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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)

### **CONTINUING CONNECTED TRANSACTIONS** **SUPPLEMENTAL SERVICE AND SUPPLY AGREEMENT**

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

**RAINBOW.**

RAINBOW CAPITAL (HK) LIMITED  
法博資本有限公司

Reference is made to the announcement of the Company dated 2 April 2021 in relation to, among other things, the continuing connected transactions – Service and Supply Agreement.

On 1 April 2021, the Company entered into the Service and Supply Agreement with China Baowu, whereby the Group will provide products to China Baowu Group, and China Baowu Group will provide products, materials and services to the Group. The above matters were reviewed and approved by the 2020 annual general meeting of the Company held on 29 June 2021. The total amount of products to be provided by the Group to China Baowu Group for the year 2022 shall not exceed RMB16,706 million and the total amount for the year 2023 shall not exceed RMB20,051 million; the total amount of products, materials and services to be provided by China Baowu Group to the Group for the year 2022 shall not exceed RMB32,282 million and the total amount for the year 2023 shall not exceed RMB34,056 million.

Due to the development of the Company’s innovative business model and the professional integration of China Baowu, it is necessary to add the types and amounts of transaction for the products to be provided by the Group to China Baowu Group in 2022 and 2023 as stipulated in the Original Agreement, and increase the amounts of raw materials, production materials and services to be provided by China Baowu Group to the Group. Accordingly, the Company and China Baowu entered into the Supplemental Agreement on 8 July 2022. It is agreed that the item “solid waste” and service types shall be added to the products to be provided by the Group to China Baowu Group, and the total amount of products and/or services to be provided by the Group to the China Baowu Group will be increased up to RMB23,856 million in 2022 and RMB28,026 million in 2023; meanwhile, the total amount of products and/or services to be provided by China Baowu Group to the Group will be increased up to RMB47,773 million in 2022 and RMB53,583 million in 2023. Except for the above changes, the other terms of the Original Agreement shall remain unchanged.

As of the date of this announcement, China Baowu is interested in approximately 26.97% of the issued share capital of the Company, among which 1.46% is directly held by China Baowu and 25.51% is indirectly controlled or held by China Baowu through the corporations it controls. China Baowu is an indirect substantial Shareholder of the Company, i.e., a connected person under Chapter 14A of the Listing Rules. Therefore, the transactions under the Supplemental Service and Supply Agreement constitute continuing connected transactions of the Company under the Listing Rules. As the applicable percentage ratios for the caps of the proposed amount of the transactions contemplated under the Supplemental Service and Supply Agreement are more than 5%, the transactions contemplated under the Supplemental Service and Supply Agreement constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules and are subject to the requirements of reporting, announcement, Independent Shareholders’ approval and annual review under Chapter 14A of the Listing Rules.

A circular including, among other things, details of the Supplemental Service and Supply Agreement (including the annual caps) 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 the EGM to approve the Supplemental Service and Supply Agreement (including the annual caps) and the transactions contemplated thereunder, is expected to be dispatched to the Shareholders on or before 29 July 2022 pursuant to Chapter 14A of the Listing Rules.

## **SUPPLEMENTAL SERVICE AND SUPPLY AGREEMENT**

### **Background**

On 1 April 2021, the Company entered into the Service and Supply Agreement with China Baowu, whereby the Group will provide products to China Baowu Group, and China Baowu Group will provide products, materials and services to the Group. The above matters were reviewed and approved by the 2020 annual general meeting of the Company held on 29 June 2021. The total amount of products to be provided by the Group to China Baowu Group for the year 2022 shall not exceed RMB16,706 million and the total amount for the year 2023 shall not exceed RMB20,051 million; the total amount of products, materials and services to be provided by China Baowu Group to the Group for the year 2022 shall not exceed RMB32,282 million and the total amount for the year 2023 shall not exceed RMB34,056 million.

Due to the development of the Company's innovative business model and the professional integration of China Baowu, it is necessary to add the types and amounts of transaction for the products to be provided by the Group to China Baowu Group in 2022 and 2023 as stipulated in the Original Agreement, and increase the amounts of raw materials, production materials and services to be provided by China Baowu Group to the Group. Accordingly, the Company and China Baowu entered into the Supplemental Agreement on 8 July 2022. It is agreed that the item "solid waste" and service types shall be added to the products to be provided by the Group to China Baowu Group, and the total amount of products and/or services to be provided by the Group to the China Baowu Group will be increased up to RMB23,856 million in 2022 and RMB28,026 million in 2023; meanwhile, the total amount of products and/or services to be provided by China Baowu Group to the Group will be increased up to RMB47,773 million in 2022 and RMB53,583 million in 2023. Except for the above changes, the other terms of the Original Agreement shall remain unchanged.

The Company confirmed that as of the date of this announcement, the transaction amount under the Original Agreement has not exceeded the existing annual cap.

### **Date**

8 July 2022

### **Parties**

- (1) China Baowu; and
- (2) the Company

## **Major Target**

- (i) China Baowu agreed to (by itself and/or China Baowu Group) provide the Group with the products, materials and services as follows:
  - (a) raw materials such as iron ore, scrap steel, refractory materials, accessories (including dolomite, limestone, etc.), steel billets, coal, etc.;
  - (b) production materials such as chemical materials, equipment and spare parts, water, etc.; and
  - (c) technical services (including construction, software development and labour services, etc.), road transportation services and sanitation and greening services, etc..
- (ii) The Company agreed to (by itself and/or the Group) provide China Baowu Group with the products, materials and services as follows:
  - (a) production materials such as water, electricity, natural gas, steel billets, steel products, pig iron, solid waste, etc.;
  - (b) other services (including processing, quality control and technical consultation and other technical services), etc..

## **Condition Precedent**

The Supplemental Service and Supply Agreement is conditional upon the passing of the resolution(s) approving the Supplemental Agreement and the transactions contemplated thereunder (including the annual caps) by the Independent Shareholders at the EGM to be convened.

## **Term of Transaction**

From the effective date of the agreement to 31 December 2023.

## Price

The pricing standards and payment terms under the Service and Supply Agreement still apply. In accordance with the prevailing pricing standards, the basis of price for each of the transactions newly added under the Supplemental Agreement are as follows:

<b>Type</b>	<b>Pricing principle</b>	<b>Items</b>
Products sold by the Group to China Baowu Group	Market pricing	Solid waste
Products sold by the Group to China Baowu Group	Market pricing	Other services (including processing, quality control and technical consultation and other technical services), etc.

## Caps of Amount

Subject to the Supplemental Service and Supply Agreement, the total amount of products and/or services provided by the Group to China Baowu Group during the above transaction period is adjusted based on the table below, with the amount not exceeding RMB51,882 million in total. The total amount of products and/or services provided by China Baowu Group to the Group during the above transaction period is adjusted based on the table below, with the amount not exceeding RMB101,356 million in total.

As adjusted by the Supplemental Agreement, the proposed cap of transaction amount (tax exclusive) in respect of the products and/or materials and services provided to China Baowu Group by the Group from the effective date of the agreement to 31 December 2023 are shown in the table below:

*Unit: RMB0'000*

<b>Items</b>	<b>Adjusted annual cap</b>		<b>Sub-total</b>
	<b>1 January 2022 to 31 December 2022</b>	<b>1 January 2023 to 31 December 2023</b>	
Production materials such as water, electricity, natural gas, steel billets, steel products, pig iron, solid waste etc. provided by the Group to China Baowu Group	1,670,600	2,005,100	3,675,700
Other services (including processing, quality control and technical consultation and other technical services), etc. provided by the Group to China Baowu Group	<u>715,000</u>	<u>797,500</u>	<u>1,512,500</u>
Sub-total	<u><u>2,385,600</u></u>	<u><u>2,802,600</u></u>	<u><u>5,188,200</u></u>

As adjusted by the Supplemental Agreement, the proposed cap of transaction amount (tax exclusive) in respect of the products and/or materials and services provided to the Group by China Baowu Group from the effective date of the agreement to 31 December 2023 are shown in the table below:

*Unit: RMB0'000*

Items	Adjusted annual cap		Sub-total
	1 January 2022 to 31 December 2022	1 January 2023 to 31 December 2023	
Products and/or materials provided by China Baowu Group to the Group			
Raw materials such as iron ore, scrap steel, refractory materials, accessories (including dolomite, limestone, etc.), steel billets, coal, etc.	4,044,600	4,668,200	8,712,800
Production materials such as chemical materials, equipment and spare parts, water, etc.	257,400	258,500	515,900
Services such as technical services (including construction, software development and labour services, etc.), road transportation services and sanitation and greening services, etc. provided by China Baowu Group to the Group	475,300	431,600	906,900
Sub-total	<u>4,777,300</u>	<u>5,358,300</u>	<u>10,135,600</u>

The proposed cap of transaction amount is determined by reference to:

- (i) the recent market prices or state-prescribed prices applicable to the relevant products, materials and services;
- (ii) the Group's expected ability to provide products and services to China Baowu Group and the Group's expected demand for China Baowu Group's products and services to meet its production plan;
- (iii) China Baowu Group's expected demand for the Group's products and services and China Baowu Group's expected ability to provide products and services to the Group;
- (iv) the historical transaction amounts between the Group and China Baowu Group.

The historical transaction amount (tax exclusive) in respect of the products sold to China Baowu Group by the Group are shown in the table below:

*RMB0'000*

	<b>Effective date of the 2020 Service and Supply Agreement</b>	
	<b>1 April 2021 to 31 March 2021</b>	<b>31 December 2021</b>
Production materials such as water, electricity, natural gas, steel billets and steel products, etc.	243,356.3	672,257.3



The historical transaction amount (tax exclusive) in respect of the products, materials and services provided to the Group by China Baowu Group are shown in the table below:

*RMB0'000*

	<b>Effective date of the 2020 Service and Supply Agreement</b>	<b>1 April 2021 to 31 March 2021</b>	<b>31 December 2021</b>
Raw materials such as iron ore, scrap steel, refractory materials, accessories (including dolomite, limestone, etc.), coal, etc.	396,930.1	633,528.5	
Production materials such as chemical materials, equipment and spare parts, water, etc.	22,370.5	77,001.0	
Technical services (including construction, software development and labour services, etc.), road transportation services and sanitation and greening services, etc.	38,183.5	100,440.4	

## **REASONS FOR ENTERING INTO THE SUPPLEMENTAL SERVICE AND SUPPLY AGREEMENT**

The entering into of the Supplemental Agreement between the Company and China Baowu is conducive to the Company's use of China Baowu's brand, advantages, channels and resources to ensure stable and reliable supply of products and/or services at a reasonable price, which is crucial to ensure the Company's production stability, cost reduction and efficiency enhancement. The new type of transaction is also beneficial to the development of the Company's innovative business model and the professional integration of China Baowu. On the one hand, China Baowu Group could provide the Company with the aforementioned products and/or services and further expand the sales channels for the Company, which is conducive to the stability and continuity of the Company's future production; on the other hand, based on the aforementioned transaction and pricing principle, the connected transactions will have a positive impact on the Company.

The Directors consider that the Supplemental Agreement and the transaction contemplated thereunder are entered into in the ordinary and usual course of business of the Company and were negotiated on an arm's length basis between the parties thereto, and the terms of the Supplemental Agreement are fair and reasonable and on normal commercial terms and are in the interests of the Company and Shareholders as a whole.

## **INFORMATION OF THE COMPANY AND CHINA BAOWU GROUP**

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

China Baowu is a state-owned capital investment company wholly owned by the State-owned Assets Supervision and Administration Commission of the State Council. Its business scope includes operating state-owned assets within the scope authorized by the State Council, as well as carrying out relevant state-owned capital investment and operation.

## **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, among which 1.46% is directly held by China Baowu and 25.51% is indirectly controlled or held by China Baowu through the corporations it controls. China Baowu is an indirect substantial Shareholder of the Company, i.e., a connected person under Chapter 14A of the Listing Rules. Therefore, the transactions under the Supplemental Service and Supply Agreement constitute continuing connected transactions of the Company under the Listing Rules. As the applicable percentage ratios for the caps of the proposed amount of the transactions contemplated under the Supplemental Service and Supply Agreement are more than 5%, the transactions contemplated under the Supplemental Service and Supply Agreement constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules and are subject to the requirements of reporting, announcement, Independent Shareholders' approval and annual review under Chapter 14A of the Listing Rules.

Other than Mr. Zhang Wenxue, Mr. Lai Xiaomin and Mr. Zhou Ping, who have positions in or connected with China Baowu Group and have abstained from voting on the relevant Board's resolutions for the approval of the Supplemental Service and Supply Agreement (including the annual caps) and the transaction contemplated thereunder, none of the Directors has interests in such transactions.

An EGM will be convened at which resolution(s) will be proposed to seek the approval of the Independent Shareholders by way of poll for the Supplemental Service and Supply Agreement (including the annual caps) and the transactions contemplated thereunder. China Baowu and its associate(s) as defined under the Listing Rules will abstain from voting thereon.

An Independent Board Committee has been formed by the Company to make recommendations to the Independent Shareholders as to whether the terms of the Supplemental Service and Supply Agreement are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Company and its Shareholders as a whole and to advise the Independent Shareholders on how to vote after taking into account the recommendation of the Independent Financial Adviser. Rainbow Capital has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this respect.

A circular including, among other things, details of the Supplemental Service and Supply Agreement (including the annual caps) 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 the EGM to approve the Supplemental Service and Supply Agreement (including the annual caps) and the transactions contemplated thereunder, is expected to be dispatched to the Shareholders on or before 29 July 2022.

## **DEFINITIONS**

The following defined terms are used in this announcement:

“2020 Service and Supply Agreement”	the service and supply agreement dated 20 November 2020 entered into between the Company and China Baowu
“Board”	the board of Directors
“China Baowu”	China Baowu Steel Group Corporation Limited, a limited liability company incorporated in the PRC and a pilot enterprise of state-owned capital investment company wholly owned by the State-owned Assets Supervision and Administration Commission of the State Council
“China Baowu Group”	China Baowu and its subsidiaries (excluding the Group)

“Company”	Chongqing Iron & Steel Company Limited, a company incorporated in PRC with limited liability and the shares of which are listed on Stock Exchange
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for purpose of approving, among other things, the Supplemental Service and Supply Agreement (including the annual caps) and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a board committee comprising three independent non-executive Directors, Mr. Sheng Xuejun, Mr. Zhang Jinruo and Mr. Guo Jiebin
“Independent Financial Adviser” or “Rainbow Capital”	Rainbow Capital (HK) Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under the Supplemental Service and Supply Agreement
“Independent Shareholders”	Shareholders other than China Baowu and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	renminbi, the lawful currency of the PRC
“Service and Supply Agreement” or “Original Agreement”	the service and supply agreement dated 1 April 2021 entered into between the Company and China Baowu
“Shareholders”	holder(s) of shares of the Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Service and Supply Agreement” or “Supplemental Agreement”	the supplemental service and supply agreement dated 8 July 2022 entered into between the Company and China Baowu
“%”	percent

By order of the Board  
**Chongqing Iron & Steel Company Limited**  
**Zou An**  
*Secretary to the Board*

Chongqing, the PRC, 9 July 2022

*As at the date of this announcement, the Directors of the Company are: Mr. Zhang Wenxue (Executive Director), Mr. Xie Zhixiong (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).*