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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO FURTHER DELAY IN DIVIDEND DISTRIBUTION

References are made to the announcements of the Company dated 16 August 2019, 11 October 2019, 10 January 2020, 10 March 2020 and 26 June 2020, in relation to, among others, the further delay of dividend distribution of the Company (collectively, the “**Announcements**”). Unless otherwise defined herein, capitalized terms used shall have the same meanings as defined in the Announcements. The board of directors (the “**Board**”) of the Company (together with its subsidiaries, the “**Group**”) wishes to provide the shareholders and potential investors of the Company with additional information in relation to the further delay in dividend distribution (the “**Further Delay**”).

EVENTS THAT LED TO THE FURTHER DELAY

The Board wishes to supplement that the main reason leading to the Further Delay is the prolonged COVID-19 epidemic which intensified the liquidity pressure faced by the Group. The extent and duration of the COVID-19 outbreak went beyond the Group’s assessment and have taken a toll on the Group’s businesses. For instance, the reduction of steel demands had led to a drop in sales and slow reduction of inventory, and the spot stock prices this year were significantly lower than that of same period last year. The Board reviewed the liquidity situation of the Group and considered that it was in the best interest of the Group to preserve the existing resources to support its operating activities in view of the current challenging business environment.

BASIS IN DETERMINING THE DIVIDEND PAYMENT DATE

The Board currently expects that the Group will benefit from the gradual recovery of the economy in the Peoples' Republic of China (the "PRC") in the second half of 2020 and as such, it will be able to pay out the dividend by the end of November 2020. However, the external global economic environment and the overall effects on the Group's businesses and liquidity remain uncertain. Notwithstanding the uncertain overall effects on the Group's businesses and liquidity, the Group is in the process of implementing numerous measures, as detailed in the paragraphs headed "ACTION PLANS TO ENSURE NO FURTHER DELAY WILL BE REQUIRED" in this announcement to ensure that no further delay will be required. The Board is also pleased to see that the sales system reform and incentive policy adjustment implemented by the Group had further optimized the structure of the sales team, stimulated the sales team's incentive and promoted the linkage of production and sales. Sales in June 2020 have also shown a gratifying situation and as such, the Board currently expects that the Company would be able to pay out the dividend by the end of November 2020.

ACTION PLANS TO ENSURE NO FURTHER DELAY WILL BE REQUIRED

The Group is in the process of implementing the following actions to ensure that no further delay will be required:–

- (i) Cost control measures: The management of the Group has benchmarked the latest price level in the steel product market, together with rigorous cost control measures over its production, to formulate a forecast which is expected to generate enhanced positive operating cash flows. The procurement system actively predicts the market, optimizes the procurement model, carries out technological transformation and innovation in the technical system, and promotes cost reduction and efficiency enhancement through technical means, with remarkable results.
- (ii) Soliciting different sources of funds: The Group has made progress in obtaining financing since the second quarter of 2020 and has signed credit agreements with a few banks and financial institutions, which have maintained a good and stable relationship with the Group in recent years, and have adopted a cyclical continuation model after the relevant facilities expired.

- (iii) Close monitoring of the downstream demand: With the effective control of the COVID-19 outbreak, and the gradual resumption of work and production in the PRC, the downstream demand for the Group's products is expected to increase. The Group will continue to closely monitor the downstream demand for the Group's products in order to optimize the sales price and production volume.
- (iv) Speeding up of cash collection: The Group will continue to speed up cash collection, increase sales volume to the Group's core customers, improve the volume and frequency of procurement and sales to further improve liquidity.

The Board currently expects that the Group's businesses and cash flow will improve in the second half of 2020, and the cash flow generated from operation and financing activities will be sufficient to cover the amount required to pay the dividend. 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.

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

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

Hong Kong, 29 July 2020

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

Executive Directors:

Mr. ZHANG Jian

Mr. SUN Xinqu

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