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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 AGREEMENT TO THE SERVICE AND SUPPLY AGREEMENT**

Reference is made to the announcement (the “**Announcement**”) of Chongqing Iron & Steel Company Limited (the “**Company**”) dated 20 November 2020 in relation to the continuing connected transactions – Service and Supply Agreement. Unless otherwise stated, capitalised terms used herein shall have the same meaning as those defined in the Announcement.

On 20 November 2020, the Company entered into the Service and Supply Agreement with China Baowu, whereby the Group agreed to sell products to China Baowu Group, and China Baowu Group agreed to sell or provide products, services and lease of factory premises to the Group.

In view of the enlarged production capacity of the Company and the increase of China Baowu’s demand, the Company and China Baowu entered into the Supplemental Agreement on 29 January 2021. It is agreed that the item “pig iron” shall be added to the products sold by the Group to China Baowu Group, and that the proposed cap of transaction amount in respect of the provision of products by the Group to China Baowu Group shall be raised from RMB966,710,000 to RMB2,537,100,000. Save as the changes aforesaid, all other terms under the Service and Supply Agreement remain unchanged.

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 the substantial shareholder of the Company. China Baowu is the indirect controlling shareholder of Changshou Iron & Steel and is accordingly the indirect substantial shareholder of the Company, i.e., a connected person under Chapter 14A of the Listing Rules. Therefore, the transactions under the Supplemental Agreement constitute continuing connected transactions for 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 Agreement is more than 5%, the transactions contemplated under the Supplemental Agreement constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules and are subject to the requirements of reporting and announcement, Independent Shareholders' approval and annual review under Chapter 14A of the Listing Rules.

A circular including, among other things, details of the Supplemental 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 the EGM to approve the Supplemental Agreement and the transactions contemplated thereunder, is expected to be dispatched to the Shareholders on or before 26 February 2021 pursuant to Chapter 14A of the Listing Rules after considering the time required for preparing the circular.

## **BACKGROUND**

On 20 November 2020, the Company entered into the Service and Supply Agreement with China Baowu, whereby the Group agreed to sell products to China Baowu Group, and China Baowu Group agreed to sell or provide products, services and lease of factory premises to the Group.

In view of the enlarged production capacity of the Company and the increase of China Baowu's demand, the Company and China Baowu entered into the Supplemental Agreement on 29 January 2021. It is agreed that the item "pig iron" shall be added to the products sold by the Group to China Baowu Group, and that the proposed cap of transaction amount in respect of the provision of products by the Group to China Baowu Group shall be raised from RMB966,710,000 to RMB2,537,100,000. Save as the changes aforesaid, all other terms under the Service and Supply Agreement remain unchanged.

## MAJOR TERMS OF THE SUPPLEMENTAL AGREEMENT

### Date

29 January 2021

### Parties

- (i) China Baowu; and
- (ii) the Company

### Term

From the effective date of the agreement to 31 March 2021

### Subject Matter

As revised by the Supplemental Agreement, the Company (by itself and/or the Group) agreed to provide to China Baowu Group the products as follows:

- (a) production materials such as water, electricity, natural gas, steel billets, steel products and pig iron, etc.

### Condition Precedent

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

### 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 under the Supplemental Agreement are as follows:

| Type  | Pricing principle        | Items  |
|---|--------------------------|--|
| Products sold by the Group to China Baowu Group | State-prescribed pricing | Water, electricity, natural gas etc.         |
|   | Market pricing           | Steel billets, steel products, pig iron etc. |

## Proposed cap of transaction amount for the continuing connected transactions under the Supplemental Agreement

As adjusted by the Supplemental Agreement, the proposed cap of transaction amount (tax exclusive) in respect of the products sold to China Baowu Group by the Group from the effective date of the agreement to 31 March 2021 are shown in the table below:

*RMB0'000*

|   |                |
|---|----------------|
| 1. Production materials such as water, electricity, natural gas, steel billets, steel products and pig iron, etc. | <u>253,710</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 materials;
- (ii) the amount and value of previous transactions between the Group and China Baowu Group for the two years ended 31 December 2018 and 31 December 2019 and the six months ended 30 June 2020;
- (iii) the Group's anticipated capacity in providing products to China Baowu Group; and
- (iv) China Baowu Group's anticipated demand for the products from the 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>For the year<br/>ended 31<br/>December<br/>2018</b> | <b>For the year<br/>ended 31<br/>December<br/>2019</b> | <b>For the six<br/>months<br/>ended 30<br/>June<br/>2020</b> |
|--|--|--|--|
| Production materials such as water, electricity, natural gas, steel billets and steel products, etc. | 99,019   | 126,740  | 47,388   |

## **REASONS FOR ENTERING INTO THE SUPPLEMENTAL AGREEMENT**

In view of the enlarged production capacity of the Company and the increase of China Baowu's demand, the proposed cap of transaction amount and the agreed items in respect of the products provided by the Group to China Baowu Group under the Service and Supply Agreement are no longer enough, and hence corresponding revision is required. The Directors believe that by entering into the Supplemental Agreement with China Baowu, the production stability and continuity of the Company can be maintained whereas the transactions contemplated thereunder would have a positive impact on the Company's management and production plans.

The Directors consider that the Supplemental Agreement and the transactions 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 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 the substantial shareholder of the Company. China Baowu is the indirect controlling shareholder of Changshou Iron & Steel and is accordingly the indirect substantial shareholder of the Company, i.e., a connected person under Chapter 14A of the Listing Rules. Therefore, the transactions under the Supplemental Agreement constitute continuing connected transactions for 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 Agreement is more than 5%, the transactions contemplated under the Supplemental Agreement constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules and are subject to the requirements of reporting and announcement, Independent Shareholders' approval and annual review under Chapter 14A of the Listing Rules.

None of the Directors has interests in the Supplemental Agreement and is required to abstain from voting on the relevant Board's resolutions for the approval of the Supplemental Agreement and the transactions contemplated thereunder.

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 Agreement and the transactions contemplated thereunder. China Baowu and its associate(s) (as defined under the Listing Rules) will abstain from voting in this regard.

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 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 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 the EGM to approve the Supplemental Agreement and the transactions contemplated thereunder, is expected to be dispatched to the Shareholders on or before 26 February 2021 after considering the time required for preparing the circular.

## **DEFINITIONS**

The following defined terms are used in this announcement:

|                          |   |
|--------------------------|---|
| “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   |
| “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 Agreement 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. Xin Qingquan, Mr. Xu Yixiang and Mr. Wong Chun Wa  |
| “Independent Financial Adviser” or “Rainbow Capital” | Rainbow Capital (HK) Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under the Supplemental 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”                       | the service and supply agreement dated 20 November 2020 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 Agreement” | the supplemental service and supply agreement dated 29 January 2021 entered into between the Company and China Baowu |
| “%”                      | Percent  |

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

Chongqing, the PRC, 30 January 2021

*As at the date of this announcement, the Directors of the Company are: Mr. Liu Jianrong (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).*