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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 REGARDING TERMINATION OF MATERIAL ASSETS REORGANISATION

This announcement is made by the board of directors (the “**Board**”) of Chongqing Iron & Steel Company Limited (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).

Due to the plan for significant matters, trading of A shares of the Company has been suspended upon application since 2 June 2016. The Company then proceeded with the material assets reorganisation procedures on 4 June 2016. On 2 May 2017, the Proposal on Termination of the Material Assets Reorganisation of Chongqing Iron & Steel Company Limited was approved by the Board of the Company by a written resolution.

I. BASIC INFORMATION OF THE PLAN FOR MATERIAL ASSETS REORGANISATION

(I) Background of and reasons for the plan for material assets reorganisation

In light of the material changes in macro-economic situation and the iron and steel industry in recent years, adjustments to economic structure such as resolving the excess capacity has relatively significant impact on the iron and steel industry in which the Company operates. In order to guarantee the healthy and stable development of the Company and safeguard the long-term interests of the Company and its shareholders, necessary adjustments have been made to the Company’s businesses.

(II) Framework of the reorganisation

The Company entered into the Framework Agreement for Material Assets Reorganisation (the “**Framework Agreement**”) with Chongqing Iron & Steel (Group) Co., Ltd. (“**Chongqing Iron & Steel Group**”) and Chongqing Yufu Holding Group Co., Ltd. (重慶渝富控股集團有限公司) (“**Yufu Holding**”) on 31 August 2016.

1. Description of the transaction

The parties concerned reached the preliminary intent that the transaction would mainly include the following contents:

- (1) Assets disposal. The assets proposed to be disposed under the transaction are the assets relating to the production and operation of iron and steel currently held by the Company.
- (2) Assets acquisition. The assets proposed to be acquired under the transaction are the high quality integrated assets of Chongqing Yufu Assets Management Group Co., Ltd.* (重慶渝富資產經營管理集團有限公司) (“**Yufu Group**”) relating to finance, industrial investment, etc., which is under the control of Yufu Holding.
- (3) Fundraising. The Company may raise funds through non-public issue of shares for financing the transaction.

2. Counterparties of the transaction

Counterparties of the transaction include Chongqing Iron & Steel Group, Yufu Holding and other possible potential counterparties.

3. Pricing for the transaction

After preliminary negotiation, parties concerned agreed that the pricing for the assets disposal and acquisition involved in the transaction shall be based on the appraised value confirmed in the assets valuation report issued by an intermediary institution with qualification in securities business, which would be engaged by the Company and approved by all parties concerned, and shall be determined and confirmed by all parties upon discussion and negotiation.

4. *Determination of the transaction plan*

Upon signing of the Framework Agreement, parties concerned shall actively communicate, demonstrate and negotiate with each other with regard to matters such as the particulars of the transaction plan, specific scope of the assets disposal/acquisition, transaction method and consideration, and the price and number of shares to be issued; and agreements with regard to the above matters shall be reached in the final agreement for material assets reorganisation to be entered into.

II. MAIN WORKS DONE BY THE COMPANY IN ADVANCING THE MATERIAL ASSETS REORGANISATION

(I) Works done for advancing the material assets reorganisation

Since suspension of trading of A shares, the Company and Chongqing Iron & Steel Group have strictly complied with the relevant requirements of the Administrative Measures on Significant Asset Restructuring of Listed Companies (《上市公司重大資產重組管理辦法》) of China Securities Regulatory Commission and the Shanghai Stock Exchange and organised the relevant parties to proactively advance the material assets reorganisation. The major works are as follows:

1. During the suspension of trading of A shares, the Company and relevant parties concerned completed the engagements of relevant intermediaries and organised them to conduct audit, evaluation and other due diligence works in accordance with the Administrative Measures on Significant Asset Restructuring of Listed Companies (《上市公司重大資產重組管理辦法》) and other relevant requirements. The Company continuously communicated and negotiated with relevant regulators and major creditors in relation to the target assets on the important issues in the plans on assets acquisition and assets disposal, and carried out thorough negotiations and discussions on relevant matters involved in the reorganisation plan and target assets. Continued demonstration was made as to the feasibility of organisation plan;
2. The Company entered into the Framework Agreement for Material Assets Reorganisation with Chongqing Iron & Steel Group and Yufu Holding on 31 August 2016;

3. The Resolution on Continuing Suspension of Trading of A Shares regarding Material Assets Reorganisation of the Company (《關於公司重大資產重組A股股票繼續停牌的議案》) was considered and approved by the 61st written resolution of the seventh session of the Board and at the 2016 second extraordinary general meeting of the Company, pursuant to which the trading of A shares shall be suspended for not more than 2 months commencing 2 September 2016;
4. On 8 September 2016, the Company convened the investor briefing session regarding continuing suspension of trading of A shares for material assets reorganisation via internet interaction at the internet platform of “Shanghai Stock Exchange E-Interaction (上證e互動)” of the Shanghai Stock Exchange, for discussion and communication on relevant matters of material assets reorganisation and proposed extension of resumption of trading of A shares;
5. On 1 November 2016, an application was made by the Company to the Shanghai Stock Exchange for continuing suspension of trading of A shares for a period of not more than 6 months commencing the market opening on 2 November 2016;
6. According to relevant rules, the Company conducted registration and reporting for insiders involved in the material assets reorganisation, and self-inspection on the trading of shares of the Company;
7. Since the material assets reorganisation involves a large scale of the assets and complex project demonstration, the main assets of Yufu Group which are intended to be acquired are difficult to meet the requirements of the relevant regulatory policies of Hong Kong and the mainland, and the Company has not reached an agreement on the reorganisation plan with the major creditors as the assets intended to be disposed involve large scale of debt and the circumstance is relatively complicated, it is expected that it is difficult to reach an agreement on the reorganisation plan with relevant counterparties and disclose the plan on material assets reorganisation in the specified period, resulting in termination of the material assets reorganisation. On 2 May 2017, the Company convened a Board meeting to consider and approve the Proposal in relation to the Termination of the Material assets reorganisation of Chongqing Iron & Steel Company Limited.

(II) Information Disclosure Obligation Performed by the Company

The trading of A shares of the Company has been suspended since 2 June 2016. For details please see the announcement on suspension of trading of A shares regarding the plan for significant matter dated 2 June 2016.

On 4 June 2016, the Company published an announcement regarding the plan for material assets reorganisation, which determined that the above matters constituted a material assets reorganisation of the Company. On 14 June 2016, 21 June 2016 and 28 June 2016, the Company published announcements regarding the progress for material assets reorganisation, respectively.

On 1 July 2016, the Company published an announcement on continuing suspension of trading of A shares for material assets reorganisation, pursuant to which, as the material assets reorganisation involved many matters, the trading of A shares and related derivative products of the Company would be suspended for not more than one month commencing 4 July 2016. On 8 July 2016, 15 July 2016 and 22 July 2016, the Company published announcements regarding the progress for material assets reorganisation, respectively.

On 4 August 2016, the Company published an announcement on continuing suspension of trading of A shares for material assets reorganisation, pursuant to which, as the material assets reorganisation involves many matters, and upon approval by the 59th written resolution of the seventh session of the Board of the Company and application to the Shanghai Stock Exchange, the continuing suspension of trading of A shares and related derivative products of the Company would not be more than one month commencing from the market opening on 4 August 2016. On 11 August 2016 and 18 August 2016, the Company published announcements regarding the progress for material assets reorganisation, respectively.

On 23 August 2016, the Company published an announcement on continuing suspension of trading of A shares for material assets reorganisation. On 25 August 2016, the Company published an announcement regarding the progress for material assets reorganisation.

On 31 August 2016, the Company entered into the Framework Agreement for Material Assets Reorganisation with Chongqing Iron & Steel Group and Yufu Holding. For details of major terms, please refer to the announcement regarding the material assets reorganisation framework agreement. On 1 September 2016, the Company published an announcement regarding the progress for material assets reorganisation.

On 2 September 2016, the Company published an announcement on continuing suspension of trading of A shares for material assets reorganisation, pursuant to which, upon application by the Company, the trading of A shares and related derivative products of the Company would be further suspended from 2 September 2016 and was expected to be resumed by 2 November 2016. On 8 September 2016, the Company published an announcement regarding the progress for material assets reorganisation.

On 9 September 2016, the Company published an overseas regulatory announcement regarding convening an investor briefing session regarding continuing suspension of trading of A shares for material assets reorganisation. The Company communicated and discussed with investors with regard to matters regarding the material assets reorganisation and the proposed delay in resumption of trading of A shares, and answered questions of common concern from investors to the extent as allowed under relevant information disclosure requirements.

On 19 September 2016, 24 September 2016 and 10 October 2016, the Company published announcements regarding the progress for material assets reorganisation, respectively.

On 12 October 2016, the Company published the results of 2016 second extraordinary general meeting. At the meeting, the resolution regarding the continuing suspension of trading of A shares for material assets reorganisation was considered and approved, pursuant to which continuing suspension of trading of A shares and related derivative products would not be more than two months commencing 2 September 2016.

On 15 October 2016, 22 October 2016 and 31 October 2016, the Company published announcements regarding the progress for material assets reorganisation, respectively.

On 1 November 2016, the Company issued an announcement on delay in resumption of trading of A shares regarding the plan for material assets reorganisation. Upon application to the Shanghai Stock Exchange, the trading of A shares of the Company would be further suspended from the market opening on 2 November 2016.

On 8 November 2016, 15 November 2016, 22 November 2016, 29 November 2016, 6 December 2016, 13 December 2016, 20 December 2016 and 27 December 2016, the Company published announcements regarding the progress for material assets reorganisation, respectively.

On 4 January 2017, 11 January 2017, 18 January 2017, 25 January 2017, 8 February 2017, 15 February 2017, 22 February 2017, 1 March 2017, 8 March 2017, 15 March 2017, 22 March 2017, 29 March 2017, 7 April 2017, 14 April 2017, 21 April 2017 and 28 April 2017, the Company published announcements regarding the progress for material assets reorganisation, respectively.

Pursuant to the Listing Rules, the Administrative Measures on Significant Asset Restructuring of Listed Companies (《上市公司重大資產重組管理辦法》) and the Business Guide of Suspension and Resumption of Trading for Planning of Material Matters of Listed Companies (《上市公司籌劃重大事項停復牌業務指引》), during the suspension of trading of A shares, the Company regularly issued announcements the progress of the material assets reorganisation and fulfilled the obligations of information disclosure.

III. REASONS FOR TERMINATION OF THE PLAN FOR MATERIAL ASSETS REORGANISATION

Since the suspension of trading of A shares, the Company and counterparties have proactively advanced relevant matters and carried out repeated planning and demonstration for the reorganisation plan. The plan for the material assets reorganisation is relatively complicated. The main assets of Yufu Group which are intended to be acquired are subject to the requirements of the relevant regulatory policies. Under the current regulatory policies, a large amount of work regarding assets stripping and reorganisation is required to be completed in advance for the relevant financial assets as the target assets of the reorganisation. Upon repeated demonstration and communication among the parties concerned, the plan for proposed acquisition of assets is difficult to satisfy the regulatory requirements of Hong Kong and the mainland. The approval and operation procedures involved in the assets stripping are relatively complicated and subject to regulatory approvals by the department of state-owned assets supervision and administration, supervisory department of the finance and securities industries, etc. and involve coordination in respect of information disclosure of the Company.

In addition, the iron and steel assets intended to be disposed involve large scale of debt with numerous creditors and complex liabilities associated with litigations. Upon communication with creditors, the Company has not reached an agreement on the reorganisation plan with major creditors. In accordance with relevant regulatory provisions and requirements of the material assets reorganisation, it is expected that it is difficult to reach an agreement on the reorganisation plan with relevant counterparties and disclose the preliminary plan on the material assets reorganisation in the specified period. Based on the above reasons, upon sufficient investigation and demonstration, hearing the opinions of all parties and full communication, in order to safeguard the interests of the Company and all of its shareholders, the Company made a prudent decision to terminate the material assets reorganisation. The Company will timely apply for resumption of trading of A shares after the investor briefing session.

IV. EFFECTS OF TERMINATION OF THE MATERIAL ASSETS REORGANISATION ON THE COMPANY

As the assets proposed to be acquired for the reorganisation are the relevant business/assets of Yufu Group, the termination of the material assets reorganisation will have no adverse impact on the normal operation of the existing iron and steel businesses of the Company.

Upon termination of the material assets reorganisation, the Company will continue to work on the following six aspects with the focus on its major businesses of iron and steel:

1. to improve the capital and debt structure and minimise financial expenses in order to create favourable conditions to make up deficits and overcome difficulties.
2. to lower the costs of production in all aspects. Through benchmarking itself against leading industry enterprises, identifying differences, analysing reasons and finding the appropriate solutions, it shall endeavour to keep the overall product costs below the industry average level and to achieve the leading level in the industry as soon as possible to enjoy absolute cost advantage in the south-western region.
3. to combine the actual situation of the Company, further enhance the establishment of an internal control system of the Company, improve on the weaknesses of internal control management, lower the costs of management, and enhance the management efficiency. Risk prevention and control shall be strengthened and risks of various types shall be lowered.
4. to fully enhance labour productivity, endeavour to achieve labour productivity which is above the industry average level by streamlining management and auxiliary positions through information technology and intelligent transformation.
5. to implement product structure adjustment proactively. The competitive advantage in the regional market shall be seized, the production of building materials shall be restored quickly, systems shall be refined where gaps shall be filled, the share in the regional market shall be increased and the competitiveness of the products shall be enhanced.
6. to deepen marketisation reform, develop an energetic, efficient institutional mechanism which is more adaptive to market requirements and beneficial to the scientific development, develop into a subject of competition of relatively strong competitiveness with competitiveness in market adaptation, clear rights and responsibilities, scientific management and efficient utilisation of resources.

On 24 April 2017, the Company received a notice (the “**Notice**”) from Chongqing Laiquyuan Trading Co., Ltd. (“**Laiquyuan Company**”). The Notice sets out the application by Laiquyuan Company to the Court for reorganisation of the Company on the ground that the Company is unable to repay the due debts and its assets are insufficient for the repayment of all its debts. Details of the relevant matter are set out in the announcement headed Indicative Announcement on Creditor’s Application for Reorganisation of the Company issued by the Company on 25 April 2017. As at the date of publication of this announcement, the Company has not yet received the judgement from the court on the application by Laiquyuan Company for reorganisation of the Company. There is great uncertainty as to whether the creditor’s application will be accepted by the Court and whether the Company will proceed with the reorganisation procedures.

In accordance with the relevant requirements under the Enterprise Bankruptcy Law of the People’s Republic of China, if the Court accepts the applicant’s application for reorganisation of the Company, the Court will designate an administrator and the creditors shall report the creditors’ rights to the administrator according to laws. The administrator or the Company shall formulate the draft reorganisation plan of the Company according to laws and present the same at the creditors’ meeting for consideration and voting within the specified period. The creditors of the Company will be repaid in accordance with the reorganisation plan as approved by the Court. If the draft reorganisation plan is not approved by the Court, the Court will order the termination of the Company’s reorganisation, and the Company will be declared bankrupt.

The implementation and completion of the reorganisation plan of the Company will be beneficial to the improvement of the asset-liability structure of the Company and will prevent continuous losses, but the trading of shares of the Company is still required to be in line with the subsequent requirements under relevant regulatory provisions; otherwise, the A shares of the Company will be exposed to the risk of suspension of listing or delisting.

V. COMMITMENTS

The Company will hold an investors briefing session in a timely manner upon termination of the material assets reorganisation, and commits that it will no longer plan any material assets reorganisation within six months from the date of publication of the announcement in relation to the investors briefing session.

VI. RESUMPTION OF TRADING OF A SHARES AND RELATED DERIVATIVE PRODUCTS

In accordance with relevant requirements, the Company will hold an investor briefing session recently, disclose an announcement thereof as required in a timely manner, and apply for resumption of trading of A shares of the Company. The Company will make a further announcement regarding the time of convening the investor briefing session. Investors are advised to pay attention to the announcement of the Company.

The Board of the Company hereby expresses its regret for the termination of the material assets reorganisation, as well as its apology for the inconvenience to the investors arising from suspension of trading of A shares. Meanwhile, the Board of the Company sincerely appreciates investors for their concern and support for the development of the Company.

The designated media for publication of information of the Company includes the websites of the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited, Shanghai Securities News, China Security Journal, Securities Times, and Securities Daily. Information of the Company published on the above designated media shall prevail. Investors are advised to pay attention to the announcements of the Company and the investment risks.

By order of the Board
Chongqing Iron & Steel Company Limited
You Xiao An
Secretary to the Board

Chongqing, the PRC, 3 May 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).