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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)

ANNOUNCEMENT ON RELATED INVESTMENT IN RELATION TO JOINT ESTABLISHMENT OF SPECIAL FUND FOR ACQUISITION OF CHONGGANG GROUP THROUGH CAPITAL CONTRIBUTION

I. OVERVIEW OF THE RELATED INVESTMENT

On 23 March 2020, the “100% equity interest in Chongqing Iron & Steel (Group) Co., Ltd.” was listed for sale by public tender on the Chongqing Assets and Equity Exchange of Chongqing United Assets and Equity Exchange Group at a transfer base price of RMB2,563,119,200.

Siyuanhe Equity Investment Management Co., Ltd. (四源合股權投資管理有限公司) (“**Siyuanhe Investment**”) proposes to set up a special fund to acquire the 100% equity interest in Chongqing Iron & Steel (Group) Co., Ltd. (“**Chonggang Group**”) after its asset divestiture and handover of public functions through the bidding process. Considering its business development needs, Chongqing Iron & Steel Company Limited (the “**Company**”) proposes to participate in the establishment of the special fund as a limited partner, and the specific contribution will be determined based on the subsequent bidding progress and negotiation with relevant parties.

Siyuanhe Investment is the de facto controller of the Company, holding 23.51% of the issued share capital of the Company indirectly. Therefore, Siyuanhe Investment is a connected person of the Company pursuant to Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), and the investment, if materializes, will constitute a connected transaction of the Company.

II. INFORMATION ON THE RELATED PARTY

Basic Information on Siyuanhe Investment is set out below.

Enterprise name: Siyuanhe Equity Investment Management Co., Ltd. (四源合股權投資管理有限公司)

Unified social credit code: 91310000MA1FL48Q1W

Type of enterprise: Limited liability company (Sino-foreign joint venture)

Registered address: Room 05, West Zone, 59/F, No. 100 Century Avenue, Pilot Free Trade Zone, Shanghai, PRC

Principal place of business: Room 05, West Zone, 59/F, No. 100 Century Avenue, Pilot Free Trade Zone, Shanghai, PRC

Legal representative: Zhou Zhuping (周竹平)

Registered capital: RMB1,000 million

Date of establishment: 14 July 2017

Scope of business: Sponsoring and establishing equity investment enterprises; managing the investment business of equity investment enterprises as trustee and providing related services; and engaging in equity investment consultation. (business activities involving items subject to approval under the laws shall not be carried out until approval is obtained from the competent authority)

Shareholders: WL Ross & Co. LLC, holding 26% equity interest; Fortune Investment Co., Ltd. (華寶投資有限公司), holding 25% equity interest; U.S.-China Green East Investment Management Co., Ltd. (中美綠色東方投資管理有限公司) holding 25% equity interest; Shenzhen China Merchants-Ping An Asset Management Corporation Limited* (深圳市招商平安資產管理有限責任公司), holding 24% equity interest.

The major (unaudited) financial indicators of Siyuanhe Investment for the most recent year are as follows:

Monetary unit: RMB0'000

Item	2019
Total assets	30,200
Net assets	27,500
Revenue	6,164
Net profit	69

III. BASIC INFORMATION ON THE SUBJECT OF THE RELATED INVESTMENT

In the special fund for acquisition of Chonggang Group jointly established by the Company through capital contribution, Siyuanhe Investment is intended to be the general partner, and the Company and other investors invited on the occasion by the Siyuanhe Investment as appropriate are intended to be the limited partners. The Company proposes to participate in the fund subscription as a limited partner, and the specific contribution will be determined based on the subsequent bidding progress and negotiation with relevant parties.

IV. PRICING POLICY AND BASIS OF THE RELATED INVESTMENT

The related investment will be carried out based on the principle of equality and reciprocal benefits, the parties concerned will make monetary contribution and enjoy their entitlements according to their contributions pro rata, and the pricing basis is fair and reasonable without prejudice to the interests of the Company and its shareholders especially those of the minority shareholders.

V. PURPOSE OF THE RELATED INVESTMENT AND IMPACT ON THE LISTED COMPANY

The Company participates in the establishment of the special fund for acquisition of Chonggang Group through capital contribution with the intent of acquiring such assets or equity in subsidiaries of Chonggang Group that are closely related to the steel production of the Company in the future. The aforesaid assets would be in the immediate service of the production and operation activities of the Company, and have strong bearing on the production and operation of the Company. The participation in establishment of fund through capital contribution for acquisition of relevant assets and equity is conducive to the Company in achieving an integrated production and operation flow and is in line with the development strategy of the Company.

VI. APPROVAL PROCEDURES APPLICABLE TO THE RELATED INVESTMENT

- (I) At the 20th meeting of the eighth session of the board of directors of the Company, the Resolution on Related Investment in relation to Joint Establishment of Special Fund for Acquisition of Chonggang Group through Capital Contribution was considered and approved, and was duly passed by all other eight non-connected directors save for Mr. Zhou Zhuping, who has abstained from voting due to his connected director capacity.
- (II) The investment is subject to the approval of the general meeting, for authorizing the board of directors to take specific responsibility for matters in relation to the establishment of the special fund for acquisition of Chonggang Group through capital contribution, including but not limited to signing relevant agreements and documents and going through relevant formalities. Connected persons interested in the related investment shall abstain from voting on the resolution at the general meeting.
- (III) The Company will perform necessary internal approval and decision-making procedures in accordance with relevant provisions of the Articles of Association and in the light of the investment progress after determining the specific particulars and terms under relevant agreements in relation to the related investment.

VII. RISK WARNING

In terms of the Company's joint establishment of the special fund for acquisition of Chonggang Group through capital contribution, the uncertainty lies in the chance of successful public bidding and the bidding price subsequently.

The Company will pay sufficient attention to and guard against the risks, and implement strict risk control as per requirements of laws and regulations in the establishment of the fund; during the process, it will devote greater efforts to feasibility demonstration and value analysis over the project, and reduce investment risks through reasonable transaction structure design and rigid project risk evaluation and control system.

The Company will fulfil its information disclosure obligation based on subsequent business progress in strict accordance with relevant laws and regulations in a timely manner. Investors are advised to make prudent decisions and pay attention to investment risks.

As at the date of this announcement, the Company has not entered into any transaction document in relation to the establishment of the special fund for acquisition of Chonggang Group with Siyuanhe Investment. The Company will make information disclosure and seek the approval of independent shareholders (if applicable) in a timely manner in accordance with requirements of the Listing Rules after working out a specific transaction plan and entering into legally binding transaction documents with the parties concerned.

By order of the Board
Chongqing Iron & Steel Company Limited
Meng Xiangyun
Secretary to the Board

Chongqing, the PRC, 30 March 2020

As at the date of this announcement, the Directors of the Company are: Mr. Zhou Zhuping (Non-executive Director), Mr. Song De An (Non-executive Director), Mr. Zhang Shuogong (Non-executive Director), Mr. Li Yongxiang (Executive Director), Mr. Tu Deling (Executive Director), Mr. Wang Li (Executive Director), Mr. Xu Yixiang (Independent Non-executive Director), Mr. Xin Qingquan (Independent Non-executive Director) and Mr. Wong Chunwa (Independent Non-executive Director).