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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)

**PROPOSED ADOPTION OF EMPLOYEE SHARE
OWNERSHIP PLAN**

The Board is pleased to announce that, in order to establish and improve the mechanism in which labourers and owners share both benefits and risks, enhance employees' cohesion and the Company's competitiveness, maintain a close relationship with core employees, coordinate the interests of management team, core personnel and shareholders, and promote the Company's long-term stable development and enhancement of shareholders' value, the Company has prepared the draft of Employee Share Ownership Plan in accordance with relevant laws, administrative regulations, rules and normative documents of the PRC including the Company Law, Securities Law and Guiding Opinions as well as the Articles of Association.

The Plan is a discretionary employee share ownership plan and involves no issue of new shares or granting of option for any new securities of the Company, thus does not constitute a share option scheme as defined by Chapter 17 of the Listing Rules.

The Board proposed adopting the Plan and resolved to submit the Plan at the forthcoming general meeting for shareholders' approval and for authorising the Board to deal with related matters of the Plan. Further information on the upcoming general meeting for shareholders to consider and approve the Plan, a circular containing the full text of the Plan, and a notice of general meeting will be despatched to shareholders in due course.

EMPLOYEE SHARE OWNERSHIP PLAN

(i) Purpose

The Board is pleased to announce that, in order to establish and improve the mechanism in which labourers and owners share both benefits and risks, enhance employees' cohesion and the Company's competitiveness, maintain a close relationship with core employees, coordinate the interests of management team, core personnel and shareholders, and promote the Company's long-term stable development and enhancement of shareholders' value, the Company has prepared the draft of Employee Share Ownership Plan in accordance with relevant laws, administrative regulations, rules and normative documents of the PRC including the Company Law, Securities Law and Guiding Opinions as well as the Articles of Association.

(ii) Scope of Holders of Employee Share Ownership Plan

The holders of Employee Share Ownership Plan are core personnel of the Company which have significant influence on the Company's operating results and medium and long-term development. The personnel entitled to the Employee Share Ownership Plan include executive directors, senior management, core management, and core business and technical personnel.

All holders are required to enter into a service contract with the Company or its controlled subsidiaries during the validity of the Employee Share Ownership Plan.

The number of holders of the first Employee Share Ownership Plan shall not exceed 120. The concrete list of holders and their percentages allocated for each Employee Share Ownership Plan shall be determined by the Board which may adjust the list of holders for subsequent Employee Share Ownership Plans and their allocation proportion based on the changes in and assessment of employees.

(iii) Source of Funds

Holders of Employee Share Ownership Plan share the profits of the Company by virtue of their contributions with intellectual capital. All or part of the annual results attributable to holders will be released in the form of share of interests in the Employee Share Ownership Plan. The concrete limit of bonus fund vested to holders in the form of share of interests in the Employee Share Ownership Plan will be determined by the Board. Therefore, the source of funds for the Employee Share Ownership Plan is the bonus fund withdrawn by the Company and provision is made at a certain percentage of the total profit under the audited consolidated statements for the year in which the Employee Share Ownership Plan is assessed.

Given that the price for conversion of debts into shares under the reorganisation plan of the Company is RMB3.68 per share, in order to fully reflect the consistency in respect of the interests of the management and shareholders, 50% of the limit of bonus fund for holders will be converted into the amount of share of interests granted to them at RMB3.68 per share, and the remaining part will be converted at the then price in the secondary market of the Company's shares. The total shares obtained through conversion ultimately determines the total amount of bonus fund to be withdrawn by the Company.

The Company will withdraw a certain percentage of the total profit under the 2018 audited consolidated statements as the bonus fund for the first Employee Share Ownership Plan.

(iv) Source of Shares

Upon approval at the general meeting of the Company, the draft Employee Share Ownership Plan will be subject to management by the management committee of Employee Share Ownership Plan. It shall acquire and hold the Company's shares in the ways as permitted by laws and regulations including purchase from secondary market (including block trade and trade by bidding). The Plan shall not be used to purchase shares of other companies.

The Plan is implemented successively for three years with one launched each year. The respective phases of the share ownership plan are independent of each other. The total number of shares held under the established and existing Employee Share Ownership Plans shall not be more than 10% of the total share capital of the Company. The total number of underlying shares held by any holder according to his/her share in the Employee Share Ownership Plan shall not be more than 1% of the total share capital of the Company.

The total number of shares held under the Employee Share Ownership Plan excludes the shares acquired before the initial public offering of the Company, the shares acquired independently from the secondary market and the shares obtained through equity incentives.

(v) Size of Share Ownership Plan

The number of underlying shares involved in the Employee Share Ownership Plan is subject to the results under the audit report for 2018–2020 of the Company. There is uncertainty with the date, price and amount of investment in relation to the shares actually acquired under the Employee Share Ownership Plan. Therefore, there is still uncertainty with the ultimate number of underlying shares.

(vi) Term of the Employee Share Ownership Plan

1. The Employee Share Ownership Plan is a mid- to long-term incentive policy, which is planned to be launched for three consecutive years, that is, from the end of each fiscal year from 2018 to 2020, the Company will successively set up Employee Share Ownership Plan in three phases which subsist independently. The term of each phase of the Employee Share Ownership Plan shall be no more than 24 months starting from the date of announcement on the registration of the underlying shares under the current Employee Share Ownership Plan.
2. The Employee Share Ownership Plan as approved at the general meeting shall be implemented in three phases. Upon the disclosure of the 2018 annual report of the Company, the purchase of the underlying shares through the secondary market under the first phase shall be completed within 6 months after the withdrawal amount of the bonus funds was considered and determined by the Board.

The Board is authorised to consider the subsequent phases of share ownership plan. If the underlying shares are expected to be purchased through the secondary market, the purchase shall be completed within 6 months after the withdrawal amount from the bonus funds is determined by the Board.

3. Each phase of Employee Share Ownership Plan will automatically terminate upon the expiry of the term.
4. Upon the expiry of the lock-up period of each phase of Employee Share Ownership Plan, when all assets held are money funds, then the current Employee Share Ownership Plan may be terminated in advance.
5. Two months before the expiration of the duration of the Employee Share Ownership Plan, if passed by more than two-thirds of shares held by holders attending the holders' meeting, the term of the current phase of Employee Share Ownership Plan may be terminated in advance or extended after being considered and approved by the Board, to the extent that the term shall not be extended by over 6 months in a single extension and not be extended for more than 3 times.

(vii) Lock-up period of the Employee Share Ownership Plan

1. The lock-up period of the underlying shares allotted to the Employee Share Ownership Plan shall be 12 months, starting from the date of the announcement on the registration of the underlying shares purchased in the final transaction under the current phase of Employee Share Ownership Plan.
2. All relevant entities in the Employee Share Ownership Plan must strictly abide by the market trading rules and abide by the requirement that no shares can be traded during the information sensitive period. All parties must not exploit the Employee Share Ownership Plan for insider trading and market manipulation and other security frauds.

(viii) Management body and management mode of the Employee Share Ownership Plan

This Employee Share Ownership Plan shall be managed by the Company itself with the holders' meeting as the highest internal management authority. Holders' meeting consists of all holders of the Employee Share Ownership Plan. A management committee will be elected and authorized by the holders' meeting as the administrator to take charge of the daily management of the Employee Share Ownership Plan (including but not limited to reducing the shares of the Company held under the Employee Share Ownership Plan upon the expiry of the lock-up period, distributing gains and cash assets to the holders on behalf of the Employee Share Ownership Plan, etc.), and exercise the power of shareholder on behalf of the holders of the Employee Share Ownership Plan. The Board of the Company shall be responsible for drafting and revising the Employee Share Ownership Plan, and shall deal with other matters related to the Employee Share Ownership Plan with the scope of authorisation as granted by the general meeting.

IMPLICATION OF THE LISTING RULES

The Plan is a discretionary employee share ownership plan and involves no issue of new shares or granting of option for any new securities of the Company, thus does not constitute a share option scheme as defined by Chapter 17 of the Listing Rules.

GENERAL MEETING AND CIRCULAR

The Board proposed adopting the Plan and resolved to submit the Plan at the forthcoming general meeting for shareholders' approval and for authorising the Board to deal with related matters of the Plan. Mr. Li Yongxiang, Mr. Tu Deling and Mr. Zhang Shuogong, Directors of the Company, had abstained from voting for their potential participation and material interests in the Employee Share Ownership Plan. Further information on the upcoming general meeting for shareholders to consider and approve the Plan, a circular containing the full text of the Plan, and a notice of general meeting will be despatched to shareholders in due course.

DEFINITIONS

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

“Board”	the board of Directors of the Company
“Company”	Chongqing Iron & Steel Company Limited, a company incorporated in the PRC with limited liability and the share of which are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“Employee Share Ownership Plan” or “Plan”	the employee share ownership plan to be proposed and adopted by the Company at the general meeting, pursuant to which, specific employees are rewarded shares by the Company in accordance with the terms of the employee share ownership plan
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	percent

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

Chongqing, the PRC, 22 March 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).