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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)

CONNECTED TRANSACTION **JOINT VENTURE CONTRACT**

Reference is made to the announcement of the Company dated 30 August 2021 in relation to the Possible Connected Transaction in relation to Formation of Joint Venture.

On 1 November 2021, the Company entered into the JV Contract with Baowu Environment, pursuant to which, both parties agreed to jointly contribute and establish a JV Company named as Baowu Environmental Resources Technology (Chongqing) Co., Ltd..

As of the date of this announcement, China Baowu is interested in approximately 24.97% of the issued share capital of the Company, among which 1.46% is held by China Baowu directly and 23.51% is indirectly controlled by China Baowu through Changshou Iron & Steel. China Baowu controls 65% of equity interests in Changshou Iron & Steel by the acting in concert agreement with Chongqing Strategic Emerging Equity Investment Fund Partnership (Limited Partnership) (重慶戰略性新興產業股權投資基金合夥企業(有限合夥)). China Baowu is an indirect controlling shareholder of Changshou Iron & Steel, and therefore, China Baowu is an indirect substantial Shareholder of the Company, i.e. a connected person under Chapter 14A of the Listing Rules. Given that Baowu Environment is a company controlled by China Baowu, Baowu Environment is also a connected person under Chapter 14A of the Listing Rules. Therefore, the transaction contemplated under the JV Contract will constitute a connected transaction under the Listing Rules of the Company.

As the applicable percentage ratio under the Contract is more than 0.1% but lower than 5%, such connected transaction is only subject to the requirements of reporting and announcement under the Listing Rules and is exempt from the requirements of approval of independent Shareholders under the Listing Rules.

MAJOR TERMS OF THE JV CONTRACT

Date

1 November 2021

Parties

- (i) the Company; and
- (ii) Baowu Environment.

JV Company

The place of the incorporation of the JV Company will be the Economic and Technological Development Zone of Changshou District, Chongqing. The scope of operation principally includes technology development and consultancy services of construction materials and metallurgical products; recycling and sales of recyclable resources; recycling, sorting, processing and sales of steel slag, dust removal ash (mud), waste resistant materials and desulphurization gypsum; processing and sales of blast furnace slag; sales of slag powder; processing and treatment of non-metallic waste and debris.

Governance Structure

Shareholders' committee: The JV Company shall establish a shareholders' committee as the authority to exercise its functions and powers in accordance with the meeting procedures, contents and voting procedures stipulated under the articles of association of the JV Company.

Executive directors, supervisors and general manager: The JV Company shall have one executive director, two supervisors, and one general manager, which shall exercise their functions and powers in accordance with the articles of association of the JV Company. The executive director shall be the legal representative of the JV Company, recommended by Baowu Environment and subsequently elected by the shareholders' committee; the supervisors shall be recommended by Baowu Environment and the Company respectively and subsequently elected by the shareholders' committee; the general manager shall be recommended by Baowu Environment and subsequently recruited by the shareholders' committee, and the executive director can concurrently serve as the general manager.

Liabilities for Default

If either party breaches the provisions of the JV Contract and the articles of association of the JV Company and such breach causes losses to the other party or the JV Company, the breaching party shall bear the liabilities and indemnify the affected party and the JV Company in full against any loss. The amount of compensation shall be equivalent to the losses caused by the breach of contract.

If each party to the Contract is in breach of its obligations under the Contract, each shall bear its respective corresponding liabilities for default.

Settlement of Disputes

In the event of a possible or actual dispute between the parties to the joint venture concerning the interpretation or performance of the JV Contract or the operation of the JV Company, the parties or parties to the dispute shall endeavour to settle the dispute smoothly by negotiation.

Either party shall have the right to file a lawsuit with the People's Court at the place where the JV Company is located if a dispute mentioned in the preceding paragraph fails to be settled by negotiation within 60 days after one of the parties to the joint venture has given written notice of the dispute to the other party. In the course of the lawsuit, except for the terms concerning the matter in dispute, the other terms of the JV Contract shall continue to be performed.

Share Capital and Contribution

The registered capital of the JV Company is RMB100 million, of which the Company's proportion of shareholding is 49%, contributing RMB49 million, while Baowu Environment's proportion of shareholding is 51%, contributing RMB51 million.

The shareholding structure is as follows:

Shareholder	Proportion of Contribution	Means of Contribution	Subscription Amount (RMB0'000)
Baowu Environment	51%	Currency	5,100
The Company	49%	Currency	4,900
Total	<u>100%</u>		<u>10,000</u>

The above information is subject to approval and registration by the administrative authorities for industry and commerce.

The connected transaction will be conducted on the basis of the principle of equality and mutual benefit. Both parties shall contribute in currency, and determine their proportion of equity interests of investment based on the amount of contribution.

The registered capital of JV Company shall be contributed by the shareholders in proportion to their respective subscription amount in the amount of RMB10 million (RMB5.1 million to be contributed by Baowu Environment and RMB4.9 million to be contributed by the Company) within 60 working days from the date of formation of JV Company (the first issuance of the business license of an enterprise legal person), and the entire registered capital shall be contributed by the Company in accordance with the needs of the JV Company by 31 December 2025, which shall be fully paid up by each shareholder in accordance with their respective capital contribution ratios based on the total subscription amount of each installment on a timely and simultaneous basis.

The amount of contribution under the Contract is determined after arm's length negotiation among the parties with reference to the estimated capital requirements of the JV Company. Capital contribution of the Company will be funded by internal resources.

Effectiveness

The JV Contract shall be effective upon being signed by the respective parties to the joint venture.

REASONS AND BENEFITS OF THE JV CONTRACT

The Company and Baowu Environment will jointly invest in the JV Company, which will serve as a platform to undertake the relevant solid waste business of the Company, such as water slag, steel slag and dust sludge in an orderly manner, enabling the Company to create incremental value through productization and high-value transformation of solid waste resources, and help to build ecological plants and develop a new type of industry, which is in line with the needs of the Company's future development plan.

The Directors ((including the independent non-executive Directors) consider that the terms of the Contract were entered into on normal commercial terms and that such terms are fair and reasonable and in the interests of the Company and Shareholders as a whole.

INFORMATION OF THE COMPANY AND BAOWU ENVIRONMENT

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

Baowu Environment is mainly engaged in technology development, technology service, technology consultation and technology transfer in environmental protection, governance evaluation and related fields; environmental protection projects: ecological restoration (except for special projects), soil improvement, river regulation, contaminated site remediation, soil restoration; research and development, leasing and sales of energy-saving, environmental protection equipment and related materials; production (limited to branch operations) and sales of environmental protection products; recycling, processing (limited to branch operations) and comprehensive utilization of renewable resources as well as product research and development and sales; operation of hazardous waste (operating in accordance with the license); sales and production (limited to branch operations) of chemical materials and products (except hazardous chemicals, controlled chemicals, fireworks and firecrackers, civil explosives and precursor chemicals); import and export of goods and technology; soil and groundwater survey; research and development of soil and groundwater remediation agents; air, sewage and noise abatement and groundwater remediation; manufacturing and processing (limited to branch operations) of refractory materials; processing (limited to branch operations) and sales of metallurgical auxiliary materials (except for special projects); rental of self-owned premises; property management.

The ultimate beneficial owner of Baowu Environment is China Baowu.

LISTING RULES IMPLICATIONS

As of the date of this announcement, China Baowu is interested in approximately 24.97% of the issued share capital of the Company, among which 1.46% is held by China Baowu directly and 23.51% is indirectly controlled by China Baowu through Changshou Iron & Steel. China Baowu controls 65% of equity interests in Changshou Iron & Steel by the acting in concert agreement with Chongqing Strategic Emerging Equity Investment Fund Partnership (Limited Partnership) (重慶戰略性新興產業股權投資基金合夥企業(有限合夥)). China Baowu is an indirect controlling Shareholder of Changshou Iron & Steel, and therefore, China Baowu is an indirect substantial Shareholder of the Company, i.e. a connected person under Chapter 14A of the Listing Rules. Given that Baowu Environment is a company controlled by China Baowu, Baowu Environment is also a connected person under Chapter 14A of the Listing Rules. Therefore, the transaction contemplated under the JV Contract will constitute a connected transaction under the Listing Rules of the Company.

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APPROVAL BY THE BOARD

On 28 August 2021, the Resolution on Formation of Joint Venture and Related Party Transaction between the Company and Baowu Environment was voted and approved at the 2nd meeting of the ninth session of the Board of the Company, pursuant to which, both parties formally entered into the JV Contract upon the consideration and approval of the Board of the Company as well as the completion of the internal approval procedures by Baowu Environment.

None of the Directors attending the above Board meeting has significant interests in the Contract and shall abstain from voting in the relevant Board resolutions of the Contract.

DEFINITIONS

The following defined terms are used in this announcement:

“Baowu Environment”	Baowu Group Environmental Resources Technology Co., Ltd. (寶武集團環境資源科技有限公司), a limited liability company incorporated in the PRC
“Board”	the board of Directors
“Changshou Iron & Steel”	Chongqing Changshou Iron & Steel Company Limited (重慶長壽鋼鐵有限公司), a limited liability company incorporated in the PRC
“China Baowu”	China Baowu Steel Group Corporation Limited, a limited liability company incorporated in the PRC and a pilot enterprise of state-owned capital investment company wholly owned by the State-owned Assets Supervision and Administration Commission of the State Council
“Company”	Chongqing Iron & Steel Company Limited, a company incorporated in PRC with limited liability and the shares of which are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JV Company”	Baowu Environmental Resources Technology (Chongqing) Co., Ltd. (寶武環科重慶資源利用有限公司)

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Contract” or “JV Contract”	the joint venture contract dated 1 November 2021 entered into between the Company and Baowu Environment
“PRC”	the People’s Republic of China
“RMB”	renminbi, the lawful currency of the PRC
“Shareholders”	holder(s) of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	percent

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

Chongqing, the PRC, 2 November 2021

As at the date of this announcement, the Directors of the Company are: Mr. Zhang Wenxue (Executive Director), Mr. Xie Zhixiong (Executive Director), Mr. Zou An (Executive Director), Mr. Song De An (Non-executive Director), Mr. Lai Xiaomin (Non-executive Director), Mr. Zhou Ping (Non-executive Director), Mr. Sheng Xuejun (Independent Non-executive Director), Mr. Zhang Jinruo (Independent Non-executive Director) and Mr. Guo Jiebin (Independent Non-executive Director).