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## **THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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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 – SUPPLEMENTAL SERVICE AND SUPPLY AGREEMENT; AND (2) NOTICE OF 2022 FIRST EXTRAORDINARY GENERAL MEETING**

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



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A letter from the Board is set out from pages 1 to 17 of this circular.

A notice convening the EGM to be held at 2:00 p.m. on Monday, 29 August 2022 at Chongqing Iron & Steel Conference Center, No. 2 Jiangnan Avenue, Jiangnan Street, Changshou District, Chongqing, the PRC, is set out on pages 40 to 41 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 17M 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.

10 August 2022

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## DEFINITIONS

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

“2020 Service and Supply Agreement”	the service and supply agreement dated 20 November 2020 entered into between the Company and China Baowu
“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
“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 a substantial Shareholder of the Company (as defined under the Listing Rules)
“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
“Director(s)”	the director(s) of the Company
“EGM”	the 2022 first extraordinary general meeting (or any adjournment thereof) of the Company to be convened at Chongqing Iron & Steel Conference Centre, No. 2 Jiangnan Avenue, Jiangnan Street, Changzhou District, Chongqing, the PRC, at 2:00 p.m. on Monday, 29 August 2022, for purpose of approving, among other things, the Supplemental Service and Supply Agreement (including the annual caps) and the transactions contemplated thereunder

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## DEFINITIONS

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“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”	a board committee comprising three independent non-executive Directors, Mr. Sheng Xuejun, Mr. Zhang Jinruo and Mr. Guo Jiebin
“Independent Financial Adviser” or “Rainbow Capital”	Rainbow Capital (HK) Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under the Supplemental Service and Supply Agreement
“Independent Shareholder(s)”	Shareholders other than China Baowu and its associates
“Latest Practicable Date”	4 August 2022
“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
“Service and Supply Agreement” or “Original Agreement”	the service and supply agreement dated 1 April 2021 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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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“Supplemental Service and Supply Agreement” or “Supplemental Agreement” the supplemental service and supply agreement dated 8 July 2022 entered into between the Company and China Baowu

“%” percent

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LETTER FROM THE BOARD

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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)

*Executive Directors:*

Mr. Zhang Wenxue  
Mr. Xie Zhixiong  
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. Lai Xiaomin  
Mr. Zhou Ping

*Independent Non-executive Directors:*

Mr. Sheng Xuejun  
Mr. Zhang Jinruo  
Mr. Guo Jiebin

10 August 2022

*To the Shareholders*

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS –  
SUPPLEMENTAL SERVICE AND SUPPLY AGREEMENT;  
AND  
(2) NOTICE OF 2022 FIRST EXTRAORDINARY GENERAL MEETING**

**I. INTRODUCTION**

Reference is made to the announcement of the Company dated 9 July 2022 in relation to the continuing connected transactions – Supplemental Service and Supply Agreement.

The purpose of this circular is to provide you with the relevant information regarding the Supplemental Service and Supply Agreement (including the annual caps) and the transactions contemplated thereunder, 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.

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## LETTER FROM THE BOARD

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

#### Background

On 1 April 2021, the Company entered into the Service and Supply Agreement with China Baowu, whereby the Group will provide products to China Baowu Group, and China Baowu Group will provide products, materials and services to the Group. The above matters were reviewed and approved by the 2020 annual general meeting of the Company held on 29 June 2021. The total amount of products to be provided by the Group to China Baowu Group for the year 2022 shall not exceed RMB16,706 million and the total amount for the year 2023 shall not exceed RMB20,051 million; the total amount of products, materials and services to be provided by China Baowu Group to the Group for the year 2022 shall not exceed RMB32,282 million and the total amount for the year 2023 shall not exceed RMB34,056 million.

Due to the development of the Company's innovative business model and the professional integration of China Baowu, it is necessary to add the types and amounts of transaction for the products to be provided by the Group to China Baowu Group in 2022 and 2023 as stipulated in the Original Agreement, and increase the amounts of raw materials, production materials and services to be provided by China Baowu Group to the Group. Accordingly, the Company and China Baowu entered into the Supplemental Agreement on 8 July 2022. It is agreed that the item "solid waste" and service types shall be added to the products to be provided by the Group to China Baowu Group, and the total amount of products and/or services to be provided by the Group to the China Baowu Group will be increased up to RMB23,856 million in 2022 and RMB28,026 million in 2023; meanwhile, the total amount of products and/or services to be provided by China Baowu Group to the Group will be increased up to RMB47,773 million in 2022 and RMB53,583 million in 2023. Except for the above changes, the other terms of the Original Agreement shall remain unchanged. The reasons of the above adjustments are as follows:

- (a) because of the professional integration of China Baowu, Baowu Huanke Chongqing Resources Utilisation Co., Ltd. (寶武環科重慶資源利用有限公司) is designated to deal with all solid waste among China Baowu Group. Under such premises and pursuant to the latest business plan of the Group, it is expected that steel slag and blast furnace slag will be sold by the Group to China Baowu Group starting from 2022. It is also expected that industrial waste and other solid waste related products will be sold by the Group starting from 2023. As such, the category "solid waste" is included to the scope of products/services provided to China Baowu Group.

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## LETTER FROM THE BOARD

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- (b) the other services to be provided by the Group to China Baowu Group are mainly related to commissioned processing services for steel billets. Although the maximum production volume of steel billets for the year ending 31 December 2022 and 2023 could be approximately 10 million tonnes and 11 million tonnes respectively, the planned production volume of steel billets remain at approximately 7.1 million tonnes per year, which was the same as the actual production volume for the year ended 31 December 2021, due to the production limitation proposed in the “Industry Development Plan for Raw Materials in the fourteenth Five-Year-Plan period” by the Ministry of Industry and Information Technology of the PRC that the production capacity of crude steel (including the steel billets) shall not further increase (the “**Production Limitation**”). As such, there would be idle capacity for the production of steel billets which amount to approximately 2.9 million tonnes and 3.9 million tonnes for the year 2022 and 2023. The inclusion of service types allows the Group to provide commissioned processing services for steel billets to China Baowu Group, in which the Group would use the idle capacity to produce steel billets for China Baowu Group and the production volume under this service are not subject to the Production Limitation.
- (c) the Group is gradually shifting from fragmented third-party procurement to collective procurement through China Baowu Group, meaning the purchase amount of production materials from China Baowu Group will be increased by the amount the Group used to purchase from third party suppliers. The Group has additional demand on production materials for the increase in production volume and additional maintenance needs associated with the increasing production volume. The Group also has additional demand for services of China Baowu Group in view of new construction projects to be implemented according to the latest investment plans.

The Company confirmed that as at the Latest Practicable Date, the transaction amount under the Original Agreement has not exceeded the existing annual cap.

The principal terms of the Supplemental Service and Supply Agreement are set out below:

**Date:**

8 July 2022

**Parties:**

- (1) China Baowu; and
- (2) the Company

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## LETTER FROM THE BOARD

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### **Term of Transaction**

From the effective date of the agreement to 31 December 2023.

### **Subject Matter**

- (i) China Baowu agreed to (by itself and/or China Baowu Group) provide the Group with the products, materials and services as follows:
  - (a) raw materials such as iron ore, scrap steel, refractory materials, accessories (including dolomite, limestone, etc.), steel billets, coal, etc.;
  - (b) production materials such as chemical materials, equipment and spare parts, water, etc.; and
  - (c) technical services (including construction, software development and labour services, etc.), road transportation services and sanitation and greening services, etc.
- (ii) The Company agreed to (by itself and/or the Group) provide China Baowu Group with the products, materials and services as follows:
  - (a) production materials such as water, electricity, natural gas, steel billets, steel products, pig iron, solid waste, etc.;
  - (b) other services (including processing, quality control and technical consultation and other technical services), etc.

### **Condition Precedent**

The Supplemental Service and Supply Agreement is conditional upon the passing of the resolution(s) approving the Supplemental Agreement and the transactions contemplated thereunder (including the annual caps) by the Independent Shareholders at the EGM to be convened.

### **Price**

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

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## LETTER FROM THE BOARD

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

In accordance with the prevailing pricing standards, the basis of price for each of the transactions under the Service and Supply Agreement, as supplemented by the Supplemental Agreement, is as follows:

<b>Type</b>	<b>Pricing principle</b>	<b>Items</b>
Products and materials provided by China Baowu Group to the Group	Market pricing	Raw materials such as iron ore, scrap steel, refractory materials, accessories (including dolomite, limestone, etc.), steel billets, coal, etc.
		Production materials such as chemical materials, equipment and spare parts, etc.
	State 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)	Water

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## LETTER FROM THE BOARD

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Type	Pricing principle	Items
Services provided by China Baowu Group to the Group	Market pricing	Technical services (including construction, software development and labour services, etc.), road transportation services and sanitation and greening services, etc.
Products sold by the Group to China Baowu Group	State 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, solid waste, etc.
Services provided by the Group to China Baowu Group	Market pricing	Other services (including processing, quality control and technical consultation and other technical services), 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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## LETTER FROM THE BOARD

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### Caps of Amount

Subject to the Supplemental Service and Supply Agreement, the total amount of products and/or services provided by the Group to China Baowu Group during the above transaction period is adjusted based on the table below, with the amount not exceeding RMB51,882 million in total. The total amount of products and/or services provided by China Baowu Group to the Group during the above transaction period is adjusted based on the table below, with the amount not exceeding RMB101,356 million in total.

As adjusted by the Supplemental Agreement, the proposed annual cap of transaction amount (tax exclusive) in respect of the products and/or materials and services provided to China Baowu Group by the Group from the effective date of the agreement to 31 December 2023 are shown in the table below:

*Unit: RMB million*

	Adjusted annual cap		Sub-total
	1 January 2022 to 31 December 2022	1 January 2023 to 31 December 2023	
<b>Items</b>			
Production materials such as water, electricity, natural gas, steel billets, steel products, pig iron, solid waste etc., provided by the Group to China Baowu Group	16,706	20,051	36,757
Other services (including processing, quality control and technical consultation and other technical services), etc., provided by the Group to China Baowu Group	7,150	7,975	15,125
Sub-total	<u>23,856</u>	<u>28,026</u>	<u>51,882</u>

## LETTER FROM THE BOARD

For easy reference, the original cap of transaction amount (tax exclusive) in respect of the products provided to China Baowu Group by the Group under the Original Agreement for the two financial years from 1 January 2022 to 31 December 2023 are shown in the table below:

*Unit: RMB million*

	<b>Original annual cap</b>	
	<b>1 January 2022 to 31 December 2022</b>	<b>1 January 2023 to 31 December 2023</b>
<b>Items</b>		
Production materials such as water, electricity, natural gas, steel billets, steel products, pig iron, etc.	16,706	20,051

As adjusted by the Supplemental Agreement, the proposed annual cap of transaction amount (tax exclusive) in respect of the products and/or materials and services provided to the Group by China Baowu Group from the effective date of the agreement to 31 December 2023 are shown in the table below:

*Unit: RMB million*

	<b>Adjusted annual cap</b>		
	<b>1 January 2022 to 31 December 2022</b>	<b>1 January 2023 to 31 December 2023</b>	<b>Sub-total</b>
<b>Items</b>			
Products and/or materials provided by China Baowu Group to the Group			
Raw materials such as iron ore, scrap steel, refractory materials, accessories (including dolomite, limestone, etc.), steel billets, coal, etc.	40,446	46,682	87,128
Production materials such as chemical materials, equipment and spare parts, water, etc.	2,574	2,585	5,159

## LETTER FROM THE BOARD

	<b>Adjusted annual cap</b>		<b>Sub-total</b>
	<b>1 January 2022 to 31 December 2022</b>	<b>1 January 2023 to 31 December 2023</b>	
Services such as technical services (including construction, software development and labour services, etc.), road transportation services and sanitation and greening services, etc., provided by China Baowu Group to the Group	<u>4,753</u>	<u>4,316</u>	<u>9,069</u>
Sub-total	<u><u>47,773</u></u>	<u><u>53,583</u></u>	<u><u>101,356</u></u>

For easy reference, the original cap of transaction amount (tax exclusive) in respect of the products, materials and services provided to the Group by China Baowu Group under the Original Agreement for the two financial years from 1 January 2022 to 31 December 2023 are shown in the table below:

*Unit: RMB million*

<b>Items</b>	<b>Original annual cap</b>	
	<b>1 January 2022 to 31 December 2022</b>	<b>1 January 2023 to 31 December 2023</b>
Raw materials such as iron ore, scrap steel, refractory materials, accessories (including dolomite, limestone, etc.), coal, etc.	28,382	30,458
Production materials such as chemical materials, equipment and spare parts, water, etc.	957	1,001
Technical services (including construction, software development and labour services, etc.), road transportation services and sanitation and greening services, etc.	<u>2,943</u>	<u>2,597</u>
Sub-total	<u><u>32,282</u></u>	<u><u>34,056</u></u>

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## LETTER FROM THE BOARD

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

- (i) the recent market prices or state-prescribed prices applicable to the relevant products, materials and services;
- (ii) the Group's expected ability to provide products and services to China Baowu Group and the Group's expected demand for China Baowu Group's products and services to meet its production plan;
- (iii) China Baowu Group's expected demand for the Group's products and services and China Baowu Group's expected ability to provide products and services to the Group; and
- (iv) the historical transaction amounts between the Group and China Baowu Group.

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:

*Unit: RMB million*

	<b>Effective date of the 2020 Service and Supply Agreement to 31 March 2021</b>	<b>1 April 2021 to 31 December 2021</b>	<b>1 January 2022 to 30 June 2022</b>
Production materials such as water, electricity, natural gas, steel billets and steel products, etc.	2,433.563	6,722.573	3,212.3

## LETTER FROM THE BOARD

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

*Unit: RMB million*

	<b>Effective date of the 2020 Service and Supply Agreement to 31 March 2021</b>	<b>1 April 2021 to 31 December 2021</b>	<b>1 January 2022 to 30 June 2022</b>
Raw materials such as iron ore, scrap steel, refractory materials, accessories (including dolomite, limestone, etc.), coal, etc.	3,969.301	6,335.285	4,258.15
Production materials such as chemical materials, equipment and spare parts, water, etc.	223.705	770.010	515
Technical services (including construction, software development and labour services, etc.), road transportation services and sanitation and greening services, etc.	<u>381.835</u>	<u>1,004.404</u>	<u>400.09</u>
<b>Sub-total:</b>	<u><u>4,574.841</u></u>	<u><u>8,109.699</u></u>	<u><u>5,173.24</u></u>

Regarding the adjustment of the annual caps for the products and/or services to be provided by the Group to China Baowu Group, it is expected that the total transaction amount will be increased by not exceeding RMB15,125 million in 2022 and 2023 because:

- (i) the major proportion of increased annual cap is contributed by the expected provision of commissioned processing services to China Baowu Group to the Group. Under the state's current policy, the Group is required to limit its production volume of steel billets. For utilizing the Group's idle production capacity, the Group intends to undertake commissioned processing services for China Baowu Group. After communicating with China Baowu, it is expected that in 2022 and 2023, the Group would produce approximately 2,600,000 tonnes and 2,900,000 tonnes of steel billet for China Baowu Group through the commissioned processing services; and the service fee is expected to be approximately RMB2,750 per tonne (excluding tax and after deducting the relevant costs).

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## LETTER FROM THE BOARD

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- (ii) As to the item solid waste, which is newly added into the category of products to be sold by the Group to China Baowu Group, pursuant to the latest business plan of the Group, it is expected that steel slag and blast furnace slag will be sold by the Group to China Baowu Group starting from 2022. It is also expected that industrial waste and other solid waste related products will be sold by the Group starting from 2023. Based on such business plan, it is expected that the solid waste to be sold by the Group to China Baowu Group would amount to approximately RMB238 million in 2022 and RMB459 million in 2023. The original caps under the Original Agreement for production materials were sufficient to cover the additional sales of solid waste and therefore the annual caps for such category has not been revised.

Regarding the adjustment of the annual caps for the products and/or materials to be provided by China Baowu Group to the Group, it is expected that the total transaction amount will be increased by not exceeding RMB31,489 million in 2022 and 2023 because:

- (i) As to raw materials, it is expected that the procurement amount of steel billets will increase by RMB28,288 million in 2022 and 2023. Based on the Group's current production plan, the Group will need to procure 2,900,000 tonnes and 3,900,000 tonnes of steel billets from China Baowu Group in 2022 and 2023, respectively. The price of the steel billets is expected to be approximately RMB4,160 (tax exclusive) per tonne.
- (ii) As to production materials, it is expected that the procurement amount of chemical materials, equipment and spare parts will increase by RMB3,201 million in 2022 and 2023, which is estimated based on latest production needs. The increase is mainly due to that (1) the Group is gradually shifting from fragmented third-party procurement to collective procurement through China Baowu Group, meaning the purchase amount of production materials from China Baowu Group will be increased by the amount the Group used to purchase from third party suppliers; and (2) the Group has additional demand on production materials for the increase in production volume and additional maintenance needs associated with the increasing production volume.

The total procurement amount of production materials for the year ended 31 December 2021 amounted to approximately RMB1.63 billion. As compared to such historical procurement amount, the proposed caps for production materials of approximately RMB2.57 billion and RMB2.59 billion for the year 2022 and 2023 represent increase of approximately 57.7% and 58.8%, respectively, which is primarily attributable to that (1) the total production volume of steel billets is estimated to increase by approximately 40.8% and 54.9% from approximately 7.1 million tonnes for the year ended 31 December 2021 to approximately 10.0 million tonnes and 11.0 million tonnes for the year ended 31 December 2022 and 2023, respectively. The increase in production volume would accordingly increase the demand for production materials including chemical materials and water; and (2) maintenance works associated with the production volume would be increased. These maintenance works would in turn generate additional demand for production materials such as spare parts.

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## LETTER FROM THE BOARD

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Regarding the adjustment of the annual caps for the services to be provided by China Baowu Group to the Group, it is expected that the total transaction amount will be increased by not exceeding RMB3,529 million in 2022 and 2023 because:

- (i) it is expected that the transaction amount in 2022 will be increased by RMB1,810 million, taking into account, among others, the new fixed assets investment projects and the previous engineering projects.
- (ii) it is expected that the transaction amount in 2023 will be increased by RMB1,719 million, taking into account, among others, the new fixed assets investment projects and the previous engineering projects.

The said increase is mainly due to (1) new construction projects to be implemented according to the latest investment plans; and (2) completion of existing projects.

In particular, the planned investment amount in relation to construction projects amounts to approximately RMB2,844 million for the year 2022, representing an increase of approximately RMB966 million as compared to the original investment amount of approximately RMB1,878 million; while the planned investment amount in relation to construction projects amounts to approximately RMB2,625 million for the year 2023, representing an increase of approximately RMB1,115 million as compared to the original investment amount of approximately RMB1,510 million. The additional investment is mainly for, among others, upgrading facilities to achieve higher production volume and lower carbon emission.

In addition, China Baowu Group is working on some construction projects for the Company and there have been some delays in the progress of these projects, of which the completion has been delayed to the next few years. According to the internal estimates of the Group, the Group expects to incur cost of approximately RMB786 million and RMB416 million for settlement of these existing projects for the year 2022 and 2023, respectively.

### **Reasons for entering into the Supplemental Service and Supply Agreement**

The entering into of the Supplemental Agreement between the Company and China Baowu is conducive to the Company's use of China Baowu's brand, advantages, channels and resources to ensure stable and reliable supply of products and/or services at a reasonable price, which is crucial to ensure the Company's production stability, cost reduction and efficiency enhancement. The new type of transaction is also beneficial to the development of the Company's innovative business model and the professional integration of China Baowu. On the one hand, China Baowu Group could provide the Company with the aforementioned products and/or services and further expand the sales channels for the Company, which is conducive to the stability and continuity of the Company's future production; on the other hand, based on the aforementioned transaction and pricing principle, the connected transactions will have a positive impact on the Company.

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## LETTER FROM THE BOARD

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The Directors (excluding the independent non-executive Directors whose opinion will be provided after taking into account of the advice of the Independent Financial Adviser) consider that the Supplemental Agreement and the transaction 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 Supplemental Agreement 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 Wenxue, Mr. Lai Xiaomin and Mr. Zhou Ping, who have positions in or connected with China Baowu Group and have abstained from voting on the relevant Board's resolutions for the approval of the Supplemental Service and Supply Agreement (including the annual caps) and the transaction contemplated thereunder, none of the Directors has interests in such transactions.

### **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 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

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## LETTER FROM THE BOARD

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

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## LETTER FROM THE BOARD

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When any member of the Group is entering into major sub-contracts pursuant to the Supplemental Agreement, 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, China Baowu is interested in approximately 26.97% of the issued share capital of the Company, among which 1.46% is directly held by China Baowu and 25.51% is indirectly controlled or held by China Baowu through the corporations it controls. China Baowu is an indirect substantial Shareholder of the Company, i.e., a connected person under Chapter 14A of the Listing Rules. Therefore, the transactions under the Supplemental Service and Supply Agreement constitute continuing connected transactions of the Company under the Listing Rules. As the applicable percentage ratios for the caps of the proposed amount of the transactions contemplated under the Supplemental Service and Supply Agreement are more than 5%, the transactions contemplated under the Supplemental Service and Supply Agreement constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules and are subject to the requirements of reporting, 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 Supplemental Service and Supply Agreement. 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. EGM**

The EGM will be held at 2:00 p.m. on Monday, 29 August 2022 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, the Supplemental Service and Supply Agreement. Notice of the EGM is set out on page 40 to 41 of this circular.

(i) China Baowu, holding 129,815,901 shares of the Company, (ii) Changshou Iron & Steel, holding 2,096,981,600 shares (approximately 23.51% of the issued share capital) of the Company and being indirectly controlled by China Baowu, and (iii) Baowu Group Zhongnan Iron and Steel Co., Ltd., holding 178,372,143 shares (approximately 2.00% of the issued share capital) of the Company and being controlled by China Baowu, will be required to abstain from voting at the EGM with respect to the ordinary resolution in connection with the Supplemental Service and Supply Agreement. Save as aforesaid, no other shareholder of the Company has a material interest in the transactions under the Supplemental Agreement and is required to abstain from voting at the EGM.

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## LETTER FROM THE BOARD

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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 17M 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.

#### **IV. RECOMMENDATION**

The Board considers that the transactions under the Supplemental Service and Supply Agreement 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.

#### **V. 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**  
**Zou An**  
*Secretary to the Board*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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)

10 August 2022

*To the Independent Shareholders*

Dear Sir or Madam,

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

We refer to the circular dated 10 August 2022 issued by the Company of which this letter forms 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 Supplemental Agreement, 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 Supplemental Agreement are entered into in the ordinary course of business of the Group; (ii) the terms of the Supplemental Agreement are normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole; and (iii) the annual caps contemplated under the Supplemental Agreement for the period ended 31 December 2023 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 Supplemental Agreement and the transactions contemplated thereunder at the EGM.

Yours faithfully,

**Independent Board Committee**  
*Independent Non-executive Director*  
**Sheng Xuejun, Zhang Jinruo, Guo Jiebin**

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*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 transactions contemplated under the Supplemental Service and Supply Agreement which has been prepared for the purpose of inclusion in this circular.*

**Rainbow Capital (HK) Limited**

10 August 2022

*To the Independent Board Committee and the Independent Shareholders*

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

Dear Sir or Madam,

### **CONTINUING CONNECTED TRANSACTIONS SUPPLEMENTAL SERVICE AND SUPPLY AGREEMENT**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Supplemental Service and Supply Agreement (the “**Transactions**”) and the proposed annual caps (the “**Proposed Caps**”) for the Transactions up to 31 December 2023, 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 10 August 2022 (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 1 April 2021, the Company entered into the Service and Supply Agreement with China Baowu, whereby the Group will provide products to China Baowu Group, and China Baowu Group will provide products, materials and services to the Group. The transactions contemplated under the Service and Supply Agreement were approved by the then independent Shareholders at the 2020 annual general meeting of the Company held on 29 June 2021. On 8 July 2022, the Company and China Baowu entered into the Supplemental Service and Supply Agreement, pursuant to which the type of products, materials and services to be sold and the annual caps for the transactions contemplated under the Service and Supply Agreement are revised.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As at the Latest Practicable Date, China Baowu was interested in approximately 26.97% of the issued share capital of the Company, among which approximately 1.46% was directly held by China Baowu and approximately 25.51% was indirectly controlled by China Baowu through Changshou Iron & Steel. China Baowu has the control of 65% equity interest in Changshou Iron & Steel by the acting in concert agreement with Chongqing Strategic Emerging Equity Investment Fund Partnership (Limited Partnership). 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 under Chapter 14A of the Listing Rules. As such, 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. China Baowu, Changshou Iron & Steel and Baowu Group Zhongnan Iron and Steel Co., Ltd. will abstain from voting on the resolution approving the Transactions and the Proposed Caps at the EGM.

The Independent Board Committee, comprising all the three independent non-executive Directors, namely Mr. Sheng Xuejun, Mr. Zhang Jinruo and Mr. Guo Jiebin, has been formed to advise the Independent Shareholders on whether (i) the Transactions are in the ordinary and usual course of business of the Group; (ii) the Transactions are on normal commercial terms which are fair and reasonable; (iii) the entering into of the Supplemental Service and Supply Agreement 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 Group 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 major and connected transaction in relation to the lease agreement entered into 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; (ii) the continuing connected transactions between China Baowu Group and the Group, details of which are set out in the circular of the Company dated 19 February 2021; (iii) the continuing connected transactions between China Baowu Group and the Group in relation to, among others, the Service and Supply Agreement, details of which are set out in the circular of the Company dated 28 May 2021; and (iv) the discloseable and connected transaction in relation to the asset purchase agreement entered into between the Group and Changshou Iron & Steel, details of which are set out in the circular of the Company dated 26 July 2021. Other than that, there was no engagement or connection between the Group or China Baowu Group 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 China Baowu Group. Accordingly, we are qualified to give independent advice in respect of the Transactions (including the Proposed Caps).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **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 businesses, affairs, operations, financial position or future prospects of the Group, China Baowu Group or any of their respective substantial shareholders, subsidiaries or associates.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

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

#### **1. Information on the Group and China Baowu Group**

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 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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 RMB1,117.1 billion as at 31 December 2021, revenue of approximately RMB972.3 billion and profit of approximately RMB60.2 billion for the year ended 31 December 2021.

### 2. Reasons for Entering Into the Supplemental Service and Supply Agreement

We have discussed with the management of the Company on the reasons for entering into the Supplemental Service and Supply Agreement and we understood that the Supplemental Service and Supply Agreement could assist the Group in (i) utilizing its production capacity in a more efficient manner; (ii) promoting the improvement of the procurement system; and (iii) realizing the latest strategic plan of the Group.

As stated in the annual report of the Company for the year ended 31 December 2021 (the “**2021 Annual Report**”), in December 2021, the Ministry of Industry and Information Technology of the PRC issued the “Industry Development Plan for Raw Materials in the fourteenth Five-Year-Plan period”, which proposed that the production capacity of crude steel (including the steel billets) shall not further increase (the “**Production Limitation**”). As disclosed in the 2021 Annual Report, the Group’s actual production volume of steel billets was approximately 7.1 million tonnes for the year ended 31 December 2021. Although the Group’s maximum production volume of steel billets for the year ending 31 December 2022 and 2023 could be approximately 10 million tonnes and 11 million tonnes respectively, the planned production volume of steel billets would remain at approximately 7.1 million tonnes per year, which was the same as the actual production volume for the year ended 31 December 2021, due to the Production Limitation. This would result in idle capacity for the production of steel billets which creates inefficiency. Furthermore, although steel products are not subject to Production Limitation, the Production Limitation on steel billets would also have adverse impact on the Group’s production volume of steel products, as steel products are produced by further processing steel billets. The Group could not produce steel products in full capacity due to shortage of steel billets, resulting in idle capacity for the production of steel products.

The Supplemental Service and Supply Agreement and the Transactions could help utilize the idle capacity and solve the inefficiency by (i) allowing the Group to provide commissioned processing services to China Baowu Group, in which the Group would use the idle capacity to produce steel billets for China Baowu Group and the production amounts under this service are not subject to the Production Limitation; and (ii) allowing the Group to procure additional steel billets from China Baowu Group as raw materials so as to fully utilize the production capacity of steel products.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In addition, one of the business plans of the Group is to improve the procurement system so as to lower the procurement costs. As advised by the management of the Group, the Group is gradually shifting from fragmented third-party procurement to collective procurement through China Baowu Group. Given China Baowu Group is a leading iron and steel manufacturer with high credit standing in the PRC, it is familiar with the procurement of relevant materials and has stronger bargaining power than the Group. Leverage on China Baowu's brand, channels and resources, the Group would be able to enjoy not only stable supply of materials but also favorable pricing and payment terms.

As advised by the management of the Group, in order to improve the efficiency and achieve low-carbon emission, the Group has developed new strategic investment plans which include, among others, construction projects related to upgrading the production facilities. The Group plans to procure relevant services including construction, software development and labour services from China Baowu Group and the transaction amounts would increase accordingly.

After taking into account the factors above, we consider that the entering into of the Supplemental Service and Supply Agreement and 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.

### 3. Principal Terms of the Supplemental Service and Supply Agreement

The Supplemental Service and Supply Agreement was entered into on 8 July 2022 between the Company and China Baowu. Details of the terms of the Supplemental Service and Supply Agreement are set out in the Letter from the Board, which are summarised as follows:

Term : From the effective date of the agreement to 31 December 2023

Subject Matter : (i) China Baowu agreed to (by itself and/or China Baowu Group) provide the Group with the products, materials and services as follows:

- (a) raw materials such as iron ore, scrap steel, refractory materials, accessories (including dolomite, limestone, etc.), steel billets, coal, etc.;
- (b) production materials such as chemical materials, equipment and spare parts, water, etc.; and
- (c) technical services (including construction, software development and labour services, etc.), road transportation services and sanitation and greening services, etc.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(ii) The Company (by itself and/or the Group) agreed to provide China Baowu Group with the materials and services as follows:

- (a) production materials such as water, electricity, natural gas, steel billets, steel products, pig iron, solid waste, etc.;
- (b) other services (including processing, quality control and technical consultation and other technical services), etc.

Pricing basis : In accordance with the prevailing pricing standards, the basis of price for each of the transactions under the Service and Supply Agreement, as supplemented by the Supplemental Service and Supply Agreement, is as follows:

<b>Type</b>	<b>Pricing principle</b>
Products and materials provided by China Baowu Group to the Group	<ul style="list-style-type: none"><li>(a) Marketing pricing for raw materials and production materials; and</li><li>(b) State pricing for water (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 <a href="http://fzggw.cq.gov.cn">fzggw.cq.gov.cn</a> for details); the current price of water was published in 2016)</li></ul>
Services provided by China Baowu Group to the Group	Market pricing
Products provided by the Group to China Baowu Group	<ul style="list-style-type: none"><li>(a) State pricing for water, electricity, natural gas, etc. (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 <a href="http://fzggw.cq.gov.cn">fzggw.cq.gov.cn</a> for details); the current price of water was published in 2016 and the current price of electricity and natural gas was published in 2020); and</li><li>(b) Market pricing for steel billets, steel products, pig iron, solid waste, etc.</li></ul>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Services provided by the                      Market pricing  
Group to China Baowu  
Group

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 : The Supplemental Service and Supply Agreement is conditional upon the precedent passing of the resolution(s) approving the Supplemental Service and Supply Agreement and the transactions contemplated thereunder (including the Proposed Caps) by the Independent Shareholders at the EGM to be convened.

We have compared the Supplemental Service and Supply Agreement with the Service and Supply Agreement and noted that there are three newly added items under the Supplemental Service and Supply Agreement which are (i) steel billets procured from China Baowu Group as semi-finished products for the production of steel products of the Group; (ii) solid waste sold by the Group to China Baowu Group; and (iii) other services provided by the Group to China Baowu Group.

The pricing standards under the Service and Supply Agreement would still apply under the Supplemental Service and Supply Agreement. The transactions contemplated under the Service and Supply Agreement were approved by the then independent Shareholders at the 2020 annual general meeting of the Company held on 29 June 2021, details of which are set out in the circular of the Company dated 28 May 2021. The pricing basis of the three newly added items under the Supplemental Service and Supply Agreement are all market pricing, indicating that the prices shall be generally consistent with the market prices and shall be no less favorable to the Group than those received from or provided to other independent third parties.

In assessing whether there are internal control procedures to ensure the market pricing standard stated above, we have discussed with the management of the Group and understood the following:

In relation to the provision of products, 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 department to conduct research on relevant market prices. For the procurement of steel billets from China Baowu Group, before entering into the final procurement agreements, the Group would compare the prices provided by China Baowu Group with the prevailing market prices available from industry websites such as [www.mysteel.com](http://www.mysteel.com) and [www.steelhome.cn](http://www.steelhome.cn) (the “**Relevant Websites**”).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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For the provision of materials and services by the Group to China Baowu Group, the Company will also conduct the pricing management and the price shall not be lower than the price of the same type of products provided by the Group to independent third parties. For the provision of solid waste and other services to China Baowu Group, the selling prices of the Group's materials or services shall be determined with reference to the market price information gathered by (i) the internal database maintained by the operation departments of the Company based on the recent invoices issued to independent third parties; or (ii) the industry website such as www.baiinfo.com.

On the above bases, we consider that the terms of the Supplemental Service and Supply Agreement are on normal commercial terms which are fair and reasonable.

#### 4. The Proposed Annual Caps for the Transactions

The Proposed Caps for the transactions under the Supplemental Service and Supply Agreement for the two years ending 31 December 2023 (“FY2022” and “FY2023”, respectively) are set out below:

	<b>FY2022</b>	<b>FY2023</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>
<b>Procurement of products, materials and services from China Baowu Group</b>		
<b>(i) Products and materials</b>		
– Raw materials such as iron ore, scrap steel, refractory materials, accessories (including dolomite, limestone, etc.), steel billets, coal, etc.	40,446	46,682
– Production materials such as chemical materials, equipment and spare parts, water, etc.	2,574	2,585
<b>(ii) Services</b>		
– Technical services (including construction, software development and labour services, etc.), road transportation services and sanitation and greening services, etc.	4,753	4,316
<b>Supply of materials and services to China Baowu Group</b>		
– Production materials such as water, electricity, natural gas, steel billets, steel products, pig iron, solid waste, etc.	16,706	20,051
– Other services (including processing, quality control and technical consultation and other technical services), etc.	7,150	7,975

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In assessing the fairness and reasonableness of the Proposed Caps, we have compared the original annual caps under the Service and Supply Agreement with the Proposed Caps and understood the difference between them, details of which are set out below:

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

*(a) Raw materials*

As illustrated in the table below, the annual cap for procurement of raw materials from China Baowu Group is proposed to increase by approximately RMB12.1 billion and RMB16.2 billion for FY2022 and FY2023, respectively.

	<b>FY2022</b>	<b>FY2023</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>
The proposed caps for raw materials (A)	40,446	46,682
Original caps for raw materials (B)	28,382	30,458
Difference (A-B)	12,064	16,224
Shortage of steel billets (million tonnes) (C)	2.9	3.9
Average purchase price (RMB per tonne) (D)	4,160	4,160
Transactions amount (C × D)	12,064	16,224

We have discussed with the management of the Company and understood that such increase is mainly due to the new demand on procurement of steel billets for the production and sales of steel products of the Group.

As stated in the section headed “2. Reasons for entering into the Supplemental Service and Supply Agreement” above, steel billets are semi-finished products that require further processing to become steel products. As disclosed in the 2021 Annual Report, the Group has the capacity to produce over 10 million tonnes of steel. However, due to the Production Limitation, the Group’s planned production amount of steel billets would be limited to approximately 7.1 million tonnes per year, representing shortfall of approximately 2.9 million tonnes and 3.9 million tonnes as compared to the maximum production volume of approximately 10.0 million tonnes and 11.0 million tonnes for FY2022 and FY2023, respectively. In order to have sufficient steel billets to fully utilize the production capacity of steel products (i.e. the end products), the Group plans to procure steel billets of approximately 2.9 million tonnes and 3.9 million tonnes for FY2022 and FY2023, respectively, from China Baowu Group to fill the shortfall.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The estimated purchase price of RMB4,160 per tonne is determined with reference to the historical market price of steel billets. We have reviewed the historical market price of steel billets in the PRC from the Relevant Websites and noted that the average market price of steel billets for the year ended 31 December 2021 amounted to approximately RMB4,747 per tonne (i.e. approximately RMB4,200 per tonne, tax exclusive), which is generally consistent with the estimated purchase price. The steel billets price further increased to approximately RMB4,800 per tonne (tax inclusive) in April 2022 and then decreased to approximately RMB4,000 per tonne (tax inclusive) by the end of June 2022 as a result of the latest outbreak of COVID-19 in the PRC. We consider it is reasonable to refer to the pre-epidemic prices as the outbreak shall eventually be contained.

After taking into account (1) the additional amounts on the annual caps are mainly for the procurement of steel billets; (2) the procurement amounts of steel billets are determined with reference to the Group's production capacity; and (3) the average purchase price is determined with reference to the historical market price of steel billets and generally consistent with the average market price for the year ended 31 December 2021, we consider the proposed annual caps for procurement of raw materials are fair and reasonable.

(b) *Production materials*

As illustrated in the table below, the annual cap for procurement of production materials from China Baowu Group is proposed to increase by approximately RMB1.62 billion and RMB1.58 billion for FY2022 and FY2023, respectively.

	<b>FY2022</b>	<b>FY2023</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>
The proposed caps for production materials (A)	2,574	2,585
Original caps for production materials (B)	957	1,001
Difference (A-B)	1,617	1,584

We have discussed with the management of the Company and understood that such increase is mainly due to that (1) the Group is gradually shifting from fragmented third-party procurement to collective procurement through China Baowu Group, meaning the purchase amount of production materials from China Baowu Group will be increased by the amount the Group used to purchase from third party suppliers; and (2) the Group has additional demand on production materials for the increase in production volume and additional maintenance needs associated with the increasing production volume.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As advised by the management of the Company, the total procurement amount of production materials for the year ended 31 December 2021 amounted to approximately RMB1.63 billion. As compared to such historical procurement amount, the proposed caps for production materials of approximately RMB2.57 billion and RMB2.59 billion for FY2022 and FY2023 represent increase of approximately 57.7% and 58.8%, respectively, which is primarily attributable to that (1) the total production volume of steel billets is estimated to increase by approximately 40.8% and 54.9% from approximately 7.1 million for the year ended 31 December 2021 to approximately 10.0 million tonnes and 11.0 million tonnes for the year ended 31 December 2022 and 2023, respectively. The increase in production volume would accordingly increase the demand for production materials including chemical materials and water; and (2) maintenance works associated with the production volume would be increased. These maintenance works would in turn generate additional demand for production materials such as spare parts.

After taking into account proposed annual caps for production materials are determined with reference to (1) the total procurement amount for the year ended 31 December 2021 as the Group is gradually shifting its procurement to collective procurement through China Baowu Group; and (2) the additional demands for production materials due to the increasing production volume and additional maintenance needs, we consider the proposed annual caps for production materials are fair and reasonable.

(c) *Technical services*

As illustrated in the table below, the annual cap for procurement of technical services from China Baowu Group is proposed to increase by approximately RMB1.81 billion and RMB1.72 billion for FY2022 and FY2023, respectively.

	FY2022	FY2023
	<i>(RMB million)</i>	<i>(RMB million)</i>
The proposed caps for technical services (A)	4,753	4,316
Original caps for technical services (B)	2,943	2,597
Difference (A-B)	1,810	1,719
New construction projects	966	1,115
Completion of existing projects	786	416
Others	58	188
	<hr/>	<hr/>
<b>Total</b>	<b>1,810</b>	<b>1,719</b>
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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have discussed with the management of the Company and understood that such increase is mainly due to (1) new construction projects to be implemented according to the latest investment plans; and (2) completion of existing projects.

We have reviewed the Group's latest investment plans for the next few years and compared the latest planned investment amounts with the original investment amounts under the Service and Supply Agreement. We noted that (1) the planned investment amount in relation to construction projects amounts to approximately RMB2,844 million for FY2022, representing an increase of approximately RMB966 million as compared to the original investment amount of approximately RMB1,878 million; (2) the planned investment amount in relation to construction projects amounts to approximately RMB2,625 million for FY2023, representing an increase of approximately RMB1,115 million as compared to the original investment amount of approximately RMB1,510 million. Based on the latest investment plans and discussion with the management of the Group, we understood that such additional investment is mainly for, among others, upgrading facilities to achieve higher production volume and lower carbon emission.

In addition, we have discussed with the management of the Group and understood that China Baowu Group is working on some construction projects for the Company and there have been some delays in the progress of these projects, of which the completion has been delayed to the next few years. According to the internal estimates of the Group, the Group expects to incur cost of approximately RMB786 million and RMB416 million for settlement of these existing projects for FY2022 and FY2023, respectively.

Others mainly comprise of service fees to be paid to China Baowu Group for the procurement and processing services provided by China Baowu Group. We have reviewed the draft procurement agreement and the services proposals and noted that the proposed caps are mainly determined with reference to (1) the procurement needs and production volume of the Group and (2) the fee proposed by China Baowu Group in the procurement agreement or services proposals.

After taking into account the proposed annual caps for technical services are mainly determined with reference to (1) the planned investment amount under the latest investment plans; and (2) the settlement needs for the ongoing projects, we consider the proposed annual caps for technical services are fair and reasonable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(ii) *Provision of materials and services to China Baowu Group*

(a) *Production materials*

As illustrated in the table below, the annual cap for the provision of production materials to China Baowu Group would remain unchanged.

	<b>FY2022</b>	<b>FY2023</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>
The proposed caps for production materials	16,706	20,051
Original caps for production materials	16,706	20,051

The Supplemental Service and Supply Agreement allows the Group to sell solid waste to China Baowu Group which was not covered by the Service and Supply Agreement. The original caps for production materials were sufficient to cover the additional sales of solid waste and hence were not revised.

(b) *Other services*

As illustrated in the table below, the annual caps for provision of other services to China Baowu Group amount to approximately RMB7.15 billion and RMB7.98 billion for FY2022 and FY2023, respectively.

	<b>FY2022</b>	<b>FY2023</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>
The proposed caps for other services	7,150	7,975
Estimated production amount ( <i>million tonnes</i> ) (A)	2.6	2.9
Service fee ( <i>RMB per tonne</i> ) (B)	2,750	2,750
Transactions amount ( $A \times B$ )	7,150	7,975

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have discussed with the management of the Company and understood that other services mainly related to commissioned processing services for steel billets to be provided by the Group. As stated in the section headed “2. Reasons for entering into the Supplemental Service and Supply Agreement” above, although the maximum production volume of steel billets for the year ending 31 December 2022 and 2023 could be approximately 10 million tonnes and 11 million tonnes respectively, the planned production volume of steel billets remain at approximately 7.1 million tonnes per year, which was the same as the actual production volume for the year ended 31 December 2021, due to the Production Limitation. As such, there would be idle capacity for the production of steel billets which amount to approximately 2.9 million tonnes and 3.9 million tonnes for FY2022 and FY2023.

The Supplemental Service and Supply Agreement allows the Group to provide commissioned processing services for steel billets to China Baowu Group, in which the Group would use the idle capacity to produce steel billets for China Baowu Group and the production volume under this service are not subject to the Production Limitation. After communicating with China Baowu Group, it is expected that they would require processing service for approximately 2.6 million tonnes and 2.9 million tonnes in 2022 and 2023, respectively. As such, the Group plans to produce steel billets of approximately 2.6 million tonnes and 2.9 million tonnes for China Baowu Group through commissioned processing services for FY2022 and FY2023, respectively.

As for the service fee of approximately RMB2,750 per tonne, it is mainly determined with reference to the difference between the historical market price of steel billets and the Group’s purchasing cost of raw materials (mainly iron ore) in April 2022. The numbers used in calculation of service fee are consistent with the data available from Relevant Websites and internal records provided by the Group.

After taking into the account proposed annual caps for other services are determined with reference to (1) the Group’s idle capacity for the production of steel billets and China Baowu Group’s demand for steel billets; and (2) the service fee which was estimated primarily based on the difference between the market price of steel billets and the cost of raw materials, we consider the proposed annual caps for other services are fair and reasonable.

Based on the factors and reasons stated above, we consider that the Proposed Caps for the Transactions are fair and reasonable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 5. 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 agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (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 agreement 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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 have been 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 Supplemental Service and Supply Agreement (including the Proposed Caps) 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 Supplemental Service and Supply Agreement (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 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities 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 2021, 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/ Beneficial Owner	2,405,169,644	28.70%	-	26.97%
Chongqing Changshou Iron & Steel Company Limited	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 2021, 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 23 June 2021, the Company entered into the asset purchase agreement with Changshou Iron & Steel, pursuant to which the Company agreed to purchase pre-ironmaking assets from Changshou Iron & Steel at the transaction price of RMB3.551 billion (tax exclusive).
- (ii) On 1 November 2021, the Company entered into a joint venture contract with Baowu Group Environmental Resources Technology Co., Ltd. (“**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., with the Company contributing RMB49 million and Baowu Environment contributing RMB51 million.
- (iii) On 5 January 2022, the Company entered into a joint venture agreement with Baosteel Resources Holdings (Shanghai) Co., Ltd. (“**Baowu Resources**”), pursuant to which, the parties agreed to jointly contribute and establish a JV Company named as Baowu Jingcheng (Zhoushan) Mining Technology Co., Ltd., with the Company contributing RMB34.2 million and Baowu Resources contributing RMB145.8 million.

**9. EXPERT**

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

<b>Name</b>	<b>Qualifications</b>
Rainbow Capital (HK) Limited	A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO (Chapter 571 of the Laws of Hong Kong)

- (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 2021 (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 17M Floor, 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 ON DISPLAY**

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company ([www.chinacqme.com](http://www.chinacqme.com)) for the period of 14 days commencing from the date of this circular:

- (a) The Supplemental Service and Supply Agreement;
- (b) the letter from the Independent Board Committee;
- (c) the letter from the Independent Financial Adviser; and
- (d) the written consent of the expert referred to in the section headed “Expert” in this appendix.

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## NOTICE OF EGM

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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)

### NOTICE OF 2022 FIRST EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the 2022 first extraordinary general meeting (the “EGM”) of Chongqing Iron & Steel Company Limited (the “Company”) will be held at 2:00 p.m. on Monday, 29 August 2022 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 RESOLUTION

##### RESOLUTION ADOPTING NON-CUMULATIVE VOTING

1. Resolution in relation to the Supplemental Service and Supply Agreement entered into between the Company and China Baowu and the continuing connected transactions (including revision of proposed caps)

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

Chongqing, the PRC, 10 August 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 Xuejun (Independent Non-executive Director), Mr. Zhang Jinruo (Independent Non-executive Director) and Mr. Guo Jiebin (Independent Non-executive Director).*

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## NOTICE OF EGM

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*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 29 August 2022 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 24 August 2022 to 29 August 2022 (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, before 4:30 p.m. on 23 August 2022.

### **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 2:00 p.m. on 28 August 2022.
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: 17M 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 218, 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