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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)

POSITIVE PROFIT ALERT

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong).

The Board wishes to inform the shareholders of the Company and potential investors that based on the preliminary assessment of the unaudited consolidated management accounts of the Group for the year ended 31 December 2016, which have not been reviewed or audited by the independent auditors and/or the audit committee, it is expected that the Group's consolidated profit attributable to the shareholders of the Company for the year ended 31 December 2016 may increase by more than 80% as compared with the profit for the year ended 31 December 2015.

Shareholders and potential investors are advised to exercise caution in dealing in the securities of the Company.

This announcement is made by Xi Wang Special Steel Company Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong).

The board (the “**Board**”) of directors (“**Directors**”) of the Company wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that based on the preliminary assessment of the unaudited consolidated management accounts of the Group for the year ended 31 December 2016, which have not been reviewed or audited by the independent auditors and/or the audit committee, it is expected that the Group’s consolidated profit attributable to the shareholders of the Company for the year ended 31 December 2016 may increase by more than 80% as compared with that for the year ended 31 December 2015.

The increase in the net profit of the Group for the year ended 31 December 2016 is mainly due to the following factors: (i) the increase in gross profit margin of ordinary steel; (ii) the increase in gross profit margin of special steel; and (iii) the increase in revenue. The steel industry went on well in 2016. China’s policies on steady growth and elimination of overcapacities of the steel industry have become effective, steel supply and demand imbalance has narrowed and prices have rebounded since the beginning of 2016. The rebound of steel prices was the main reason for driving the profit for steel enterprises. Meanwhile, production capacity of several key projects in Shandong Province including metro construction, high-speed railway and express construction was high with substantial investment amount from the government. Those projects also needed to meet tighter schedules and even were progressed ahead of schedule. All these have contributed to the increase in the demand for steel and driven the growth of the steel market, and our gains has increased as compared to the same period of previous year.

The Company is in the course of finalising the annual results of the Group for the year ended 31 December 2016. The information contained in this announcement is only a preliminary assessment by the management of the Company based on the unaudited consolidated financial statements of the Group, which have not been confirmed, reviewed or audited by the Company’s auditors and the actual results for the Group may be different from those disclosed in this announcement.

Details of the annual results of the Group for the year ended 31 December 2016 are expected to be announced in March 2017. Shareholders and potential investors should read the Group’s annual results carefully.

Shareholders and potential investors are advised to exercise caution in dealing in the shares of the Company.

By order of the Board of
Xiwang Special Steel Company Limited
Mr. WANG Di
Chairman

Hong Kong, 27 January 2017

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

Executive Directors

Mr. ZHANG Jian
Mr. SUN Xinhu
Ms. LI Hai Xia

Independent non-executive Directors

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

Non-executive Directors

Mr. WANG Di
Mr. WANG Yong