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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)

SUPPLEMENTARY ANNOUNCEMENT ON THE ENTERING INTO OF THE SUPPLEMENTAL AGREEMENT ON MATERIAL PROCESSING

Reference is made to the announcement of the Company dated 19 April 2016 regarding the entering into of the Material Processing Agreement between the Company and Panhua on 18 April 2016 and the announcement of the Company dated 4 January 2017 (the “**Announcement**”) regarding the entering into of the Supplemental Agreement on Material Processing between the Company and Panhua on 31 December 2016. Unless otherwise specified, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

On 31 December 2016, the Company entered into the Supplemental Agreement on Material Processing (the “**Agreement**”) with Panhua. On 4 January 2017, the Company disclosed the basic information on the entering into of the Agreement. The major contents of the Agreement are further disclosed as follows:

- I. Both parties agreed that upon the termination of the Original Agreement, the remaining materials from Panhua shall be dealt with as follows:
 1. The remaining materials include (1) ores and coals that have been delivered to and accepted by the Company as at 31 December 2016, (2) ores and coals that have been loaded and shipped by river boats as of 19 December 2016 (the actual settlement is subject to site inspection and acceptance).
 2. The Company shall pack, allocate and deliver the hot-rolled plates and conduct the settlement thereof according to the consumption standards agreed by both parties (after the deduction of 26,300 tons of coal from North Korea, the total amount of the remaining coal shall be allocated according to the delivery of the hot-rolled plates). The Company shall deliver 80% of the hot-rolled plates by the end of January 2017 and the remaining 20% by the end of February.

3. The remaining ores and coals after the allocation shall be priced in accordance with market principles and the payments of such goods shall be considered as prepayments for the Company's steel products purchased by Panhua.
- II. Both parties agreed that upon the termination of the Original Agreement, the coal and ores purchased by Panhua which are in port shall be priced based on their qualities and in accordance with market principles. The payments of such goods, after deducting the processing fees, shall be considered as prepayments for purchasing the Company's steel products.
 - III. In view of various objective factors such as the volatile market and the uncontrollable nature of material delivery, as well as the consumption standards determined by both parties based on the objective reality, both parties voluntarily waived the right to hold each other responsible for default as agreed in the Original Agreement.
 - IV. Both parties agreed to maintain the long-term strategic relationship of cooperation and Panhua is entitled to the preferential policies offered by the Company to its strategic customers when ordering products from the Company.

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

Chongqing, the PRC, 5 January 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).