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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, 26 June 2020, 29 July 2020 and 26 November 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 (the “**Further Delay**”) in dividend distribution as disclosed in the November 2020 Announcement (as defined below).

### **EVENTS THAT LED TO THE FURTHER DELAY**

As disclosed in the announcement of the Company dated 26 November 2020 (the “**November 2020 Announcement**”), the events leading to the Further Delay is the prolonged COVID-19 epidemic which intensified the liquidity pressure faced by the Company.

The Board wishes to supplement that as a result of such unforeseen events for the past few months, which were outside the Company’s control, the Company’s financial performance was fallen short of the Group’s expectation in terms of (i) finance; and (ii) operation.

Firstly, due to the adverse effects of the epidemic, the Group was facing difficulties in soliciting new source of funds, including additional banking facilities with PRC financial institutions to further support the Group’s funding needs. Also, the credit market in the PRC remained challenging as a result of tightening credit measures by the PRC government.

Secondly, apart from the higher iron ore prices which has led to reduced liquidity as disclosed in the November 2020 Announcement, the coke market has been in a state of tight supply as a result of the implementation of the elimination of excess production capacity, which has led to an increase in coke price and greatly pushed up our production costs. As a result of the above, the cash paid for purchasing costs of raw materials for production for the period from July to November 2020 was above the Board's expectation in July 2020.

The Board reviewed the liquidity situation of the Company again in November 2020 and considered it 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.

## **ACTIONS TAKEN TO ENSURE NO FURTHER DELAY WILL BE REQUIRED**

In addition to the enhancement of the implementation of the measures as detailed in paragraphs headed "ACTION PLANS TO ENSURE NO FURTHER DELAY WILL BE REQUIRED" in the July 2020 Announcement, the Group has taken the following steps and measures to ensure that no further delay of dividend distribution will be required:–

- (i) Exploring new financing channels: As a result of the Board's continuing efforts to explore new sources of financing, the Group has recently obtained a new and secured credit line from a bank which will offer deposits, loans, settlement, bill discounting, trade financing and international businesses services to the Group. It is the Company's intention to utilise the new credit line for the purchase of goods and services to support the Group's operating activities in view of the difficult business environment, with the aim of improving the Group's businesses and cash flow in the first half of 2021.
- (ii) Securing existing financing sources: For the cash flow forecast period from December 2020 to June 2021, the Group has been successful in renewing all credit lines from PRC banks and financial institutions. Many of these financial institutions 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, which also reflects their commitment to support the Group's production, operations and development.
- (iii) Cost control and efficiency enhancement measures: The Group implemented new management method throughout the Group and carried out technological innovation, energy conservation and consumption reduction, with a view to reducing costs and boosting efficiency on one hand, and strengthening product quality and market competitiveness in the high-end special steel field on the other.

The Company has also been in regular communications with relevant state administrations of foreign exchange to address the issue of arranging remittance from the PRC to Hong Kong.

To ensure that the Company would be able to pay out the dividend by the end of June 2021, the Board will strive to explore new financing sources, implement cost control and efficiency enhancement measures and improve the businesses and cash flow of the Company in the first half of 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, 8 January 2021

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