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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 (collectively, the “**Announcements**”) of the Company dated 16 August 2019, 11 October 2019, 10 January 2020, 10 March 2020, 26 June 2020, 29 July 2020, 26 November 2020, 8 January 2021, 11 June 2021 and 31 December 2021 in relation to, among others, the further delay (the “**Further Delay**”) of dividend distribution of the Company. Unless otherwise defined herein, capitalised terms used shall have the same meanings as defined in the Announcements. As disclosed in the announcement of the Company dated 31 December 2021 (the “**December 2021 Announcement**”), the Board expected the Group would be able to pay out the dividend by the end of June 2022.

FURTHER DELAY AND EVENTS LED TO THE DELAY IN DIVIDEND DISTRIBUTION

Due to the recurrence of COVID-19 pandemic in various cities in the People’s Republic of China (the “**PRC**”) in the first half of 2022, certain areas implemented lockdown measures. Being classified as a “risky zone”, Zouping City of Shandong Province, where the Group is located, was subject to stringent pandemic-control measures, including the citywide “static management” for 40 consecutive days and subsequent regular stringent control measures in March and April 2022. During this period, the macro-economic environment was hugely affected, causing a sluggish demand in downstream markets such as real estate and manufacturing industries. The Group initially anticipated that, as the epidemic became under control, there would be retaliatory rebound in market consumption in order to catch up the construction and production progress, which was expected to boost the demand of steel products and substantially improve the sales performance, profit and cash flow of the Group in May and June 2022. However, such expectations did not realise and there were continuing new cases and lockdown in other areas in the PRC, which further adversely affected the economic activities, and there has been no significant rebound in market demand for the Group’s products.

Further, from January to May 2022, various macroeconomic factors squeezed the profit margins of the Group's business and products. As a consequence of the outbreak of the ongoing Russian-Ukraine war and the policies implemented by the People's Bank of China including lowering of deposit reserve requirement and lending interest rate, the domestic market saw a surge in prices of the major raw materials for the Group's production, including iron ore and coking coal. On the other hand, the reduction in the demand of steel in the domestic market caused by COVID-19 pandemic has significantly affected the Group's revenue.

The recent raise in effective federal funds rate by the U.S. Federal Reserve in June 2022 has led to global price pressure. The selling price of raw materials (such as iron ore) and steel products fell rapidly. As the price of steel products dropped more significantly than the price of raw materials, the profit margin of the Group's products decreased.

Based on the above factors, the Board reviewed the liquidity situation of the Group again and considered that it is in the best interest of the Company to preserve the existing resources to support the Group's 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.

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.

The recurrence of the COVID-19 pandemic and the external global economic environment and its overall effects on the Group's businesses and liquidity remain uncertain. Based on the current circumstances, the Board considers it not practicable to set a date on which the dividend distribution could be made. The Group will continuously assess its financial positions, liquidity, forecast on operation results and availability of financing options. The Group has and will continue to explore the available options, and enhance the implementation of numerous measures to resolve the delay of dividend distribution. If the objective factors become favourable, the Company will proceed with the payment of the Final Dividend and the despatch of the share certificates for the Scrip Shares to the Shareholders without undue delay.

The Company will closely monitor and review the situation, and if and when necessary, provide updates of any material development to the market on the above matters by way of further announcement(s) in a timely manner in accordance with the Listing Rules and other regulatory requirements as and when appropriate. In any event, the Company expects to make a further announcement on the above subject matters by 31 March 2023.

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, 30 June 2022

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