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The contents of this circular have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer.

If you are in any doubt as to any aspect about this document or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Xiwang Special Steel Company Limited, you should at once hand this circular and the accompanying form of election to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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No Shareholder receiving a copy of this circular and/or an Election Form in any territory outside Hong Kong may treat the same as an invitation to elect for Shares unless in the relevant territory such invitation could lawfully be made to that Shareholder without Xiwang Special Steel Company Limited having to comply with any registration or other legal requirements, governmental or regulatory procedures or any other similar formalities. It is the responsibility of any Shareholder outside Hong Kong who wishes to receive Scrip Shares under the Scrip Dividend Scheme to comply with the laws of the relevant jurisdictions including any applicable procedures or any other similar formalities.



XIWANG SPECIAL STEEL COMPANY LIMITED
西王特鋼有限公司

(incorporated in Hong Kong with limited liability)

(Stock code: 1266)

**SCRIP DIVIDEND SCHEME IN RELATION TO
THE FINAL DIVIDEND
FOR THE YEAR ENDED 31ST DECEMBER 2018**

CONTENTS

	<i>Page</i>
Expected Timetable	1
Definitions	2
Letter from the Board	
Introduction	4
The Scrip Dividend Scheme	5
Effect of the Scrip Dividend Scheme	6
Advantages of the Scrip Dividend Scheme	6
Condition of the Scrip Dividend Scheme	7
Form of Election	7
Overseas Shareholders	8
Stock Exchange Listing, Clearing and Settlement	9
General	9

EXPECTED TIMETABLE

The following is a summary of the events in relation to the Scrip Dividend Scheme in the form of a timetable:

Closure of the register of members of the Company	Monday, 15th July 2019 to Monday, 22th July 2019 (both dates inclusive)
Fix the market value of a Scrip Share (5 trading days average)	Monday, 15th July 2019 to Friday, 19th July 2019 (both dates inclusive)
Record Date	Monday, 22nd July 2019
Despatch of Election Form	Tuesday, 30th July 2019
Latest time for return of the Election Form to the Share Registrar	4:30 p.m. on Monday, 19th August 2019
Despatch of dividend warrants for cash dividends and definitive certificates for Scrip Shares at the risk of recipients	on or about Friday, 6th September 2019
Dealings in Scrip Shares expected to commence	on or about Monday, 9th September 2019

Notes:

1. All references to date and time are Hong Kong date and time.
2. If there is a typhoon signal number 8 or above, or a “black” rainstorm warning in force at or at any time prior to 4:30 p.m. on Monday, 19th August 2019, the deadline for return of the Election Form will be changed. Further information is set out in paragraph headed “Form of Election” of the “Letter from the Board”.

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“AGM”	the annual general meeting and the adjourned annual general meeting of the Company held on Thursday, 6th June 2019 and Friday, 28th June 2019, respectively
“Board”	the board of Directors from time to time
“Company”	Xiwang Special Steel Company Limited (西王特鋼有限公司), a company incorporated in Hong Kong with limited liability under the laws of Hong Kong, the shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Election Form”	the form of election in relation to the Scrip Dividend Scheme
“Final Dividend”	the final dividend of HK\$0.1455 per Share (being the Final Dividend of RMB12.8 cents per Share as approved in the AGM and converted to Hong Kong dollars at the Final Dividend Conversion Rate) for the year ended 31st December 2018 payable to the Shareholders whose names were recorded on the register of members of the Company on the Record Date
“Final Dividend Conversion Rate”	average middle rate of RMB to Hong Kong dollars as announced by the People’s Bank of China for the period from Tuesday, 25 June 2019 to Friday, 28 June 2019.
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars”	the lawful currency of Hong Kong
“Latest Practicable Date”	Monday, 22 July 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“Overseas Shareholder(s)”	Shareholders whose addresses as shown on the register of members of the Company on the Record Date were outside Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“PRC”	the People’s Republic of China
“Record Date”	Monday, 22nd July 2019
“Scrip Dividend Scheme”	the scrip dividend scheme offering the Shareholders the scrip alternative whereby the Shareholders may elect to receive their Final Dividend wholly or partly by the allotment of Scrip Shares credited as fully paid in lieu of cash
“Scrip Share(s)”	the new Share(s) to be allotted, issued and credited as fully paid up under the Scrip Dividend Scheme
“Share(s)”	the ordinary share(s) of the Company
“Share Registrar”	the Company’s share registrar, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong
“Shareholder(s)”	registered holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

LETTER FROM THE BOARD



XIWANG SPECIAL STEEL COMPANY LIMITED 西王特鋼有限公司

(incorporated in Hong Kong with limited liability)

(Stock code: 1266)

Executive Directors:

Mr. ZHANG Jian (*Chief Executive Officer*)

Mr. SUN Xihu

Ms. LI Hai Xia

Registered office:

Unit 2110, 21/F Harbour Centre

25 Harbour Road

Wanchai, Hong Kong

Non-executive Directors:

Mr. WANG Di (*Chairman*)

*Head office and principal place
of business in the PRC:*

Xi Wang Industrial Area

Zouping County

Shandong Province

China

256209

Independent non-executive Directors:

Mr. LEUNG Shu Sun Sunny

Mr. YU Kou

Mr. LI Bangguang

30th July 2019

To the Shareholders

Dear Sir or Madam,

SCRIP DIVIDEND SCHEME IN RELATION TO THE FINAL DIVIDEND FOR THE YEAR ENDED 31ST DECEMBER 2018

INTRODUCTION

On 29 March 2019, the Board recommended the payment of a final dividend of RMB12.8 cents per Share. Subsequently, on 3 June 2019, the Board announced that it would like to propose that the Final Dividend be satisfied in the form of cash with a scrip dividend option. At the AGM of the Company, the Final Dividend (with scrip dividend option) was approved by the Shareholders. The Final Dividend is payable in cash to the Shareholders whose names appear on the register of members of the Company on the Record Date. To determine the entitlement of the Shareholders to the Final Dividend, the register of members of the Company was closed from Monday, 15th July 2019 to Monday, 22nd July 2019 (both days inclusive), during which period no transfer of Shares would be registered.

LETTER FROM THE BOARD

The purpose of this circular is to provide information relating to the Scrip Dividend Scheme and the action to be taken by the Shareholders in relation thereto.

THE SCRIP DIVIDEND SCHEME

Under the Scrip Dividend Scheme, the Final Dividend is payable in cash with a scrip dividend option to the Shareholders whose names were shown on the register of members of the Company on the Record Date.

The Shareholders may elect to receive the Final Dividend in one of the following ways:

- (i) a cash dividend of HK\$0.1455 per Share (being the Final Dividend of RMB12.8 cents per Share as approved in the AGM and converted to Hong Kong dollars at the Final Dividend Conversion Rate); or
- (ii) an allotment of such number of Scrip Shares credited as fully paid and having an aggregate market value (as calculated below) equal to, save for adjustment for fractions, the total amount of the Final Dividend which such Shareholder could elect to receive in cash (the “**Maximum Entitlement**”); or
- (iii) partly Scrip Shares not exceeding the Maximum Entitlement and the remainder in cash.

For the purpose of calculating the Maximum Entitlement, the price of a Scrip Share will be HK\$1.164 (the “**Average Closing Price**”), which is the average closing price of one existing Share on the Stock Exchange for the five consecutive trading days (on which such price is available) from Monday, 15th July 2019 to Friday, 19th July 2019 (both dates inclusive). Accordingly, a Shareholder electing for Scrip Shares under option (ii) above will receive such number of Scrip Shares as calculated below:

$$\begin{array}{rcl} \text{Number of} & & \text{Number of Shares held} \\ \text{Scrip Shares} & = & \text{on the Record Date for which the} \\ \text{to be received} & & \text{election for Scrip Shares is made} \end{array} \times \frac{\text{HK\$0.1455}}{\text{HK\$1.164}}$$

(Final Dividend per Share)
(Average Closing Price)

The Scrip Shares will rank *pari passu* in all respects with the existing issued Shares, and will rank in full for all future dividends and distribution which may be declared, made or paid (except for the Final Dividend).

LETTER FROM THE BOARD

The number of Scrip Shares to be received by each Shareholder pursuant to his/her election will be rounded down to the nearest whole number. No Shareholder will be entitled to be issued any fraction of a Share under the Scrip Dividend Scheme. If you elect to receive the maximum number of Scrip Shares in lieu of your cash dividend, a residual dividend entitlement may arise, representing the difference between the total cash equivalent of the Scrip Shares based on the Average Closing Price to be issued to you and the maximum dividend available in respect of your shareholdings. Fractional entitlements to Scrip Shares will be disregarded and the benefit thereof will accrue to the Company.

You may elect to receive Scrip Shares in respect of all or part of your holding of Shares. No fraction of a Share will be issued. If you choose to take only part of your dividends as Scrip Shares, you will receive the balance in cash.

EFFECT OF THE SCRIP DIVIDEND SCHEME

Based on 2,269,110,999 Shares in issue on the Record Date, if no election for the Scrip Shares is received, the total cash dividend payable by the Company will be HK\$330,155,650.4. If all Shareholders elect to receive their entitlements to the Final Dividend in form of Scrip Shares, the maximum number of Scrip Shares to be issued will be 283,638,874 Shares representing approximately 12.5% of the existing total number of issued shares of the Company and approximately 11.1% of the total number of issued shares of the Company as enlarged by the issue of the Scrip Shares as at the Latest Practicable Date.

Shareholders should note that the Scrip Shares may give rise to notification requirements under Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). **Shareholders who are in any doubt as to how these provisions may affect them are recommended to seek their own professional advice. Shareholders who are in any doubt as to their taxation position are also recommended to seek their own professional advice.**

ADVANTAGES OF THE SCRIP DIVIDEND SCHEME

The Scrip Dividend Scheme will give the Shareholders an opportunity to increase their investment in the Company at market value without incurring brokerage fees, stamp duty and related dealing costs. The Scrip Dividend Scheme will also benefit the Company to the extent that such cash which would otherwise have been paid to the Shareholders who elect to receive the Scrip Shares in lieu of the cash dividend either in whole or in part, will be retained for use as working capital by the Company.

LETTER FROM THE BOARD

CONDITION OF THE SCRIP DIVIDEND SCHEME

The Scrip Dividend Scheme is conditional upon the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Scrip Shares to be issued in respect of the Final Dividend.

If this condition is not satisfied, the Scrip Dividend Scheme will not become effective and the Election Forms will be void. The Final Dividend will then be paid wholly in cash.

FORM OF ELECTION

The Election Form is enclosed with this circular for use by the Shareholders who wish to elect to receive the Final Dividend wholly in Scrip Shares, or partly in cash and partly in Scrip Shares. Please read carefully the instructions below and the instructions printed on the Election Form.

If you wish to receive the Final Dividend wholly in Cash, you do not need to take any action. Therefore, please **DO NOT** return the Election Form.

If you elect to receive the Final Dividend wholly in Scrip Shares, please just **SIGN, DATE** and **RETURN** the Election Form.

If you wish to receive the Final Dividend partly in cash and partly in Scrip Shares, please **ENTER** in Box C of the Election Form the number of Shares which you held on the Record Date for which you require the Final Dividend to be paid in Scrip Shares. Then **SIGN, DATE,** and **RETURN** the Election Form.

If you sign the Election Form but do not specify the number of Shares in respect of which you wish to receive your Final Dividend in Scrip Shares, or if you elect to receive Scrip Shares in respect of a greater number of Shares than your registered holding as at the Record Date, then in either case, you will be deemed to have exercised your election to receive Scrip Shares in respect of all the Shares registered in your name on the Record Date.

The Election Form should be completed in accordance with the instructions printed thereon and returned to the Share Registrar at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong so as to be received **no later than 4:30 p.m. on Monday, 19th August 2019.**

LETTER FROM THE BOARD

The latest time for return of the Election Form mentioned above will not be valid if there is a typhoon signal number 8 or above, or a “black” rainstorm warning:

- (a) in force in Hong Kong at any time before 12:00 p.m. and no longer in force after 12:00 p.m. on Monday, 19th August 2019. Instead the deadline for the submission of the Election Form will be 5:00 p.m. on the same business day;
- (b) in force in Hong Kong at any time between 12:00 p.m. and 4:30 p.m. on Monday, 19th August 2019. Instead the deadline for the submission of the Election Form will be rescheduled to 4:30 p.m. on the next business day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:30 p.m..

Failure to complete and return the Election Form in accordance with the instructions printed thereon will result in the relevant Shareholder’s Final Dividend being paid wholly in the form of Cash. No acknowledgement of receipt of the Election Form will be issued. No elections in respect of the Final Dividend may, after the relevant Election Forms are signed and returned to the Share Registrar, be in any way withdrawn, revoked, superseded or altered.

OVERSEAS SHAREHOLDERS

This circular will not be registered or filed under the securities laws or equivalent legislation of any jurisdiction. No Overseas Shareholder receiving a copy of this circular and/or the Election Form in any territory outside Hong Kong may treat the same as an invitation to participate in the Scrip Dividend Scheme unless such invitation could lawfully be made to him without the Company having to comply with any registration or other requirements or formalities in the relevant jurisdiction. Shareholders residing in a jurisdiction where it would be illegal for the Company to make such an invitation will be deemed to have received this circular and/or the Election Form for information only.

Based on the information made available to the Directors, there were no Overseas Shareholders whose names appeared on the register of members of the Company on the Record Date and whose addresses as shown on such register were outside of Hong Kong.

LETTER FROM THE BOARD

STOCK EXCHANGE LISTING, CLEARING AND SETTLEMENT

An application will be made to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Scrip Shares. It is expected that the certificates for the Scrip Shares will be posted to the Shareholders who have elected to receive some or all of their Final Dividend in the form of Scrip Shares at their own risk on or about Friday, 6th September 2019. Dealings in the Scrip Shares on the Stock Exchange are expected to commence on or about Monday, 9th September 2019.

Subject to the granting of the listing of and permission to deal in the Scrip Shares issued pursuant to the Scrip Dividend Scheme on the Stock Exchange, such Scrip Shares will be accepted as eligible securities by Hong Kong Securities Clearing Company Limited for deposit, clearance and settlement in the Central Clearing and Settlement System. Shareholders should seek the advice of their licensed securities dealer or other professional adviser for details of these settlement arrangements and how such arrangements will affect their rights and interests.

The Shares are listed, and dealt in, on the Stock Exchange. No Shares are listed or dealt in on any other stock exchange and the Company is not currently seeking to list its securities on any other stock exchange.

Scrip Shares issued to the Shareholders pursuant to an election to receive some or all of their Final Dividend in Scrip Shares may be allocated in odd lots (of fewer than a board lot of 1,000 Shares). No special dealing arrangements will be put in place by the Company to facilitate the trading or disposal of Scrip Shares issued in odd lots. Shareholders should be aware that odd lots usually trade at a discount to the price of board lots.

GENERAL

Shareholders who are trustees are recommended to seek professional advice as to whether their election to receive the Scrip Shares is within their powers and as to its effect having regard to the terms of the relevant trust instrument.

Whether or not it is to your advantage to receive cash or Scrip Shares, in whole or in part, depends upon your own individual circumstances, and the decision in this regard and all effects resulting from that decision are your responsibility. If you are in any doubt as to what to do, you are recommended to consult your own professional advisers.

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