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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 ACQUISITION**

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 Rules**”) 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).

On 16 November 2020, the Resolution on the Lease Renewal and the Final Purchase of the Assets from Changshou Iron & Steel was considered and approved at the 28<sup>th</sup> meeting of the eighth session of the board of directors and the 19<sup>th</sup> meeting of the eighth session of the supervisory committee of the Company, pursuant to which the Company was approved to enter into the Asset Lease Agreement with Chongqing Changshou Iron & Steel Company Limited (重慶長壽鋼鐵有限公司) (“**Changshou Iron & Steel**”). On the same date, the Company entered into the Asset Lease Agreement with Changshou Iron & Steel, pursuant to which the parties agreed to enter into a purchase agreement for the leased asset during the lease term of the agreement or upon the expiry of the lease term of the agreement for the Company to purchase the leased asset from Changshou Iron & Steel, at which time the parties would confirm the purchase price with reference to the appraised value of the leased asset. For details, please refer to the announcement of the Company on Major and Connected Transaction – Lease Agreement published on 17 November 2020 and the circular of the Company dated 14 December 2020 in relation to (1) Major and Connected Transaction – Lease Agreement and (2) Notice of 2020 Second Extraordinary General Meeting.

On 11 June 2021, the Resolution on Related Party Transaction in relation to the Purchase of the Assets from Changshou Iron & Steel was considered and approved at the 39<sup>th</sup> meeting of the eighth session of the board of directors and the 26<sup>th</sup> meeting of the eighth session of supervisory committee of the Company, to approve the Company to purchase pre-ironmaking assets from Changshou Iron & Steel.

The pre-ironmaking assets which the Company may purchase from Changshou Iron & Steel will be used for the Company's own production and operation, which is necessary for the Company's normal production and operation and can ensure the consistent and stable production of the Company.

## **PRINCIPAL TERMS OF THE PROPOSED TRANSACTION**

### **(I) Date of the signature**

The agreement is intended to be signed after the internal approval procedures of both parties are completed.

### **(II) Parties to the agreement**

The Company and Changshou Iron & Steel.

### **(III) Transaction price**

According to the valuation report, as at 31 August 2020, the appraised value of the pre-ironmaking assets was RMB3.447 billion (tax exclusive).

Both parties agree that the transaction price of the pre-ironmaking assets is determined to be RMB3.551 billion (tax exclusive) after negotiation between the parties based on the appraised value as set out in the valuation report, and taking into consideration comprehensively the impact of the time period for payment of the transaction price by instalments.

### **(IV) Consideration payment**

Payment of the first installment: within 5 working days after the date on which the agreement becomes effective, Changshou Iron & Steel shall issue to the Company value-added tax special invoice (at a tax rate of 13%) in full amount; the Company shall pay RMB1.062 billion to Changshou Iron & Steel as the first installment of the acquisition consideration.

Payment of the second installment: on the expiry date of one year after the payment of the first installment, the Company shall pay the remaining balance of the consideration amounting to RMB2.489 billion to Changshou Iron & Steel as the second installment of the acquisition consideration.

Early payment of the acquisition consideration: if the Company pays the acquisition consideration prior to the deadline for the payment of the second installment, it shall be deemed as early payment and the above-mentioned tax-exclusive consideration determined shall be reduced correspondingly with reference to the preferential price which is actually paid and calculated at the LPR of 3.85% for one-year loan from banks based on the amount which has been early paid, and the specific calculation formula is as follows:

Preferential price for early payment = tax-exclusive consideration early paid  $\times$  (1+13%)  $\times$  3.85%  $\times$  days of early payment  $\div$  360.

#### **(V) Delivery date**

Both parties agree to jointly determine the delivery date and the delivery completion date in writing after the date on which the agreement becomes effective. Both parties shall fully cooperate to deal with matters on ownership changes for the pre-ironmaking assets and the delivery of the assets from the delivery date and Changshou Iron & Steel shall ensure that the delivery completion date shall not be later than three (3) months from the date on which the agreement becomes effective.

#### **(VI) Attribution of profit or loss during the transitional period**

Given that the pre-ironmaking assets have been leased to the Company for use as agreed in the Asset Lease Agreement signed by both parties on 16 November 2020, during the period from the transaction benchmark date to the delivery date, the Company shall pay rental to Changshou Iron & Steel in accordance with the Asset Lease Agreement; from the delivery date, the Asset Lease Agreement shall terminate at the same time and neither party is obligated to pay any expenses in relation to the termination of lease of the pre-ironmaking assets.

#### **(VII) Effectiveness of the agreement**

Both parties agree that the agreement shall be formed upon the signature by the legal representatives of both parties or their respective duly authorized representatives and affixation of their respective official seals, and become effective on the date on which all the following conditions are satisfied:

1. The board of directors of the Company has passed relevant resolution to approve the implementation of the assets purchase;
2. The relevant resolution to approve the implementation of the assets purchase has been passed at the general meeting of the Company in accordance with the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and the Listing Rules.

## V. PURPOSE AND IMPACT OF THE RELATED PARTY TRANSACTION

The pre-ironmaking assets which the Company may purchase from Changshou Iron & Steel will be used for the Company's own production and operation, which is necessary for the Company's normal production and operation and can ensure the consistent and stable production of the Company. Based on the development needs of the Company, in order to level up and update the processing equipment and build the Company into a 10-million-tonne-level iron and steel enterprise, the transaction has a positive impact on the Company.

The consideration of the transaction is determined following the principles of openness, fairness and justice. The settlement way and the payment timeline of the transaction are fair and reasonable. The transaction does not impair the interests of the Company and shareholders nor does it affect the independence of the Company.

## LISTING RULES IMPLICATIONS

As at the date of this announcement, Changshou Iron & Steel is interested in approximately 23.51% of the issued share capital of the Company and is a substantial shareholder of the Company. Changshou Iron & Steel is thus a connected person of the Company.

The agreement in relation to the purchase of the assets of Changshou Iron & Steel is intended to be signed after the internal approval procedures of both parties are completed. As of the date of this announcement, the Company has not entered into any legally binding contracts with Changshou Iron & Steel in respect of the matters aforesaid. Upon the signing of the agreement, as Changshou Iron & Steel is a connected person of the Company, the transaction contemplated under the agreement will constitute a connected transaction of the Company under the Listing Rules. The Company shall then comply with the relevant disclosure and/or shareholders' approval requirements under the Listing Rules.

By order of the Board  
**Chongqing Iron & Steel Company Limited**  
**Liu Jianrong**  
*Chairman*

Chongqing, the PRC, 12 June 2021

*As at the date of this announcement, the Directors of the Company are: Mr. Liu Jianrong (Executive Director), Mr. Zhang Wenxue (Executive Director), Mr. Tu Deling (Executive Director), Mr. Zou An (Executive Director), Mr. Song De An (Non-executive Director), Mr. Zhou Ping (Non-executive Director), Mr. Xin Qingquan (Independent Non-executive Director), Mr. Xu Yixiang (Independent Non-executive Director) and Mr. Wong Chunwa (Independent Non-executive Director).*