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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)

CONTINUING CONNECTED TRANSACTIONS

THE VEHICLE LEASING AGREEMENT

Xiwang Special Steel entered into the Vehicle Leasing Agreement with Xiwang Logistics on 6 January 2014. Pursuant to the Vehicle Leasing Agreement (which was implemented), Xiwang Logistics leased the Vehicles to Xiwang Special Steel for a monthly rental of RMB534,453.48.

LISTING RULES IMPLICATION

At the time of entering into the Vehicle Leasing Agreement, Xiwang Logistics was not a connected person of the Company under the Listing Rules. On 21 November 2014, Xiwang Logistics became a wholly-owned subsidiary of Xiwang Group, and Xiwang Logistics became a connected person of the Company under Listing Rules since then. Because Xiwang Logistics has been a connected person, the transactions under the Vehicle Leasing Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules since 21 November 2014.

Pursuant to Rule 14A.60 of the Listing Rules, the transactions contemplated under the Vehicle Leasing Agreement were subject to the applicable reporting and disclosure requirements of Chapter 14A of the Listing Rules.

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THE VEHICLE LEASING AGREEMENT

Date

6 January 2014

Parties

- (1) Xiwang Logistics
- (2) Xiwang Special Steel

Major terms

The major terms of the Vehicle Leasing Agreement, which was implemented, were as follows:

- 1) Subject matter: Pursuant to the Vehicle Leasing Agreement, Xiwang Logistics agreed to lease 42 Vehicles in total to Xiwang Special Steel. Xiwang Special Steel was responsible for the management and fees incurred for using the Vehicles such as the fuel fees and the maintenance fees.
- 2) Consideration: The fee for renting the Vehicles was RMB534,453.48 per month.
- 3) Settlement and payment: Xiwang Logistics issued the value-added tax invoice and settlement was made by Xiwang Special Steel to Xiwang Logistics.

Historical Figures

According to the Vehicle Leasing Agreement, the monthly rental for the Vehicles leased by Xiwang Special Steel from Xiwang Logistics was about RMB534,453.48. The Vehicles were leased from 6 January 2014 to 31 December 2015.

During the period from 21 November 2014 (the date when Xiwang Logistics became a connected person of the Company) to 31 December 2015, the total fees paid by Xiwang Special Steel to Xiwang Logistics were RMB6,947,895.

Reasons for and benefits of entering into the Vehicle Leasing Agreement

Part of the products of the Company required vehicles for loading in the factory and delivery. The Company did not possess enough vehicles and the cost to purchase vehicles was relatively high, which required the Company to rent some vehicles to meet the needs.

Xiwang Logistics has been located in Handianzhen, Zouping County, Shandong Province, which has been less than 500 meters away from the Company. It has been the closest logistics company to the Company, which has had logistics capability, has possessed adequate vehicles and could deliver the goods in a timely manner. By using the services provided by Xiwang Logistics, the Company could greatly reduce its transportation cost.

In light of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Vehicle Leasing Agreement were fair and reasonable and were entered into on normal commercial terms, and on terms no less favourable than those available to independent third parties under the prevailing local market conditions, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

GENERAL

Xiwang Logistics is a company incorporated in the PRC and is principally engaged in transportation of general goods and provision of logistics services in the PRC.

Xiwang Special Steel is a company incorporated in the PRC and is principally engaged in production and sale of steel products.

The Group is a leading high-end special steel manufacturer located in Shandong Province of the PRC.

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DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“Board”	the board of Directors
“Company”	Xiwang Special Steel Company Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the main board of the Stock Exchange

“connected person(s)”	has the meaning ascribed to it under Chapter 14A of the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“Vehicles”	the 42 vehicles for lease from Xiwang Logistics to Xiwang Special Steel under the Vehicle Leasing Agreement
“Vehicle Leasing Agreement”	the leasing agreement dated 6 January 2014 entered into between Xiwang Special Steel and Xiwang Logistics in respect of leasing of the Vehicles by Xiwang Logistics to Xiwang Special Steel
“Xiwang Group”	Xiwang Group Company Limited* (西王集團有限公司), the ultimate holding company of the Company
“Xiwang Special Steel”	Shandong Xiwang Special Steel Co., Ltd.* (山東西王特鋼有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of the Company

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

Hong Kong, 13 April 2016

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. YU Kou

Mr. LI Bangguang

Non-executive Directors

Mr. WANG Di

Mr. WANG Yong

Ms. LI Yiyi