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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)

DISCLOSEABLE TRANSACTION FINANCE LEASE ARRANGEMENT

On 22 August 2018, Xiwang Special Steel, a wholly-owned subsidiary of the Company entered into the Finance Lease Agreement with the Lessor, pursuant to which the Lessor will purchase the Facilities from Xiwang Special Steel and will lease the Facilities back to Xiwang Special Steel for a term of three (3) years.

As the highest percentage ratio (as defined under the Listing Rules) in respect of the Finance Lease Arrangement exceeds 5% but is less than 25%, the Finance Lease Arrangement constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

FINANCE LEASE AGREEMENT

Date

22 August 2018

Parties

Lessor : The Lessor

Lessee : Xiwang Special Steel, a wholly-owned subsidiary of the Company

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Lessor and its ultimate beneficial owners are Independent Third Parties, and the Lessor is principally engaged in the financial leasing business.

Finance Lease Arrangement

Subject to the fulfilment of certain conditions as set out in the Finance Lease Agreement (including but not limited to the obtaining of all necessary documents by the Lessor in relation to the Finance Lease Arrangement, including the purchase contracts and invoices for the Facilities), the Lessor will purchase the Facilities from Xiwang Special Steel at the Consideration of RMB200 million, and the Facilities will be leased back to Xiwang Special Steel for a period of three (3) years (the “**Lease Term**”) from the date when the Consideration is paid by the Lessor.

Consideration

The Consideration of RMB200 million was agreed between Xiwang Special Steel and the Lessor with reference to the book value of the Facilities as at 31 July 2018 in the amount of approximately RMB329.50 million.

The Consideration will be paid within 5 days from the date when the conditions under the Finance Lease Agreement are fulfilled and used by the Company as general working capital.

Lease payment

The total amount of lease payment over the Lease Term is calculated based on a fixed interest rate of 7.5% and estimated to be approximately RMB224.38 million which shall be paid by Xiwang Special Steel to the Lessor in twelve (12) equal instalments on a quarterly basis during the Lease Term.

The lease payment has been agreed after arm’s length negotiations between the parties with reference to the Consideration payable by the Lessor for the purchase of the Facilities.

Company’s right to repurchase the Facilities

Upon the expiry of the Lease Term, subject to Xiwang Special Steel having paid all the lease payment and any other payables (if any) to the Lessor in accordance with the terms of the Finance Lease Agreement, Xiwang Special Steel shall have the right to repurchase the Facilities at a nominal consideration of RMB2.

Guarantee and share pledge

The Guarantors, which are controlling shareholders of the Company, have provided guarantees in favour of the Lessor for all amounts payable by Xiwang Special Steel under the Finance Lease Agreement, including but not limited to the lease payment and other payables. The guarantee is irrevocable and continuing in nature.

In addition, the Finance Lease Arrangement is also secured by a share pledge over 11.0% interests in Xiwang Special Steel, and a pledge over the Facilities.

REASONS FOR AND BENEFITS OF THE FINANCE LEASE ARRANGEMENT

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.

In view of its lower financing cost and longer payment period, the finance lease under the Finance Lease Agreement presents a convenient and effective solution to the Group's financing needs which the Company considers to be advantageous.

The Directors are of the view that the terms of the Finance Lease Arrangement are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

IMPLICATION UNDER THE LISTING RULES

As the highest percentage ratio (as defined under the Listing Rules) in respect of the Finance Lease Arrangement exceeds 5% but is less than 25%, the Finance Lease Arrangement constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Board”	means the board of Directors
“Company”	means Xiwang Special Steel Company Limited (西王特鋼有限公司), 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
“Consideration”	means the consideration payable by the Lessor for the purchase of the Facilities from the Company
“Directors”	means the directors of the Company
“Facilities”	means approximately 172 units of various steel manufacturing related equipment and facilities
“Finance Lease Agreement”	means the finance lease agreement dated 22 August 2018 and signed between Xiwang Special Steel and the Lessor in relation to the Finance Lease Arrangement
“Finance Lease Arrangement”	means the purchase of the Facilities by the Lessor from Xiwang Special Steel and the lease back of the Facilities to the Company pursuant to the terms of the Finance Lease Agreement
“Group”	means the Company and its subsidiaries as at the date of this announcement
“Guarantors”	means Xiwang Group Company and Mr. Wang Yong
“HK\$”	means Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	means third party(ies) independent of the Company and its connected persons

“Lessor”	means the Lessor to the Finance Lease Arrangement, a financial leasing company based in Shandong Province of the PRC
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Wang Yong”	means Mr. Wang Yong, a non-executive Director and a controlling shareholder of the Company
“PRC”	means the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	means Renminbi, the lawful currency of the PRC
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Xiwang Group Company”	means Xiwang Group Company Limited (西王集團有限公司), a company incorporated in the PRC with limited liability and the ultimate holding company of the Company
“Xiwang Special Steel”	means 西王特鋼有限公司, a company incorporated in the PRC with limited liability and is a wholly-owned subsidiary of the Company
“%”	means per cent.

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

Hong Kong, 22 August 2018

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