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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)

**INSIDE INFORMATION:
(I) FINANCIAL RESULTS FOR THE YEAR ENDED
31 DECEMBER 2018;
(II) CERTAIN KEY OPERATING DATA;
AND
(III) DIVIDEND POLICY**

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong).

The Board wishes to inform the shareholders of the Company and potential investors that based on the preliminary assessment of the unaudited consolidated management accounts of the Group for the year ended 31 December 2018, which have not been reviewed or audited by the independent auditors and/or the audit committee of the Company, the consolidated profit attributable to the shareholders of the Company for the year ended 31 December 2018 is expected to remain stable as compared with that for the year ended 31 December 2017.

The Board also wishes to inform the shareholders of the Company and potential investors that the Dividend Policy as stated in the Dividend Policy Announcement dated 23 November 2017 remains effective as at the date of this announcement.

Shareholders and potential investors are advised to exercise caution in dealing in the securities of the Company.

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong).

FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

References are made to the announcements of the Company dated 13 April 2018, 16 July 2018 and 15 October 2018 in relation to, among others, positive profit alert of the Company (the “**Profit Alert Announcements**”). As disclosed in the Profit Alert Announcements, the Group’s consolidated profit attributable to the shareholders for the nine months ended 30 September 2018 is expected to increase as compared with that for the nine months ended 30 September 2017. Having considered the expected decrease of the consolidated profit attributable to the shareholders of the Company for the three months ended 31 December 2018 (as compared with the three months ended 31 December 2017) together with the increase for the nine months ended 30 September 2018 (as compared with the nine months ended 30 September 2017), the financial performance of the Group for the year ended 31 December 2018 as a whole will remain stable as compared with that in 2017. For the three months ended 31 December 2018, the consolidated profit attributable to the shareholders of the Company decreased mainly due to a significant drop in steel price since late November. It is expected that the Group will incur a profit attributable to owners of the Company in the range between RMB900 million and RMB1,000 million for the year ended 31 December 2018 as compared to a profit attributable to owners of the Company of RMB898 million for the year ended 31 December 2017. For the year ended 31 December 2018, the consolidated net profit attributable to the shareholders of the Company slightly increased mainly due to the following factors:

- (1) On the supply side, the state has strengthened its efforts on environmental inspections and ordered the closure of certain unqualified enterprises which resulted in a fall in the supply of steel. The peak shifting production for differentiation has enhanced the flexibility relating to the restriction on production, raised the maximum limit of standard emission, and increased the cost and entry barrier for environmental compliance, with low-end and non-compliant production capacity continued to be eliminated. Due to the restriction on production for environmental protection, there has been moderate increase in raw material price, rise in steel price, which led to an increase in our profit margin;
- (2) On the demand side, the government has approved numerous infrastructure projects, which led to a high commencement rate in the property development sector and stable demand, with a further increase in demand for steel;
- (3) An increase in profit contributed by subsidies granted by the government.

The information contained in this announcement is only a preliminary assessment by the management of the Company based on the unaudited consolidated financial statements of the Group, which have not been reviewed or audited by the Company’s auditors and the actual results of the Group may be different from those disclosed in this announcement.

KEY OPERATING DATA

The Board is also pleased to announce the key operating data of the Group for the years ended 31 December 2017 and 2018 as follows:

	For the year ended 31 December 2018 (Approx.)	For the year ended 31 December 2017
Sales volume of self-manufactured steel products (<i>tonnes</i>)	3.0 million	3.0 million
Gross profit per tonne of self-manufactured steel products (<i>RMB</i>)	680 per tonne	647 per tonne

DIVIDEND POLICY

Reference is made to the inside information announcement of the Company dated 23 November 2017 in relation to dividend policy (the “**Dividend Policy Announcement**”). The Company wishes to remind the shareholders and potential investors of the Company that the dividend policy (the “**Dividend Policy**”) as stated in the Dividend Policy Announcement remains effective as at the date of this announcement.

According to the Dividend Policy, subject to compliance with applicable rules and regulations and the articles of association of the Company (the “**Articles of Association**”), the Company will pay dividend to the Shareholders from the year of 2017 and onwards. Based on the Dividend Policy, the Company intends to share its profits with Shareholders in the form of annual dividend in an amount that is expected to be of 30% of the Group’s annual consolidated net profit attributable to the owners of the Company, subject to the criteria as set out below. The remaining net profits will be used for the Group’s development and operations.

The Company’s ability to pay dividends will depend upon, among other things, the general financial condition of the Group, the Group’s current and future operations, liquidity position and capital requirement of the Group as well as dividends received from the Company’s subsidiaries. The payment of the dividend by the Company is also subject to any restrictions under the Laws of Hong Kong and the Articles of Association.

The Dividend Policy will continue to be reviewed from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period.

Shareholders and potential investors are advised to exercise caution in dealing in the shares of the Company.

By order of the Board of
Xiwang Special Steel Company Limited
Mr. WANG Di
Chairman

Hong Kong, 18 January 2019

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

Executive Directors

Mr. ZHANG Jian
Mr. SUN Xihu
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