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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, based on the unaudited management accounts of the Group for the period from January to December 2022, the Group is expected to record a net loss not exceeding RMB1,400 million for the year ended 31 December 2022 (the “**Year**”) as compared with a profit of approximately RMB65 million for the year ended 31 December 2021 (the “**Previous Year**”). This is mainly because the costs of the major raw materials of the Group, such as coking coal, for the Year increased significantly when compared to the Previous Year, while the cost of iron ore remained high during the Year. The average unit cost for the Group’s ordinary steel and special steel products was approximately RMB4,127 per tonne for the Year (Previous Year: approximately RMB4,173 per tonne). The Group was not able to raise the selling price to the same extent despite such increase in cost of sales, in order to maintain its competitiveness. The Group experienced a sharp drop in the average selling price of the products plus a decrease in the sales volumes. The average selling price of the ordinary and special steel products recorded a decrease of approximately 13%. The revenue of the Group decreased accordingly and squeezed the Group’s profit margin. As a result, the Group is expected to record a gross loss margin of approximately 5.2% for the Year, compared to a gross profit margin of approximately 4.1% for the Previous Year.

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 Year 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 Year will be disclosed in its annual results announcement for the same period which is expected to be published by the end of March 2023. The Company is in the process of finalising the results of the Group for the Year. 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 annual results of the Group for the Year.

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
ZHANG Jian
Chairman

Hong Kong, 21 March 2023

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

Executive Directors

Mr. ZHANG Jian
Mr. SUN Xinqu
Ms. LI Hai Xia
Mr. WANG Chaoqun

Independent non-executive Directors

Mr. LEUNG Shu Sun Sunny
Mr. LI Bangguang
Mr. YU Kou