

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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)

DISCLOSEABLE AND CONNECTED TRANSACTIONS **ASSET PURCHASE AGREEMENT**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**

RAINBOW.

RAINBOW CAPITAL (HK) LIMITED
泓博資本有限公司

Reference is made to the announcement of the Company dated 12 June 2021 in relation to the possible acquisition.

On 23 June 2021, the Company entered into the Asset Purchase Agreement with Changshou Iron & Steel, whereby the Company agreed to purchase Pre-ironmaking Assets from Changshou Iron & Steel.

Pursuant to the Asset Purchase Agreement, the Asset Lease Agreement dated 16 November 2020 will be terminated immediately upon the delivery of the Pre-ironmaking Assets. It is expected that the Company's right-of-use assets will decrease by approximately RMB3,291 million upon the termination of the aforesaid lease. Accordingly, the termination of the lease of Pre-ironmaking Assets in accordance with the Asset Purchase Agreement will also be deemed as the disposal of assets by the Company. Pursuant to Rule 14.24 of the Listing Rules, if a transaction involves both an acquisition and a disposal, the Stock Exchange will apply the percentage ratios to both the acquisition and the disposal. The relevant transaction will be classified by reference to the larger of the amount of the acquisition and the disposal, and subject to the reporting, disclosure and/or Shareholders' approval requirements applicable to that classification. As the percentage ratios applicable to the acquisition of the Pre-ironmaking Assets are larger than that of the disposal, this transaction is classified as an acquisition. As applicable percentage ratios of the acquisition are more than 5% but less than 25%, pursuant to Chapter 14 of the Listing Rules, the Asset Purchase Agreement and the transactions contemplated thereunder constitute discloseable transactions of the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

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. Accordingly, Changshou Iron & Steel is a connected person of the Company, and the transactions contemplated under the Asset Purchase Agreement also constitute connected transactions of the Company under the Listing Rules, and are subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee will advise the Independent Shareholders in respect of the relevant terms of the Asset Purchase Agreement. Rainbow Capital has been appointed as the Independent Financial Adviser by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular including, among other things, details of the Asset Purchase Agreement and the transactions contemplated thereunder, the recommendation letter from the Independent Board Committee, the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders and, a notice convening an extraordinary general meeting to approve, among other things, the Asset Purchase Agreement and the transactions contemplated thereunder, is expected to be dispatched to the Shareholders on or before 15 July 2021.

ASSET PURCHASE AGREEMENT

On 23 June 2021, the Company entered into the Asset Purchase Agreement with Changshou Iron & Steel, whereby the Company agreed to purchase Pre-ironmaking Assets from Changshou Iron & Steel. Principal terms of the Asset Purchase Agreement are set out below:

Date:

23 June 2021

Parties:

The Company (as purchaser) and Changshou Iron & Steel (as vendor)

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.

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.

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.

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.

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 the resolution to approve the implementation of the assets purchase;
2. The 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.

INFORMATION ON PRE-IRONMAKING ASSETS

The Pre-ironmaking Assets are production facilities which have been leased to the Company during the past 2 years at an annual rent of RMB214.5 million (tax inclusive); the book value of the Pre-ironmaking Assets was RMB2,781 million as at 31 August 2020. The Pre-ironmaking Assets were acquired by Changshou Iron & Steel at a consideration of RMB3,900 million (tax inclusive) in the course of the judicial reorganisation of the Company in 2017.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE ASSET PURCHASE AGREEMENT

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 in the whole process and build the Company into a 10-million-tonne-level iron and steel enterprise, the transaction has a positive impact on the Company.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Asset Purchase Agreement, which are entered into on normal commercial terms or terms not less favorable than those offered by independent third parties in the ordinary and usual course of business of the Company, are fair and reasonable and in the interests of the Shareholders as a whole.

INFORMATION ON THE PARTIES

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

Changshou Iron & Steel is principally engaged in the technology development, technology transfer, technical services and technical management consultancy in the fields of steel, metallurgy and mining, coal, chemical industry, electric power and transportation; sale of steel raw materials; operation of dock; warehousing service (excluding storage of dangerous goods); leasing of own property and equipment; import and export of goods and technology; corporate management and consultancy service. The ultimate beneficial owner of Changshou Iron & Steel is China Baowu Steel Group Corporation Limited, a limited liability company incorporated in the PRC and a state-owned capital investment company owned by the State-owned Assets Supervision and Administration Commission of the State Council.

LISTING RULES IMPLICATIONS

Pursuant to the Asset Purchase Agreement, the Asset Lease Agreement dated 16 November 2020 will be terminated immediately upon the delivery of the Pre-ironmaking Assets. It is expected that the Company's right-of-use assets will decrease by approximately RMB3,291 million upon the termination of the aforesaid lease. Accordingly, the termination of the lease of Pre-ironmaking Assets in accordance with the Asset Purchase Agreement will also be deemed as the disposal of assets by the Company. Pursuant to Rule 14.24 of the Listing Rules, if a transaction involves both an acquisition and a disposal, the Stock Exchange will apply the percentage ratios to both the acquisition and the disposal. The relevant transaction will be classified by reference to the larger of the amount of the acquisition and the disposal, and subject to the reporting, disclosure and/or Shareholders' approval requirements applicable to that classification. As the percentage ratios applicable to the acquisition of the Pre-ironmaking Assets are larger than that of the disposal, this transaction is classified as an acquisition. As one or more applicable percentage ratios of the acquisition are more than 5% but all less than 25%, pursuant to Chapter 14 of the Listing Rules, the Asset Purchase Agreement and the transactions contemplated thereunder constitute discloseable transactions of the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

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. Accordingly, Changshou Iron & Steel is a connected person of the Company, and the transactions contemplated under the Asset Purchase Agreement also constitute connected transactions of the Company under the Listing Rules, and are subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee will advise the Independent Shareholders in respect of the relevant terms of the Asset Purchase Agreement. Rainbow Capital has been appointed as the Independent Financial Adviser by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular including, among other things, details of the Asset Purchase Agreement and the transactions contemplated thereunder, the recommendation letter from the Independent Board Committee, the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders and, a notice convening an extraordinary general meeting to approve, among other things, the Asset Purchase Agreement and the transactions contemplated thereunder, is expected to be dispatched to the Shareholders on or before 15 July 2021.

Other than Mr. Liu Jianrong, Mr. Song De An and Mr. Zhou Ping, the connected Directors, who have abstained from voting on the relevant Board's resolutions for the approval of the Asset Purchase Agreement and the transactions contemplated thereunder, none of the Directors has interests in such transactions.

DEFINITIONS

Unless the context requires otherwise, capitalised terms in this announcement shall have the following meanings:

“Asset Lease Agreement”	the lease agreement in respect of the Pre-ironmaking Assets entered into between the Company and Changshou Iron & Steel on 16 November 2020
“Asset Purchase Agreement”	the asset purchase agreement entered into between the Company and Changshou Iron & Steel on 23 June 2021, pursuant to which, the Company agreed to purchase the Pre-ironmaking Assets of Changshou Iron & Steel
“Board”	the board of Directors
“Changshou Iron & Steel”	Chongqing Changshou Iron & Steel Company Limited (重慶長壽鋼鐵有限公司), a limited liability company established in the PRC, and a substantial Shareholder of the Company (as defined under the Listing Rules)
“Company”	Chongqing Iron & Steel Company Limited, a company incorporated in PRC with limited liability and the shares of which are listed on Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules

“Director(s)”	the director(s) of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee comprising all independent non-executive Directors, being formed for the purpose of advising the Independent Shareholders in respect of the entering into of the Asset Purchase Agreement
“Independent Shareholders”	shareholders other than the connected person(s) who is/are interested in the relevant transactions
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Pre-ironmaking Assets”	the assets to be leased under the Asset Lease Agreement between the Company and Changshou Iron & Steel on 16 November 2020, i.e. the blast furnace, sintering machine, coke oven and other pre-ironmaking machinery and equipment
“PRC”	the People’s Republic of China
“Rainbow Capital” or “Independent Financial Adviser”	Rainbow Capital (HK) Limited, a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, which was appointed as the Independent Financial Adviser by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the entering into of the Asset Purchase Agreement
“RMB”	renminbi, the lawful currency of the PRC

“Shareholders”	Holder(s) of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	percent

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

Chongqing, the PRC, 24 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).