

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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)

**CONTINUING CONNECTED TRANSACTION**  
**LEASE AGREEMENT**

The Board announces that, on 27 February 2018, the Company and Changshou Iron & Steel entered into the Lease Agreement, pursuant to which Changshou Iron & Steel agreed to lease the Assets to the Company.

As at the date of the announcement, Changshou Iron & Steel holds approximately 23.51% of the issued share capital of the Company and is the controlling shareholder of the Company. Accordingly, Changshou Iron & Steel is a connected person of the Company and the transactions contemplated under the Lease Agreement constitute continuing connected transactions for the Company under the Listing Rules.

As the applicable percentage ratios of the annual cap in respect of the transactions contemplated under the Lease Agreement are over 0.1% but less than 5%, the transactions shall be subject to reporting, announcement and annual review requirements under the Listing Rules, but exempt from the independent Shareholders' approval requirement.

## **LEASE AGREEMENT**

The Board announces that, on 27 February 2018, the Company and Changshou Iron & Steel entered into the Lease Agreement, pursuant to which Changshou Iron & Steel agreed to lease the Assets to the Company. The principal terms of the Lease Agreement are set out below:

### **Date:**

27 February 2018

### **Parties:**

- (i) the Company, as the lessee;
- (ii) Changshou Iron & Steel, as the lessor.

### **Assets to be leased:**

Machinery and equipment of the smelting plant, the coking plant and the sintering plant

### **Lease period:**

The lease period is one year. If either party does not terminate the Lease Agreement within one month before the expiration of the lease period, the agreement will be extended for one year automatically. After the expiration of the one-year extension, if the Company intends to continue the lease, the parties shall sign a new lease agreement within 30 days before the expiration of the lease period.

### **Rent:**

The rent shall be RMB17,875,000 per month, meaning that the annual cap shall be RMB214,500,000. If within the lease period, the number of actual leasing days is less than a month, the rent shall be calculated based on the monthly rent  $\div$  30 days  $\times$  actual number of days of usage.

The rent shall be paid by cash monthly, and the Company shall pay the rent of the preceding month by the tenth day of the following month.

The rent was determined by the parties on arm's length basis with reference to the capital cost, and the rent agreed shall not be higher than the prices offered by independent third parties for leasing the same kind of assets to the Company and its subsidiaries; the annual cap was determined based on the rent under the Lease Agreement.

## **REASONS AND BENEFITS FOR ENTERING INTO THE LEASE AGREEMENT**

On 18 August 2017, the administrator of the Company convened the first creditors' meeting, at which the Plan for Management and Realisation of Property (財產管理及變價方案) was approved. Pursuant to the Plan for Management and Realisation of Property, the administrator entrusted Chongqing United Assets and Equity Exchange to conduct a public auction in respect of certain property owned by the Company. On 21 November 2017, the auction project entrusted by the administrator in respect of the machinery and equipment of the smelting plant, the coking plant and the sintering plant of the Company was completed, with Changshou Iron & Steel as the purchaser and RMB3,900,000,000 as the consideration. The lease of the Assets by the Company from Changshou Iron & Steel for the Company's own production and operation activities will ensure the sustainable and stable production and operation of the Company, which is beneficial to the development of the Company in the long run.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Lease Agreement, including the annual cap, are fair and reasonable, entered into on normal commercial terms or terms not less favorable than those offered by independent third parties in the ordinary and usual course of business of the Company, and are in the interests of the Shareholders as a whole.

## **INFORMATION OF THE PARTIES**

The Company is principally engaged in the manufacture and sale of steel products such as medium-gauge steel plates, steel sections and wire rods.

Changshou Iron & Steel is principally engaged in the technology development, technology transfer, technical services and technical management consultancy in the fields of steel, metallurgy and mining, coal, chemical industry, electric power and transportation; sale of steel raw materials; operation of dock; warehousing service (excluding storage of dangerous goods); leasing of own property and equipment; import and export of goods and technology; corporate management and consultancy service.

## **LISTING RULES IMPLICATIONS**

As at the date of the announcement, Changshou Iron & Steel holds approximately 23.51% of the issued share capital of the Company and is the controlling shareholder of the Company. Accordingly, Changshou Iron & Steel is a connected person of the Company and the transactions contemplated under the Lease Agreement constitute continuing connected transactions for the Company under the Listing Rules.

As the applicable percentage ratios of the annual cap in respect of the transactions contemplated under the Lease Agreement are over 0.1% but less than 5%, the transactions shall be subject to reporting, announcement and annual review requirements under the Listing Rules, but exempt from the independent Shareholders' approval requirement.

Other than Mr. Zhou Zhuping and Mr. Zheng Jie, connected Directors, who have abstained from voting on the relevant Board’s resolutions for the approval of the Lease Agreement (including the annual cap) and the transactions contemplated thereunder, none of the Directors has interests in such transactions.

## **DEFINITIONS**

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

“Assets”	Machinery and equipment of the smelting plant, the coking plant and the sintering plant
“Board”	the board of Directors of the Company
“Changshou Iron & Steel”	Chongqing Changshou Iron & Steel Company Limited (重慶長壽鋼鐵有限公司), a limited liability company established in the PRC and the controlling shareholder (as defined in the Listing Rules) of the Company
“Company”	Chongqing Iron & Steel Company Limited, a company incorporated in PRC with limited liability and the share of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Lease Agreement”	the Lease Agreement entered into between the Company and Changshou Iron & Steel on 27 February 2018, pursuant to which Changshou Iron & Steel agreed to lease the Assets to the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange

“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the Company’s shares
“%”	Percent

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

Chongqing, the PRC, 28 February 2018

*As at the date of this announcement, the Directors of the Company are: Mr. Zhou Zhuping (Non-executive Director), Mr. Zheng Jie (Non-executive Director), Mr. Li Yongxiang (Executive Director), Mr. Tu Deling (Executive Director), Mr. Zhang Shuogong (Executive Director), Mr. Hwang Yuhchang (Independent Non-executive Director), Mr. Xu Yixiang (Independent Non-executive Director), Mr. Xin Qingquan (Independent Non-executive Director) and Mr. Wong Chunwa (Independent Non-executive Director).*