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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)

PLACING OF BONDS

SOLE PLACING AGENT

Run Investment Services Limited



On 24 May 2019 (after trading hours of the Stock Exchange), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent agreed to act as placing agent, on a best effort basis, for the purposes of procuring Placees to subscribe in cash for the Bonds with an aggregate principal amount of up to HK\$50.0 million during the Placing Period.

Completion of the Placing is subject to, among other things, the Placing Agent's rights of termination of the Placing under the Placing Agreement. Accordingly, the Placing may or may not proceed. Shareholders and potential investors are advised to exercise caution in dealing in the securities of the Company.

THE PLACING AGREEMENT

Date

24 May 2019 (after trading hours of the Stock Exchange)

Parties

Issuer : the Company

Placing Agent : Run Investment Services Limited

Placing

Pursuant to the Placing Agreement, the Placing Agent agreed to act as placing agent (either by itself or through its sub-placing agents), on a best effort basis, for the purposes of procuring Placees to subscribe in cash for the Bonds with an aggregate principal amount of up to HK\$50.0 million during the Placing Period.

The Placing Agent will charge a placing fee at certain percentage of the principal amount of the Bonds successfully placed by the Placing Agent. The placing fee was negotiated on arm's length basis between the Company and the Placing Agent and determined with reference to, amongst other things, the prevailing commission rate charged by other placing agents. The Directors consider that the terms of the Placing, including the placing fee, are fair and reasonable and the Placing is in the interests of the Company and the Shareholders as a whole.

Termination Rights of the Placing Agent and the Company

The Placing Agent reserves its right to terminate the arrangements set out in the Placing Agreement, by notice in writing to the Company before the expiry date of the Placing Period, if in its absolute opinion, the success of the Placing contemplated hereunder would be materially and adversely affected by:

- i. the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may materially and adversely affect the business or the financial or trading position or prospects of the Company or is materially adverse in the context of the Placing; or

- ii. the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may materially and adversely affect the business or the financial or trading position or prospects of the Company or materially and makes it inexpedient or inadvisable to proceed with the Placing; or
- iii. any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which may materially or adversely affect the success of the Placing or otherwise makes it inexpedient or inadvisable to proceed with the Placing; or
- iv. any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- v. any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than 15 consecutive Business Days; or
- vi. any material breach of any of the warranties under the Placing Agreement comes to the knowledge of the Placing Agent.

If at any time prior to the expiry of the Placing Period, any such notice as is referred to above is given by the Placing Agent, the obligations of all parties under the Placing Agreement shall terminate forthwith and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

The Company may, by giving three-months' notice in advance to the Placing Agent prior to the expiry of the Placing Period, terminate the Placing Agreement in the absolute opinion of the Company.

Termination of the Placing Agreement pursuant to the clauses above shall be without prejudice to any rights of any party in respect of any breach by the other prior to such termination.

The principal terms of the 7% Bonds are summarised as below:

Principal amount	:	Up to HK\$50.0 million
Issue price	:	100% of the principal amount

Interest	:	7% per annum calculated on the actual number of days elapsed, payable quarterly in arrears on 31 March, 30 June, 30 September and 31 December of each year and on the maturity date
Maturity date	:	First anniversary of the date of issue of the Bonds or, if that is not a Business Day, the first Business Day thereafter
Denomination	:	In denomination of HK\$1.5 million each and any increase above HK\$1.5 million in incremental amounts of HK\$500,000
Status	:	The obligations of the Company arising under the Bonds constitute direct, general, unconditional, unsubordinated and unsecured obligations of the Company and shall at all times rank without any preference among themselves with all other present and future unsecured and unsubordinated obligations of the Company save for such exceptions as may be provided by applicable legislation
Transferability	:	The Bonds shall be transferable to any person in whole or in part provided that it is in multiples of HK\$500,000, and may be transferred to any person. Save with the consent of the Stock Exchange, none of the Bonds may be transferred to a connected person or connected persons of the Company
Early Redemption	:	The Company may at any time before the Maturity Date and from time to time by serving at least ten (10) days' prior written notice on the Bondholder(s) with the principal amount proposed to be redeemed from the Bondholder(s) specified therein, redeem the Bonds (in whole or in part) at a consideration of not less than 100% of the total principal amount of such Bonds together with payment of interests accrued up to the date of such early redemption No early redemption may be requested by the Bondholder(s)
Application for listing	:	No application will be made for a listing of the 7% Bonds on the Stock Exchange or any stock or securities exchange

Event of Default : including, among others, (i) the Gearing Ratio on the last day of a fiscal year of the Company or the last day of a fiscal half-year of the Company shall not at any time exceed 60%; (ii) the Net Tangible Worth on the last day of a fiscal year of the Company or the last day of a fiscal half-year of the Company shall not be less than HK\$700.0 million; (iii) payment default under the Bonds; and (iv) cross default under other indebtedness of the Company

Placees

The Bonds will be placed to Placees who are not, and whose ultimate beneficial owners, if applicable, are not connected persons of the Company.

Placing Period

The Placing Period commences from the date of the Placing Agreement and ending on the date falling six (6) months after the date of the Placing Agreement, or such other period as may be agreed between the Company and the Placing Agent in writing.

Conditions of the Placing

The Placing and the obligations of the Placing Agent under the Placing Agreement are conditional upon, among other things, all necessary consents and approvals as may be obtained by the Company and the Placing Agent having been obtained for the Placing; and there being no Event of Default (as defined in the Instrument) having occurred or occurring.

If the above conditions are not satisfied within 5 Business Days from the date of the Placing Agreement, or such later time or date as may be agreed between the Placing Agent and the Company in writing, each of the Company and the Placing Agent may, at any time thereafter, terminate the Placing Agreement by notice in writing to the other party, whereupon the obligations of each of the Company and the Placing Agent under the Placing Agreement shall forthwith cease and terminate and neither the Company nor the Placing Agent shall have any claim against any of the others, save for any antecedent breach hereof.

The Placing Agent may also terminate the Placing Agreement (save in respect of Bonds already issued) should there be any breach (which is material in the absolute opinion of the Placing Agent) of the warranties given by the Company under the Placing Agreement.

Completion of the Placing

Completion is subject to the termination rights of the Placing Agent under the Placing Agreement, and the issue of a completion notice by the Placing Agent to the Company on each date of completion of the Placing of Bonds which shall:

- (i) specify whether the 7% Bonds are to be issued by the Company;
- (ii) require the issue of Bonds of an aggregate principal amount not less than HK\$1.5 million for 7% Bonds, and subsequence for integral multiples of HK\$500,000 thereof;
- (iii) not, when aggregated with the principal amount of Bonds then issued or required to be issued under other completion notices, exceed HK\$50.0 million; and
- (iv) state the names, addresses and occupation of the registered holder(s) of the relevant Bonds.

USE OF PROCEEDS

The Group is a leading high-end special steel manufacturer located in Shandong Province of the PRC. Its products consist of ordinary steel that is primarily used in buildings and infrastructures, as well as special steel that is used in automobile, shipbuilding, chemical and petrochemical, machinery and equipment sectors.

Assuming the Bonds are placed in full, the maximum aggregate gross proceeds from the Placing will be HK\$50.0 million. The Company intends to apply the net proceeds of approximately HK\$48.0 million from the Placing after deducting the placing commission and other related costs and expenses to enhance the working capital base of the Group for the continued development opportunity of the Group, and such additional funds will also facilitate effective and timely investment in any potential investment when such opportunities arise.

Completion of the Placing is subject to, among other things, the Placing Agent's rights of termination of the Placing under the Placing Agreement. Accordingly, the Placing may or may not proceed. Shareholders and potential investors are advised to exercise caution in dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Board”	the board of Directors;
“Bondholder(s)”	means a person in whose name a Bond is registered in the register of Bondholders, and “holder” in relation to a Bond has a corresponding meaning;
“Bonds” or “7% Bonds”	the one year 7% bonds denominated in HK\$ to be placed by the Placing Agent pursuant to the Placing Agreement;
“Business Day(s)”	any day (excluding a Saturday, Sunday and public holiday) on which banks in Hong Kong are generally open for business throughout their normal business hours;
“Company”	Xiwang Special Steel Company Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the directors of the Company;
“GAAP”	means Hong Kong Financial Reporting Standards as in effect from time to time. All ratios and computations contained or referred to in this Instrument of the Bonds shall be computed in conformity with GAAP applied on a consistent basis;
“Gearing Ratio”	means the ratio of consolidated long-term liability portion of bank borrowings and debt securities to consolidated total assets of the Company, each determined in accordance with GAAP;
“Event(s) of Default”	including, among others, (i) the Gearing Ratio on the last day of a fiscal year of the Company or the last day of a fiscal half-year of the Company shall not at any time exceed 60%; (ii) the Net Tangible Worth on the last day of a fiscal year of the Company or the last day of a fiscal half-year of the Company shall not be less than HK\$700.0 million; (iii) payment default under the Bonds; and (iv) cross default under other indebtedness of the Company;

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Net Tangible Worth”	means the consolidated total assets of the Company after deducting, without duplication, (i) current and non-current liabilities; and (ii) goodwill, excess of cost over assets acquired, patents, copyrights, trademarks, trade names, unamortised debt discount and expense and other like intangible assets, all as shown in the consolidated financial statements of the Company prepared in accordance with GAAP;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Placees”	any person or entity whom the Placing Agent has procured to subscribe for any of the Bonds pursuant to the Placing Agreement, who must be an independent professional, institutional or private investor not connected with the directors, chief executive or substantial shareholder of the Company or any of its subsidiaries or any of their respective associates and subject to the requirements of the Listing Rules;
“Placing”	the placing of the Bonds by the Placing Agent on a best effort basis pursuant to the terms and conditions of the Placing Agreement;
“Placing Agent”	Run Investment Services Limited, a licensed corporation to carry out type 1 (dealing in securities) regulated activity under the SFO;
“Placing Agreement”	the conditional placing agreement dated 24 May 2019 and entered into between the Company as issuer and the Placing Agent as placing agent in relation to the Placing;

“Placing Period”	the period commencing upon the execution of the Placing Agreement and ending on the date falling six (6) months after the date of the Placing Agreement (or such later time and date as the Company and the Placing Agent may agree in writing);
“SFC”	the Securities and Futures Commission of Hong Kong;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company;
“Shareholder(s)”	the holders of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent

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

Hong Kong, 24 May 2019

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. LI Bangguang
Mr. YU Kou

Non-executive Directors

Mr. WANG Di
Mr. WANG Yong