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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
(I) PURSUANT TO
RULES 13.17 AND 13.18 OF THE LISTING RULES
FOR THE PLEDGE OF SHARES BY
AND THE SPECIFIC PERFORMANCE OBLIGATIONS
OF THE CONTROLLING SHAREHOLDERS
IN RELATION TO THE SUBSCRIPTION AGREEMENT
AND ISSUANCE OF BONDS; AND
(II) UPDATE ON THE STATUS OF THE
CONVERTIBLE BOND**

This announcement is made by the Company pursuant to Rules 13.17 and 13.18 of the Listing Rules.

References are made to the announcements of the Company dated 22 September 2017, 11 October 2017 and 25 October 2019, respectively, in relation to, inter alia, the Convertible Bond, disclosure under Rule 13.19 of the Listing Rules and ongoing discussions with the subscribers as to the redemption of the Convertible Bond. The Board announces that on 22 November 2019 (after trading hours), the Company entered into the Subscription Agreement with, among others, the Guarantors and the Bond Subscribers, pursuant to which the Bond Subscribers conditionally agreed to subscribe for, and the Company conditionally agreed to issue the Bonds in an aggregate principal amount of US\$30.0 million.

PRINCIPAL TERMS OF THE SUBSCRIPTION AGREEMENT AND THE BONDS

- Date** : 22 November 2019
- Parties** : include, among others:
- (i) the Company as issuer;
 - (ii) the Guarantors; and
 - (iii) the Bond Subscribers.
- Subscription** : Subject to the terms of the Subscription Agreement and the Bond Instrument, the Company conditionally agrees to issue and the Bond Subscribers conditionally agree to subscribe for the Bonds of an aggregate principal amount of US\$30.0 million.
- Principal amount** : US\$30.0 million.
- Maturity Date** : 11 December 2019
- Interest** : The Bonds bear interest from and including the date of issue of the Bonds to the Maturity Date at the rate of ten percent (10.0%) per annum payable upon the Maturity Date.

UPDATE ON THE STATUS OF THE CONVERTIBLE BOND

As disclosed in the announcement of the Company dated 25 October 2019, the Company considered various fundraising actions, including but not limited to, issuance of new bonds in order to meet the redemption obligation of the Convertible Bond.

Upon completion of the issuance of the Bonds, the Company intends to apply the proceeds raised from the issuance of the Bonds to repay the Convertible Bond.

PLEDGE OF SHARES BY THE CONTROLLING SHAREHOLDERS

As part of the security for the obligations of the Company under the Subscription Agreement, (i) Xiwang Group agrees to pledge its 100% shareholding interest in Xiwang Hong Kong; (ii) Xiwang Hong Kong agrees to pledge its 95% shareholding interest in Xiwang Holdings; and (iii) Xiwang Holdings agrees to pledge its 100% shareholding interest in Xiwang Investment (collectively, the “**Share Pledges**”), all in favour of the Bond Subscribers.

Since each of the Corporate Guarantors is a Controlling Shareholder of the Company, and are collectively, directly or indirectly, interested in about 1.5 billion Shares in the Company as at the date of this announcement, the Company is of the view that the Share Pledges trigger the disclosure obligation of the Company under Rule 13.17 of the Listing Rules.

Pursuant to the Subscription Agreement, each of the Guarantors also agreed to provide personal or corporate guarantees in favour of the Bond Subscribers in respect of the obligations of the Company under the Subscription Agreement and the Bond Instrument.

SPECIFIC PERFORMANCE OBLIGATIONS OF THE CONTROLLING SHAREHOLDERS

Pursuant to the terms of the Bond Instrument, a relevant event occurs if, among others, (i) Mr. Wang Yong ceases to own, directly or indirectly, 50% or more of the voting rights of the issued share capital of the Company; or (ii) Mr. Wang Yong breaches his undertaking to remain as the single largest direct or indirect holder of the total issued Shares of the Company. Occurrence of any of these events will constitute an event of default under the Bond Instrument whereby the Bonds shall immediately become due and payable the Company at the mandatory redemption amount, which is calculated with reference to the outstanding principal amount multiplied by a multiplier and the interest rate, together with, among others, default interest (if applicable).

DEFINITIONS

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

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| “Board” | the board of directors of the Company |
| “Bonds” | bonds issued pursuant to the Subscription Agreement |
| “Bond Instrument” | the bond instrument by way of deed executed on 22 November 2019 by the Company and the Guarantors relating to the issue of the Bonds |
| “Bond Subscriber(s)” | subscriber(s) of the Bonds and each, a “Subscriber” |
| “Controlling Shareholder(s)” | has the meaning ascribed to it in the Listing Rules |

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| “Company” | Xiwang Special Steel Company Limited (西王特鋼有限公司), a company incorporated with limited liability under the laws of Hong Kong, the shares of which are listed on the Main Board of the Stock Exchange |
| “Convertible Bond” | as defined in the Previous Announcements |
| “Corporate Guarantor(s)” | each of (i) Xiwang Group; (ii) Xiwang Hong Kong; (iii) Xiwang Holdings; and (iv) Xiwang Investment |
| “Guarantor(s)” | each of the Personal Guarantors and Corporate Guarantors, all Controlling Shareholders of the Company |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Maturity Date” | the date of 11 December 2019 when the Bonds become mature |
| “Mr. Wang Yong” | one of the Controlling Shareholders of the Company |
| “Mr. Wang Di” | a non-executive director, chairman of the Board and one of the Controlling Shareholders of the Company |
| “Personal Guarantor(s)” | each of (i) Mr. Wang Yong; and (ii) Mr. Wang Di |
| “Previous Announcements” | the announcements of the Company dated 22 September 2017, 11 October 2017 and 25 October 2019, in relation to, inter alia, the Convertible Bond, disclosure under Rule 13.19 of the Listing Rules and ongoing discussions with the subscribers as to the redemption of the Convertible Bond |
| “Share(s)” | the ordinary share(s) of the Company |
| “Stock Exchange” | the Stock Exchange of Hong Kong Limited |
| “Subscription Agreement” | the conditional subscription agreement dated 22 November 2019 entered into between, among others, the Company, the Guarantors and the Bond Subscribers relating to the subscription of the Bonds by the Bond Subscribers |
| “US\$” | United States dollars, the lawful currency of the United States of America |

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| “Xiwang Group” | 西王集團有限公司 (Xiwang Group Company Limited*), which holds 100% shareholding interest in Xiwang Hong Kong |
| “Xiwang Holdings” | Xiwang Holdings Limited, which holds 100% shareholding interest in Xiwang Investment |
| “Xiwang Hong Kong” | Xiwang Hong Kong Company Limited (西王香港有限公司), which holds 95% shareholding interest in Xiwang Holdings |
| “Xiwang Investment” | Xiwang Investment Company Limited, which holds approximately 66.11% shareholding interest in the Company |
| “%” | per cent |

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

Hong Kong, 24 November 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