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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)**

**SECOND SUPPLEMENTAL ANNOUNCEMENT  
IN RELATION TO THE  
MATERIAL DIFFERENCES  
BETWEEN THE FINANCIAL INFORMATION IN  
THE UNAUDITED RESULTS ANNOUNCEMENT AND  
AUDITED RESULTS ANNOUNCEMENT**

References are made to (i) an announcement of Xiwang Special Steel Company Limited (the “**Company**”) dated 31 March 2020 in relation to the unaudited annual results of the Company and its subsidiaries (together, the “**Group**”) for the year ended 31 December 2019 (the “**Unaudited Results Announcement**”); (ii) an announcement of the Company dated 9 June 2020 in relation to the annual results of the Group for the year ended 31 December 2019 (the “**Audited Results Announcement**”); and (iii) an announcement of the Company dated 9 June 2020 in relation to, among others, material differences between the financial information in the unaudited results announcement and audited results announcement (the “**First Supplemental Announcement**”). Capitalised terms used herein, unless otherwise defined, shall have the same meanings as those defined in the Audited Results Announcements and the First Supplemental Announcement.

## **ADDITIONAL INFORMATION IN RELATION TO THE MATERIAL DIFFERENCES BETWEEN THE FINANCIAL INFORMATION IN THE UNAUDITED RESULTS ANNOUNCEMENT AND AUDITED RESULTS ANNOUNCEMENT**

Further to the information disclosed in the First Supplemental Announcement, the Board would like to provide additional information (the “**Additional Information**”) in relation to the details and reasons for the differences between the financial information in the Unaudited Results Announcement and the Audited Results Announcement. The Board would like to emphasise that the figures contained in the First Supplemental Announcement, which showed the numerical differences between the Unaudited Results Announcement and the Audited Results Announcement remain unchanged.

Set forth below are comparisons between the consolidated statement of profit and loss, the consolidated statement of comprehensive income and the consolidated statement of financial position (collectively, the “**Comparison Statements**”) as contained in the Unaudited Results Announcement and the Audited Results Announcement, which have been disclosed in the First Supplemental Announcement published previously.

The Additional Information is provided in form of notes to such Comparison Statements. Shareholders and potential investors of the Company are advised to pay attention to the Additional Information contained in the notes to such Comparison Statements.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the year ended 31 December 2019*

	Disclosed in the Unaudited Results Announcement <i>RMB'000</i>	Disclosed in the Audited Results Announcement <i>RMB'000</i>	Differences <i>RMB'000</i>	Notes
<b>REVENUE</b>	11,161,126	11,170,040	8,914	<i>a</i>
Cost of sales	<u>(10,454,467)</u>	<u>(10,464,603)</u>	(10,136)	<i>b</i>
<b>Gross profit</b>	706,659	705,437	(1,222)	
Other income and gains	92,281	89,790	(2,491)	<i>c</i>
Selling and distribution expenses	(9,818)	(9,802)	16	<i>d</i>
Administrative expenses	(85,122)	(85,233)	(111)	<i>e</i>
Impairment loss on financial assets, net	(401)	(401)	–	
Other expenses	(47,706)	(43,040)	4,666	<i>f</i>
Research and development costs	(301,060)	(301,060)	–	
Finance costs	<u>(324,880)</u>	<u>(322,672)</u>	2,208	<i>g</i>
<b>PROFIT BEFORE TAX</b>	29,953	33,019	3,066	
Income tax expenses	<u>(12,221)</u>	<u>(13,230)</u>	(1,009)	<i>h</i>
<b>PROFIT FOR THE YEAR</b>	<u>17,732</u>	<u>19,789</u>	2,057	
Profit attributable to owners of the parent	<u>17,732</u>	<u>19,789</u>	2,057	
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>				
Basic	<u>RMB0.78 cents</u>	<u>RMB0.87 cents</u>		
Diluted	<u>RMB0.78 cents</u>	<u>Not Applicable</u>		

*Notes:*

- (a) The increase in revenue of RMB8,914,000 was mainly due to certain late adjustments on revenue recognition of trading of commodities, which was due to cut-off error in recognition of the revenue, i.e. recognition of trading of commodities revenue by the Company in January 2020 which should have been recognised in December 2019 on accrual basis.

- (b) The increase in cost of sales of RMB10,136,000 was mainly the net effects of: (i) the increases in cost of ordinary steel and special steel by RMB1,616,000 and RMB2,009,000, respectively, relating to late adjustments on inventory level as mentioned in paragraph (k) below; (ii) decreases in cost of ordinary steel and special steel by RMB1,247,000 and RMB343,000, respectively, relating to reversal of over-accrual of the accrued expenses for social insurance, as mentioned and included in paragraph (p)(i) below; (iii) a decrease in cost of ordinary steel and special steel by RMB154,000 and RMB44,000, respectively, relating to the reclassification of accrued expenses for housing fund; and (iv) an increase in cost of sales by RMB8,299,000 as a result of the adjustment for cut-off error on revenue recognition on trading of commodities mentioned in paragraph (a) above.
- (c) The decrease in other income and gains by RMB2,491,000 was mainly due to certain late adjustments in relation to; (i) the netting off of other income and other expenses arising from refinancing and the early repayment of other borrowings which resulted in a decrease of other income and gain by RMB4,666,000; which was offset by (ii) an increase of RMB2,175,000 to properly record the bank interest income recorded in January 2020, which should have been recorded in December 2019 on accrual basis.
- (d) The decrease in selling and distribution expenses by RMB16,000 was mainly due to reversal of over-accrual of the accrued expenses for social insurance as mentioned in paragraph (p)(i) below, and reclassification of accrued expenses for housing fund as mentioned in paragraph (b)(iii) above.
- (e) The increase in administrative expenses of RMB111,000 was mainly due to reclassification of accrued expenses for housing fund as mentioned in paragraph (b)(iii) above, which was from selling and distribution expense to administrative expenses, offset by the reversal of over-accrual of the accrued expenses for social insurance as mentioned in paragraph (p)(i) below.
- (f) The decrease in other expenses of RMB4,666,000 was mainly due to certain latest adjustments to net-off the same with other income as mentioned in paragraph (c) above.
- (g) The decrease in finance costs of RMB2,208,000 was mainly due to certain late adjustments, which is the net effect of: (i) cut-off adjustments to properly record the interest on bank and other borrowings which was recorded in December 2019 that should have been recorded in January 2020; and (ii) reclassification between interest expense of convertible bonds and other borrowings.
- (h) The increase in income tax expense of RMB1,009,000 was mainly due to: (i) an increase in current tax expense of RMB1,880,000, which was the tax effect of the adjustments mentioned in paragraphs (a) to (g) above, which also resulted in an increase in profit before tax for the year of RMB3,066,000; which was offset by (ii) a decrease in deferred tax expense of RMB871,000 as a result of inventory provision and withholding tax, as mentioned in paragraphs (j), (k) and (s) above.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Disclosed in the Unaudited Results Announcement RMB'000	Disclosed in the Audited Results Announcement RMB'000	Differences RMB'000	Notes
<b>PROFIT FOR THE YEAR</b>	<u>17,732</u>	<u>19,789</u>	2,057	
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>				
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:				
Exchange differences:				
Exchange differences on translation of foreign operations	<u>2,790</u>	<u>2,790</u>	–	
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)	(4,311)	–	
– Income tax effect	<u>647</u>	<u>647</u>	–	
	(3,664)	(3,664)	–	
Debt investments at fair value through other comprehensive income:				
– Changes in fair value	(5,656)	(5,811)	(155)	<i>i</i>
– Income tax effect	<u>848</u>	<u>848</u>	–	
	(4,808)	(4,963)	(155)	
<b>OTHER COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR, NET OF TAX</b>	<u>(5,682)</u>	<u>(5,837)</u>	(155)	
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR/ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	<u>12,050</u>	<u>13,952</u>	1,902	

Notes:

- (i) The increase in changes in fair value for debt investments at fair value through other comprehensive income (net of tax) of RMB155,000 was due to certain late adjustments on the fair value change of certain bills receivables, which were classified as financial assets at fair value through other comprehensive income, as mentioned in paragraph (l) below.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2019*

	Unaudited	Audited	Difference	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>Note</i>
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	9,920,510	9,920,510	–	
Right-of-use assets	92,655	92,655	–	
Prepayments for long term assets	284,648	284,648	–	
Other intangible assets	76,059	76,059	–	
Equity investments designated at fair value through other comprehensive income	83,282	83,282	–	
Deferred tax assets	13,843	14,801	958	<i>j</i>
	<hr/>	<hr/>		
Total non-current assets	10,470,997	10,471,955	958	
<b>CURRENT ASSETS</b>				
Inventories	350,363	346,738	(3,625)	<i>k</i>
Trade and bills receivables	527,066	536,932	9,866	<i>l</i>
Prepayments, other receivables and other assets	991,430	994,195	2,765	<i>m</i>
Pledged deposits	901,497	901,498	1	<i>n</i>
Cash and cash equivalents	193,850	193,849	(1)	<i>n</i>
	<hr/>	<hr/>		
Total current assets	2,964,206	2,973,212	9,006	
<b>CURRENT LIABILITIES</b>				
Trade and bills payables	1,513,555	1,522,933	9,378	<i>o</i>
Other payables and accruals	771,354	768,124	(3,230)	<i>p</i>
Contract liabilities	1,179,761	1,179,761	–	
Dividend payables	–	290,369	290,369	<i>q</i>
Lease liabilities	736	736	–	
Interest-bearing bank and other borrowings	3,318,930	3,318,930	–	
Borrowings from ultimate holding company	1,594	1,594	–	
Income tax payable	26,084	27,964	1,880	<i>r</i>
	<hr/>	<hr/>		
Total current liabilities	6,812,014	7,110,411	298,397	
<b>NET CURRENT LIABILITIES</b>	<hr/>	<hr/>	289,391	
	(3,847,808)	(4,137,199)		
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<hr/>	<hr/>	288,433	
	6,623,189	6,334,756		

	Unaudited RMB'000	Audited RMB'000	Difference RMB'000	Note
<b>NON-CURRENT LIABILITIES</b>				
Interest-bearing bank and other borrowings	418,974	418,974	–	
Lease liabilities	90	90	–	
Deferred tax liabilities	33,507	33,542	35	<i>s</i>
Other long term payable	161,000	161,000	–	
	<u>613,571</u>	<u>613,606</u>	35	
Total non-current liabilities	<u>613,571</u>	<u>613,606</u>	35	
Net assets	<u>6,009,618</u>	<u>5,721,150</u>	288,468	
<b>EQUITY</b>				
Equity attributable to owners of the parent				
Share capital	1,369,681	1,369,681	–	
Reserves	4,639,937	4,351,469	288,468	<i>t</i>
	<u>6,009,618</u>	<u>5,721,150</u>	288,468	
Total equity	<u>6,009,618</u>	<u>5,721,150</u>	288,468	

*Notes:*

- (j) The increase in deferred tax assets of RMB958,000 was mainly due to the effect of the increase in inventory provisions as mentioned in paragraph (k) below.
- (k) The decrease in inventories of RMB3,625,000 was mainly due to certain late adjustments on inventory provisions to properly account for certain inventories to its net realisable value.
- (l) The increase in trade and bills receivables of RMB9,866,000 was mainly due to certain late adjustments in relation to: (i) an increase in trade receivables of RMB10,073,000 as a result of the cut-off adjustment on the revenue from trading of commodities as mentioned in paragraph (a) above; which was offset by (ii) a decrease in fair value of certain bills receivables of RMB207,000, as mentioned in paragraph (i).
- (m) The increase in prepayments, other receivables and other assets of RMB2,765,000 was mainly due to certain late adjustments, including: (i) increase in deposits and other receivables by RMB590,000 due to the reclassification of withholding social insurance for employees from other payables to deposits and other receivables; and (ii) an increase in interest receivables of RMB2,175,000 arising from bank interest income as mentioned in paragraph (c) above.
- (n) The difference in pledged deposits and cash and cash equivalents of RMB1,000 was due to rounding differences.
- (o) The increase in trade and bills payables of RMB9,378,000 was mainly due to certain late adjustments in relation to cut-off error of cost of sales recognition for the as mentioned in paragraph (b)(iv) above.

- (p) The decrease in other payables and accruals of RMB3,230,000 was mainly a result of certain late adjustments in relation to: (i) a decrease in salaries and welfare payables of RMB1,692,000 to properly reverse the over-accrual of the accrued expenses for social insurance as at 31 December 2019; (ii) a decrease of other payables, which consists of cut-off adjustments of interest payables by RMB2,208,000 as mentioned in paragraph (g)(i); which was offset by (iii) an increase in VAT payables of RMB80,000, which was a result of cut-off adjustments in paragraph (a) above; and (iv) a reclassification of withholding social insurance for employees from other payables to deposits and other receivables by RMB590,000 as mentioned in paragraph (m)(i) above.
- (q) The difference in dividend payables of RMB290,369,000 was mainly due to certain late adjustments on dividend payables. As disclosed in the Company's announcements dated 10 March 2020, 10 January 2020, 11 October 2019, 16 August 2019, 17 June 2019, 3 June 2019, 29 March 2019 and 26 June 2020, the payment of final dividend in connection with the year ended 31 December 2018 are expected to be delayed. The abovementioned dividend payable have not been properly recorded in the unaudited financial information as at 31 December 2019, which was subsequently correctly recorded in the audited financial statements as at 31 December 2019.
- (r) The increase in income tax payable of RMB1,880,000 was mainly due to the adjustments in relation to current income tax expenses as mentioned in paragraph (h) above.
- (s) The increase in deferred tax liabilities of RMB35,000 was mainly due to an increase in withholding tax on the distributable profits in Mainland China as a result of the abovementioned adjustments.
- (t) The decrease in reserves of RMB288,468,000 was mainly due to late adjustment on dividend payable of RMB290,369,000 as mentioned in paragraph (q) above, which was off-set by abovementioned adjustments in relation to the increase in total comprehensive income from the year attributable to the owners of the Group of approximately RMB1,902,000, comprising the increase in profit for the year of RMB2,057,000 and changes in fair value of debt investments at fair value through other comprehensive income of RMB155,000.

The Board confirms that the above supplemental information does not affect other information contained in the Audited Results Announcement and the First Supplemental Announcement and the Audited Results Announcement and the First Supplemental Announcement remain correct and unchanged.

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

Hong Kong, 26 June 2020

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 Director*

Mr. WANG Di