the liquidity and cash flow needs of the Group. The Audit Committee has considered the rationale of the Auditors and understood its consideration in arriving the disclaimer of opinion. Based on the above, the Audit Committee agreed with the Company's view in respect of the disclaimer of opinion and the preparation of these consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the management of the Group will be able to achieve the plans and measures as described above. The Group, the Directors and the management will proactively resolve matters relating to the disclaimer of opinion throughout the financial year ending 31 December 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

The Group's principal source of revenue was steel production and sales during the year ended 31 December 2022 (the "**Year**"). The Group produces and sells ordinary steel products, including rebars and wire rods, which are mainly used in construction and infrastructure projects.

In 2022, due to the impact of multiple factors such as the conflict between Russia and Ukraine and the recurring COVID-19 pandemic, the domestic economic operation faced unexpected downward pressure. Particularly, the continuous recurrence of the COVID-19 pandemic, large-scale control measures and lockdowns led to sluggish demand in the steel market. The performance of the industry was at a lower level in recent years. The decline in steel prices and the long-term high cost of raw materials and fuels resulted in an overall decline in the profits of steel plants. Due to the COVID-19 pandemic, the place where the Group locates experienced three times lockdown in 2022 under which the production and operations had been greatly affected. Under the influence of the pandemic and market demand, the Group suspended its production intermittently in 2022, and the annual sales volume was lower than that in the year ended 31 December 2021 (the "**Previous Year**").

During the Year, the Group primarily derived revenue from the sales of ordinary steel products. The ordinary steel products included rebars and wire rods, which are primarily used in construction and infrastructure. Customers normally do not need further processing. Due to the weak performance in real estate market in the PRC, the Group recorded a gross loss of approximately RMB248 million (Previous Year: gross profit of approximately RMB637 million) in sales of ordinary steel products during the Year. As the PRC government may continue to tighten the future development of property development market, the demand for the Group's ordinary steel products may continue to weaken.

The special steel products that the Group offers include quality carbon structural steel, alloy structural steel, bearing steel and steel welding wire which are primarily used in machinery, equipment and automobile industries. Customers may require further processing for it to suit their intended usage in the machinery, equipment and automobile industry. The average selling price of the special steel products showed a downward trend during the Year. The sales volume for special steel products increased slightly by approximately 4.9% when compared to that in the Previous Year. However, the average selling price of special steel products decreased by approximately 9.4% which eroded the effect of the slight increase in sales volume. As such, the Group recorded a gross loss of approximately RMB475 million (Previous Year: gross profit of approximately RMB72 million) in sales of special steel products during the Year. The management of the Group has reasonable confidence on the future development of special steel products and aim at producing more high quality and high value-added special steel products in the long run through the cooperation with the Institute of Metal Research, the Chinese Academy of Sciences.

The trading of commodities segment mainly includes the trading of commodities such as iron ore powder and steel billets. The Group recorded a gross loss of approximately RMB7 million (Previous Year: gross profit of approximately RMB47 million) in trading of commodities during the Year. Due to the lockdowns in Zouping City in response to the COVID-19 pandemic, the business of this segment was also affected as compared to the Previous Year. The Group had to pay higher transportation cost during the pandemic in order to get the orders fulfilled. The increase in the transportation cost of the commodities eroded its profit margin.

The by-products segment includes the sales of by-products such as steel slag, steam and electricity. The Group also recorded a gross loss of approximately RMB20 million (Previous Year: gross profit of approximately RMB28 million) in sales of by-products during the Year. As the customers from this segment are all local manufacturers in Zouping City and its surrounding area, due to the lockdowns of Zouping City in response to the COVID-19 pandemic, their production plans were disrupted and the demand for the by-products decreased. Certain cost of sales such as depreciation and labour cost were fixed for the by-products segment which could not be flexibly adjusted with the decrease in demand.

II. FINANCIAL REVIEW

1. Revenue

Revenue mainly represents production and sales of steel, trading of commodities and sales of by-products and details are as follows:

Breakdown of revenue:

	2022		2021	
	Revenue *RMB'000*	**Average selling price** *(RMB/tonne)*	Revenue *RMB'000*	Average selling price *(RMB/tonne)*
Ordinary Steel				
Rebar	**4,166,964**	**3,666**	6,258,588	4,291
Wire rod	**1,778,968**	**3,807**	3,156,303	4,578
Subtotal/Average	**5,945,932**	**3,707**	9,414,891	4,383
Special Steel	**3,483,072**	**4,070**	3,664,146	4,490
Production and sales of steel	**9,429,004**	**3,833**	13,079,037	4,412
Trading of commodities *(Note (i))*	**4,525,714**		5,372,183	
Sales of by-products *(Note (ii))*	**505,553**		664,901	
Total	**14,460,271**		19,116,121	

Notes:

(i) Trading of commodities mainly includes the trading of iron ore dust, pellet, coke, etc.

(ii) By-products refer to steel slag, steam and electricity, etc derived from the production of steel.

Breakdown of sales volume of steel:

	Sales volume			
	2022		2021	
	Tonnes	**Percentage**	Tonnes	Percentage
Ordinary steel				
Rebar	**1,136,657**	**46.2%**	1,458,657	49.2%
Wire rod	**467,278**	**19.0%**	689,395	23.3%
Subtotal	**1,603,935**	**65.2%**	2,148,052	72.5%
Special steel	**855,703**	**34.8%**	816,067	27.5%
Total	**2,459,638**	**100%**	2,964,119	100%

The revenue of the Group decreased by approximately 24.4% due to the combined effects of (i) the decrease in the sales volume of the Group's major products (ordinary steel) and (ii) the decrease in the average selling price of ordinary steel and special steel products.

2. Cost of sales

Cost of sales mainly represents cost incurred for purchasing iron ore powder, coke, scrap steel, coal, depreciation, electricity, staff costs, etc.

During the Year, the Group's cost of sales decreased to approximately RMB15,210 million in 2022 from approximately RMB18,332 million in 2021. The decrease was mainly attributable to the decrease in sales volume and trading business.

The average unit cost for the Group's ordinary steel and special steel products was approximately RMB4,127 per tonne (Previous Year: approximately RMB4,173 per tonne). The costs of raw materials remained at a high level during the Year. As such, the average unit cost remained at a high level.

3. Gross (loss)/profit

Gross loss for the Year amounted to approximately RMB750 million (Previous Year: gross profit of approximately RMB784 million), while the gross loss margin for the Year was approximately 5.2% (Previous Year: approximately gross profit margin 4.1%).

The Group recorded a gross loss during the Year as (i) the average selling price for ordinary steel and special steel products decreased from approximately RMB4,412 per tonne to approximately RMB3,833 per tonne; (ii) the demand for the Group's ordinary steel and special steel products decreased and the sales volume recorded a 17.0% decrease as a result of the unsatisfactory performance of real estate industry in China in which major customers of the Group operate, and slow progress in infrastructure construction; and (iii) the surge in the cost of sales arising from the fluctuation in major raw materials prices such as coking coal while the cost of iron ore remained high throughout the Year. Breakdown of the contribution of gross (loss)/profit and gross (loss) profit margin by operating segment is as follows:

	2022		2021	
		Gross (loss)		Gross profit
	RMB'000	**margin**	*RMB'000*	margin
Ordinary steel	**(247,550)**	**(4.2)%**	636,584	6.8%
Special steel	**(475,560)**	**(13.7)%**	72,221	2.0%
Production and sales of steel	**(723,110)**	**(7.7)%**	708,805	5.4%
Trading of commodities	**(6,524)**	**(0.1)%**	47,296	0.9%
Sales of by-products	**(20,365)**	**(4.0)%**	27,855	4.2%
Total/Overall	**(749,999)**	**(5.2)%**	783,956	4.1%

4. Other income and (losses)/gains, net

Other income and (losses)/gains, net for the Year amounted to losses of approximately RMB28 million (Previous Year: gain of approximately RMB59 million). The Group recorded net losses in other income and losses during the Year as the Group incurred exchange losses of approximately RMB47 million (Previous Year: exchange gain of approximately RMB30 million). Since the Group had other borrowings denominated in United States Dollars ("**USD**") and HK$, the Group suffered from the appreciation in USD and HK$.

Other income and (losses)/gains, net mainly represents impairment losses, exchange differences, interest income, government grants and other miscellaneous income and expenses.

5. Selling and distribution expenses

Selling and distribution expenses decreased to approximately RMB8 million in 2022 from approximately RMB13 million in 2021. The decrease was in line with the decrease in revenue of the Group in 2022.

6. Administrative expenses

Administrative expenses for the Year amounted to approximately RMB128 million (Previous Year: approximately RMB90 million).

The increase was mainly attributable to the increase in amortisation of intangible assets by the Group. Administrative expenses mainly include general office expenses, salaries of administrative staff, professional and legal fees and bank service charges.

7. Other operating expenses

Other operating expenses for the Year amounted to approximately RMB149 million (Previous Year: nil).

Other operating expenses are the one-off expense incurred for the occasional suspension of production. During the Year, the Group did not fully utilise the production lines due to (1) the impact of COVID-19 pandemic which affected the operations of the Group in Zouping, and (2) the weak demand of certain products during the Year.

8. Research and development costs

During the Year, the Group recognised a total expense of approximately RMB379 million (Previous Year: approximately RMB387 million) in relation to its research and development activities which remained stable as compared to that in the Previous Year.

The research and development costs included material cost, staff remuneration, depreciation, technical service fees and other miscellaneous costs.

Financial position

Liquidity and financial resources

As at 31 December 2022, the Group had approximately RMB312 million (31 December 2021: approximately RMB332 million) of cash and cash equivalents, and approximately RMB269 million (31 December 2021: approximately RMB419 million) of pledged bank deposits. The Group had trade and bills payables of approximately RMB2,235 million (31 December 2021: approximately RMB2,254 million), bank and other borrowings due within one year in the amount of approximately RMB3,573 million (31 December 2021: approximately RMB3,541 million), bank and other borrowings due after one year in the amount of approximately RMB905 million (31 December 2021: approximately RMB34 million) and interest payables due after one year in the amount of approximately RMB78 million (31 December 2021: Nil). As at 31 December 2022, the bank and other borrowings were denominated in RMB, HK$ and USD. All of the bank and other borrowings (excluding borrowings from Xiwang Finance were secured by non-current assets of the Group and Xiwang Group, restricted bank deposits, 100% equity interests of Shandong Xiwang Recycling Resources Company Limited ("**Xiwang Recycling Resources**") (山東西王再生資源有限公司), ordinary shares and convertible preference shares of a related company of the Company, and/or guarantee by Mr. WANG Yong (a controlling shareholder of the Company and the father of Mr. WANG Di (former Chairman and non-executive Director of the Company)), and/or Mr. WANG Yong and Ms. ZHANG Shufang (spouse of Mr. WANG Yong), Mr. WANG Di, and/or Mr. WANG Di and Ms. SU Xin (spouse of Mr. WANG Di), and/or Xiwang Group Company. The Group mainly used its operating cash inflows to fund its working capital needs, while the capital requirement for acquiring additional production equipment was mainly satisfied by cash inflows from operating and financing activities.

The Group had unutilised banking facilities of approximately RMB62 million as at 31 December 2022 (31 December 2021: Nil).

As at 31 December 2022, the Group's total assets are approximately RMB15,070 million (31 December 2021: approximately RMB16,169 million), which are funded by the followings: (1) share capital of approximately RMB1,370 million (31 December 2021: approximately RMB1,370 million), (2) reserves of approximately RMB3,092 million (31 December 2021: RMB4,415 million), and (3) total liabilities of approximately RMB10,608 million (31 December 2021: approximately RMB10,384 million) which mainly consist of bank and other borrowings, contract liabilities, trade and bills payables and guaranteed secured bonds.

Analysis of debt

The Group's bank and other borrowings are mainly settled in RMB, USD and HK$ without any notable seasonality. As at 31 December 2022, the details of the Group's bank and other borrowings are as follows:

Short-term/long-term bank and other borrowings:

	RMB (million)
Short-term	
Bank borrowings	2,761
Other borrowings	640
Other borrowings from Xiwang Finance	37
Secured bonds	134
Long-term	
Other borrowings	905
Total	4,477

Short-term bank and other borrowings included short-term borrowings, long-term borrowings with portions due within one year, bank and other borrowings with repayable on demand clause and defaulted borrowings.

As at 31 December 2022, the Group's total bank and other borrowings amounted to approximately RMB4,477 million, increasing by approximately RMB902 million compared to approximately RMB3,575 million as at 31 December 2021, which was mainly applied towards working capital.

For the Year, the Group adopted conservative treasury policies, and all of the Group's interest-bearing borrowings bore interest at fixed interest rates.

There had been no change in the capital structure of the Group since 1 January 2022 and up to the date of this announcement. The share capital of the Company consists only of ordinary shares.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. The Group monitors its capital with reference to its gearing ratio and currently, it aims at maintaining its gearing ratio below 30%. Detailed calculation of the "gearing ratio" is included in the section headed "Gearing ratio" below.

During the Year, the Group did not use any financial instruments for hedging purposes (Previous Year: Nil).

Gearing ratio

As at 31 December 2022, the Group's gearing ratio was approximately 30.6% (31 December 2021: approximately 22.9%). The gearing ratio is slightly over than 30% as at 31 December 2022. The Group would use its best endeavour to achieve the 30% target in the year 2023.

The Group monitors capital using a gearing ratio, which is relevant debts divided by total assets. Total relevant debts includes interest-bearing bank and other borrowings, borrowings from the controlling shareholder, lease liabilities and other long term payables.

Funding and treasury policies and objectives

The Group adopts a prudent funding and treasury policy. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Currencies in which borrowings are made of and in which cash equivalents are held

Most of the operating income of the Group's business is in RMB and the Group's assets held and all of the committed borrowings of the Group are mainly denominated in RMB, except for certain bank and other borrowings and guarantee secured bonds held by the Group denominated in HK$ and USD.

Extent to which borrowings are at fixed interest rates

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings. The Group's policy is to obtain the most favourable interest rate available. The Group has not used any interest swaps to hedge its exposure to interest rate risk. At the end of the Year, all of the Group's interest-bearing borrowings bore interest at fixed rates.

Use of financial instruments for hedging purposes

The Group currently does not use any financial instruments for hedging purposes.

Material investment, material acquisition and disposal of subsidiaries, associates or joint ventures and future material investment or capital and assets acquisition plan

On 16 August 2021, Xiwang Special Steel Company Limited (西王特鋼有限公司), a company incorporated in the PRC with limited liability and an indirectly non-wholly owned subsidiary of the Company ("**the PRC Subsidiary**"), entered into a capital contribution agreement with the Institute of Metal Research, the Chinese Academy of

Sciences (中國科學院金屬研究所) (“**IMR**”) and 10 PRC individuals (“**Technical Personnel**”) in relation to the capital injection into Zhongke Xiwang Special Steel Company Limited (中科西王特鋼有限公司) (the “**JV Company**”), pursuant to which (i) the PRC Subsidiary agreed to provide a capital commitment by injecting certain machinery, equipment and facilities (including construction-in-progress) with a fair value of approximately RMB656 million (based on a preliminary value appraised by an independent valuer as at 31 May 2021) to the JV Company; and (ii) IMR and the Technical Personnel together agreed to provide a capital commitment by injecting certain intellectual properties with a fair value of RMB353 million (based on a preliminary value appraised by an independent valuer as at 31 May 2021) to the JV Company. Please refer to the Company’s announcement dated 16 August 2021 and circular dated 25 August 2021 for further details about this transaction. Up to the date of this announcement, the PRC Subsidiary already completed its injection of certain machineries, equipment and facilities to the JV Company.

Save as disclosed in this announcement, the Group did not have any other significant investment, acquisition or disposal of subsidiaries, associates or joint ventures nor any future material investment or capital and assets acquisition plan during the Year and up to the date of this announcement.

Pledge of assets

As at 31 December 2022, approximately RMB5,373 million (31 December 2021: approximately RMB5,012 million) of buildings, machinery and equipment, approximately RMB84 million (31 December 2021: approximately RMB87 million) of leasehold land and approximately RMB267 million (31 December 2021: approximately RMB407 million) of pledged deposits were pledged as security for interest-bearing bank and other borrowings of the Group and the subsidiaries of Xiwang Group Company and bills payables. The Group’s other borrowings of approximately RMB381 million (31 December 2021: approximately RMB382 million) were also secured by the Group’s 100% equity interests in Xiwang Recycling Resources.

As at 31 December 2022, the Group’s 95.6% (31 December 2021: 99.1%) equity interests in the subsidiary, Xiwang Special Steel Company Limited, have been pledged for other borrowings of fellow subsidiaries of approximately RMB804 million (31 December 2021: approximately RMB804 million). As at 31 December 2022, the Group’s 100% (31 December 2021: 100%) equity interests in the subsidiary, Xiwang Metal Science, have been pledged for other borrowings of Xiwang Group Company of approximately RMB1,400 million (31 December 2021: approximately RMB1,400 million).

Pledge of shares by controlling shareholders

On 22 November 2019, the Company entered into a subscription agreement with, among others, the guarantors (being Mr. WANG Yong, Mr. WANG Di, Xiwang Group Company, Xiwang Hong Kong Company Limited ("**Xiwang Hong Kong**"), Xiwang Holdings and Xiwang Investment) and the bond subscribers, pursuant to which the bond subscribers conditionally agreed to subscribe for, and the Company conditionally agreed to issue the bonds in an aggregate principal amount of US$30.0 million (the "**Bonds**").

As part of the security for the obligations of the Company under the subscription agreement of the Bonds, (i) Xiwang Group Company agreed to pledge its 100% shareholding interests in Xiwang Hong Kong; (ii) Xiwang Hong Kong agreed to pledge its 95% shareholding interests in Xiwang Holdings; and (iii) Xiwang Holdings agreed to pledge its 100% shareholding interests in Xiwang Investment, all in favour of the subscribers of the Bonds. Pursuant to the subscription agreement of the Bonds, each of the guarantors also agreed to provide personal or corporate guarantees in favour of the subscribers of the Bonds in respect of the obligations of the Company under the subscription agreement and the bond instrument. For further details of this transaction, please refer to the announcements of the Company dated 24 November 2019 and 12 December 2019.

Specific performance obligations of the controlling shareholders

Pursuant to the terms of the bond instrument of the Bonds, a relevant event occurs if, among others, (i) Mr. WANG Yong ceases to own, directly or indirectly, 50% or more of the voting rights of the issued share capital of the Company; or (ii) Mr. WANG Yong breaches his undertaking to remain as the single largest direct or indirect holder of the total issued shares of the Company. Occurrence of any of these events will constitute an event of default under the bond instrument whereby the Bonds shall immediately become due and payable by the Company at the mandatory redemption amount, which is calculated with reference to the outstanding principal amount multiplied by a multiplier and the interest rate, together with, among others, default interest (if applicable). For further details of this transaction, please refer to the announcements of the Company dated 24 November 2019 and 12 December 2019.

Disclosure obligation under Rules 13.19 and 13.21 of the Listing Rules

References are made to the announcements of the Company dated 22 September 2017, 11 October 2017, 25 October 2019, 24 November 2019 and 12 December 2019 in relation to the convertible bond in the aggregate principal amount of US$30.0 million issued by the Company which was originally due on 10 October 2019 and the Bonds in an aggregate principal amount of US$30.0 million issued by the Company which was originally due on 11 December 2019, and was extended to 31 May 2020.

On 30 November 2022, the Group successfully entered into a side letter with one of the Bond subscribers and a revised redemption schedule of the Bonds subscribed by the subscriber has been agreed. The outstanding balance of the Bonds under the name of such subscriber in the amount of US$5 million will become fully repayable by 31 August 2023 through 9 installments.

As at 31 December 2022, the Group has defaulted in repayment of principals and interests of guaranteed secured bonds amounting to approximately RMB100 million and RMB13 million with another subscriber which were matured on 30 September 2022.

On discovery of the default, the Directors informed such subscriber and commenced a renegotiation of the terms of the Bonds with such subscriber. As at the date of this announcement, those negotiations had not been concluded. Up to the date of approval for issuance of the consolidated financial statements, the negotiations in relation to a possible revision to the redemption schedule of the Bonds are still in progress. The Directors are confident that their negotiations with such subscriber will ultimately reach a successful conclusion. Such subscriber basically agreed with the revised redemption schedule. In any event, should they call for immediate repayment of the Bonds, the Directors believe that adequate alternative sources of finance from Xiwang Group are available to ensure that there is no threat to the continuing operations of the Group.

In the year 2022, the Group was unable to repay its other borrowings according to scheduled repayment date with a principal amount of approximately RMB10 million ("**Defaulted Borrowings**") and interest of approximately RMB5 million. As a result, the other borrowings with a principal amount of approximately RMB339 million, with original contractual repayment dates between year 2024 to 2028, were reclassified as current liabilities from non-current liabilities as at 31 December 2022 as they would be immediately repayable if requested by the lender. In addition, the Group had a loan advanced by the same lender in a principal amount of approximately RMB42 million ("**Current Loan**"), which was scheduled to be repayable within one year from 31 December 2022 and classified under current liabilities. Due to the Defaulted Borrowings, the Current Loan also became default and the lender is entitled to request immediate repayment. Accordingly, the Group's total defaulted other borrowings as at 31 December 2022 was approximately RMB381 million.

On discovery of the breach, the Directors informed the lender and commenced a renegotiation of the terms of the other borrowings with the relevant lender. As at 31 December 2022, those negotiations had not been concluded. Since the lender has not agreed to waive its right to demand immediate payment as at the end of the reporting period, the loan has been classified as a current liability as at 31 December 2022. Up to the date of approval for issuance of the consolidated financial statements, the negotiations are still in progress. The Group offered a revised repayment proposed to the relevant lender and such proposal had been reviewed by them. The Directors are confident that their negotiations with the lender will ultimately reach a successful conclusion. In any event, should the lender call for immediate repayment of the loan, the Directors believe that adequate alternative sources of finance from Xiwang Group are available to ensure that there is no threat to the continuing operations of the Group.

Capital commitments and contingent liabilities

As at 31 December 2022, the capital commitment of the Group for property, plant and equipment was approximately RMB557 million (31 December 2021: approximately RMB577 million).

On 19 January 2021, the Company (and its subsidiaries) and Xiwang Group Company and its subsidiaries other than the Group (the "**Relevant Subsidiaries**") entered into a guarantee agreement (the "**Guarantee Agreement**"). Pursuant to the Guarantee Agreement, the Group agreed to provide Xiwang Group Company and the Relevant Subsidiaries with guarantee services for the period from 1 January 2021 to 31 December 2023, with a proposed annual cap of RMB5.0 billion for each year during the term. For details of the Guarantee Agreement and relevant approvals, please refer to the announcements of the Company dated 19 January 2021 and 19 March 2021, respectively, and the circular of the Company dated 26 February 2021.

On 1 November 2022, the Company and Xiwang Group Company entered into a new guarantee agreement ("**New Guarantee Agreement**"). The major terms of the New Guarantee Agreement remain the same as the Guarantee Agreement and are already set out in the announcement of the Company and the circular of the Company dated 1 November 2022 and 6 December 2022, respectively. The New Guarantee Agreement is valid for a term of three years from 1 January 2023 to 31 December 2025 upon the approval of the independent shareholders at the extraordinary general meeting of the Company held on 23 December 2022.

As at 31 December 2022, the banking facilities guaranteed by the Group for Xiwang Group Company and the Relevant Subsidiaries were utilised to the extent of approximately RMB1,400 million (31 December 2021: approximately RMB1,400 million) and approximately RMB2,769 million (31 December 2021: approximately RMB2,790 million), respectively.

Equity fund raising activities

The Group did not have any material equity fund raising activities during the Year.

Foreign exchange risk

The majority of the operating income, costs and expenditures of the Group were denominated in RMB. As such, the Group has not been exposed to material foreign exchange risk except certain bank and other borrowings and guarantee secured bonds denominated in HK$ and USD during its operations. As at 31 December 2022, the Group was mainly exposed to risks related to its net liabilities denominated in USD amounted to approximately RMB201 million (31 December 2021: approximately RMB215 million).

Employees and remuneration

As at 31 December 2022, the Group had a total of 3,202 (31 December 2021: 3,459) employees. Staff-related costs incurred during the Year were approximately RMB261 million (Previous Year: approximately RMB291 million). The remuneration was determined based on the performance and professional experience of employees as well as the prevailing market conditions. The Company's management will regularly review the remuneration policy and arrangement of the Group. In addition to pensions, the Group will also distribute discretionary bonuses to certain employees as incentives based on their performance.

Monthly evaluation is performed and each employee may be given bonus based on their performance, effectiveness in carrying out their jobs and the punctuality to report duty.

The emoluments of the Directors are decided by the remuneration committee of the Board having regard to the Group's operating results, individual performance and comparable market statistics.

The Group provided trainings to staff based on their job duties plus their future career development.

III. BUSINESS OUTLOOK

Under the increasingly difficult operating conditions, the Company insists on further promoting refined management, reforming the management system, strengthening industry benchmarking, establishing a direct procurement system, and digging deep into the potential for cost reduction. Through strengthening technical reform and technical measures, optimising production process and elevating product quality, the Company further reduces production costs. The Company also actively carries out technical marketing, strengthens the development of medium and high-end special steel customers, improves the supply capacity to the high-end special steel market, and accelerates the pace of transformation and upgrade.

At present, with the full relaxation of pandemic control and the rapid improvement of the domestic economic situation in the PRC, governments at all levels are accelerating the full recovery of economic development. The recovery of the economy of China will stimulate the growth of steel demand, and the steel industry is expected to usher in a positive market in 2023. Steel demand is expected to improve as infrastructure construction and the real estate market are recovering. In addition, with the continuous advancement of "carbon peak" and "carbon neutrality", industries such as new energy vehicles and wind power have maintained rapid growth, and the development of these industries will also drive the growth of steel demand.

The Company will continue to deepen the strategic cooperation with the IMR. With the help of the research and development strength of the IMR, the Company will continue to develop new high-end special steel products of "special, refined and high quality", continue to optimise the variety structure of all production lines, and gradually eliminate products with low profitability. The Company will focus on the development of special steels such as high-end bearing steel, railway steel, marine engineering steel, large-scale roll special steel, large-scale high-pressure container steel, large-scale wind power steel, tool steel, and steel for special fields, to realise a sustainable and high-quality development of the enterprise by adjusting the industrial layout.

During the Year, the Group has been granted the official approval for establishing the Shandong Provincial Special Steel New Material Technology Innovation Centre (the "**TIC**"). The TIC is the only special steel new material technology innovation centre in Shandong Province. Bearing the core objective of research and development as well as application of commonly-used key technology in the industry, it aims to overcome the technological "bottlenecks". The TIC undertakes national and provincial scientific research and development projects in various fields in respect of special steel new materials, and strives to solve the "bottleneck" technological issues of special steel segment, so as to fulfill the demand on materials for highly sophisticated and precised products in the high-end equipment field, and centralise the resources for innovation of the special steel new material industry, while enhancing the technological level and innovative capability of the special steel new material industry in Shandong Province.

IMPACT OF COVID-19 OUTBREAK ON THE GROUP'S PERFORMANCE

Effect of the COVID-19 pandemic on the Group's operations

During the Year, the Group experienced three times of lock-down in Zouping City where the Group carries on its business and operations principally. Though the Group did not completely stop its production during the lock-downs, the Group's suppliers and customers might not be able to meet their schedules as expected. The lockdowns and controlling measures led to difficulties in logistics and transportation, which materially affected the Company's production and operations. The large-scale closures and closures in the country in response to the COVID-19 epidemic have also affected the downstream demand in the steel market of China in 2022. Restrictions on travelling hindered the sales personnel to contact the customers or potential customers directly. The Group incurred losses of approximately RMB149 million due to the occasion suspension of production.

After relieving of the epidemic situation of the COVID-19 and restoration of normal business operations in the PRC, it is expected the chance of imposing travel bans, closure of public utilities and large scale of testing are highly unlikely happen in the future. The Group's sales personnel can promote the business as usual. The impact of COVID-19 will be less serious to the Group's operations in the year 2023.

The Group will not underestimate the impact of COVID-19 if there are new coronavirus variants. The new coronavirus can cause more severe disease than their predecessors. It may lead to significant increases in hospitalisations and deaths. If this is the case, the Group's operations may definitely be affected. The Group will continue to take preventive measures towards the COVID-19 such as wearing masks in the Group's premises and factories.

Risks or uncertainties that may materially affect the Group's future performance

Due to global high inflation, prices for bulk commodities, including raw materials for steel making, have stayed high, posing challenges to the world's economic recovery in the year 2023. Increase in raw material prices will increase the total cost of sales of the Group. The Group may not be able to completely mitigate the increased raw material prices by increasing finished product selling prices. As such, the risk of the rise in raw material prices will retain in the Group and may not be entirely transferred to the customers.

In 2022, the prices of major products in the PRC steel industry continued to fall after a slight rise boosted by the conflict between Russia and Ukraine at the beginning of the year. However, the prosperity of the domestic real estate-based downstream industry in China sagged sharply, which, coupled with the lingering pandemic, further put steel selling prices on the downward track since late April. The major sources of revenue of the Group are real estate developers in China. The poor downstream consumption has become the main factor of falling steel prices throughout the Year.

Looking forward to 2023, the domestic demand from the property developers in China may continue to be weak under the debt crunch situation and as many projects of the property developers have been postponed. Property developers adopted a de-stock and deleverage policy and were very conservative in embarking on new projects in the year 2022. The risks to property sector growth may shrink in 2023 with unfinished projects likely to be completed following stimulus measures imposed by the government recently. The Group anticipates that steel price may be less volatile in the year 2023.

China's steel market may remain under big pressure in the first half 2023 given poor steel demand and comparatively high steel production. However, most market sources believe the steel demand in the second half of 2023 to improve from one year ago and the first half of 2023, although it might not be able to rebound to late 2021 level. The Group will manage the risk carefully and be more cautious in cost control and hope the gross loss position can be improved in the year 2023.

Assessments of the liquidity positions and working capital sufficiency

The Company's financial performance deteriorates in terms of financing and operations. Firstly, due to the adverse effects of the COVID-19 epidemic, the Group was facing difficulties in soliciting new source of funds, including additional banking facilities with PRC financial institutions to further support the Group's funding needs. Also, the credit market in the PRC remained challenging as a result of tightened credit measures by the PRC government. Secondly, the impact of the Russo-Ukrainian war resulted in the violent fluctuation of the price of bulk commodities such as iron ore, coupled with the influence of factors such as sluggish demand in the domestic downstream market, which led to the deterioration of the Company's profitability and the increase of pressure on working capital.

Judging by the present situation, the impact of the COVID-19 pandemic on the Group in 2023 will be lessened. The recent "two sessions" of China set an economic growth target of 5% and a fiscal deficit rate of 3%, which indicates that China will implement a proactive fiscal policy in 2023, but the impact on the credit status of the Group requires further evaluation.

Measures such as cost control, funding of and adjustments to business plans taken or to be taken to manage the impact of the COVID-19 pandemic

The joint prevention and control mechanism of the State Council of the PRC announced in the press conference in February 2023 that, China's prevention and control situation is generally improving, and it has entered steadily the normalised prevention and control stage of "Class B and B Control". However, as the adverse impacts arising from the global pandemic are still being felt, the Group will continue to pay close attention to the key area, continue to improve various measures of "Class B and B Control", and improve normalised prevention and control and emergency response capabilities. Based on the Group's experience, the Group has formulated relevant contingency plans to enhance emergency responding capabilities and ensure stable business operations. Under the new prevention and control stage and the planning and deployment of the 20th National Congress of the Communist Party of China on economic recovery and high-quality development, the Group expects that upstream supply will improve and downstream demand will rebound. The Group will further optimise cost control, consolidate customer relationships, improve payment collection capabilities, concentrate resources to promote transformation and upgrade, search for new customers, improve profitability, and introduce new financing and strategic investment. Forming a stable and healthy development environment is the focus of the Group.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SECURITIES

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

CORPORATE GOVERNANCE

The Company has adopted the code provisions in the Corporate Governance Code (the "**CG Code**") as set out in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("**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.

Following the end of the Year, Mr. Wang Di resigned as a non-executive Director and chairman of the Company and Mr. Zhang Jian, an executive Director and the chief executive officer of the Company, was appointed as the chairman of the Board, with effect from 14 February 2023, to assume the dual roles of the chairman and the chief executive officer of the Company.

The code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The Board believes that having Mr. Zhang Jian to assume both roles as the chairman and the chief executive officer will continue to ensure that the Company has consistent leadership and the ability to make and implement the overall strategy of the Company effectively. The Board believes that this structure does not compromise the balance of power and authority between the Board and the management of the Company. The Board will regularly review the effectiveness of this structure to ensure that it is appropriate to the Company's circumstances. Further information is set out in the announcement of the Company dated 14 February 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has 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 of conduct regarding securities transactions by the Directors. The Company has made specific enquiries of all the Directors, and all Directors confirmed that they have complied with the required standards set out in the Model Code for the year ended 31 December 2022.

AUDIT COMMITTEE

During the Year, the Audit Committee was comprised of three Directors, namely, Mr. LEUNG Shu Sun Sunny, Mr. LI Bangguang and Mr. YU Kou who are independent non-executive directors. Mr. LEUNG Shu Sun Sunny serves as the chairman of the Audit Committee. The Audit Committee has reviewed with the management the accounting policies and practices adopted by the Group and discussed with the management internal control and financial reporting matters of the Company, including the review of the Group's consolidated financial results for the Year.

SCOPE OF WORK ON THE ANNUAL RESULTS ANNOUNCEMENT BY THE AUDITORS

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

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is also published on the Company's website (www.xiwangsteel.com) and the designated website of the Stock Exchange (www.hkexnews.hk). The Company's annual report for the year ended 31 December 2022 containing all the information required by Appendix 16 of the Listing Rules will be despatched to the shareholders and available on the above websites in due course.

By Order of the Board of
Xiwang Special Steel Company Limited
ZHANG Jian
Chairman

Hong Kong, 24 March 2023

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

Executive Directors:
Mr. ZHANG Jian
Mr. SUN Xinhu
Ms. LI Hai Xia
Mr. WANG Chaoqun

Independent non-executive Directors:
Mr. LEUNG Shu Sun Sunny
Mr. LI Bangguang
Mr. YU Kou

* *For identification purpose only*