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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)

INSIDE INFORMATION AND PROFIT WARNING

This announcement is made by Xiwang Special Steel Company Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”) .

The board (“**Board**”) of directors (“**Directors**”) of the Company wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that it is expected that the Group would record a net loss not exceeding RMB296.8 million for the six months ended 30 June 2022 (the “**Current Period**”) as compared with a profit for the period of approximately RMB191.7 million for the six months ended 30 June 2021 (the “**Previous Period**”). This is mainly because the costs of the major raw materials of the Group, such as coking coal, for the Current Period increased significantly when compared to the Previous Period, while the cost of iron ore remained high during the Current Period. The average unit cost for the Group’s ordinary steel and special steel products increased from approximately RMB3,956 per tonne for the Previous Period to approximately RMB4,198 per tonne for the Current Period. However, the Group was not able to raise the selling price to the same extent despite such increase in costs of sales, in order to maintain its competitiveness. Further, as disclosed in the announcement of the Company dated 19 August 2022, the Group experienced a sharp drop in the average selling price of the products plus a decrease in the sales volumes in May and June 2022. The revenue of the Group decreased accordingly and squeezed the Group’s profit margin. As a result, the Group recorded a gross loss margin of approximately 0.3% for the Current Period, compared to a gross profit margin of approximately 6.5% for the Previous Period.

The information set out above contained in this announcement is only based on the preliminary assessment made by the Board with reference to the unaudited operating information of the Group for the Current Period and information currently available to the Board and the same has not been reviewed by or discussed with the auditors of the Company. Shareholders and potential investors should note that detailed information on the Group's performance for the Current Period will be disclosed in its results announcement for the same period to be published on 31 August 2022. The Company is in the process of finalising the results of the Group for the Current Period. There may be differences between such information and estimated financial information set out above. Shareholders and potential investors are advised to read carefully the announcement of the Company in relation to the results of the Group for the Current Period.

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 August 2022

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

Executive Directors

Mr. ZHANG Jian
Mr. SUN Xinhua
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