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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 ON THE ADJUSTMENT TO THE DAILY TRANSACTIONS IN 2018

The announcement is made by Chongqing Iron & Steel Company Limited (the “**Company**”) on a voluntary basis.

References are made to the circular dated 26 May 2017 in relation to (1) continuing connected transactions, (2) proposed amendments to the Articles of Association and (3) notice of annual general meeting, and the announcement of resolutions passed at the 2016 annual general meeting dated 16 June 2017 of the Company.

On 15 June 2017, the Company convened the 2016 annual general meeting, at which the proposal for the consideration of the continuing connected transactions of the Company as well as the consent and approval of the Service and Supply Agreement for 2017 to 2019 entered into between the Company and Chongqing Iron & Steel Company (Group) Limited, and the relevant transactions and the annual caps contemplated thereunder was considered and approved.

In December 2017, the First Intermediate People’s Court of Chongqing ruled the completion of implementation of the reorganisation plan, under which Chongqing Changshou Iron & Steel Company Limited acquired the 2,096,981,600 shares of the Company held by Chongqing Iron and Steel (Group) Company Limited (“**Chonggang Group**”) and thus became the largest shareholder of the Company. The controlling shareholder of the Company changed from Chonggang Group into Chongqing Changshou Iron & Steel Company Limited. Chonggang Group was no longer the controlling shareholder of the Company or the connected person of the Company under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). Therefore, the Service and Supply Agreement dated 13 January 2017 entered into between the Company and Chonggang Group (the “**Original Service and Supply Agreement**”) no longer constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

Under the Original Service and Supply Agreement, (1) Chonggang Group shall provide raw materials, water and road transportation, technical services, production materials and social welfare services to the Company; (2) the Company shall provide production materials such as water, electricity, gas, steel billets, steel products and ancillary products to Chonggang Group; and (3) both parties shall each allow the other to use and occupy its factory premises. Both parties to the Original Service and Supply Agreement estimated the content and amount of the annual cap of the daily connected transaction for 2017 to 2019 and the cap for provision of production materials (such as water, electricity and gas used in production process, steel billets, steel products and ancillary products) by the Company to Chonggang Group in 2018 shall be RMB542.26 million. The pricing principles are as follows: (1) determined with reference to the state price and the guide price set by the governmental departments of Chongqing Municipality; (2) determined with reference to the open market price; (3) determined with reference to a mark-up above the cost of providing the products or services of (i) margins set by the independent suppliers for similar production and raw materials and/or services on comparable scales and similar terms, which are in line with the normal commercial practice of the industry; or (ii) profit margin of 5% (whichever is higher).

In 2018, the production and sales scale of the Company increased continually with the focus placed on marketing in regional markets and Chonggang Group became an important client of the Company. At present, as the steel structure industry remains the key industry of Chonggang Group and the Company's products can satisfy the requirements of the steel structure industry, the steel trade business between the Company and Chonggang Group increases continuously. Based on the actual completion of daily transactions between the Company and Chonggang Group and its subsidiaries in the first three quarters of 2018 as well as the sales contracts with Chonggang Group and its subsidiaries in the fourth quarter, it is proposed to adjust the amount of the annual cap of the daily transactions with Chonggang Group in respect of sales of products in 2018 from RMB542.26 million to RMB842.26 million. Meanwhile, the Original Service and Supply Agreement shall be terminated with effect from 1 January 2019. Detailed adjustments to the transaction cap are as shown in the table below:

Unit: RMB0'000

Counterparty	Type of transaction	Transaction amount in January – September 2018	Original estimated annual cap	Planned adjustment amount	Annual cap after adjustment
Chonggang Group	Sales of products	65,383	54,226	30,000	84,226

Apart from the abovementioned adjustments, the pricing principles and subject matters of the daily connected transactions between the Company and Chonggang Group shall be subject to the Original Service and Supply Agreement.

The abovementioned adjustment to the cap of daily transactions is necessary for the normal production and operation of the Company, in line with the sales and customer positioning of the Company and conducive to the increase in the sales scale and market share of the Company. In addition, the price of the transaction is determined following the principles of openness, fairness and justice with reference to the market price and the transaction does not impair the interests of the Company and shareholders or affect the independence of the Company.

The transaction involved in the above adjustment is conducted in the ordinary and usual course of business of the Company as a transaction of a revenue nature and does not constitute a transaction under Chapter 14 of the Listing Rules. The announcement is made by the Company on a voluntary basis.

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

Chongqing, the PRC, 30 October 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. Xu Yixiang (Independent Non-executive Director), Mr. Xin Qingquan (Independent Non-executive Director), Mr. Wong Chunwa (Independent Non-executive Director) and Mr. Zheng Yuchun (Independent Non-executive Director).