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## **Chongqing Iron & Steel Company Limited** **重慶鋼鐵股份有限公司**

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*  
*(在中華人民共和國註冊成立的股份有限公司)*

(Stock Code: 1053)

### **PLAN ON ADJUSTMENT OF THE RIGHTS AND INTERESTS OF CAPITAL CONTRIBUTORS UNDER THE DRAFT REORGANISATION PLAN OF CHONGQING IRON & STEEL COMPANY LIMITED**

This announcement is made by Chongqing Iron & Steel Company Limited (“**Chongqing Iron & Steel**” or the “**Company**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

Reference is made to the Company’s indicative announcement on creditor’s application for reorganisation of the Company dated 25 April 2017, the announcement of the Company in relation to the court ruling on acceptance of the application for reorganisation of the Company dated 4 July 2017, the several announcements of the administrator in relation to the progress of reorganisation of Chongqing Iron & Steel Company Limited dated on and after 11 July 2017, the indicative announcements of the administrator of Chongqing Iron & Steel Company Limited in relation to the risks of suspension of listing and delisting of A shares of the Company dated 27 July 2017 and 28 July 2017, the indicative announcement of the administrator of Chongqing Iron & Steel Company Limited in relation to the continuous suspension of trading of A shares from 1 August 2017 due to reorganisation of the Company dated 31 July 2017, the indicative announcement of the administrator of Chongqing Iron & Steel Company Limited in relation to the continuous suspension of trading of A shares of the Company dated 1 August 2017, the announcement of the administrator of Chongqing Iron & Steel Company Limited in relation to the convening of the first creditors’ meeting of the Company dated 19 August 2017, the announcement of the administrator of Chongqing Iron & Steel Company Limited in relation to the convening of the second creditors’ meeting of the Company dated 2 November 2017 and the announcement of the administrator of Chongqing Iron & Steel Company Limited in relation to the convening of capital contributors group meeting dated 2 November 2017.

## **I. NECESSITY OF ADJUSTMENT OF THE RIGHTS AND INTERESTS OF THE CAPITAL CONTRIBUTORS**

Chongqing Iron & Steel has been severely insolvent with its production, operation and financial position in a jam. In case of bankruptcy liquidation of Chongqing Iron & Steel, there will no property left for distribution to capital contributors after repayment of all creditor's rights with the existing assets, resulting in nil interests attributable to capital contributors. In order to save Chongqing Iron & Steel to prevent bankruptcy liquidation, capital contributors and creditors are required to make joint efforts and share the costs for the revival of the Company. Therefore, the Reorganisation Plan of Chongqing Iron & Steel (Draft) (the "**Reorganisation Plan**") stipulates adjustment of the rights and interests of the capital contributors of Chongqing Iron & Steel.

## **II. SCOPE OF ADJUSTMENT OF THE RIGHTS AND INTERESTS OF THE CAPITAL CONTRIBUTORS**

Pursuant to Article 85 (2) of the Enterprise Bankruptcy Law of the People's Republic of China (the "**Bankruptcy Law**"), where the draft plan for reorganisation involves the adjustment of the rights and interests of the capital contributors, a group of capital contributors shall be formed to vote on the matter. The capital contributors group is composed of shareholders whose names appear on the registers of members of Chongqing Iron & Steel deposited with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited and Computershare Hong Kong Investor Services Limited as at 10 November 2017. In case of changes in shareholdings of the aforementioned shareholders as a result of transactions or non-transaction factors during the period from 10 November 2017 to the completion of implementation of the plan on adjustment to capital contributors' interests under the Reorganisation Plan, the effects of the plan on adjustment of the rights and interests of the capital contributors under the Reorganisation Plan shall extend to cover the transferees and/or successors of the shares held by the capital contributors.

## **III. WAY OF ADJUSTMENT OF THE RIGHTS AND INTERESTS OF THE CAPITAL CONTRIBUTORS**

### **(I) Conversion of capital reserve into share capital**

With the existing total share capital of A shares of Chongqing Iron & Steel as the base number, the conversion of capital reserve into share capital shall be implemented by way of issuance of 11.50 bonus shares for every 10 shares, and an aggregate of 4,482,579,700 A shares will be issued (the final and specific number of shares to be issued is subject to the number actually registered with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited). Upon completion of the conversion, the total share capital of Chongqing Iron & Steel will increase from 4,436,022,600 shares to 8,918,602,300 shares. The abovementioned shares issued will not be distributed to shareholders. For all such shares, the administrator will conduct distribution and pay relevant expenses in accordance with the Reorganisation Plan.

**(II) Chongqing Iron & Steel (Group) Co., Ltd. shall transfer its 2,096,981,600 shares held in the Company to introduce restructuring party**

As the controlling shareholder of the Company, Chongqing Iron & Steel (Group) Co., Ltd. (“**Chongqing Iron & Steel Group**”) shall bear the primary responsibility for the operating losses of, and thus is required to pay necessary costs as a support for the reorganisation of Chongqing Iron & Steel. At the same time, in order to fully protect the interests of minority investors, the reorganisation involves adjustment of the rights and the interests of capital contributors of Chongqing Iron & Steel, i.e. transfer of 2,096,981,600 shares of the Company by Chongqing Iron & Steel Group. The restructuring party will subscribe for such shares subject to the following conditions:

- (1) the restructuring party shall offer RMB100 million of working capital as the cash consideration for the 2,096,981,600 shares transferred by Chongqing Iron & Steel Group;
- (2) the restructuring party shall undertake to purchase the pre-ironmaking assets disposed of by the administrator through public auction at a consideration of not less than RMB3,900 million;
- (3) the restructuring party shall propose an operation plan to guarantee the recovery of continuous profitability of Chongqing Iron & Steel through transformation and upgrade of production technology and enhancement of management and product value of Chongqing Iron & Steel. In order to implement the aforementioned operation plan, guarantee the recovery of sustainable and healthy development of the Company, and enhance all parties’ confidence in the future development of the Company, the restructuring party undertakes that, for 5 years from the completion of the Reorganisation Plan, it will not transfer the controlling interests of the Company to any third party other than China Baowu Steel Group Corporation Limited or its subsidiaries;
- (4) the restructuring party shall provide loans at an annual interest rate of not more than 6% to Chongqing Iron & Steel for the implementation of the Reorganisation Plan by Chongqing Iron & Steel during the implementation of the Reorganisation Plan.

Pursuant to the aforementioned plan on adjustment of the rights and interests of the capital contributors, the absolute number of shares of the Company held by the capital contributors (including holders of A shares and H shares) of Chongqing Iron & Steel will not decrease as a result of the reorganisation. Upon completion of the reorganisation, the fundamentals of Chongqing Iron & Steel will improve fundamentally, and Chongqing Iron & Steel will gradually regain sustainable operation ability and profitability, resuming the healthy development trend, and the shares of Chongqing Iron & Steel held by all capital contributors will become genuinely valuable assets, which will be beneficial to the protection of the legal interests of capital contributors.

**Administrator of Chongqing Iron & Steel Company Limited**

Chongqing, the PRC, 2 November 2017

*As at the date of this announcement, the directors of the Company are: Mr. Liu Da Wei (non-executive director), Mr. Zhou Hong (non-executive director), Mr. Tu De Ling (executive director), Mr. Li Ren Sheng (executive director), Mr. Zhang Li Quan (executive director), Mr. Yao Xiao Hu (executive director), Mr. Xu Yi Xiang (independent non-executive director), Mr. Xin Qing Quan (independent non-executive director) and Mr. Wong Chun Wa (independent non-executive director).*