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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 ESTABLISHMENT OF JOINT VENTURE THROUGH CAPITAL CONTRIBUTION

I. OVERVIEW OF THE TRANSACTION

Considering the business development needs of Chongqing Iron & Steel Company Limited (the “**Company**” or “**CI&S**”), the Company proposes to establish Baowu Raw Materials Procurement Service Company Limited (寶武原料採購服務有限公司) (“**Baowu Raw Materials**” or “**JV Company**”, a preliminary name subject to industrial and commercial registration) with its internal funds of RMB40 million in cooperation with China Baowu Steel Group Corporation Limited (中國寶武鋼鐵集團有限公司) (“**China Baowu**”), Baoshan Iron & Steel Co., Ltd. (寶山鋼鐵股份有限公司) (“**Baosteel**”), Magang (Group) Holding Co., Ltd. (馬鋼集團控股有限公司) (“**Masteel Group**”), WISCO Echeng Steel Company Limited (武漢鋼鐵集團鄂城鋼鐵有限責任公司) (“**Echeng Steel**”) and SGIS Songshan Co., Ltd. (廣東韶鋼松山股份有限公司) (“**Songshan Company**”) through joint contribution.

On 27 March 2020, at the 20th meeting of the eighth session of the board of directors of the Company, the Resolution in relation to the Related Party Transaction on Establishment of Baowu Raw Materials Procurement Service Company Limited through Joint Contribution was considered and approved. The parties concerned will enter into a formal joint venture agreement upon consideration and approval of the resolution by the board of directors of the Company and completion of internal approval procedures by other joint venture partners.

As Mr. Liu Jianrong, general manager of the Company, took such positions as director and vice chairman in Songshan Company in the past, Songshan Company is a historic related party of the Company within last 12 months according to Rule 10.1.6 (II) of the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange. Therefore, the establishment of JV Company through capital contribution constitutes a related-party transaction under the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, but does not constitute a connected transaction under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As of this transaction, the Company carried out one related party transaction relevant to the category of this transaction in the last 12 months, and the said related party transaction involved an amount of RMB2.5 million, falling short of 5% of the absolute value of the latest audited net assets of the Company. For details, please refer to the Company's Announcement on Proposed Joint Establishment of a Joint Venture Company dated 12 August 2019, Supplemental Announcement in Relation to the Proposed Joint Establishment of a Joint Venture Company dated 13 August 2019 and Progress Announcement on Joint Establishment of a Joint Venture Company dated 17 December 2019.

II. BASIC INFORMATION ON THE INVESTING TARGET

Enterprise name: Baowu Raw Materials Procurement Service Company Limited (preliminary name)

Type: limited liability company

Registered capital: RMB500 million

Registered address: Baowu Building, 1859 Shibo Avenue, Pilot Free Trade Zone, Shanghai, PRC.

Equity composition: it will be held as to 49%, 17%, 10%, 8%, 8% and 8% of equity by each of Baosteel, Masteel Group, China Baowu, Echeng Steel, Songshan Company and CI&S; the shareholders shall make their respective capital contribution in cash with funds sourced on their own, and pay up their respective subscribed contribution amount within one month from the incorporation date of the company; the board of directors shall consist of 9 directors, of which China Baowu, Baosteel, Masteel Group, Echeng Steel, Songshan Company and CI&S may respectively nominate two, two, one, one, one and one candidates of directors, who will be elected at a general meeting. There will be one employee director elected at an employee representative meeting, a trade union meeting or by other forms of democratic election.

Breakdown on the parties' contribution proportion, contribution method and amount to be subscribed for

Shareholder	Contribution proportion (%)	Contribution method	Amount to be subscribed for (RMB0'000)
China Baowu Steel Group Corporation Limited	10	Currency	5,000
Baoshan Iron & Steel Co., Ltd.	49	Currency	24,500
Magang (Group) Holding Co., Ltd.	17	Currency	8,500
WISCO Echeng Steel Company Limited	8	Currency	4,000
SGIS Songshan Co., Ltd.	8	Currency	4,000
Chongqing Iron & Steel Company Limited	8	Currency	4,000
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Total	<u>100</u>	<u>/</u>	<u>50,000</u>

Scope of business: engaged in import and export of merchandise (mainly bulk raw materials and fuels) and technologies, domestic trade (except for items otherwise stipulated), international trade, freight forwarding, shipping agency, trading of coal, wholesale and retail of coal, industrial investment, third party logistics services (involving no carriage), oceangoing, offshore and riparian chartering, E-commerce (except for value-added telecommunication services and financial engagements) (business activities involving items subject to approval under the laws shall not be carried out until approval is obtained from the competent authority)

Information set out above is subject to the approval of and registration with the industry and commerce administration authorities.

III. MAIN CONTENT OF THE JOINT VENTURE AGREEMENT

(I) The registered capital of the JV Company to be established through capital contribution is RMB500 million, and the amount to be subscribed for by the shareholders, contribution proportion, contribution method and payment term are set out as follows:

1. Baosteel will make a capital contribution of RMB245,000,000 in currency, accounting for 49% of the registered capital of the JV Company;

2. Masteel Group will make a capital contribution of RMB85,000,000 in currency, accounting for 17% of the registered capital of the JV Company;
3. China Baowu will make a capital contribution of RMB50,000,000 in currency, accounting for 10% of the registered capital of the JV Company;
4. Echeng Steel will make a capital contribution of RMB40,000,000 in currency, accounting for 8% of the registered capital of the JV Company;
5. Songshan Company will make a capital contribution of RMB40,000,000 in currency, accounting for 8% of the registered capital of the JV Company;
6. CI&S will make a capital contribution of RMB40,000,000 in currency, accounting for 8% of the registered capital of the JV Company.

The shareholders shall pay up their respective subscribed amount within one month from the incorporation date of the JV Company.

- (II) Shareholders' meeting: consisting of all shareholders, the shareholders' meeting of Baowu Raw Materials is the authoritative body of the JV Company and discharges its duties in accordance with the Articles of Association of the JV Company and the Company Law. The shareholders shall exercise their voting rights based on their respective paid-up contributions pro rata.

The board of directors: the JV Company shall set up a board of directors, consisting of 9 directors, of which, China Baowu, Baosteel, Masteel Group, Echeng Steel, Songshan Company and CI&S may respectively nominate two, two, one, one, one and one candidates of directors, who will be elected at a general meeting. There will be one employee director elected at an employee representative meeting, a trade union meeting or by other forms of democratic election.

The board of supervisors: the JV Company shall set up a board of supervisors, consisting of 3 supervisors, of which, China Baowu and Baosteel will each nominate one candidate to be elected at a general meeting, and there will be one employee supervisor to be elected at an employee representative meeting, a trade union meeting or other forms of democratic election.

The JV Company shall have a general manager whose appointment and removal will be determined by the board of directors, and a number of other senior executives including vice general manager, who will be nominated by the general manager and appointed or removed at the discretion of the board of directors. The general manager and other senior executives make up the management of the JV Company.

- (III) In the event that any shareholder fails to pay up the required registered capital (including any capital increase) in the prescribed amount within the scheduled time as per the joint venture agreement or the articles of association of the JV Company, in addition to fulfilling its obligation of capital contribution within one month, such delinquent party shall also make a payment of penalty to the JV Company equivalent to 0.005% of the amount in arrear based on the days overdue.
- (IV) Any dispute arising in the execution course of the joint venture agreement or relating to the joint venture agreement shall be resolved by the parties through friendly negotiation; in case of failure in resolving any dispute through negotiation, any party may file a lawsuit with the people's court in the jurisdiction where the JV Company is located.
- (V) The joint venture agreement shall come into effect after being executed by the legal representatives or authorized proxies of the shareholders and affixed with their seals thereon.

IV. PRICING POLICY AND BASIS OF THE TRANSACTION

The Company has entered into the joint venture agreement with China Baowu, Baosteel, Masteel Group, Echeng Steel and Songshan Company to jointly establish the JV Company in Shanghai at a registered capital of RMB500 million, which will be held as to 8% of equity by the Company owing to its cash contribution of RMB40 million. The transaction agreement is entered into based on the principle of market orientation and shared establishment, management and use, as well as the principle of open, equal and fair transaction, which will do no harm to the interests of the Company and its shareholders, nor will it jeopardize the independence of the Company.

V. PURPOSE OF THE TRANSACTION AND IMPACT ON THE COMPANY

China Baowu is the largest iron ore buyer worldwide. Through establishment of such a raw material sharing platform under unified operation, the Company is able to soothe its pains resulting from separate procurement in terms of resource balance, negotiation and contracting, financial services, risk management, logistics and delivery, smart supply chain, etc., effectuating supply guarantee, cost reduction, efficiency improvement and a stronger say in pricing.

By participating in the establishment of Baowu Raw Materials through capital contribution, the Company will be able to enjoy abundant synergistic effect to improve its capability of iron ore resource guarantee, obtain more favorable commercial terms and financial services and receive more professional logistics and delivery services and ore blending techniques by leveraging on the strengths of China Baowu in respect of brand, scale, capital, logistics and ore blending technology, which is in line with the future development plan of the Company.

VI. RISK WARNING

Considering the demanding requirements in respect of market expansion, production and operation, internal control, personnel management, etc., in the establishment of the JV Company through capital contribution, there is uncertainty on whether the JV Company is capable of achieving its development goals upon incorporation.

As all applicable percentage ratios in relation to the establishment of JV Company fall below 5%, such transaction does not constitute a discloseable transaction under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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).