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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)

### **DISCLOSEABLE TRANSACTION** **FINANCE LEASE AGREEMENT**

On 26 January 2016, the Company entered into a Finance Lease Agreement with Huarong Company, pursuant to which the Company shall engage in finance lease transaction (direct lease) with Huarong Company in respect of the Equipment for a term of 3 years, and the financing amount was RMB230 million.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Huarong Company is a third party independent of the Company and its connected persons.

As the applicable percentage ratio(s) (as defined in the Listing Rules) exceeds 5% but less than 25%, the transaction contemplated under the Finance Lease Agreement constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules, but is exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules.

### **THE FINANCE LEASE AGREEMENT**

The Board announces that, on 26 January 2016, the Company entered into a Finance Lease Agreement with Huarong Company, pursuant to which the Company shall engage in finance lease transaction (direct lease) with Huarong Company in respect of the Equipment for a term of 3 years, and the financing amount was RMB230 million.

**Date**

26 January 2016

**Parties**

Lessor : Huarong Company

Lessee : the Company

**Subject matter of the lease**

The Company's one set of 6# coke oven, one set of water treatment system equipment, one set of equipment for electricity supply and transmission, one set of instrument, one set of tele-communication, one batch of equipment including rolled steel 110KV sewage pump for power stations and another batch of equipment including integrated pipe network high-pressure valve copper shut-off valve located in No.1 of Gangcheng Avenue, Economic & Technological Development Zone, Changshou District, Chongqing, PRC. The finance amount of RMB230 million was determined after arm's length negotiation between the Company and Huarong Company with reference to the lease cost and the lease interest rate.

**Finance amount payments and principal terms**

Pursuant to the Finance Lease Agreement, Huarong Company will lease and the Company shall rent the Equipment at the aggregate consideration of approximately RMB250 million, which shall be paid by the Company to Huarong Company. The Equipment will be leased to the Company for a period of 3 years commencing from the date on which Huarong Company pays the consideration for the transfer of the Equipment to the Company.

The lease rent to be paid by the Company to Huarong Company is calculated based on the lease cost and the lease interest rate. The total lease cost is RMB230 million. The monthly interest rate of the Finance Lease Agreement is 3.9585% at the time of execution of the Finance Lease Agreement. The first rental installment day shall be on the tenth day of the third month after the commencement date of leasing, and each rental installment shall be paid on the corresponding day of every three months thereafter, totaling 12 installments. No leasing principal will be paid for the first and second installments, and RMB23 million will be paid as the leasing principal for each of the third to twelfth installments.

The lease payment and the interest rate have been agreed after arm's length negotiation between the parties with reference to the prevailing market practice.

## **Ownership of the Equipment**

During the term of lease, the ownership of the lease subject lies with Huarong Company; upon expiry of the term of lease, the ownership of the lease subject shall be transferred to the Company after the Company pays the full purchase price to Huarong Company on time.

## **GUARANTEE**

Chonggang Holding is the guarantor to the Finance Lease Agreement.

## **REASONS AND BENEFITS FOR FINANCE LEASE AGREEMENT**

The financing of RMB230 million by way of leaseback type finance leasing of the Equipment of the Company to Huarong Company is to supplement the working capital for the production and operation needs of the Company. The Directors are of the view that the terms in respect of the Finance Lease Agreement are fair and reasonable and are in the interest of the Company and the shareholders of the Company as a whole.

## **INFORMATION ON THE COMPANY**

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

## **INFORMATION ON HUARONG COMPANY**

Huarong Company is principally engaged in financial leasing business approved by the China Banking Regulatory Commission. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Huarong Company and its ultimate beneficial owners are Independent Third Parties.

## **GENERAL**

As the applicable percentage ratio(s) (as defined in the Listing Rules) exceeds 5% but less than 25%, the transaction contemplated under the Finance Lease Agreement constitutes discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules, but is exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules.

## DEFINITIONS

“Board”	the board of Directors
“Chonggang Holding”	Chongqing Iron & Steel (Group) Company Limited, a state-owned limited liability company established in the PRC and the controlling Shareholder of the Company (as defined in the Listing Rules)
“Company”	Chongqing Iron & Steel Company Limited, a company incorporated in the PRC with limited liability and the shares of which are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“Equipment”	the Company’s one set of 6# coke oven, one set of water treatment system equipment, one set of equipment for electricity supply and transmission, one set of instrument, one set of tele-communication, one batch of equipment including rolled steel 110KV sewage pump for power stations and another batch of equipment including integrated pipe network high-pressure valve copper shut-off valve located in No.1 of Gangcheng Avenue, Economic & Technological Development Zone, Changshou District, Chongqing, PRC
“Finance Lease Agreement”	the finance lease agreement dated 26 January 2016 entered into between the Company and Huarong Company
“Huarong Company”	China Huarong Financial Leasing Co., Ltd., a company incorporated in PRC with limited liability
“Independent Third Parties”	any person who himself is, and (in the case of corporate entity) its ultimate beneficial owners are, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, third parties independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China

“RMB” Renminbi Yuan, the lawful currency of the PRC

“Stock Exchange” The Stock Exchange of Hong Kong Limited

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

Chongqing, the PRC, 27 January 2016

*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).*