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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)

POSSIBLE CONNECTED TRANSACTION IN RELATION TO EXTERNAL INVESTMENT

This announcement is made by Chongqing Iron & Steel Company Limited (the “**Company**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rule**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Company intends to jointly increase capital contribution into Baowu Water Technology Limited (“**Baowu Water**”), a subsidiary of China Baowu Steel Group Corporation Limited (“**China Baowu**”), with Guangdong Zhongnan Iron & Steel Co., Ltd. (“**ZNGF**”), Baowu Group Echeng Iron and Steel Co., Ltd. (“**Echeng Steel**”), Shanxi Taigang Stainless Steel Co., Ltd. (“**TISCO**”), Baosteel Desheng Stainless Steel Co., Ltd. (“**Baosteel Desheng**”), Xinjiang Bayi Iron and Steel Co., Ltd. (“**Baoyi Iron & Steel**”), Xinjiang Yili Iron and Steel Co., Ltd. (“**Yili Steel**”) and Xinjiang Bagang Nanjiang Steel Baicheng Co., Ltd. (“**Nanjiang Baicheng**”), subsidiaries of China Baowu, which is the de facto controller of the Company. In this transaction, the Company intends to make the capital injection in kind, with the value of the assets for the capital injection being RMB60.6795 million as at the date of the capital injection, representing 1.3390% of the equity interests of Baowu Water. In this regard, the Company intends to enter into the capital injection agreement (the “**Capital Injection Agreement**”) with the above companies, Baowu Water and the existing shareholders of Baowu Water, including China Baowu, Magang (Group) Holding Company Limited (“**Magang Group**”), Baowu Carbon Technology Co., Ltd. (“**Baowu Carbon**”), Baosteel Chemical Zhanjiang Co., Ltd. (“**Baosteel Chemical Zhanjiang**”), Wuhan Iron and Steel (Group) Corp. (“**WISCO**”), Maanshan Iron & Steel Company Limited (“**Maosteel**”), Baosteel Engineering & Technology Group Co., Ltd. (“**Baosteel Engineering**”), Baoshan Iron & Steel Co., Ltd. (“**Baosteel Co., Ltd.**”), Wuhan Iron and Steel Company Limited (“**Wuhan Iron & Steel**”), Baogang Zhanjiang Iron and Steel Co., Ltd. (“**Zhanjiang Steel**”) and Shanghai Meishan Iron & Steel Co., Ltd. (“**Meishan Iron & Steel**”).

On December 28, 2022, the 20th meeting of the ninth session of the board of directors and the 12th meeting of the ninth session of the supervisory committee of the Company reviewed and approved the "Resolution on External Investment and Related Transactions" in relation to the above transactions.

PROPOSED CONTENTS OF CAPITAL INJECTION AGREEMENT

(I) Date of the Signature

The Capital Injection Agreement is proposed to be signed upon completion of the internal approval procedures by all parties.

(II) Parties

(1) the Company; (2) China Baowu; (3) Magang Group; (4) Baowu Carbon; (5) Baosteel Chemical Zhanjiang; (6) WISCO; (7) Masteel; (8) Baosteel Co., Ltd.; (9) Wuhan Iron & Steel; (10) Zhanjiang Steel; (11) Meishan Iron & Steel; (12) Baosteel Engineering; (13) TISCO; (14) Baosteel Desheng; (15) Bayi Iron & Steel; (16) Nanjiang Baicheng; (17) Yili Steel; (18) Echeng Steel; (19) ZNGF; and (20) Baowu Water.

(III) Means of Contribution

The Company intends to make the capital injection of RMB60.6795 million with the physical assets of water treatment related to the coking wastewater treatment system and the integrated desulfurisation wastewater treatment system of the coking process of the iron-making plant (the **Physical Assets of Chongqing Iron & Steel for Capital Contribution**) held thereby, of which RMB43.0351 million was included in the registered capital of Baowu Water, and RMB17.6444 million was included in the capital reserve of Baowu Water.

(IV) Information on Baowu Water

Baowu Water is principally engaged in (i) general projects: technical service, technical development, technical consultation, technical exchange, technology transfer and technology promotion; intelligent water system development; water pollution prevention and control services; air pollution prevention and control services; environmental consultation service; engineering management services; manufacturing of special equipment for environmental protection; sales of special equipment for environmental protection; manufacturing of water pollution monitoring and testing instruments; sales of water pollution monitoring and testing instruments; manufacturing of air pollution monitoring and detection instruments; sales of air pollution monitoring and detection instruments; sales of chemical products (excluding licensed chemical products); non-edible salt processing; sales of non-edible salt; residents' daily life services; maintenance

of electronic and mechanical equipment (excluding special equipment); heat production and supply; import and export of goods; technology import and export. (Save for projects subject to approval in accordance with the laws, operating activities can be independently carried out as set out in the business license in accordance with the laws); (ii) licensed projects: construction works; construction engineering design; production and supply of tap water. (For projects subject to approval in accordance with the laws, operating activities can only be carried out upon approval by the relevant authorities, and the actual business projects are subject to the approval documents or license documents granted by the relevant authorities).

In 2021, Baowu Water recorded total assets of RMB6,858.5092 million; equity attributable to owners of the parent company of RMB3,218.7106 million; operating revenue of RMB5,002.7547 million; and net profit attributable to owners of the parent company of RMB134.1079 million.

As at the end of September 2022, Baowu Water recorded total assets of RMB8,128.0445 million; equity attributable to owners of the parent company of RMB3,252.8925 million. During the first three quarters of 2022, Baowu Water recorded operating revenue of RMB4,592.1643 million; and net profit attributable to owners of the parent company of RMB113.2756 million.

(V) Shareholding Structure (Shareholding Structure of Baowu Water Prior to the Capital Injection)

No.	Shareholder name	Means of contribution	Amount of contribution (RMB'0,000)	Proportion of contribution
1	China Baowu	Cash	50,000.00	20.011%
2	Magang Group	Cash	23,035.54	9.220%
3	Baowu Carbon	Contribution in kind and equity	12,329.41	4.935%
4	Baosteel Chemical Zhanjiang	Contribution in kind	4,134.28	1.655%
5	WISCO	Equity	2,479.48	0.992%
6	Masteel	Contribution in kind	48,084.19	19.245%
7	Baosteel Engineering	Cash	2,419.48	0.968%
8	Baosteel Co., Ltd.	Contribution in kind	50,734.29	20.306%
9	Wuhan Iron & Steel	Contribution in kind	30,910.43	12.371%
10	Zhanjiang Steel	Contribution in kind	21,466.37	8.592%
11	Meishan Iron & Steel	Contribution in kind	4,258.97	1.705%
Total			249,852.44	100.00%

(VI) Pricing Policy and Pricing Basis

According to the assets appraisal report (Zhong Zi Ping Bao Zi [2022] No. 443) issued by China Assets Appraisal Co., Ltd., the book value of the Physical Assets of Chongqing Iron & Steel for Capital Contribution as at the valuation benchmark date (30 April 2022) was RMB55.5133 million and the appraised value (tax exclusive) was RMB57.2724 million, representing an appreciation of RMB1.7591 million or an appreciation rate of 3.17%. During the period from the valuation benchmark date to the date of the capital injection (2022.05–2022.12), changes of book value of the transferred assets amounted to RMB-2.2604 million, and the actual assets contributed amounted to RMB55.0119 million (tax exclusive) and RMB60.6795 million (tax inclusive).

Unit: RMB'0,000

	Net book value (2022.04)	Net appraised value (2022.04)	Change of book value (22.05–22.12)	Contributed assets
Physical Assets of Chongqing Iron & Steel for Capital Contribution	5,551.33	5,727.24	-226.04	5,501.19

(VII) Aggregate Injection

The Company intends to jointly increase capital contribution into Baowu Water with its affiliates ZNGF, Echeng Steel, TISCO, Baosteel Desheng, Bayi Iron & Steel, Yili Steel and Nanjiang Baicheng by way of non-public agreement with their respective water treatment system assets. The Company's capital contribution for the capital increase to Baowu Water will be RMB60.6795 million, of which RMB43.0351 million will be included in the registered capital and RMB17.6444 million will be included in the capital reserve.

The total capital injection into Baowu Water will be RMB1,009.020443 million, of which RMB715.617336 million will be transferred to the registered capital and RMB293.403107 million will be transferred to the capital reserve. The above capital injection will be subscribed and paid by ZNGF, Echeng Steel, the Company, TISCO, Baosteel Desheng, Bayi Iron & Steel, Yili Steel and Nanjiang Baicheng, respectively. Among them, ZNGF will subscribe and pay RMB27.726722 million, Echeng Steel will subscribe and pay RMB51.371372 million, the Company will subscribe and pay RMB43.035132 million, TISCO will subscribe and pay RMB316.769759 million, Baosteel Desheng will subscribe and pay RMB34.365266 million, Bayi Iron & Steel will subscribe and pay RMB94.522544 million, Yili Steel will subscribe and pay RMB26.022298 million and Nanjiang Baicheng will subscribe and pay RMB121.804243 million, all of which will be made in kind.

(VIII) Shareholding Structure of Baowu Water After the Capital Injection

Upon completion of the capital injection, the registered capital of Baowu Water will be RMB3,214.141735 million. The registered capital and shareholding ratio of each party are as follows:

No.	Name of shareholder	Means of contribution	Subscribed registered capital (RMB'0,000)	Subscribed shareholding ratio
1	China Baowu	Cash	50,000.0000	15.556%
2	Magang Group	Cash	23,035.5424	7.167%
3	Baowu Carbon	Contribution in kind and equity	12,329.4106	3.836%
4	Baosteel Chemical Zhanjiang	Contribution in kind	4,134.2776	1.286%
5	WISCO	Equity	2,479.4803	0.771%
6	Masteel	Contribution in kind	48,084.1875	14.960%
7	Baosteel Engineering	Cash	2,419.4762	0.753%
8	Baosteel Co., Ltd.	Contribution in kind	50,734.2886	15.785%
9	Wuhan Iron & Steel	Contribution in kind	30,910.4300	9.617%
10	Zhanjiang Steel	Contribution in kind	21,466.3723	6.679%
11	Meishan Iron & Steel	Contribution in kind	4,258.9744	1.325%
12	ZNGF	Contribution in kind	2,772.6722	0.863%
13	Echeng Steel	Contribution in kind	5,137.1372	1.598%
14	The Company	Contribution in kind	4,303.5132	1.339%
15	TISCO	Contribution in kind	31,676.9759	9.856%
16	Baosteel Desheng	Contribution in kind	3,436.5266	1.069%
17	Bayi Iron & Steel	Contribution in kind	9,452.2544	2.941%
18	Yili Steel	Contribution in kind	2,602.2298	0.810%
19	Nanjiang Baicheng	Contribution in kind	12,180.4243	3.789%
Total			<u>321,414.1735</u>	<u>100.000%</u>

OTHER ARRANGEMENTS FOR THE TRANSACTION

1. The capital injection into Baowu Water will not involve staff resettlement, land leasing and debt restructuring. After the capital injection, no change in the scope of consolidated statements of the listed company will be caused.

2. In the capital injection into Baowu Water, shareholding ratio of the parties shall be determined on the basis of the final appraised value of the net assets of Baowu Water as filed. The change in the book value of the net assets of Baowu Water during the period from the valuation benchmark date to the date of the capital injection shall be entitled to or borne by the original shareholders of the relevant company; the amount of change in the book value of the contributed assets shall be entitled to or borne by the contributors, and such change shall be confirmed in writing by the parties.

PURPOSE AND IMPACT OF THE TRANSACTION

Baowu Water is a professional platform company for the water and atmospheric treatment under China Baowu, and has currently entered into water (gas) business entrustment management agreements and hosting operation service contracts with each iron and steel base. Through professional integration, Baowu Water is committed to providing customers with overall solutions for water and gas treatment, and providing the full life-cycle services integrating project investment (financing), consultation, planning, design, construction and operation, so as to achieve a win-win situation with customers and realize mutual development.

The capital injection into Baowu Water by the Company will help to realise the professional integration of water operation business within the Group, which will help to enhance the assets and operational efficiency of the Company and realise the professional operation of water treatment business.

It will provide strong technical support for the Company to utilise the expertise of Baowu Water for the zero discharge of waste water and ultra-low discharge of waste gas of the Company, solving the environmental issues of water and gas treatment of the Company and supporting the green transformation development of the Company.

RISK ANALYSIS AND COUNTERMEASURES

1. Policy risk. Countermeasures: The Company will collaborate with Baowu Water by taking advantage of industry policies to rapidly improve the Company's competitiveness and occupy the peak of the industry; the Company will actively strive for recognition as a high-tech enterprise and obtain corresponding preferential policies; the Company will follow up the dynamics of industry standards to build up the technical and business capabilities of the Company and Baowu Water, so as to ensure that the policies are forward-looking.

2. Technical risk. Countermeasures: The Company, in collaboration with Baowu Water, will help it to play the role as a platform company to co-ordinate various resources and technologies in the water and gas industry chain; the Company will urge Baowu Water to attach importance to the research and development of cutting-edge technologies for water and gas treatment, increase the number of technical application scenarios and constantly improve the industrial application of new technologies; with the help of existing technological base, the Company will assist Baowu Water to attach importance to the integration of technologies and the consultation and demonstration of development proposals, so as to enhance the integration management and development capabilities of key technologies.
3. Management risk. Countermeasures: The Company will launch an inspection on Baowu Water and urge Baowu Water to strengthen the training of staff management and operational skills to ensure the normal and stable operation of the system; the Company will collaborate with Baowu Water in establishing a market-oriented and professional management mechanism to form systematic development capability.
4. Human resources risk. Countermeasures: The Company will urge the headquarters of Baowu Water to send professional and technical staff to provide on-site support and to conduct training to train a group of professional and technical staff for Baowu Water. The Company, in collaboration with Baowu Water, will give full consideration to the staffing of the transferred personnel and optimise the duties and responsibilities of the relevant personnel after the transfer.

LISTING RULES IMPLICATIONS

As of the date of this announcement, China Baowu is interested in approximately 26.97% of the issued share capital of the Company, of which 1.46% is directly held by China Baowu and 25.51% is indirectly controlled or held by China Baowu through its controlled corporation. China Baowu is an indirect substantial shareholder of the Company, i.e. a connected person under Chapter 14A of the Listing Rules. China Baowu is the de facto controller of Magang Group, Baowu Carbon, Baosteel Chemical Zhanjiang, WISCO, Masteel, Baosteel Engineering, Baosteel Co., Ltd., Wuhan Iron & Steel, Zhanjiang Steel, Meishan Iron & Steel, ZNGF, Echeng Steel, TISCO, Baosteel Desheng, Bayi Iron & Steel, Yili Steel, Nanjiang Baicheng and Baowu Water, as such, Magang Group, Baowu Carbon, Baosteel Chemical Zhanjiang, WISCO, Masteel, Baosteel Engineering, Baosteel Co., Ltd., Wuhan Iron & Steel, Zhanjiang Steel, Meishan Iron & Steel, ZNGF, Echeng Steel, TISCO, Baosteel Desheng, Bayi Iron & Steel, Yili Steel, Nanjiang Baicheng and Baowu Water are also connected persons of the Company under Chapter 14A of the Listing Rules. Upon the signing of the Capital Injection Agreement, the transactions under the Capital Injection Agreement will constitute connected transactions of the Company under Chapter 14A of the Listing Rules, and the Company shall be subject to the relevant disclosure and/or shareholders' approval requirements under the Listing Rules.

The Capital Injection Agreement is proposed to be signed upon completion of the internal approval procedures by all parties. As of the date of this announcement, the Company has not entered into any binding contract with the parties in respect of the matters aforesaid.

By order of the Board
Chongqing Iron & Steel Company Limited
邹安
Secretary to the Board

Chongqing, the PRC, 29 December 2022

As at the date of this announcement, the Directors of the Company are: Mr. Xie Zhixiong (Executive Director), Mr. Meng Wenwang (Executive Director), Mr. Zou An (Executive Director), Mr. Song De An (Non-executive Director), Mr. Lai Xiaomin (Non-executive Director), Mr. Zhou Ping (Non-executive Director), Mr. Sheng Xuejun (Independent Non-executive Director), Mr. Zhang Jinruo (Independent Non-executive Director) and Mr. Guo Jiebin (Independent Non-executive Director).