

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement



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 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, 31 December 2021 and 30 June 2022 in relation to, among others, the delay (the “**Delay**”) of dividend distribution of the Company. Unless otherwise defined herein, capitalised terms used shall have the same meanings as defined in the Announcements. The Board wishes to provide the Shareholders and potential investors of the Company with additional information in relation to the Delay and the further delay (the “**Further Delay**”) in dividend distribution as disclosed in the Company’s announcement dated 30 June 2022 (the “**June 2022 Announcement**”).

Events Leading to the Delay since 2019

The Final Dividend (together with an option for scrip dividend) was approved by the general meeting of the Company on 28 June 2019. The cash dividend and the share certificates for the Scrip Shares relating to the Final Dividend were initially expected to be paid or sent (as the case may be) to the Shareholders on or around 6 September 2019. However, as additional time was required for arranging remittance of funds for the dividend distribution to Hong Kong from the PRC, where the main operating subsidiaries of the Group locate, the dividend distribution was repeatedly delayed since the approval of the Final Dividend at the Company’s general meeting, until such issue was ultimately resolved. Further, the Group was affected by liquidity issues as disclosed in the announcements of the Company dated 21 February 2020, 10 March 2020 and 21 April 2020.

Since early 2020, the outbreak of COVID-19 pandemic has further adversely affected the business environment and liquidity of the Group. The pandemic and the relevant strict control measures have led to a decrease in demand for the Group's products and rise in price of raw materials. As a result, the Board considered necessary for the Company to preserve its existing resources to support the Group's operating activities. Meanwhile, it was also difficult for the Group to obtain additional fund from, for example, bank facilities, as a result of the downturn of the economy affected by the outbreak of pandemic as well as the tightened credit policies in the PRC.

In addition to the above, in 2021, events including global release of currency liquidity, trade friction between China and Australia, and environmental protection policies have further caused a rise in the price of raw materials such as iron ore, coke and scrap steel. Meanwhile, domestic demand for the Group's products also diminished as a result of the tightened policies and control in response to the financial risks of the real estate industry. Together with the recurrence of the COVID-19 pandemic, impacts of which repeatedly went beyond the Board's expectations, there have been several occasions of delay in dividend distribution as disclosed in the announcements dated 10 March 2020, 26 June 2020, 29 July 2020, 26 November 2020, 8 January 2021, 11 June 2021, 31 December 2021 and 30 June 2022.

Circumstances Necessitating the Further Delay

As disclosed in the June 2022 Announcement, the Company initially expected its sales performance would be significantly improved in May and June 2022, which was not realised as a result of the continuing new cases of COVID-19 and lockdown in other areas in the PRC, together with other adverse factors including Russian-Ukraine war, rise in raw materials price and the raise in effective federal funds rate by the U.S. Federal Reserve.

In particular, based on the latest preliminary financial information currently available to the Board, the Group's sales volumes in May and June 2022 were approximately 288,000 tonnes and 246,000 tonnes, respectively for the corresponding periods, which were approximately 15% and 27% lower than the anticipated sales volumes. The revenue generated from such sales was approximately 35% and 48% lower than anticipated for May and June 2022, respectively. In terms of selling price, the Company initially expected to observe a retaliatory rebound in market consumption and hence a rise in average selling price of the Group's ordinary steel and special steel products in May and June 2022, but it turned out showing a downward trend. The average selling prices of ordinary steel products were approximately RMB4,805 per tonne and RMB4,533 per tonne for May and June 2021, respectively and approximately RMB4,393 per tonne for the year ended 31 December 2021, which decreased to approximately RMB4,077 per tonne in May 2022 and was further pushed down to approximately RMB3,798 per tonne in June 2022. As to the special steel products, the average selling prices were approximately RMB4,896 per tonne and RMB4,699 per tonne for

May and June 2021, respectively and approximately RMB4,490 per tonne for the year ended 31 December 2021, but it decreased to approximately RMB4,471 per tonne in May 2022, and further decreased to approximately RMB4,236 per tonne in June 2022. In addition, as the average selling price of ordinary and special steel products for the period between January to March 2022 also shown a period-to-period increase as compared to 2021, the substantial drop in average selling price in May and June 2022 was totally out of the expectation of the Board. Coupled with the impacts of the decreased sales volume, the turnover of the Group significantly decreased when compared to the corresponding periods in the year 2021 as well as the cashflow forecast. Such anticipations were based on normal market conditions without taking into account the impact of adverse factors such as the Russian-Ukraine war and the unexpected recurrence of the COVID-19 pandemic and the related strict control measures as mentioned above. As the rate and magnitude of decline in steel prices exceeded the Company's anticipations, the amount of cashflow generated from operation fell short of the Company's expectations.

Plans of the Company to Settle the Final Dividend

The Company has been using its best endeavour to settle the Final Dividend as soon as reasonably practicable by exploring various financing channels and enhancing its own financial position, liquidity and results of operation. For example, the Company has adopted various cost control measures including benchmarking the latest price level in the steel product market, rigorous cost control measures over its production, active market prediction, and consumption reduction. The Company has implemented technological transformation and innovation in the technical system to reduce costs, enhance efficiency and strengthen products' quality and competitiveness. The Company has also been making efforts to solicit different sources of funds from financial institutions and secure its existing financing resources.

In addition to its continuous endeavour to obtain new bank financing, enhance sale performance and speed up cash collection, the Company has also considered the possibility of other debt financing and/or equity financing options. The Board has been constantly observing and assessing the market conditions to ascertain if and when it becomes desirable for the Company to proceed with such options. Meanwhile, the Company is keeping, and will continue to keep, contact with potential investors and financial institutions to assess the possibility and feasibility of debt financing and/or equity financing options from time to time.

The Company would like to emphasise that it fully acknowledges and attaches great importance to its obligation to settle the Final Dividend. Meanwhile, the Company also has to consider and balance the need to maintain its long-run operations with available capital and resources which is considered to be in the best interest of the Group and all stakeholders. The Company is committed to complete the distribution of the Final Dividend without undue delay when the objective factors become favourable which enable the Company to generate sufficient cash for such distribution.

The Company will closely monitor and review the situation from time to time, 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.

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, 19 August 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