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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)**

### **ANNOUNCEMENT PURSUANT TO RULE 14.36 OF THE LISTING RULES**

### **SUPPLEMENTAL AGREEMENT IN RELATION TO THE TECHNOLOGY LICENCE AND COOPERATION AGREEMENT**

Reference is made to the 2015 Announcement regarding the Technology Licence and Cooperation Agreement entered into between the Company, IMR and the 1st Batch of IMR Key Personnel.

#### **SUPPLEMENTAL AGREEMENT**

The Board would like to announce that on 16 September 2019, the Company, IMR, the 1st Batch of IMR Key Personnel, the 2nd Batch of IMR Key Personnel, the PRC Subsidiary and the IMR Subsidiary entered into the Supplemental Agreement, pursuant to which it was agreed, among other things, that (i) the PRC Subsidiary will become the licensee of the Licensed Technologies, and will assume all rights and obligations of the Company in relation to license of the Licensed Technologies; and (ii) the 2nd Batch of IMR Key Personnel will assume all rights and obligations of the 1st Batch of IMR Key Personnel, under the Technology Licence and Cooperation Agreement.

The Consideration Shares will be granted to the IMR Subsidiary and the 2nd Batch of IMR Key Personnel instead of a Hong Kong company to be established by IMR and the 1st Batch of IMR Key Personnel, but will continue to be subject to a lock-up period of three (3) years and a maximum 25% disposal each year after the expiry of the lock-up period.

The Company will no longer allot and issue any Bonus Shares.

## **LISTING RULES IMPLICATIONS**

The entering into the Supplemental Agreement between the Parties constitutes a material variation of the terms of the Technology Licence and Cooperation Agreement (which was previously announced as a discloseable transaction in the 2015 Announcement under Chapter 14 of the Listing Rules) and is, therefore, required to be disclosed pursuant to Rule 14.36 of the Listing Rules.

## **INTRODUCTION**

Reference is made to the 2015 Announcement regarding, among other things, the discloseable transaction in relation to the Technology Licence and Cooperation Agreement entered into by the Company, IMR and the 1st Batch of IMR Key Personnel.

Unless otherwise defined in this announcement, terms defined in the 2015 Announcement shall have the same meaning when used herein.

## **THE SUPPLEMENTAL AGREEMENT**

On 16 September 2019 (after trading hours), the Parties entered into the Supplemental Agreement, pursuant to which it was agreed, among other things, to amend the terms of the Technology Licence and Cooperation Agreement as follows:

- (i) the PRC Subsidiary will become the licensee of the Licensed Technologies, and will assume all rights and obligations of the Company in relation to license of the Licensed Technologies under the Technology Licence and Cooperation Agreement. Apart from the PRC Subsidiary, the Licensed Technologies can be licensed to other subsidiaries of the Company in the PRC;
- (ii) the 2nd Batch of IMR Key Personnel will assume all rights and obligations of the 1st Batch of IMR Key Personnel under the Technology Licence and Cooperation Agreement. Each of the 2nd Batch of IMR Key Personnel shall provide technological services and support to the PRC Group in relation to the use of the Licensed Technologies. The 1st Batch of IMR Key Personnel shall no longer be a party to the Technology Licence and Cooperation Agreement. The 1st Batch of IMR Key Personnel agrees to release all claims and/or other rights under or in relation to the Technology Licence and Cooperation Agreement upon the Supplemental Agreement taking effect;

- (iii) the 100,000,000 Consideration Shares under the Technology Licence and Cooperation Agreement shall be granted to the IMR Subsidiary and the 2nd Batch of IMR Key Personnel (instead of to a Hong Kong company to be established by IMR and the 1st Batch of IMR Key Personnel). The IMR Subsidiary will be granted 49,000,000 Consideration Shares, and the 2nd Batch of IMR Key Personnel will be granted 51,000,000 Consideration Shares. The total value of the Consideration Shares shall remain as HK\$122,000,000;
- (iv) the lock-up period of three (3) years in relation to the Consideration Shares shall equally apply to the IMR Subsidiary and the 2nd Batch of IMR Key Personnel, but shall commence from the date when the Company issues and allots and the IMR Subsidiary and the 2nd Batch of IMR Key Personnel accept and receive the Consideration Shares. The restriction on disposing a maximum of 25% of the Consideration Shares held by a respective party pursuant to the amended Technology Licence and Cooperation Agreement per year after expiry of the lock-up period, shall apply equally to the IMR Subsidiary and the 2nd Batch of IMR Key Personnel;
- (v) completion of the issue and allotment of the Consideration Shares under the Technology Licence and Cooperation Agreement shall take place within sixty (60) days after the IMR Subsidiary has set up a Hong Kong stock account for receiving the Consideration Shares, subject to fulfilment of the conditions precedent set out in the Technology Licence and Cooperation Agreement;
- (vi) the Company shall no longer issue and allot the Bonus Shares, and all arrangements in relation to the Bonus Shares under the Technology Licence and Cooperation Agreement are declared void; and
- (vii) it is confirmed that the Consideration Shares to be issued to the 2nd Batch of IMR Key Personnel is a reward for their contribution to the application and development of the Licensed Technologies in the manufacturing and sales of steel products.

There is no other material change to the terms of the Technology Licence and Cooperation Agreement pursuant to the Supplemental Agreement other than the above.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, IMR, each of the 1st Batch of IMR Key Personnel, each of the 2nd Batch of IMR Key Personnel and the IMR Subsidiary are independent third parties not connected with the Company or its connected persons.

## **REASON AND BENEFIT FOR THE SUPPLEMENTAL AGREEMENT**

As relevant laws and regulations of the PRC are unclear as to whether IMR is permitted to receive and hold shares in companies incorporated outside the PRC, IMR and the Company considered it more effectual to enter into the Supplemental Agreement so as to allow the issuance of Consideration Shares to a wholly-owned subsidiary of IMR. Due to internal restructuring, some members of the 1st Batch of IMR Personnel have since left IMR. Under the relevant laws and regulations of the PRC, IMR is only able to license the Licensed Technologies to a company incorporated in the PRC. In light of the above, the Board considers a rearrangement of the contracting bodies under the Technology Licence and Cooperation Agreement to be in the interests of the Company.

Since the sales target to be attained by the Group for allotting and issuing the Bonus Shares, as elaborated in the Technology Licence and Cooperation Agreement, has not been reached, the Parties to the Supplemental Agreement have decided to regard all arrangements in relation to the Bonus Shares under the Technology Licence and Cooperation Agreement as void.

The Company and IMR entered into the Technology Licence and Cooperation Agreement for the purpose of improving the Group's product quality, refining the Group's production process and enriching the Group's product mix by utilising the Licensed Technologies and the technological services and support from IMR. The Group's research and development capability could also be enhanced by the establishment of a research and development platform with IMR which is specialised in the research and development on metallurgy. The Group's profitability could also be enhanced through increasing the proportion of high-end special steel products.

The terms of the Supplemental Agreement have been arrived at by the Parties after arm's length negotiations and are on normal commercial terms with references to the prevailing commercial practices. The Board is of the view that the terms of the Supplemental Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## CHANGES IN SHAREHOLDING STRUCTURE

The following table illustrates the shareholding structure of the Company (a) as at the date of this announcement and (b) immediately following the issue of the Consideration Shares (assuming that there is no change in the issued share capital of the Company from the date of this announcement and up to the date of issuance of the Consideration Shares, other than the issue of the Consideration Shares itself):

	As at the date of this announcement		Immediately following the issue of the Consideration Shares	
	<i>No. of Shares</i>	<i>Approximate per cent.</i>	<i>No. of Shares</i>	<i>Approximate per cent.</i>
<b>Shareholders</b>				
Xiwang Investment ( <i>Note 1</i> )	1,500,000,000	66.11%	1,500,000,000	63.31%
IMR Subsidiary	–	–	51,000,000	2.15%
2nd Batch of IMR Key Personnel	–	–	49,000,000	2.07%
Other public Shareholders	<u>769,110,999</u>	<u>33.89%</u>	<u>769,110,999</u>	<u>32.47%</u>
<b>TOTAL</b>	<u><u>2,269,110,999</u></u>	<u><u>100%</u></u>	<u><u>2,369,110,999</u></u>	<u><u>100%</u></u>

*Note:*

- As at the date of this announcement, Xiwang Investment is a wholly-owned subsidiary of Xiwang Holdings. Xiwang Holdings is directly held as to 95% by Xiwang Hong Kong and directly held as to 5% by Mr. WANG Yong and 22 individuals, respectively. Xiwang Hong Kong is a wholly-owned subsidiary of Xiwang Group. Xiwang Group is owned as to 69.15% by Mr. WANG Yong and remaining 30.85% by 20 individuals. Further, these 20 individuals are accustomed to act in accordance with the directions of Mr. WANG Yong in respect of the exercise by such 20 individuals of their voting powers as a shareholder of Xiwang Group. Accordingly, Mr. WANG Yong is deemed to be interested in all the shares of the Company in which Xiwang Group is interested. Mr. WANG Yong resigned as a non-executive Director of the Company with effect from 5 July 2019.

## LISTING RULES IMPLICATIONS

The entering into the Supplemental Agreement between the Parties constitutes a material variation of the terms of the Technology Licence and Cooperation Agreement (which was previously announced as a discloseable transaction in the 2015 Announcement under Chapter 14 of the Listing Rules) and is, therefore, required to be disclosed pursuant to Rule 14.36 of the Listing Rules.

## DEFINITIONS

“1st Batch of IMR Key Personnel”	the 25 researchers of IMR who are developers of the Licensed Technologies, set out in the Technology Licence and Cooperation Agreement
“2nd Batch of IMR Key Personnel”	the 9 researchers of IMR who are also developers of the Licensed Technologies, set out in the Supplemental Agreement
“2015 Announcement”	the announcement of the Company dated 5 January 2015
“HK\$”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IMR Subsidiary”	Shenyang China Research and Technologies Co., Ltd* (沈陽中科金研科技有限公司), a company incorporated under the laws of the PRC and a wholly-owned subsidiary of IMR
“Parties”	the Company, IMR, the 1st Batch of IMR Key Personnel, the 2nd Batch of IMR Key Personnel, the PRC Subsidiary and the IMR Subsidiary
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region and Taiwan
“PRC Group”	the Company, the PRC Subsidiary and the subsidiaries of the Company in the PRC (which for the purposes of the Supplemental Agreement excludes Hong Kong, the Macao Special Administrative Region and Taiwan)

“PRC Subsidiary”	Xiwang Metal Science & Technology Co., Ltd.* (西王金屬科技有限公司, previously known as Shandong Xiwang Special Steel Co., Ltd.* 山東西王特鋼有限公司), a company incorporated under the laws of the PRC, and a wholly-owned subsidiary of the Company
“Supplemental Agreement”	the supplemental agreement to the Technology Licence and Cooperation Agreement dated 16 September 2019

To the extent that there are any inconsistencies between the English version and the Chinese version of this announcement, the English version shall prevail.

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

Hong Kong, 16 September 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 Director*

Mr. WANG Di

\* *For identification purpose only*