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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)

UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2019	2018
	(unaudited)	(audited)
Sales volume of Steel *(tonnes)*	**2,509,652**	2,986,621
Revenue *(RMB'000)*		
Ordinary Steel – Rebar	**4,958,367**	6,007,970
Ordinary Steel – Wire Rod	**1,797,765**	1,826,738
Special Steel	**1,762,540**	2,853,861
Trading of commodities and sales of by-products	**2,642,454**	1,228,966
Total *(RMB'000)*	**11,161,126**	11,917,535
Gross profit *(RMB'000)*	**706,659**	1,966,855
Gross profit per tonne		
– Productions and sales of steel *(RMB)*	**256**	652
EBITDA[(1)] *(RMB'000)*	**800,095**	1,959,400
Profit attributable to owners *(RMB'000)*	**17,732**	961,550
Basic earnings per share *(RMB)*	**0.78 cents**	42.72 cents
Diluted earnings per share *(RMB)*	**0.78 cents**	39.22 cents

The Board of Directors of the Company did not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: RMB12.8 cents).

Note:

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

The financial information contained herein in respect of the unaudited annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

The board (the ”**Board**”) of directors (the “**Directors**”) of Xiwang Special Steel Company Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2019 (the “**Year**”). The Group’s unaudited financial information in this announcement was prepared based on the unaudited consolidated financial statements of the Group for the Year.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	**2019** ***RMB’000*** **(unaudited)**	2018 *RMB’000* (audited)
REVENUE	*3*	**11,161,126**	11,917,535
Cost of sales		**(10,454,467)**	(9,950,680)
Gross profit		**706,659**	1,966,855
Other income and gains	*3*	**92,281**	132,846
Selling and distribution expenses		**(9,818)**	(12,821)
Administrative expenses		**(85,122)**	(125,538)
Impairment loss on financial assets, net		**(401)**	(298)
Other expenses		**(47,706)**	(79,532)
Research and development costs		**(301,060)**	(362,735)
Finance costs	*5*	**(324,880)**	(356,570)
PROFIT BEFORE TAX	*4*	**29,953**	1,162,207
Income tax expenses	*6*	**(12,221)**	(200,657)
PROFIT FOR THE YEAR		**17,732**	961,550
Profit attributable to owners of the parent		**17,732**	961,550
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic		**RMB0.78 cents**	RMB42.72 cents
Diluted		**RMB0.78 cents**	RMB39.22 cents

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
PROFIT FOR THE YEAR	**17,732**	961,550
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**2,790**	16,532
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Equity investments at fair value through other comprehensive income:		
– Changes in fair value	**(4,311)**	(24,213)
– Income tax effect	**647**	1,861
	(3,664)	(22,352)
Debt investments at fair value through other comprehensive income:		
– Changes in fair value	**(5,656)**	–
– Income tax effect	**848**	–
	(4,808)	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**(5,682)**	(5,820)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/ ATTRIBUTABLE TO OWNERS OF THE PARENT	**12,050**	955,730

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	**31 December 2019 RMB'000 (unaudited)**	31 December 2018 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**9,920,510**	10,164,532
Right-of-use assets		**92,655**	–
Prepaid land lease payments		**–**	91,841
Prepayments for long term assets	*10*	**284,648**	231,545
Other intangible assets		**76,059**	87,829
Equity investments designated at fair value through other comprehensive income		**83,282**	87,593
Deferred tax assets		**13,843**	16,781
Total non-current assets		**10,470,997**	10,680,121
CURRENT ASSETS			
Inventories		**350,363**	820,320
Trade and bills receivables	*9*	**527,066**	345,271
Prepayments, other receivables and other assets	*10*	**991,430**	678,494
Pledged deposits		**901,497**	937,100
Cash and cash equivalents		**193,850**	935,676
Total current assets		**2,964,206**	3,716,861
CURRENT LIABILITIES			
Trade and bills payables	*11*	**1,513,555**	1,479,522
Other payables and accruals	*12*	**771,354**	909,102
Contract liabilities		**1,179,761**	683,384
Lease liabilities		**736**	–
Derivative financial instruments		**–**	22,696
Interest-bearing bank and other borrowings		**3,318,930**	4,342,329
Borrowings from ultimate holding company		**1,594**	–
Convertible bonds		**–**	187,077
Income tax payable		**26,084**	92,498
Total current liabilities		**6,812,014**	7,716,608

	Notes	31 December 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
NET CURRENT LIABILITIES		**(3,847,808)**	(3,999,747)
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,623,189**	6,680,374
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**418,974**	489,081
Lease liabilities		**90**	–
Deferred tax liabilities		**33,507**	33,111
Other long term payable		**161,000**	161,000
Total non-current liabilities		**613,571**	683,192
Net assets		**6,009,618**	5,997,182
EQUITY			
Equity attributable to owners of the parent			
Share capital	*13*	**1,369,681**	1,287,602
Reserves		**4,639,937**	4,709,580
Total equity		**6,009,618**	5,997,182

NOTES TO THE UNAUDITED 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 (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（西王控股有限公司）. During the year ended 31 December 2019, 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 unaudited 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, bill receivables, embedded derivative component of convertible bonds and equity investments which have been measured at fair value. These unaudited 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 2019 and the financial information relating to the year ended 2018 included in this preliminary announcement of annual results do not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of the year ended 2018, 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 2019 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 2018 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 2018. The auditor's report was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

Basis of consolidation

The unaudited consolidated financial statements include the unaudited financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2019. 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 unaudited 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 new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9 and HKAS 19, and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

For a sublease arrangement, the classification of the sublease is made by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset.

HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property, machinery, motor vehicles and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease) *HK$'000*
Assets	
Increase in right-of-use assets	95,210
Decrease in prepaid land lease payments	(91,841)
Decrease in prepayments, other receivables and other assets	(2,221)
Increase in total assets	1,148
Liabilities	
Increase in lease liabilities	1,148
Increase in total liabilities	1,148

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	HK$'000
Operating lease commitments as at 31 December 2018	5,576
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(4,340)
	1,236
Weighted average incremental borrowing rate as at 1 January 2019	7.5%
Discounted operating lease commitments as at 1 January 2019	1,148
Lease liabilities as at 1 January 2019	1,148

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group. HKFRS 9 Financial Instruments replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "**uncertain tax positions**"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

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

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Mainland China	**10,723,600**	11,834,921
Countries and regions other than Mainland China	**437,526**	82,614
	11,161,126	11,917,535

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

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 2019 and 2018, 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* (unaudited)	Special steel *RMB'000* (unaudited)	Trading of commodities *RMB'000* (unaudited)	By-products *RMB'000* (unaudited)	Consolidated *RMB'000* (unaudited)
Year ended 31 December 2019					
Segment revenue:					
Sales to external customers	**6,756,132**	**1,762,540**	**2,048,724**	**593,730**	**11,161,126**
Cost of sales	**(6,071,687)**	**(1,799,946)**	**(2,025,946)**	**(556,888)**	**(10,454,467)**
Gross profit (loss)	**684,445**	**(37,406)**	**22,778**	**36,842**	**706,659**
Reconciliation:					
Other income and gains					**92,281**
Selling and distribution expenses					**(9,818)**
Administrative expenses					**(85,122)**
Impairment loss on financial assets, net					**(401)**
Other expenses					**(47,706)**
Research and development costs					**(301,060)**
Finance costs					**(324,880)**
Profit before tax					**29,953**

	Ordinary steel *RMB'000* (audited)	Special steel *RMB'000* (audited)	Trading of commodities *RMB'000* (audited)	By-products *RMB'000* (audited)	Consolidated *RMB'000* (audited)
Year ended 31 December 2018					
Segment revenue:					
Sales to external customers	7,834,708	2,853,861	709,711	519,255	11,917,535
Cost of sales	(6,183,500)	(2,558,735)	(701,901)	(506,544)	(9,950,680)
Gross profit	1,651,208	295,126	7,810	12,711	1,966,855
Reconciliation:					
Other income and gains					132,846
Selling and distribution expenses					(12,821)
Administrative expenses					(125,538)
Research and development costs					(362,735)
Impairment loss on financial assets, net					(298)
Other expenses					(79,532)
Finance costs					(356,570)
Profit before tax					1,162,207

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2019 ***RMB'000*** **(unaudited)**	2018 *RMB'000* (audited)
Revenue from contracts with customers		
Sale of goods	**11,161,126**	11,917,535

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2019

Segments	Sale of ordinary steel *RMB'000* (unaudited)	Sale of special steel *RMB'000* (unaudited)	Trading of commodities *RMB'000* (unaudited)	Sale of by-products *RMB'000* (unaudited)	Total *RMB'000* (unaudited)
Type of goods or services					
Sale of industrial products	6,756,132	1,762,540	2,048,724	593,730	11,161,126
Geographical markets					
Mainland China	6,743,145	1,762,540	1,624,185	593,730	10,723,600
Countries and regions other than Mainland China	12,987	–	424,539	–	437,526
	6,756,132	1,762,540	2,048,724	593,730	11,161,126
Timing of revenue recognition					
Goods transferred at a point in time	6,756,132	1,762,540	2,048,724	593,730	11,161,126

Set out below is the reconciliation of the revenue from contracts with the amounts disclosed in the segment information:

Segments	Sale of ordinary steel *RMB'000* (unaudited)	Sale of special steel *RMB'000* (unaudited)	Trading of commodities *RMB'000* (unaudited)	Sale of by-products *RMB'000* (unaudited)	Total *RMB'000* (unaudited)
Revenue from contracts with customers					
External customers	6,756,132	1,762,540	2,048,724	593,730	11,161,126
Intersegment sales	9,268,135	2,210,190	1,541,146	934,058	13,953,529
	16,024,267	3,972,730	3,589,870	1,527,788	25,114,655
Intersegment adjustments and eliminations	(9,268,135)	(2,210,190)	(1,541,146)	(934,058)	(13,953,529)
Total revenue from contracts with customers	6,756,132	1,762,540	2,048,724	593,730	11,161,126

For the year ended 31 December 2018

Segments	Sale of ordinary steel	Sale of special steel	Trading of commodities	Sale of by-products	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(audited)	(audited)
Type of goods or services					
Sale of industrial products	7,834,708	2,853,861	709,711	519,255	11,917,535
Geographical markets					
Mainland China	7,796,441	2,809,514	709,711	519,255	11,834,921
Countries and regions other than Mainland China	38,267	44,347	–	–	82,614
	7,834,708	2,853,861	709,711	519,255	11,917,535
Timing of revenue recognition					
Goods transferred at a point in time	7,834,708	2,853,861	709,711	519,255	11,917,535

Set out below is the reconciliation of the revenue from contracts with the amounts disclosed in the segment information:

Segments	Sale of ordinary steel	Sale of special steel	Trading of commodities	Sale of by-products	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(audited)	(audited)
Revenue from contracts with customers					
External customers	7,834,708	2,853,861	709,711	519,255	11,917,535
Intersegment sales	10,890,013	3,269,286	2,820,417	1,630,124	18,609,840
	18,724,721	6,123,147	3,530,128	2,149,379	30,527,375
Intersegment adjustments and eliminations	(10,890,013)	(3,269,286)	(2,820,417)	(1,630,124)	(18,609,840)
Total revenue from contracts with customers	7,834,708	2,853,861	709,711	519,255	11,917,535

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of industrial products	**683,384**	418,956

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of goods

The performance obligation is satisfied upon delivery of the goods and payment in advance is generally required, except for certain long term customers which are granted credit terms by the Group.

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Other income		
Subsidy income	**43,124**	99,075
Bank interest income	**17,730**	8,157
Gross rental income	**304**	220
Others	**7,873**	1,793
Gains		
Fair value gains on derivative financial instruments	**–**	998
Fair value gains on embedded derivative component of convertible bonds	**23,250**	22,603
	92,281	132,846

4. PROFIT BEFORE TAX

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

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Cost of inventories sold	**10,454,467**	9,950,680
Depreciation of property, plant and equipment	**431,433**	425,838
Minimum lease payments under operating leases	**–**	4,021
Lease payments not included in the measurement of lease liabilities	**5,783**	–
Depreciation of right-of-use assets (2018: Amortisation of prepaid land lease payments)	**1,009**	2,221
Amortisation of other intangible assets	**12,820**	12,529
Research and development costs	**301,060**	362,735
Auditor's remuneration	**1,900**	1,850
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**234,686**	265,138
Pension scheme contributions*	**15,016**	21,473
Equity-settled share option expenses	**12**	338
Staff welfare expenses	**8,408**	10,616
	258,122	297,565
Foreign exchange differences, net	**18,342**	45,239
Impairment of financial assets:		
Impairment of trade receivables**	**330**	234
Impairment of other receivables**	**71**	64
(Write-back)/write-off of inventories to net realisable value	**(13,651)**	21,446
Losses on disposal of items of property, plant and equipment	**2,847**	19,884
Fair value gain on derivative financial instruments (excluding embedded derivative component of convertible bonds)	**–**	(998)
Fair value gain on embedded derivative component of convertible bonds	**(23,250)**	(22,603)

* *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.*

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Interest on bank and other borrowings	**230,825**	190,176
Finance cost on bills discounted	**108,933**	130,602
Interest on convertible bonds	**32,681**	37,370
Interest on borrowings from the ultimate holding company	**3,414**	3,197
Interest on borrowings from Xiwang Group Finance Company Limited ("**Xiwang Finance**") (西王集團財務有限公司)	**2,216**	9,953
Interest on lease liabilities	**102**	–
Total interest expense on financial liabilities not at fair value through profit or loss	**378,171**	371,298
Less: Interest capitalised	**(53,291)**	(14,728)
	324,880	356,570

6. INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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 2019. Xiwang Metal Science & Technology is subject to CIT at a rate of 15% on its respective taxable income for the year ended 31 December 2019 as a national-grade high-tech enterprise.

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Current – Mainland China		
Charge for the year	**7,392**	184,532
Deferred	**4,829**	16,125
Total tax charge for the year	**12,221**	200,657

The income tax charge for the year of RMB7,392,000 (2018: RMB184,532,000) is after deduction of the effect of the super deduction of research expenses of RMB21,397,000 (2018: RMB25,142,000). The super deduction of research expenses was approved by the local tax authorities in 2018.

The Group has tax losses arising in Hong Kong of approximately RMB158,591,000 as at 31 December 2019 (2018: RMB136,846,000), that are available for offsetting against future taxable profits of the Company in which the loss arose. The Group has tax losses arising in Mainland China of nil as at 31 December 2019 (2018: Nil), that will expire in one to five years for offsetting against future taxable profits. 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

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Proposed final dividend – Nil (2018: RMB12.8 cents) per ordinary share	**–**	290,369

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, adjusted to reflect the interest on the convertible bonds and fair value (gains)/loss of the embedded derivative component of convertible bonds, where applicable (see blow). 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:

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**17,732**	961,550
Add:		
Interest on convertible bonds, net of tax	**–**	31,204
Fair value (gains)/losses on the derivative component of the convertible bonds, net of tax	**–**	(18,874)
Profit attributable to ordinary equity holders of the parent before interest on convertible bonds and fair value (gains)/losses on the embedded derivative component of the convertible bonds	**17,732**	973,880

	2019	2018
	(unaudited)	(audited)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,271,892,917**	2,250,756,186
Effect of dilution – weighted average number of ordinary shares		
Share options	**1,227,465**	2,546,621
Share-based payments	**–**	100,000,000
Convertible bonds	**–**	129,520,806
	2,273,120,382	2,482,823,613

9. TRADE AND BILLS RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Bills receivable	**498,844**	202,600
Trade receivables	**28,732**	142,851
Less: Impairment	**(510)**	(180)
Trade receivable, net	**28,222**	142,671
	527,066	345,271

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Bill receivable		
Classification under HKFRS 9		
Financial assets at fair value through other comprehensive income	**498,844**	202,600

Trade receivables

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:

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 3 months	**19,274**	116,452
3 to 6 months	**4,962**	19,823
6 months to 1 year	**352**	3,677
Over 1 year	**3,634**	2,719
	28,222	142,671

10. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Non-Current		
Prepayments for long term assets	**284,648**	231,545
Current		
Prepayments	**660,519**	608,697
Deposits and other receivables	**348,784**	88,651
Interest receivable	**3,872**	–
Current portion of prepaid land lease payments	**–**	2,221
VAT recoverable	**–**	599
	1,013,175	700,168
Impairment of other receivables	**(21,745)**	(21,674)
	991,430	678,494
	1,276,078	910,039

As at 31 December 2018 and 2019, the amounts were interest-free, unsecured and repayable within one year.

11. TRADE AND BILLS PAYABLES

	2019 *RMB'000* (unaudited)	2018 *RMB'000* (audited)
Bills payable	**292,706**	173,442
Trade payables	**1,220,849**	1,306,080
	1,513,555	1,479,522

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:

	2019 *RMB'000* (unaudited)	2018 *RMB'000* (audited)
Within 1 month	**483,742**	515,504
1 to 3 months	**294,610**	383,055
3 to 6 months	**342,494**	242,215
6 to 12 months	**162,752**	228,208
Over 12 months	**229,957**	110,540
	1,513,555	1,479,522

As at 31 December 2019, the Group's bills payable amounting to RMB106,886,000 (2018: RMB70,560,000) were secured by the pledged time deposits of RMB40,490,000 (2018: RMB35,630,000).

Included in the trade and bills payables are trade payables of RMB3,153,000 as at 31 December 2019 (2018: RMB4,064,000) due to fellow subsidiaries which are non-interest bearing and repayable on demand.

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

12. RECEIPTS IN ADVANCE, OTHER PAYABLES AND ACCRUALS

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Salaries and welfare payables	**59,621**	49,651
Other tax payables	**205,211**	253,650
Construction and equipment payables	**391,547**	458,112
Deferred revenue	**8,569**	11,252
Other payables	**106,406**	136,437
	771,354	909,102

As at 31 December 2019, included in other payables are outstanding balances of RMB16,369,000 (2018: RMB39,377,000) due to fellow subsidiaries, of RMB17,938,000 (2018: RMB12,857,000) due to Xiwang Investment, and of RMBNil (2018: RMB1,000) 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.

13. SHARE CAPITAL

On 20 December 2019, an aggregate of 100,000,000 shares, representing approximately 4.22% of the enlarged issued share capital of the Company, had been duly allotted and issued as fully paid, 49,000,000 shares were issued to the IMR Subsidiary (as defined in the Company's announcement dated 16 September 2019) and 51,000,000 shares were issued to the second batch of IMR Key Personnel (as defined in the Company's announcement dated 16 September 2019) at the issue price of HK$1.22 per share under the general mandate.

MANAGEMENT DISCUSSION AND ANALYSIS

I. Business Review

During the year ended 31 December 2019 (the "**Year**"), the Group's main source of revenue was the production and sales of steel. The Group's primary production base was geographically located in Shandong Province, which remained as the main sales region of the Group. The ordinary steel products manufactured and sold by the Group included rebars and wire rods, which are mainly used for construction and infrastructure projects. The special steel products of the Group used for mechanical processing and equipment production, alloy structural steel used for machineries, bearing steel used for automobile manufacturing, and ingots used in transportation, marine engineering and weaponries production. The average time by which our main customers stay with the Group is over five to eight years. Customers for our sales of steel are generally willing to prepay for our products. Against the backdrop of nation-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 engaged in steady transformation and upgrading according to corporate needs.

II. Financial Review

1. Revenue

During the Year, revenue of the Group decreased from RMB11,917,535,000 in 2018 to RMB11,161,126,000 in 2019. The decrease in revenue was mainly attributable to the decrease in revenue from production and sales of steel from RMB10,688,569,000 in 2018 to RMB8,518,672,000 in 2019. The sales volume of ordinary steel and special steel for the Year was 2,023,175 tonnes (2018: 2,235,432 tonnes) and 486,477 tonnes (2018: 751,189 tonnes), respectively. Average selling price of ordinary and special steel decreased to RMB3,339 per tonne and RMB3,623 per tonne in 2019, from RMB3,505 per tonne and RMB3,799 per tonne in 2018, respectively. The decrease in revenue from production and sales of steel was offset by the increase in revenue from trading of commodities from RMB709,711,000 in 2018 to RMB2,048,724,000 in 2019. Shandong continued to be the top sales region.

Breakdown of revenue:

	2019 (unaudited)		2018 (audited)	
	Revenue	**Average selling price**	Revenue	Average selling price
	RMB'000	***(RMB/tonne)***	*RMB'000*	*(RMB/tonne)*
Ordinary Steel				
Rebar	**4,958,367**	**3,310**	6,007,970	3,482
Wire rod	**1,797,765**	**3,424**	1,826,738	3,581
Subtotal/Average	**6,756,132**	**3,339**	7,834,708	3,505
Special Steel	**1,762,540**	**3,623**	2,853,861	3,799
Production and sales of steel	**8,518,672**		10,688,569	
Trading of commodities[#]	**2,048,724**		709,711	
Sales of by-products[##]	**593,730**		519,255	
Total	**11,161,126**		11,917,535	

[#] *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			
	2019 (unaudited)		2018 (audited)	
	Tonnes	***Percentage***	*Tonnes*	*Percentage*
Ordinary steel				
Rebar	**1,498,152**	**59.7%**	1,725,300	57.8%
Wire rod	**525,023**	**20.9%**	510,132	17.1%
Subtotal	**2,023,175**	**80.6%**	2,235,432	74.8%
Special steel	**486,477**	**19.4%**	751,189	25.2%
Total	**2,509,652**	**100.0%**	2,986,621	100.0%

2. Cost of sales

During the Year, our cost of sales increased from RMB9,950,680,000 in 2018 to RMB10,454,467,000 in 2019. The increase was mainly attributable to the increase in average production costs of steel per tonne. Cost structure of steel remained relative stable during the Year since the major raw materials used were iron ore dust and coke. The composition of the total production cost between raw materials and production overhead also remained relatively stable during the Year.

3. Gross profit

During the Year, gross profit decreased from RMB1,966,855,000 in 2018 to RMB706,659,000 in 2019. Gross profit margin of the Group decreased from 16.5% in 2018 to 6.3% in 2019. During the Year, affected by the China-US trade war as well as other factors, some of the Company's downstream customers had experienced difficulties in exporting their products, which resulted in a drop in demand for the Company's products. At the same time, there had been a drop in the prices of steel products of the Company as compared to the corresponding period last year, and production costs increased due to the rapidly rising prices of raw materials and fuels. Consequently, gross profit margin decreased as compared to last year.

Breakdown of the contribution of gross profit/(loss) and gross profit/(loss) margin by products and business:

	2019 (unaudited)		2018 (audited)	
	RMB'000	***Gross profit/(loss) margin***	*RMB'000*	*Gross profit margin*
Ordinary steel	**684,445**	**10.1%**	1,651,208	21.1%
Special steel	**(37,406)**	**(2.1%)**	295,126	10.3%
Production and sales of steel	**647,039**	**7.6%**	1,946,334	18.2%
Trading of commodities	**22,778**	**1.1%**	7,810	1.1%
Sales of by-products	**36,842**	**6.2%**	12,711	2.4%
Total/Overall	**706,659**	**6.3%**	1,966,855	16.5%

4. Other income and gains

Other income and gains mainly include bank interest income and government subsidies. Other income and gains decreased from RMB132,846,000 in 2018 to RMB92,281,000 in 2019. The decrease was mainly due to the decrease in subsidies from the PRC government.

5. Selling and distribution expenses

Selling and distribution expenses decreased from RMB12,821,000 in 2018 to RMB9,818,000 in 2019. The decrease was mainly attributable to the prudent cost measures adopted by the Group.

6. Administrative expenses

Administrative expenses mainly include general office expenses, salaries of administrative staff, professional and legal fees and bank service charges. Administrative expenses decreased from RMB125,538,000 in 2018 to RMB85,122,000 in 2019, mainly attributable to the prudent cost measures adopted by the Group.

Financial position

Liquidity and financial resources

As at 31 December 2019, the Group had RMB193,850,000 in cash and cash equivalents (2018: RMB935,676,000), and RMB901,497,000 in pledged bank deposits (2018: RMB937,100,000). The Group had trade and bills payables of RMB1,513,555,000 (2018: RMB1,479,522,000), bank and other borrowings due within one year in the amount of RMB3,318,930,000 (2018: RMB4,342,329,000), and bank and other borrowings due after one year in the amount of approximately RMB418,974,000 (2018: RMB489,081,000). As at 31 December 2019, 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 guarantee by Mr. WANG Yong, 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. 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 2018, the Group's total assets was RMB13,435,203,000 (2018: RMB14,396,982,000), which was funded by the following: (1) share capital of RMB1,369,681,000 (2018: RMB1,287,602,000), (2) reserves of RMB4,639,937,000 (2018: RMB4,709,580,000) and (3) total liabilities of RMB7,425,585,000 (2018: RMB8,399,800,000).

Gearing ratio

As at 31 December 2019, the gearing ratio, being the 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 65% (2018: 86%).

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

As at 31 December 2019, the unlisted equity investment represented a 5% equity interest in Xiwang Group Finance Company Limited*（西王集團財務有限公司）, a company established in the PRC with limited liability, with a carrying amount of RMB83,282,000 (2018: RMB87,593,000). The amount is irrevocably designated at fair value through other comprehensive income as the Group considers this investment to be strategic in nature. The Group does not intend to dispose of the investment in the near future. 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 2019, RMB3,843,904,000 (2018: RMB2,732,712,000) of building, machinery and equipment, RMB91,841,000 of leasehold land (2018: RMB94,062,000) and pledged deposits of RMB600,490,000 (2018: RMB637,100,000) were pledged as security for interest-bearing bank and other borrowings of the Group and fellow subsidiaries and bills payable, and pledged deposits of RMB300,000,000 (2018: RMB300,000,000) were pledged for counter guarantee .

Capital commitments and contingent liabilities

As at 31 December 2019, the capital commitment of the Group for property, plant and equipment was RMB949,950,000 (2018: RMB1,019,575,000).

On 4 January 2016, the Company entered into a guarantee agreement with Xiwang Group for 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**"). On 1 November 2018, the Company entered into a supplementary guarantee agreement with Xiwang Group to revise the terms and conditions.

The Group and Xiwang Group entered into a guarantee agreement (the "**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 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 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 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 the Company's announcements dated 10 November 2017 and 9 January 2018 and the 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 RMB1,400,000,000 (2018: RMB180,000,000) and RMB3,046,542,000 (2018: RMB3,757,542,000) respectively. As at 31 December 2019, the bank facilities guaranteed by the Group to Xiwang Group and the Relevant Subsidiaries were utilised to the extent of approximately RMB1,400,000,000 (2018: RMB180,000,000) and RMB2,939,000,000 (2018: RMB2,869,990,000).

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 during its operation. As at 31 December 2019, the Group was mainly exposed to risks related to its net liabilities denominated in US dollar amounted to RMB43,436,000 (2018: RMB175,404,000).

Employees and remuneration

As at 31 December 2019, the Group had a total of 3,608 employees (2018: 4,276). Staff-related costs incurred during the Year was RMB258,122,000 (2018: RMB297,565,000). 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 based on their performance.

III. Business Outlook

The PRC government is expected to continue to strengthen its structural reform with a more specific and powerful policy. Green development is expected to become a new norm, de-leveraging, merger and acquisition and corporate reorganization is expected to be further developed, resulting in a better operating environment for the steel industry. On the demand side, the growth in steel demand is expected to remain steady, as the infrastructure sector is expected to remain active. As supply and demand for steel become more balanced, this creates a greater and healthier market development space for the Group to grow and expand. Looking forward, the demand for ordinary steel is expected to remain strong with great market potential.

For ordinary steel products, the Central Government is expected to increase investment in infrastructure projects in order to stabilise the economy and improve weak links. As a project lasts for three to five years, the projects verified in last year and this year is expected to provide short-term support demand. With the objective of producing specialized hot rolled ribbed bars, steel enterprises is expected to strive to improve the quality of construction material in order to meet the needs of government investment in railways, roads and water resources in order to capitalise on such major projects. This is expected to provide strong demand in the medium and high-end market in construction material. Although the growth in real estate has slowed down, demand in such sector remains relatively inelastic. Real estate is expected grow in the future and bring about demand for the ordinary steel; The Group is expected continue to follow the market trend. Using steel price as guidance, the Group is expected capitalise on its production capability to switch between production of ordinary steel and special steel to maximize revenue.

For special steel products, the steel track production facility is mainly for producing high speed heavy load high intensity steel track products. With a comprehensive product offering of steel track as the primary product and various types of steel, big poles, square poles and flat poles as secondary products, the overall design and production capability of the production facility is greatly increased. With such upgrade, the special steel capacity of the Group can be increased significantly, and support the gross profit margin for the Group. The Group is expected to develop high end special steel products, focusing on development in the six special steel new products (steel for advanced railway traffic, high end bearing steel, steel for marine engineering, mould steel, spring steel and steel for special use); utilise the national science and innovation platform to reach a market-leading status in industry technology research and development; increase the proportion of special steel production, utilise the Group's competitive advantage, and enhance the long-term profitability of the Group. The Group is expected to deepen the strategic operation with the Chinese Academy of Science, quickly capitalise on the scientific research achievements of the Academy, continuously improve research and development capabilities in relation to special steel new products, speed up the shift to new growth drivers and increase the pace of product transformation and integration, and using technology innovation to achieve high quality development.

Apart from product development, the Group is expected to increase research and development investment. The Group established five research and development units in different sectors (such as on special steel research, railway steel research and bearing steel research). Every year, there are research and development projects which can lead to the development of new products that can carry intellectual property rights, which provides strong technical support to the research and development of the six sectors of special steel new products. Through specialised research and development, improvement on products, a commitment to protecting the environment and increasing productivity, the Group is expected to continue to maintain a good revenue level.

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

The management is in the process of assessing the impact of the COVID-19 outbreak on the Group's performance. However, the COVID-19 outbreak is expected to have short-term impact. With the effective control of the COVID-19 outbreak, all parts of the country are gradually resuming work and production, and downstream needs will be released. In addition, the government will likely introduce measures to stimulate economic growth after the COVID-19 outbreak. The management will continue to speed up cash flow collection, increase the volume of sales agreements with core customers, improve the pace and efficiency of procurement and sales, and improve profitability.

DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: RMB12.8 cents per ordinary share).

References are also made to announcements of the Company dated 10 March 2020, 10 January 2020, 11 October 2019 and 16 August 2019 (the "**Announcements**"). As disclosed in the Announcements, the 2018 final dividend and the share certificates for the scrip shares are expected to be sent to the shareholders on or around 29 June 2020 and the dealing in the Scrip Shares on the Stock Exchange is expected to commence on or around 30 June 2020.

ALLOTMENT OF SHARES

On 20 December 2019, a total of 100,000,000 new shares in the Company were allotted and issued by the Company at the issue price of HK$1.22 per share as consideration shares pursuant to the Technology License and Cooperation Agreement entered into between the Company, IMR and the 1st Batch of IMR Key Personnal on 5 January 2015, as amended by the Supplemental Agreement dated 16 September 2019. For details, please refer to the Company's announcements dated 20 December 2019, 16 September 2019 and 5 January 2015.

ANNUAL GENERAL MEETING

The forthcoming AGM will be held on 12 June 2020. 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

The register of members in respect of ordinary shares of the Company will be closed from 9 June 2020 to 12 June 2020 (both days inclusive), during which 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 8 June 2020.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SECURITIES

During the Year, certain grantees of the share option scheme of the Company adopted on 3 September 2014 exercised a total of 600,000 (2018: 7,733,333) 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 2019.

AUDIT COMMITTEE

During the Year, the audit committee of the Company (the "**Audit Committee**") 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.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to restrictions in force in parts of China to combat the COVID-19 coronavirus outbreak. There are significant restrictions on travelling to and from and accommodation for the Xiwang Industrial Area, Zouping, Shandong Province, China, being the head office and principal place of business of the Company in China, which has affected the auditing and reporting process by the Group's auditors. No access can be granted to visitors during the period. The unaudited results contained herein have not been agreed by the Company's auditors and the figures and information in this results announcement are subject to changes. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants. The unaudited annual results contained herein have been reviewed by the audit committee of the Company.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited results for the year ended 31 December 2019 as agreed by the Company's auditors and the material differences (if any) as compared with the annual results contained herein. In addition, the Company will issue further announcement(s) as and when necessary if there are other material developments in the completion of the auditing process. The Company expects that the auditing process will be completed on or before 15 May 2020.

IMPORTANT EVENTS OCCURRED SINCE THE END OF THE FINANCIAL YEAR

Reference is made to the Company's announcements dated 21 February 2020 and 31 March 2020. In order to protect the interests of creditors and properly resolve the debt problem, the Company's controlling shareholder, Xiwang Group Company Limited*（西王集團有限公司） ("**Xiwang Group**"), had applied for settlement with the Zouping Municipal People's Court of Shandong Province (the "**Court**") on 21 February 2020 and received a civil ruling from the Court to accept the application for settlement. The first creditors' meeting in respect of to the settlement application made on 21 February 2020 (the "**Settlement Application**") was held on 31 March 2020 via an online conference conducted in a conference room on the fifth floor of Hanzhuo Hotel, Zouping, Shandong Province, the People's Republic of China. Based on the notification received, the Xiwang Group Settlement Agreement (Draft) (the "**Settlement Agreement**") was adopted by vote by the creditors. After the Settlement Agreement was adopted by vote at the creditors' meeting, the administrator of Xiwang Group will submit an application to the Court for ruling and approval of the Settlement Agreement. The Settlement Agreement will come into effect after the Court's approval. The Company will disclose further developments on the above matters by way of further announcement(s) in a timely manner in accordance with the Listing Rules and other regulatory requirements.

PUBLICATION OF UNAUDITED ANNUAL RESULTS AND ANNUAL REPORT

This unaudited 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 2019 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.

The financial information contained herein in respect of the unaudited annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 31 March 2020

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

Non-executive Director
Mr. WANG Di

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

* *For identification purpose only*