

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 Previous Lease Agreement entered into between the Company and Changshou Iron & Steel on 27 February 2018 will expire on 31 December 2018. In order to ensure the consistent and stable production and operation of the Company, the Company and Changshou Iron & Steel entered into the Lease Agreement on 19 December 2018, 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 Previous Lease Agreement entered into between the Company and Changshou Iron & Steel on 27 February 2018 will expire on 31 December 2018. In order to ensure the consistent and stable production and operation of the Company, the Company and Changshou Iron & Steel entered into the Lease Agreement on 19 December 2018, 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:

19 December 2018

Parties:

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

Assets to be leased:

Blast furnace, sintering machine, coke oven and other pre-ironmaking machinery and equipment

Lease period:

The lease period is one year, from 1 January 2019 to 31 December 2019.

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

The lease of the machinery and equipment by the Company from Changshou Iron & Steel for the Company's own production and operation activities is necessary for the normal production and operation of the Company and will ensure its consistent and stable production.

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”	Blast furnace, sintering machine, coke oven and other pre-ironmaking machinery and equipment
“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 19 December 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

“Previous 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 machinery and equipment of the smelting plant, the coking plant and the sintering plant to the Company
“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
Meng Xiangyun
Secretary to the Board

Chongqing, the PRC, 20 December 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).