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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)

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, 26 June 2020 and 29 July 2020, in relation to, among others, the further delay (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 ANNOUNCEMENT

As disclosed in the announcement of the Company dated 29 July 2020 (the “**July 2020 Announcement**”), 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. It was also disclosed in the July 2020 Announcement that the Board expected the Group will benefit from the gradual recovery of the economy in the People’s Republic of China (the “**PRC**”) in the second half of 2020 and as such, the Group will be able to pay out the dividend by the end of November 2020.

FURTHER DELAY AND EVENTS LED TO THE DELAY IN DIVIDEND DISTRIBUTION

In the second half of 2020, the COVID-19 epidemic situation did not show signs of improvement as expected, but continued to further spread throughout the world. The economies of many countries have been heavily hit by the epidemic accordingly. Affected by the epidemic situation, the Group continued to face challenging environments in sales, production, logistics, operation, business communication and other areas. The epidemic has already deferred the overall demand during the first half of the year, which has led to the substantial increase in inventory of finished goods in the market. The epidemic situation has not improved in the second half of the year as expected, as such, the anticipated fast turnover of inventory brought by the rapid recovery of global economy did not appear. As a result of the global outbreak of COVID-19 epidemic, iron ore price has increased sharply and stayed at a high level during the second half of the year, which has further reduced the liquidity of the Group. In the meantime, the export sales of steel export-oriented enterprises or steel downstream processing and manufacturing enterprises have shrunk dramatically, products that encountered difficulties in export are forced to be digested in the domestic market, thus increasing the domestic market supply and affecting the price support. In addition, the operations of banks, ports and shipping companies continued to be affected by the epidemic, which indirectly affected the Group's sales to downstream customers with export business. Steel prices continued to fall under the influence of sluggish demand and pessimism, which further affect the Group's liquidity.

The events leading to the Further Delay is the prolonged COVID-19 epidemic which intensified the liquidity pressure faced by the Company. The extent and duration of the COVID-19 outbreak went beyond the Company's assessment and have taken a toll on the Company's businesses. For instance, the reduction of steel demands has led to a drop in sales and slow reduction of inventory, the higher iron ore prices as well as the lower price for finished goods compared with the Board's expectation has led to reduced liquidity, thus leading to the Further Delay. The Board reviewed the liquidity situation of the Company again and considered that it is in the best interest of the Company to preserve the existing resources to support its operating activities in view of the current challenging business environment.

In view of the current situation, it is of the best interest for the Company to preserve the existing resources to support the operating activities in view of the current challenging business environment. Accordingly, the Board has resolved that the payment of the Final Dividend and the despatch of the share certificates for the Scrip Shares to the Shareholders will be further postponed. As a result of the further postponement, the Final Dividend and the share certificates for the Scrip Shares are expected to be sent to the Shareholders on or around 29 June 2021 and the dealing in the scrip shares on the Stock Exchange is expected to commence on or around 30 June 2021.

Save for the changes as stated herein above, all other information and contents set out in the Announcements, Supplementary AGM Circular, the Scrip Dividend Circular and the Election Form remain unchanged.

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 PRC and as such, it will be able to pay out the dividend by the end of June 2021. However, the external global economic environment and its 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 will enhance the implementation of the numerous measures as detailed in the paragraphs headed "ACTION PLANS TO ENSURE NO FURTHER DELAY WILL BE REQUIRED" in the July 2020 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.

The Board currently expects that its businesses and cash flow will improve in the first half of 2021, and the cash flow generated from operation and financing activities will be improved. The Board currently expects that the Company would be able to pay out the dividend by the end of June 2021. 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, 26 November 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