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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1266)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2017	2016
Sales volume of Steel *(tonnes)*	**3,087,000**	2,797,000
Revenue *(RMB)*		
Ordinary Steel – Rebar	**5,061.8 million**	2,946.8 million
Ordinary Steel – Wire Rod	**2,412.1 million**	1,209.5 million
Special Steel – Quality carbon structural steel	**1,611.3 million**	1,258.9 million
Special Steel – Others (Alloy structural steel, bearing steel, ingot and forgings materials)	**935.8 million**	551.1 million
Trading of commodities and sales of by-products	**2,341.5 million**	1,600.5 million
Total	**12,362.5 million**	7,566.8 million
Gross profit *(RMB)*	**2,025.2 million**	1,068.4 million
Gross profit per tonne *(RMB)*		
– Productions and sales of steel	**647 yuan**	372 yuan
EBITDA[1] *(RMB)*	**1,815.8 million**	1,112.1 million
Profit attributable to owners *(RMB)*	**898.1 million**	332.6 million
Basic earnings per share *(RMB)*	**44.15 cents**	16.57 cents

The Board of Directors of the Company recommended the payment of a final dividend of RMB13 cents per ordinary share for the year ended 31 December 2017.

Note:

(1) EBITDA refers to profit before tax plus finance cost, depreciation, amortization of prepaid land lease payments.

The board (the "**Board**") of directors (the "**Directors**") of Xiwang Special Steel Company Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2017 (the "**Year**"). 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

Year ended 31 December 2017

	Notes	**2017** **_RMB'000_**	2016 *RMB'000*
REVENUE	*3*	**12,362,478**	7,566,781
Cost of sales		**(10,337,237)**	(6,498,392)
Gross profit		**2,025,241**	1,068,389
Other income and gains	*3*	**29,763**	22,173
Selling and distribution expenses		**(102,651)**	(20,535)
Administrative expenses		**(98,044)**	(52,356)
Other expenses		**(51,115)**	(1,794)
Research and development costs		**(371,198)**	(253,293)
OPERATING PROFIT		**1,431,996**	762,584
Finance costs	*5*	**(328,680)**	(336,060)
PROFIT BEFORE TAX	*4*	**1,103,316**	426,524
Income tax expense	*6*	**(205,263)**	(93,935)
PROFIT FOR THE YEAR		**898,053**	332,589
Profit attributable to owners of the parent		**898,053**	332,589
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic		**RMB44.15 cents**	RMB16.57 cents
Diluted		**RMB41.93 cents**	RMB15.79 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	2017	2016
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**898,053**	332,589
OTHER COMPREHENSIVE INCOME/(LOSSES)		
Other comprehensive income/(losses) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**14,644**	(15,724)
OTHER COMPREHENSIVE INCOME/(LOSSES) FOR THE YEAR, NET OF TAX	**14,644**	(15,724)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**912,697**	316,865
Total comprehensive income attributable to owners of the parent	**912,697**	316,865

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	**31 December 2017** *RMB'000*	31 December 2016 *RMB'000* (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**10,206,774**	9,717,889
Prepaid land lease payments		**94,062**	96,283
Prepayments for long term assets	*10*	**282,394**	208,984
Other intangible assets		**97,802**	–
Available for sale investment		**100,000**	100,000
Deferred tax assets		**16,271**	5,171
Total non-current assets		**10,797,303**	10,128,327
CURRENT ASSETS			
Inventories		**797,129**	1,050,596
Trade and bills receivables	*9*	**240,750**	128,670
Prepayments, deposits and other receivables	*10*	**193,164**	181,763
Derivative financial instruments		**–**	3,584
Pledged deposits		**513,829**	334,588
Cash and cash equivalents		**125,644**	102,459
Total current assets		**1,870,516**	1,801,660
CURRENT LIABILITIES			
Trade and bills payables	*11*	**1,772,353**	1,661,073
Receipts in advance, other payables and accruals	*12*	**1,204,982**	800,220
Derivative financial instruments		**44,118**	540
Interest-bearing bank and other borrowings		**2,380,062**	2,380,157
Borrowings from the ultimate holding company		**–**	1,482,375
Income tax payable		**10,760**	18,750
Total current liabilities		**5,412,275**	6,343,115

	31 December 2017 RMB'000	31 December 2016 RMB'000
NET CURRENT LIABILITIES	**(3,541,759)**	(4,541,455)
TOTAL ASSETS LESS CURRENT LIABILITIES	**7,255,544**	5,586,872
NON-CURRENT LIABILITIES		
Convertible bonds	**156,763**	–
Interest-bearing bank and other borrowings	**1,769,390**	–
Borrowings from the ultimate holding company	**4,401**	1,399,900
Deferred tax liabilities	**18,337**	3,640
Other long term payable	**161,000**	161,000
Total non-current liabilities	**2,109,891**	1,564,540
Net assets	**5,145,653**	4,022,332
EQUITY		
Equity attributable to owners of the parent		
Share capital	**1,091,561**	962,949
Reserves	**4,054,092**	3,059,383
Total equity	**5,145,653**	4,022,332

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.1 CORPORATE AND GROUP INFORMATION

Xiwang Special Steel Company Limited (the "**Company**") is a limited company and was incorporated in Hong Kong 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 Company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in the production and sale of steel products in the People's Republic of China ("**PRC**").

In the opinion of the directors, the immediate holding company of the Company is Xiwang Investment Limited Company（西王投資有限公司）which is wholly owned by Xiwang Holdings Limited（西王控股有限公司）. During the year ended 31 December 2017, the ultimate holding company of the Company was Xiwang Group Company Limited ("**Xiwang Group**")（西王集團有限公司）.

1.2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments which has been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

The unaudited financial information relating to the year ended 31 December 2017 and the financial information relating to the year ended 2016 included in this preliminary announcement of annual results 2017 do not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of the year ended 2016, is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The financial statements for the year ended 31 December 2017 have yet to be reported on by the Company's auditor and will be delivered to the Registrar of Companies in due course.

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on these financial statements for the year ended 31 December 2016. The auditor's report was unqualified, include a reference to material uncertainly related to going concern to which the auditors drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

Going concern

As at 31 December 2017, the Group's current liabilities exceeded its current assets by approximately RMB3,541.8 million (2016: RMB4,541.5 million). The directors of the Company have considered the following factors:

- the Group's expected cash inflows from operating activities in 2018;
- the directors of the Company are also confident that bank borrowings, which will expire during the next 12 months, could be renewed upon expiration based on the Group's past experience and credit standing; and
- other available sources of financing from banks and the ultimate shareholder given the Group's credit history.

The directors of the Company believe that the Group has adequate resources to continue operation for the foreseeable future of not less than 12 months from the end of the reporting period. The directors of the Company therefore are of the opinion that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the favourable factors as described above.

Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at the amounts other than which they are currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for any further liabilities that 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 the consolidated financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

1.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

None of the above amendments to HKFRSs has had a significant financial effect on these financial statements. Disclosure has been made in relevant note to the financial statements upon the adoption of amendments to HKAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

2. OPERATING SEGMENT INFORMATION

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 resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax.

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.

Geographical information

The Group generates substantially all of its revenue from customers domiciled in Mainland China. The principal assets and capital expenditure of the Group were located and incurred in Mainland China. Accordingly, no further geographical information is presented.

Information about major customers

For the years ended 31 December 2017 and 2016, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

The segment results and other segment items included in 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 2017					
Segment revenue:					
Sales to external customers	**7,473,866**	**2,547,073**	**1,992,394**	**349,145**	**12,362,478**
Cost of sales	**(5,889,670)**	**(2,132,617)**	**(1,975,561)**	**(339,389)**	**(10,337,237)**
Gross profit	**1,584,196**	**414,456**	**16,833**	**9,756**	**2,025,241**
Reconciliation:					
Other income and gains					**29,763**
Selling and distribution expenses					**(102,651)**
Administrative expenses					**(98,044)**
Research and development costs					**(371,198)**
Other expenses					**(51,115)**
Finance costs					**(328,680)**
Profit before tax					**1,103,316**

	Ordinary steel *RMB'000*	Special steel *RMB'000*	Trading of commodities *RMB'000*	By-products *RMB'000*	Consolidated *RMB'000*
Year ended 31 December 2016					
Segment revenue:					
Sales to external customers	4,156,353	1,809,967	1,323,979	276,482	7,566,781
Cost of sales	(3,378,050)	(1,547,900)	(1,303,982)	(268,460)	(6,498,392)
Gross profit	778,303	262,067	19,997	8,022	1,068,389
Reconciliation:					
Other income and gains					22,173
Selling and distribution expenses					(20,535)
Administrative expenses					(52,356)
Research and development costs					(253,293)
Other expenses					(1,794)
Finance costs					(336,060)
Profit before tax					426,524

3. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, net of value-added tax and government surcharges during the year.

An analysis of revenue, other income and gains is as follows:

	2017	2016
	RMB'000	*RMB'000*
Revenue		
Sale of ordinary steel	**7,473,866**	4,156,353
Sale of special steel	**2,547,073**	1,809,967
Trading of commodities	**1,992,394**	1,323,979
Sale of by-products	**349,145**	276,482
	12,362,478	7,566,781
Other income		
Bank interest income	**8,356**	6,975
Subsidy income	**12,868**	651
Write-back of inventories to net realiseable value	**2,157**	6,405
Gains on disposal of item of property, plant and equipment	**–**	77
Others	**1,371**	6,597
Gains		
Foreign exchange gains, net	**5,011**	770
Fair value gains on derivative financial instruments	**–**	698
Other income and gains	**29,763**	22,173

4. PROFIT BEFORE TAX

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

	2017	2016
	RMB'000	*RMB'000*
Cost of inventories sold	**10,337,237**	6,498,392
Depreciation	**355,192**	347,321
Minimum lease payments under operating leases	**3,434**	2,584
Amortisation of prepaid land lease payments	**2,221**	2,221
Amortisation of other intangible assets	**26,377**	–
Research and development costs	**371,198**	253,293
Auditor's remuneration	**1,750**	1,750
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**235,654**	191,779
Pension scheme contributions*	**15,416**	12,586
Equity-settled share option expenses	**1,035**	1,486
Staff welfare expenses	**3,125**	7,180
	255,230	213,031
Foreign exchange differences, net	**(5,011)**	(770)
Impairment of other receivables**	**21,610**	–
Write-back of inventories to net realisable value	**(2,157)**	(6,405)
Losses/(gains) on disposal of items of property, plant and equipment**	**8,774**	(77)
Fair value losses/(gains) on derivative financial instruments (excluding embedded derivative component of convertible bonds)**	**4,041**	(698)
Fair value losses on embedded derivative component of convertible bonds**	**4,007**	–

* *As at the end of the reporting period, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years.*

** *The impairment of other receivables, losses on disposal of items of property, plant and equipment and fair value losses on derivative financial instruments and embedded derivative component of convertible bonds are included in "Other expenses" in the consolidated statement of profit or loss.*

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2017	2016
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**84,277**	81,209
Interest on a finance lease	**21,362**	–
Interest on convertible bonds	**7,512**	–
Finance cost on bills discounted	**52,709**	27,661
Interest on borrowings from the ultimate holding company	**73,791**	204,748
Interest on borrowings from Xiwang Group Finance Company Limited ("**Xiwang Finance**") (西王集團財務有限公司)	**130,354**	60,800
Total interest expense on financial liabilities not at fair value through profit or loss	**370,005**	374,418
Less: Interest capitalised	**(41,325)**	(38,358)
	328,680	336,060

6. INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable in Mainland China 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, the PRC subsidiaries except for Xiwang Metal Science & Technology Co., Ltd ("**Xiwang Metal Science & Technology**") are subject to corporate income tax ("**CIT**") at a statutory rate of 25% on their respective taxable income for the year ended 31 December 2017. Xiwang Metal Science & Technology is subject to CIT at a rate of 15% on its respective taxable income for the year ended 31 December 2017 as a national-grade high-tech enterprise.

	2017	2016
	RMB'000	*RMB'000*
Current – Mainland China		
Charge for the year	**201,666**	108,084
Deferred	**3,597**	(14,149)
Total tax charge for the year	**205,263**	93,935

The income tax charge for the year of RMB201,666,000 (2016: RMB108,084,000) is after deduction of the effect of the super deduction of research expenses of RMB29,055,000 (2016: RMB21,694,000). The super deduction of research expenses was approved by the local tax authorities in 2017.

The Group has tax losses arising in Hong Kong of approximately RMB102,169,000 as at 31 December 2017 (2016: RMB69,582,000), that are available for offsetting against future taxable profits of the Company in which the loss arose. The Group also has tax losses arising in Mainland China of RMB67,952,000 as at 31 December 2017 (2016: RMB20,705,000), that will expire in one to five years for offsetting against future taxable profits. A deferred tax asset has not been recognised as at the end of the reporting period in respect of the tax losses as the directors of the Company consider that it is uncertain of the extent that future profits will be available against which tax losses can be utilised in the foreseeable future.

7. DIVIDEND

	2017	2016
	RMB'000	*RMB'000*
Proposed final dividend – RMB13 cents (2016: Nil) per ordinary share	**294,187**	–

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

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

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, 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.

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

	2017	2016
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**898,053**	332,589
Interest on convertible bonds	**6,273**	–
Add: Fair value losses on the derivative component of the convertible bonds	**4,007**	–
Profit attributable to ordinary equity holders of the parent before interest on convertible bonds and fair value losses on the derivative component of the convertible bonds	**908,333**	332,589

	2017	2016
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,034,137,899**	2,006,666,666
Effect of dilution – weighted average number of ordinary shares		
Share options	**5,051,946**	283,763
Share-based payments	**100,000,000**	100,000,000
Convertible bonds	**27,187,836**	–
	2,166,377,681	2,106,950,429

9. TRADE AND BILLS RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Bills receivable	**152,916**	21,966
Trade receivables	**87,834**	106,704
	240,750	128,670

For sales under the ordinary steel and special steel segments, the Group requires advance payments from its customers, except for certain long term customers which are granted credit terms by the Group. The credit period for these long term customers is generally three months and each customer has a maximum credit limit. For sales under the trading of commodities and by-products segments, the Group's trading terms with its customers are mainly on credit, the credit period is generally within six months.

The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to customers with a good track record, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

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

	2017	2016
	RMB'000	*RMB'000*
Within 3 months	**212,935**	92,068
3 to 6 months	**15,145**	13,842
6 months to 1 year	**2,874**	9,553
Over 1 year	**9,796**	13,207
	240,750	128,670

The aging analysis of the trade and bills receivables that are not individually nor collectively considered to be impaired is as follows:

	2017	2016
	RMB'000	*RMB'000*
Neither past due nor impaired	**228,080**	105,910
Less than 1 month past due	**–**	–
1 to 6 months past due	**2,874**	9,553
6 months to 1 year past due	**9,796**	13,207
	240,750	128,670

Receivables that were neither past due nor impaired relate to certain customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Included in the Group's trade receivables are amounts due from the Group's fellow subsidiaries of RMB10,554,000 as at 31 December 2017 (2016: RMB14,942,000), which are repayable on credit terms similar to those offered to the other customers of the Group.

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES AND PREPAYMENTS FOR LONG TERM ASSETS

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Non-Current		
Prepayments for long term assets	**282,394**	208,984
Current		
Prepayments	**146,545**	149,296
Bank interest receivables	**1,313**	3,590
VAT recoverable	**3,814**	4,922
Deposits and other receivables	**60,881**	21,734
Current portion of prepaid land lease payments	**2,221**	2,221
	214,774	181,763
Impairment of other receivables	**(21,610)**	–
	193,164	181,763
	475,558	390,747

Included in the Group's deposits and other receivables are amounts due from the Group's fellow subsidiaries of nil as at 31 December 2017 (2016: Nil).

The movements in provision for impairment of other receivables are as follows:

	2017	2016
	RMB'000	*RMB'000*
At beginning of year	**–**	–
Impairment losses recognised *(Note 4)*	**21,610**	–
	21,610	–

Included in the above provision for impairment of other receivables is a provision for individually impaired other receivables of RMB21,610,000 (2016: Nil) with a carrying amount before provision of RMB21,610,000 (2016: Nil). The individually impaired other receivables relate to companies that were in default in principal payment and none of the receivables are expected to be recovered.

11. TRADE AND BILLS PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Bills payable	**673,000**	1,157,386
Trade payables	**1,099,353**	503,687
	1,772,353	1,661,073

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

	2017	2016
	RMB'000	*RMB'000*
Within 1 month	**471,445**	383,647
1 to 3 months	**353,385**	341,111
3 to 6 months	**738,479**	784,537
6 to 12 months	**66,492**	85,972
Over 12 months	**142,552**	65,806
	1,772,353	1,661,073

As at 31 December 2017, the Group's bills payable amounting to RMB673,000,000 (2016: RMB513,480,000) were secured by the pledged time deposits of RMB336,500,000 (2016: RMB234,015,000).

Included in the trade and bills payables are trade payables of RMB52,057,000 as at 31 December 2017 (2016: RMB26,982,000) due to fellow subsidiaries which are non-interest bearing and repayable on demand.

The Group's certain bills payable are guaranteed by certain related parties as follow:

31 December 2017

Bills payable *RMB'000*	**Guaranteed by:**
73,000	Xiwang Group, Mr. Wang Yong, a non-executive director and Mr. Wang Di, a non-executive director jointly and severally
100,000	Mr. Wang Yong Xiwang Group

31 December 2016

Bills payable *RMB'000*	**Guaranteed or secured by:**
182,517	Mr. Wang Yong and Ms. Zhang Shufang (spouse of Mr. Wang Yong) jointly and severally Xiwang Group
190,000	Mr. Wang Yong, Mr. Wang Di and Xiwang Group jointly and severally

The trade payables are non-interest-bearing and are normally settled on term of six months.

12. RECEIPTS IN ADVANCE, OTHER PAYABLES AND ACCRUALS

	2017	2016
	RMB'000	*RMB'000*
Advances from customers	**418,956**	183,121
Salaries and welfare payables	**50,006**	33,741
Other tax payables	**143,277**	5,495
Construction and equipment payables	**446,110**	496,430
Deferred revenue	**11,162**	3,500
Other payables	**135,471**	77,933
	1,204,982	800,220

As at 31 December 2017, included in other payables are outstanding balances of RMB50,470,000 (2016: RMB37,558,000) due to fellow subsidiaries, and of RMB432,000 (2016: RMB16,173,000) due to Xiwang Group, which are non-interest-bearing and repayable on demand.

The remaining amounts of other payables are non-interest-bearing and have an average term of six months.

MANAGEMENT DISCUSSION AND ANALYSIS

I. Business Review

During the year ended 31 December 2017 (the "**Year**"), the Group's main source of revenue was the production and sales of steel. Geographically, the Group's primary production base was in Shandong Province, which remained as the main sales region of the Group. The revenue attributable to the region constitutes 68.0% of the Company's total revenue during the Year (2016: 70.9%). During the Year, Zhejiang Province had a relatively large demand for steel, and was the second largest contributor to the Group's revenue, which attributed to 6.9% of the total revenue (2016: 6.8%).

Production and Sales of Steel

The ordinary steel products manufactured and sold by the Group included rebars and wire rods, mainly used for construction and infrastructure projects, constituting 74.6% of the total sales amount of steel during the Year (2016: 69.7%). The special steel products of the Group mainly included quality carbon structural steel used for mechanical processing and equipment production, alloy structural steel used for machineries, bearing steel used for automobile manufacturing, ingots used in transportation, marine engineering and weaponries and forgings materials used in high-end equipment manufacturing, constituting 25.4% of the total sales amount of steel during the Year (2016: 30.3%).

Project Review

Against the backdrop of national-wide adjustment and upgrade initiatives and of structural reform of the iron and steel industry, the Group continued to adhere to the national policy and procured transformation and upgrade according to its own status.

Our products and research and development results are as follows:

- We cooperate with Chinese Academy of Sciences to develop rail steel and the rail steel developed is viewed to have the toughness level in line with the international standard, increasing the wear out resistance of our rail steel without reducing the plasticity of the material. The life-cycle of the Company's rail steel products is expected to last by 40% to 50% longer than ordinary rail steel which can effectively prevent brittle fracture, and hence train accidents;

- For the industrialization of our products, the Group invested RMB2.55 billion in establishing a new production line. The annual production capacity of the production line is expected as follows: Steel rail (700,000 tonnes), railway billet (150,000 tonnes) and figured steel (150,000 tonnes). The construction of the new production line has two phases. Phase I is expected to be completed by the end of 2018, while Phase II is expected to be completed in 2020;

- The continuous casting process LZ50 steel axle billet manufactured by the Group was awarded the product accreditation certificate in May 2017, making us one of the steel enterprises being awarded such certificate in Shandong province;

- Through the cooperation between the Group and Chinese Academy of Sciences in 2017, we have invented over 100 new products including steels used for rail transport, marine steels and so forth.

Cost-effectiveness:

- A series of cost measures have been implemented to control cost and improve cost-efficiency. Leveraging on the application of intelligent information system, production efficiency and cost control have been improved significantly and our development in recycling economy by which the waste produced during our production are recycled and re-used has achieved practical results.

II. Financial Review

1. Revenue

Revenue of the Group was RMB12,362,478,000 during the Year (2016: RMB7,566,781,000), representing a substantial increase of 63.4% as compared to last year.

The increase in revenue was mainly attributable to the increase in average selling price and sales volume of steel for the Year. The average selling price of ordinary steel and special steel for the Year was RMB3,211 and RMB3,353 per tonne respectively, representing an increase of 55.4% and 45.5% as compared to RMB2,066 and RMB2,305 per tonne respectively last year. The sales volume increased from 2,796,621 tonnes last year to 3,087,479 tonnes for the Year, representing an increase of 10.4%.

During the Year, the distribution of the sales of special steel of the Group by regions was similar to that of last year. Shandong continued to be the top sales region. During the Year, the export sales was RMB194,930,000 (2016: RMB101,951,000), accounted for 1.9% (2016: 1.7%) of the total sales of steel.

Breakdown of revenue:

	2017		2016	
	Revenue	***Average selling price***	*Revenue*	*Average selling price*
	RMB'000	***(RMB/ tonne)***	*RMB'000*	*(RMB/ tonne)*
Ordinary Steel				
Rebar	**5,061,769**	**3,185**	2,946,818	2,034
Wire rod	**2,412,097**	**3,265**	1,209,535	2,150
Subtotal/Average	**7,473,866**	**3,211**	4,156,353	2,066
Special Steel				
Quality carbon structural steel	**1,611,315**	**3,237**	1,258,892	2,247
Alloy structural steel	**623,812**	**3,417**	355,932	2,312
Bearing steel	**41,590**	**3,505**	60,343	2,326
Ingot	**171,242**	**3,906**	134,800	3,007
Forgings materials	**99,114**	**4,212**	–	–
Subtotal/Average	**2,547,073**	**3,353**	1,809,967	2,305
Production and sales of steel	**10,020,939**		5,966,320	
Trading of commodities#	**1,992,394**		1,323,979	
Sales of by-products##	**349,145**		276,482	
Total	**12,362,478**		7,566,781	

\# *Trading of commodities mainly includes the trading of iron ore dust, pellet and coke.*

\## *By-products refer to steel slag, steam and electricity derived from the production of steel.*

Breakdown of sales volume of steel:

	Sales volume			
	2017		2016	
	Tonnes	***Percentage***	*Tonnes*	*Percentage*
Ordinary steel				
Rebar	**1,589,044**	**51.5%**	1,448,864	51.8%
Wire rod	**738,887**	**23.9%**	562,688	20.1%
Subtotal	**2,327,931**	**75.4%**	2,011,552	71.9%
Special steel				
Quality carbon structural steel	**497,732**	**16.1%**	560,322	20.1%
Alloy structural steel	**182,581**	**5.9%**	153,980	5.5%
Bearing steel	**11,865**	**0.4%**	25,941	0.9%
Ingot	**43,841**	**1.4%**	44,826	1.6%
Forgings materials	**23,529**	**0.8%**	–	–
Subtotal	**759,548**	**24.6%**	785,069	28.1%
Total	**3,087,479**	**100.0%**	2,796,621	100.0%

2. *Cost of sales*

During the Year, our cost of sales was RMB10,337,237,000 (2016: RMB6,498,392,000), representing an increase of 59.1%. It was mainly attributable to the increase in average production costs of steel per tonne and sales volume. The average production costs of steel per tonne increased from RMB1,761 last year to RMB2,598 for the Year, representing an increase of RMB837 per tonne or 47.5%.

Cost structure of steel remained relatively unchanged during the Year since the major raw materials used were iron ore dust and coke which represented 53.2% (2016: 55.6%) of steel production costs. The composition of the total production cost between raw materials and production overhead remained relatively stable during the Year. The raw materials and production overhead represented 85.7% and 14.3% (2016: 81.7% and 18.3%) to the total production costs respectively.

Breakdown of cost of sales:

	2017		2016	
	RMB'000	***Percentage***	*RMB'000*	*Percentage*
Raw materials				
Iron ore dust	**2,377,378**	**23.0%**	1,619,713	24.9%
Coke	**1,891,715**	**18.3%**	1,118,390	17.2%
Steel scraps	**814,993**	**7.9%**	192,585	3.0%
Coal	**481,733**	**4.7%**	234,273	3.6%
Coke powder	**63,298**	**0.6%**	65,115	1.0%
Pig iron	**45,842**	**0.3%**	84,870	1.3%
Others	**1,198,160**	**11.6%**	708,662	10.9%
Subtotal of raw materials	**6,873,119**	**66.4%**	4,023,608	61.9%
Production overhead				
Depreciation	**306,162**	**3.0%**	296,403	4.6%
Electricity	**512,139**	**5.0%**	368,706	5.7%
Labour	**213,053**	**2.1%**	169,791	2.6%
Others	**117,814**	**1.1%**	67,442	1.0%
Subtotal of production overhead	**1,149,168**	**11.2%**	902,342	13.9%
Total cost of production and sales of steel	**8,022,287**	**77.6%**	4,925,950	75.8%
Cost of trading of commodities	**1,975,561**	**19.1%**	1,303,982	20.1%
Cost of sales of by-products	**339,389**	**3.3%**	268,460	4.1%
	10,337,237	**100.0%**	6,498,392	100.0%

3. *Gross profit*

During the Year, gross profit of the Group was RMB2,025,241,000 (2016: RMB1,068,389,000), representing an increase of 89.6% as compared to last year. During the Year, steel has contributed RMB1,998,652,000 to our overall gross profit, which accounted for 98.7% of our overall gross profit, of which RMB1,584,196,000 and RMB414,456,000 was from ordinary steel and special steel, respectively, accounted for 78.2% and 20.5% of our overall gross profit, respectively. Overall gross profit margin of the Group was 16.4% (2016: 14.1%), representing an increase of 2.3 percentage point as compared to last year. The increase was mainly attributable to the rise in average selling price of steel per tonne which outweighed the increase in the average production costs of steel per tonne.

Breakdown of the contribution of gross profit and gross profit margin by products and business:

	2017		2016	
	RMB'000	***Gross profit margin***	*RMB'000*	*Gross profit margin*
Ordinary steel				
Rebar	**1,106,354**	**21.9%**	550,643	18.7%
Wire rod	**477,842**	**19.8%**	227,660	18.8%
Subtotal/weighted average	**1,584,196**	**21.2%**	778,303	18.7%
Special steel				
Quality carbon structural steel	**303,402**	**18.8%**	222,546	17.7%
Alloy structural steel	**99,689**	**16.0%**	44,531	12.5%
Bearing steel	**5,244**	**12.6%**	(2,318)	(3.8%)
Ingot	**8,581**	**5.0%**	(2,692)	(2.0%)
Forgings materials	**(2,460)**	**(2.5%)**	–	–
Subtotal/weighted average	**414,456**	**16.3%**	262,067	14.5%
Production and sales of steel	**1,998,652**	**19.9%**	1,040,370	17.4%
Trading of commodities	**16,833**	**0.8%**	19,997	1.5%
Sales of by-products	**9,756**	**2.8%**	8,022	2.9%
Total/Overall	**2,025,241**	**16.4%**	1,068,389	14.1%

4. Other income and gains

Other income mainly includes bank interest income and government subsidies. Other income and gains for the Year amounted to RMB29,763,000 (2016: RMB22,173,000), representing an increase of 34.2% as compared to last year. The increase was mainly due to the increase in subsidies from the PRC government under the new policy during the Year.

5. Selling and distribution expenses

The Group's selling and distribution expenses for the Year amounted to RMB102,651,000 (2016: RMB20,535,000), representing an increase of 4.0 times as compared to the corresponding period of last year. The increase was mainly attributable to the increase in transportation costs due to the change in terms of delivering with customers during the Year.

6. Administrative expenses

Administrative expenses mainly include general office expenses, salaries of administrative staff, professional and legal fees and bank service charges. Administrative expenses for the Year amounted to RMB98,044,000 (2016: RMB52,356,000), representing an increase of 87.3% as compared to the corresponding period of last year. Such increase was mainly attributable to the rise in professional fee and bank charges for financing during the Year as compared to last year.

7. Income tax expenses

Income tax expenses of the Group for the Year amounted to RMB205,263,000 (2016: RMB93,935,000), representing an increase of 1.2 times as compared to last year, which was primarily due to the increase in profit before tax. Xiwang Metal Science & Technology has obtained the High and New Technology Enterprise Certificate（高新技術企業證書）and is entitled to enjoy a preferential tax rate at the enterprise income tax rate of 15%. With this preferential tax concession, the Group saved approximately RMB81,434,000 in income tax expenses for the Year.

Financial position

Liquidity and financial resources

As at 31 December 2017, the Group had approximately RMB125.6 million in cash and cash equivalents (2016: RMB102.5 million), and approximately RMB513.8 million in pledged bank deposits (2016: RMB334.6 million). The Group had trade and bills payables of approximately RMB1,772.4 million (2016: RMB1,661.1 million), bank and other borrowings due within one year in the amount of approximately RMB2,380.1 million (2016: RMB2,380.2 million), and bank and other borrowings due after one year in the amount of approximately RMB1,769.4 million (2016: Nil). As at 31 December 2017, the bank and other borrowings are denominated in Renminbi, Hong Kong dollar and United States dollar. All of the bank and other borrowings (excluding borrowing from Xiwang Finance) were secured by non-current assets, restricted bank deposits and/or guaranteed by Mr. WANG Yong, and/or Mr. WANG Yong and Ms. ZHANG Shufang (spouse of Mr. WANG Yong), and/or Mr. WANG Di and Ms. SU Xin (spouse of Mr. WANG Di), and/or Xiwang Group. The Group mainly used its operating cash inflow to fund its working capital needs, while the capital requirement for addition of production equipment was mainly satisfied by cash inflows from operating and financing activities.

Capital structure

As at 31 December 2017, the Group's total assets was approximately RMB12,667.8 million (2016: RMB11,930.0 million), which was funded by the following: (1) share capital of approximately RMB1,091.6 million (2016: RMB962.9 million), (2) reserves of approximately RMB4,054.1 million (2016: RMB3,059.4 million) and (3) total liabilities of approximately RMB7,522.2 million (2016: RMB7,907.7 million).

Gearing ratio

As at 31 December 2017, the gearing ratio, being the ratio of total interest-bearing debts including interest-bearing bank and other borrowings, borrowings from the ultimate holding company and convertible bonds divided by total equity was 0.87 (2016: 1.35). The decrease in this ratio was mainly due to the decrease in the borrowings from the Xiwang Group in 2017. The annual interest rate of the banks and other borrowings for the year ended 31 December 2017 varied from 2.40% to 9% (2016: 3.03% to 9%).

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

Save as disclosed in this announcement, the Group did not have any material investment and material acquisition or disposal of subsidiaries during the Year.

Pledge of assets

As at 31 December 2017, none of leasehold land (2016: RMB55,397,000) and pledged deposits of RMB336,500,000 (2016: RMB264,265,000) were pledged as security for bank borrowings and bills payable.

Capital commitments and contingent liabilities

As at 31 December 2017, the capital commitment of the Group was RMB848,580,000 (2016: RMB360,516,000), for property, plant and equipment. The Group also entered into a technical cooperation agreement with Luoyang Bearing Research Centre Company Limited* to enhance its product quality. As at 31 December 2017, commitment in respect of this technical consultation service amounted to RMB300,000 (2016: RMB900,000).

On 4 January 2016, the Company entered into a guarantee agreement with Xiwang Group with a term of three years commencing from 4 January 2016, pursuant to which the Company will provide Xiwang Group and its subsidiaries other than the Group (the "**Relevant Subsidiaries**") with guarantee services (the "**Guarantee Agreement**").

As the Guarantee Agreement will be expired on 31 December 2018, the Group and Xiwang Group Company agreed to renew the transaction terms, and entered into the new guarantee agreement (the "**New Guarantee Agreement**") on 10 November 2017, which is valid for a term of three years commencing from 1 January 2018 to 31 December 2020. Pursuant to the New Guarantee Agreement, the Group shall undertake to guarantee and bear any obligations and liabilities of Xiwang Group and the Relevant Subsidiaries provided under the loan agreement to be entered between the lenders and Xiwang Group and/or the Relevant Subsidiaries subject to the terms of the specific guarantee agreements to be entered between the lenders and the Group. The guarantee amount to be provided by the Company to Xiwang Group and the Relevant Subsidiaries under the New Guarantee Agreement shall not exceed the aggregate amount due from the Group to Xiwang Group and the Relevant Subsidiaries (including but not limited to the borrowings provided by Xiwang Group to the Group) and the aggregate amount of the Group's borrowing which is guaranteed and/or secured by Xiwang Group and the Relevant Subsidiaries, less the aggregate amount due from Xiwang Group and the Relevant Subsidiaries to the Group (including but not limited to the deposits placed by the Group with Xiwang Group Finance Company Limited) and shall be subject to the maximum cap of RMB5 billion. Any loans to be repaid by the Group for and on behalf of Xiwang Group (and the Relevant Subsidiaries) pursuant to the New Guarantee Agreement shall be offset by the loans payable by the Group to Xiwang Group, or as other amounts payable by the Group to Xiwang Group or the Relevant Subsidiaries.

For details, please refer to Company's announcements dated 10 November 2017 and 9 January 2018 and circular dated 19 December 2017, respectively.

The upper limit of the bank facilities guaranteed by the Group to the ultimate holding company and fellow subsidiaries were RMB500,000,000 and RMB2,890,000,000 respectively. As at 31 December 2017, the bank facilities guaranteed by the Group to Xiwang Group and the Relevant Subsidiaries were utilised to the extent of approximately RMB340,000,000 and RMB2,130,000,000.

Equity fund raising activities

On 14 September 2017, the Company and Guotai Junan Securities (Hong Kong) Limited entered into a placing and subscription agreement pursuant to which (i) Xiwang Investment Company Limited has agreed to place, through Guotai Junan Securities (Hong Kong) Limited, 100,000,000 placing shares at the top up placing price of HK$1.51 per top-up placing share; and (ii) Xiwang Investment Company Limited has agreed to subscribe for 100,000,000 top-up subscription shares at the top-up subscription price of HK$1.51 per top-up subscription share. The Company intends to utilise the net proceeds of approximately HK$147 million from the top-up subscription for general working capital of the Group.

On 22 September 2017, the Company entered into (i) a placing agreement with SBI China Capital Financial Services Limited, pursuant to which SBI China Capital Financial Services Limited agreed to place the convertible bonds in an aggregate principal amount of US$30,000,000 to certain subscribers; and (ii) a convertible bond subscription agreement with Mr. Wang Yong and Haitong Global Investment SPC III acting on behalf of and for the account of Haitong Dynamic Multi-Tranche Investment Fund II S.P. and Blooming Global Fund, pursuant to which Haitong Global Investment SPC III acting on behalf of and for the account of Haitong Dynamic Multi-Tranche Investment Fund II S.P. and Blooming Global Fund agreed to subscribe, and the Company agreed to issue the convertible bond in an aggregate principal amount of US$30,000,000. The Company intends to use the net proceeds of approximately US$29,140,000 for general working capital of the Group. There was no conversion or redemption of the said convertible bonds during the year ended 31 December 2017.

The Company has fully utilized the net proceeds and applied them for general working capital.

Save as disclosed in this announcement, the Group did not have any other 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 during its operation. As at 31 December 2017, the Group mainly exposed to risks related to its net liabilities denominated in US dollar amounted to RMB241,809,000 (2016: RMB429,438,000).

Employees and remuneration

As at 31 December 2017, the Group had a total of 4,289 employees (2016: 3,865). Staff-related costs incurred during the Year was RMB255,230,000 (2016: RMB213,031,000). The remuneration was determined based on the performance and professional experience of employees as well as the prevailing market conditions. The 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 according to their performance.

III. Business Outlook

The year of 2017 is pivotal to the structural reform of steel industry. The PRC government managed to reduce less advanced production capacity by 50 million tonnes last year, and approximately 140 million tonnes of substandard steel was recycled. Strict environmental inspection was being maintained. Internal demand in the steel industry regained its momentum, leading to an increase of steel price, a more positive and cost-effective industry and business operation. For 2018, the PRC government will strengthen structural reform with a more specific and powerful policy. "Green" development will become a new norm, de-leveraging, merger and acquisition and corporate reorganization will be further developed, resulting in a better operating environment for steel industry. Besides, the growth in steel demand remain steady, as infrastructure sector maintains a high construction rate. The supply and demand will become more balanced, creating a larger and healthier environment for the Group and other enterprises that comply with laws and regulations to grow and expand.

Considering the above mentioned policies and demand, the Group believes that the steel price will increase steadily in the year to come. We will continue to seize opportunities in the market and adjust the production plan for its equipment that is capable of manufacturing both ordinary and special steels in line with the market direction. We will focus on the production of products with high demand and profit margins, with a view to maximising our profit.

Going forward, the Group will consolidate its strategic development goals. Back in 2015, the Company, the Institute of Metal Research, Chinese Academy of Sciences and its key personnel entered into the technology licence and cooperation agreement, under which the Institute of Metal Research, Chinese Academy of Sciences agreed to, inter alia, license certain technology to the Group on an exclusive basis for a period of 10 years and to provide technological services and support to the Group in relation to the application of such licensed technology. Since then, our Group has benefited from this cooperation arrangement with improved product quality, refined production process and enriched product mix. With the advancement of the technologies from Chinese Academy of Sciences and production advantages, we plan to develop products characterised with more sophisticated technologies and can be supplied to the market steadily. By increasing the proportion of special steels to our total output, we aim to strengthen our long-term competitiveness and profitability. Accordingly, the Group invested RMB2.55 billion in constructing a new production line to boost the development of its rail steel production and launching its tough, ductile, malleable and durable rail steel into the market. Phase I of the project is expected to be completed in 2018, while Phase II is expected to be completed in 2020. The establishment of new production line is in good progress. Phase I is expected to be completed as scheduled, and supply will commence in 2019.

The Group will work closely with Chinese Academy of Sciences in order to expand our product coverage. In the future, we are going to enhance our research and development, expand sales network, lower financial costs and business risks, with an objective to maintain a sustainable and favourable profitability.

DIVIDEND

The Board recommended the payment of a final dividend of RMB13 cents per ordinary share (approximately HK$16 cents per ordinary share), in respect of the year ended 31 December 2017 to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on Tuesday, 12 June 2018. The payment of final dividend on Monday, 25 June 2018 are subject to the approval of the shareholders of the Company at the forthcoming Annual General Meeting of the Company (the "**AGM**") to be held on Friday, 1 June 2018. The dividend is payable in cash in Hong Kong dollars and the conversion of RMB into Hong Kong dollars is made at the exchange rate of HK$1.00 = RMB82 cents as at 23 March 2018 (for illustration only). The actual conversion rate for the purpose of dividend payment in Hong Kong dollars will be subject to exchange rate at the remittance date.

EVENTS AFTER THE REPORTING PERIOD

On 25 January 2018, 151,111,000 shares were placed to not fewer than six Placees whose ultimate beneficial owners are not the connected persons of the Company and its connected persons at the price of HK$1.59 per share. Please refer to the announcements of the Company dated 25 January 2018 and 6 February 2018 for further details.

ANNUAL GENERAL MEETING

The forthcoming AGM will be held on Friday, 1 June 2018. For details, please refer to the notice of the AGM which will be published and dispatched to the shareholders of the Company as soon as practicable in accordance with the Company's articles of association and the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

(a) For determining the entitlement to attend and vote at the forthcoming AGM

The register of members in respect of ordinary shares of the Company will be closed from Tuesday, 29 May 2018 to Friday, 1 June 2018 (both days inclusive), during which period no transfer of shares of the Company may be registered, for the purposes of ascertaining shareholders' entitlement to attend and vote at the forthcoming AGM. In order to be eligible to attend and vote at the forthcoming AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited at 2103B, 21/F., 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Monday, 28 May 2018.

(b) For determining the entitlement to the final dividend

The register of members of the Company will be closed from Friday, 8 June 2018 to Tuesday, 12 June 2018 (both days inclusive), during which period no transfer of shares of the Company may be registered, for the purposes of ascertaining shareholders' entitlement for the proposed final dividend. The record date for the proposed final dividend shall be Tuesday, 12 June 2018. In order to qualify for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited at 2103B, 21/F., 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Thursday, 7 June 2018.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SECURITIES

During the Year, two grantees of the share option scheme of the Company adopted on 3 September 2014, Mr. Wang Di and Mr. Sun Xinhu, exercised a total of 3,000,000 share options of the Company.

Save as disclosed in this announcement, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the Year.

CORPORATE GOVERNANCE

The Company has adopted the code provisions in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in 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.

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 2017.

AUDIT COMMITTEE

During the Year, the audit committee of the Company (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 audited consolidated financial results for the Year.

SCOPE OF WORK ON THE ANNUAL RESULTS ANNOUNCEMENT BY AUDITOR

The figures in respect of the Group's results for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Company's auditors Ernst & Young, Certificated Public Accountants ("**Ernst & Young**") to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagements 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 Ernst & Young on the preliminary 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 annual report for the year ended 31 December 2017 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
Xiwang Special Steel Company Limited
WANG Di
Chairman

Hong Kong, 23 March 2018

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

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

Non-executive Directors
Mr. WANG Di
Mr. WANG Yong

* *for identification purpose only*