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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)

CONTINUING CONNECTED TRANSACTIONS ELECTRONIC INFORMATION AND AUTOMOBILE TRANSPORTATION SERVICE AND SUPPLY AGREEMENT

The Company entered into an Electronic Company transfer agreement and a Transportation Company transfer agreement with Chonggang Holding on 28 November 2014, pursuant to which, the Company will dispose all equity interests stated in the Disposal Agreements to Chonggang Holding. After completion of disposal, in order to ensure the stability of the production and operation of the Company, the Company has entered into the Electronic Information and Automobile Transportation Service and Supply Agreement with Chonggang Holding on 4 February 2015, pursuant to which, Chonggang Holding agreed to supply electronic information and automobile transportation services to the Group under the terms as stated in the Agreement.

As at the date of the announcement, Chonggang Holding is interested in approximately 63.05% of the issued share capital of the Company and is a controlling shareholder of the Company within the meaning of the Listing Rules. Accordingly, Chonggang Holding is a connected person of the Company and the supply of electronic information service and automobile transportation service by Chonggang Holding Group under the Agreement constitutes continuing connected transactions for the Company under the Listing Rules. As the applicable percentage ratios of the Annual Caps in respect of the transactions contemplated under the Agreement are over 0.1% but less than 5%, the transactions shall be subject to reporting, announcement and annual review requirements under the Listing Rules, but exempt from the independent Shareholders' approval requirement.

BACKGROUND

The Company entered into an Electronic Company transfer agreement and a Transportation Company transfer agreement with Chonggang Holding on 28 November 2014, pursuant to which, the Company will dispose all equity interests stated in the Disposal Agreements to Chonggang Holding. After completion of disposal, in order to ensure the stability of the production and operation of the Company, the Company has entered into the Electronic Information and Automobile Transportation Service and Supply Agreement with Chonggang Holding on 4 February 2015, pursuant to which, Chonggang Holding agreed to supply electronic information and automobile transportation services to the Group under the terms as stated in the Agreement.

ELECTRONIC INFORMATION AND AUTOMOBILE TRANSPORTATION SERVICE AND SUPPLY AGREEMENT

Principal terms of the Agreement

Date

4 February 2015

Parties

- (i) the Company; and
- (ii) Chonggang Holding

Term

1 January 2015 to 31 December 2016

Subject matter

Chonggang Holding agreed (by itself and/or Chonggang Holding Group) to provide to the Group the followings:

- (a) electronic information service
- (b) automobile transportation service

Precedent conditions

The Agreement will take into effect after being signed and sealed by both parties, and the parties have completed the necessary internal decision-making procedures in respect of the Agreement.

Price

The terms of the Agreement was negotiated on an arm's length basis and on normal commercial terms. The pricing or consideration of the Agreement shall be no less favourable than prices offered by independent third parties for providing services of the same kind to the Company and its subsidiaries and will be determined with reference to the followings:

- (i) a price that is not higher than the open market price with independent parties on normal commercial terms in comparable markets; or, if there is no such price in comparable markets, a price that is not higher than the open market price with independent parties on normal commercial terms generally adopted in the PRC;
- (ii) if there is no open market price for such transactions, the parties are to negotiate on normal commercial terms for the supply of the above transactions based on the actual or reasonable costs of such transactions together with a reasonable profit. A "reasonable profit" is a profit calculated under the following two principles, whichever is lower: (a) a profit rate set by independent suppliers for similar services of similar scales and on similar terms, which are in line with the normal commercial practice of the industry; or (b) a profit rate of 5%.

The price for the provision of services may be settled by one-off payment or installments. The time of payment shall be determined by the parties based on the nature of the service and the usual business practice of the provision of the service.

Annual Caps of continuing connected transactions under the Agreement

According to the Agreement, the total consideration to be paid by the Group to Chonggang Holding Group for each of the financial year ended 2015 and 2016 will not exceed the Annual Caps set out below for each of relevant years:

	For the year ended 31 December 2015 RMB	For the year ended 31 December 2016 RMB
Electronic information service	145,000,000	145,000,000
Automobile transportation service	115,000,000	115,000,000

The Annual Caps are determined with consideration of the following basis:

- (i) the production plans of the Group for the two years ended 31 December 2016;
- (ii) the prevailing market price applicable to relevant services.

Reasons for entering into the Agreement

The Company entered into the Disposal Agreements with Chonggang Holding on 28 November 2014, pursuant to which, the Company will dispose all equity interests stated in the Disposal Agreements to Chonggang Holding. After completion of disposal, in order to ensure the stability of the production and operation of the Company, Chonggang Holding agreed to provide electronic information and automobile transportation services to the Group under the terms of the Agreement, which will ensure stable and reliable services with reasonable prices, hence maintaining a stable production and improving production efficiency and volume for the Company.

On one hand, as the Company entered into the Agreement with Chonggang Holding, the Group can be provided with the abovementioned services, and hence is beneficial to ensuring the stability and continuity of the Company's future production. On the other hand, such connected transactions have no adverse impact on the Company under the aforementioned transactions and pricing policy. In addition, the proposed Annual Caps under the Agreement and relevant agreements were entered into through arm's length negotiations on normal commercial terms. The Annual Caps of relevant transactions are fair and reasonable to the Company and its Shareholders as a whole. In light of the aforesaid, the Directors (including the independent non-executive Directors) are of the view that the terms of the Agreement, which are entered into on normal commercial terms or terms not less favorable than those offered by independent third parties in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE COMPANY AND CHONGGANG HOLDING

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

Chonggang Holding, together with its subsidiaries, are engaged in a wide variety of businesses, including the production of iron and steel products, refractory materials, equipments and spare parts, mining, infrastructure and building maintenance, equipment installation and maintenance, automotive transportation, industrial design and technology consultancy relating to the iron and steel industry, import and export agency and trading of steel and electronic machinery products.

INTERNAL CONTROL

The Company has set up the continuous connected transactions management committee which directly reports to the Board. The continuous connected transactions management committee, comprising personnel from various operational departments, was chaired by a Director and is responsible for the on-going monitoring of all connected transactions of the Company. The main responsibilities of the continuous connected transactions management committee include, among other things, (i) matters involving approval and monitoring of the continuing connected transactions and the proposed annual caps; (ii) gathering information for disclosure of the continuing connected transactions pursuant to the Listing Rules; and (iii) monitoring of pricing procedures for the continuing connected transactions to ensure prices to be determined are on normal commercial terms. The finance department

of the Company reported on quarterly basis to the continuous connected transactions management committee regarding the actual monetary amount of the continuing connected transactions conducted during the quarter and the estimated amount in the following quarter so as to facilitate the continuous connected transactions management committee to (i) monitor the actual amount of the continuing connected transactions carried out; and (ii) assess whether the proposed annual caps were exceeded. The secretary office to the Board also report on quarterly basis to the continuous connected transactions management committee regarding the carrying out of the continuing connected transactions and the continuous connected transactions management committee then report to the Board on quarterly basis.

The finance department of the Company will carry out the pricing management. The finance department will lead the relevant managing department of each profession to conduct research on market prices for the continuing connected transactions involving provision of services by Chonggang Holding Group to the Group. Market prices will be obtained through, among other things, quotations from independent third party service providers, recent transaction prices of the Group with independent third parties, enquiry with industry players, researches on industry websites, and attending events and gatherings organised by industrial associations. The market price information will be circulated by the finance department to other departments and companies of the Group to facilitate the determination of prices for the continuing connected transactions.

For the continuing connected transactions involving provision of services by Chonggang Holding Group to the Group, it is the Group's policy to request service providers, including Chonggang Holding Group and other independent service providers, to provide quotations in respect of the requested services and products. Following the receipt of quotations from Chonggang Holding Group and other independent service providers, the Group will compare and negotiate the terms of quotations with service providers, and determine the selection of service providers by taking into account factors such as price quotations, quality of the products and services, ability of the service providers in meeting technical specifications and delivery schedules, and qualification and relevant experiences of the service providers. The contract will be awarded to the service provider who offers the best commercial terms and technical terms to the Company. Other than obtaining of quotations, the Group may award a contract through a tender process, and there should be no less than three tenderers participating the tender process. The contract will be awarded to the service provider after assessment based on the criteria as set out above. The Company will try to obtain as many quotations and/or tenders as possible for the Company's interest. Accordingly, Chonggang Holding Group may or may not be awarded the contracts.

LISTING RULES IMPLICATIONS

As at the date of the announcement, Chonggang Holding is interested in approximately 63.05% of the issued share capital of the Company and is a controlling shareholder of the Company within the meaning of the Listing Rules. Accordingly, Chonggang Holding is a connected person of the Company and the supply of electronic information service and automobile transportation service by Chonggang Holding Group under the Agreement constitutes continuing connected transactions for the Company under the Listing Rules. As the applicable percentage ratios of the Annual Caps in respect of the transactions contemplated under the Agreement are over 0.1% but less than 5%, the transactions shall be subject to reporting, announcement and annual review requirements under the Listing Rules, but exempt from the independent Shareholders' approval requirement.

Other than Mr. Zhu Jian Pai and Mr. Zhou Hong, connected Directors, who have abstained from voting on the relevant Board's resolutions for the approval of the Agreement (including the Annual Caps) and the transactions contemplated thereunder, none of the Directors has interests in such transactions.

DEFINITIONS

The following defined terms are used in this announcement:

“Annual Caps”	the Group's service caps for Chonggang Holding Group for the financial years ending 31 December 2015 and 2016 respectively;
“Board”	the board of Directors;
“Chonggang Holding”	重慶鋼鐵(集團)有限責任公司 (Chongqing Iron and Steel (Group) Company Limited), a state-owned limited liability company established in the PRC and the controlling shareholder (as the term is defined in the Listing Rules) of the Company;
“Chonggang Holding Group”	Chonggang Holding and its subsidiaries (excluding the Company);

“Company”	Chongqing Iron & Steel Company Limited, a company incorporated in PRC with limited liability and the share of which are listed on the Stock Exchange;
“Director(s)”	the director(s) of the Company;
“Disposal Agreements”	The Electronic Company transfer agreement and the Transportation Company transfer agreement dated 28 November 2014 entered into between the Company and Chonggang Holding;
“Electronic Company”	重慶鋼鐵集團電子有限責任公司 (Chongqing Iron & Steel Group Electronic Company Limited), a wholly-owned subsidiary of Chonggang Holding and a company established under the laws of the PRC with limited liabilities;
“Electronic Information and Automobile Transportation Service and Supply Agreement” or “Agreement”	the electronic information and automobile transportation service and supply agreement dated 4 February 2015 entered into between the Company and Chonggang Holding;
“Group”	the Company and its subsidiaries;
“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;
“Shareholders”	holders of shares of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Transportation Company”

重慶鋼鐵集團運輸有限責任公司 (Chongqing Iron & Steel (Group) Transportation Company Limited) a wholly-owned subsidiary of Chonggang Holding and a company established under the laws of the PRC with limited liabilities;

“%”

per cent.

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

Chongqing, the PRC, 5 February 2015

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. Zhang Li Quan (Executive Director), Mr. Yao Xiao Hu (Executive Director), Mr. Xu Yi Xiang (Independent Non-executive Director), Mr. Liu Tian Ni (Independent Non-executive Director) and Mr. Xin Qing Quan (Independent Non-executive Director).