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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)

ANNOUNCEMENT ON IMPLEMENTATION OF CONVERSION OF CAPITAL RESERVE INTO SHARE CAPITAL UNDER THE REORGANISATION PLAN

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 Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

IMPORTANT NOTE:

- 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 4,482,579,687 A shares will be issued. Upon completion of the conversion, the total share capital of Chongqing Iron & Steel will increase from 4,436,022,580 shares to 8,918,602,267 shares. The shares issued under the conversion of capital reserve into share capital will not be distributed to shareholders. For all such shares, the administrator will conduct distribution to the creditors to offset the Company’s debts in accordance with the Reorganisation Plan. The shares issued will be directly transferred to the securities accounts as designated by the creditors.
- As the conversion of capital reserve into share capital is different from that conducted for annual profit distribution, in accordance with Rule 4.3.2 of the Rules Governing the Listing of Stocks of the Shanghai Stock Exchange (2015 Revision), the formula for calculation of ex-rights reference price is adjusted. Based on the formula for calculation of adjusted ex-rights reference price, upon completion of the conversion of capital reserve into share capital, the ex-rights reference price of the shares of Chongqing Iron & Steel is RMB2.15 per share.

I. COURT RULING ON APPROVAL OF THE REORGANISATION PLAN OF THE COMPANY

The First Intermediate People's Court of Chongqing (“**FIPCC**”) issued the Civil Ruling Paper ((2017) Yu 01 Po Shen No. 5) to the Company on 3 July 2017. It was ruled that the FIPCC accepted the application of Chongqing Laiquyuan Trading Co., Ltd. for reorganisation of Chongqing Iron & Steel Company Limited.

On 17 November 2017, the Reorganisation Plan of Chongqing Iron & Steel Company Limited (the “**Reorganisation Plan**”) and the Plan on Adjustment of the Rights and Interests of Capital Contributors under the Reorganisation Plan of Chongqing Iron & Steel Company Limited were approved by way of poll at the second creditors' meeting and capital contributors group meeting of Chongqing Iron & Steel, respectively; on 20 November 2017, the FIPCC issued the second Civil Ruling Paper ((2017) Yu 01 Po No. 3), adjudicating the approval of the Reorganisation Plan and termination of the reorganisation procedures of Chongqing Iron & Steel. In particular, the Plan on Adjustment of the Rights and Interests of Capital Contributors involves the plan on conversion of capital reserve into share capital.

II. PLAN ON CONVERSION OF CAPITAL RESERVE INTO SHARE CAPITAL

Pursuant to the plan on adjustment of the rights and interests of capital contributors under the Reorganisation Plan, 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 11.5 bonus shares for every 10 shares, and an aggregate of 4,482,579,687 A shares will be issued. The shares issued under the conversion of capital reserve into share capital will not be distributed to shareholders. For all such shares, the administrator will conduct distribution to the creditors to offset the Company's debts in accordance with the Reorganisation Plan. The shares issued will be directly transferred to the securities accounts as designated by the creditors. Upon completion of the conversion, the total share capital of Chongqing Iron & Steel will increase from 4,436,022,580 shares to 8,918,602,267 shares.

III. RECORD DATE

The shares record date for the conversion of capital reserve into share capital is 25 December 2017 and the listing date of the converted shares is 27 December 2017.

On the subsequent day of the shares record date of the Company, the prefix “XR” will be crossed out from the stock abbreviation of the Company.

IV. EX-RIGHTS RELATED MATTERS

Since all the shares issued under the conversion of capital reserve into share capital will be used for settlement of the ordinary creditors' rights of the Company, the existing shareholders of the Company will actually not receive any of such shares, and the enlargement of share capital by the conversion offsets the debts of the Company and increases the net assets per share of the Company, resulting in improved financial position of the Company, the conversion of capital reserve into share capital differs greatly from that for the purpose of dividend distribution under normal circumstances.

In light of the above, the Company has, in accordance with Rule 4.3.2 of the Rules Governing the Listing of Stocks of the Shanghai Stock Exchange (2015 Revision), adjusted the formula for calculation of ex-rights reference price.

The formula for calculation of adjusted ex-rights reference price is as follows:

Ex-rights (ex-dividends) reference price = (previous closing price – cash dividends) ÷ (1+ percentage of changes in existing circulating shares), wherein “existing circulating shares” refers to the circulating A shares held by the existing shareholders of the Company prior to the conversion of capital reserve into share capital.

The cash dividends and rights issue (new share) price in the formula are nil as no cash dividends, bonus issue or rights issue is involved. The existing circulating shares of the Company remain unchanged before and after the conversion, indicating that the percentage of changes in existing circulating shares is nil. As a result, the adjusted ex-rights (ex-dividends) reference price of Chongqing Iron & Steel is RMB2.15 per share.

The adjusted calculation formula only included shares with outstanding consideration due from the existing shareholders into the ex-rights scope, which was mainly due to the concern about the complicated valuation on non-cash consideration such as payments by assets and debt redemptions. The conversion of capital reserve into share capital in the bankruptcy reorganisation of the Company has been approved by way of poll at the creditors' meeting and the capital contributors group meeting, respectively. The price of the newly added shares was fixed at RMB3.68 per share, which is higher than the present price of RMB2.15 per share. Such price has been determined upon taking into account the interests of the creditors, the Company and the existing shareholders of the Company as well as other parties concerned and effectuates a primary balance between the value of the newly added shares and the consideration payments. In view of the foregoing, the equity interests of existing shareholders will not be diluted and therefore there is no need to include such shares into the formula for calculation of ex-rights reference price.

Based on the aforesaid adjusted calculation formula, the adjusted ex-rights (ex-dividends) reference price of Chongqing Iron & Steel is RMB2.15 per share.

Meanwhile, as the investor of the reorganisation, Chongqing Changshou Iron & Steel Company Limited has undertaken that it will not transfer the shares in Chongqing Iron & Steel held by it within 36 months commencing from the date of completion of the Reorganisation Plan and will not transfer its control over Chongqing Iron & Steel within 5 years commencing from the date of completion of the Reorganisation Plan except for its transfer of controlling interests in Chongqing Iron & Steel to China Baowu Steel Group Corporation Limited (中國寶武鋼鐵集團有限公司) or its controlling subsidiaries.

V. IMPLEMENTATION MEASURES FOR THE CONVERSION

According to the Reorganisation Plan and the Notice on Assistance in Implementation (《協助執行通知書》) issued by the FIPCC, the shares issued under the conversion of capital reserve into share capital will be directly registered under the securities accounts as designated by the creditors of Chongqing Iron & Steel or reserved in the securities account of the Administrator.

VI. TABLE OF CHANGES IN SHARE CAPITAL

Unit: share

Nature of shares	Share capital before change	Share capital under the conversion	Share capital after change
Circulating A shares subject to trading moratorium	0	0	0
Circulating A shares not subject to trading moratorium	3,897,895,380	4,482,579,687	8,380,475,067
Circulating H shares not subject to trading moratorium	538,127,200	0	538,127,200
Total share capital	<u>4,436,022,580</u>	<u>4,482,579,687</u>	<u>8,918,602,267</u>

VII. ARRANGEMENT FOR RESUMPTION OF TRADING OF A SHARES

Upon completion of matters relating to the implementation of conversion of capital reserve into share capital, the administrator will submit a supervision report on completion of the Reorganisation Plan to the FIPCC in due course in the light of the implementation of the Reorganisation Plan. Besides, the Company will apply to the Shanghai Stock Exchange for resumption of trading of A shares around 5 working days upon publication of this announcement.

VIII. CONTACT INFORMATION FOR CONSULTING

Contact address: Room 415, Management Building, No. 1 of Gangcheng Avenue, Economic & Technological Development Zone, Changshou District, Chongqing

Contact Person: Peng GuoJu/Ji Hong

Tel: 023-68983482

IX. DOCUMENTS AVAILABLE FOR INSPECTION

- (I) Civil Ruling Paper ((2017) Yu 01 Po Shen No. 5) and the second Civil Ruling Paper ((2017) Yu 01 Po No. 3) issued by the FIPCC
- (II) Reorganisation Plan of Chongqing Iron & Steel Company Limited

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board
Chongqing Iron & Steel Company Limited
Yu Hong
Secretary to the Board

Chongqing, the PRC, 23 December 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).