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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Chongqing Iron & Steel Company Limited, you should at once hand this circular and the accompanying proxy forms and reply slips to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

- (1) CONTINUING CONNECTED TRANSACTIONS – SUPPLY AND SUPPLY AGREEMENT AND THE SUPPLEMENTAL AGREEMENT;**
(2) PROPOSED APPOINTMENT OF DIRECTOR;
(3) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION;
AND
(4) NOTICE OF 2021 FIRST EXTRAORDINARY GENERAL MEETING

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



A letter from the Board is set out from pages 1 to 15 of this circular.

A notice convening the EGM to be held at 2:30 p.m. on Monday, 8 March 2021 at Chongqing Iron & Steel Conference Center, No. 2 Jiangnan Avenue, Jiangnan Street, Changshou District, Chongqing, the PRC, is set out on pages 51 to 52 of this circular. The proxy form for use at the EGM are enclosed with this circular.

Shareholders are advised to read the notice. Whether or not you are able to attend the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return them to the Company's registered office (in the case of proxy form by holders of domestic shares) at No. 2 Jiangnan Avenue, Jiangnan Street, Changzhou District, Chongqing, the PRC (Postal Code: 401258) or at the Company's H share registrar and transfer office, Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 24 hours before the time appointed for such meeting. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM, or any adjournment thereof, if you so wish.

19 February 2021

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DEFINITIONS

In this circular, the following expressions have the following meanings, unless the context requires otherwise:

“A Share(s)”	the domestic share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange
“Agreements”	Service and Supply Agreement and the Supplemental Agreement
“Articles of Association”	the articles of association of the Company
“Board”	the board of Directors
“CCT Management Committee”	continuing connected transaction management committee set up by the Company for managing the connected transactions of the Company
“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 substantial shareholder (as defined in the Listing Rules) of the Company, which is interested in approximately 23.51 % of the issued share capital of the Company as at the Latest Practicable Date
“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” or “Chongqing Iron & Steel”	Chongqing Iron & Steel Company Limited, a company incorporated in PRC with limited liability and the shares of which are listed on Stock Exchange
“Desheng Group”	Sichuan Desheng Group Vanadium & Titanium Co., Ltd., a limited liability company incorporated under the laws of the PRC
“Director(s)”	the director(s) of the Company

DEFINITIONS

“EGM”	the 2021 first extraordinary general meeting (or any adjournment thereof) of the Company to be convened at the Chongqing Iron & Steel Conference Centre, No. 2 Jiangnan Avenue, Jiangnan Street, Changzhou District, Chongqing, the PRC, at 2:30 p.m. on Monday, 8 March 2021, for purpose of approving, among other things, (i) the Agreements and the transactions contemplated thereunder (including the proposed caps of transaction amount); (ii) the proposed appointment of Director and (iii) the proposed amendments to the Articles of Association
“Group”	the Company and its subsidiaries
“H Share(s)”	the foreign invested share(s) in the Company’s share capital, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee comprising three independent non-executive Directors, namely Mr. Xin Qingquan, Mr. Xu Yixiang and Mr. Wong Chunwa
“Independent Financial Adviser” or “Rainbow Capital”	Rainbow Capital (HK) Limited, a licensed corporation under the SFO, licensed to carry out Type 6 (advising on corporate finance) regulated activity, which was appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under the Agreements
“Independent Shareholder(s)”	Shareholders other than China Baowu and its associates
“Latest Practicable Date”	9 February 2021
“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

DEFINITIONS

“Rules of Procedures for General Meetings”	The Rules of Procedure for General Meetings of Chongqing Iron & Steel Company Limited
“Rules of Procedures for the Board”	The Rules of Procedure for the Board of Directors of Chongqing Iron & Steel Company Limited
“Rules of Procedures for the Supervisory Committee”	The Rules of Procedure for the Supervisory Committee of Chongqing Iron & Steel Company Limited
“Service and Supply Agreement” or the “Agreement”	the service and supply agreement dated 20 November 2020 entered into between the Company and China Baowu
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of shares of the Company
“Siyuanhe Industrial Development Fund”	Siyuanhe (Chongqing) Iron & Steel Industrial Development and Equity Investment Fund Partnership (Limited Partnership), a limited partnership incorporated under the laws of the PRC
“Siyuanhe Investment”	Siyuanhe Equity Investment Management Co., Ltd., a limited company incorporated under the laws of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategic Emerging Fund”	Chongqing Strategic Emerging Equity Investment Fund Partnership (Limited Partnership), a limited partnership incorporated under the laws of the PRC
“Supplemental Agreement”	the supplemental service and supply agreement dated 29 January 2021 entered into between the Company and China Baowu
“%”	percent

LETTER FROM THE BOARD

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)

Executive Directors:

Mr. Liu Jianrong
Mr. Tu De Ling
Mr. Zou An

Registered office:

No.2 Jiangnan Avenue
Jiangnan Street
Changshou District
Chongqing, the PRC
(Postal Code:401258)

Non-executive Directors:

Mr. Song De An
Mr. Zhou Ping

Independent Non-executive Directors:

Mr. Xin Qingquan
Mr. Xu Yixiang
Mr. Wong Chunwa

19 February 2021

To the Shareholders

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS –
SERVICE AND SUPPLY AGREEMENT AND THE SUPPLEMENTAL
AGREEMENT;
(2) PROPOSED APPOINTMENT OF DIRECTOR;
(3) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION;
AND
(4) NOTICE OF 2021 FIRST EXTRAORDINARY GENERAL MEETING**

I. INTRODUCTION

Reference is made to (1) the announcement of the Company dated 20 November 2020 in relation to the continuing connected transactions – Service and Supply Agreement; (2) the announcement of the Company dated 30 January 2021 in relation to the Supplemental Agreement; (3) the

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announcement of the Company dated 31 December 2020 in relation to the proposed appointment of Director and (4) the announcement of the Company dated 12 January 2021 regarding the proposed amendments to the Articles of Association.

The purpose of this circular is to provide you with the relevant information regarding (i) the Service and Supply Agreement and the Supplemental Agreement (including the caps of the transaction amount) and the transactions contemplated thereunder; (ii) the proposed appointment of Director; and (iii) the proposed amendments to the Articles of Association, and to give you notice of EGM at which resolution(s) will be proposed for the Shareholders to consider and, if thought fit, approve, the aforesaid matters.

II. CONTINUING CONNECTED TRANSACTIONS – SERVICE AND SUPPLY AGREEMENT AND THE SUPPLEMENTAL AGREEMENT

Background of the relationship between China Baowu and the Company

On 27 December 2019, the Company was informed by Siyuanhe Investment that Siyuanhe Investment and China Baowu signed a Letter of Intent, pursuant to which China Baowu intended to become the de facto controller of the Company as defined under the Company Law of the PRC. In June 2020, the Company was further informed that Siyuanhe Investment and China Baowu had been working closely on implementing works on the proposed transaction, and China Baowu was performing internal decision-making and approval procedures. Under such circumstances, the Board considered and approved the signing of the Service and Supply Agreement on 25 August 2020.

On 16 September 2020, Siyuanhe Industrial Development Fund, China Baowu and Desheng Group signed an equity transfer agreement in respect of the distribution in kind of the 75% equity interests in Changshou Iron & Steel. Before the above equity transfer, Siyuanhe Industrial Development Fund and Strategic Emerging Emerging Fund held 75% and 25% equity interest in Changshou Iron & Steel respectively, with Siyuanhe Investment being the general partner of Siyuanhe Industrial Development Fund and China Baowu and Desheng Group being the limited partners of the fund. Siyuanhe Investment was the indirect controller of Changshou Iron & Steel. Upon the completion of the change in equity interests, China Baowu and Strategic Emerging Fund, which is China Baowu's party acting in concert, would become the indirect substantial shareholder of the Company through controlling 65% of the voting power at the general meetings of Changshou Iron & Steel. In late October 2020, the State Administration of Market Regulation completed the examination under the Anti-monopoly Law of the PRC, meaning that China Baowu was approved to acquire the interest in Changshou Iron & Steel.

LETTER FROM THE BOARD

On 2 December 2020, Changshou Iron & Steel formally completed the change of industrial and commercial registration, such that China Baowu legally became the de facto controller of the Company as defined under the Company Law of the PRC, and an indirect substantial shareholder of the Company under the Listing Rules.

Service and Supply Agreement and Supplemental Agreement

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. On 29 January 2021, the Company entered into the Supplemental Agreement with China Baowu, whereby the cap of transaction amount in relation to the sale of product by the Group to China Baowu Group was adjusted, and it was agreed that the item “pig iron” shall be added to the products sold by the Group to China Baowu Group.

The principal terms of the Agreements are set out below:

Date of the Service and Supply Agreement:

20 November 2020

Date of the Supplemental Agreement:

29 January 2021

Parties:

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

Term

16 September 2020 to 31 March 2021

Subject Matter

- (i) China Baowu agreed (by itself and/or China Baowu Group) to provide the Group the products and services as follows:
 - (a) raw materials such as iron ore, coal, scrap steel, etc.;

LETTER FROM THE BOARD

- (b) production materials such as chemical materials, equipment and spare parts, etc.;
 - (c) road transportation and technical services (including construction, software development, labour services and environmental sanitation and greening, etc.); and
 - (d) lease of factory premises.
- (ii) 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, pig iron, etc.

Condition Precedent

The Agreements conditional upon the passing of the resolution(s) approving the Agreements and the transactions contemplated thereunder (including the caps of the transaction amounts) by the Independent Shareholders at the EGM to be convened, and China Baowu becoming the de facto controller of the Company as defined under the Company Law of the PRC.

Price

The terms of the Agreements were entered into with negotiation on an arm's length basis and on normal commercial terms. The pricing or consideration of the Agreements will be determined with reference to the following:

The price shall be based on the state-prescribed price. In the absence of the state-prescribed price, the price shall be based on the market price, which shall be determined with negotiation on an arm's length between the parties, on normal commercial terms and with reference to the comparable transaction market price.

Meanwhile, the price regarding the products sold by the Group to China Baowu Group shall not be lower than the price of the same type of products sold by the Group to independent third parties. The price regarding the products and services to be sold or provided by China Baowu Group to the Group shall not be higher than the price of the same type of products and services purchased or received by the Group from independent third parties.

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In accordance with the prevailing pricing standards, the basis of price for each of the transactions under the Agreements are as follows:

Type	Pricing principle	Items
Products sold by China Baowu Group to the Group	Market pricing	Raw materials such as iron ore, coal, scrap steel etc. Production materials such as chemical materials, equipment and spare parts etc.
Services provided by China Baowu Group to the Group	Market pricing	Road transportation and technical services (including construction, software development and labour services etc.)
Factory premises leased by China Baowu Group to the Group	Market pricing	
Products sold by the Group to China Baowu Group	State-prescribed pricing (the price is determined by the Development and Reform Commission of Changshou District, Chongqing City by public notice from time to time (please refer to fzggw.cq.gov.cn for details); the current price of water was published in 2016 and the current price of electricity and natural gas was published in 2020)	Water, electricity, natural gas etc.
	Market pricing	Steel billets, steel products, pig iron etc.

Payment

The price for the provision of services or materials may be settled by one-off payment or installments. The time of payment shall be determined by the parties based on the nature of the services or materials and the usual business practice of the provision of the services or materials.

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Proposed caps of transaction amount for the continuing connected transactions under the Agreements

The proposed caps of transaction amount (tax exclusive) in respect of the products and services sold or provided to the Group by China Baowu Group under the Agreements for the period from 16 September 2020 to 31 March 2021 are shown in the table below:

	<i>RMB0'000</i>
1. Raw materials such as iron ore, coal, scrap steel, etc.	581,608
2. Production materials such as chemical materials, equipment and spare parts, etc.	31,441
3. Road transportation and technical services (including construction, software development, labour services and environmental sanitation and greening, etc.)	107,813
4. lease of factory premises	<u>300</u>
Total:	<u><u>721,162</u></u>

As adjusted by the Supplemental Agreement, the proposed caps of transaction amount (tax exclusive) in respect of the products sold to China Baowu Group by the Group from 16 September 2020 to 31 March 2021 are shown in the table below:

	<i>RMB0'000</i>
1. Production materials such as water, electricity, natural gas, steel billets, steel products and pig iron, etc.	253,710

The proposed caps of transaction amount are determined by reference to:

- (i) the recent market prices or state-prescribed prices applicable to the relevant materials and/or services;
- (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 the Group's anticipated demand for China Baowu Group's products and services to meet its production plans; and

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- (iv) China Baowu Group's anticipated demand for the products from the Group and anticipated capacity in providing products and services to the Group.

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

RMB0'000

	For the year ended 31 December 2018	For the year ended 31 December 2019	For the six months ended 30 June 2020
Raw materials such as iron ore, coal, etc	109,395	225,359	96,845
Production materials such as chemical materials, spare parts, etc.	1,391	1,755	1,607
Road transportation and technical services (including construction, software development, labour services etc.)	3,735	7,326	3,894
Lease of factory premises	18,439	18,860	9,622
Total:	132,960	253,300	111,968

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

	For the year ended 31 December 2018	For the year ended 31 December 2019	For the six months ended 30 June 2020
Production materials such as water, electricity, natural gas, steel billets and steel products, etc.	99,019	126,740	47,388

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The difference between the proposed caps of transaction amount and the historical transaction amount is mainly due to the following reasons:

Purchase of raw materials from China Baowu Group

Among the cap for raw materials such as iron ore, coal, scrap steel, etc., the transaction amount of iron ore is expected to account for more than 70% of the cap. On the one hand, the price of iron ore is determined with reference to the Platts Iron Ore Index, which is expected to increase from 2019 to 2021. The Platts Iron Ore Index is a price evaluation for fine ore and is a market-recognized index for the pricing of iron ore in the industry. The index is published by S&P Global Platts (please refer to: <https://www.spglobal.com/platts/en/our-methodology/price-assessments/metals/iindex-iron-ore-metals-price-assessment>). Under the Platts Iron Ore Index, the average price for 62% Fe index was approximately US\$91.83 per tonne and that for 65% Fe index was approximately US\$104.47 per tonne in the year of 2019. The average price of these two price indexes was approximately US\$98.15 per tonne. While in 2016, the average price of the two price indexes was approximately US\$61.84 per tonne, showing a compound annual growth rate of approximately 16.6% from 2016 to 2019. In light of the increasing trend in the price of iron ore, the estimated purchase price in late 2020 shows a similar growth rate compared with the average price in 2019. On the other hand, the quantity to be purchased is expected to increase from approximately 2 million tonnes for the year of 2019 to approximately 5.43 million tonnes for the 5 to 6 months ending 31 March 2021. This is because the Company has renovated four of its blast furnaces in 2020 which will be brought into full operation from 2021 onwards. Having considered the enhanced production capacity due to the renovated blast furnaces, more iron ore will be purchased accordingly for the full utilization of the blast furnaces in order to meet its production plan.

Further, there will be new connected transactions for the purchase of scrap steel because the Company will cooperate with a new supplier Ouye Lianjin Renewable Resources Co., Ltd., which is an indirect subsidiary of China Baowu, to achieve synergy effect within the China Baowu Group. Before cooperating with China Baowu Group, the Company purchased scrap steel from independent third parties and the transaction amount for the year of 2019 was approximately RMB2.26 billion. It is expected that new transaction amount of approximately RMB826 million will be generated up to 31 March 2021 for the purchase of scrap steel from China Baowu Group after considering the quantity of scrap steel required for the Group's production and the amount which may be supplied by Ouye Lianjin Renewable Resources Co., Ltd. during this period.

As to the purchase of coal, to meet the Company's production plan, the quantity of coal to be purchased is expected to increase from approximately 0.55 million tonnes for the year of 2019 to 0.65 million tonnes for the 5 to 6 months ending 31 March 2021. The price of coal is also expected to increase by approximately 7% compared with that in 2019.

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Purchase of production materials from China Baowu Group

The significant increase in the cap of transaction amount for production materials is mainly attributed to the expected increase in the transaction amount of equipment and spare parts. It is expected that the transaction amount of approximately RMB100 million will be newly incurred for the purchase of equipment, and the transaction amount for the purchase of spare parts will be increased from approximately RMB 6 million for the year of 2019 to approximately RMB210 million for the 5 to 6 months ending 31 March 2021, after taking into account of the contracts already signed and the procurement plans in late 2020 and early 2021. The reason of the expected increase is that after entering the group of China Baowu in 2020, the Company is required to upgrade its production model. Significant amount of equipment and spare parts is required for the relevant technical renovation projects.

Acceptance of services from China Baowu Group

The significant increase in the cap of transaction amount for road transportation and technical services is mainly attributed to the expected increase in the transaction amount of construction service and software development service. It is expected that the transaction amount of construction service will be increased from approximately RMB29 million for the year of 2019 to approximately RMB780 million for the 5 to 6 months ending 31 March 2021, taking into account the upgrading and development projects and fixed assets investment projects required to achieve its production plan. Meanwhile, it is expected that the transaction amount of software development service will increase from approximately RMB8.6 million to RMB220 million because after entering the China Baowu Group in 2020, the Company is required to upgrade its production model and promote smart production. While for road transportation service, the expected transaction amount is expected to remain stable, from RMB0.58 million for the first six months of 2020 to RMB0.6 million for the 5 to 6 months ending 31 March 2021.

Lease of factory premises from China Baowu Group

The cap of transaction amount for factory premise of China Baowu Group is expected to significantly decline compared with the historical figures for previous years because the lease of certain machinery and equipment from Changshou Iron & Steel amounting to approximately RMB215 million included in the historical figures is covered by a separate lease agreement instead of the Supply and Service Agreement (details of such separate lease agreement have been disclosed in the circular of the Company dated 14 December 2020 and Independent Shareholders' approval have been obtained on 30 December 2020). Considering the historical transaction amounts under another previous lease agreement entered into between the Company and China Baowu Group in 2019 and the future demand for such services, the transaction amount is expected to be under RMB3 million for the 5 to 6 months ending 31 March 2021.

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Sale of production materials to China Baowu Group

The cap of transaction amount in the sum of approximately RMB2,537 million for the 5 to 6 months ending 31 March 2021 shows a remarkable increase compared with approximately RMB474 million for the first six months of 2020 and approximately 1,267 million for the whole year of 2019. Among the cap for the sale of production materials, the transaction amount of steel billet and steel products is expected to account for nearly 90% of the cap. The cap of transaction amount of steel billets and steel products is determined after considering the expected steady price for such products and the expected sale amount based on the actual transaction amount in 2020 and the projected sale amount. As shown in the Supplemental Agreement, the cap of transaction amount has increased by approximately RMB1,570 million compared with the original cap stated in the Service and Supply Agreement, among which RMB1,250 million is attributable to the estimated sale of steel billets and steel products, RMB20 million is attributable to the estimated sale of water, electricity and natural gas, and RMB300 million is attributable to the estimated sale of pig iron. As per the latest communication between China Baowu and the Company, the Company was given to understand that China Baowu Group is enhancing its production capacity and production scale, and therefore the demand of China Baowu Group for the Group's production materials is expected to increase significantly. Meanwhile, as the Company is undergoing upgrading and renovation projects for certain steel rolling facilities which limit its steel rolling capacity recently, the Company agreed to sell steel rolling materials (including pig iron originally acquired for its own steel rolling purpose which has not been sold to China Baowu Group before, which accounts for approximately 5% of the production volume) to China Baowu Group for better utilization of the Group's resources.

From 16 September 2020 to the end of November 2020, the transaction amount incurred between the Company and China Baowu Group amounted to approximately RMB2.3 billion (including those incurred based on existing agreements entered into between the Company and China Baowu Group prior to 16 September 2020 which were not of fixed terms), and one or more of the relevant percentage ratios as defined under Rule 14.07 of the Listing Rules have exceeded 5% before obtaining Independent Shareholders' approval at the EGM. Such non-compliance was because the subject transactions are essential to the Group's normal production and operation such that suspension of the transactions would not be in the interest of the Company. The Company intends to rectify such transactions by seeking the Independent Shareholders' approval at the EGM. The Company will further strengthen its internal control including (i) having the secretary office to the Board to timely report potential connected persons to the CCT Management Committee and (ii) requiring the operation departments of the Company to gather information for the existing transactions with potential connected persons and report them to the CCT Management Committee on quarterly basis, so as to identify possible connected persons and make advance planning for possible connected transactions. The management and the CCT Management Committee of the Company will use its best endeavours to prevent such reoccurrence.

LETTER FROM THE BOARD

Reasons for entering into the Agreements

The Directors believe that by entering into the Agreements with China Baowu Group, 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 Agreements 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 Agreements (including the caps of transaction amount) 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.

Board approval

To the best of the Directors' information, knowledge and belief, and after making all reasonable enquiries, other than Mr. Zhang Jingang (already resigned), who has position in or connected with China Baowu Group and has abstained from voting on the relevant Board's resolutions for the approval of the Service and Supply Agreement (including the caps of transaction amount) and the transactions contemplated thereunder, none of the Directors has interests in the transactions contemplated under the Agreements.

Internal Control

The Company has set up the CCT Management Committee which directly reports to the Board. The CCT Management Committee, comprising personnel from various operational departments, was chaired by a Director and is responsible for the on-going monitoring of all connected transactions of the Company. The main responsibilities of the CCT Management Committee include, among other things, (i) matters involving approval and monitoring of the continuing connected transactions and the proposed annual caps; (ii) gathering information for disclosure of the continuing connected transactions pursuant to the Listing Rules; and (iii) monitoring of pricing procedures for the continuing connected transactions to ensure prices to be determined are on normal commercial

LETTER FROM THE BOARD

terms. The finance department of the Company reported on quarterly basis to the CCT Management Committee regarding the actual monetary amount of the continuing connected transactions conducted during the quarter and the estimated amount in the following quarter so as to facilitate the CCT Management Committee to (i) monitor the actual amount of the continuing connected transactions carried out; and (ii) assess whether the proposed annual caps were exceeded. The secretary office to the Board also report on quarterly basis to the CCT Management Committee regarding the carrying out of the continuing connected transactions and the CCT Management Committee then report to the Board on quarterly basis.

The finance department of the Company will carry out the pricing management. The finance department will lead the relevant managing department of each profession to conduct research on market prices for the continuing connected transactions involving provision of products and services by China Baowu Group to the Group. Open market prices will be obtained through quotations from independent third party service providers, including recent transaction prices of the Group with independent third parties, enquiry with industry players, researches on industry websites, and attending events and gatherings organised by industrial associations. The Company will procure to obtain at least 2 quotations from independent third party service providers. The market price information will be circulated by the finance department to other departments and companies of the Group to facilitate the determination of prices for the continuing connected transactions.

For the continuing connected transactions involving provision of products and services by China Baowu Group to the Group, it is the Group's policy to request service providers, including China Baowu Group and other independent service providers, to provide quotations in respect of the requested services and products. Following the receipt of quotations from China Baowu Group and other independent service providers, the Group will compare and negotiate the terms of quotations with service providers, and determine the selection of service providers by taking into account factors such as price quotations, quality of the products and services, ability of the service providers in meeting technical specifications and delivery schedules, and qualification and relevant experiences of the service providers. The contract will be awarded to the service provider who offers the best commercial terms and technical terms to the Company. Other than obtaining of quotations, the Group may award a contract through a tender process, and there should be no less than three tenderers participating the tender process. The contract will be awarded to the service provider after assessment based on the criteria as set out above. The Company will try to obtain as many quotations and/or tenders as possible for the Company's interest. Accordingly, China Baowu Group may or may not be awarded the contracts.

For the continuing connected transactions involving provision of products by the Group to China Baowu Group, as mentioned above, the price shall be determined based on state-prescribed price or market price (as appropriate), which shall not be lower than the price of the same type of products provided by the Group to independent third parties with reference to the market price information gathered by (i) internal data base maintained by the operation departments of the Company based

LETTER FROM THE BOARD

on the recent invoices issued to independent third parties and (ii) leading websites providing information regarding iron and steel such as www.mysteel.com and www.steelhome.cn.

When any member of the Group is entering into major sub-contracts pursuant to the Agreements, the above pricing management procedures shall be followed in order to determine the price in those contracts.

Listing Rules Implications

As at the Latest Practicable Date, 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 has the control of 65% equity interest in Changshou Iron & Steel by the acting in concert agreement with Strategic Emerging Fund. China Baowu is the indirect controlling shareholder of Changshou Iron & Steel and is accordingly an indirect substantial shareholder of the Company, i.e., a connected person under Chapter 14A of the Listing Rules. Besides, the effectiveness of the Service and Supply Agreement is subject to (inter alia) China Baowu becoming the de facto controller of the Company. Therefore, the transactions under the Agreements 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 Agreements is more than 5%, the transactions contemplated under the Agreements 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.

The Independent Board Committee will advise the Independent Shareholders in respect of the relevant terms of the Agreements. The Independent Financial Adviser has also been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

III. PROPOSED APPOINTMENT OF DIRECTOR

On 30 December 2020, the Company convened the thirty-first meeting of the eighth session of the Board, at which the Resolution in Relation to the Election of Mr. Zhang Wenxue as a Director of the Company was considered and passed, pursuant to which Mr. Zhang Wenxue has been nominated as a Director of the eighth session of the Board of the Company and his term of office will be the same as that of the eighth session of the Board, that is, from the date of his election at the general meeting of the Company to the date of convening of the 2020 annual general meeting of the Company.

The biographical details of the aforesaid candidate for Director are set out in Appendix II to this circular.

LETTER FROM THE BOARD

IV. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

On 11 January 2021, the Company held the thirty-second meeting of the eighth session of the Board, at which the Resolution on the Amendments to the Articles of Association and its appendices was considered and approved.

In order to improve the efficiency of the internal governance of the Company, and in consideration of the actual situation, amendments are made by the Company to certain articles in the Articles of Association and its appendices, the Rules of Procedures for General Meetings, the Rules of Procedures for the Board, and the Rules of Procedures for the Supervisory Committee. The amended Articles of Association and its appendices have complied with the relevant laws and administrative regulations applicable to A share and H share listed companies.

Details of proposed amendments to the Articles of Association are set out in appendix III of this circular.

V. EGM

The EGM will be held at 2:30 p.m. on Monday, 8 March 2021 at the Chongqing Iron & Steel Conference Centre, No. 2 Jiangnan Avenue, Jiangnan Street, Changzhou District, Changshou District, Chongqing, the PRC, at which relevant resolutions will be proposed to approve, among others, (i) the Agreements; (ii) the proposed appointment of Director and (iii) the proposed amendments to the Articles of Association. Notice of the EGM is set out on page 51 to 52 of this circular.

Changshou Iron & Steel, holding 2,096,981,600 shares (approximately 23.51% of the issued share capital) of the Company and being an associate of China Baowu, will be required to abstain from voting at the EGM with respect to the ordinary resolution in connection with the Agreements. Save as aforesaid, no other shareholder of the Company has a material interest in the transactions under the Agreements and is required to abstain from voting at the EGM.

The proxy form for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so desire.

LETTER FROM THE BOARD

VI. RECOMMENDATION

The Board considers that (i) the transactions under the Agreements; and (ii) the proposed appointment of Director and (iii) the proposed amendments to the Articles of Association are in the best interests of the Company and its Shareholders as a whole. Accordingly, the Board recommends that the Shareholders vote in favour of the relevant resolutions to be proposed at the EGM.

VII. ADDITIONAL INFORMATION

Additional information is also set out in the appendices of this circular for your information.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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)

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS – SERVICE AND SUPPLY AGREEMENT AND THE SUPPLEMENTAL AGREEMENT

We refer to the circular dated 19 February 2021 issued by the Company of which this letter forms a part. Capitalised terms used herein shall have the same meaning as those defined in the circular unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders on whether the entering into by the Company of the Agreements, their terms and transaction contemplated thereunder are fair and reasonable and in the interests of the Company and Shareholders as a whole. Rainbow Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

RECOMMENDATION

Having taken into account the advice of Rainbow Capital, we are of the opinion that (i) the transactions under the Agreements are entered into in the ordinary course of business of the Group; (ii) the terms of the Agreements are normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole; and (iii) the caps of transaction amount contemplated under the Agreements for the period ended 31 March 2021 are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to approve the Agreements and the transactions contemplated thereunder at the EGM.

Yours faithfully,

Independent Board Committee

Independent Non-executive Directors

Xu Yixiang, Xin Qingquan, Wong Chun Wa

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Rainbow Capital to the Independent Board Committee and the Independent Shareholders in respect of the Agreements which has been prepared for the purpose of inclusion in this circular.

RAINBOW CAPITAL (HK) LIMITED

19 February 2021

To the Independent Board Committee and the Independent Shareholders

Chongqing Iron & Steel Company Limited
No. 2 Jiangnan Avenue,
Jiangnan Street,
Changshou District
Chongqing, the PRC

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of (i) the terms of continuing connected transactions (the “**Transactions**”) between the Group and China Baowu Group pursuant to the Agreements; and (ii) the proposed caps (the “**Proposed Caps**”) for the Transactions for the period from 16 September 2020 to 31 March 2021, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 19 February 2021 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 20 November 2020, the Company and China Baowu entered into the Service and Supply Agreement, pursuant to which the Group agreed to sell products to China Baowu Group and China Baowu Group agreed to sell products, provide services and lease factory premises to the Group for the period from 16 September 2020 to 31 March 2021. On 29 January 2021, the Company entered into the Supplemental Agreement with China Baowu, whereby the proposed cap in relation to the sale of products by the Group to China Baowu Group was revised.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, Changshou Iron & Steel was interested in approximately 23.51% of the issued share capital of the Company and is therefore the substantial shareholder of the Company. As China Baowu is the indirect controlling shareholder of Changshou Iron & Steel, it is an indirect substantial shareholder of the Company and therefore a connected person of the Company. Given the effectiveness of the Service and Supply Agreement is subject to (inter alia) China Baowu becoming the de facto controller of the Company, the Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio for the Proposed Caps is more than 5%, the Transactions constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules, which are subject to the reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules. Changshou Iron & Steel and its associates will abstain from voting on the resolution approving the Transactions (including the Proposed Caps) at the EGM.

The Independent Board Committee, comprising all the three independent non-executive Directors, namely Mr. Xin Qingquan, Mr. Xu Yixiang and Mr. Wong Chunwa, has been formed to advise the Independent Shareholders on whether (i) the Transactions are in the Group's ordinary and usual course of business; (ii) the terms of the Agreements are on normal commercial terms which are fair and reasonable; (iii) the entering into of the Agreements is in the interests of the Company and the Shareholders as a whole; and (iv) the Proposed Caps are fair and reasonable. We, Rainbow Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

As at the Latest Practicable Date, we did not have any relationships or interests with the Group and China Baowu that could reasonably be regarded as relevant to our independence. We have acted as the independent financial adviser to the independent board committee and the independent shareholders of the Company in relation to (i) the establishment of partnership for acquisition of Chongqing Iron & Steel Company (Group) Limited through capital contribution, details of which are set out in the circular of the Company dated 27 May 2020; and (ii) the major and connected transaction in relation to the lease agreement entered with Changshou Iron & Steel in relation to certain production facilities, details of which are set out in the circular of the Company dated 14 December 2020. Other than that, there was no engagement or connection between the Group or China Baowu and us in the last two years. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received any fees or benefits from the Group or any other party to the Agreements. Accordingly, we are qualified to give independent advice in respect of the Transactions (including the Proposed Caps).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the Circular.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group, China Baowu Group or any of their respective substantial shareholders, subsidiaries or associates.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the terms of the Agreements (including the Proposed Caps) are fair and reasonable, we have taken into account the principal factors and reasons set out below:

1. Background to and reasons for the Transactions

The Company was established in 1997 and its Shares have been listed on the Main Board of the Stock Exchange since 1997 and on the Shanghai Stock Exchange since 2007. The Group is principally engaged in the production, processing and sale of steel products including steel plates, steel sections, wire rods, bar materials, billets and thin plates as well as production and sale of coking and coal chemical products, pig iron and grain slag, steel slag and steel scrap. The Company has a production capacity of approximately 8.4 million tonnes of steel per year. The Group's products are applied in various industries such as machinery, architecture, engineering, automobile, motorbike, shipbuilding, offshore oil, gas cylinder, boiler and oil and gas pipelines.

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 authorised by the State Council, as well as carrying out relevant state-owned capital investment and operation. China Baowu has been maintaining a leading position in the iron and steel manufacturing industry, with total assets of approximately RMB862.2 billion as at 31 December 2019, revenue of approximately RMB552.2 billion and net profit of approximately RMB29.6 billion for the year ended 31 December 2019.

As set out in the Letter from the Board, the production stability and continuity of the Group can be maintained through the entering into of the Agreements. As advised by the Directors, on one hand, as a leading iron and steel manufacturer, China Baowu Group is specialised in providing the products and services under the Agreements. We concur with the Directors that the procurement from China Baowu Group is in line with the Group's strategy to strengthen its procurement system by cooperating with high-quality suppliers as disclosed in the annual report of the Company for the year ended 31 December 2019. On the other hand, the Company considers China Baowu Group is a reliable partner with high credit standing. We consider that the entering into of the Agreements is consistent with the business and commercial objectives of the Group as the sales of products by the Group to China Baowu Group can enhance the business opportunities of the Group and broaden the revenue base of the Group.

Based on the above, we consider that the Transactions are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Principal terms of the Agreements

The Service and Supply Agreement and the Supplemental Agreement were entered into on 20 November 2020 and 29 January 2021, respectively, between the Company and China Baowu. Details of the terms of the Agreements are set out in the Letter from the Board, which are summarised as follows:

- Term : From 16 September 2020 to 31 March 2021
- Subject matter : (i) China Baowu agreed (by itself and/or China Baowu Group) to provide the Group the products and services as follows:
- (a) raw materials such as iron ore, coal, scrap steel, etc.;
 - (b) production materials such as chemical materials, equipment, and spare parts, etc.;
 - (c) road transportation and technical services (including construction, software development, labour services and environmental sanitation and greening, etc.); and
 - (d) lease of factory premises.
- (ii) 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, pig iron etc.
- Pricing basis : The price shall be based on the state-prescribed price. In the absence of the state-prescribed price, the price shall be based on the market price, which shall be determined with negotiation on an arm's length between the parties, on normal commercial terms and with reference to the comparable transaction market price.

The price regarding the products sold by the Group to China Baowu Group shall not be lower than the price of the same type of products sold by the Group to independent third parties. The price regarding the products and services to be sold or provided by China Baowu Group to the Group shall not be higher than the price of the same type of products and services purchased or received by the Group from independent third parties.

In accordance with the prevailing pricing standards, the basis of price for each of the transactions under the Agreements are as follows:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Type	Pricing principle
Products sold by China Baowu Group to the Group	Market pricing
Services provided by China Baowu Group to the Group	Market pricing
Factory premises leased by China Baowu Group to the Group	Market pricing
Products sold by the Group to China Baowu Group	<p>(i) State-prescribed pricing for water, electricity, natural gas, etc. The state-prescribed price is determined by the Development and Reform Commission of Changshou District, Chongqing City by public notice from time to time. The current price of water was published in 2016 and the current price of electricity and natural gas was published in 2020; and</p> <p>(ii) Market pricing for steel billets, steel products, pig iron etc.</p>
Payment terms	: The price for the provision of services or materials may be settled by one-off payment or installments. The time of payment shall be determined by the parties based on the nature of the services or materials and the usual business practice of the provision of the services or materials.
Conditions precedent	: The Agreements are conditional upon the passing of the resolution(s) approving the Agreements and the Transactions (including the Proposed Caps) by the Independent Shareholders at the EGM, and China Baowu becoming the de facto controller of the Company as defined under the Company Law of the PRC.

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As stated in the Letter from the Board, the Company will sell pig iron to China Baowu Group for better utilization of the Group's resources, but pig iron is not the major product provided by the Group to China Baowu Group. As advised by the management of the Group, the materials and services provided by China Baowu Group to the Group mainly include iron ore, coal, scrap steel and construction services whereas the products provided by the Group to China Baowu Group mainly include steel products.

In respect of procurement of iron ore, coal and scrap steel

In respect of historical procurement of iron ore, coal and scrap steel by the Group from China Baowu Group, we have obtained historical contract lists provided by the management of the Group, based on which we have identified the largest 20 transactions for each of the procurement of iron ore, coal and scrap steel for each of the year ended 31 December 2019 ("FY2019") and six months ended 30 June 2020 ("2020H1"), respectively (the "Top Transactions"). Set out below are the details of the Top Transactions we identified:

	Iron ore		Coal		Scrap steel	
	FY2019	2020H1	FY2019	2020H1	FY2019	2020H1
Number of Top Transactions entered into with China Baowu Group	12	6	3	3	0	5
Number of Top Transactions entered into with independent third parties	8	14	17	17	20	15
Total	20	20	20	20	20	20

From the Top Transactions, we have obtained and reviewed (i) four and three sample contracts for procurement of iron ore, coal or scrap steel from China Baowu Group in FY2019 and 2020H1, respectively; and (ii) four and three sample contracts for procurement of iron ore, coal or scrap steel from independent third parties in FY2019 and 2020H1, respectively, details of which are set out below:

	Iron ore		Coal		Scrap steel		Total	
	FY2019	2020H1	FY2019	2020H1	FY2019	2020H1	FY2019	2020H1
Sample contracts entered into with China Baowu Group	2	1	2	1	0	1	4	3
Sample contracts entered into with independent third parties	2	1	2	1	0	1	4	3

Sample contracts we selected above are generally for the procurement from China Baowu Group and independent third parties in the same or adjacent months of FY2019 and 2020H1.

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Taking into account that (i) the sample contracts above have covered all major materials; (ii) the same number of sample contracts entered into with independent third parties for similar materials was selected in the same or adjacent months of FY2019 and 2020H1 for comparison with those with China Baowu Group; (iii) all sample contracts above were selected from the Top Transactions in each of FY2019 and 2020H1 with relatively large contract values; and (iv) a total of 8 and 6 sample contracts were selected and reviewed in each of FY2019 and 2020H1, respectively, we are of the view that the number and size of sample contracts are sufficient and representative to provide a general reference to the major terms of historical contracts entered into between the Group and each of China Baowu Group and independent third parties for procurement of iron ore, coal and scrap steel.

In reviewing the sample contracts we selected above, we noted that the prices for similar materials and other terms of the sample contracts between the Group and China Baowu Group were generally no less favourable to the Group than those between the Group and independent third parties.

In respect of procurement of construction services

In respect of historical procurement of construction services of the Group, we have obtained historical supplier list provided by the management of the Group, based on which we noted that the Group engaged one and three suppliers from China Baowu Group in FY2019 and 2020H1, respectively (the “**Connected Suppliers**”).

In FY2019 and 2020H1, for comparison purpose, we have obtained and reviewed (i) two and six sample contracts entered into between the Group and the Connected Suppliers (i.e. two sample contracts from each of Connected Suppliers); and (ii) two and six sample contracts entered into between the Group and independent third parties for procurement of construction services, respectively.

Sample contracts we selected above are generally for the construction projects conducted by China Baowu Group and independent third parties in the same or overlapping periods of FY2019 and 2020H1.

In reviewing the sample contracts we selected above, we noted that terms of the sample contracts between the Group and China Baowu Group were generally no less favourable to the Group than those between the Group and independent third parties.

In respect of sales of steel products

In respect of historical sales of steel products of the Group, we have obtained historical contract list provided by the management of the Group, based on which we have identified the steel products of

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the Group which were sold to both China Baowu Group and independent third parties in FY2019 and 2020H1 (the “**Common Steel Products**”). Based on the historical contract list above, we have calculated the average selling prices of the Common Steel Products for FY2019 and 2020H1, and noted that the average selling prices of the Common Steel Products sold to China Baowu Group are slightly above those sold to independent third parties in FY2019 and 2020H1.

From the historical contract list, we have obtained and reviewed (i) four and two sample contracts for sales of the Common Steel Products to China Baowu Group in FY2019 and 2020H1; and (ii) four and two sample contracts for sales of the Common Steel Products to independent third parties in FY2019 and 2020H1, respectively.

Sample contracts we selected above are generally for the sales to China Baowu Group and independent third parties in the same or adjacent months of FY2019 and 2020H1.

In reviewing the historical contract list and the sample contracts we selected above, we noted that (i) the selling prices stated in the sample contracts are the same as those stated in the historical contract list; (ii) the average selling prices of the Common Steel Products sold to China Baowu Group are slightly above those sold to independent third parties in FY2019 and 2020H1; and (iii) the selling prices and other terms of the sample contracts between the Group and China Baowu Group were generally no less favourable to the Group than those between the Group and independent third parties.

Conclusion

To sum up, as illustrated above, we have obtained and reviewed sample contracts entered into between the Group and China Baowu Group (the “**China Baowu Contracts**”) and samples contracts entered into between the Group and independent third parties (the “**Independent Contracts**”) for procurement of major materials and services as well as sales of products under the Agreements.

Given the pricing policy and the internal control procedures for the transactions contemplated under the China Baowu Contracts are the same as those applicable to the Agreements, we consider that our review and comparison of the historical transactions under the China Baowu Contracts and the Independent Contracts could assist us in evaluating the fairness and reasonableness of the terms of the Agreements. When comparing the China Baowu Contracts with the Independent Contracts, we noted that the prices for similar materials, products or services and other terms of the China Baowu Contracts were generally no less favourable to the Group than those under the Independent Contracts.

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As disclosed in the Letter from the Board, in relation to the provision of materials and services by China Baowu Group to the Group, the finance department of the Company will carry out the pricing management and will lead the relevant managing department of each profession to conduct research on market prices for the continuing connected transactions involving provision of products and services by China Baowu Group to the Group. Open market prices will be obtained through quotations from independent third party service providers, including recent transaction prices of the Group with independent third parties, enquiry with industry players, researches on industry websites, and attending events and gatherings organised by industrial associations. The Company will procure to obtain at least two quotations from independent third party service providers.

For the provision of products by the Group to China Baowu Group, as disclosed in the Letter from the Board, the price shall be determined based on state-prescribed price or market price (as appropriate), which shall not be lower than the price of the same type of products provided by the Group to independent third parties. The selling prices of the Group's product shall be determined with reference to the market price information gathered by (i) internal database maintained by the operation departments of the Company based on the recent invoices issued to independent third parties; and (ii) industry websites providing information regarding iron and steel such as www.mysteel.com and www.steelhome.cn (the "**Relevant Websites**"). When any member of the Group is entering into major sub-contracts pursuant to the Agreements, the above pricing management procedures shall be followed in order to determine the price in those contracts.

In assessing whether the above internal control procedures are put in place, we have randomly selected four and two transactions in respect of procurement of materials or services by the Group from China Baowu Group in FY2019 and 2020H1, respectively, and reviewed the corresponding fee quotations obtained by the Company from independent third parties for similar materials or services. We noted that the Group had made public enquiry with similar good and/or service providers in the market which are independent third parties, as to the prices or fees of the products and services, and the pricings obtained from China Baowu Group were similar to, or better than, those obtained from independent third party suppliers. For the provision of products by the Group to China Baowu Group, we have reviewed (i) the Group's internal database on the selling prices of the products sold to independent third parties which will be updated on a daily basis and the Relevant Websites; (ii) four and two sample contracts (the "**Sample Contracts**") entered into with China Baowu Group in FY2019 and 2020H1, respectively, which stated that the final settlement prices should be determined with reference to the market prices gathered by the Company; and (iii) the sales invoices in relation to the Sample Contracts, the final settlement prices stated in which were generally no less favourable to the Group than those in the internal database or the Relevant Websites. Meanwhile, as stated above, the average selling prices of the Common Steel Products sold to China Baowu Group are slightly above those sold to independent third parties in FY2019 and 2020H1. Based on the above, we consider that the above internal control procedures have been strictly followed by the Group and are adequate and effective in ensuring that the pricing policy will be adhered from time to time and each transaction under the Agreements will be on normal commercial terms or better.

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On the above bases, we consider that the terms of the Agreements are on normal commercial terms which are fair and reasonable.

3. The Proposed Caps

The Proposed Caps for the Transactions for the period from 16 September 2020 to 31 March 2021 are set out below:

RMB0'000

Procurement of products and services from China Baowu Group

(i) Materials

- | | |
|--|---------|
| • Raw materials such as iron ore, coal, scrap steel, etc. | 581,608 |
| • Production materials such as chemical materials, equipment and spare parts, etc. | 31,441 |

(ii) Services

- | | |
|--|---------|
| • Road transportation and technical services (including construction, software development, labour services and environmental sanitation and greening, etc.) | 107,813 |
|--|---------|

(iii) Lease of factory premises

300

Total

721,162

Supply of products to China Baowu Group

Production materials such as water, electricity, natural gas, steel billets, steel products, coking by-products and pig iron, etc.

253,710

(i) Procurement of products and services from China Baowu Group

As set out in the Letter from the Board, the proposed caps for the procurement of products and services from China Baowu Group under the Agreements were determined by reference to, among other things, (a) the recent market prices applicable to the relevant materials and/or services; (b) the historical transaction amounts 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; (c) the Group's anticipated demand for China Baowu Group's products and services to meet its production plans; and (d) China Baowu Group's anticipated capacity in providing products and services to the Group.

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In assessing the fairness and reasonableness of the above proposed caps, we have reviewed (a) the working schedule for setting the proposed caps with reference to the Group's latest production plan; (b) the production plan of the Group as disclosed in the interim report of the Company for the six months ended 30 June 2020 (the "2020 Interim Report"); (c) the lease agreement for factory premises entered into between the Group and China Baowu Group in 2019 (the "Previous Lease Agreement"); (d) the estimated prices of relevant products or services adopted by the Company in the working schedule for setting the proposed caps; (e) the historical average purchase prices of the Group for similar products or services in the domestic market during 2020; and (f) the Platts Iron Ore Index.

As disclosed in the 2020 Interim Report, the Group achieved a cumulative iron output of 2.86 million tonnes and a cumulative steel output of 3.28 million tonnes in the first half of 2020. For the year ending 31 December 2020, the Group plans to produce 6.12 million tonnes of pig iron, 6.80 million tonnes of steel and 6.38 million tonnes of steel products (the "2020 Production Plan"). We have reviewed the production plan of the Group in the second half of 2020 and in the first quarter of 2021 and noted that the Group plan to produce (a) approximately 3.5 million tonnes and 1.9 million tonnes of pig iron; (b) 3.8 million tonnes and 2.3 million tonnes of steel; and (c) 3.3 million tonnes and 1.8 million tonnes of steel products, in the second half of 2020 and first quarter of 2021, respectively. In reviewing the production plan of the Group in the second half of 2020 and in the first quarter of 2021, we noted that the quantity of raw materials stated in the production plan is consistent with those in the working schedule for setting the Proposed Caps.

(a) *Raw materials*

According to the production plan of the Group in the second half of 2020 and in the first quarter of 2021, the Group plans to procure (1) 5.43 million tonnes of iron ore; (2) 0.29 million tonnes of scrap steel; and (3) 0.65 million tonnes of coal for the period from 16 September 2020 to 31 March 2021, details of which are set out below:

	From 16 September 2020 to 31 December 2020			From 1 January 2021 to 31 March 2021			Proposed Caps (C1+C2) RMB million
	Quantity (A1) Million tonnes	Price (B1) RMB per tonne	Transaction amount (C1=A1xB1) RMB million	Quantity (A2) Million tonnes	Price (B2) RMB per tonne	Transaction amount (C2=A2xB2) RMB million	
Raw materials							
Iron ore	2.46	785.41	1,932.11	2.97	743.00	2,206.71	4,138.82
Scrap steel	0.15	2,882.00	432.30	0.1379	2,856.00	393.84	826.14
Coal	0.42	1,284.00	539.28	0.23	1,355.80	311.84	851.12
Total							5,816.08

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In respect of procurement of iron ore

As shown in the table above, the estimated purchase prices of iron ore are approximately RMB785.41 per tonne and RMB743.00 per tonne for the periods from 16 September 2020 to 31 December 2020 and from 1 January 2021 to 31 March 2021, respectively, which are determined with reference to the Platts Iron Ore Index.

The Platts Iron Ore Index provides the price of iron ore on a daily basis and is a benchmark assessment of the spot price of physical iron ore issued by the S&P Global Platts, a leading independent provider of information, benchmark prices and analytics for the energy and commodities markets. (Source: <https://www.spglobal.com/platts/en/our-methodology/price-assessments/metals/iindex-iron-ore-metals-price-assessment>) As stated in the Letter from the Board, the Platts Iron Ore Index is a price evaluation for fine ore and is a market-recognized index for the pricing of iron ore in the industry. As set out above, purchase of iron ore accounts for approximately 71.2% of the proposed cap for the procurement of raw materials from China Baowu Group.

Under the Platts Iron Ore Index, the average prices for 62% Fe index and 65% Fe index in 2019 were approximately US\$91.83 per tonne and US\$104.47 per tonne, respectively. The average price (the “**Average Price**”) of these two price indexes was approximately US\$98.15 per tonne (equivalent to approximately RMB678.28 per tonne) (the “**2019 Average Price**”). Similarly, the Average Price was approximately US\$61.84 per tonne (equivalent to approximately RMB411.10 per tonne) in 2016. We noted that the Average Price increased at a compound annual growth rate of approximately 16.6% from 2016 to 2019 (the “**Growth Rate**”).

The estimated purchase price of approximately RMB785.41 per tonne in the late 2020 represented an increase of approximately 15.8% as compared to the 2019 Average Price of approximately RMB678.28 per tonne, which is comparable to the Growth Rate.

Although, the purchase price of iron ore is expected to increase from 2019 to 2021, there may still be slight price adjustment or decrease in certain periods from 2019 to 2021.

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We noted that the average prices for 62% Fe index and 65% Fe index for the first quarter of 2020 recorded a decrease of approximately 5% and 1%, as compared to those in 2019, respectively. As such, the Directors estimate the purchase price of iron ore will decrease by approximately 5.4% in the first quarter of 2021 as compared to late 2020.

Taking into account that (1) the purchase price of iron ore in late 2020 is estimated by the Directors based on the 2019 Average Price and the Growth Rate; and (2) the estimated purchase price of iron ore in the first quarter of 2021 have considered the decrease in purchase price in the first quarter of 2020, we are of the view that the estimated purchase prices of iron ore for setting the proposed cap are fair and reasonable.

The Group produced approximately 3.1 million tonnes and 1.5 million tonnes of molten iron for the second half of 2019 and the first quarter of 2020, respectively. As disclosed in the Letter from the Board, the production capacity will be enhanced due to renovation of four blast furnaces in 2020 which will come into full operation from 2021 onwards. According to the production plan provided by the Company, the Group plans to produce approximately 3.5 million tonnes and 1.9 million tonnes of iron for the second half of 2020 and the first quarter of 2021, respectively, and increase its purchase of iron ore accordingly. The quantity of iron ore used to estimate the proposed cap is from the Group's production plan.

In respect of procurement of scrap steel

The estimated purchase prices of scrap steel are approximately RMB2,882.00 per tonne and RMB2,856.00 per tonne for the periods from 16 September 2020 to 31 December 2020 and from 1 January 2021 to 31 March 2021, respectively, which are determined with reference to historical average purchase prices.

We have reviewed the Group's procurement record of scrap steel in July 2020 and noted that the average purchase price in July 2020 was approximately RMB2,882 per tonne. Based on the aforesaid procurement record, we selected and reviewed three sample contracts and noted that the purchase prices agreed in the purchase contracts are consistent with the procurement record. We have also reviewed the monthly average purchase prices of scrap steel for the year ended 31 December 2020 and noted that the monthly average purchase prices of scrap steel ranged from approximately RMB2,605 per tonne to approximately RMB3,132 per tonne with an average of approximately RMB2,855 per tonne. Given (1) neither the highest price nor the lowest price deviated from the average price by 10%; and (2) the average purchase price of approximately RMB2,882 per tonne in July 2020 is very close to the average price of

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approximately RMB2,855 per tonne (less than 1% deviation), we are of the view that using the average purchase price in July 2020 to estimate the purchase price for the six months ending 31 March 2021 is fair and reasonable.

Given that the average purchase price of scrap steel in July 2020 are equal to or represent a slight premium of less than 1% over the purchase prices of scrap steel estimated by the Company which we consider to be immaterial, we consider the estimated prices of scrap steel for setting the proposed cap to be fair and reasonable. As stated in the Letter from the Board, before cooperating with China Baowu Group, the Company purchased scrap steel from independent third parties and the transaction amount for 2019 was approximately RMB2.26 billion. It is expected that the Group will purchase scrap steel from a new supplier, namely Ouye Lianjin Renewable Resources Co., Ltd., which is an indirect subsidiary of China Baowu and the proposed cap for the procurement of scrap steel is approximately RMB826.14 million, representing approximately 36.6% of the transaction amount for 2019. The quantity of scrap steel used to estimate the proposed cap is from the Group's production plan.

In respect of procurement of coal

As shown in the table above, the estimated purchase prices of coal are approximately RMB1,284.00 per tonne and RMB1,355.80 per tonne for the periods from 16 September 2020 to 31 December 2020 and from 1 January 2021 to 31 March 2021, respectively, which are determined with reference to historical average purchase prices.

We have reviewed the Group's procurement record of coal in July 2020 and noted that the average purchase price in July 2020 was approximately RMB1,366 per tonne. Based on the aforesaid procurement record, we selected and reviewed three sample contracts and noted that the purchase prices agreed in the purchase contracts are consistent with the procurement record. We have also reviewed the monthly average purchase prices of coal for the year ended 31 December 2020 and noted that the monthly average purchase prices of coal ranged from approximately RMB1,281 per tonne to approximately RMB1,506 per tonne with an average of approximately RMB1,396 per tonne. Given (1) neither the highest price nor the lowest price deviated from the average price by 10%; and (2) the average purchase price of approximately RMB1,366 per tonne in July 2020 is very close to the average price of approximately RMB1,396 per tonne (approximately 2% deviation), we are of the view that using the average purchase price in July 2020 to estimate the purchase price for the six months ending 31 March 2021 is fair and reasonable.

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Given that the differences between the average purchase price of coal of approximately RMB1,366 per tonne in July 2020 and the purchase prices of coal estimated by the Company were immaterial, we consider the estimated prices of coal for setting the proposed cap to be fair and reasonable. The quantity of coal to be purchased is from the Group's production plan.

Conclusion

Taking into account that (1) the quantity of each raw material is from the production plan of the Group in the second half of 2020 and in the first quarter of 2021; and (2) the estimated prices are determined with reference to either the Platts Iron Ore Index or historical average purchase prices in 2020, we consider that the proposed cap for the procurement of raw materials from China Baowu Group is fair and reasonable.

(b) *Production materials*

RMB million

Production materials such as chemical materials, equipment and spare parts, etc.	314.41
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As stated in the Letter from the Board, after China Baowu becoming the de facto controller of the Company in 2020, the Company is required to upgrade its production model. Significant amount of equipment and spare parts is required for the relevant technical renovation projects. It is estimated that the transaction amount of approximately RMB100 million will be newly incurred for the purchase of equipment and approximately RMB210 million will be incurred for the purchase of spare parts for the period from 16 September 2020 to 31 March 2021. As stated in the Letter from the Board, such amounts were determined with reference to contracts already signed and procurement plan which was prepared by the Group based on the potential demand for equipment and spare parts from the construction or software development projects to be conducted by the Group. As advised by the Directors, total value of contracts signed amounted to approximately RMB33 million. We have selected and reviewed 10 sample contracts from the list of signed contracts provided and noted that the contract values of the sample contracts are consistent with those in the list.

As advised by the Directors, a large part of the equipment and spare parts procured by the Group will be used for the construction or software development projects which are conducted for the purpose of upgrading the Group's production model. In certain construction or software development projects, the Group has to procure equipment and spare parts itself. As such, the procurement amounts of equipment and spare parts

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will also be determined with reference to the scale of the construction or software development projects to be conducted by the Group. Taking into account (1) the Company used to engaged China Baowu Group to conduct construction and software development projects for the two years ended 31 December 2019, the purpose and nature of which are generally same with those projects to be conducted under the Service and Supply Agreement which are to maintain or upgrade the operation facilities; (2) the Group has to procure equipment and spare parts for some of these construction and software development projects; and (3) the cooperation methods stated in (1) and (2) above are still the same after China Baowu becoming the de facto controller of the Company, we are of the view that the historical proportion of procurement of production materials to road transportation and technical services can provide a reference to the reasonableness and fairness of the proposed cap.

	For the year ended 31 December 2018 <i>RMB' million</i>	For the year ended 31 December 2019 <i>RMB' million</i>	Proposed caps <i>RMB' million</i>
Production materials such as chemical materials, equipment, and spare parts, etc. (A)	13.9	17.6	314.41
Road transportation and technical services (including construction, software development, labour services etc.) (B)	37.4	73.3	1,078.13 (Note)
Percentage (A/B)	37%	24%	29%

Note: details of the assessment of the proposed cap is set out in the following section

As disclosed in the Letter from the Board, the historical transaction amounts of procurement of production materials from China Baowu Group amounted to approximately RMB13.9 million and RMB17.6 million, accounting for approximately 37% and 24% of the historical transaction amounts of road transportation and technical services provided by China Baowu Group for the two years ended 31 December 2019, respectively.

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Taking into account (1) the proposed cap is determined with reference to contracts already signed and the procurement plan which has considered the potential procurement of equipment and spare parts for the Group's construction and software development projects; and (2) the proposed cap for production materials account for approximately 29% of the proposed cap for road transportation and technical services, which approximate the average of the historical levels for the two years ended 31 December 2019 (i.e. approximately 37% and 24%, respectively), we are of the view that the proposed cap for the procurement of production materials is fair and reasonable.

(c) *Services*

RMB million

Road transportation and technical services (including construction, software development, labour services and environmental sanitation and greening, etc.)	1,078.13
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The proposed cap for procurement of road transportation and technical services mainly comprises provision of construction service and software development service in the amounts of approximately RMB780 million and RMB220 million, respectively. Such amounts were determined with reference to (1) the upgrading and development projects and fixed assets investment projects required to achieve the Group's production plan; and (2) the Group's plan to upgrade its production model and promote smart production. As advised by the Directors, the Group has entered into contracts for most of construction and software development projects to be conducted for the six months ending 31 March 2021 and the total value of contracts signed amounted to approximately RMB948 million. We have selected and reviewed 10 sample contracts from the list of signed contracts provided and noted that the contract values of the sample contracts are consistent with those in the list.

Taking into account (1) the contract value of signed contracts amounted to approximately RMB948 million, accounting for approximately 88% of the proposed cap; and (2) certain degree of flexibility is allowed for potential construction projects or unexpected increase in workload of the current projects, we are of the view that the proposed cap for the procurement of services is fair and reasonable.

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(d) *Lease of factory premises*

Under the Previous Lease Agreement, China Baowu Group provided the storage and processing services for hot rolling, which is one of the main products of the Group. According to the 2020 Interim Report, the revenue generated from hot rolling amounted to approximately RMB5.3 billion for the six months ended 30 June 2020, representing a slight increase of approximately 3% as compared to that for the six months ended 30 June 2019.

As advised by the Directors, the historical transaction amount under the Previous Lease Agreement amounted to approximately RMB2.9 million for the period from 20 May 2019 to 31 December 2019, being approximately seven months. Taking into account (1) the historical transaction amount of approximately RMB2.9 million under the Previous Lease Agreement; and (2) the growth in sales of hot rolling and therefore the demand for storage and processing services, we are of the view that the proposed cap for the lease of factory premises of approximately RMB3 million is fair and reasonable.

To sum up, based on the aforesaid review and discussion with the management of the Group, we noted that (a) the proposed caps have taken into account the production plan of the Group in the second half of 2020 and in the first quarter of 2021 which is determined with reference to the 2020 Production Plan. The quantity of each raw material for setting the proposed caps is from the production plan of the Group in the second half of 2020 and in the first quarter of 2021; (b) the estimated prices for the major raw material provided by China Baowu Group under the Agreements are determined with reference to (1) the historical average purchase prices of the Group for similar materials in 2020; or (2) the Platts Iron Ore Index, a recognized price index in the steel industry; (c) the proposed cap for production materials provided by China Baowu Group is determined with reference to contracts already signed and the procurement plan which has considered the potential procurement of equipment and spare parts for the Group's construction and software development projects; (d) the proposed cap for services provided by China Baowu Group is determined with reference to contracts already signed; and (e) the proposed cap for the lease of factory premises is determined with reference to, among other things, the historical transaction amount under the Previous Lease Agreement and the expected future demand for such service resulting from the growth in sales of hot rolling. As such, we consider the proposed caps for the procurement of products and services from China Baowu Group under the Agreements to be fair and reasonable.

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(ii) *Sale of products to China Baowu Group*

RMB million

Sale of products to China Baowu Group 2,537.10

In assessing the fairness and reasonableness of the above proposed cap, we have reviewed (a) the working schedule for setting the proposed cap with reference to the Group's latest annual energy supply plan; (b) the actual transaction amount for the three months ended 31 December 2020; (c) the estimated prices of the products adopted by the Company in the working schedule for setting the proposed cap, which are determined with reference to the historical prices in the domestic market or state-prescribed prices; and (d) the historical average selling prices of steel billets and steel products for the six months ended 30 June 2020.

As stated in the Letter from the Board, among the proposed cap for the sale of products to China Baowu Group, the transaction amount of steel billets and steel products represents approximately 90% of the proposed cap. As advised by the Directors, the estimated transaction amount of steel billet, steel products, coking by-products and pig iron is determined with reference to the actual transaction amount in 2020 and the projected sale amount in the first quarter of 2021 based on the discussion with China Baowu Group.

The sales of steel billet, steel products, coking by-products and pig iron by the Group to China Baowu Group amounted to approximately RMB981 million for the three months ended 31 December 2020. The Company has provided a customer breakdown for the sales of approximately RMB981 million. Based on the breakdown, we have selected two customers with a total sales amount of approximately RMB380 million and obtained corresponding invoice list. We have also obtained and reviewed 4 sample invoices, the sales amounts stated in which are consistent with the sales amounts stated in the invoice list.

As stated in the Letter from the Board, it is expected that the demand from China Baowu Group will increase significantly, because China Baowu Group is enhancing its production capacity and scale. The Group estimated that (a) the sales of steel billet, steel products and coking by-products to China Baowu Group will amount to approximately RMB1,100 million in the first quarter of 2021 (the "**Projected Steel Sales**"); and (b) the sales of pig iron to China Baowu Group will amount to approximately RMB300 million in the first quarter of 2021 (the "**Projected Iron Sales**").

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As stated in the sub-section headed “(i) Procurement of products and services from China Baowu Group”, in reviewing the production plan of the Group, we noted that the Group plans to produce approximately 4.1 million tonnes of steel and steel products in first quarter of 2021, representing an increase of approximately 15% as compared to approximately 7.1 million tonnes of steel and steel products in the second half of 2020 (approximately 3.55 million tonnes per quarter). The Group also plans to produce approximately 1.9 million tonnes of pig iron in first quarter of 2021.

The Projected Iron Sales of approximately RMB300 million is determined with reference to (a) the estimated sales amount of approximately 95,000 tonnes in the first quarter of 2021 which accounts for around 5% of the production volume of approximately 1.9 million tonnes; and (b) the estimated selling price of approximately RMB3,158 per tonne which is consistent with the fee quotation from the Relevant Websites (the Group did not sell pig iron to independent third parties before and therefore there is no sale record in the internal database). As stated in the Letter from the Board, the reason why the Company plans to sell some pig iron is that the Company is undergoing upgrading and renovation projects for certain steel rolling facilities which limit its steel rolling capacity recently and the Company plans to sell steel rolling materials (including pig iron) for better utilization of the Group’s resources. Most of the pig iron the Company produced will be further processed by the Company, as advised by the Directors.

Taking into account that (a) the historical sales of steel billet and steel products, coking by-products and pig iron by the Group to China Baowu Group amounted to approximately RMB981 million for the three months ended 31 December 2020; (b) the Projected Steel Sales of approximately RMB1,100 million for the three months ending 31 March 2021 represents an increase of approximately 12% from that of approximately RMB981 million for three months ended 31 December 2020, which is primarily due to the increasing demand from China Baowu Group and consistent with the increase in the production volume of approximately 15%; (c) the Projected Iron Sales of approximately RMB300 million for the three months ending 31 March 2021 is based on an estimated sales volume which only accounts for 5% of the production volume and an estimated selling price which is consistent with the market price we got from the Relevant Websites; and (d) both Projected Steel Sales and Projected Iron Sales are determined with reference to the indication from China Baowu Group as advised by the Directors, we are of the view that the Projected Steel Sales of approximately RMB1,110 million, the Projected Iron Sales of approximately RMB300 million and the total estimated sales amount of RMB2,381 million for the six months ending 31 March 2021 is reasonable.

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As for the sale of water, electricity and natural gas (the “**Energy Materials**”) to China Baowu Group, we have reviewed the annual energy supply plan of the Group and noted that the Group plans to supply water of approximately 5,678 tonnes, industrial water of approximately 66,082 tonnes, electricity of approximately 27,710,000 kWh and natural gas of approximately 20,890,000 cubic meters to China Baowu Group. As stated in the Letter from the Board, the selling price of these materials are determined with reference to state-prescribed price. We have reviewed the guidance letter in relation to the selling price of the Energy Materials issued by the Group and noted that (a) the Group is adopting the same selling prices for sales to China Baowu Group and independent third parties; (b) the selling prices for water, industrial water, electricity and natural gas are approximately RMB3.7 per tonne, RMB1.6 per tonne, RMB0.71 per kWh and RMB1 per cubic meter, respectively, with effect from 1 January 2020; and (c) applying the estimated supply amounts of the Energy Materials in the annual energy supply plan and the selling prices stated in the guidance letter, the estimated transaction amount for sales of water, electricity and natural gas amounts to approximately RMB40.7 million.

Taking into account (a) the estimated transaction amount for sales of steel billet, steel products, coking by-products and pig iron amounts to approximately RMB2,381 million for the six months ending 31 March 2021; (b) the estimated transaction amount for sales of water, electricity and natural gas amounts to approximately RMB40.7 million for the six months ending 31 March 2021; and (c) a certain buffer is allowed to tailor for any unexpected business growth in the future, we are of the view that the proposed cap for sale of products to China Baowu Group of approximately RMB2,537.10 million is fair and reasonable.

4. Reporting requirements and conditions of the continuing connected transactions

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the Transactions are subject to the following annual review requirements:

- (i) the independent non-executive Directors must review the Transactions and confirm in the annual report and accounts that the Transactions have been entered into:
 - (a) in the ordinary and usual course of business of the Group;
 - (b) on normal commercial terms or better; and
 - (c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;

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- (ii) the Company must engage its auditors to report on the Transactions every year. The Company's auditors must provide a letter to the Board (with a copy to be provided to the Stock Exchange at least ten business days before the bulk printing of the Company's annual report) confirming whether anything has come to their attention that causes them to believe that the Transactions:
 - (a) have not been approved by the Board;
 - (b) were not, in all material respects, in accordance with the pricing policies of the Group if the Transactions involve the provision of goods or services by the Group;
 - (c) were not entered into, in all material respects, in accordance with the relevant agreements governing the Transactions; and
 - (d) have exceeded the Proposed Caps;
- (iii) the Company must allow, and ensure that the counter-parties to the Transactions allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the Transactions as set out in paragraph (ii); and
- (iv) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or auditors of the Company cannot confirm the matters as required.

As stated in the Letter from the Board, the transaction amount between China Baowu Group and the Company during the period from 16 September 2020 to the end of November 2020 amounted to approximately RMB2.3 billion (including those incurred based on existing agreements entered into between the Company and China Baowu Group prior to 16 September 2020), and one or more of the relevant percentage ratios as defined under Rule 14.07 of the Listing Rules have exceeded 5% before obtaining Independent Shareholders' approval at the EGM. To avoid similar non-compliance, the Company will further strengthen its internal control, including (i) having the secretary office to the Board to timely report potential connected persons to the CCT Management Committee and (ii) requiring the operation departments of the Company to gather information for the existing transactions with potential connected persons and report them to the CCT Management Committee on quarterly basis. Taking into account that (i) the Company has established the CCT Management Committee whose responsibilities include, among other things, approval and monitoring of the continuing connected transactions and the proposed annual caps; (ii) the finance department of the Company will report on a quarterly basis to the CCT Management Committee regarding the actual

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monetary amount of the continuing connected transactions conducted during the quarter and the estimated amount in the following quarter; and (iii) the CCT Management Committee will regularly monitor the existing transactions with potential connected persons, we are of the view that the internal control policies and procedures are sufficient and effective to ensure the annual caps are not exceeded and are in compliance with the Listing Rules from time to time.

In light of the reporting requirements attached to the Transactions, in particular, (i) the restriction of the value of the Transactions by way of the Proposed Caps; and (ii) the ongoing review by the independent non-executive Directors, the auditors of the Company and the CCT Management Committee of the terms of the Transactions and the Proposed Caps not being exceeded, we are of the view that appropriate measures are in place to monitor the conduct of the Transactions and assist in safeguarding the interests of the Independent Shareholders.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the continuing connected transactions contemplated under the Agreements are conducted in the ordinary and usual course of business of the Group and on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the continuing connected transactions contemplated under the Agreements (including the Proposed Caps).

Yours faithfully,
For and on behalf of
Rainbow Capital (HK) Limited
Larry Choi
Managing Director

Mr. Larry Choi is a licensed person and a responsible officer of Rainbow Capital (HK) Limited registered with the Securities and Futures Commission to carry out type 6 (advising on corporate finance) regulated activity under the SFO. He has over ten years of experience in the corporate finance industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. INTERESTS OF DIRECTORS**(a) Interests in the Company**

As at Latest Practicable Date, none of the Directors, supervisors and chief executive of the Company have any interests and short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company or any of its associated corporations (within the meaning of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director, chief executive or supervisor is taken or deemed to have under such provisions of the SFO) or which was required to be entered into the register required to be kept by the Company under section 352 of the SFO or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules.

As at the Latest Practicable Date, none of the Directors is also a director or employee of a company which has an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(b) Interests in the contracts and assets

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been, since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which is significant in relation to the business of the Group, other than those business in which such Directors have been appointed to represent the interests of the Company and/or other members of the Group.

3. INTEREST OF SUBSTANTIAL SHAREHOLDERS

Interest in the Company

As at the Latest Practicable Date, so far as known to any Directors and chief executive of the Company, the following person(s) (other than the Directors and chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or, were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Company and were recorded in the register to be kept under section 336 of the SFO:

Name of substantial shareholder	Long/short position	Capacity	No. of Shares	Percentage of A share capital	Percentage of H share capital	Percentage of total issued share capital
China Baowu	Long	Interest of corporation controlled by it	2,096,981,600	25.02%	–	23.51%
Changshou Iron & Steel	Long	Beneficial owner	2,096,981,600	25.02%	–	23.51%

Save as disclosed herein, the Directors and the chief executive of the Company are not aware of any person who, as at the Latest Practicable Date, had an interest or short position in the shares and underlying shares to the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Company.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or supervisors of the Company has entered or proposed to enter into a service contract with any member of the Group other than contracts expiring or determinable by the relevant employer within one year without payment of compensation (except statutory compensation).

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates were considered to have any interest in a business which competes or may compete with the business of the Group.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Company were prepared.

7. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance and no litigation or claims of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

8. MATERIAL CONTRACT

During the two years immediately prior to the Latest Practicable Date, the members of the Group have entered into the following material contract(s) (i.e. contracts that were not entered into in the ordinary course of business):

- (i) On 15 July 2020, the Company and Chongqing Qianxin Group Co., Ltd. (“**Qianxin Group**”) entered into the equity transaction contract, pursuant to which the Company agreed to acquire and Qianxin Group agreed to sell 100% equity interest in Chongqing Qianxin Energy Environmental Protection Company Limited (“**Qianxin Energy**”) at the consideration of RMB836,623,600, which was funded through the Company’s internal resources. Qianxin Energy is a self-generation power plant established as a part of “Energy Conservation, Emission Reduction and Environment-friendly Relocation Project of CIS”. The fuels used by Qianxin Energy are wholly the blast furnace gas and converter gas from the Company, and the electricity produced by Qianxin Energy is all for the need of the Company. The aggregate of the remuneration payable to and benefits in kind receivable by the directors of Qianxin Energy will not be varied in consequence of the said acquisition.
- (ii) On 16 November 2020, the Company and Changshou Iron & Steel entered into the lease agreement, pursuant to which Changshou Iron & Steel would lease the blast furnace, sintering machine, coke oven and other pre-ironmaking machinery and equipment to the Company for the lease term from 1 January 2021 to 31 December 2021, at the monthly rental of RMB17,875,000.

9. EXPERT

- (a) The following sets out the qualifications of the expert who has given its opinion or advice as contained in this circular:

Name	Qualifications
Rainbow Capital (HK) Limited	a corporation licensed under the SFO (Chapter 571 of the Laws of Hong Kong) to conduct type 6 (advising on corporate finance) regulated activity

- (b) As at the Latest Practicable Date, the above expert did not have any shareholding directly or indirectly in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) As at the Latest Practicable Date, the above expert had no direct or indirect interest in any assets which has been acquired or disposed of by or leased to any member of the Group since 31 December 2019 (the date to which the latest published audited consolidated financial statements of the Group were made up) or proposed to be so acquired, disposed of or leased.
- (d) The above expert had given and had not withdrawn its respective written consent to the issue of this circular with the inclusion of its respective advice, letters, reports and/or summary of its opinions (as the case may be) and references to their names and logos in the form and context in which they respectively appear.

10. MISCELLANEOUS

- (a) The registered office of the Company is at No.2 Jiangnan Avenue, Jiangnan Street, Changshou District, Chongqing, the PRC.
- (b) The Company secretary of the Company is Ms. Chiu Hoi Shan.
- (c) The share registrar and transfer office of the Company in Hong Kong is Hong Kong Registrars Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
- (d) The circular has been prepared in both English and Chinese. In the case of any discrepancies, the English text shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at No.2 Jiangnan Avenue, Jiangnan Street, Changshou District, Chongqing, the PRC and/ or Rooms 1202, 1204 – 16, The Chinese Bank Building, 61 – 65 Des Voeux Road, Central, Hong Kong during 9 a.m. to 5 p.m. (Monday to Friday) from the date of this circular up to and including the date of the EGM:

- (a) the Articles of Association of the Company;
- (b) the letter from the Independent Board Committee;
- (c) the letter from the Independent Financial Adviser;
- (d) the Service and Supply Agreement;
- (e) the Supplemental Agreement;
- (f) the written consent of the expert referred to in the paragraph headed “Experts” in this appendix;
- (g) the material contracts referred to in the paragraph headed “Material Contracts” in this appendix; and
- (h) this circular.

CANDIDATE FOR DIRECTOR

Mr. Zhang Wenxue, born in May 1963, is a senior engineer. He has served as the general manager and the deputy secretary of the party committee of the Company since 30 December 2020, and was the chairman of the supervisory committee of the Company from May 2019 to July 2020 and the secretary of the party committee of the Company from May 2019 to December 2020. Mr. Zhang was the director of the hot pressing plant and the concurrent system reformation project manager of the hot pressing production line of Baogang Branch under Baoshan Iron & Steel Co., Ltd. (寶山鋼鐵股份有限公司) from November 2007 to June 2008, the deputy general manager of Baogang Zhanjiang Iron and Steel Company (寶鋼湛江鋼鐵有限公司) from March 2011 to July 2012, the (1) director of hot pressing plant and (2) the assistant to the general manager and the chief of the business promotion department of Baoshan Iron & Steel Co., Ltd. from July 2012 to June 2016 and from June 2016 to March 2019 respectively, as well as the general manager of Chongqing Changshou Iron & Steel Company Limited (重慶長壽鋼鐵有限公司) since November 2019. The abovenamed companies are all subsidiaries of China Baowu. Mr. Zhang has extensive experience in production, operation, management innovation and intelligent manufacturing. Mr. Zhang graduated from Central South Institute of Mining and Metallurgy (中南礦冶學院) majoring in pressure processing in 1984, and obtained a master degree in industrial relations from West Virginia University of the USA.

Save as disclosed above, the above candidate has not held any directorship in public companies the securities of which are listed on any securities market in Hong Kong or overseas or taken up a position in any affiliated companies of the Company over the past three years, nor does the above candidate have any relationship with any other directors, senior management, substantial or controlling shareholders of the Company.

Save as disclosed above, as at the date of this circular, the above candidate does not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. The terms of office of the above candidate will commence from the date of approval at the EGM to the date of convening of the 2020 annual general meeting and he will enter into a service contract with the Company for such term.

Mr. Zhang Wenxue will not receive remuneration as an executive director and deputy secretary of the party committee of the Company and the remuneration as director to be provided in his service contract would be nil, but he will receive emolument as the general manager of the Company. He has not received any emolument as general manager since his appointment yet because the amount of emolument has not been determined. Such emolument will be determined by the Board with reference to his functions, responsibilities and the results of the Company in due course, pending the completion of the additional reporting and approval procedures which the Company is required to comply with in the PRC given its type of enterprise. It is expected that the amount of emolument will be finalized and approved no later than the annual general meeting of the Company to be held by June 2021. Once the emolument is determined, details of the emolument will be disclosed by way of supplemental announcement and in the annual report of the Company as required under the Listing Rules.

APPENDIX II THE CANDIDATE OF DIRECTOR AND HIS BIOGRAPHY

No other information relating to the appointment of the above-mentioned candidate is required to be disclosed pursuant to Rules 13.51(2) (h) to (v) of the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited. Save as disclosed herein, there are no other matters that need to be brought to the attention of the shareholders of the Company.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

No.	Original articles	Revised articles
1	Article 4 The General Manager of the Company shall be the legal representative of the Company.	Article 4 The Chairman of the Company shall be the legal representative of the Company.
2	Article 8 Other senior management members referred to in these articles of association refer to vice managers, Secretary to the Board and chief financial officer of the Company.	Article 8 Other senior management members referred to in these articles of association refer to senior vice president, Secretary to the Board and chief financial officer of the Company.
3	Article 140 The Party organization of the Company shall play a core political role and carry out the works with focus on direction control, overall management and ensuring implementation. It shall ensure and supervise the implementation of the directional policies of the Party and the country throughout the Company; support the Board, supervisory committee and senior management in exercising their power in accordance with the laws; faithfully believe in the public and the staff and support the meetings of employee representatives in performing their function; participate in the decisionmaking process of material matters of the Company; strengthen the self-construction of the Party organization, play a leading role in the ideological and political work and the spiritual civilization construction of the Company and lead the mass organizations such as the labor union and the Communist Youth League.	Article 140 The Party organization of the Company shall play a leadership role and carry out the works with focus on direction control, overall management and ensuring implementation. It shall ensure and supervise the implementation of the directional policies of the Party and the country throughout the Company; support the general meeting, Board and supervisory committee in exercising their power in accordance with the laws; faithfully believe in the public and the staff and support the meetings of employee representatives in performing their function; participate in the decisionmaking process of material matters of the Company; strengthen the self-construction of the Party organization, play a leading role in the ideological and political work and the spiritual civilization construction of the Company and lead the mass organizations such as the labor union and the Communist Youth League.

No.	Original articles	Revised articles
4	<p>Article 141 The Party committee shall consider and make decisions for the followings:</p> <p>(III) Matters in relation to the appointment and dismissal of and reward and punishment for employees in accordance with management supervision authority; or recommendation of candidates to the Board or the General Manager in accordance with certain procedures; vetting and raising opinions on the candidates nominated by the Board or the General Manager;</p>	<p>Article 141 The Party committee shall consider and make decisions for the followings:</p> <p>(III) Uphold the integration of the principle of the administration of cadres by the Party with the lawful exercise of human rights by the Board or the president. Vetting, evaluating and raising opinions on, by the higher level of the Party committee, the candidates nominated by the Board or the president, or recommendation of candidates to the Board or the president in accordance with certain procedures; vetting and raising opinions on the candidates nominated by the Board or the president; evaluating the nominees with the Board, and collectively researching and raising opinions;</p>
5	<p>Article 142 The Party committee shall participate in the decision-making process regarding the following material matters:</p> <p>(XI) Other matters required to be decided by the Party committee.</p>	<p>Article 142 The Party committee shall research and discuss the following material matters:</p> <p>(XI) Other matters required to be researched and discussed by the Party committee.</p>
6	<p>Article 145 The Party committee shall establish a supervision system for the implementation of the Company’s material decisions and conduct regular supervision and inspection. For the Company’s practices which are not in compliance with the Party’s directional policies, the PRC laws and regulations and the requirements of the Party central committee and municipal committee, the Party committee shall provide rectification advices in a timely manner and report to the higher level of the Party organization regarding the failure in rectification in a timely manner.</p>	<p>Article 145 The Party committee shall establish a supervision system for the implementation of the Company’s material decisions and conduct regular supervision and inspection. For the Company’s practices which are not in compliance with the Party’s directional policies, the PRC laws and regulations and the requirements of the Party central committee and higher level committee, the Party committee shall provide rectification advices in a timely manner and report to the higher level of the Party organization regarding the failure in rectification in a timely manner.</p>

APPENDIX III PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

No.	Original articles	Revised articles
7	<p>Article 186 The Company’s Directors or other senior management member(s) than the General Manager and the financial director can concurrently serve as the Secretary to the Board, but the accountant appointed by the Company shall not concurrently serve as the secretary. When the secretary is concurrently a Director, if an act shall be committed by the secretary and the Director respectively, the act shall not be committed by the person who serves as the secretary and the Director at the same time.</p> <p>The Company shall have a representative of securities affairs, who shall assist the Secretary to the Board to perform duties.</p>	<p>Article 186 The Company’s Directors or senior management member(s) can concurrently serve as the Secretary to the Board, but the accountant appointed by the Company shall not concurrently serve as the secretary. When the Secretary to the Board is concurrently a Director, if an act shall be committed by the Secretary to the Board and the Director respectively, the act shall not be committed by the person who serves as the Secretary to the Board and the Director at the same time.</p> <p>The Company shall have a representative of securities affairs, who shall assist the Secretary to the Board to perform duties.</p>
8	<p>Article 196 The General Manager, deputy General Manager and other senior management member(s) can resign from office before their term of office expires. If the General Manager, deputy General Manager and other senior management member(s) resign, they shall give the Board a 3-month written notice.</p>	<p>Article 196 The president, senior vice president and other senior management member(s) can resign from office before their term of office expires. If the president, senior vice president and other senior management member(s) resign, they shall give the Board an advanced written notice.</p>

Save as the amendments above, the relevant expressions of the “General Manager” and “deputy General Manager” involved in the Articles of Association and its Rules of Procedures for General Meetings, Rules of Procedures for the Board and Rules of Procedures for the Supervisory Committee shall be changed to “President” and “Senior Vice President” accordingly.

NOTICE OF EGM

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)

NOTICE OF 2021 FIRST EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 2021 first extraordinary general meeting (the “EGM”) of Chongqing Iron & Steel Company Limited (the “Company”) will be held at 2:30 p.m. on Monday, 8 March 2021 at Chongqing Iron & Steel Conference Center, No.2 Jiangnan Avenue, Jiangnan Street, Changshou District, Chongqing, the PRC, for the purpose of considering and, if thought fit, passing the following resolutions of the Company.

ORDINARY RESOLUTIONS

RESOLUTIONS ADOPTING NON-CUMULATIVE VOTING

- 1 Resolution on the Service and Supply Agreement and its supplemental agreement and the continuing connected transactions (including the proposed caps) entered into between the Company and China Baowu
- 2 Resolution on the election of Mr. Zhang Wenxue as a Director of the Company
- 3 Resolution on the amendments to the Articles of Association and its appendices

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

Chongqing, the PRC, 19 February 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).

NOTICE OF EGM

Notes:

I. ELIGIBILITY FOR ATTENDING THE EGM

Shareholders whose names appear on the register of members of the Company at the close of business on 2 March 2021 are entitled to attend the EGM upon completion of the necessary registration procedures (holders of A shares will be otherwise notified).

II. REGISTRATION PROCEDURES FOR ATTENDING THE EGM

The register of members of the Company will be closed from 3 March 2021 to 8 March 2021 (both days inclusive), during which no transfer of shares will be effected. Holders of H shares of the Company intending to attend the EGM are required to lodge their respective instrument of transfer and the relevant share certificates to Hong Kong Registrars Limited, the Registrars of the Company, at or before 4:30 p.m. on 2 March 2021.

III. PROXIES

1. Any shareholder entitled to attend and vote at the EGM is entitled to appoint one or more proxies (whether he/she is a shareholder or not) to attend and vote at the meeting on his/her behalf. Each shareholder (or his/her proxy) shall have one vote for each share held.
2. To be valid, the instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing. If the proxy form is signed by a person authorized by the appointer, the power of attorney or other authorization documents shall be notarized. The notarized power of attorney or other authorization documents together with the proxy form must be lodged with Hong Kong Registrars Limited, the Registrars of the Company, no less than 24 hours before the time appointed for the holding of the EGM (or appointed for voting) i.e. by no later than 2:30 p.m. on 7 March 2021.
3. For the shareholders appointing more than one proxy, the voting right can only be exercised by way of poll.

IV. MISCELLANEOUS

1. Shareholders attending the EGM shall be responsible for their own travel and accommodation expenses.
2. Information may be dispatched by hand or registered post.
3. Address of Hong Kong Registrars Limited: Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
4. Office of Secretary to the Board of Chongqing Iron & Steel Company Limited

Address: Room 312, Management Building of the Company, No. 2 Jiangnan Avenue, Jiangnan Street,
Changshou District, Chongqing, the PRC

Postal Code: 401258

Tel: (86) 23 6898 3482

Fax: (86) 23 6887 3189

Contact Person: Peng Guoju/Ji Hong