

SHARE CAPITAL

As of the Latest Practicable Date, the share capital of the Company was RMB2.6 billion, divided into 2.6 billion ordinary shares with a nominal value of RMB1.00 each.

Upon Completion of the A Share Offering and the Global Offering

Immediately following completion of the A Share Offering and the Global Offering (assuming the H Share Over-Allotment Option is not exercised), particulars of our shareholdings will be as follows:

Class	Number of Shares	Approximate percentage of registered capital
H Shares	1,031,262,000	33.0855%
A Shares	2,085,698,000	66.9145%
Total	3,116,960,000	100.0000%

Immediately following completion of the A Share Offering and the Global Offering (assuming the H Share Over-Allotment Option is fully exercised), particulars of our shareholdings will be as follows:

Class	Number of Shares	Approximate percentage of registered capital
H Shares	1,090,401,300	34.3897%
A Shares	2,080,321,700	65.6103%
Total	3,170,723,000	100.0000%

Ranking

The H Shares and A Shares in issue upon completion of the A Share Offering and the Global Offering will be ordinary shares in the share capital of our Company. However, apart from Chinese qualified domestic institutional investors, H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC. A Shares, on the other hand, can only be subscribed for by and traded between legal or natural persons of the PRC, qualified foreign institutional investors or qualified foreign strategic investors and must be traded in RMB. All dividends in respect of the H shares are to be paid by us in Hong Kong dollars whereas all dividends in respect of A shares are to be paid by us in RMB.

In addition, A Shares and H Shares are regarded as different classes of shares under our Articles of Association. The differences between the two classes of shares, including provisions on class rights, the dispatch of notices and financial reports to shareholders, dispute resolution, registration of shares on different registers of shareholders, the method of share transfer and the appointment of dividend receiving agents are set out in our Articles of Association and summarized in Appendix VIII to this prospectus. Further, any change or abrogation of the rights of a class of shareholders should be approved by way of a special resolution of the general meeting of shareholders and by a separate meeting of shareholders of the affected class of shares. However, the procedures for approval by shareholders of the affected class of shares shall not apply (i) where we issue, upon approval by a special resolution of our Shareholders in a general meeting, either separately or concurrently every twelve months, not more than 20% of each of the existing issued A Shares and H Shares; (ii) where our plan to issue A Shares and H Shares on establishment is implemented within fifteen months from the date of approval by the securities regulatory authorities of the State Council; or (iii) upon approval by the securities regulatory authority under the State Council, the holders of A Shares transfer their shares to overseas investors and list or trade their shares in an overseas securities exchange. A Shares and H Shares will however rank *pari passu* with each other in all other respects and, in particular, will rank equally (save for the currency of payment) for all dividends or distributions declared, paid or made after the date of this prospectus.

SHARE CAPITAL

A Shares and H Shares are generally neither interchangeable nor fungible with one another, and the market prices of our A Shares and H Shares may be different after the A Share Offering and the Global Offering.

Conversion of our A Shares into H Shares

According to the regulations by the State Council securities regulatory authority and our Articles of Association, the holders of our A Shares may convert and transfer our A Shares to overseas investors, and such converted shares may be listed or traded on an overseas stock exchange provided that the transfer and trading of such converted shares shall have obtained the approval by the State Council securities regulatory authorities, including the CSRC. In addition, such conversion and transfer shall have completed any requisite internal approval process and complied with the regulations prescribed by the State Council securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant stock exchange.

If any of our A Shares is to be converted and transferred to overseas investors and to be listed and traded on the Hong Kong Stock Exchange, such conversion and transfer will need the approval of the relevant PRC regulatory authorities, including the CSRC. The listing and trading of such converted shares on the Hong Kong Stock Exchange will also need the approval of the Hong Kong Stock Exchange.

Based on the procedures for the conversion and transfer of our A Shares into H Shares as disclosed below, we can apply for the listing of all or any portion of our A Shares on the Hong Kong Stock Exchange as H Shares in advance of any proposed conversion and transfer to ensure that the conversion and transfer process can be completed promptly upon notice to the Hong Kong Stock Exchange and delivery of shares for entry on the H Share register. As any listing of additional Shares after our initial listing on the Hong Kong Stock Exchange is considered by the Hong Kong Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our initial listing in Hong Kong.

No approval by separate class meeting is required for the listing and trading of such converted shares on an overseas stock exchange. Any application for listing of the converted shares on the Hong Kong Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform our Shareholders and the public of any proposed conversion and transfer. The relevant procedural requirements for the conversion and transfer of our A Shares to H Shares are:

- (1) The holder of A Shares is to obtain the requisite approval of the CSRC or the authorized securities approval authorities of the State Council for the conversion and transfer of all or part of its A Shares into H Shares.
- (2) The holder of A Shares is to issue to us a removal request in respect of a specified number of Shares attaching the relevant documents of title.
- (3) Subject to obtaining the approval of our Board, we would then issue a notice to our H Share Registrar with instructions that, with effect from a specified date, our H Share Registrar is to issue the relevant holders with H Share certificates for such specified number of Shares.
- (4) Such specified number of A Shares to be converted and transferred to H Shares are then re-registered on our H Share register maintained in Hong Kong on the condition that:
 - (a) our H Share Registrar lodges with the Hong Kong Stock Exchange a letter confirming the proper entry of the relevant shares on the H Share register and the due issuance of share certificate; and

SHARE CAPITAL

- (b) the admission of the H Shares (converted from A Shares) to trade in Hong Kong will comply with the Hong Kong Listing Rules and the General Rules of CCASS and CCASS Operational Procedures in force from time to time.
- (5) Upon completion of the conversion and transfer, the shareholding of the relevant holder of A Shares in our domestic share register will be reduced by such number of A Shares transferred and the number of H Shares in the H Share register will correspondingly increase by the same number of Shares.
- (6) We will comply with the Hong Kong Listing Rules to inform Shareholders and the public by way of an announcement of such fact not less than three days prior to the proposed effective date.

Please also see the section headed “Risk Factors — Risks relating to the Global Offering — We are conducting a concurrent but separate A Share Offering. The characteristics of the A share and H share markets are different.”

Conversion of Unlisted Foreign Shares

Upon completion of the Global Offering, unlisted foreign shares held by Zurich Insurance Company Ltd, Fullerton Management Pte Ltd., CICC Securities (HK) Limited, Nomura Securities Co., Ltd. and Standard Chartered Principal Finance (Cayman) Ltd. will be converted to H Shares on a one-for-one basis and will be listed for trading on the Hong Kong Stock Exchange.

Lock-up Periods

Pursuant to the PRC Company Law, the shares issued prior to any public offering of our shares should not be transferred within a period of one year from the date on which our shares are publicly offered and listed on the relevant stock exchange. As such, five of our existing overseas shareholders, Zurich Insurance Company Ltd, Fullerton Management Pte Ltd., CICC Securities (HK) Limited, Nomura Securities Co., Ltd. and Standard Chartered Principal Finance (Cayman) Ltd., whose Shares will be converted into H Shares upon Listing, have undertaken that they will not transfer any interest in the Shares held by them prior to the Listing Date for a period of one year commencing on the Listing Date. However, the H Shares to be transferred by Huijin and Baosteel Group in accordance with relevant PRC regulations regarding transfer of state-owned shares and calculated based on the Global Offering (see “— Transfer of State-owned Shares” below) are not subject to such statutory restrictions.

Huijin, our controlling shareholder, is also subject to the following lock-up arrangements:

- (1) pursuant to the listing rules of Shanghai Stock Exchange, Huijin cannot transfer or entrust others to manage the shares directly or indirectly held by it in our Company or have such shares acquired by our Company within 36 months from the date on which our A Shares are listed on the Shanghai Stock Exchange; and
- (2) pursuant to the Hong Kong Listing Rules, Huijin may not (i) dispose of or agree to dispose any of our shares for a period of six months from the date on which dealings in our shares first commence on the Hong Kong Stock Exchange; or (ii) during a period of six months thereafter, dispose of or agree to dispose of any of our shares if, immediately after such disposal, it would cease to be a controlling shareholder of our Company.

Transfer of State-Owned Shares

In accordance with relevant PRC rules regarding the transfer of state-owned shares in the domestic capital markets, our state-owned shareholders, namely Huijin and Baosteel Group, are required to transfer to the NSSF Council, in proportion to their respective holdings in our

SHARE CAPITAL

Company, such number of shares in aggregate equivalent to 10% of the number of the Shares offered under the A Share Offering (15,854,000 Shares) or pay the equivalent cash at the Offer Price under the A Share Offering to the NSSF Council. Our Company will not receive any proceeds from the transfer of A Shares by our state-owned shareholders to the NSSF Council or any subsequent disposal of such A Shares by the NSSF Council.

In accordance with relevant PRC rules regarding the transfer of state-owned shares in overseas capital markets, our state-owned shareholders, namely Huijin and Baosteel Group, are required to transfer to the NSSF Council, in proportion to their respective holdings in our Company, such number of Shares in aggregate equivalent to 10% of the number of the Shares offered under the Global Offering (being 35,842,000 Shares before the exercise of the H Share Over-Allotment Option, and an additional 5,376,300 Shares upon the exercise in full of the H share Over-Allotment Option) or pay the equivalent cash at the Offer Price under the Global Offering to the NSSF Council. Our Company will not receive any proceeds from the transfer of H Shares by our state-owned shareholders to the NSSF Council or any subsequent disposal of such H Shares by the NSSF Council.

The transfer of state-owned shares by our state-owned shareholders to the NSSF Council was approved by the MOF on June 23, 2011. The conversion of those shares into H Shares was approved by the CSRC on November 15, 2011. We have been advised by Commerce & Finance Law Offices, our PRC legal advisor, that the transfer and the conversion, and the holding of H Shares by the NSSF Council following such transfer and conversion, have been approved by the relevant PRC authorities and are legal under PRC law.