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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 **DISPOSAL OF ASSETS**

The Board is pleased to announce that on 20 October 2014, the Company and the Land Reserve Centre entered into the Agreement, pursuant to which the Company has agreed to transfer the Assets to the Land Reserve Centre for a consideration of RMB719,589,800.

As the applicable percentage ratios (as defined in the Listing Rules) of the Disposal exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

According to the legal requirement under PRC laws, the Disposal involves assets invested with proceeds from fundraising project and is therefore subject to Shareholders' approval (notwithstanding the Disposal is exempted from Shareholders' approval requirement under Chapter 14 of the Listing Rules). A circular which includes, among other things, a notice of 2014 first extraordinary general meeting will be despatched to the Shareholders as soon as practicable.

THE AGREEMENT

Summary of the terms of the Agreement

Date:

20 October 2014

Parties:

- (i) the Company

- (ii) the Land Reserve Centre

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Land Reserve Centre and its ultimate beneficial owner is a third party independent of the Company and its connected persons.

Subject matter:

Pursuant to the Agreement, the Company agreed to dispose of, and the Land Reserve Centre agreed to acquire, the Assets.

The Assets were constructed with the funds raised by the Company, therefore the Disposal should be submitted to the Shareholders' general meeting and Chongqing State-owned Assets Supervision and Administration Commission for approval.

Consideration:

The consideration is RMB719,589,800, which is payable by Land Reserve Centre to the Company in cash. The first instalment of RMB100,000,000 shall be paid after the Agreement takes effect and by 31 December 2014, and the balance of the consideration shall be settled by 30 June 2015.

The consideration was arrived at after arm's length negotiation between the parties by making reference to the Assets Valuation Report dated 11 October 2014 prepared by the independent valuer, Chongqing Huakang Asset & Land & Real Estate Valuation Co., Ltd. The appraised value of the Assets as at 31 August 2014 under cost approach was RMB686,559,600.

On the basis of the appraisal results of the Assets Appraisal Report as filed and confirmed by Chongqing State-owned Assets Supervision and Administration Commission, both parties agreed that the acquisition price of the Assets shall be RMB719,589,800, including land acquisition price of RMB133,373,300, buildings (structures) acquisition price of RMB254,955,500, machinery and equipment acquisition price of RMB298,230,800 and other compensations (or reward) of RMB33,030,200.

Completion

Within 10 working days after the Agreement takes effect, the Company shall deliver machinery and equipment and other tangible assets among the Assets to the Land Reserve Centre after on-site confirmation by the parties.

After the Agreement takes effect, the Company shall actively cooperate with the Land Reserve Centre to complete the transfer procedures of immovable assets by 30 June 2015 the latest.

INFORMATION OF THE ASSETS

The Assets were invested and constructed with the funds raised by the Company. Pursuant to the relevant prospectus, the construction costs of the early stage were settled with the funds raised.

As approved by the Notification of Approval for the Initial Public Offerings of Chongqing Iron & Steel Company Limited (Zheng Jian Fa Xing Zi [2007] No. 23) issued by China Securities Regulatory Commission on 29 January 2007, the Company was approved to issue 350,000,000 RMB-dominated ordinary shares (A shares) to the domestic public at an offer price of RMB2.88. Total funds raised from this issue as paid up in RMB amounted to RMB1,008,000,000. Excluding the issuance expense of RMB39,949,500, the net proceeds totalled RMB968,050,500. The said funds were fully paid up on 7 February 2007 and verified by Ernst & Young Da Hua which issued the capital verification report (An Yong Da Hua Ye Zi [2007] No. 129).

The funds invested in the cold-rolled sheet plant amounted to RMB452,000,000 which had been used in accordance with the relevant prospectus. The cold-rolling strip steel rolling mill used by the cold-rolled sheet plant is a complete set of cold rolling equipment built in the period from 1995 to 1998 as disposed in the bankruptcy of Enron Corporation: push-pull chlorohydric acid pickling line, 1# reversible cold rolling unit, hydrogen annealing furnace, and four-high skin pass mill; new supporting domestic equipment include: 2# reversible cold rolling unit, continuous galvanizing unit, hydrogen annealing furnace, rewinding unit, crosscutting unit, etc.

The Assets involved in the transaction have been completed and put into production in 2005. The audited profit attributable to the Assets for the year of 2012 and 2013 are -RMB44,500,000 and -RMB38,510,000 respectively and the unaudited profit attributable to the Assets for the first eight months of 2014 is -RMB21,290,000.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Disposal is beneficial to optimising the Company's resource allocation, and relieving the Company's financial pressure. The proceeds from the Disposal will be used to replenish working capital. The Disposal has no adverse impact on the normal production and operation of the Company and is in line with the long term development plan of the Company and in the interests of all Shareholders and the Company.

The Directors are of the view that the terms of the Agreement including the consideration are on normal commercial terms, and are fair and reasonable and in the interests of the Shareholders as a whole.

POSSIBLE FINANCIAL EFFECTS OF THE DISPOSAL

Based on the carrying value of the Assets of approximately RMB416,293,000 as at 31 August 2014, it is estimated that the Company will realise a gain from the Disposal of approximately RMB303,296,800 (before tax and expenses) (subject to audit), being the difference between the consideration for the Disposal and the carrying value of the Assets as at 31 August 2014.

It is expected that the net proceeds from the Disposal (after deducting all relevant fees and expenses) will be used for general working capital of the Company.

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.

The Land Reserve Centre is a PRC entity responsible for implementing acquisition, reclamation, reserve, transfer, and other specific works of the land in the economic and technological development zone in Chongqing.

GENERAL

As the applicable percentage ratios (as defined in the Listing Rules) of the Disposal exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

According to the legal requirement under PRC laws, the Disposal involves assets invested with proceeds from fundraising project and is therefore subject to Shareholders' approval (notwithstanding the Disposal is exempted from Shareholders' approval requirement under Chapter 14 of the Listing Rules). A circular which includes, among other things, a notice of 2014 first extraordinary general meeting will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

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

“Agreement” the Agreement for Acquisition of Land and Appendants Thereon entered into between the Company and the Land Reserve Centre on 20 October 2014

“Assets” the assets of the Company to be disposed of under the Agreement, namely:

1. Buildings (structures)

(A) *Buildings*

There are 22 buildings recorded in the accounts, with gross floor area of 46,363.99 square meters, mainly comprising acid-washing plants, skin-passing plants, annealing plants and other supporting facilities, etc.

(B) *Structures*

There are 27 structures recorded in the accounts, mainly comprising drainage ditches in the plant, sewage pipes, revetments of the plant and roads, etc.

2. Machinery and equipment

Machinery and equipment recorded in the accounts totalled 586 units (sets), mainly comprising cold-rolling equipment, rewinding unit, acid-washing equipment and other ancillary equipment

3. Land use right

The land use right is in relation to the land parcel with site area of 160,497.40 square meters located at No. 1-1 Qixin West Road, Yanjia, Changshou District

“Assets Valuation Report”

“Assets Appraisal Report on the Assets Appraisal Project Involved in the Proposed Acquisition of Assets of Chongqing Iron & Steel Company Limited by the Land Reserve Centre of Changshou Economic and Technological Development Zone (Chong Kang Ping Bao Zi (2014) No. 185)” dated 11 October 2014 prepared by the independent valuer, Chongqing Huakang Asset & Land & Real Estate Valuation Co., Ltd.

“Board”

the board of Directors

“Company”

Chongqing Iron & Steel Company Limited, a company incorporated in PRC with limited liability and the shares of which are listed on the Stock Exchange

“connected person(s)”

has the meaning ascribed to it under the Listing Rules

“Director(s)”

the directors of the Company

“Disposal”

the disposal of the Assets by the Company to the Land Reserve Centre pursuant to the terms and conditions of the Agreement

“Land Reserve Centre”	Land Reserve Centre of Changshou Economic and Technological Development Zone (長壽區經濟技術開發區土地儲備中心)
“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, which, for the purposes of this announcement, does not include Hong Kong, Macao Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holders of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Chongqing, the PRC, 21 October 2014

As at the date of this announcement, the Directors of the Company are: Mr. Zhu Jian Pai (Non-executive Director), Mr. Zhou Hong (Non-executive Director), Mr. Li Ren Sheng (Executive Director), Mr. Guan Zhao Hui (Executive Director), Mr. Zhang Li Quan (Executive Director), Mr. Zhang Guo Lin (Independent Non-executive Director), Mr. Liu Tian Ni (Independent Non-executive Director) and Mr. Ran Mao Sheng (Independent Non-executive Director).