

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)

VOLUNTARY CLARIFICATION ANNOUNCEMENT

This announcement is published on a voluntary basis by Xiwang Special Steel Company Limited (the “**Company**”). Reference is hereby made to the annual results announcement of the Company for the year ended 31 December 2016 (the “**Results Announcement**”) dated 30 March 2017, and the announcement of the Company (the “**Announcement**”) dated 4 January 2016 and the circular of the Company (the “**Circular**”) dated 19 February 2016 in relation to the guarantee provided by the Company to Xiwang Group Company Limited (西王集團有限公司) (“**Xiwang Group Company**”).

The board of directors of the Company (the “**Board**”) noted that there were certain media reports, which suggested that the financial condition of Xiwang Group Company, the controlling shareholder of the Company, might possibly be adversely affected by the unfavourable financial conditions of Qixing Group (齊星集團) due to certain joint guarantee transactions conducted between them.

The Board was informed by Xiwang Group Company that the financial condition of Xiwang Group Company remains strong with good operating performance and sufficient funding resources, and would not be adversely affected by the unfavourable financial conditions of Qixing Group. As at 29 March 2017, the relevant guarantee given by Xiwang Group Company was approximately RMB2.91 billion secured by assets, pledges and joint guarantees of approximately RMB2.04 billion. Hence, the actual potential exposure to Xiwang Group Company from the enforcement of that guarantee was approximately RMB0.87 billion only. To control such potential exposure to Xiwang Group Company and in response to the additional request of Xiwang Group Company, Qixing Group and certain of its subsidiaries as well as its defacto controllers have provide additional guarantee. As at 30 September 2016, the unaudited consolidated net asset value of Xiwang Group Company was approximately RMB14.7 billion, and the cash and bank balances were approximately RMB2.7 billion.

The Board wishes to clarify that the Company is independently operated from Xiwang Group Company except for (i) borrowings in the amount of RMB1.72 billion from Xiwang Group Company as at 30 March 2017; and (ii) the guarantee in the amount of RMB2.23 billion provided by the Company in favour of Xiwang Group Company and its subsidiaries. Of the borrowing, approximately RMB1.39 billion was long-term loan with a maturity date in year 2020. The Company has received a written confirmation from Xiwang Group Company that such long-term and other borrowings will continue to be valid according to their respective terms and will not be accelerated by Xiwang Group Company. For the guarantee, the Company is of the view of the risk of enforcement is very low because the Company was informed by Xiwang Group Company of its strong financial condition as detailed above. The Company's risk of exposure in such guarantee is further controlled as it has been agreed between the Company and Xiwang Group Company that the total guarantee amount shall not exceed the total loan outstanding amount owed by the Company to Xiwang Group Company and its subsidiaries as detailed in the Announcement and Circular. In addition, as at 30 March 2017, Qixing Group did not owe any loans or receivables to the Company and its subsidiaries.

As disclosed in the Results Announcement, the Company recorded a strong financial performance for the year ended 31 December 2016, with the consolidated revenue increased by 12.1%, gross profit increased by 85.4%, profits attributable to owners increased by 96.5%, and basic earnings per share increased by 95.9% as compared with that of the last financial year. The Board is optimistic on the industry outlook and business prospect of the Group. The Group is well prepared to leverage on new opportunities and is also capable of taking specific challenges of the iron and steel industry in the future.

Shareholders and potential investors of the Company are advised to be cautious when dealing in the shares of the Company.

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

Hong Kong, 31 March 2017

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

Independent non-executive Directors

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

Non-executive Directors

Mr. WANG Di
Mr. WANG Yong