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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Chongqing Iron & Steel Company Limited, you should at once hand this circular and the accompanying proxy forms and reply slips to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

(1) PROPOSED NON-PUBLIC ISSUANCE OF A SHARES
AND
(2) NOTICE OF EGM AND 2015 FIRST CLASS MEETING
OF H SHAREHOLDERS

A letter from the Board is set out from pages 1 to 19 of this circular.

A notice convening the EGM of the Company to be held at No. 2 Conference Room, 3/F., the Management Building, No. 1 of Gangcheng Avenue, Economic & Technological Development Zone, Changshou District, Chongqing, the PRC, on 3 November 2015, Tuesday at 2:30 p.m. or any adjournment thereof is set out on pages 51 to 54 of this circular. A notice convening the 2015 First Class Meeting of H Shareholders to be held at No. 2 Conference Room, 3/F., the Management Building, No. 1 of Gangcheng Avenue, Economic & Technological Development Zone, Changshou District, Chongqing, the PRC, on 3 November 2015, Tuesday at 2:30 p.m. (or immediately after the conclusion or adjournment of the 2015 First Class Meeting of A Shareholders) is set out on pages 55 to 58 of this circular. Proxy forms for use at the EGM and the 2015 First Class Meeting of H Shareholders are enclosed. If you intend to attend the EGM and/or the 2015 First Class Meeting of H Shareholders, please complete and return the enclosed reply slip in accordance with the instructions printed thereon as soon as possible and in any event by no later than 4:00 p.m. on 14 October 2015.

Shareholders are advised to read the notice. Whether or not you are able to attend the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's registered office (in the case of proxy form by holders of domestic shares) at Management Building, No. 1 of Gangcheng Avenue, Economic and Technological Development Zone, Changshou District, Chongqing, the PRC (Postal Code: 401258) or at the Company's H share registrar and transfer office, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 24 hours before the time appointed for such meeting. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM, or any adjournment thereof, if you so wish.

14 October 2015

CONTENT

	<i>Page</i>
DEFINITIONS	ii
LETTER FROM THE BOARD	1
APPENDIX I — THE FEASIBILITY ANALYSIS REPORT ON THE USE OF PROCEEDS FROM THE FUND RAISING UNDER THE NON-PUBLIC ISSUANCE OF SHARES (A SHARES) OF CHONGQING IRON & STEEL COMPANY LIMITED	20
APPENDIX II — THE FORMULATION OF THE DIVIDEND DISTRIBUTION PLAN FOR THE SHAREHOLDERS FOR THE NEXT THREE YEARS (2015 – 2017)	45
NOTICE OF EGM	51
NOTICE OF 2015 FIRST CLASS MEETING OF H SHAREHOLDERS	55

DEFINITIONS

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

“2015 First Class Meeting of A Shareholders”	means the class meeting of A Shareholders to be held on 3 November 2015, Tuesday at No. 2 Conference Room, 3/F, the Management Building, No.1 of Gangcheng Avenue, Economic & Technological Development Zone, Changshou District, Chongqing, the PRC
“2015 First Class Meeting of H Shareholders”	means the class meeting of H Shareholders to be held on 3 November 2015, Tuesday at No. 2 Conference Room, 3/F, the Management Building, No. 1 of Gangcheng Avenue, Economic & Technological Development Zone, Changshou District, Chongqing, PRC
“A Shareholder(s)”	means holder(s) of A Share(s)
“A Share(s)”	means domestic Share(s) of RMB1.00 each in the ordinary share capital of the Company, which are listed on Shanghai Stock Exchange
“Articles of Association”	means the articles of association of the Company, as amended, modified or otherwise supplemented from time to time
“Board”	means the board of Directors
“CECEP Capital”	means CECEP Capital Holdings Limited (中節能資本控股有限公司), a company incorporated in the PRC with limited liability, which is primarily engaged in industry funds, financial leasing, commercial insurance, insurance and insurance brokerage, industrial investment, the secondary market equity investments and securities investment funds
“Chonggang Group”	means Chongqing Iron and Steel (Group) Company Limited (重慶鋼鐵(集團)有限責任公司), 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

DEFINITIONS

“Chongqing Energy Group”	means Chongqing Energy Investment Group Co., Ltd. (重慶市能源投資集團有限公司), a company incorporated in the PRC with limited liability, which has seven main segments of businesses, namely coal, gas, clean energy, construction, trading and logistics, aluminum, investment and financing
“Chongqing SASAC”	means Chongqing State-owned Assets Supervision and Administration Commission (重慶市國有資產監督管理委員會)
“CISDI”	means CISDI Engineering Technology Co., Ltd. (中冶賽迪工程技術股份有限公司), a company incorporated in the PRC with limited liability, with the principal operations of engineering consulting, engineering design and project general contracting
“Company”	means Chongqing Iron & Steel Company Limited, a company incorporated in PRC with limited liability and the shares of which are listed on Stock Exchange
“Cooperative Agreement”	Cooperative Agreement Regarding the Joint-venture Projects in Respect of Cold-rolled Sheet and Galvanized Sheet By and Between Chongqing Iron & Steel Company Limited and POSCO Korea (《重慶鋼鐵股份有限公司和POSCO冷軋、鍍鋅合資項目合作協議書》) entered into between the Company and POSCO Korea on 6 August 2015
“CSRC”	means China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	means the director(s) of the Company
“EGM”	means 2015 first extraordinary general meeting of the Company to be held at 2:30 p.m. (or any adjournment thereof) on 3 November 2015, Tuesday at No. 2 Conference Room, 3/F, the Management Building, No. 1 of Gangcheng Avenue, Economic & Technological Development Zone, Changshou District, Chongqing, PRC to consider if think fit, to approve the resolutions, among others, relating to the Non-Public Issuance
“Group”	means the Company and its subsidiaries

DEFINITIONS

“H Shareholder(s)”	means holders of H Share(s)
“H Share(s)”	means the overseas-listed foreign share(s) of RMB1.00 each in the ordinary share capital of the Company which are listed on the Stock Exchange
“HK\$”	means Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	9 October 2015
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“Non-Public Issuance”	means the proposed non-public issuance of not more than 1,285,388,601 A Shares by the Company to eight specific target investors
“POSCO Korea”	means POSCO, Korea corporation, a company incorporated pursuant to the laws of South Korea on 1 April 1968
“PRC”	means the People’s Republic of China
“Price Determination Date”	means 10 September 2015, being the date of the announcement regarding the resolution passed at the third meeting of the seventh session of the Board of the Company
“RMB”	means Renminbi, the lawful currency of the PRC
“Shareholder(s)”	means holder(s) of shares of the Company
“Shenzhen Xin Yu”	means Shenzhen Xin Yu Investment Management Partnership LLP (深圳鑫昱投資管理合夥企業(有限合夥)), a company incorporated in the PRC with limited liability, with the principal operations of equity investment, investment management, asset management, and investment advisory
“Sichuan Coal Group”	means Sichuan Coal Industry Group Co., Ltd. (四川省煤炭產業集團有限責任公司), a company incorporated in the PRC with limited liability, with the principal operations of mining and processing of coal

DEFINITIONS

“Stock Exchange”	means the Stock Exchange of Hong Kong Limited
“Wei Jin Environmental”	means Chongqing Wei Jin Environmental Technologies Limited (重慶偉晉環保科技有限公司), a company incorporated in the PRC with limited liability, which is mainly engaged in the research and consulting of environmental technologies, development design and sales of environmental technology products, and processing of scrap metal
“Yu Kun Long Corporation”	means Chongqing Yu Kun Long Metallurgical Materials Co., Ltd. (重慶煜琨鎔冶金材料有限公司), a company incorporated in the PRC with limited liability, with principal operations of manufacturing and sales of metallurgical materials
“Yufu Group”	means Chongqing Yufu Assets Management Group Co. Ltd. (重慶渝富資產經營管理集團有限公司), a company incorporated in the PRC with limited liability, with principal operations including financial investments, fund operations, industrial investment, land operations, and asset management
“%”	means per cent

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Li Ren Sheng
Mr. Zhang Li Quan
Mr. Yao Xiao Hu

Non-executive Directors:

Mr. Zhou Hong

Independent Non-executive Directors:

Mr. Xu Yi Xiang
Mr. Xin Qing Quan
Mr. Wong Chun Wa

Registered office:

Management Building
No. 1 of Gangcheng Avenue
Economic & Technological
Development Zone
Changshou District
Chongqing
the PRC

(Postal Code: 401258)

14 October 2015

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED NON-PUBLIC ISSUANCE OF A SHARES
AND
(2) NOTICE OF EGM AND
2015 FIRST CLASS MEETING OF H SHAREHOLDERS**

I. INTRODUCTION

Reference is made to the announcement of the Company dated 10 September 2015 in relation to the proposed Non-Public Issuance of A Shares.

The purpose of this circular is to provide you with information in relation to the proposed Non-Public Issuance, which is one of the special resolutions to be proposed at the EGM and one of the special resolutions to be proposed at the 2015 First Class Meeting of A Shareholders and the 2015 First Class Meeting of H Shareholders.

LETTER FROM THE BOARD

II. NON-PUBLIC ISSUANCE OF A SHARES

On 9 September 2015, the Board resolved to propose the Non-Public Issuance of A Shares to eight specific target investors. The Non-Public Issuance of A Shares is subject to the approval being sought from the Shareholders at the EGM, 2015 First Class Meeting of A Shareholders and 2015 First Class Meeting of H Shareholders, as well as the approval by the CSRC.

The total number of A Shares to be issued under the Non-Public Issuance will not be more than 1,285,388,601 shares (representing approximately 32.98% of the A Shares in issue and approximately 28.98% of the total issued shares of the Company as at the Latest Practicable Date) and the aggregate proceeds amount will be not more than RMB4,961,600,000.

The Price Determination Date of the Non-Public Issuance shall be the date of announcement of the resolutions passed at the third meeting of the seventh session of the Board of the Company, being 10 September 2015. The issue price shall be not less than RMB3.86 per Share, being not less than 90% of the average trading price of A Shares of the Company over the 20 trading days (not including the Price Determination Date) immediately before the Price Determination Date (the average trading price of A Shares over the 20 trading days before the Price Determination Date = the total turnover of A Shares over the 20 trading days before the Price Determination Date/the total trading volume of A Shares over the 20 trading days before the Price Determination Date). During the period from the Price Determination Date to the issue date, if there is any ex-dividend or ex-right adjustment, such as distribution of dividends, dividends payout, issue of bonus shares and conversion of capital reserve into share capital occurring in the Company, the issue price and the number of shares to be issued shall be adjusted according to the provisions of CSRC and Shanghai Stock Exchange.

1. Terms of the Non-Public Issuance of A Shares of the Company:

Class and nominal value of the shares to be issued	The shares to be issued are RMB denominated ordinary shares (A Shares) of RMB1.00 each.
Method of issuance	The shares will be issued by way of non-public issuance to specific target investors. The A Shares will be issued by way of non-public issuance to specific target investors at an appropriate timing within six months following the approval of the CSRC.

LETTER FROM THE BOARD

Number of shares to be issued Not more than 1,285,388,601 shares will be issued under the Non-Public Issuance (inclusive of 1,285,388,601 shares; representing approximately 32.98% of the A Shares in issue and approximately 28.98% of the total issued shares of the Company as at the Latest Practicable Date) and the aggregate proceeds amount of the Non-Public Issuance will be not more than RMB4,961,600,000. During the period from the Price Determination Date to the issue date under the Non-Public Issuance, if there is any ex-dividend or ex-right adjustment on the shares of the Company, namely distribution of dividends, dividends payout, issue of bonus shares or conversion of capital reserve into share capital, the issue shares number under the Non-Public Issuance shall be adjusted according to the provisions of the CSRC and Shanghai Stock Exchange with reference to the adjusted issue price and the total proceeds under the Non-Public Issuance will not exceed RMB4,961,600,000 (inclusive) after adjustment. Considering the profitability of the Company in the past 3 years and in view of the requirements under the Articles of Association that the Company shall first use profits after all taxes are paid and statutory reserve fund to offset losses, the Company anticipates that the possibility of adjusting the number of shares to be issued as aforesaid in the 12 months after the Non-Public Issuance shall be approved at the general meetings is relatively low.

Target investors and method
of subscription The target investors of the Non-Public Issuance shall be Yufu Group, Chongqing Energy Group, Shenzhen Xin Yu, CECEP Capital, Sichuan Coal Group, CISDI, Wei Jin Environmental and Yu Kun Long Corporation. The target investors had entered into conditional share subscription agreements with the Company respectively, and they will subscribe all shares under the Non-Public Issuance in cash.

LETTER FROM THE BOARD

Issue price and price
determination method

The Price Determination Date of the Non-Public Issuance shall be the date of announcement of the resolutions passed at the third meeting of the seventh session of the Board of the Company. The issue price of the Non-Public Issuance shall be RMB3.86 per share, being not less than 90% of the average trading price of A Shares of the Company over the 20 trading days (not including the Price Determination Date) immediately before the Price Determination Date (the average trading price of A Shares over the 20 trading days before the Price Determination Date = the total turnover of A Shares over the 20 trading days before the Price Determination Date/the total trading volume of A Shares over the 20 trading days before the Price Determination Date).

During the period from the Price Determination Date to the issue date, if there is any ex-dividend or ex-right adjustment, namely distribution of dividends, dividends payout, issue of bonus shares or conversion of capital reserve into share capital occurring in the Company, the issue price shall be adjusted according to the provisions of the CSRC and Shanghai Stock Exchange and the total proceeds under the Non-Public Issuance will not exceed RMB4,961,600,000 (inclusive) after adjustment.

Assuming the issue price before the adjustment is P_0 , the number of bonus shares or shares being issued upon conversion of capital reserve into share capital of each share is N , distribution of dividends for each share is D , the issue price after the adjustment is P_1 (the adjustment value is reserved up to two digits after the decimal place and the last digit will be rounded up. The issue price of the Non-Public Issuance shall not be less than its nominal value of RMB1.00 per share), then:

Distribution of dividends or dividends payout: $P_1 = P_0 - D$;

Issue of bonus shares and conversion of capital reserve into share capital: $P_1 = P_0 / (1 + N)$;

LETTER FROM THE BOARD

Combination of the two items: $P_1=(P_0-D)/(1+N)$.

Considering the profitability of the Company in the past 3 years and in view of the requirements under the Articles of Association that the Company shall first use profits after all taxes are paid and statutory reserve fund to offset losses, the Company anticipates that the possibility of adjusting the issue price as aforesaid in the 12 months after the Non-Public Issuance shall be approved at the general meetings is relatively low.

The issue price of the Non-Public Issuance, RMB3.86 per share, represents a discount of approximately 12.5% and a premium of approximately 232.80% to the closing price of RMB4.41 per A Share and HK\$1.47 per H Share (approximately equivalent to RMB1.16, based on the RMB middle exchange rate on 3 August 2015, being HK\$1 to RMB0.78902 as announced by The People's Bank of China) respectively immediately prior to the suspension of trading of A Shares and H Shares on 3 August 2015. The said issue price represents a premium of 22.15% and a premium of 295.93% to the closing price of RMB3.16 per A Share and HK\$1.19 per H Share (approximately equivalent to RMB0.97, based on the RMB middle exchange rate on the Latest Practicable Date, being HK\$1 to RMB0.81926 as announced by The People's Bank of China) respectively on the Latest Practicable Date.

LETTER FROM THE BOARD

Amount and use of proceeds The total proceeds from the Non-Public Issuance is expected to be not more than RMB4,961,600,000 (inclusive). The net proceeds after deducting fees and expenses will be used for the following purposes:

Unit: RMB

No.	Project/usage	Expected total investment/ injection	Proposed amount of proceeds to be applied
1	CISC-POSCO cold-rolled sheet project	3,893,140,000*	1,401,530,400
2	CISC-POSCO galvanized sheet project	2,342,150,000**	459,061,400
3	Repayment of bank loans	<u>3,128,485,600***</u>	<u>3,101,008,200</u>
Total		<u>9,363,775,600</u>	<u>4,961,600,000</u>

* *WISDRI Engineering&Research Incorporation Limited prepared the “Feasibility Analysis Report on CISC-POSCO cold-rolled sheet project”, under which the suggested total investment amount is RMB3,893,140,000, comprising of RMB3,537,050,000 of construction investment, RMB229,950,000 of supporting working capital and RMB126,140,000 of interests during the construction period.*

** *WISDRI Engineering&Research Incorporation Limited prepared the “Feasibility Analysis Report on CISC-POSCO galvanized sheet project”, under which the suggested total investment amount is RMB2,342,150,000, comprising of RMB2,154,510,000 of construction investment, RMB111,750,000 of supporting working capital and RMB75,890,000 of interests during the construction period.*

LETTER FROM THE BOARD

*** *The Company intends to repay the loans of 12 banks, totaling RMB3,128,485,600. Details are as follows:*

No.	Bank	Amount of repayment (RMB)	No.	Bank	Amount of repayment (RMB)
1	Yuzhong sub-branch, Chongqing Three Gorges BankCo., Ltd.	108,000,000	7	Chongqing Dadukou sub-branch, Agricultural Bank of China Limited	274,500,000
2	Dadukou sub-branch, Bank of Chongqing Co., Ltd.	150,000,000	8	Chongqing Dadukou sub-branch, Bank of China Limited	300,000,000
3	Chongqing Dadukou sub-branch, Industrial and Commercial Bank of China Limited	414,900,000	9	Chongqing Jiulongpo sub-branch, Hua Xia Bank Co., Ltd.	182,000,000
4	The Export-Import Bank of China	66,000,000	10	Dadukou sub-branch, Chongqing Rural Commercial Bank Co., Ltd	700,000,000
5	Chongqing branch, China Minsheng Bank	151,840,000	11	Chongqing Dadukou sub-branch, China Construction Bank Corporation	199,541,605
6	Chongqing branch, China Development Bank Co., Ltd.	481,704,000	12	Chongqing branch, Industrial Bank Co., Ltd.	100,000,000

LETTER FROM THE BOARD

Since the Non-Public Issuance is subject to the approval of CSRC, in the event that the amount of net proceeds from the Non-Public Issuance is less than the amount to be used for the projects above, the Company will, based on the actual fund raised, adjust and decide the application arrangement such as the order of priority of the projects to be invested and the specific investment amount to each project in accordance with the importance and urgency of the projects. Any shortfall will be made up by the Company with its own funding. Before the receipt of the proceeds from the Non-Public Issuance, the Company will invest with its own funds as required based on the actual progress of the projects. When the proceeds are available, such funds used will be replaced by the proceeds so raised in accordance with the procedures required by the relevant regulations. If the CISC-POSCO cold-rolled sheet project or the CISC-POSCO galvanized sheet project falls through, the Company shall apply for the change of use of the proceeds raised pursuant to the requirements of CSRC and Shanghai Stock Exchange and seek approval from Shareholders at general meeting and class meetings of A Shareholders and H Shareholders. In such case, the Company shall make further announcement(s) as appropriate after the change of use of the proceeds raised shall be considered and approved by the Board.

Net proceeds raised from the Non-Public Issuance (after deduction of relevant costs and expenses) and net amount of the price per share to be issued will be determined upon completion of the Non-Public Issuance.

LETTER FROM THE BOARD

(1) CISC-POSCO cold-rolled sheet project

On 6 August 2015, the Company and POSCO Korea entered into the Cooperative Agreement, whereby both parties agreed to jointly invest for establishing Chongqing POSCO Cold Rolling Steel Co., Ltd. (重慶浦項冷軋板材有限公司) and the Company shall contribute an aggregate of RMB1,401,530,400, with the shareholding ratio of 90% while POSCO Korea shall contribute an aggregate of RMB155,725,600, with the shareholding ratio of 10%. The Company shall contribute an aggregate of RMB1,401,530,400 from the proceeds raised under the Non-Public Issuance to be the share capital of Chongqing POSCO Cold Rolling Steel Co., Ltd. (重慶浦項冷軋板材有限公司).

The Cooperative Agreement was entered into as a cooperation framework agreement and is subject to the approval by the relevant authorities of both parties. Further announcement(s) will be made by the Company and approval of Shareholders will be sought as and when appropriate in accordance with Chapter 14 of the Listing Rules and other applicable rules.

Details of this project are set out in sub-section (I) of the section headed “II. BASIC SITUATION OF THE INVESTED PROJECT USING THE PROCEEDS RAISED” in the feasibility analysis report in appendix I to the circular.

LETTER FROM THE BOARD

(2) CISC-POSCO galvanized sheet project

On 6 August 2015, the Company and POSCO Korea entered into the Cooperative Agreement, whereby both parties agreed to jointly invest for establishing Chongqing POSCO Automotive Steel Co., Ltd. (重慶浦項汽車板有限公司) and the Company shall contribute an aggregate of RMB459,061,400, with the shareholding ratio of 49% while POSCO Korea shall contribute an aggregate of RMB477,798,600, with the shareholding ratio of 51%. The Company shall contribute an aggregate of RMB459,061,400 from the proceeds raised under the Non-Public Issuance to be the share capital of Chongqing POSCO Automotive Steel Co., Ltd. (重慶浦項汽車板有限公司).

The Cooperative Agreement was entered into as a cooperation framework agreement and is subject to the approval by the relevant authorities of both parties. Further announcement(s) will be made by the Company and approval of Shareholders will be sought as and when appropriate in accordance with Chapter 14 of the Listing Rules and other applicable rules.

Details of this project are set out in sub-section (II) of the section headed “II. BASIC SITUATION OF THE INVESTED PROJECT USING THE PROCEEDS RAISED” in the feasibility analysis report in appendix I to the circular.

LETTER FROM THE BOARD

(3) Repayment of bank loans

It is assumed that RMB3,101,008,200 from the proceeds to be raised under the Non-Public Issuance will be used to repay bank loans. As calculated based on the financial data as of 30 June 2015, the gearing ratio of the Company upon completion of the Non-Public Issuance will decrease from 83.27% (prior to the issuance) to 71.13%. Such decrease is beneficial to reducing the debt-repayment pressure and financial burden of the Company, laying a good foundation for the Company to promote the upgrading of products and business subsequently and the enhancement of the profitability.

At present, the Company has obtained the letter of consent from the banks, stating that early repayment of loan is allowed without penalty.

Details are set out in sub-section (III) of the section headed “II. BASIC SITUATION OF THE INVESTED PROJECT USING THE PROCEEDS RAISED” in the feasibility analysis report in appendix I to the circular.

Lock-up arrangement on the shares to be issued

The investors subscribing the shares under the Non-Public Issuance shall not transfer the shares within 36 months from the date of completion of the Non-Public Issuance. Trading of the shares after the lock-up period shall be dealt with in accordance with the relevant laws and regulations such as the Company Law of the People’s Republic of China and the relevant requirements of CSRC and Shanghai Stock Exchange.

Place of listing

Upon expiration of the lock-up period, the shares to be issued under the Non-Public Issuance will be listed on the Shanghai Stock Exchange.

Arrangement on the retained profits prior to the completion of the Non-Public Issuance

The current and new Shareholders after the completion of the Non-Public Issuance will rank pari passu to the entitlement of the retained unallocated profits (if any) prior to the completion of the Non-Public Issuance by the Company and such will be shared amongst all Shareholders of the Company.

LETTER FROM THE BOARD

Validity of the resolutions The resolutions regarding the Non-Public Issuance shall remain effective for a period of 12 months from the date of approval at the Shareholders' general meeting of the Company.

2. Effect of the Non-Public Issuance to the Shareholding Structure of the Company

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date and (ii) immediately after completion of the Non-Public Issuance (assuming that not more than 1,285,388,601 shares will be issued under the Non-Public Issuance and no other shares will be issued from the Latest Practicable Date to the date of completion of the Non-Public Issuance):

Shareholder	As at the Latest Practicable Date		Immediately after completion of the Non-Public Issuance		
	Number of shares	Approximate percentage of shareholding in the total issued share capital (%)	Number of shares	Approximate percentage of shareholding in the total issued share capital (%)	
Chonggang Group	2,096,981,600	47.27	20,96,981,600	36.65	
Yufu Group	0	0	725,388,601	12.68	
Chongqing Energy Group	0	0	200,000,000	3.50	
Shenzhen Xin Yu	0	0	140,000,000	2.45	
CECEP Capital	0	0	100,000,000	1.75	
Sichuan Coal Group	0	0	50,000,000	0.87	
CISDI	0	0	30,000,000	0.52	
Wei Jin Environmental	0	0	30,000,000	0.52	
Yu Kun Long Corporation	0	0	10,000,000	0.17	
Total number of shares held by public Shareholders	Other A Shareholders	1,800,913,780	40.60	40.89	31.48
	H Shareholders	538,127,200	12.13		9.41
Total	4,436,022,580	100.00	5,721,411,181		100.00

LETTER FROM THE BOARD

Upon the completion of the Non-Public Issuance, the share capital of the Company will be increased to 5,721,411,181 shares. The number of shares held by Chonggang Group, the controlling Shareholder of the Company, will remain unchanged and the percentage of its shareholding will decrease from 47.27% as at the Latest Practicable Date to 36.65%. The percentage of shareholding of Yufu Group will increase from 0% to 12.68%. Chongqing SASAC will remain the de facto controller of the Company. The change in equity interests will not result in change in the controlling Shareholder and the de facto controller of the Company.

3. Benefits and Rationale for the Non-Public Issuance

During the recent years, the Company faced considerable difficulties in its production and operation. Sales results continued to decline. The gearing ratio was relatively high and the pressure from short-term debt was relatively huge. Finance costs were very high. The ability to mitigate risk decreased significantly. Through the Non-Public Issuance, proceeds raised can be applied in the construction of new projects, improve product mix, optimize the structure of assets and liabilities, reduce the gearing ratio, and enhance the ability to repay debts.

The Company is primarily engaged in the production and sales of mid to high strength steel plates and hot rolled coils. The product mix is single and the gross margin is relatively low, which is quite dependent on a single industry downstream. The market competitiveness and risk resistance ability of the Company is weak. The Company will apply the proceeds raised to cooperate with POSCO Korea for producing advanced cold-rolled plate, hot-rolled pickled plate and galvanized sheet that have greater demand in the market with more economic added value to be used in vehicles and household goods. Through the implementation of the plan, the product mix will be improved and upgraded. The production technologies and the management standards will be enhanced. This will in turn bolster the market competitiveness of the Company and achieve the objective of improving the profitability.

As of 30 June 2015, the gearing ratio of the Company was 83.27% (calculated based on the combined balance sheet, the same hereinafter), whereas the average gearing ratio of the peers listed companies in the iron and steel industry was 67.37%. The gearing ratio of the Company exceeded the industry average by 15.90%. As the gearing ratio of the Company was positioned at a relatively high level, the pressure on short term solvency would be relatively high, with finance costs excessively high. Through the Non-Public Issuance, the Company can replenish capital. The Company will optimize its capital structure, which will reduce its finance risk, and enhance its risk mitigation ability. This will lay a foundation for the sound and steady development of the Company in future.

LETTER FROM THE BOARD

4. Approval of the Non-Public Issuance obtained from competent regulatory authorities and approval to be obtained

The Non-Public Issuance has been considered and approved at the third meeting of the seventh session of the Board of the Company. The Non-Public Issuance shall be subject to the approval of Chongqing SASAC, approval from the Shareholders at the EGM, 2015 First Class Meeting of A Shareholders and 2015 First Class Meeting of H Shareholders, and the clearance from CSRC. Further announcement(s) will be made by the Company when the relevant approval is obtained.

It is uncertain whether the Non-Public Issuance will obtain the relevant approval or clearance, or the time required to obtain the relevant approval or clearance. Hence the Non-Public Issuance may or may not proceed. Therefore, shareholders and investors are advised to exercise caution when dealing in the shares and note the risk in obtaining the approvals.

5. Whether the Non-Public Issuance constitutes a connected transaction

A Shares will be issued to specific target investors other than controlling Shareholder, de facto controller or any of the connected person of the Company under the Non-Public Issuance. To the best knowledge and information of the Company, all target investors are independent third parties and are not connected person of the Company as defined under Chapter 14A of the Listing Rules. Therefore, the Non-Public Issuance will not constitute a connected transaction under Chapter 14A of the Listing Rules.

6. Fund raising activities in the past twelve months

The Company has not conducted any equity fund raising activities during the 12 months preceding the Latest Practicable Date.

LETTER FROM THE BOARD

7. Authorisation to the Board to handle all the matters relating to the Non-Public Issuance

The Company proposes and arranges to conduct the Non-Public Issuance to specific target investors. In order for the Company to efficiently and systematically carry out the matters relating to the Non-Public Issuance, it is proposed by the Board of the Company that the Board shall be granted authorisation at the EGM of the Company to handle all matters relating to the Non-public Issuance within the scope of relevant laws and regulations pursuant to the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China and other laws and regulations and the Articles of Association, including but not limited to:

- (1) To revise and implement the specific plan for the Non-Public Issuance in accordance with the provisions of relevant laws, regulations, regulatory documents, regulatory requirements and the decisions of the Shareholders' general meetings, and in accordance with the actual circumstances, including but not limited to the time of issuance, number of shares to be issued, issue period, issue price, specific methods of subscription, proportion of subscription, proceeds amount, setting up of specific account for proceeds and other matters related to the Non-Public Issuance;
- (2) To produce, amend, supplement, sign, file, submit and execute all agreements and documents relating to the Non-Public Issuance, including but not limited to underwriting and sponsorship agreements, and agreements related to the projects to be invested by the proceeds, various announcements, other relevant agreements and documents;
- (3) To decide and appoint the intermediary institutions providing services in the Non-Public Issuance including sponsors and legal advisors, and to decide and pay their service fees;
- (4) To authorise the Board to deal with the reporting, issue and listing matters for the Non-Public Issuance, and to produce, amend, modify, supplement, rectify, submit, report, receipt and sign all document and other legal documents relating to reporting, issue and listing of the Non-Public Issuance pursuant to the requirements of the laws and regulations and securities regulatory authorities;
- (5) To make corresponding adjustments to the specific plan of the Non-Public Issuance and other relevant matters based on the requirements of the competent authorities, or the laws and regulations, policy requirements of securities regulatory authorities and the changes in market condition;

LETTER FROM THE BOARD

- (6) To make adjustments to the specific arrangements of the projects to be invested by the proceeds raised based on the laws and regulations, the requirements of competent authorities, actual conditions of the securities market and the results of the Non-Public Issuance within the scope of the resolutions of the Shareholders' general meetings;
- (7) To amend the related terms of the Articles of Association according to the actual outcome of the Non-Public Issuance, to seek approval of or file to relevant government departments and to handle matters related to such changes;
- (8) To handle matters related to the registration, lock-up of shares and listing of the shares of the Non-public Issuance after the completion of the Non-public Issuance;
- (9) To modify the specific plan for the Non-Public Issuance and other relevant matters according to the circumstances in the event there is new provisions regarding the policy for the issue of securities by listed companies as published by laws, regulations, regulatory documents, and the securities regulatory authorities; and
- (10) To handle other matters related to the Non-Public Issuance.

The Board shall have no authority to change or adjust any material term of the Non-Public Issuance unless such changes or adjustments are required by CSRC, made pursuant to the provisions of relevant laws, regulations, regulatory documents and regulatory requirements, or approval of such changes or adjustments has been obtained from Shareholders at general meetings.

8. Profit distribution plan of the Company for the next three years

In accordance with the "Notice in relation to Further Implementing Cash Dividend Distribution of Listed Companies", the "Regulatory Guidelines for Listed Companies No. 3 — Cash Dividends of Listed Companies" issued by the CSRC as well as the provisions of other relevant documents such as the Articles of Association, the Company formulated a "Profit Distribution and Return Plan for the Next Three Years (Year 2015–2017)" based on the funding requirements and the operation plans of the Company for the next three years. The plan was considered and approved in the third meeting of the seventh session of the Board of the Company and is subject to the approval of the EGM of the Company. Please refer to appendix II enclosed in the circular for further details.

LETTER FROM THE BOARD

9. Resolution in relation to the conditions for the non-public issuance of shares fulfilled by the Company

Pursuant to the relevant requirements of laws and regulations as well as the regulatory documents such as the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Measures for the Administration of the Issue of Securities by Listed Companies and the Implementation Rules for the Non-public Issue of Shares by Listed Companies, after comparing the requirements on non-public issuance of shares by listed companies and conducting serious self-investigation and examination by the Company, the Board concluded that the Company satisfies the conditions for non-public issuance of shares.

10. Resolution in relation to the Report on the Use of Proceeds from the Previous Fund Raising of Chongqing Iron & Steel Company Limited as of 30 June 2015

According to the Regulation on the Report on the Use of Proceeds from Previous Fund Raising of the CSRC, and according to the regulation under the Shanghai Stock Exchange's Measures for the Administration of Fund Raising by Listed Companies of the Shanghai Stock Exchange, the Company has prepared the Report on the Use of Proceeds from the Previous Fund Raising of Chongqing Iron & Steel Company Limited as of 30 June 2015 based on the deposit and actual usage of the proceeds of previous fund raising as of 30 June 2015. KPMG Huazhen (Special General Partnership) has examined the deposit and the actual usage of the proceeds of previous fund raising and has issued the Verification Report on the Use of Proceeds of Previous Fund Raising of Chongqing Iron & Steel Company Limited as of 30 June 2015 (KPMG Huazhen Zhuan Zi No. 1500623).

Upon permit No. [2013]1412 approved by the CSRC, the Company made a non-public issuance of 706,713,780 RMB denominated ordinary shares (A Shares) of RMB1.00 each to 5 specific target investors on 17 December 2013. The issue price was RMB2.83 per share. The total amount of proceeds raised was RMB1,999,999,997.40. After deducting the issuance cost, the total amount actually raised was RMB1,949,999,997.46. The proceeds raised are intended to supplement working capital of the Company. The aforementioned proceeds raised were deposited into the designated account approved by the Board on 17 December 2013. The Capital Verification Report (Rui Hua Yan Zi [2013] No. 90650002) was issued by Ruihua Certified Public Accountants (Special General Partnership) on 18 December 2013.

As of 30 June 2015, the Company has used RMB1,950,162,232.06 of the proceeds raised (including interests) in total, and has received deposit interests of RMB203,367.98.

For the full text of the Report on the Use of Proceeds from the Previous Fund Raising of Chongqing Iron & Steel Company Limited as of 30 June 2015, please refer to the overseas regulatory announcement dated 9 September 2015 published by the Company on the website of the Stock Exchange.

LETTER FROM THE BOARD

III. EGM

A notice of the EGM to be held at 2:30 p.m. on 3 November 2015, Tuesday at No. 2 Conference Room, 3/F., the Management Building, No. 1 of Gangcheng Avenue, Economic & Technological Development Zone, Changshou District, Chongqing, the PRC, at which relevant resolutions will be proposed to approve the Non-Public Issuance is set out on page 51 to 54 of this circular.

To the best knowledge and belief of the Company, no Shareholder shall be required to abstain from voting at the EGM.

The proxy form for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited at Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so desire.

IV. 2015 FIRST CLASS MEETING OF H SHAREHOLDERS

A notice of the 2015 First Class Meeting of H Shareholders to be held at 2:30 p.m. (or immediately after the conclusion or adjournment of the 2015 First Class Meeting of A Shareholders) on 3 November 2015, Tuesday at No. 2 Conference Room, 3/F., the Management Building, No. 1 of Gangcheng Avenue, Economic & Technological Development Zone, Changshou District, Chongqing, the PRC, at which relevant resolutions will be proposed to approve the Non-Public Issuance, is set out on pages 55 to 58 of this circular.

To the best knowledge and belief of the Company, no Shareholder shall be required to abstain from voting at the 2015 First Class Meeting of H Shareholders.

The proxy form for use at the 2015 First Class Meeting of H Shareholders is enclosed with this circular. Whether or not you are able to attend the 2015 First Class Meeting of H Shareholders, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited at Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the 2015 First Class Meeting of H Shareholders or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the 2015 First Class Meeting of H Shareholders or any adjourned meeting should you so desire.

LETTER FROM THE BOARD

V. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

VI. RECOMMENDATION

The Directors consider that the proposed Non-public Issuance of A Shares mentioned above is in the best interests of the Company and its Shareholders as a whole, and recommend that all Shareholders, A Shareholders and H Shareholders should vote in favour of the relevant resolutions to be proposed at the EGM, the 2015 First Class Meeting of A Shareholders and the 2015 First Class Meeting of H Shareholders.

VII. ADDITIONAL INFORMATION

Additional information is also set out in the appendices of this circular for your information.

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

**Chongqing Iron & Steel Company Limited
Feasibility Analysis Report on Use of Proceeds Raised in
Non-Public Issuance of A Shares**

For purposes of enhancing the Company’s market competitiveness and risk resistance capacity, upgrading the business and product mix, exploring the room for future development and improving profitability, Chongqing Iron & Steel Company Limited (hereinafter referred to as “Chongqing Iron & Steel” or the “Company”) intends to implement the Non-Public Issuance of A Shares to no more than ten specific target investors, with the number of shares to be issued under the non-public issuance not exceeding 1,285,388,601 ordinary shares denominated in RMB (hereinafter referred to as the “Non-Public Issuance”). The analysis on the feasibility regarding the use of proceeds raised under the Non-Public Issuance is as follows:

I. PLAN OF USE OF PROCEEDS RAISED

The aggregate proceeds under the Non-Public Issuance will not exceed 4,961,600,000 Yuan (inclusive). Such net proceeds to be raised after deducting the issuance expense will be used to invest in the following projects:

Unit: '0000 Yuan

Serial No.	Project Name	Expected total investment amount	Amount of proceeds to be applied
1	CISC -POSCO cold-rolled sheet project	389,314.00	140,153.04
2	CISC -POSCO galvanized sheet project	234,215.00	45,906.14
3	Repayment of bank loans	312,848.56	310,100.82
	Total	936,377.56	496,160.00

In the event that the actual proceeds raised under the Non-Public Issuance after deducting the issuance expense are less than the total amount of proceeds to be applied in the foregoing projects, the Company shall, based on the actual proceeds raised, adjust and finally decide on the priority of injection of proceeds raised and specific investment amount for each project in accordance with criteria such as the importance and urgency of the projects. Should there be insufficient funds, the Company shall settle such shortfall through self-financing. Before such proceeds raised under the Non-Public Issuance are in place, the Company shall firstly inject such funds raised through self-financing pursuant to the actual situation of the project progress. After the proceeds raised are in place, such funds used will be replaced by the proceeds so raised in accordance with the procedures as required by the relevant regulations.

II. BASIC SITUATION OF THE INVESTED PROJECT USING THE PROCEEDS RAISED

(I) CISC -POSCO COLD-ROLLED SHEET PROJECT

1. Basic situation of the project

On 6 August 2015, Chongqing Iron & Steel and POSCO Korea entered into the Cooperative Agreement Regarding the Joint-venture Projects in Respect of Cold-rolled Sheet and Galvanized Sheet By and Between Chongqing Iron & Steel Company Limited and POSCO (《重慶鋼鐵股份有限公司和POSCO冷軋、鍍鋅合資項目合作協議書》), whereby both parties agreed to jointly invest for establishing Chongqing POSCO Cold Rolling Steel Co., Ltd. (重慶浦項冷軋板材有限公司) and Chongqing Iron & Steel shall contribute an aggregate of 1,401,530,400 Yuan, with the shareholding ratio of 90% while POSCO Korea shall contribute an aggregate of 155,725,600 Yuan, with the shareholding ratio of 10%. Chongqing Iron & Steel shall contribute an aggregate of 1,401,530,400 Yuan from the proceeds raised under the Non-Public Issuance into the share capital of Chongqing POSCO Cold Rolling Steel

Co., Ltd. (重慶浦項冷軋板材有限公司). Basic situation of the CISC -POSCO cold-rolled sheet project is as follows:

Item	Content of item
Construction and operating subject	Chongqing POSCO Cold Rolling Steel Co., Ltd. (重慶浦項冷軋板材有限公司)
Address of construction	Changshou New District of Chongqing Iron & Steel (重慶鋼鐵長壽新區)
Major products	Cold rolled sheet, cold hard rolled coils and hot rolled and pickled sheet
Project construction period	Project phase I: two years; project phase II: two years
Investment amount	3,893,140,000 Yuan
Investment recovery period (inclusive of the construction period)	10.26 years
Internal rate of return	11.46%

2. Profiles of the cooperative parties to the project

POSCO, Korea corporation was established on 1 April 1968. Its legal representative is Kwon Ohjoon (權五俊). Its registered capital is 482,403,125,000 Korean Won. Its residential address is No. 6261, Donghaean-ro (Goedong-dong), Nam-gu, Pohang-si, Gyeongsangbuk-do, Korea (South) (韓國廣尚北道浦項市南區東海岸路6261號). Its registered number is 000080. It mainly engages in iron making, steel making, manufacturing and sale of rolled steel, loading and unloading at port, transportation business, warehousing business, city gas projects, power generating projects and resources exploitation projects, leasing in the real estate industry, circulation industry, regional heating project, domestic and international shipping, processing and sales of minerals, education services and other related services, manufacturing, processing and sales of non-ferrous metals, ancillary projects directly or indirectly related to the foregoing projects and other businesses.

POSCO, Korea corporation is a company of Global 500 and has been recognized as a steel and iron company with the most competitiveness for consecutive years. Its production output of steel ranked the fifth globally. It is also one of the largest automotive steel manufacturers. In 2014, it produced 8.17 million tonnes of automotive steel, accounting for 10% of the global automotive steel used.

3. *Feasibility of the project*

- (1) A more favourable environment for the market of high-grade cold-rolled sheet for automobiles and home appliances and of hot rolled and pickled sheet

- ① The market of high-grade cold-rolled sheet for automobiles and home appliances

Cold rolled sheet and strip (冷軋板帶) is the major materials for the manufacturing of automobile panel (轎車覆蓋件) and the reinforcing plate (加強板), fenders (防護板), connecting plates and beams (連接板以及梁) and others of the inner part of the automobiles. Cold rolled sheet and strip accounts for 66%–81% of the sheet and strip for automobiles. Automobile leaf-spring must meet the requirements regarding automotive safety, energy conservation and low emission, attractive appearance, anti-corrosion and others. For purposes of reducing the weight of automobiles, decreasing the oil consumption, reducing emission and enhancing the safety, it has become an inevitable trend for the automobile leaf-spring to undergo high-intensity development and all major automotive companies in the world have been gradually increasing the quantity of high-intensity steel (高強鋼). The ratio of advanced high-intensity steel (先進高強鋼) in automobiles increased from 7% in 2009 to 30% in 2015. In accordance with the estimate on the future steel automotive projects made by International Iron and Steel Institute, by 2020, high-intensity steel with tensile strength of 980MPa or more will account for more than 50% of the materials used for the overall automotive body. In 2015, cold rolled sheet for domestic automobiles amounted to 16,250,000 tonnes. Pursuant to the conversion coefficient, if the ratio of high-intensity steel rises to 40–50%, the ratios of advanced high-intensity steel and ultra-high strength steel (超高強鋼) rises to 30–35%, the market demand for high-intensity steel regarding cold rolled sheet will be 6.50–8.12 million tonnes and the market demand for advanced high-intensity steel and ultra-high strength steel regarding cold rolled sheet will be 4.87–5.70 million tonnes. Following the rise in the ratio of high-intensity steel for automobiles, there is more prominent gap between the market supply and demand of the cold rolled high-intensity steel (冷軋高強鋼) for domestic automobiles. Domestic steel and iron enterprises should speed up the research and development and production of high-intensity steel for automobiles and accelerate the progress of the localization of high-intensity steel sheet for domestic automobiles.

Cold rolled sheet (冷軋板) is mostly used in the production of computer casing, refrigerator panel, plates, washing machine casing, exterior air conditioner casing, internal structural parts, water heater, oven, microwave casing, explosion-proof strip for CRT (顯像管用防爆帶), shadow mask strip (陰罩鋼帶), micro-motor shell (微電機殼體), and the inner parts for office equipment including facsimile machine, printer and copier, and casing of video and audio equipment. Following the technological development of internet, intelligence control, ultra-red ray sensing, global positioning system (GPS), Automatic Radio Frequency Identification (射頻自動識別), automatic scanning and others, more and more home appliances like smart-TV, smart-refrigerator, smart-washing machines labeled with “smart” can be found on the market. The scale of the global market for smart home appliances may expand to USD15 billion in 2015. There has been a trend of development of intelligentization, cloud convergence and human-computer interaction in the home appliances industry. Televisions, refrigerators, air conditioners, washing machines and other products which have longer period of upgrading and replacement are now facing a crucial technical turning point regarding the brand new replacement, thus creating vast and additional room for future development regarding the home appliances industry. Being the major raw material for manufacturing home appliances, the demand for cold rolled sheet will be increased correspondingly.

The development of automobiles and home appliances industry is driving the continuous growth of the consumption of domestic cold rolled sheet. Yet, the capacity in supplying high-intensity steel is still insufficient. The demand for steel used for medium-to-high-end automobiles and home appliances has not yet been satisfied completely. In accordance with the data of TNC (鐵諾諮詢), the imported cold rolled sheet in China for 2014 amounted to 6.53 million tonnes, mainly used to fill the gap of the demand for steel used for medium-to-high-end automobiles and home appliances. At present, the conversion ratio of the domestic cold rolled sheet is basically maintained at 30%–40% which still differs to a very large extent from that of the developed countries. As a result, the market for domestic medium-to-high-end cold rolled still has great potential for development in the future.

- ② The acceptance of the market for hot rolled and pickled sheet will gradually be enhanced and the future demand for consumption will rapidly increase

Hot rolled and pickled sheet (熱軋酸洗板) is the intermediate good between hot rolled sheet and cold rolled sheet, with rather high price-performance ratio. It has the characteristics such as better surface quality, good function of ram pressure, being easily transformed (in terms of shape), small rebound and rather high intensity. It is an ideal alternate for some cold rolled sheet, mainly used in the industry of automobiles, compressor, machinery production, processing of spare parts, fans, motorcycles and hardware accessories. The consumption of hot rolled and pickled sheet will increase following the growth of the consumption of cold rolled sheet. Globally speaking, the production output of hot rolled and pickled sheet generally accounts for 3%–4% of the total output of steel. At present, the actual production output of hot rolled and pickled sheet in form of various domestic commodities accounts for less than 1% of the total output of steel. With respect to the consumption of the domestic hot rolled and pickled sheet at present, there is greater development potential for high-intensity steel with thickness of 1.5–2.5mm used in automotive stiffener, autobumper, bracing piece piston and other parts, high-intensity steel with thickness of greater than 6mm used in automobiles, and high-intensity steel sheet with tensile strength of 590MPa used for automobiles.

In 2015, the demand for domestic hot rolled and pickled sheet amounted to approximately 6.70 million tonnes. Following the advancement made in the domestic technological process, the quality of hot rolled and pickled sheet will further be enhanced and the acceptance of down-stream steel customers towards hot rolled and pickled sheet will gradually be enhanced, along with increase in demand. It is expected that by 2020, the consumption of the domestic hot rolled and pickled sheet will reach 12 million tonnes.

- (2) The economy of the southwestern region is rapidly growing and the demand for the consumption of steel is vigorous

For recent years, the growth of the economic development of the southwestern region including Sichuan, Guizhou, Yunnan, Xizang and Chongqing has achieved a high ranking within the national scope. As for Chongqing area, the rapid growth of GDP is witnessed as a result of the development of automobiles and electronic home appliances and other industries and the GDP for Chongqing in 2014 reached 1,426.540 billion, with a year-on-year growth of 10.9% and 3.5 percent higher than the national one. As for the first half of 2015, the GDP growth of 11% is ranking the first in China. The rapid economic growth has been driving the increase in the demand for steel consumption in the southwestern region. It is expected by 2020, the demand for the cold rolled sheet consumption will be 6.62 million tonnes and the demand for the hot rolled and pickled sheet consumption will be 0.64 million tonnes.

- ① Demand for consumption of the cold rolled sheet for automobiles

Major automotive manufacturing enterprises including Changan Suzuki (長安鈴木), Changan Ford (長安福特), Sichuan Faw (四川一汽) and Sichuan Hyundai (四川現代) are located in the southwestern region. Chongqing area is an important base for automotive manufacturing in China. Many automotive manufacturers that are well-known at home and abroad and thousands of enterprises of auxiliary accessories for automobiles are located in Chongqing area. At present, Chongqing is establishing automotive industry as its core and key business. The scale of the output value for the core industrial base of Liangjiang New Area (兩江新區) is 270 billion Yuan and the scale of the output value for the base of automotive industry (for commercial use) regarding Yuxi (渝西), Jiulongpo (九龍坡) and Shapingba (沙坪壩) is 150 billion Yuan. In accordance with the speed of development of automotive industry in China and development plan for automotive industry in Chongqing area, by 2020, the output of automobile in the southwestern region will increase from 3.21 million vehicles at present to 4.39 million vehicles, among which an increase from 2.50 million vehicles to 3.48 million vehicles in Chongqing area will be expected. Being driven by the leapfrog development in automotive industry, it is expected by 2020, the steel consumption for automobiles in the southwestern region will reach 4.72 million tonnes, among which, the demand for the cold rolled sheet for automobiles will be 1.4093 million tonnes.

② Demand for consumption of the cold rolled sheet for home appliances

For the southwestern region, home appliances including computers, colour television sets, air conditioners, refrigerators and others are mainly manufactured. In 2015, the output of home appliances in the southwestern region and Chongqing respectively will reach 127,580,000 sets and 61,920,000 sets. In 2020, such will respectively reach 139,890,000 sets and 69,140,000 sets. In addition, the electronic information industry cluster is formed by five branded enterprises namely HP, Acer, ASUS, Toshiba and CISCO, and six Original Equipment Manufacturers (OEMs) namely Foxconn, QUANTA, INVENTEC, Pegatron, Compal and TOEIC, and 860 enterprises of spare parts. It is expected by 2020, the demand for the cold rolled sheet for home appliances industry in the southwestern region will reach 0.3050 million tonnes.

③ Demand for consumption of the hot rolled and pickled sheet

The market for consumption of the hot rolled and pickled sheet in the southwestern region is mainly in Chongqing. Since there is no production line for the hot rolled and pickled sheet in Chongqing and its surrounding area, the consumption of the hot rolled and pickled sheet is low. The potential for the hot rolled and pickled sheet to become an alternative for ordinary cold rolled sheet is very high. In 2012, the consumption of the hot rolled and pickled sheet in the southwestern region was approximately 130,000 tonnes while it will reach 210,000 tonnes in 2015. It is expected in 2020, the demand thereof will increase to 640,000 tonnes.

(3) Project technology, equipment selection and other aspects have reached advanced international standard

The production process, technical equipment and other aspects of the project have reached advanced international standard. It is expected that good economic returns, social benefits and environmental benefits will be achieved.

Pickling — mill joint technology (酸洗 — 軋機聯合技術) is one of the most advanced cold rolled technologies in the world at present. It is characterized with such advantages including simple procedures, short cycle of production, few operating staff, saving investment (節約投資), reduction in occupied area, product of good quality and high yield.

The major equipment that the project is using includes one pickling-cold rolling combined train (酸洗 — 軋機聯合機組), one continuous annealing line (連續退火機組), one recoiling line (重卷機組), one semi-automatic packaging machines (半自動包裝機組) one hot rolled steel pickling line (熱軋酸洗機組) and one set of hot-rolled steel coil conveyor (熱軋鋼卷運輸鏈).

The project is targeting at the cold-rolled sheet for high-end automobiles and home appliances. Taking into account of the types of rolled products being soft steel and high-intensity steel, which is difficult to produce rolled products and the demand for quality products is high, one imported five multi-stage full-six rolls pickling-cold rolling combined train (五機架全六輓酸洗 — 軋機聯合機組) with great rolling capacity and great power can be used to eliminate and remove the oxidized scale found at the surface of hot rolled soft steel (熱軋軟鋼) and high-intensity steel and to roll such steel with the thickness required for the finished products. Moreover, rolling mill (軋機) is equipped with hydraulic press (液壓壓下), roll bending system (彎輓系統), dampening vibrating system (串輓系統), five multi-stage cooling rack work rolls (五機架工作輓多段冷卻), plate shape gauge (板形儀), tension measuring (測張), pressure measuring (測壓), aser-doppler-velocimeter (鐳射測速), x-ray thickness gauge (X射線測厚) and other hardware equipment. Such rolling mill can implement feed forward/fall back of rolled strip (軋製帶鋼), automatic control of discharge per second (秒流量自動控制), plate-shaped loop control (板形閉環控制), automatic control of variant specification (自動變規格控制) and possesses stronger capability of controlling thickness of rolled products and plate shaping. It can fully satisfy the requirements regarding the sheet for high-end automobiles and home appliances.

By the modernized continuous annealing line (現代化連續退火機組), the procedures including defitting, annealing, leveling and finishing shall be concentrated on one operating line for continuous production. When compared to the traditional cover annealing procedure (罩式退火工序), it is characterized by such advantages including short cycle of production, small occupied area, product of good quality and high yield, convenient for production and management and less labour force. With respect to the product quality, the products are flat and straight, of smooth surface and even performance. When Continuous Annealing Line (連續退火機組) is adopted for manufacturing products with deep drawing and high-intensity steel, its excellence will become more prominent.

(4) Self supply of raw materials

Hot rolled steel billet (熱軋卷) is the raw material for the processed cold rolled sheet. Its width, shape of plate and the content of alloy will directly produce impact on the quality of the cold rolled sheet. The Company owns a production line of 1,780-mm semi-continuous hot rolled strip for hot rolled steel billet with an annual production capacity of 3.06 million tonnes, satisfying the quality demand for the raw materials of steel used for manufacturing of cold rolled steel used in automobiles and home appliances industry, upon the completed construction of the project.

(5) Significant advantages of the project area

Chongqing is an important base for manufacturing of automobiles and home appliances in the southwestern region. The location of the site construction regarding the project is Changshou district, Chongqing, just 380km away from Chengdu, another base for the manufacturing of automobiles and home appliances in the southwestern region. The transportation and access within the district is convenient for rapid delivery of products to such steel and iron enterprises which need such products. Compared to other competitors out of the district, the advantages in terms of the geographical location and transportation cost are significant.

Good regional advantages enables the Company's early vender involvement of the end-users. To cooperate with automotive manufacturing enterprises, the Company can participate in the supply of core parts during the preliminary stage of new product development. In so doing, it is beneficial to enhance the product quality and reduce the cost, facilitating the long-term business operation with major customers.

4. *Necessity of the project*

- (1) Capability to adjust and upgrade the product mix and to improve the corporate profitability

From 2012 to 2014, the operating income of the Company was respectively 18,458,776,000 Yuan, 17,563,446,000 Yuan, and 12,245,057,000 Yuan. The year-on-year ratios for 2013 and 2014 were decreased by 4.85% and 30.28% respectively. The external reasons of the continuous decline of the Company's operating income were that the economic growth of China has slowed down, excess capacity of domestic steel enterprises resulted in serious deterioration of the steel market and the price of steel kept dropping, and the entire steel and iron industry entered into the periodic troughs. The internal reasons are that the Company is currently engaging in the manufacturing and sale business of medium plate (中厚板) and hot rolled sheet (熱軋卷板) with single product mix, and the sale of its major boat deck-related products significantly decreased due to the continuous downturn of the downstream shipbuilding industry, which in turn produces great impact on the Company's operating performance.

For the purpose of coping with the turbulent operations, the Company has formulated the development strategy of “taking the basis of reducing cost for survival and focusing on development by producing quality products” (“降低成本求生存為基礎，以做精產品謀發展”). That is, on the basis of maintaining the competitiveness of the market for traditionally advantageous products and pursuant to the actual need of the industry and the regional market, adjustment and upgrading of product mix is being actively facilitated. The project will match with the Company’s 1780 hot rolled sheet plant, under which advanced cold rolled sheet and hot rolled and pickled sheet will be manufactured, mainly serving the market of automobiles and home appliances in Chongqing Municipality and the southwestern region. Such will implement optimized product mix and deeply process hot rolled products. With the aim to substantially enhance the additional value of products and economic returns, it will enable the Company to take technological transformation and technological innovation for business development.

(2) Synergic cluster effect with automotive industry in Chongqing

Chongqing area is an important base for automotive manufacturing in China. Yet, there is no enterprise with ancillary production of steel sheet for automobiles. As a result, a large quantity of steel sheet for automobiles and in particular, advanced steel sheet for automobiles still rely on the supply of steel enterprises out of the area or even the import of steel from overseas countries. The construction of the project will make up the shortfall of such industrial sector in Chongqing Municipality and solve the problem of the lack of ancillary operation of advantageous industries in the locality. Such can be important to the establishment of integrated ancillary operations for automobile in Chongqing. By the project, the advanced manufacturing technology of POSCO, Korea corporation will be introduced and such cold rolled sheet and pickling sheet for automobiles reaching the highest quality standard domestically at present will be manufactured. Meanwhile, the Company’s upstream and downstream ancillary industrial value chains are being connected, forming the synergic cluster effect with automotive industry in Chongqing and enhancing the confidence of automobile ancillary enterprises to invest in Chongqing Municipality.

- (3) Beneficial to enhancing the level of the Company's technology and management

Being a joint venture of steel and iron with the most competitiveness in the world, POSCO, Korea corporation and the Company cooperate in establishing the project and shall simultaneously assist the Company to implement the transformation of the existing steel-making and rolled steel production line(s), in order to help the Company enhance the level of production technology and management, improve the product mix and enhance the economic returns.

- (4) Synergic effect on the Company's existing business development

The hot rolled steel, the raw materials of the project, shall be supplied by the Company's production line of 1,780-mm semi-continuous hot rolled strip for hot rolled steel billet. Since there is better room for the market of the project, the demand for the hot rolled steel will increase upon the full release of the production capacity of the project. This is beneficial to the fact that the Company can enhance the utilization rate of the existing production capacity of the production line of hot rolled steel, driving the existing business development of the Company.

- (5) To provide raw materials for the CISC-POSCO galvanized sheet project

CISC-POSCO galvanized sheet project (“重鋼-POSCO鍍鋅板材項目”), another fund-raising project under the Non-Public Issuance shall construct a production line of galvanized sheet with the annual production capacity of 900,000 tonnes. The raw materials required for manufacturing of the galvanized sheet of that project is such cold hard roll processed by the production line of cold rolled sheet of this project. As a result, the implementation of this project is the basis for implementing the CISC-POSCO galvanized sheet project.

5. *Evaluation of the economic returns of the project*

Upon completion of the construction of the project, the annual production capacity of the cold rolled sheet, cold hard rolled coils and hot rolled and pickled sheet will respectively reach 900,000 tonnes/year, 940,000 tonnes/year and 600,000 tonnes/year. The total investment for the Project amounted to 3,893,140,000 Yuan, among which, construction investment was 3,537,050,000 Yuan; the initial working capital was 229,950,000 Yuan; the project construction plan will use 1,401,530,400 Yuan from the proceeds raised; POSCO, Korea corporation will contribute 155,725,600 Yuan while the remaining funds would be solved through loans; the project's construction will be divided into two phases and the construction term for phase I and phase II is 2 years each. Both the full production capacity period is 3 years. For the first year, the production capacity will reach 70% and for the second year and the third year, the production capacity will reach 85% and 100% respectively. Upon completion of the construction of phase I and after 3 years upon production commencement, the construction of phase II will commence. The investment recovery term (inclusive of the construction period) is 10.26 years. The internal rate of return is 11.46%.

6. *Matters regarding case filing, land and environmental protection of the project for submission for approval and the progress*

The project has obtained the Filing Certificate Regarding Enterprise Investment Project of Chongqing Municipality (Number is 2015-500115-31-03-000142)(《重慶市企業投資項目備案證》(編號為2015-500115-31-03-000142)) issued by the Development and Reform Commission of Changshou District of Chongqing Municipality.

The “Opinions on Filing of CISC-POSCO Cold-Rolled Sheet Project” (Yu Fa Gai Gong [2015] No. 1274)(《關於重鋼-POSCO冷軋板材專案備案的意見》(渝發改工[2015]1274號)) has been issued by the Development and Reform Commission of Chongqing Municipality, for supporting the filing of the project made by the Development and Reform Commission of Changshou District.

The environmental evaluation and the land required regarding the project are being processed.

(II) CISC-POSCO GALVANIZED SHEET PROJECT

1. *Basic situation of the project*

On 6 August 2015, Chongqing Iron & Steel and POSCO, Korea corporation entered into the Cooperative Agreement Regarding the Joint-venture Projects in Respect of Cold-rolled Sheet and Galvanized Sheet By and Between Chongqing Iron & Steel Company Limited and POSCO Korea (《重慶鋼鐵股份有限公司和POSCO冷軋、鍍鋅合資項目合作協議書》), whereby both parties agreed to jointly invest for establishing Chongqing POSCO Chonggang Automotive Steel Co., Ltd. (重慶浦項重鋼汽車板有限公司) and Chongqing Iron & Steel shall contribute an aggregate of 459,061,400 Yuan, with the shareholding ratio of 49% while POSCO, Korea corporation shall contribute an aggregate of 477,798,600 Yuan, with the shareholding ratio of 51%. Chongqing Iron & Steel shall contribute an aggregate of 459,061,400 Yuan from the proceeds raised under the Non-Public Issuance to be the share capital of Chongqing POSCO Chonggang Automotive Steel Co., Ltd. (重慶浦項重鋼汽車板有限公司). Basic situation of the CISC-POSCO galvanized sheet project is as follows:

Item	Content of item
Construction and operating subject	Chongqing POSCO Chonggang Automotive Steel Co., Ltd. (重慶浦項重鋼汽車板有限公司)
Address of construction	Changshou New District of Chongqing Iron & Steel (重慶鋼鐵長壽新區)
Major products	Galvanized sheet
Project construction period	Project phase I: two years; project phase II: two years
Investment amount	2,342,150,000 Yuan
Investment recovery period (inclusive of the construction period)	11.46 years
Internal rate of return	11.66%

2. *Profiles of the cooperative parties to the project*

POSCO, Korea corporation is a cooperative party to the project. As for the specific details of that company, please refer to “2. Profiles of the cooperative parties to the project” of “(I) CISC-POSCO COLD-ROLLED SHEET PROJECT” under “II. BASIC SITUATION OF THE INVESTED PROJECT USING THE PROCEEDS RAISED” in this feasibility analysis report.

3. *Feasibility of the project*

- (1) Overall galvanized sheet in China is in excess capacity while the supply of advanced galvanized sheet for automobiles and home appliances is insufficient

Galvanized sheet refers to thin steel sheet whose surface is coated with a layer of zinc metal for purposes of preventing such surface from any corrosion and extending its life of use. Galvanized sheet is mainly used in the industry of construction, home appliances, and automotive and light industry, among which, the consumption of galvanized sheet by construction industry is the largest. Galvanized sheet used by automobiles requires the most technology. Following the economic development, the domestic demand for galvanized sheet has been continuously increasing and the apparent consumption increased from 3.77 million tonnes in 2000 to 38.87 million tonnes in 2014. At present, the existing issues regarding the domestic production of galvanized sheet include: ① the overall production capacity of galvanized sheet is in excess following the completed construction and commenced operation of such high-level galvanizing unit of Baosteel (寶鋼), Angang Steel (鞍鋼), Wuhan Steel (武鋼) and others and the vigorous and rapid growth of private production lines of galvanized sheet; ② the scale of the production capacity of the production lines of galvanized sheet constructed by private enterprises account for more than 60% of the total production capacity of China but the designed production capacity of such units is generally lower than 150,000 tonnes/year and most of such units do not possess the ancillary capacity for cold rolling or hot rolling. Raw materials are required to be purchased externally while quality and function thereof cannot be guaranteed; ③ a common problem regarding domestic galvanized sheet lies in quality concern, including the lack of accuracy in thickness, poor deep drawability (深冲性能) and mechanical properties, poor uniformity in thickness of galvanized layer, lack of galvanizing spangle homogeneity for small galvanizing spangle products and others. Such could produce serious impact on the surface quality of products and the grade of price; ④ products of high grade such as galvanized sheet of ultra deep drawability and high-intensity, galvanized sheet without galvanizing spangle and other types fail to satisfy the market need.

The foregoing issue has caused the acute imbalance in the domestic galvanized sheet industry: On one hand, the overall production capacity of galvanized sheet is in excess. On another hand, the quality of domestically made galvanized sheet industry is rather poor, with less high-end variety. Such galvanized sheet is mainly used as low-end sheet for construction while the demand for high-end galvanized sheet by automobiles and home appliances industry cannot be satisfied, and a lot of import is required. In accordance with the Metallurgical Economic Internal Reference (冶金經濟內參統計), the domestic galvanized coated layer (sheet) strip for 2014 amounted to 3.424 million tonnes, with a year-on-year growth of 24.3%. Most of the foregoing was used to make up the gap of demand for automobiles and home appliances.

From the perspective of market competition, such private enterprises' production lines of small production capacity and low-end galvanized sheet shall be eliminated in the vigorous market competition. Moreover, the production capacity of high-end galvanized sheet used in automobiles and home appliances needs to be strengthened. In 2013, the apparent consumption of domestic galvanized sheet accounts for 3.46% of the total consumption of steel in China, showing a big difference when compared to the average of the world being 8%. Pursuant to the total consumption of steel and the change in the consumption structure of galvanized sheet and by combining with the actual situation of the rapid development of industrialization and urbanization construction in China, there is quite large room for the growth of market demand regarding domestic galvanized sheet.

- (2) The allocation of production capacity regarding domestic galvanized sheet is not reasonable and the demand for the consumption of high-grade galvanized sheet in the southwestern region cannot be sufficiently supplied within the region

For recent years, although more than a hundred sets of hot galvanizing units have been constructed in China, most of such units are concentrated in southeastern region including Shanghai, Jiangsu, Zhejiang, Hebei, Shandong, Guangdong and others. Such units are not evenly distributed. The existing production capacity for galvanized sheet in the southwestern region is 2.27 million tonnes and the demand for galvanized sheet is approximately 1.89 million tonnes. If it is viewed from purely the figures, the production capacity within the region can satisfy the demand for galvanized sheet in the next few years. Yet, except for Pangang (攀鋼), other production lines of galvanized sheet are of lower grade. Within the region, such high-grade galvanized sheet used in automobiles and home appliances is supplied by enterprises located in places other than the southwestern region, including Baosteel, Wuhan Steel, Maanshan Iron and Steel (馬鋼) and Shougang (首鋼). The economic growth is faster in the southwestern region and in particular, Chongqing area. The growth of consumption of steel in Chongqing area is significantly higher than that of other areas. It is expected that by 2020, the demand for the consumption of galvanized sheet in the southwestern region will reach 2.55 million tonnes, among which, the demand for high-grade galvanized sheet used in passenger vehicles and home appliances will reach 0.5715 million tonnes and 0.167 million tonnes respectively.

- (3) Self-supply of raw materials

Most of the independent galvanized machines in China obtain the cold hard rolled coils, the raw materials for processing of galvanized sheet by purchase on the market and thus, the stability of the quality of such raw materials cannot be guaranteed. Besides, the cost of packaging and transportation is increased. The cold hard rolled coils required by the galvanized sheet for the project is mainly manufactured and supplied by CISC-POSCO cold-rolled sheet project, one of the projects under the fund raising. As a result, the foregoing issue regarding external purchase of raw materials can be avoided.

- (4) Project technology and equipment selected has reached advanced international standard

The production process, technical equipment and management of the project have reached advanced international standard. The project also adopts optimized processing, implements automatic operation of production process, informatization management, tracking and control of logistics between procedures and for the entire production process, product quality control and production cost control, and reaches the standard of high speed, high quality and high efficiency. It is expected that good economic returns, social benefits and environmental benefits will be achieved.

The major equipment of the project includes one continuous hot galvanizing unit (連續熱鍍鋅機組), one recoiling line (重卷機組) and one semi-packaging machine.

The project intends to introduce such continuous hot galvanizing unit that meets internationally advanced standard and is characterized by high production capacity, high quality of product, great variety, multiple functions and energy conservation. High-grade sheet for automobiles and sheet for home appliances can be produced.

The unit adopts multi-level strengthened cleaning technique so as to make the surface of the strip free of any remaining oil and remaining iron powder, and enhance the adhesion of high galvanized layer. Annealing furnace and equipment which has great capacity for re-heating, high-speed cooling, accurate control of temperature, quality control of furnace roller ring (爐輓輓形) is adopted for meeting the requirements of annealing for multiple variety and high quality. Galvannealing furnace (合金化爐) which employs re-heating with high power and high frequency, and dual coil sensing reheating are adopted. The meter for measuring the iron content in GA galvanized layer for online settings is installed to ensure the quality of GA products. Post-galvanizing cooling equipment with great capacity for cooling is used. Such cooling equipment includes large-diameter water cooling top roll (水冷式頂輓), horizontal and

vertical gas jet cooler (水準與垂直段噴氣冷卻), water quenching (水淬冷卻) and others so as to satisfy the requirements regarding multiple variety and high output. Roller coating type passivation equipment (輥塗式鈍化設備) and two sets of coating liquid supply system (二套塗層液供給系統) are used respectively for passivation and anti-fingerprint treatment regarding GA products and GI products. Wet mill (濕式光整機) and wet stretcher head (濕式張力矯直機) with great rolling pressure are used. On the mill, work roll device for prevention of the cohesion of zinc (防工作輥粘鋅裝置) is installed so as to meet the requirements regarding products of multiple variety and high quality.

(5) Significant advantages of the project area

As for the specific details, please refer to “2. Feasibility of the project” of “(I) CISC-POSCO COLD-ROLLED SHEET PROJECT” under “II. BASIC SITUATION OF THE INVESTED PROJECT USING THE PROCEEDS RAISED” in this feasibility analysis report.

4. *Necessity of the project*

(1) The Company implements upgrading of product mix and setting of major measures for the future strategic planning

Facing the complicated and ever-changing market environment and its own operating difficulty, the Company has formulated the future strategic planning which is based on reducing cost for survival and producing quality products. Galvanized sheet is widely applicable and of higher economic value. The products of the project mainly serve the markets of automobiles and home appliances in Chongqing Municipality and southwestern region, changing the present situation where the Company’s products put both ends (“兩頭在外”) (the supply of raw materials and the marketing of products) on the world market. Through the fund-raising project, advanced technology is introduced and the product series are more professional and of higher degree of technical nature and higher added economic value. The Company’s single product mix and the low additional value will thus be changed. Upgrading of product mix can be achieved. Since high-end products enter into the market and then enter into the supply market of steel used for automobile and home appliances, the Company will no longer rely too much on a single downstream industry. Industry will thus be upgraded. As a result, the project is of great significant to the Company for implementing its future strategic planning of development.

(2) Forming synergic cluster effect with automotive industry in Chongqing

The project can change the situation that Chongqing area is an important base for automotive manufacturing in China but does not have enterprises with ancillary production of galvanized sheet for automobile, and the situation that galvanized sheet required for the production by automotive manufacturing enterprises within the area relies on the supply of steel enterprises out of the area or even the import from overseas countries. Such can be important to the establishment of integrated ancillary operations for automobiles in Chongqing. Meanwhile, the Company's upstream and downstream ancillary industrial value chains are being connected, forming the synergic cluster effect with automotive industry in Chongqing and enhancing the confidence of automotive ancillary enterprises to invest in Chongqing Municipality.

(3) Enhancing the level of the Company's technology and management

As for the specific details, please refer to "4. Necessity of the project" of "(I) CISC-POSCO COLD-ROLLED SHEET PROJECT" under "II. BASIC SITUATION OF THE INVESTED PROJECT USING THE PROCEEDS RAISED" in this feasibility analysis report.

(4) To extend the Company's business chain with prominent synergic effect on existing business

Hot rolled steel billet (熱軋卷), the primary raw materials required by galvanized sheet of the project is to be produced by the Company's existing production line of 1780mm semi-continuous hot rolled strip (1780熱軋卷生產線). Cold hard rolled coils (冷硬卷), the intermediate, are formed upon processed by the production line of Chongqing POSCO Cold Rolling Steel Co., Ltd*. Then, galvanized sheet can be made after going through the procedures of annealing (退火), galvanizing (鍍鋅) and others. Viewing from the business processes, upon the implementation of the project, the Company's business chain will achieve the extension of: production of hot rolled steel billet (熱軋卷) → cold hard rolled coils (冷硬卷) → galvanized sheet (鍍鋅板). Since the room for the downstream market of galvanized products is more vast, this will drive further release of the Company's existing production line of 1780mm semi-continuous hot rolled strip (1780熱軋卷生產線) and the production line of Chongqing POSCO Cold Rolling Steel Co., Ltd*. Reviving effect is produced on the overall business development of the Company and the inter-business synergic effect is prominent.

* For identification purposes only

5. *Evaluation of the economic returns of the project*

Upon completion of the construction of the project, the annual production capacity of the galvanized sheet will respectively reach 900,000 tonnes/year. The total investment for the project will amount to 2,342,150,000 Yuan, among which, construction investment will be 2,154,510,000 Yuan; the initial working capital will be 111,750,000 Yuan; the project construction plan will use 459,061,400 Yuan from the proceeds raised; POSCO, Korea corporation will contribute 477,798,600 Yuan while the remaining funds would be solved through loans; the project's construction would be divided into two phases and the construction term for phase I and phase II is 2 years each. Both the full production capacity period is 3 years. For the first year, the production capacity will reach 70% and for the second year and the third year, the production capacity will reach 85% and 100% respectively. Upon completion of the construction of phase I and after 3 years upon production commencement, the construction of phase II will commence. The investment recovery term (inclusive of the construction period) is 11.46 years. The internal rate of return is 11.66%.

6. *Matters regarding case filing, land and environmental protection of the project for submission for approval and the progress*

The Project has obtained the Filing Certificate Regarding Enterprise Investment Project of Chongqing Municipality (Number is 2015-500115-31-03-000141)(《重慶市企業投資項目備案證》(編號為2015-500115-31-03-000141)) issued by the Development and Reform Commission of Changshou District of Chongqing Municipality.

The “Opinions on Filing of CISC-POSCO Galvanized Sheet Project” (Yu Fa Gai Gong ([2015] No. 1273)(《關於重鋼-POSCO冷軋板材項目備案的意見》(渝發改工[2015]1273號)) has been issued by the Development and Reform Commission of Chongqing Municipality, for supporting the filing of the project made by the Development and Reform Commission of Changshou District.

The environmental evaluation and the land required regarding the project are being processed.

(III) REPAYMENT TO BANK LOANS**1. *Basic situation of the project***

The Company intends to use 3,101,008,200 Yuan from the proceeds raised to repay the bank loans.

2. *Feasibility of the project*

It is assumed that 3,101,008,200 Yuan from the proceeds to be raised under the Non-Public Issuance will be used to repay bank loans. As calculated based on the financial data as at 30 June 2015, the gearing ratio of the Company upon completion of the Non-Public Issuance will decrease from 83.27% (prior to the Issuance) to 71.13%. Such decrease is beneficial to reducing the debt-repayment pressure and financial burden of the Company, laying a good foundation for the Company to promote the upgrading of products and business subsequently and the enhancement of the profitability.

At present, the Company has obtained the letter of consent from the banks, stating that early repayment of loan is allowed.

3. *Necessity of the project***(1) Reducing the gearing ratios and optimizing the capital structure**

As at the end of 2013, the end of 2014 and 30 June 2015, the gearing ratios of the Company were respectively 79.32%, 78.81% and 83.27%, under rather great debt-repayment pressure.

As of 30 June 2015, the gearing ratios of the steel and iron enterprises listed in China are as follows:

Serial Number	Security Code	Name of enterprise	Gearing Ratio (%)
1	600581.SH	Xinjiang Ba Yi Iron & Steel	96.16
2	000717.SZ	SGIS Songshan	88.69
3	600117.SH	Xining Special Steel	86.53
4	600399.SH	Fushun Special Steel	85.80
5	601005.SH	Chongqing Iron & Steel	83.27
6	000932.SZ	Hunan Valin Steel	80.77
7	600231.SH	Lingyuan Iron & Steel	80.53
8	600282.SH	Nanjing Iron & Steel	79.83
9	601003.SH	Liuzhou Iron and Steel	77.80
10	600569.SH	AnYang Iron & Steel	77.66
11	600507.SH	Fangda Special Steel	75.73
12	600022.SH	Shandong Iron	75.41
13	000709.SZ	Hebei Iron & Steel	73.46
14	600782.SH	Xinyu Iron and Steel	72.24
15	002110.SZ	Sansteel Minguang	71.03
16	600307.SH	Jiu Steel	68.13
17	000825.SZ	Taigang Stainless Steel	65.91
18	600010.SH	Baotou Steel	65.26
19	000761.SZ	Bengang Steel	65.21
20	600808.SH	Maanshan Iron and Steel	64.17
21	600005.SH	Wuhan Steel	62.92
22	000959.SZ	Shougang	61.40
23	600126.SH	Hangzhou Steel	47.65
24	600019.SH	Baosteel	46.78
25	000898.SZ	Angang	46.78
26	002075.SZ	Shagang	41.46
27	000708.SZ	Daye Special Steel	33.24
28	002756.SZ	Yongxing Special Stainless Steel	12.47

As shown from the foregoing table, the gearing ratio of the Company is rather high when compared to that of the other listed companies in the same industry. The Company is in urgent need of repaying bank loan, reducing gearing ratio and optimizing the asset-liability structure through equity financing. After the proceeds raised under the Non-Public Issuance amounting to 3,101,008,200 Yuan shall be used to repay the bank loan and as calculated based on the financial data as at 30 June 2015, the gearing ratio of the Company upon completion of the Non-Public Issuance will decrease from 83.27% (prior to the issuance) to 71.13% (after the issuance).

- (2) The balance of the Company's short-term borrowings is significant and the pressure on short-term repayment of debts is great

For recent years, the funds required for the business development of the Company are mainly obtained through bank loans. As of 30 June 2015, the Company's short-term borrowings amounted to 3.273 billion Yuan with its current ratio and quick ratio being 0.43 and 0.17 respectively. It is subject to rather great pressure on short-term repayment of debts.

- (3) Rather large amount of finance charges produce direct impact on the profitability of the Company

For the years 2013 and 2014 and the period from January to June 2015, the finance charges of the Company amounted to 841 million Yuan, 1,342 million Yuan and 627 million Yuan respectively. For the same periods, the total profits of the Company amounted to -2.496 billion Yuan, 55 million Yuan and -2.228 billion Yuan. The Company's finance charges have very great impact on the Company's profitability. Assuming that the proceeds raised under the Non-Public Issuance amounting to 3,101,008,200 Yuan will be used to repay the bank loan and as estimated and calculated based on the benchmark interest rate for one-year Renminbi loan of 4.85%, the Company may reduce the interest expense by 150,398,900 Yuan. This can produce positive effect on the improvement of the Company's profitability.

Chongqing Iron & Steel Company Limited
The Board of Directors

9 September 2015

The feasibility analysis report on the use of proceeds from the fund raising under the non-public issuance of shares (A shares) of Chongqing Iron & Steel Company Limited is prepared in Chinese. Should there be any inconsistency between the Chinese and the English version, the Chinese version shall prevail.

"Yuan" means Renminbi, the lawful currency of the People's Republic of China in this appendix.

APPENDIX II THE FORMULATION OF THE DIVIDEND DISTRIBUTION PLAN FOR THE SHAREHOLDERS FOR THE NEXT THREE YEARS (2015 – 2017)

In order to further improve the profit distribution policy of Chongqing Iron & Steel Company Limited (the “Company”) and make it perfect, to establish the scientific, continuous and stable dividend distribution policy and supervisory mechanism, to effectively protect the legal rights and interests of investors, to realize shareholder value, to actively make returns to investors, to give guidance to investors for establishing the concept of long-term and rational investment, pursuant to the requirements of the Company Law of the People’s Republic of China (hereinafter referred to as the “Company Law”), the “Notice Regarding Further Implementation of Cash Dividends Distribution of Listed Companies”, “Regulatory Guidelines for Listed Companies No. 3 – Cash Dividends Distribution of Listed Companies” and other laws and regulations issued by the CSRC, and the relevant provisions of the Articles of Association, the Company has formulated the Dividend Distribution Plan for the Shareholders for the Next Three Years (2015 – 2017) (hereinafter referred to as the “Plan”), the specific details of which are stated as follows:

I. MAIN FACTORS CONSIDERED BY THE COMPANY IN FORMULATING THE PLAN

To formulate the Plan, the Company shall focus on the long-term development of the Company, take full consideration of such factors including the characteristics of the industry in which the Company operates, stage of development, its own operating mode, profit level and cash flow, and establish the continuous, stable and scientific returns planning and mechanism for the investors such that a systematic arrangement is made for profit distribution, so as to ensure the continuity and stability of the profit distribution policy and to effectively balance the reasonable investment returns to investors and sustainable development of the Company.

II. THE BASIC PRINCIPLE OF PLAN FORMULATION

Pursuant to the provisions of the Company Law and the Articles of Association, the Plan shall give priority to the selection of cash dividend for profit distribution and maintain the consistency, reasonableness and stability of such cash dividend policy. Moreover, the Plan shall also take into account the reasonable investment returns to investors, being beneficial to the Company’s sustainable development and the interests of the Company’s shareholders as a whole. Necessary undistributed profits shall be retained based on the Company’s operating needs so as to maintain the Company’s sustainable operating capability.

III. THE FORMULATION OF THE DIVIDEND DISTRIBUTION PLAN FOR THE SHAREHOLDERS FOR THE NEXT THREE YEARS (2015 – 2017)

1. Form of profit distributed and basic principle

The Company may distribute the profits by cash, shares, or a combination of cash and shares. The profit distribution policy of the Company shall maintain its continuity and stability. Profit distribution shall highly value the reasonable investment returns to investors and shall simultaneously take into account the Company's long-term interests, sustainable development and the interests of all shareholders as a whole. The Company's profit distribution shall be based on the parent company's profit available for distribution realized in the current year. Dividend shall be distributed to shareholders according to the lawful order and the proportion. Each share in the same class must be entitled to the same rights and to receive the same interests, except where it is provided in the Articles of Association that distribution may be made not pursuant to the shareholding proportion. When the Company fulfils the conditions for cash dividend, it shall give priority to the distribution of profit in form of cash dividend. The Company's shares held by the Company itself will not be involved in profit distribution.

2. Conditions for and proportion of cash dividend

The Company may distribute profits by cash if it can at least simultaneously satisfy the following conditions:

1. The distributable profits (that is the after-tax profits remaining after the Company has recovered the loss and has withdrawn the public accumulation fund) realized by the Company for the year is positive and the cash flow is adequate, such that the implementation of cash dividend distribution will not affect the Company's sustainable operation subsequently;
2. The auditing institution issues a standard unqualified audit report regarding the Company's financial report for the current year;

3. The Company had no substantial investment plan or substantial cash expenditure (except for such investment projects for fund raising). The foregoing substantial investment plan or substantial cash expenditure refers to the accumulated expenditure regarding any intended external investment, acquisition of assets or purchase of assets that would reach or exceed 30% of the latest audited total assets of the Company within the next twelve months.

When the foregoing conditions for cash dividend can be simultaneously satisfied, the profit distributed by cash shall not be less than 10% of such profits available for distribution realized in the current year, and the accumulated profits distributed by cash for any three consecutive years shall not, in principle, be less than 30% of the average distributable profits over such three years. As for the specific proportion of each year's dividend, the board of directors shall submit a proposal in line with the Company's annual profitability and the future plan for the use of funds.

3. *Different cash dividend policy*

Taken into account comprehensively of the factors including the characteristics of the industry in which the Company operates, stage of development, its own operating mode, profits level and whether there is arrangement for substantial capital expenditure, the Company has put forward the different profit distribution proposal:

1. If the Company is at the mature stage of development and has no arrangement for significant capital expenditure, the proportion of cash dividends shall be at least 80% in the profit distribution;
2. If the Company is at the mature stage of development and has arrangement for significant capital expenditure, the proportion of cash dividends shall be at least 40% in the profit distribution;
3. If the Company is at the growing stage of development and has some arrangement for significant capital expenditure, the proportion of cash dividends shall be at least 20% in the profit distribution.

If it is difficult to determine the Company's stage of development while it has some arrangement for significant capital expenditure, the profit distribution may be handled pursuant to the foregoing provision.

4. *Specific conditions for release of stock dividends*

Based on the actual situation including the Company's accumulated profit available for distribution and cash flow and subject to the guarantee of sufficient cash dividend and the Company's reasonable scale of share capital, the Company may simultaneously adopt the release of stock dividend for profit distribution. The specific proportion of dividend shall be proposed by the board of directors. When the Company's board of directors determines the specific amount of stock dividend to be released, it shall take full account of whether the total share capital after the release of stock dividends will accommodate the Company's current operating scale and speed of the growth of profit, and it shall also take into consideration of the impact produced on the cost of future debt financing, for purposes of ensuring the profit distribution policy being in the best interest of the shareholders as a whole and for long-term interests.

5. *Time interval for profit distribution*

Subject to both the Company's profit for the current year and the accumulated undistributed profits for the current year being positive, the Company is required to implement at least one profit distribution per annum. The Company may implement interim profit distribution. The Company's board of directors may propose for interim dividend based on the scale of profit, cash flow, stage of development and the capital need for the current period.

IV. DECISION-MAKING PROCEDURE AND DECISION-MAKING MECHANISM FOR PROFIT DISTRIBUTION

1. When the board of directors is considering the proposal for profit distribution, such proposal shall be submitted to the general meeting of the Company for consideration after it is agreed upon by more than a half of all the directors and by more than a half of the independent directors. The independent directors shall issue independent opinions regarding the proposal of profit distribution.

Prior to the announcement of the periodic report and subject to the Company's board of directors' taking full account of the Company's sustainable operating capability, guaranteeing the fund required for the normal production, operation and business development and valuing the reasonable returns to investors, full study on and argumentation about the profit distribution proposal shall be made according to the provisions of the Articles of Association.

APPENDIX II THE FORMULATION OF THE DIVIDEND DISTRIBUTION PLAN FOR THE SHAREHOLDERS FOR THE NEXT THREE YEARS (2015 – 2017)

During the process of argumentation and decision-making regarding the profit distribution proposal, the Company's board of directors may communicate and exchange ideas with the independent directors and medium and minority shareholders through telephone, facsimile, letters, email and the interactive platform for investors relation on the Company's website and can fully listen to the opinions and requests made by independent directors and medium and minority shareholders.

2. When the proposal for profit distribution is considered at the general meeting, such proposal shall be approved by more than a half of all the shareholders (including the proxy) with voting rights attending the general meeting. If the profit distribution plan or the plan to convert surplus reserves into share capital is considered at the general meeting, such proposal shall be approved by more than two thirds of all the shareholders (including the proxy) with voting rights attending the general meeting.
3. When the board of directors is adjusting or revising the profit distribution proposal, such proposal shall be submitted to the general meeting for consideration after having been agreed upon by more than a half of all directors and more than half of all independent directors. The independent directors shall issue independent opinions on such and make a public disclosure. During the process of studying, argumentation and adjusting the profit distribution policy, the Company's board of directors shall take full account of the opinions of the independent directors and medium and minority shareholders.
4. When the adjustment made to the proposal for profit distribution is considered at the general meeting, such proposal shall be approved by more than two thirds of all the shareholders (including the proxy) with voting rights attending the general meeting. The Company shall provide online voting for the convenience of shareholders in participating in the general meeting. For the purpose of protecting shareholders' interests, detailed argumentation and explanation of the reason of the adjustment to the profit distribution policy should be stated in the proposal to the general meeting.

V. THE FREQUENCY OF THE PLAN FORMULATION

The Company shall re-examine the dividend distribution plan for the shareholders every three years, make appropriate and necessary amendment to the dividend distribution policy which is immediately effective, and confirm such plan of shareholders' returns for such period. Furthermore, the Company's board of directors shall combine the specific operating data and take full account of the Company's present scale of profit, cash flow, stage of development and the capital need for the current period, so as to formulate the annual or interim dividend proposal.

**APPENDIX II THE FORMULATION OF THE DIVIDEND DISTRIBUTION PLAN FOR THE
SHAREHOLDERS FOR THE NEXT THREE YEARS (2015 – 2017)**

VI. SUPPLEMENTARY PROVISIONS

1. The Plan shall be interpreted by the board of directors of the Company. Matters not covered in the Plan shall be implemented according to the provisions of the relevant laws and regulations, the relevant provisions of CSRC and the provisions of the Articles of Association.
2. The Plan shall become effective and shall be implemented commencing from the date of consideration and approval at the general meeting of the Company.

Chongqing Iron & Steel Company Limited

The Board of Directors

9 September 2015

The formulation of the dividend distribution plan for the shareholders for the next three years (2015 – 2017) is prepared in Chinese. Should there be any inconsistency between the Chinese and the English version, the Chinese version shall prevail.

NOTICE OF EGM



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)

NOTICE OF 2015 FIRST EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 2015 first extraordinary general meeting (the “EGM”) of Chongqing Iron & Steel Company Limited (the “**Company**”) will be held at 2:30 p.m. on Tuesday, 3 November 2015 at the No. 2 Conference Room, 3/F., the Management Building, No. 1 of Gangcheng Avenue, Economic & Technological Development Zone, Changshou District, Chongqing, the PRC for the purpose of considering and, if thought fit, passing the following resolutions of the Company.

RESOLUTIONS ADOPTING NON-CUMULATIVE VOTING

SPECIAL RESOLUTIONS

1. The resolution in relation to the conditions for the non-public issuance of shares fulfilled by the Company
2. The resolutions in relation to the non-public issuance of shares by the Company to specific target investors
 - 2.01 Class and nominal value of the shares to be issued
 - 2.02 Method and time of issuance
 - 2.03 Number of shares to be issued
 - 2.04 Target investors and method of subscription
 - 2.05 Price determination date, issue price and pricing principle
 - 2.06 Arrangement for lock-up period
 - 2.07 Amount and use of proceeds

NOTICE OF EGM

- 2.08 Arrangement on the retained profits prior to the non-public issuance
- 2.09 Place of listing
- 2.10 Validity period of the resolutions relating to the non-public issuance
- 3. The resolution in relation to the “Proposal for the Non-Public Issuance of A Shares of Chongqing Iron & Steel Company Limited”
- 4. The resolutions in relation to conditional shares subscription agreements under the non-public issuance entered into between the Company and target investors
 - 4.01 The conditional “2015 Shares Subscription Agreement under the Non-Public Issuance of Chongqing Iron & Steel Company Limited” entered into between the Company and Chongqing Yufu Assets Management Group Co. Ltd.
 - 4.02 The conditional “2015 Shares Subscription Agreement under the Non-Public Issuance of Chongqing Iron & Steel Company Limited” entered into between the Company and Chongqing Energy Investment Group Co., Ltd.
 - 4.03 The conditional “2015 Shares Subscription Agreement under the Non-Public Issuance of Chongqing Iron & Steel Company Limited” entered into between the Company and Shenzhen Xin Yu Investment Management Partnership LLP
 - 4.04 The conditional “2015 Shares Subscription Agreement under the Non-Public Issuance of Chongqing Iron & Steel Company Limited” entered into between the Company and CECEP Capital Holdings Limited
 - 4.05 The conditional “2015 Shares Subscription Agreement under the Non-Public Issuance of Chongqing Iron & Steel Company Limited” entered into between the Company and Sichuan Coal Industry Group Co., Ltd.
 - 4.06 The conditional “2015 Shares Subscription Agreement under the Non-Public Issuance of Chongqing Iron & Steel Company Limited” entered into between the Company and CISDI Engineering Technology Co., Ltd.
 - 4.07 The conditional “2015 Shares Subscription Agreement under the Non-Public Issuance of Chongqing Iron & Steel Company Limited” entered into between the Company and Chongqing Wei Jin Environmental Technologies Limited

NOTICE OF EGM

- 4.08 The conditional “2015 Shares Subscription Agreement under the Non-Public Issuance of Chongqing Iron & Steel Company Limited” entered into between the Company and Chongqing Yu Kun Long Metallurgical Materials Co., Ltd.
5. The resolution in relation to “the Feasibility Analysis Report on the Use of Proceeds from the Fund Raising under the Non-Public Issuance of Shares (A Shares) of Chongqing Iron & Steel Company Limited”
6. Profit distribution plan for the shareholders for the next three years (2015 – 2017)

ORDINARY RESOLUTIONS

7. The resolution in relation to the submission to the general meeting for fully authorising the Board to deal with relevant matters related to the non-public issuance of shares
8. The resolution in relation to “the Report on the Use of Proceeds from the Previous Fund Raising of Chongqing Iron & Steel Company Limited as of 30 June 2015”

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

Chongqing, the PRC, 16 September 2015

As at the date of this announcement, the Directors of the Company are: 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. Xin Qing Quan (Independent Non-executive Director) and Mr. Wong Chun Wa (Independent Non-executive Director).

Notes:

I. Eligibility for attending the EGM

Shareholders whose names appear on the register of members of the Company at the close of business on 2 October 2015 are entitled to attend the EGM upon completion of the necessary registration procedures (Holders of A Shares will be otherwise notified).

NOTICE OF EGM

II. Registration procedures for attending the EGM

1. Shareholders intending to attend the EGM are required to deposit the written reply slip with the Company by 4:00 p.m. on 14 October 2015.
2. Register of members of the Company will be closed from 3 October 2015 to 3 November 2015 (both days inclusive) during which no transfer of shares will be effected. Holders of H Shares of the Company intending to attend the EGM are required to lodge their respective instrument of transfer and the relevant share certificates to Hong Kong Registrars Limited, the Registrars of the Company, by 4:30 p.m. on 2 October 2015.

III. Appointment of proxies

1. Any shareholder entitled to attend and vote at the EGM is entitled to appoint one or more proxies (whether he is a shareholder or not) to attend and vote at the meeting on his behalf. Each shareholder (or his proxy) shall have one vote for each share held.
2. Proxies must be appointed in writing and the appointment must be signed by the appointer or their agents who have been duly authorised in writing. If the instrument of appointment of the proxy is signed by an agent of the appointer, the power of attorney or other document of authority of the agent must be notarially certified. In order to be valid, the notarially certified copy of such power of attorney or other document of authority, together with the instrument of appointment of the proxy, shall be lodged with the Hong Kong Registrars Limited, the Registrars of the Company, no less than 24 hours before the time appointed for the holding of the EGM (or appointed for voting) i.e. by no later than 2:30 p.m. on 2 November 2015.
3. For the shareholders appointing more than one proxy, the voting right can only be exercised when a poll is taken.

IV. Miscellaneous

1. Shareholders attending the EGM shall be responsible for their own travel and accommodation expenses.
2. Information may be dispatched by hand or registered post.
3. Address of Hong Kong Registrars Limited: Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
4. Office of Secretary to the Board of Chongqing Iron & Steel Company Limited

Address: Management Building, No.1 of Gangcheng Avenue,
Economic & Technological Development Zone,
Changshou District, Chongqing, the PRC

Postal Code: 401258

Tel: (86) 23 6898 3482

Fax: (86) 23 6887 3189

Contact Persons: Peng Guoju/Ji Hong

NOTICE OF 2015 FIRST CLASS MEETING OF H SHAREHOLDERS



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)

NOTICE OF 2015 FIRST CLASS MEETING OF H SHAREHOLDERS

NOTICE IS HEREBY GIVEN THAT the 2015 First class meeting of the H shareholders (the “**Class Meeting**”) of Chongqing Iron & Steel Company Limited (the “**Company**”) will be held at 2:30 p.m. on Tuesday, 3 November 2015 at the No. 2 Conference Room, 3/F., the Management Building, No. 1 of Gangcheng Avenue, Economic & Technological Development Zone, Changshou District, Chongqing, the PRC (or immediately after the conclusion or adjournment of the class meeting of the A shareholders) for the purpose of considering and, if thought fit, passing the following resolutions of the Company.

RESOLUTIONS ADOPTING NON-CUMULATIVE VOTING

SPECIAL RESOLUTIONS

1. The resolutions in relation to the non-public issuance of shares by the Company to specific target investors
 - 1.01 Class and nominal value of the shares to be issued
 - 1.02 Method and time of issuance
 - 1.03 Number of shares to be issued
 - 1.04 Target investors and method of subscription
 - 1.05 Price determination date, issue price and pricing principles
 - 1.06 Arrangement for lock-up period
 - 1.07 Amount and use of proceeds
 - 1.08 Arrangement on the retained profits prior to the non-public issuance

NOTICE OF 2015 FIRST CLASS MEETING OF H SHAREHOLDERS

- 1.09 Place of listing
- 1.10 Validity period of the resolutions relating to the non-public issuance
2. The resolution in relation to the “Proposal for the Non-Public Issuance of A Shares of Chongqing Iron & Steel Company Limited”
3. The resolutions in relation to conditional shares subscription agreements under the non-public issuance entered into between the Company and target investors
 - 3.01 The conditional “2015 Shares Subscription Agreement under the Non-Public Issuance of Chongqing Iron & Steel Company Limited” entered into between the Company and Chongqing Yufu Assets Management Group Co. Ltd.
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 - 3.05 The conditional “2015 Shares Subscription Agreement under the Non-Public Issuance of Chongqing Iron & Steel Company Limited” entered into between the Company and Sichuan Coal Industry Group Co., Ltd.
 - 3.06 The conditional “2015 Shares Subscription Agreement under the Non-Public Issuance of Chongqing Iron & Steel Company Limited” entered into between the Company and CISDI Engineering Technology Co., Ltd.

NOTICE OF 2015 FIRST CLASS MEETING OF H SHAREHOLDERS

- 3.07 The conditional “2015 Shares Subscription Agreement under the Non-Public Issuance of Chongqing Iron & Steel Company Limited” entered into between the Company and Chongqing Wei Jin Environmental Technologies Limited
- 3.08 The conditional “2015 Shares Subscription Agreement under the Non-Public Issuance of Chongqing Iron & Steel Company Limited” entered into between the Company and Chongqing Yu Kun Long Metallurgical Materials Co., Ltd.

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

Chongqing, the PRC, 16 September 2015

As at the date of this announcement, the Directors of the Company are: 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. Xin Qing Quan (Independent Non-executive Director) and Mr. Wong Chun Wa (Independent Non-executive Director).

Notes:

I. Eligibility for attending the Class Meeting

H shareholders whose names appear on the register of members of the Company at the close of business on 2 October 2015 are entitled to attend the Class Meeting upon completion of the necessary registration procedures.

II. Registration procedures for attending the Class Meeting

1. Shareholders intending to attend the Class Meeting are required to deposit the written reply slip with the Company by 4:00 p.m. on 14 October 2015.
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III. Appointment of proxies

1. Any shareholder entitled to attend and vote at the Class Meeting is entitled to appoint one or more proxies (whether he is a shareholder or not) to attend and vote at the meeting on his behalf. Each shareholder (or his proxy) shall have one vote for each share held.

NOTICE OF 2015 FIRST CLASS MEETING OF H SHAREHOLDERS

2. Proxies must be appointed in writing and the appointment must be signed by the appointer or their agents who have been duly authorised in writing. If the instrument of appointment of the proxy is signed by an agent of the appointer, the power of attorney or other document of authority of the agent must be notarially certified. In order to be valid, the notarially certified copy of such power of attorney or other document of authority, together with the instrument of appointment of the proxy, shall be lodged with the Hong Kong Registrars Limited, the Registrars of the Company, no less than 24 hours before the time appointed for the holding of the Class Meeting (or appointed for voting) i.e. by no later than 2:30 p.m. on 2 November 2015.
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