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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 22 December 2021 in relation to the possible connected transaction in relation to formation of the Joint Venture.

On 5 January 2022, the Company entered into the JV Contract with Baosteel Resources, pursuant to which, the parties agreed to jointly contribute and establish a JV Company named as Baowu Jingcheng (Zhoushan) Mining Technology Co., Ltd. (寶武精成(舟山)礦業科技有限公司).

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 directly held by China Baowu 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 Baosteel Resources is a company controlled by China Baowu, Baosteel Resources is also a connected person under Chapter 14A of the Listing Rules. Therefore, the transaction contemplated under the JV Contract constitutes a connected transaction of the Company under the Listing Rules.

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

## **MAJOR TERMS OF THE JV CONTRACT**

### **Date**

5 January 2022

### **Parties**

- (i) the Company; and
- (ii) Baosteel Resources.

### **JV Company**

The place of the incorporation of the JV Company is No. 304–237, Ganghang Building, Majishan Port Area, Caiyuan Town, Shengsi County, Zhoushan City, China (Zhejiang) Pilot Free Trade Zone. The scope of operation principally includes mineral washing and processing; beneficiation; loading, unloading and handling; general cargo warehousing services (excluding storage of hazardous chemicals and other items requiring approval); domestic freight forwarder; international freight forwarder; domestic trade agency; import and export agency; trade brokerage; customs declaration business; engineering and technical research and test development; technology services, technology development, technology consultation, technology exchange, technology transfer and technology promotion. (Except for items that are subject to approval in accordance with the laws, the business activities shall be conducted independently with the business licences in accordance with the laws).

### **Governance Structure**

The investors of the JV company are its shareholders. The shareholders' meeting of the JV Company is composed of all the shareholders of the JV Company and is the authority of the JV Company.

The board of directors of the JV Company is composed of five directors, three from Baosteel Resources, one from the Company and one employee director; the chairman shall be recommended by Baosteel Resources; the JV Company will not form a supervisory committee, but will appoint a supervisor. The JV Company will have one general manager, one deputy general manager and one chief financial officer (to be allocated and adjusted in accordance with business development needs).

## Shareholding Structure

The registered capital of the JV Company is RMB180 million, of which: Baosteel Resources will subscribe for capital contribution of RMB145.8 million in cash (RMB), representing 81% of the registered capital; the Company will subscribe for capital contribution of RMB34.2 million in cash (RMB), representing 19% of the registered capital.

Shareholding structure:

<b>Names of Shareholders</b>	<b>Proportion of Contribution (%)</b>	<b>Means of Contribution</b>	<b>Subscribed Capital Contribution (RMB0'000)</b>
The Company	19	Cash (RMB)	3,420
Baosteel Resources	81	Cash (RMB)	14,580
Total	<u>100</u>	<u>/</u>	<u>18,000</u>

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

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

Within one month after the registration of the JV Company, the parties to the joint venture shall pay in full their respective subscribed capital contributions.

The amount of capital contribution under the Contract was determined by the parties after arm's length negotiations and with reference to the estimated capital requirements of the JV Company. The capital contribution of the Company will be funded by its internal resources.

## Arrangements Related to Shareholding Structure

Any one of the parties has the right to transfer its equity held in the JV Company to its related parties, and the other JV party hereby agrees to waive its pre-emptive right.

In order to enhance the competitiveness of the JV Company in the mixed ore market, both parties agreed that after the establishment of the JV Company, an external investor will be introduced by Baosteel Resources transferring 30% of the equity interests in the JV Company held by it. The external investor promised to provide project users with continuous and stable guarantee of high-quality iron ore raw materials. The Company agrees to waive its pre-emptive right.

## **Liabilities for Default**

Both parties to the joint venture shall faithfully perform their respective duties and obligations under the Contract in accordance with the terms of the Contract. If either party breaches the Contract and causes losses to the JV Company or the other joint venture party, or causes the JV Company to fail to be formed or the JV Company fail to achieve its business objectives, the defaulting party shall be liable to compensate for the losses of the non-defaulting party.

If either party to the joint venture fails to perform their capital contribution obligations in a timely, truthful and complete manner in accordance with the Contract, the party in breach of the capital contribution obligations shall be liable for the default of the capital contribution and for any false capital contribution. In addition to requiring the defaulting party to pay the full amount of the capital contribution, the other party shall be entitled to demand the defaulting party to bear one thousandth of the amount of the unpaid capital contribution per day as liquidated damages until the defaulting party has actually paid the capital contribution, and shall be held liable for the corresponding damages.

## **Remedies for Default**

In the event of a breach of contract by either party to the Contract, the non-defaulting party shall be entitled to one and more of the following remedies to preserve its rights:

1. To require the defaulting party to continue to perform the relevant obligations.
2. To suspend the performance of its own obligations and resume its performance after the default is recovered. Suspension of performance by the non-defaulting party of its obligations in accordance with the provision of this clause shall not constitute non-performance or delay in performance by the defaulting party.
3. If, after a reminder and a reasonable grace period, the defaulting party still fails to perform its relevant obligations, the non-defaulting party shall be entitled to give notice of termination of the Contract.
4. Other forms of remedies stipulated by the laws and the terms agreed in the Contract.

## **Settlement of Disputes**

The parties to the joint venture acknowledge that it is conducive to both parties to the joint venture and in the best interests of the JV Company to resolve disputes arising out of or in connection with the Contract in a prompt and fair manner. For this purpose, the parties to the joint venture agree to make every effort to resolve all disagreement and to resolve all disputes through co-operation and negotiation.

If the parties to the joint venture are unable to resolve any dispute(s) arising out of the existence, validity, interpretation, performance and termination of the Contract or any of its terms by themselves within sixty (60) days of the occurrence of such dispute as provided in the Contract, either party shall have the right to file a lawsuit with the people's court of competent jurisdiction in the place where the Contract was entered into.

During the course of the lawsuit, the parties to the joint venture shall continue to perform their obligations under the other parts of the Contract, except for those parts under the Contract that are in dispute.

## **Effectiveness and Amendment**

The JV Contract shall be effective upon being sealed by the parties to the joint venture and signed by their authorized representatives. Any amendment to or termination of the Contract shall be made in writing and signed by the parties to the joint venture under seal before it becomes effective.

## **REASONS FOR AND BENEFITS OF THE JV CONTRACT**

After the Company and Baosteel Resources jointly invested in the JV Company, the JV Company will lease the site of Baoshan Iron & Steel Co., Ltd. in Majishan Port and provide professional fine-mixing and blending ore processing services. The JV Company is expected to have a production capacity of 20 million tons per year, which may reduce the pressure of environmental protection, ensure the supply of materials, optimize the logistics, and focus on the main business, which are in line with the needs of the Company's future development plan. The investment in the JV Company is conducive to the sustainable development of the Company, and will not have an adverse impact on the financial and operating conditions of the Company, and will not impair the interests of the Company and the Shareholders.

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 its Shareholders as a whole.

## **INFORMATION ON THE COMPANY AND BAOSTEEL RESOURCES**

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

Baosteel Resources is principally engaged in the import and export of goods and technology, road cargo transportation agency, shipping agency, coal operation, industrial investment, third party logistics services (not allowed to engage in transportation), electronic commerce (not allowed to engage in value-added telecommunication and financial services) and waste and scrap recycling (including the acquisition of production scrap metal). (Items subject to approval in accordance with the law shall be approved by the relevant authorities before commencing business activities).

The ultimate beneficial owner of Baosteel Resources 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, of which 1.46% is directly held by China Baowu 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 Baosteel Resources is a company controlled by China Baowu, Baosteel Resources is also a connected person under Chapter 14A of the Listing Rules. Therefore, the transaction contemplated under the JV Contract constitutes a connected transaction of the Company under the Listing Rules.

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## **APPROVAL BY THE BOARD**

On 21 December 2021, the Resolution on Formation of Joint Venture and Related Party Transaction between the Company and Baosteel Resources Holdings (Shanghai) Co., Ltd. was voted and approved at the 6<sup>th</sup> meeting of the ninth session of the Board. After the consideration and approval by the Board of the Company and the completion of the internal approval procedures by Baosteel Resources, the parties formally entered into the JV Contract.

None of the Directors at the above Board meeting has material interests in the Contract or is required to abstain from voting on the relevant Board resolution in respect of the Contract.

## **DEFINITIONS**

The following defined terms are used in this announcement:

“Baosteel Resources”	Baosteel Resources Holdings (Shanghai) Co., Ltd. (寶鋼資源控股(上海)有限公司), a company incorporated in the PRC with limited liability
“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 joint stock limited company incorporated in the PRC with limited liability and the shares of which are listed on the Stock Exchange
“Contract” or “JV Contract”	the joint venture contract dated 5 January 2022 entered into between the Company and Baosteel Resources
“Director(s)”	the director(s) of the Company

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JV Company”	Baowu Jingcheng (Zhoushan) Mining Technology Co., Ltd. (寶武精成(舟山)礦業科技有限公司)
“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
“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, 6 January 2022

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