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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)

MAJOR TRANSACTION **FINANCE LEASE AGREEMENT**

On 30 December 2011, the Company entered into a Finance Lease Agreement with the Lessor pursuant to which the Lessor agreed to lease the Equipment to the Company for a term of 24 months.

The transaction contemplated under the Finance Lease Agreement constitutes a major transaction for the Company under the Listing Rules and is subject to the notification, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

An extraordinary general meeting will be held to consider and, if thought fit, pass resolution(s) to approve, among other things, the Finance Lease Agreement and the transaction contemplated thereunder. As no shareholder has material interest in the Finance Lease Agreement, no shareholder is required to abstain from voting at the extraordinary general meeting in respect of the Finance Lease Agreement and the transaction contemplated thereunder.

A circular containing, among other things, further details of the Finance Lease Agreement and a notice of an extraordinary general meeting, will be despatched to the shareholders of the Company as soon as practicable.

THE FINANCE LEASE AGREEMENT

The Board announces that the Company, has entered into a Finance Lease Agreement, on 30 December 2011, pursuant to which the Lessor agreed to lease the Equipment to the Company. The financing amount is approximately RMB550 million. The Parent Company is the guarantor to the Finance Lease Agreement.

Date

30 December 2011

Parties

Lessor : 英順國際租賃有限公司 (Yingshun International Leasing Company Ltd.*)

Lessee : the Company

Subject matter of the lease

The Equipment is selected by the Company itself for production use at the production facilities of the Company in Changshou Jiangnan New Zone of Chongqing. The Lessor will then purchase the Equipment from Sinosteel Equipment & Engineering Co., Ltd.

Finance amount payments and principal terms

Pursuant to the Finance Lease Agreement, the Lessor shall lease the Equipment to the Company for a period of 24 months starting from the effective date of the Finance Lease Agreement.

The rent to be paid by the Company includes the cost of the Equipment in the sum of RMB550 million and the interest payable on the basis of the benchmark RMB loan rate by the national financial institution for 3 years' term under the Finance Lease Agreement. The rent under the Finance Lease Agreement shall be paid in 9 installments. The first payment will be made on the effective date of the Finance Lease Agreement, and others will be made on a quarterly basis.

During the lease period, in case of adjustment of benchmark RMB loan rate, the Lessor will make corresponding adjustment to the interest rate. The lease payment and the interest rate have been agreed after arm's length negotiation between the parties with reference to the prevailing market practice.

The Company will also have to pay a service charge of RMB8.8 million and a security deposit of RMB8.8 million to the Lessor.

Ownership of the Equipment

During the lease period, the ownership of the Equipment belongs to the Lessor. Upon the expiry of the lease period, the Company has the right to re-lease the Equipment at terms to be determined between the Lessor or the Company or to purchase the leased Equipment at no consideration.

GUARANTEE

The Parent Company is the guarantor to the Lease Finance Agreement.

REASONS AND BENEFITS FOR FINANCE LEASE AGREEMENT

The Directors are of the view that the entering into the Finance Lease Agreement would enhance the Company's working capital to expand production capacity. The Directors are of the view that the terms in respect of the Finance Lease Agreement are fair and reasonable and are in the interest of the Company and the shareholders of the Company as a whole.

INFORMATION ON THE COMPANY

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

INFORMATION ON THE LESSOR

The Lessor, 英順國際租賃有限公司 (Yingshun International Leasing Company Ltd.*), is principally engaged in the business of financial leasing. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiry, the Lessor and its ultimate beneficial owners are Independent Third Parties.

GENERAL

The Finance Lease Agreement constitutes major transaction of the Company and is subject to the notification, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

An extraordinary general meeting will be held to consider and, if thought fit, pass resolution(s) to approve, among other things, the Finance Lease Agreement and the transaction contemplated thereunder. The finance lease agreements entered into between the Lessor and the Company on 31 January 2011 and 6 April 2011 will be approved as well at the meeting. As no shareholder has material interest in the Finance Lease Agreement, no shareholder is required to abstain from voting at the extraordinary general meeting in respect of the Finance Lease Agreement and the transaction contemplated thereunder.

A circular containing, among other things, further details of the Finance Lease Agreement and a notice of an extraordinary general meeting, will be despatched to the shareholders of the Company as soon as practicable.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	Chongqing Iron & Steel Company Limited, a company incorporated in the PRC with limited liability and the shares of which are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“Equipment”	Sinosteel Equipment & Engineering Co., Ltd.’s technology equipment and its all accessories, replacements, substitutes, supplements, spare parts, licence to use etc.
“Finance Lease Agreement”	the finance lease agreement dated 30 December 2011 entered into between the Lessor and the Company
“Independent Third Parties”	any person who himself is, and (in the case of corporate entity) its ultimate beneficial owners are, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, third parties independent of the Company and its connected persons
“Lessor”	英順國際租賃有限公司(Yingshun International Leasing Company Ltd.*), a company incorporated in PRC with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Parent Company”	重慶鋼鐵(集團)有限責任公司(Chongqing Iron & Steel (Group) Company Limited), a state-owned limited liability company established in the PRC and the controlling shareholder (as the term as defined in the Listing Rules) of the Company
“PRC”	the People’s Republic of China
“RMB”	Renminbi Yuan, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

* *For Identification purposes only*

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

Chongqing, the PRC, 30 December 2011

As at the date of this announcement, the Directors of the Company are: Mr. Deng Qiang (Non-executive Director), Mr. Yuan Jin Fu (Non-executive Director), Mr. Chen Hong (Executive Director), Mr. Sun Yi Jie (Executive Director), Mr. Li Ren Sheng (Executive Director), Mr. Liu Xing (Independent Non-executive Director), Mr. Zhang Guo Lin (Independent Non-executive Director) and Mr. Liu Tian Ni (Independent Non-executive Director).