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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 EXISTING SHARES
AND
TOP-UP SUBSCRIPTION OF
NEW SHARES UNDER GENERAL MANDATE**

Placing Agent



國泰君安國際

GUOTAI JUNAN INTERNATIONAL

GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED

On 14 September 2017 (after trading hours of the Stock Exchange), the Vendor (being the controlling Shareholder), the Company and the Placing Agent entered into the Placing and Subscription Agreement pursuant to which (i) the Vendor has agreed to place, through the Placing Agent, 100,000,000 Placing Shares to not fewer than six Placees who and whose ultimate beneficial owners will not be connected person(s) of the Company at the Top-up Placing Price of HK\$1.51 per Top-up Placing Share; and (ii) the Vendor has agreed to subscribe for 100,000,000 Top-up Subscription Shares at the Top-up Subscription Price of HK\$1.51 per Top-up Subscription Share.

The Top-up Subscription Shares represent (i) approximately 4.98% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 4.74% of the issued share capital of the Company as enlarged by the Top-up Subscription.

The Top-up Placing Price and the Top-up Subscription Price are the same at HK\$1.51 per Share, which represents (i) a discount of approximately 18.38% to the closing price of HK\$1.85 per Share as quoted on the Stock Exchange on the date of the Placing and Subscription Agreement; and (ii) a discount of approximately 9.58% to the average closing price of HK\$1.67 per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to the date of the Placing and Subscription Agreement.

The aggregate gross and net proceeds from the Top-up Subscription will be approximately HK\$151 million and approximately HK\$147 million, respectively. The Company intends to utilise the net proceeds from the Top-up Subscription for general working capital. The net proceeds raised upon completion of the Top-up Subscription will be approximately HK\$1.47 per Top-up Subscription Share.

The Top-up Subscription Shares will be issued pursuant to the General Mandate.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the approval for the listing of, and permission to deal in, the Top-up Subscription Shares.

Shareholders and potential investors of the Company should note that completion of the Top-up Placing and Top-up Subscription has not yet taken place as at the date of this announcement. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

THE PLACING AND SUBSCRIPTION AGREEMENT

Date

14 September 2017 (after trading hours of the Stock Exchange)

Parties

- (i) Xiwang Investment Company Limited, as vendor of the Top-up Placing Shares
- (ii) the Company, as the issuer of the Top-up Subscription Shares
- (iii) Guotai Junan Securities (Hong Kong) Limited, as the Placing Agent for the placing of the Top-up Placing Shares

The Top-up Placing

The Placing Agent has conditionally agreed to place, on a best efforts basis, 100,000,000 Top-up Placing Shares to the Placees and will receive a placing commission of 2% of the gross proceeds of the Top-up Placing Shares being placed. The Directors (including the independent non-executive Directors) are of the view that the placing commission of 2% is fair and reasonable, taking into account the current market condition.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, the Placing Agent and its ultimate beneficial owners are third parties independent of the Vendor, the Company and their respective connected persons.

The Vendor

As at the date of this announcement, the Vendor holds an aggregate of 1,500,000,000 Shares, including the Top-up Placing Shares, representing approximately 74.64% of the total number of Shares in issue as at the date of this announcement.

Placees

It is expected that the Top-up Placing Shares will be placed to not fewer than six Placees who and whose ultimate beneficial owners will not be the connected person(s) of the Company.

It is not expected that any individual Placee will become a substantial shareholder of the Company immediately after the Top-up Placing. If any of the Placees becomes a substantial shareholder of the Company after completion of the Top-up Placing, further announcement will be made by the Company as and when appropriate in accordance with the Listing Rules.

Top-up Placing Price

The Top-up Placing Price of HK\$1.51 (exclusive of the Hong Kong stamp duty, brokerage, trading fee and transaction levy as maybe payable by the Placees):

- (i) represents a discount of approximately 18.38% to the closing price of HK\$1.85 per Share as quoted on the Stock Exchange on the date of the Placing and Subscription Agreement;
- (ii) represents a discount of approximately 9.58% to the average closing price of HK\$1.67 per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to the date of the Placing and Subscription Agreement; and
- (iii) is the same as the Top-up Subscription Price.

The Top-up Placing Price was determined with reference to the prevailing market price of the Share and was negotiated on an arm's length basis between the Vendor, the Company and the Placing Agent on the date of the Placing and Subscription Agreement.

Completion of the Top-up Placing

The Top-up Placing is unconditional and shall be completed on the Completion.

Termination

The Placing Agent may, in its reasonable opinion, terminate the Placing and Subscription Agreement by notice in writing to the Company at any time up to 8:00 a.m. on the Placing Completion Date if:

- (1) there is any significant change in national, international, financial, exchange control, political, economic conditions or natural disaster or other event beyond the reasonable control of the Placing Agent in Hong Kong which in the reasonable opinion of the Placing Agent would be materially adverse in the consummation of the Top-up Placing; or
- (2) there is any material breach of the warranties, representations and undertakings given by the Company and/or the Vendor in the Placing and Subscription Agreement and such breach is considered by the Placing Agent on reasonable grounds to be material in the context of the Placing; or
- (3) there is any material change (whether or not forming part of a series of changes) in market conditions which in the reasonable opinion of the Placing Agent would materially and prejudicially affect the Placing or makes it inadvisable or inexpedient for the Placing to proceed; or
- (4) any statement contained in this announcement has become or been discovered to be untrue, incorrect or misleading in any material respect which in the opinion of the Placing Agent would be materially adverse in the consummation of the Placing; or
- (5) restrictions being imposed by any relevant regulatory body on the Placing Agent purchasing or acquiring any Placing Shares as contemplated in this Agreement.

Upon termination of the Placing and Subscription Agreement, all liabilities of the parties hereto hereunder shall cease and terminate and no party hereto shall have any claim against the other party in respect of any matter or thing arising out of or in connection the Placing and Subscription Agreement save in respect of any antecedent breach of any obligation under the Placing and Subscription Agreement.

The Top-up Subscription

The Company has conditionally agreed to allot and issue and the Vendor has agreed to subscribe for 100,000,000 Top-up Subscription Shares at Top-up Placing Price.

Number of the Top-up Subscription Shares

100,000,000 new Shares, representing (i) approximately 4.98% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 4.74% of the issued share capital of the Company as enlarged by the Top-up Subscription.

Top-up Subscription Price

The Top-up Subscription Price of HK\$1.51 is the same as the Top-up Placing Price.

The Top-up Subscription Price was determined with reference to the Top-up Placing Price and was negotiated on an arm's length basis between the Vendor, the Company and the Placing Agent on the date of the Placing and Subscription Agreement.

Conditions of the Top-up Subscription

Completion of the Top-up Subscription is conditional upon:

- (a) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, all of the Top-up Subscription Shares; and
- (b) completion of the Top-up Placing having occurred pursuant to the Placing and Subscription Agreement.

Completion of the Top-up Subscription

Pursuant to Rule 14A.92(4) of the Listing Rules, the Top-up Subscription must be completed within 14 days after the date of the Placing and Subscription Agreement, that is, on or before 28 September 2017.

Completion of the Top-up Subscription will take place on the Business Day next following the date upon the fulfilment of all the conditions as set out above (provided that it shall take place on or before 28 September 2017).

Mandate to issue the Top-up Subscription Shares

The Top-up Subscription Shares will be issued pursuant to the General Mandate, which the Company is authorised to issue up to 401,333,333 Shares. Up to the date of this announcement, no Share has been issued under the General Mandate.

Ranking of the Top-up Subscription Shares

The Top-up Subscription Shares will rank pari passu in all respects inter se and with the existing Shares in issue as at the date of such allotment and issue of the Top-up Subscription Shares.

REASONS FOR THE TOP-UP PLACING AND SUBSCRIPTION AND USE OF PROCEEDS BY THE COMPANY

The Directors consider the Top-up Subscription represents an opportunity for the Company to raise capital while broadening its shareholder base as well as its capital base.

The aggregate gross and net proceeds from the Top-up Subscription will be approximately HK\$151 million and approximately HK\$147 million, respectively. The Company intends to utilise the net proceeds from the Top-up Subscription for general working capital. The net proceeds raised upon completion of the Top-up Subscription will be approximately HK\$1.47 per Top-up Subscription Share.

FUND RAISING ACTIVITIES BY THE COMPANY IN THE PAST TWELVE MONTHS

The Company has not conducted any fund raising activities in the past twelve months before the date of this announcement.

EFFECTS ON SHAREHOLDING STRUCTURE

The table below set out the changes to the shareholding structure of the Company as a result of completion of the Top-up Placing and the Top-up Subscription under different scenarios:

	As at the date of this announcement		Immediately after completion of the Top-up Placing but before the Top-up Subscription		Immediately after completion of the Top-up Placing and the Top-up Subscription	
	Number of Shares	Approximate % of shareholding	Number of Shares	Approximate % of shareholding	Number of Shares	Approximate % of shareholding
The Vendor	1,500,000,000	74.64	1,400,000,000	69.66	1,500,000,000	71.10
Wang Di	6,000,000	0.30	6,000,000	0.30	6,000,000	0.28
Sun Xihu	1,000,000	0.05	1,000,000	0.05	1,000,000	0.05
Placees under the Top-up Placing (Note 1)	–	0.00	100,000,000	4.98	100,000,000	4.74
Other public Shareholders	502,666,666	25.01	502,666,666	25.01	502,666,666	23.83
Total	<u>2,009,666,666</u>	<u>100.00</u>	<u>2,009,666,666</u>	<u>100.00</u>	<u>2,109,666,666</u>	<u>100.00</u>

Note 1: Assuming all the Top-up Placing Shares would be allotted and issued upon completion of the Top-up Placing.

GENERAL

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

Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the approval for the listing of, and permission to deal in, the Top-up Subscription Shares.

Shareholders and potential investors of the Company should note that completion of the Top-up Placing and Top-up Subscription has not yet taken place as at the date of this announcement. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“associate”	has the same meaning ascribed to it under the Listing Rules
“Business Day”	any day (excluding a Saturday, Sunday and public holidays in Hong Kong) on which licensed banks are generally open for business in Hong Kong and the Stock Exchange is generally open for trading of securities in Hong Kong
“Completion”	the Placing Completion Date or, as the case may be, the Subscription Completion Date (or such later date as may be agreed amongst the parties hereto)
“Company”	Xiwang Special Steel Company Limited* (西王特鋼有限公司) (Stock Code: 1266), a company incorporated in Hong Kong with limited liability on 6 August 2007 and the shares of which are listed on the main board of the Stock Exchange
“connected person”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“General Mandate”	the mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 16 June 2017 to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of such annual general meeting, being 2,006,666,666 Shares
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Placee(s)”	any institutional, professional or other investor(s) or any of their respective subsidiaries or associates (including the Placing Agent itself) procured by the Placing Agent to purchase any of the Top-up Placing Shares pursuant to the Placing Agent’s obligations under the Placing and Subscription Agreement
“Placing Agent”	Guotai Junan Securities (Hong Kong) Limited, a licensed corporation to conduct type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing and Subscription Agreement”	the agreement dated 14 September 2017 entered into between the Vendor, the Company and the Placing Agent in relation to the Top-up Placing and the Top-up Subscription
“Placing Completion Date”	The actual completion date of the Placing on terms and subject to the conditions set out in the Placing and Subscription Agreement
“PRC”	The People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, Taiwan and the Macau Special Administrative Region of the People’s Republic of China
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the same meaning ascribed to it under the Listing Rules
“Subscription Completion Date”	The Business Day next following the fulfilment of all condition precedents referred to in the Placing and Subscription Agreement
“Top-up Placing”	the placing of 100,000,000 existing Shares held by the Vendor pursuant to the terms of the Placing and Subscription Agreement

“Top-up Placing Price”	the price of HK\$1.51 per Top-up Placing Share
“Top-up Placing Share(s)”	100,000,000 Shares held by the Vendor and to be placed pursuant to the Placing and Subscription Agreement
“Top-up Subscription”	the subscription of 100,000,000 Top-up Subscription Shares by the Vendor pursuant to the terms of the Placing and Subscription Agreement
“Top-up Subscription Price”	the price of HK\$1.51 per Top-up Subscription Share which shall be the same as the Top-up Placing Price
“Top-up Subscription Share(s)”	100,000,000 new Shares to be subscribed for by the Vendor pursuant to the Placing and Subscription Agreement
“Vendor”	Xiwang Investment Company Limited, a company duly incorporated in the British Virgin Islands and a controlling shareholder of the Company
“%”	per cent.

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

Hong Kong, 14 September 2017

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