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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 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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This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.

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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) PROPOSED ISSUANCE OF A SHARES TO SPECIFIC TARGET SUBSCRIBER UNDER SPECIFIC MANDATE;
- (2) CONNECTED TRANSACTION INVOLVING SUBSTANTIAL SHAREHOLDER SUBSCRIBING FOR NEW A SHARES;
- (3) APPLICATION FOR WHITEWASH WAIVER AND POSSIBLE UNCONDITIONAL MANDATORY CASH OFFER;
- (4) NOTICE OF 2026 FIRST EXTRAORDINARY GENERAL MEETING; AND
- (5) NOTICE OF 2026 FIRST CLASS MEETING OF H SHAREHOLDERS

**Independent Financial Adviser to the Code Independent Board Committee, Listing Rules Independent Board Committee and Independent Shareholders**



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A letter from the Board is set out from pages 1 to 35 of this circular.

A notice convening the EGM and H Shares Class Meeting to be held at 2:00 p.m. on Friday, 13 March 2026 at Chongqing Iron & Steel Conference Center, No. 2 Jiangnan Avenue, Jiangnan Street, Changshou District, Chongqing, the PRC, is set out on pages EGM-1 to EGM-4 and HCM-1 to HCM-4 of this circular, respectively. The proxy form for use at the EGM and H shares Class Meeting are enclosed with this circular.

Shareholders are advised to read the notice. Whether or not you are able to attend the EGM and H shares Class Meeting in person, you are requested to complete 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, Changshou District, Chongqing, the PRC (Postal Code: 401258) or at the Company's H share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, 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 and H shares Class Meeting, or any adjournment thereof, if you so wish.

24 February 2026

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## DEFINITIONS

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

“A Share(s)”	the ordinary share(s) issued by the Company with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange
“A Shareholder(s)”	holder(s) of A Share(s)
“Administrative Measures”	the Administrative Measures for the Issuance and Registration of Securities by Listed Companies issued by the CSRC (2025 Revision)
“Announcement”	the announcement of the Company published on 19 December 2025 in relation to, among others, the Issuance of A Shares to Specific Target Subscriber
“Articles of Association” or “Articles”	the articles of association of the Company
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Changshou Iron & Steel”	Chongqing Changshou Iron & Steel Company Limited, a limited liability company incorporated in the PRC, the holder of approximately 23.69% of the Shares as at the Latest Practicable Date, a substantial shareholder of the Company and one of the parties acting in concert with China Baowu and Hwabao Investment
“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 controlled by the State-owned Assets Supervision and Administration Commission of the State Council

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## DEFINITIONS

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“Class Meeting of A Shareholders”	the 2026 first class meeting of A shareholders of the Company to be convened at Chongqing Iron & Steel Conference Center, No. 2 Jiangnan Avenue, Jiangnan Street, Changshou District, Chongqing at 2:15 p.m. (or immediately after the conclusion of the EGM or any adjournment thereof), on Friday, 13 March 2026
“Class Meeting of H Shareholders”	the 2026 first class meeting of H shareholders of the Company to be convened at Chongqing Iron & Steel Conference Center, No. 2 Jiangnan Avenue, Jiangnan Street, Changshou District, Chongqing at 2:30 p.m. (or immediately after the conclusion of the EGM and the Class Meeting of A Shareholders or any adjournment thereof), on Friday, 13 March 2026
“Class Meetings”	the Class Meeting of A Shareholders and the Class Meeting of H Shareholders
“class shareholders”	A Shareholder(s) and H Shareholder(s)
“Code Independent Board Committee”	comprising all non-executive Directors and independent non-executive Directors (excluding Mr. Lin Changchun, who by virtue of being a director of Zhongnan Steel, is entitled to remuneration paid by Zhongnan Steel), which is formed in accordance with the Takeovers Code to advise Independent Shareholders on the Issuance of A Shares to Specific Target Subscriber, the Whitewash Waiver and the related transactions and as to voting
“Company”	Chongqing Iron & Steel Company Limited, a company incorporated in PRC with limited liability
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company

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## DEFINITIONS

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“EGM”	the 2026 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, Changshou District, Chongqing, the PRC, at 2:00 p.m. on Friday, 13 March 2026, for the purposes of considering and, if thought fit, approving, among other things, the resolutions on (i) the Issuance of A Shares to Specific Target Subscriber; (ii) the Specific Mandate; and (iii) the Whitewash Waiver;
“Group”	the Company and its subsidiaries
“H Share(s)”	the ordinary share(s) issued by the Company with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange
“H Shareholder(s)”	holder(s) of H Share(s)
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hwabao Investment”	Hwabao Investment Co., Ltd., a limited company incorporated in the PRC and a wholly-owned subsidiary of China Baowu;
“Implementation Rules”	the Implementation Rules for the Securities Issuance and Underwriting Business by Listed Companies on Shanghai Stock Exchange issued by the Shanghai Stock Exchange (2025 Revision)
“Independent Financial Adviser”	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, being the independent financial adviser to the Listing Rules Independent Board Committee, the Code Independent Board Committee and Independent Shareholders in respect of the Issuance of A Shares to Specific Target Subscriber and the Whitewash Waiver, and as to voting

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## DEFINITIONS

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“Independent Shareholder(s)”	the Shareholders other than (i) China Baowu, Hwabao Investment, their respective associates and the parties acting in concert with any of them; and (ii) any Shareholders who are involved in or interested in the Issuance of A Shares to Specific Target Subscriber and the Whitewash Waiver
“Issuance of A Shares to Specific Target Subscriber”	the issuance of A Shares to Hwabao Investment as a specific target subscriber in 2025
“Issue Price”	RMB1.32 per Share, the issue price of the Issuance of A Shares to Specific Target Subscriber
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Listing Rules Independent Board Committee”	the independent board committee of the Company comprising the independent non-executive Directors, which is formed in accordance with the Listing Rules to advise Independent Shareholders on the Issuance of A Shares to Specific Target Subscriber and the Specific Mandate from the perspective of the Listing Rules
“Latest Practicable Date”	20 February 2026, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Offer”	the mandatory general offer which may be made by Hwabao Investment and the parties acting in concert with it to acquire all H Shares in issue (other than those already owned or agreed to be acquired by China Baowu, Hwabao Investment and the parties acting in concert with any of them) assuming the Whitewash Waiver is not approved or granted and such condition is waived by Hwabao Investment
“PRC”	the People’s Republic of China
“Pricing Benchmark Date”	19 December 2025, being the date of the announcement on the resolution considering the proposal for the Issuance of A Shares to Specific Target Subscriber by the Company at the 22nd meeting of the tenth session of the Board

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## DEFINITIONS

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“Relevant Period”	the period commencing on the date falling six months immediately preceding the Announcement (i.e. 19 June 2025) and ending on the Latest Practicable Date
“RMB”	renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	the A Shareholder(s) and the H Shareholder(s)
“Share Subscription Agreement”	the conditional subscription agreement entered into between the Company and Hwabao Investment on 19 December 2025, pursuant to which the Company agreed to issue, and Hwabao Investment agreed to subscribe for, RMB1 billion (subject to regulatory approval) of A Shares at the Issue Price
“Specific Mandate”	the specific mandate to be granted by the Shareholders to the Board in respect of the Issuance of A Shares to Specific Target Subscriber, which shall be sought by the Company at the EGM and the Class Meetings
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers
“Trading Day”	a day on which the Shanghai Stock Exchange is open for dealing or trading in securities
“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code of the obligation on Hwabao Investment, China Baowu and Chongqing Changshou Iron & Steel to make a general offer for all the H Shares (other than those already owned or agreed to be acquired by China Baowu, Hwabao Investment and parties acting in concert with any of them) as a result of the allotment and issuance of A Shares under the Issuance of A Shares to Specific Target Subscriber

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## DEFINITIONS

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“Zhongnan Steel” Baowu Group Zhongnan Steel Co., Ltd., a limited liability company incorporated in the PRC, a subsidiary of China Baowu and one of the parties acting in concert with China Baowu and Hwabao Investment

“%” per cent

*Unless the context otherwise requires, conversion of HK\$ into RMB is based on the exchange rate of 1:0.88787. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in RMB or HK\$ have been, could have been or may be converted at such or any other rates or at all.*

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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. Wang Huxiang  
Mr. Kuang Yunlong  
Mr. Chen Yingming

*Registered office:*

No. 2 Jiangnan Avenue  
Jiangnan Street  
Changshou District  
Chongqing, the PRC  
(Postal Code: 401258)

*Non-executive Directors:*

Mr. Song De An  
Mr. Lin Changchun  
Mr. Zhou Ping

*Independent Non-executive Directors:*

Mr. Sheng Xuejun  
Ms. Tang Ping  
Mr. Guo Jiebin

24 February 2026

*To the Shareholders*

Dear Sir or Madam,

- (1) PROPOSED ISSUANCE OF A SHARES TO SPECIFIC TARGET SUBSCRIBER UNDER SPECIFIC MANDATE;**  
**(2) CONNECTED TRANSACTION INVOLVING SUBSTANTIAL SHAREHOLDER SUBSCRIBING FOR NEW A SHARES;**  
**(3) APPLICATION FOR WHITEWASH WAIVER AND POSSIBLE UNCONDITIONAL MANDATORY OFFER;**  
**(4) NOTICE OF 2026 FIRST EXTRAORDINARY GENERAL MEETING; AND**  
**(5) NOTICE OF 2026 FIRST CLASS MEETING OF H SHAREHOLDERS**

**I. INTRODUCTION**

Reference is made to the Announcement in relation to, among others, the Issuance of A Shares to Specific Target Subscriber.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with the relevant information regarding the Issuance of A Shares to Specific Target Subscriber, the Specific Mandate and the Whitewash Waiver, and to give you notice of EGM and the Class Meeting of H Shareholders at which resolution(s) will be proposed for the Shareholders to consider and, if thought fit, approve, the aforesaid matters.

### II. PROPOSED ISSUANCE OF A SHARES TO SPECIFIC TARGET SUBSCRIBER UNDER SPECIFIC MANDATE

#### 1. Proposal for the Issuance of A Shares to Specific Target Subscriber

The proposal for the Issuance of A Shares to Specific Target Subscriber is summarised as follows, subject to finalisation upon approval by the CSRC:

- (1) Class and nominal value of Shares to be issued : A Shares with a nominal value of RMB1.00 each, the total nominal value of which shall not exceed RMB757,575,757 (inclusive).

The new A Shares to be issued pursuant to the Issuance of A Shares to Specific Target Subscriber will rank *pari passu* with the existing A Shares and H Shares in all respects.

- (2) Method and timing of issuance : By way of issuance to a specific target subscriber. The Company shall issue to Hwabao Investment as and when appropriate within the validity period after obtaining the approval for registration from the CSRC.

- (3) Target subscriber and method of subscription : Hwabao Investment shall subscribe for shares issued through the Issuance of A Shares to Specific Target Subscriber in cash.

Since Hwabao Investment is a connected person of the Company, the Issuance of A Shares to Specific Target Subscriber constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The Company shall comply with relevant regulatory rules and be subject to related party transaction approval and disclosure procedures accordingly.

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## LETTER FROM THE BOARD

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The Board or its authorised person(s) shall, at its absolute discretion and in accordance with the authorisation granted by the Shareholders at the EGM, appoint a sponsor (lead underwriter) and enter into a sponsorship agreement on normal commercial terms.

As at the Latest Practicable Date, the Company has appointed China International Capital Corporation Limited and Hwabao Securities Co., Ltd. as the sponsors and lead underwriters for the Issuance of A Shares to Specific Target Subscriber. The Company will enter into a formal sponsorship agreement and underwriting agreement with China International Capital Corporation Limited and Hwabao Securities Co., Ltd. on normal commercial terms prior to the submission of the application documents of the Issuance of A Shares to Specific Target Subscriber to the CSRC.

- (4) Pricing Benchmark : RMB1.32 per Share, representing 90% of the average Date, Issue Price and pricing principle : trading price of A Shares over the 20 trading days prior to the Pricing Benchmark Date (rounded up to two decimal places).

The average trading price of A Shares over the 20 trading days prior to the Pricing Benchmark Date = the total trading value of A Shares over the 20 trading days prior to the Pricing Benchmark Date  $\div$  the total trading volume of A Shares over the 20 trading days prior to the Pricing Benchmark Date.

The pricing criteria for the Issue Price was determined through fair negotiations between the Company and Hwabao Investment, having regard to the reasons and benefits set out in the section headed “Reasons for and Benefits of the Issuance of A Shares to Specific Target Subscriber” below, as well as the provisions of the Administrative Measures and the Implementation Rules.

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## LETTER FROM THE BOARD

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The net price to the Company of each new A Share to be issued, being the Issue Price after deducting underwriting commission and other expenses of the Issuance of A Shares to Specific Target Subscriber, shall be determined and disclosed in accordance with the requirements of the Listing Rules upon completion of the Issuance of A Shares to Specific Target Subscriber and determination of the relevant expenses incurred or to be incurred in relation to the Issuance of A Shares to Specific Target Subscriber.

In the event of distribution of dividend, bonus share issue, conversion of capital reserve into share capital during the period from the Pricing Benchmark Date to the issuance date, the Issue Price shall be adjusted according to the formula below.

Cash dividend distribution:  $P1 = P0 - D$

Bonus shares or capital increase from reserves:  $P1 = P0 / (1 + N)$

Both implemented simultaneously:  $P1 = (P0 - D) / (1 + N)$

Among which, P1 is the adjusted issue price, P0 is the original issue price before adjustment, D is the cash dividend per share, and N is the number of bonus shares or capital increase per share.

As at the Latest Practicable Date, the Company does not have an intention to carry out any of the abovementioned corporate actions.

The Subscription Price of RMB1.32 per Share represents:

- (i) a premium of approximately 28.2% to closing price of HK\$1.16 (or RMB1.03) per H Share as quoted on the Stock Exchange on the Latest Practicable Date;

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## LETTER FROM THE BOARD

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- (ii) a premium of approximately 24.9% to closing price of HK\$1.19 (or RMB1.06) per H Share as quoted on the Stock Exchange on 19 December 2025, being the Pricing Benchmark Date;
- (iii) a premium of approximately 26.0% to the average closing price of approximately HK\$1.18 (or RMB1.05) per H Share as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the Pricing Benchmark Date;
- (iv) a premium of approximately 24.9% to the average closing price of approximately HK\$1.19 (or RMB1.06) per H Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately preceding the Pricing Benchmark Date;
- (v) a premium of approximately 16.1% to the average closing price of approximately HK\$1.28 (or RMB1.14) per H Share as quoted on the Stock Exchange for the last 30 consecutive trading days immediately preceding the Pricing Benchmark Date;
- (vi) a discount of approximately 29.8% to the audited net assets value per Share attributable to the Shareholders as at 31 December 2024 of approximately RMB1.88 per Share; and
- (vii) a discount of approximately 28.6% to the unaudited net assets value per Share attributable to the Shareholders as at 30 September 2025 of approximately RMB1.85 per Share.

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## LETTER FROM THE BOARD

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- (5) Number of Shares to be issued : 757,575,757 new A Shares, representing (i) approximately 9.11% of the existing A Shares in issue and approximately 8.56% of the total existing Shares in issue as at the Latest Practicable Date; and (ii) approximately 8.35% of the A Shares in issue and approximately 7.88% of the total Shares in issue following the proposed increase in A Shares in issue upon completion of the Issuance of A Shares to Specific Target Subscriber.

The number of Shares to be issued = RMB1 billion (subject to regulatory approval) proposed to be subscribed for by Hwabao Investment  $\div$  the Issue Price (the number of Shares to be subscribed for shall be calculated to the nearest whole number, with decimal places disregarded; the amount corresponding to any fractional Share shall be credited to the Company's capital reserve).

In the event of bonus share issue, conversion of capital reserve into share capital that result in changes to the Company's total share capital, during the period from the Pricing Benchmark Date to the issuance date, the number and upper limit of Shares to be issued under the Issuance of A Shares to Specific Target Subscriber shall be adjusted according to the formula below.

Number and upper limit of Shares = RMB1 billion (subject to regulatory approval) proposed to be subscribed for by Hwabao Investment  $\div$  the adjusted Issue Price

For the formula regarding the calculation of the adjusted Issue Price, see “ – (4) Pricing Benchmark Date, Issue Price and pricing principle” above.

As at the Latest Practicable Date, the Company does not have an intention to carry out any of the abovementioned corporate actions.

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## LETTER FROM THE BOARD

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Should the total proceeds or the total number of Shares to be issued under the Issuance of A Shares to Specific Target Subscriber be subject to adjustment due to changes in regulatory policies or the requirements of the review of registration documents, the subscription amount and number of Shares to be issued shall be adjusted in accordance with the requirements of the relevant authorities.

- (6) Lock-up period : Shares to be subscribed for by Hwabao Investment under the Issuance of A Shares to Specific Target Subscriber shall not be transferred for a period of thirty-six (36) months from the date of completion of the issuance.

Hwabao Investment and the parties acting in concert with it shall not transfer any Shares held prior to the Issuance of A Shares to Specific Target Subscriber for a period of eighteen (18) months from the date of completion of such issuance. However, transfers between different entities under the control of the same actual controller shall not be subject to the foregoing restriction.

Upon expiry of the aforementioned lock-up period, the relevant provisions of the securities regulatory authorities shall be complied with.

- (7) Amount and use of proceeds: Entire proceeds from the Issuance of A Shares to Specific Target Subscriber is expected to not exceed RMB1,000.00 million (inclusive), subject to the approval document issued by CSRC for the issuance. After deduction of relevant issuance expenses, approximately 60% to 80% of the net proceeds shall be used to repay bank borrowings, while the remaining proceeds shall be utilised for replenishing working capital; and they expected to be fully utilized by the end of 2026 (subject to the date of completion of the Issuance of A Shares to Specific Target Subscriber).

Net proceeds to be raised from the Issuance of A Shares to Specific Target Subscriber is expected to be approximately RMB993 million.

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## LETTER FROM THE BOARD

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- (8) Arrangement relating to the accumulated undistributed profits prior to the issuance : Upon completion of the Issuance of A Shares to Specific Target Subscriber, new Shareholders and the existing Shareholders are entitled to the accumulated undistributed profits of the Company prior to the Issuance of A Shares to Specific Target Subscriber on a pro-rata basis according to their respective shareholdings.
- (9) Listing venue : A Shares to be issued under the Issuance of A Shares to Specific Target Subscriber shall be listed and traded on the Shanghai Stock Exchange. The Company shall apply to the Shanghai Stock Exchange for approval of the listing and trading of such Shares.
- (10) Validity period of resolutions : The shareholders' resolutions in relation to the Issuance of A Shares to Specific Target Subscriber shall remain valid for a period of twelve (12) months from the date of the consideration and approval by the Shareholders.

The "Plan for the Issuance of A Shares to Specific Target Subscriber" was prepared in Chinese language. The full text of the English translation of the proposal is set out in Appendix I to this circular for reference. In the event of any discrepancy between the English translation and the Chinese version of the document, the Chinese version shall prevail.

Each of the above items in relation to the Issuance of A Shares to Specific Target Subscriber will be considered, approved and implemented, conditional upon the obtaining of all applicable approvals and authorisations from the relevant authorities.

The proposal in relation to the "The Plan for Issuance of A Shares to Specific Target Subscriber" will be submitted, by way of special resolution, for the Independent Shareholders' consideration and approval at the EGM and the Class Meetings.

### **2. Proposal in relation to the Share Subscription Agreement entered into between the Company and Hwabao Investment**

The proposal in relation to the Share Subscription Agreement entered into between the Company and Hwabao Investment on 19 December 2025 (pursuant to which the Company has conditionally agreed to issue and Hwabao Investment has agreed to subscribe for 757,575,757 A Shares under the Issuance of A Shares to Specific Target Subscriber at a total subscription price of RMB1,000,000,000) and the transactions contemplated therein will be submitted, by way of special resolution, for the Independent Shareholders' consideration and approval at the EGM and the Class Meetings.

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## LETTER FROM THE BOARD

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**3. Proposal in relation to the Company's compliance with the conditions of the Issuance of A Shares to Specific Target Subscriber**

The Board believes, after having made reasonable enquiries including carrying out necessary verification of circumstances and relevant matters of the Company, that the Company would comply with conditions stipulated by applicable laws, regulations and regulatory documents (including, without limitation, the Company Law of the PRC (《中華人民共和國公司法》), the Securities Law of the PRC (《中華人民共和國證券法》), the “the Administrative Measures for the Issuance and Registration of Securities by Listed Companies” (《上市公司證券發行註冊管理辦法》) and the Implementation Rules in the PRC which are relevant to the Issuance of A Shares to Specific Target Subscriber.

The proposal in relation to the compliance by the Company with conditions of the Issuance of A Shares to Specific Target Subscriber will be submitted, by way of special resolution, for the Independent Shareholders' consideration and approval at the EGM.

**4. Proposal in relation to the dilution of current returns to Shareholders as a result of the Issuance of A Shares to Specific Target Subscriber and the adoption of remedial measures**

According to the requirements of the Opinions of the General Office of the State Council on Further Strengthening the Work of Protection of the Legitimate Rights and Interests of Minority Investors in the Capital Markets (Guo Ban Fa [2013] No. 110) (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》) and Guiding Opinions on Matters concerning the Dilution of Current Return in Initial Public Offering, Refinancing and Material Asset Restructuring (CSRC No. 31 of 2015) (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》), in order to protect the rights to information and the interests of minority investors, the Company has carefully analysed on the impact of dilution of current returns to Shareholders as a result of the Issuance of A Shares to Specific Target Subscriber and has formulated specific remedial measures to mitigate the impact. The controlling Shareholder, Directors and senior management of the Company are committed to ensure that the Company will earnestly implement the relevant remedial measures. Please refer to section VIII of Appendix I to this circular for details of the main remedial measures that have been adopted by the Company to mitigate the dilutive effects on current returns attributable to Shareholders resulting from the Issuance of A Shares to Specific Target Subscriber as well as the undertakings that will be provided by the controlling Shareholder, Directors and senior management of the Company in connection thereof.

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## LETTER FROM THE BOARD

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The proposal in relation to the dilution of current returns as a result of the Issuance of A Shares to Specific Target Subscriber and adoption of remedial measures and undertakings thereof by the controlling Shareholder, the Directors and senior management will be submitted, by way of special resolution, for the Independent Shareholders' consideration and approval at the EGM.

**5. Proposal in relation to the “Discussion and Analysis Report on the Issuance of A Shares to Specific Target Subscriber in 2025”**

A “Discussion and Analysis Report on the Issuance of A Shares to Specific Target Subscriber in 2025” has been prepared in Chinese language. The full text of the English translation of such report is set out in Appendix II to this circular for reference. In the event of any discrepancy between the English translation and the Chinese version of the document, the Chinese version shall prevail.

The proposal in relation to the “Discussion and Analysis Report on the Issuance of A Shares to Specific Target Subscriber in 2025” will be submitted, by way of special resolution, for the Independent Shareholders' consideration and approval at the EGM and the Class Meetings.

**6. Proposal in relation to the “Feasibility analysis report on the use of proceeds from the Issuance of A Shares to Specific Target Subscriber in 2025”**

A “Feasibility analysis report on the use of proceeds from the Issuance of A Shares to Specific Target Subscriber in 2025” has been prepared in Chinese language. The full text of the English translation of such report is set out in Appendix III to this circular for reference. In the event of any discrepancy between the English translation and the Chinese version of the document, the Chinese version shall prevail.

The proposal in relation to the “Feasibility analysis report on the use of proceeds from the Issuance of A Shares to Specific Target Subscriber in 2025” will be submitted, by way of special resolution, for the Independent Shareholders' consideration and approval at the EGM and the Class Meetings.

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## LETTER FROM THE BOARD

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**7. Proposal in relation to the “Exemption from issuing a report on use of proceeds from previous fund raising activities”**

Pursuant to the provisions of the "Guidelines for the Application of Regulatory Rules – Issuance No. 7" issued by CSRC, since the proceeds previously raised by the Company had been received into account for more than five accounting years, and the Company has not raised funds through right issue, additional offering, or issuance of convertible corporate bonds during the most recent five accounting years, the Company is not required to submit a report on the use of proceeds from previous fund raising activities, nor is it necessary to engage an auditor to issue a verification report on the use of proceeds from previous fund raising activities for the Issuance of A Shares to Specific Target Subscriber.

The proposal in relation to the “Exemption from issuing a report on use of proceeds from previous fund raising activities” will be submitted, by way of special resolution, for the Independent Shareholders’ consideration and approval at the EGM.

**8. Proposal in relation to the “Shareholder Dividend Distribution Plan for the Next Three Years of the Company”**

In order to ensure stable and transparent decisions-making and supervisory mechanisms concerning dividend distributions and highlight the importance of delivering stable and sustainable returns to Shareholders, the Company has formulated the “Shareholders’ Return Plan for the Next Three Years of the Company” pursuant to applicable requirements in the Company Law of the People’s Republic of China, the Notice regarding Further Implementation of Issues Related to Cash Dividends of Listed Companies and the No. 3 Guideline for the Supervision of Listed Companies – Cash Dividend Distribution of Listed Companies issued by the CSRC, other applicable laws, administrative regulations, regulatory documents and the Articles of Association. The “Shareholders’ Return Plan for the Next Three Years of the Company” was prepared in Chinese language. The full text of the English translation of the plan is set out in Appendix IV to this circular for reference. In the event of any discrepancy between the English translation and the Chinese version of the document, the Chinese version shall prevail.

The proposal in relation to “Shareholders’ Return Plan for the Next Three Years of the Company” will be submitted, by way of special resolution, for the independent Shareholders’ consideration and approval at the EGM.

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## LETTER FROM THE BOARD

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**9. Proposal in relation to the Issuance of A Shares to Specific Target Subscriber which constitutes a Related Party Transaction of the Company**

According to the Rules Governing the Listing of Stocks on Shanghai Stock Exchange (the “**Shanghai Listing Rules**”), Hwabao Investment is a related party (as defined under the Shanghai Listing Rules) of the Company and the Issuance of A Shares to Specific Target Subscriber constitutes a related transaction (as defined under the Shanghai Listing Rules) of the Company. For details of the resolution, please refer to the section headed “1. Proposal for the Issuance of A Shares to Specific Target Subscriber” above.

The proposal in relation to the related party transaction Concerning the Issuance of A Shares to Specific Target Subscriber will be submitted, by way of special resolution, for the Independent Shareholders’ consideration and approval at the EGM and the Class Meetings.

**10. Proposal in relation to the exemption of Hwabao Investment from increasing the shareholding in the Company through making an offer**

Under section 63 of the Measures for the Administration of the Takeover of Listed Companies (《上市公司收購管理辦法》) and the applicable PRC rules, a person would be exempt from making a general offer arising from his subscription a new issuance of shares if the approval of independent shareholders of a listed company has been obtained. In this regard, it is intended that the approval of Independent Shareholders of relevant resolutions be passed at the EGM such that Hwabao Investment and persons acting in concert with it would be exempt from making a general offer for securities of the Company as a result of the Issuance of A Shares to Specific Target Subscriber.

The proposal for obtaining the approval of Independent Shareholders for exempting Hwabao Investment from any obligation to make an offer under the applicable PRC laws and regulations as a result of the the Issuance of A Shares to Specific Target Subscriber will be submitted, by way of special resolution, for the Independent Shareholders’ consideration and approval at the EGM.

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## LETTER FROM THE BOARD

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**11. Proposal in relation to the Specific Mandate to the Board and its authorised person to deal with matters related to the Issuance of A Shares to Specific Target Subscriber**

To ensure the smooth implementation of the Issuance of A Shares to Specific Target Subscriber, it is proposed that the Board and its authorised persons be granted full discretion, by way of a Specific Mandate, to conduct relevant matters concerning the Issuance of A Shares to Specific Target Subscriber (including, without limitation, to make determinations concerning the issue price and number of A Shares to be issued, to execute relevant agreements or documents and procure necessary filings and registrations with authorities to be conducted etc.) in any event in compliance with all applicable laws and requirements of the Articles.

These matters include but are not limited to:

- (i) formulating and implementing the specific plan for the Issuance of A Shares to Specific Target Subscriber according to the specific circumstances, and determining the target subscriber, issue price, number of A Shares to be issued, time of issue, starting and ending date of the issue, termination of the issue, method of subscription, subscription ratio and all other matters related to the Issuance of A Shares to Specific Target Subscriber in accordance with the resolutions passed at the Meetings;
- (ii) preparing and filing the application documents in relation to the Issuance of A Shares to Specific Target Subscriber in accordance with the requirements of the CSRC, and responding to the relevant questions, revising and supplementing the application documents based on the feedback from the CSRC's audit department and the Issuance Examination Committee;
- (iii) handling matters relating to the establishment of special deposit account for raised funds;
- (iv) preparing, revising, supplementing, signing, submitting, reporting and executing all agreements and documents relating to the Issuance of A Shares to Specific Target Subscriber in accordance with the relevant provisions of national laws, regulations and regulatory documents and resolutions of the Meetings;
- (v) adjusting the specific arrangements for the use of proceeds within the scope of the resolutions of the Meetings;
- (vi) adjusting the specific plan and matters relating to the Issuance of A Shares to Specific Target Subscriber if laws, regulations, regulatory documents and CSRC's policy on non-public issuance of shares, or the change of market conditions, except for matters that require new resolutions to be passed at shareholders' meeting(s) under the relevant laws, regulations and the Articles of Association;

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## LETTER FROM THE BOARD

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- (vii) after completion of the Issuance of A Shares to Specific Target Subscriber, handling matters relating to registration, lock-up and listing of the A Shares issued under the Issuance of A Shares to Specific Target Subscriber in the Shanghai Stock Exchange and China Securities Depository and Clearing Co., Ltd. Shenzhen Branch;
- (viii) amending the relevant provisions in the Articles of Association to reflect the Company's new total share capital and share capital structure after the completion of the Issuance of A Shares to Specific Target Subscriber in accordance with the situation of the Issuance of A Shares to Specific Target Subscriber, reporting to the relevant governmental departments and supervision institutions for approval, and completing the procedure relating to the change in industrial and commercial registration;
- (ix) delegating to the chairman of the Board or other persons authorised by him to decide, handle and process all of the abovementioned matters relating to the Issuance of A Shares to Specific Target Subscriber; and
- (x) handling other specific matters relating to the Issuance of A Shares to Specific Target Subscriber except for those matters that require new resolutions to be passed at shareholders' meeting(s) under the relevant laws, regulations and Articles of Association, including but not limited to amending, supplementing and signing all agreements and documents related to the Issuance of A Shares to Specific Target Subscriber.

The above authorisation shall be effective for 12 months from the date of the passing of the resolution at the Meetings.

The proposal in relation to the specific mandate to the Board to deal with matters related to the Issuance of A Shares to Specific Target Subscriber will be submitted, by way of special resolution, for the Independent Shareholders' consideration and approval at the EGM and the Class Meetings.

### **12. Amendments to the Management System for Raised Funds**

Pursuant to the Company Law of the PRC, the Securities Law of the PRC, the Measures for the Administration of Registration of Initial Public Offerings of Stocks, the Measures for the Administration of Registration of Securities Offering by Listed Companies, the Applicable Guidelines for Regulatory Rules – Issuance No. 7, the Regulations on the Supervision of Fundraising by Listed Companies, the Shanghai Listing Rules, and the Self-Regulatory Guidelines for Listed Companies on the Shanghai Stock Exchange No. 1 – Standardized Operation, as well as other relevant laws, regulations, and normative documents, and in accordance with the requirements of the Articles of Association, the Company proposes to amend its Management System for Raised Funds based on its actual circumstances.

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## LETTER FROM THE BOARD

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The full text of the amended Management System for Raised Funds is set out in Appendix V to this circular. In the event of any discrepancy between the English translation and the Chinese version of the document, the Chinese version shall prevail.

The amended Management System for Raised Funds shall take effect from the date of approval at the EGM. Prior to that, the current Management System for Raised Funds shall remain in effect.

The proposal in relation to the amendment of the Management System for Raised Funds will be submitted, by way of ordinary resolution, for the Shareholders' consideration and approval at the EGM.

### **13. Specific Mandate for the Issuance of A Shares to Specific Target Subscriber**

The Issuance of A Shares to Specific Target Subscriber shall be conducted under the Specific Mandate, which shall simultaneously constitute a change to the rights of the holders of A Shares under the Articles of Association. In accordance with the Articles of Association and Rule 19A.38 of the Listing Rules, the Company shall convene the EGM and the Class Meetings to seek the Shareholders' approval for the grant of the Specific Mandate to proceed with the issuance. The Company shall, under the Specific Mandate to be granted to the Board and relevant persons at the general meetings of the Company, proceed with all matters relating to the Issuance of A Shares to Specific Target Subscriber in their sole discretion.

### **14. Listing Rules Implications**

The new A Shares under the Issuance of A Shares to Specific Target Subscriber will be issued pursuant to the Specific Mandate to be sought from the Shareholders at the EGM and the Class Meetings. Pursuant to the relevant provisions of Chapter 19A of the Listing Rules, the Company shall obtain the approval from Independent Shareholders by way of a special resolution at the EGM, and shall separately obtain the approvals from A Shareholders and H Shareholders by way of special resolutions at the Class Meeting of A Shareholders and the Class Meeting of H Shareholders convened in accordance with the Articles of Association, before conducting the Issuance of A Shares to Specific Target Subscriber.

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## LETTER FROM THE BOARD

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### 15. Proposed Amendments to the Articles of Association

In view of the Issuance of A Shares to Specific Target Subscriber, the Articles of Association shall be amended in accordance with relevant laws and regulations.

The Board proposes that the Shareholders at the EGM authorise the Board to make corresponding adjustments and amendments to the Articles of Association (including but not limited to, adjustments and amendments to wording, chapters, clauses and conditions for commencement) based on the outcome of the Issuance of A Shares to Specific Target Subscriber and the actual circumstances. Upon completion of the Issuance of A Shares to Specific Target Subscriber, the Board shall make corresponding adjustments and amendments to the provisions of the Articles of Association concerning registered capital and share capital structure.

### III. CONNECTED TRANSACTION INVOLVING SUBSTANTIAL SHAREHOLDER SUBSCRIBING FOR NEW A SHARES

Hwabao Investment intends to subscribe for A Shares under the Issuance of A Shares to Specific Target Subscriber by way of cash consideration.

#### 1. Principal Terms of the Share Subscription Agreement

- (1) Parties : (i) The Company; and  
(ii) Hwabao Investment
- (2) Date : 19 December 2025
- (3) Subscription amount and subscription number : Hwabao Investment intends to subscribe for RMB1 billion (subject to regulatory approval) of Shares. The number of Shares to be subscribed for shall be calculated by dividing the intended subscription amount by the Issue Price.

The Issue Price, pricing basis and number of Shares to be issued under the Issuance of A Shares to Specific Target Subscriber shall be adjusted in accordance with the method set out in the section headed “1. Proposal for the Issuance of A Shares to Specific Target Subscriber” above.

- (4) Conditions precedent : The Share Subscription Agreement shall come into force upon the date of signature and seal by the parties, and has come into force on 19 December 2025. It shall take effect on the date when all of the following conditions are fulfilled (or waived):

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## LETTER FROM THE BOARD

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- (i) Matters relating to the Issuance of A Shares to Specific Target Subscriber have been approved by the Board and the EGM and the Class Meetings;
- (ii) The Board and the Shareholders have considered and approved Hwabao Investment's application for a Whitewash Waiver from the obligation to make a general offer for H Shares, and the Executive have granted a waiver and/or confirmation to exempt Hwabao Investment, China Baowu and Changshou Iron & Steel (who collectively will hold 32.49% of the Company's issued share capital upon completion of the Issuance of A Shares to Specific Target Subscriber), and/or to confirm that Hwabao Investment, China Baowu and Changshou Iron & Steel were not required to make a general offer to H Shareholders in connection with the Issuance of A Shares to Specific Target Subscriber;
- (iii) The Board and the Shareholders have considered and approved Hwabao Investment's exemption from acquiring additional A Shares by way of an offer;
- (iv) China Baowu has approved the Issuance of A Shares to Specific Target Subscriber;
- (v) The Issuance of A Shares to Specific Target Subscriber has been approved by the Shanghai Stock Exchange and registered with the CSRC.

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## LETTER FROM THE BOARD

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Save for the condition in paragraph (ii) above which may be waived by Hwabao Investment, and Hwabao Investment shall separately seek China Baowu's further approval as to whether such condition can be waived before Hwabao Investment waives such condition, none of the parties shall be entitled to waive any of the foregoing conditions. Given that Hwabao Investment reserves the right to waive the condition in paragraph (ii) above which is in connection with the Whitewash Waiver, the offer period (as defined under the Takeovers Code) commenced on 19 December 2025.

As at the Latest Practicable Date, none of the conditions above has been satisfied.

The parties shall determine the payment date of the consideration after the Share Subscription Agreement takes effect, and a capital verification report will be issued within three business days after receipt of the consideration. Following the issuance of the capital verification report, the Company shall submit an application to the China Securities Depository and Clearing Corporation to register Hwabao Investment as holder of the A Shares to be issued pursuant to the Issuance of A Shares to Specific Target Subscriber, and the transaction contemplated under the Share Subscription Agreement shall be completed when such registration is completed.

- (5) Others : The lock-up period and the right to receive accumulated undistributed profits of the Company prior to the Issuance of A Shares to Specific Target Subscriber shall be determined in the same manner as set out in the section headed "1. Proposal for the Issuance of A Shares to Specific Target Subscriber" above.

## LETTER FROM THE BOARD

### 2. Effects on the Shareholding Structure of the Company

For illustration purposes only, set out below is the effect of the Issuance of A Shares to Specific Target Subscriber on the shareholding structure of the Company, assuming that no additional Shares will be issued by the Company between the Latest Practicable Date and the completion of the Issuance of A Shares to Specific Target Subscriber:

	As at the Latest Practicable Date		Immediately following the completion of the Issuance of A Shares to Specific Target Subscriber	
	Total number of Shares held	Approximate % of the total number of Shares in issue	Total number of Shares held	Approximate % of the total number of Shares in issue
<b>Non-public Shareholders</b>				
Hwabao Investment	137,459,680	1.55	895,035,437	9.31
<i>Parties acting in concert with China Baowu and Hwabao Investment<sup>(1)</sup></i>				
China Baowu	129,815,901	1.47	129,815,901	1.35
Changshou Iron & Steel <sup>(a)</sup>	2,096,981,600	23.69	2,096,981,600	21.82
Chongqing Baocheng Carbon Co., Ltd. <sup>(b)</sup>	315,783	0.004	315,783	0.003
Shanghai Baosight Software Co., Ltd. <sup>(c)</sup>	375,201	0.004	375,201	0.004
Baosight Software (Wuhan) Co., Ltd. <sup>(d)</sup>	3,188,173	0.04	3,188,173	0.03
Baosteel Engineering & Technology Group Co., Ltd. <sup>(e)</sup>	261,692	0.003	261,692	0.003
Baowu Heavy Industry Co., Ltd. <sup>(f)</sup>	79,953	0.001	79,953	0.001
Zhongnan Steel <sup>(g)</sup>	224,831,743	2.54	224,831,743	2.34
Sinosteel Equipment & Engineering Co., Ltd. <sup>(h)</sup>	8,000,000	0.09	8,000,000	0.083
Sinosteel Xi'an Heavy Machinery Co., Ltd. <sup>(i)</sup>	1,176,627	0.01	1,176,627	0.012
Sinosteel Luoyang Institute of Refractories Research Co., Ltd. <sup>(j)</sup>	285,271	0.003	285,271	0.003
Chongqing Chaoyang Gas Co., Ltd. <sup>(k)</sup>	9,457,574	0.11	9,457,574	0.098
Sub-total of China Baowu, Hwabao Investment and parties acting in concert with any of them	<u>2,612,229,198</u>	<u>29.51</u>	<u>3,369,804,955</u>	<u>35.07</u>

## LETTER FROM THE BOARD

	As at the Latest Practicable Date		Immediately following the completion of the Issuance of A Shares to Specific Target Subscriber	
	Total number of Shares held	Approximate % of the total number of Shares in issue	Total number of Shares held	Approximate % of the total number of Shares in issue
Chen Yingming <sup>(2)</sup>	100	0.000001	100	0.000001
<b>Public Shareholders</b>				
Public A Shareholders	5,701,407,269	64.41	5,701,407,269	59.33
Public H Shareholders	538,127,200	6.08	538,127,200	5.60
Sub-total (A Shares)	<b>8,313,636,567</b>	<b>93.92</b>	<b>9,071,212,324</b>	<b>94.40</b>
Sub-total (H Shares)	<b>538,127,200</b>	<b>6.08</b>	<b>538,127,200</b>	<b>5.60</b>
<b>Total Shares</b>	<b><u>8,851,763,767</u></b>	<b><u>100.00</u></b>	<b><u>9,609,339,524</u></b>	<b><u>100.00</u></b>

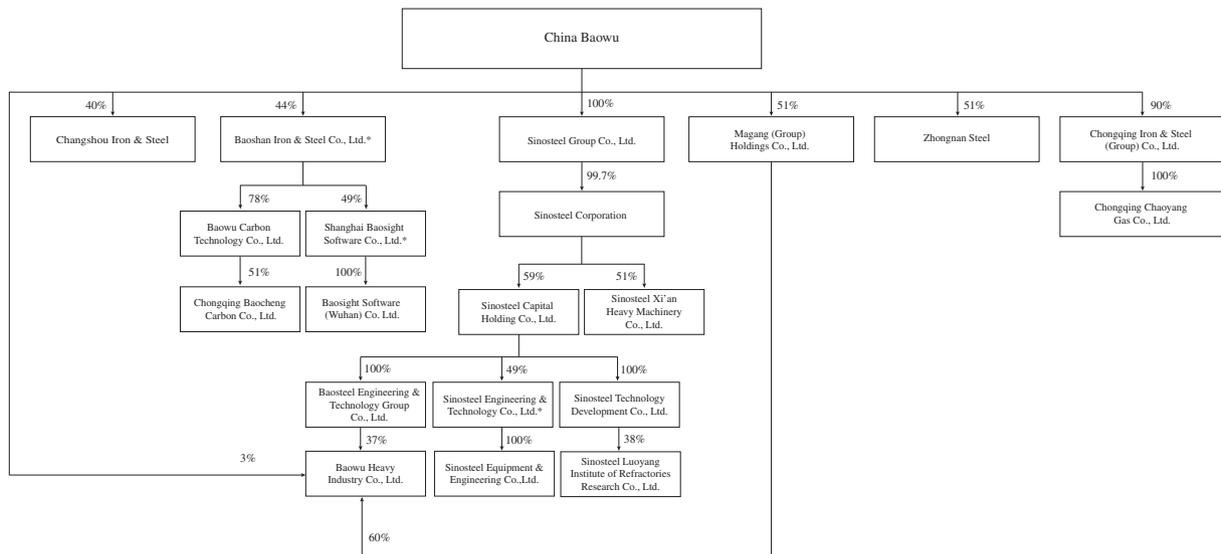
*Note:*

- (1) Each of such companies is a subsidiary of China Baowu, and details of their relationship with China Baowu is set out below.
- (a) An acting in concert agreement was entered into in September 2020, among others, China Baowu and Chongqing Strategic Emerging Equity Investment Fund Partnership (Limited Partnership) (“**Strategic Emerging Fund**”) which held 40% and 25% equity interest in Changshou Iron & Steel, respectively, pursuant to which, the Strategic Emerging Fund shall act in concert with China Baowu and exercise the shareholder rights of the Strategic Emerging Fund in Changshou Iron & Steel in accordance with China Baowu’s instructions. The remaining 35% equity interest in Changshou Iron & Steel is held by Sichuan Desheng Group Vanadium & Titanium Co., Ltd., which is not connected to China Baowu or its associates. The general partner and executive partner of the Strategic Emerging Fund is Chongqing Yufu Capital Private Equity Investment Fund Management Co., Ltd., which is held as to 98% by Chongqing Yufu Holding Group Co., Ltd., and is in turn wholly-owned by Chongqing State-owned Assets Supervision and Administration Commission.
- (b) China Baowu holds 44% equity interest in Baoshan Iron & Steel Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600019), and is its controlling shareholder. Baoshan Iron & Steel Co., Ltd. holds 78% equity interest in Baowu Carbon Technology Co., Ltd., which in turn holds 51% equity interest in Chongqing Baocheng Carbon Co., Ltd.
- (c) Baoshan Iron & Steel Co., Ltd. holds 49% equity interest in Shanghai Baosight Software Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600845), and is its controlling shareholder.
- (d) Baosight Software (Wuhan) Co., Ltd. is wholly-owned by Shanghai Baosight Software Co., Ltd.

## LETTER FROM THE BOARD

- e) Sinosteel Group Co., Ltd. is wholly-owned by China Baowu. Sinosteel Group Co., Ltd. holds 99.7% equity interest in Sinosteel Corporation. Sinosteel Corporation holds 59% equity interest in Sinosteel Capital Holding Co., Ltd. Baosteel Engineering & Technology Group Co., Ltd. is a wholly-owned subsidiary of Sinosteel Capital Holding Co., Ltd.
- f) China Baowu controls the equity interest of Baowu Heavy Industry Co., Ltd. through Maanshan Iron & Steel (Group) Holding Co., Ltd. (China Baowu controls 51% of its equity interest) and Baosteel Engineering & Technology Group Co., Ltd. which holds 60% and 37% of its equity interest, respectively. China Baowu also holds 3.84% equity interest in Baowu Heavy Industry Co., Ltd.
- (g) China Baowu holds 51% equity interest in Zhongnan Steel, and the remaining equity interest of Zhongnan Steel is held by Guangdong Guangwu Holdings Group Co., Ltd., being a company independent from the Company and its connected persons.
- (h) Sinosteel Capital Holding Co., Ltd. holds 49% equity interest in Sinosteel Equipment & Engineering Co., Ltd., and is its single largest shareholder, and Sinosteel Engineering & Technology Co., Ltd. wholly owns Sinosteel Equipment & Engineering Co., Ltd..
- (i) Sinosteel Corporation holds 51% equity interest in Sinosteel Xi'an Heavy Machinery Co., Ltd.
- (j) Sinosteel Capital Holding Co., Ltd. wholly owns Sinosteel Technology Development Co., Ltd. Sinosteel Technology Development Co., Ltd. holds 38% equity interest in Sinosteel Luonai Materials Technology Corporation. (a company listed on the Shanghai Stock Exchange, stock code: 688119), and is its controlling shareholder. Sinosteel Luoyang Institute of Refractories Research Co., Ltd. is wholly-owned by Sinosteel Luonai Materials Technology Corporation.
- (k) China Baowu holds 90% equity interest in Chongqing Iron & Steel (Group) Co., Ltd., which in turn wholly owns Chongqing Chaoyang Gas Co., Ltd.

Please also refer to a simplified table which sets out the shareholding relationship between each of the above parties acting in concert with China Baowu or Hwabao Investment on one hand, and China Baowu on the other hand.



\* Refer to public companies the securities of which are listed on a securities market in the PRC

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## LETTER FROM THE BOARD

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- (2) Mr. Chen Yingming is an executive Director, and he is not acting in concert with China Baowu, Hwabao Investment and the parties acting in concert with any of them.

Upon completion of the Issuance of A Shares to Specific Target Subscriber, the Company is expected to continue to comply with the minimum public float requirement for H Shares pursuant to the Listing Rules.

### **3. Fund-raising Activities in the Past Twelve Months**

The Company has not undertaken any equity fund-raising activities during the twelve months immediately before the Latest Practicable Date.

### **4. Information on the Parties**

#### ***Information on the Company***

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

#### ***Information on Hwabao Investment***

Hwabao Investment, an industrial finance investment and management platform under China Baowu, is principally engaged in long-term equity investments and securities investments. Hwabao Investment is a wholly-owned subsidiary of China Baowu.

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## LETTER FROM THE BOARD

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### ***Information on China Baowu***

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 covers operating state-owned assets within the scope authorized by the State Council, as well as carrying out relevant state-owned capital investment and operation. China Baowu, Hwabao Investment, together with parties acting in concert with any of them are interested in 2,612,229,198 A Shares or approximately 29.51% of the Company's issued share capital as at the Latest Practicable Date pursuant to the SFO.

### **5. Reasons for and Benefits of the Issuance of A Shares to Specific Target Subscriber**

After deduction of relevant issuance expenses, the proceeds from the Issuance of A Shares to Specific Target Subscriber shall be utilised for replenishing working capital and repaying bank borrowings, thereby alleviating pressure on daily working capital and lowering the gearing ratio.

#### ***(I) Optimising the Company's capital structure to enhance its risk-resistance capabilities***

The Issuance of A Shares to Specific Target Subscriber will further improve the Company's liquidity, optimize its capital structure, increase the scale of total and net assets by approximately RMB1 billion and enhance its ability to withstand risks. Based on the figures as of 30 September 2025 and assuming the proceeds are used to replenish working capital and repaying loans, the asset-liability ratio will reduce by approximately 1.5 to 2.9 percentage points, the current ratio will increase from 0.33% to 0.35-0.39%. This also aligns with national policy directions aimed at increasing the proportion of direct financing, strengthening financial services for the real economy, and lowering the leverage ratio of state-owned enterprises.

As at 30 September 2025, the Group had outstanding borrowings of approximately RMB6.2 billion, short-term borrowings of RMB775 million, long-term borrowings of RMB2.5 billion, and RMB2.9 billion in non-current liabilities due within one year. Interest expenses paid by the Group during the nine months ended on 30 September 2025 was RMB147.3 million.

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## LETTER FROM THE BOARD

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***(II) Supporting the stable development of the Company's principal business and creating favourable conditions for enhancing its core competitiveness and achieving sustainable, high-quality development***

Given the capital-intensive nature of the steel industry in which the Company operates, coupled with the continuous upgrade of technological equipment and environmental compliance requirements, the Company maintains substantial working capital requirements, the Company has a high demand for working capital, and incurred expenses exceeding RMB14 billion for the nine months ended 30 September 2025, primarily driven by expenditures on raw material procurement, employee wages, and energy consumption, among other operating expenses.

Particularly within the context of the steel industry's weak cyclical phase, relatively ample capital is essential to enhance operational stability. By investing the proceeds from the Issuance of A Shares to Specific Target Subscriber, the Company can deploy capital more efficiently and directing resources towards its competitive product lines, which may facilitate product portfolio restructuring and lean operations, elevate the Company's operational robustness and resilience, create favourable conditions for enhancing its core competitiveness and drive sustainable, high-quality development, which is in the interest of Shareholders' as a whole.

Further, the Issuance of A Shares to Specific Target Subscriber can support the Company's business development by improving the Company's liquidity position, strengthen its capital base, and reduce its debt-to-asset ratio by approximately 1.5 to 2.9 percentage points (based on the figures as of 30 September 2025 and assuming the proceeds are used to replenish working capital and repaying loans). The Issuance of A Shares to Specific Target Subscriber can also support the continued development of the Company's core business, enhance its resilience to external risks, and improve its overall competitiveness. Hence, the Issuance of A Shares to Specific Target Subscriber is strategically important for the Company's long-term sustainable growth and serves the best interests of all shareholders.

Upon completion of the Issuance of A Shares to Specific Target Subscriber, the Company's financial ratio and balance sheet metrics will be improved, the capital structure will be further optimized, and the Company's risk resistance capacity will be enhanced. In addition, the reduction in financial expenses after repaying outstanding debts will provide a stronger financial foundation for future development.

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## LETTER FROM THE BOARD

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### *Alternative fundraising channels considered by the Company*

It is practically difficult for the Company to pursue market-based equity financing (including rights issue or open offer) due to regulatory constraints since conducting equity financing with market investors at an issue price below the Company's net asset value may raise concerns about potential impairment of state-owned assets, and pose challenges in obtaining approval from regulatory authorities in the PRC.

State-owned enterprises face the risk of state-owned asset loss when issuing shares to external market investors at prices below 1x net asset value. However, the A Shares and H Shares has been long traded below 1x PB, reflecting persistent losses and industry-wide challenges such as overcapacity in the steel sector and ongoing supply-side reforms.

In accordance with the China Securities Regulatory Commission's regulatory guidance on "Balancing Primary and Secondary Markets and Optimizing IPO and Refinancing Rules", listed companies facing "break-even" or "below-book" share prices are restricted from conducting refinancing through public issuance.

Given these limitations, the Company has no viable path to raise equity capital through market-based channels. As such, the most feasible option is to issue shares to its connected person. This approach also has benefits as it enables the Company to secure necessary funding, while also demonstrating the Company's single largest shareholder's confidence and commitment for the Group's long-term development and growth prospect, whose support is crucial to the Group, especially in terms of strategic growth, which is in the interest of the Group for future expansion.

The Company has also considered other alternative fundraising methods such as debt financing. However, debt financing may incur financial costs on the Group and may be subject to lengthy due diligence and negotiations with lenders, which is not in line with the Company's funding needs.

Having considered the above, the Company was of the view that the Issuance of A Shares to Specific Target Subscriber is an appropriate mean of raising additional capital for the Company as compared to other means of financing.

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## LETTER FROM THE BOARD

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In summary, the Directors (excluding members of the Listing Rules Independent Board Committee and the Code Independent Board Committee, whose views are set out in the letters of the Listing Rules Independent Board Committee and the Code Independent Board Committee after considering the recommendations of the Independent Financial Adviser) consider that although the Issuance of A Shares to Specific Target Subscriber is not being undertaken in the ordinary and usual course of business of the Group, the terms and conditions of the Issuance of A Shares to Specific Target Subscriber and the Share Subscription Agreement are fair and reasonable, on normal commercial terms or better, and in the interests of the Company and the Shareholders as a whole.

### **6. Listing Rules Implications**

As at the Latest Practicable Date, China Baowu is interested in approximately 29.51% of the issued share capital of the Company, among which 1.47% is directly held by China Baowu and 28.04% is indirectly controlled or held by China Baowu through the corporations it controls (including Hwabao Investment).

China Baowu is a substantial shareholder of the Company and Hwabao Investment is a subsidiary of China Baowu, Hwabao Investment is therefore a connected person of the Company. The Issuance of A Shares to Specific Target Subscriber constitutes a connected transaction of the Company and is subject to the requirements of announcement, reporting and independent shareholders' approval under Chapter 14A of the Listing Rules.

### **7. Establishment of Listing Rules Independent Board Committee and Appointment of Independent Financial Adviser**

The Listing Rules Independent Board Committee (comprising all independent non-executive Directors) has been established under Chapter 14A of the Listing Rules to advise Independent Shareholders on the Issuance of A Shares to Specific Target Subscriber and the Specific Mandate from the perspective of the Listing Rules and their voting thereon.

Rainbow Capital (HK) Limited has been appointed as the Independent Financial Adviser to advise the Listing Rules Independent Board Committee and Independent Shareholders in respect of the foregoing matters and to make recommendations regarding voting.

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## LETTER FROM THE BOARD

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### IV. WHITEWASH WAIVER

#### 1. Application for Whitewash Waiver

As at the Latest Practicable Date, China Baowu, Hwabao Investment and the parties acting in concert with any of them collectively control 2,612,229,198 A Shares, representing approximately 29.51% of Shares in issue. Upon completion of the Issuance of A Shares to Specific Target Subscriber, the shareholding of China Baowu, Hwabao Investment and the parties acting in concert with any of them is expected to increase to more than 30% of the enlarged issued share capital of the Company. Assuming that there are no adjustments and no further changes in the shareholding structure of the Company, China Baowu, Hwabao Investment and the parties acting in concert with any of them will collectively control 3,369,804,955 Shares upon completion of the Issuance of A Shares to Specific Target Subscriber, representing approximately 35.07% of the enlarged issued share capital.

As such, under Rule 26.1 of the Takeovers Code, the allotment and issuance of A Shares under the Issuance of A Shares to Specific Target Subscriber will give rise to an obligation on the part of Hwabao Investment and the parties acting in concert with it to make a mandatory general offer for all H Shares (other than those already owned or agreed to be acquired by China Baowu, Hwabao Investment and the parties acting in concert with any of them), unless the Whitewash Waiver is granted by the Executive.

Hwabao Investment will submit an application for the Whitewash Waiver to the Executive to exempt it, China Baowu and Changshou Iron & Steel (who collectively will hold 32.49% of the Company's issued share capital upon completion of the Issuance of A Shares to Specific Target Subscriber), from the obligation to make a mandatory general offer for all H Shares (other than those already owned or agreed to be acquired by China Baowu, Hwabao Investment and the parties acting in concert with any of them) under Rule 26.1 of the Takeovers Code as a result of the Issuance of A Shares to Specific Target Subscriber. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval by at least 75% of the votes cast by Independent Shareholders in respect of the Whitewash Waiver and more than 50% of the votes cast by Independent Shareholders in respect of the Issuance of A Shares to Specific Target Subscriber, at the EGM.

China Baowu, Hwabao Investment, their respective associates, parties acting in concert with any of them and any Shareholder who is interested or involved in the Issuance of A Shares to Specific Target Subscriber (if any) will be required to abstain from voting in respect of the resolutions to approve the Issuance of A Shares to Specific Target Subscriber and the Whitewash Waiver at the EGM.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, the Company confirms that the Issuance of A Shares to Specific Target Subscriber does not give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). The Company notes that the Executive may not grant the Whitewash Waiver if the Issuance of A Shares to Specific Target Subscriber does not comply with other applicable rules and regulations.

### **2. Information Required under the Takeovers Code**

As at the Latest Practicable Date, Hwabao Investment has confirmed that:

- (I) save for the Issuance of A Shares to Specific Target Subscriber and the shareholdings disclosed in the section headed “Effect on the Shareholding Structure of the Company”, neither China Baowu, Hwabao Investment nor the parties acting in concert with any of them have acquired or disposed of or entered into any agreement or arrangement to acquire or dispose of any voting rights in the Company within the six months prior to and including the date of the Announcement;
- (II) save as disclosed in the section headed “Effect on the Shareholding Structure of the Company”, neither China Baowu, Hwabao Investment nor the parties acting in concert with any of them own or have control or direction over any voting rights or rights over Shares or any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of Shares nor has entered into any outstanding derivative in respect of securities in the Company;
- (III) save for the Issuance of A Shares to Specific Target Subscriber, neither China Baowu, Hwabao Investment nor the parties acting in concert with any of them have any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) with any other persons in relation to Shares and which might be material to the transactions contemplated under the Issuance of A Shares to Specific Target Subscriber and/or the Whitewash Waiver;
- (IV) neither China Baowu, Hwabao Investment nor the parties acting in concert with any of them have received any irrevocable commitment to vote for or against the resolutions relating to the transactions contemplated under the Issuance of A Shares to Specific Target Subscriber and/or the Whitewash Waiver;
- (V) save for the conditions to the Issuance of A Shares to Specific Target Subscriber, neither China Baowu, Hwabao Investment nor any of the parties acting in concert with any of them has entered into any agreement or arrangement which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the transactions contemplated under the Issuance of A Shares to Specific Target Subscriber and/or the Whitewash Waiver;

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## LETTER FROM THE BOARD

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- (VI) neither China Baowu, Hwabao Investment nor the parties acting in concert with any of them have borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (VII) the Issuance of A Shares to Specific Target Subscriber does not involve any sale of Shares; and
- (VIII) save for the Issuance of A Shares to Specific Target Subscriber, there is no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (i) any Shareholder; and (ii) (1) China Baowu, Hwabao Investment or the parties acting in concert with any of them; or (2) the Company, its subsidiaries or associated companies.

China Baowu, Hwabao Investment and parties acting in concert with any of them intend to continue with the existing business of the Company upon the completion of the Issuance of A Shares to Specific Target Subscriber. China Baowu, Hwabao Investment and parties acting in concert with any of them have no intention to introduce any major changes to the existing business of the Company (including any redeployment of the fixed assets of the Company). It is also the intention of China Baowu, Hwabao Investment and parties acting in concert with any of them that the employment of the existing employees of the Group should be continued following completion of the Issuance of A Shares to Specific Target Subscriber except for changes which may occur in the ordinary course of business.

### **3. Possible Mandatory General Offer**

Under the Share Subscription Agreement, the grant of Whitewash Waiver by the Executive and the approval of the Whitewash Waiver by Independent Shareholders is a condition precedent of the Issuance of A Shares to Specific Target Subscriber which Hwabao Investment reserved the right to waive. Accordingly, the offer period has commenced on 19 December 2025. The results of the EGM will be announced in accordance with the Listing Rules and the Takeovers Code following the conclusion of the EGM.

If the Whitewash Waiver is not granted by the Executive and/or not approved by Independent Shareholders at the EGM, Hwabao Investment will decide whether or not to waive the condition precedent relating to the Whitewash Waiver and proceed with the Issuance of A Shares to Specific Target Subscriber and make a general offer in cash by coordinating with relevant parties in compliance with Rule 26.1 of the Takeovers Code, and the offer period will continue until such offer completes or lapses. If Hwabao Investment decides not to waive the condition precedent relating to the Whitewash Waiver in such circumstances, the offer period will end when such an announcement is made. If Independent Shareholders approve the Whitewash Waiver at the EGM, the offer period will end when an announcement is made that the mandatory general offer will not proceed.

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## LETTER FROM THE BOARD

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In compliance with Rule 3.8 of the Takeovers Code, as at the Latest Practicable Date, the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company comprise 8,851,763,767 Shares in issue. Save as aforesaid, the Company has no other outstanding relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the Latest Practicable Date.

#### 4. **Establishment of Code Independent Board Committee and Appointment of Independent Financial Adviser**

Pursuant to Rule 2.8 of the Takeovers Code, the Code Independent Board Committee (comprising all non-executive Directors who have no direct or indirect interest in the Issuance of A Shares to Specific Target Subscriber and the Whitewash Waiver, namely Mr. Song De An, Mr. Zhou Ping, Mr. Sheng Xuejun, Ms. Tang Ping and Mr. Guo Jiebin, but excluding Mr. Lin Changchun, being a director of Zhongnan Steel, has a potential conflict of interest as he is entitled to remuneration paid by Zhongnan Steel) has been established to advise Independent Shareholders on the Whitewash Waiver and the related transactions and their voting thereon.

Pursuant to Rule 2.1 of the Takeovers Code, Rainbow Capital (HK) Limited has been appointed as the Independent Financial Adviser to advise the Code Independent Board Committee and Independent Shareholders in respect of the foregoing matters and to make recommendations regarding voting.

#### 5. **Other information**

Shareholders' attention is also drawn to the overseas regulatory announcements dated 19 December 2025 issued by the Company in relation to the Issuance of A Shares to Specific Target Subscriber, the announcement of the Company dated 15 January 2026 in relation to estimated loss in the annual results for the year of 2025 (the "**Loss Estimate Announcement**"), and the announcement of the Company dated 16 January 2026 in relation to the clarification of the Loss Estimate Announcement.

References are made to the net profits attributable to the shareholders of the Company in the current and coming financial period (i.e. the financial years ending 31 December 2025 and 2026) before and after deduction of non-recurring items (the "**Relevant Information**") disclosed in (i) the paragraph headed "Impact on the Company's Key Financial Indicators" in Section VIII – "Dilution of Immediate Returns from the Issuance of A Shares to Specific Target Subscriber and Corresponding Mitigation Measures, along with Commitments by Relevant Parties" in the announcement headed "The Plan for Issuance of A Shares to Specific Target Subscriber in 2025" (the "**Plan**") which is repeated in Appendix I of this circular; and (ii) the paragraph headed "Impact on the Company's Key Financial Indicators" in Section I – "The Impact of the Issuance on the Company's Key Financial Indicators regarding Diluted Immediate Returns" in the announcement headed "Risk Warning Regarding the Dilution of Immediate Returns from the Issuance of A Shares to Specific

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## LETTER FROM THE BOARD

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Target Subscriber and Corresponding Mitigation Measures, along with Commitments by Relevant Parties” (the “**Risk Warning**”, and together with the Plan, the “**A Share Announcements**”) in Chinese issued by the Company and published on the website of the Shanghai Stock Exchange (<http://www.sse.cn/>) on the same date of the Announcement. A copy of the A Share Announcements also appear on the website of the Stock Exchange (<http://www.hkexnews.hk>) as overseas regulatory announcements.

The inclusion of the Relevant Information in the A Share Announcements is required under applicable laws and regulations of the PRC. The Relevant Information shall constitute a profit forecast under Rule 10 of the Takeovers Code, Shareholders and other investors should note, however, that the Relevant Information and any assumptions on which it is based have not been prepared in accordance with the standard required under Rule 10 of the Takeovers Code, nor have been reported on pursuant to Rule 10 of the Takeovers Code. Accordingly, the Relevant Information should not be relied upon as a forecast of the Company’s future profitability or other financial position. Shareholders and other investors are advised to exercise caution when reading and interpreting the Relevant Information, and when assessing the merits and demerits of the Issuance of A Shares to Specific Investors and considering whether to deal in or invest in the Company’s shares or other securities.

The Loss Estimate Announcement constitutes a profit forecast under Rule 10 of the Takeovers Code and is therefore required to be reported on by the Company’s financial advisers and auditors or accountants in accordance with Rule 10.4 and Note 1(c) to Rules 10.1 and 10.2 of the Takeovers Code. In view of the requirements of timely disclosure of inside information under Rule 13.09(2)(a) of the Listing Rules and pursuant to Part XIVA of the SFO, the Company was required to issue the Loss Estimate Announcement as soon as practicable and given the time constraints, the Company encountered genuine practical difficulties (time-wise or otherwise) in meeting the reporting requirements set out in Rule 10.4 of the Takeovers Code.

In this regard, the Loss Estimate (as defined in Appendix VIII) has been reported on by Deloitte Touche Tohmatsu Certified Public Accountants LLP, the reporting accountants of the Company and the Independent Financial Adviser. Deloitte Touche Tohmatsu Certified Public Accountants LLP is of the opinion that, so far as the accounting policies and calculations are concerned, the Loss Estimate has been properly complied in accordance with the bases adopted by the directors and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the annual report of the Group for the year ended 31 December 2024 and the nine months ended 30 September 2025. The Independent Financial Adviser is satisfied that the Loss Estimate Announcement has been made by the Directors with due care and consideration.

Please refer to Appendix VIII headed “Reports on the Loss Estimate” to this circular for the relevant reports in relation to the above.

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## LETTER FROM THE BOARD

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### V. BOARD APPROVAL

On 19 December 2025, the 22nd meeting of the tenth session of the Board considered and voted to approve the relevant resolutions in relation to the Issuance of A Shares to Specific Target Subscriber.

Mr. Lin Changchun, being a director of Zhongnan Steel, is deemed to have a material interest in the Issuance of A Shares to Specific Target Subscriber as he is entitled to remuneration paid by Zhongnan Steel, one of the parties acting in concert with China Baowu and Hwabao Investment, and has therefore abstained from voting on the following Board resolutions approving the same: (i) the Resolution in relation to the Proposal for the Issuance of A Shares to Specific Target Subscriber by the Company in 2025; (ii) the Resolution in relation to the Preliminary Proposal for the Issuance of A Shares to Specific Target Subscriber by the Company in 2025; (iii) the Resolution in relation to the Entering into of the Conditional Share Subscription Agreement between the Company and a specific target subscriber and related party (connected) transactions; and (iv) the Resolution in relation to the Submission to the General Meetings for the Authorisation to the Board and its Authorised Person(s) to Proceed with All Matters relating to the Issuance of A Shares to Specific Target Subscriber in Their Sole Discretion. Save as aforesaid, no other Director has a material interest in the Issuance of A Shares to Specific Target Subscriber, consequently, no other Director is required to abstain from voting on the relevant Board resolutions.

### VI. EGM AND CLASS MEETINGS

The EGM will be convened to consider and, if thought fit, approve, among other things, the resolutions on (i) the Issuance of A Shares to Specific Target Subscriber; (ii) the Specific Mandate; and (iii) the Whitewash Waiver.

The Class Meetings will be convened to consider and, if thought fit, approve, among other things, the resolutions on (i) the Issuance of A Shares to Specific Target Subscriber; and (ii) the Specific Mandate.

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## LETTER FROM THE BOARD

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China Baowu, Hwabao Investment, their respective associates, and the parties acting in concert with any of them, as well as any party being involved or interested in the Issuance of A Shares to Specific Target Subscriber and/or the Whitewash Waiver, shall abstain from voting on the corresponding resolutions to be proposed at the EGM and/or the Class Meetings (i.e. resolutions numbered 1 to 13 set out in the notice of the EGM and resolutions numbered 1 to 5 set out in the notice of the Class Meeting of H Shareholders). For identities and shareholding of each associate of China Baowu and Hwabao Investment, or parties acting in concert with any of them, see the shareholding table under the section headed “Connected Transaction Involving Substantial Shareholder Subscribing for new A Shares – Effects on the Shareholding Structure of the Company” in this Letter from the Board. Save for the abovementioned, no Shareholder shall be required to abstain from voting on the resolutions in relation to the Issuance of A Shares to Specific Target Subscriber and/or the Whitewash Waiver at the EGM and the Class Meetings.

The proxy form for use at the EGM and H Share Class Meeting is enclosed with this circular. Whether or not you are able to attend the EGM and H Share Class Meeting, 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 H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, 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 and H Share Class Meeting 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 and H Share Class Meeting or any adjourned meeting should you so desire.

According to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Accordingly, the chairman of the EGM and the Class Meetings will exercise his power under the Articles of Association to demand a poll in relation to all proposed resolution at the EGM and the Class Meetings.

### **VII. RECOMMENDATION**

Having taken into account, among other things, the principal factors and reasons considered by, and the advice of, the Independent Financial Adviser as set out in the “Letter from the Independent Financial Adviser” in this circular, the Code Independent Board Committee and the Listing Rules Independent Board Committee concur with the view of the Independent Financial Adviser and consider that the Issuance of A Shares to Specific Target Subscriber, the Specific Mandate and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned, on normal commercial terms or better, and in the interests of the Company and the Shareholders as a whole. Accordingly, the Code Independent Board Committee and the Listing Rules Independent Board Committee recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM and the Class Meetings.

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## LETTER FROM THE BOARD

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Independent Shareholders are reminded to read:

- (a) the letter from the Code Independent Board Committee containing its recommendations in respect of (i) the Issuance of A Shares to Specific Target Subscriber; (ii) the Specific Mandate; and (iii) the Whitewash Waiver;
- (b) the letter from the Listing Rules Independent Board Committee containing its recommendations in respect of (i) the Issuance of A Shares to Specific Target Subscriber and (ii) the Specific Mandate; and
- (c) the letter from the Independent Financial Adviser containing its advice to the Code Independent Board Committee, Listing Rules Independent Board Committee and Independent Shareholders on the (i) Issuance of A Shares to Specific Target Subscriber, (ii) the Whitewash Waiver and (iii) as to voting.

The Board considers that the Issuance of A Shares to Specific Target Subscriber and Whitewash Waiver 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 and the Class Meetings.

### VIII. ADDITIONAL INFORMATION

Additional information is also set out in the appendices of this circular for your information.

**The Issuance of A Shares to Specific Target Subscriber is subject to the fulfilment or waiver of certain conditions (as the case may be), including the approval of the Issuance of A Shares to Specific Target Subscriber by Independent Shareholders at the EGM. Accordingly, the Issuance of A Shares to Specific Target Subscriber may or may not proceed.**

**The Whitewash Waiver may or may not be granted by the Executive and if granted, will, among others things, be subject to the approval by at least 75% of the votes cast by Independent Shareholders by way of poll in respect of the Whitewash Waiver and more than 50% of the votes cast by Independent Shareholders by way of poll in respect of the Issuance of A Shares to Specific Target Subscriber, respectively, at the EGM.**

**The Offer shall only be made subject to (1) the Whitewash Waiver not being granted by the Executive and/or not being approved by the Independent Shareholders, whereupon Hwabao Investment's determination to waive the condition precedent relating to the Whitewash Waiver in such circumstances and proceed with the Issuance of A Shares to Specific Target Subscriber, and (2) the completion of the Issuance of A Shares to Specific Target Subscriber. Accordingly, the Offer may or may not proceed.**

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## LETTER FROM THE BOARD

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Shareholders and potential investors are reminded to exercise caution when dealing in Shares, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

By Order of the Board  
Chongqing Iron & Steel Company Limited  
**Kuang Yunlong**  
*Secretary to the Board*

**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)

24 February 2026

*To the Independent Shareholders*

Dear Sir or Madam,

- (1) PROPOSED ISSUANCE OF A SHARES TO SPECIFIC TARGET SUBSCRIBER  
UNDER SPECIFIC MANDATE;**
- (2) CONNECTED TRANSACTION INVOLVING SUBSTANTIAL  
SHAREHOLDER SUBSCRIBING FOR NEW A SHARES; AND**
- (3) APPLICATION FOR WHITEWASH WAIVER**

We refer to the circular dated 24 February 2026 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 as members of the Code Independent Board Committee to advise the Independent Shareholders in respect of the Whitewash Waiver, details of which are set out in the “Letter from the Board” in the Circular. Rainbow Capital (HK) Limited has been appointed as the Independent Financial Adviser with our approval to advise the Code Independent Board Committee and the Independent Shareholders in this regards.

We wish to draw your attention to the “Letter from the Board” set out on pages 1 to 35 of the Circular and the “Letter from the Independent Financial Adviser” set out on pages 40 to 64 of the Circular and the additional information set out in the appendices of this Circular.

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## LETTER FROM THE CODE INDEPENDENT BOARD COMMITTEE

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Having taken into account, among other things, the principal factors and reasons considered by, and the advice of, the Independent Financial Adviser as set out in the “Letter from the Independent Financial Adviser” in the Circular, we concur with the view of the Independent Financial Adviser and consider that:

- (i) although the entering into of the Share Subscription Agreement is not in the ordinary and usual course of business of the Company, the terms of the Issuance of A Shares to Specific Target Subscriber, the Share Subscription Agreement and the Specific Mandate (i) are fair and reasonable, (ii) are on normal commercial terms and (iii) are in the interests of the Company and the Independent Shareholders as a whole; and
- (ii) the terms of the Issuance of A Shares to Specific Target Subscriber and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole.

Accordingly, we recommend you to vote in favour of the relevant resolutions to be proposed at the EGM and the Class Meetings to approve the Issuance of A Shares to Specific Target Subscriber and the Whitewash Waiver.

Yours faithfully

For and on behalf of the

**Code Independent Board Committee**

*Non-executive Director*

**Mr. Song De An, Mr. Zhou Ping**

*Independent Non-executive Director*

**Mr. Sheng Xuejun, Ms. Tang Ping, Mr. Guo Jiebin**

**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)

24 February 2026

*To the Independent Shareholders*

Dear Sir or Madam,

**(1) PROPOSED ISSUANCE OF A SHARES TO SPECIFIC TARGET SUBSCRIBER  
UNDER SPECIFIC MANDATE; AND  
(2) CONNECTED TRANSACTION INVOLVING SUBSTANTIAL  
SHAREHOLDER SUBSCRIBING FOR NEW A SHARES**

We refer to the circular of the Company dated 24 February 2026 (the “**Circular**”), of which this letter forms part. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as members of the Listing Rules Independent Board Committee to advise the Independent Shareholders in respect of the Issuance of A Shares to Specific Target Subscriber, the Share Subscription Agreement and the Specific Mandate, details of which are set out in the “Letter from the Board” in the Circular. Rainbow Capital (HK) Limited has been appointed as the Independent Financial Adviser with our approval to advise the Listing Rules Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the “Letter from the Board” set out on pages 1 to 35 of the Circular and the “Letter from the Independent Financial Adviser” set out on pages 40 to 64 of the Circular and the additional information set out in the appendices of this Circular.

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## LETTER FROM THE LISTING RULES INDEPENDENT BOARD COMMITTEE

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Having taken into account, among other things, the principal factors and reasons considered by, and the advice of, the Independent Financial Adviser as set out in the “Letter from the Independent Financial Adviser” in the Circular, we concur with the view of the Independent Financial Adviser and consider that:

- (i) although the entering into of the Share Subscription Agreement is not in the ordinary and usual course of business of the Company, the terms of the Issuance of A Shares to Specific Target Subscriber, the Share Subscription Agreement and the Specific Mandate (i) are fair and reasonable, (ii) are on normal commercial terms and (iii) are in the interests of the Company and the Shareholders as a whole; and
- (ii) the terms of the Issuance of A Shares to Specific Target Subscriber are fair and reasonable so far as the Independent Shareholders are concerned and although not in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend you to vote in favour of the relevant resolutions to be proposed at the EGM and the Class Meetings to approve the Issuance of A Shares to Specific Target Subscriber and the Specific Mandate.

Yours faithfully

For and on behalf of the

**Listing Rules Independent Board Committee**

*Independent Non-executive Director*

**Mr. Sheng Xuejun, Ms. Tang Ping, Mr. 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, the Independent Financial Adviser to the Independent Board Committees and the Independent Shareholders in respect of the Issuance of A Shares to Specific Target Subscriber and the Whitewash Waiver, which has been prepared for the purpose of inclusion in this circular.*

### **Rainbow Capital (HK) Limited**

24 February 2026

*To the Independent Board Committees and the Independent Shareholders*

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

Dear Sir or Madam,

**(1) PROPOSED ISSUANCE OF A SHARES TO SPECIFIC TARGET SUBSCRIBER  
UNDER SPECIFIC MANDATE;  
(2) CONNECTED TRANSACTION INVOLVING SUBSTANTIAL  
SHAREHOLDER SUBSCRIBING FOR NEW A SHARES; AND  
(3) APPLICATION FOR WHITEWASH WAIVER AND POSSIBLE  
UNCONDITIONAL MANDATORY CASH OFFER**

### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to the Listing Rules Independent Board Committee, the Code Independent Board Committee (collectively, the “**Independent Board Committees**”) and the Independent Shareholders in respect of the Issuance of A Shares to Specific Target Subscriber and the Whitewash Waiver, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular dated 24 February 2026 issued by the Company to the Shareholders (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 19 December 2025, the Board approved the Issuance of A Shares to Specific Target Subscriber, pursuant to which the Company shall issue no more than 757,575,757 A Shares to Hwabao Investment at the Issue Price. The expected proceeds (before deduction of relevant issuance expenses) shall not exceed RMB1 billion (subject to regulatory approval).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Pursuant to the proposal for the Issuance of A Shares to Specific Target Subscriber, the Company and Hwabao Investment entered into the Share Subscription Agreement on 19 December 2025, pursuant to which Hwabao Investment intends to subscribe for RMB1 billion (subject to regulatory approval) of A Shares. The number of A Shares to be subscribed for shall be calculated by dividing the intended subscription amount by the Issue Price. Upon completion of the Issuance of A Shares to Specific Target Subscriber, China Baowu, Hwabao Investment and the parties acting in concert with any of them are expected to hold 3,369,804,955 Shares in total. The final number of Shares to be issued is subject to approval by the securities regulatory authorities.

The new A Shares under the Issuance of A Shares to Specific Target Subscriber will be issued pursuant to the Specific Mandate to be sought from the Shareholders at the EGM and the Class Meetings. Pursuant to the relevant provisions of Chapter 19A of the Listing Rules, the Company shall obtain the approval from Independent Shareholders by way of a specific resolution at the EGM, and shall separately obtain the approvals from A Shareholders and H Shareholders by way of special resolutions at the Class Meeting of A Shareholders and the Class Meeting of H Shareholders convened in accordance with the Articles of Association, before conducting the Issuance of A Shares to Specific Target Subscriber.

As at the Latest Practicable Date, China Baowu is interested in approximately 29.51% of the issued share capital of the Company, among which 1.47% is directly held by China Baowu and 28.04% is indirectly controlled or held by China Baowu through the corporations it controls (including Hwabao Investment). China Baowu is a substantial shareholder of the Company and Hwabao Investment is a subsidiary of China Baowu, Hwabao Investment is therefore a connected person of the Company. The Issuance of A Shares to Specific Target Subscriber constitutes a connected transaction of the Company and is subject to the requirements of announcement, reporting and independent shareholders' approval under Chapter 14A of the Listing Rules.

Upon completion of the Issuance of A Shares to Specific Target Subscriber, assuming that there are no adjustments and no further changes in the shareholding structure of the Company, China Baowu, Hwabao Investment and the parties acting in concert with any of them will collectively control 3,369,804,955 Shares upon completion of the Issuance of A Shares to Specific Target Subscriber, representing approximately 35.07% of the enlarged issued share capital of the Company. As such, under Rule 26.1 of the Takeovers Code, the allotment and issuance of A Shares under the Issuance of A Shares to Specific Target Subscriber will give rise to an obligation on the part of Hwabao Investment and the parties acting in concert with it to make a mandatory general offer for all H Shares (other than those already owned or agreed to be acquired by China Baowu, Hwabao Investment and the parties acting in concert with any of them), unless the Whitewash Waiver is granted by the Executive.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Hwabao Investment has submitted an application for the Whitewash Waiver to the Executive to exempt it, China Baowu and Chongqing Changshou Iron & Steel (who collectively will hold 32.49% of the Company's issued share capital upon completion of the Issuance of A Shares to Specific Target Subscriber), from the obligation to make a mandatory general offer for all H Shares (other than those already owned or agreed to be acquired by China Baowu, Hwabao Investment and the parties acting in concert with any of them) under Rule 26.1 of the Takeovers Code as a result of the Issuance of A Shares to Specific Target Subscriber. The Executive has indicated it is minded to grant the Whitewash Waiver, subject to, among other things, the approval by at least 75% of the votes cast by Independent Shareholders in respect of the Whitewash Waiver and more than 50% of the votes cast by Independent Shareholders in respect of the Issuance of A Shares to Specific Target Subscriber at the EGM.

The Listing Rules Independent Board Committee (comprising all independent non-executive Directors) has been formed under Chapter 14A of the Listing Rules to advise Independent Shareholders on the Issuance of A Shares to Specific Target Subscriber and the Specific Mandate from the perspective of the Listing Rules. Pursuant to Rule 2.8 of the Takeovers Code, the Code Independent Board Committee (comprising all non-executive Directors who have no direct or indirect interest in the Issuance of A Shares to Specific Target Subscriber and the Whitewash Waiver) has been formed to advise Independent Shareholders on the Whitewash Waiver and the related transactions and their voting thereon. We, Rainbow Capital (HK) Limited, have been appointed as the Independent Financial Adviser (with the approval of the Code Independent Board Committee) to advise the Independent Board Committees and the Independent Shareholders in this respect.

As at the Latest Practicable Date, we did not have any relationships or interests with the Group, Hwabao Investment and China Baowu 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 the continuing connected transactions, details of which were set out in the circular of the Company dated 8 December 2023. Other than that, there was no engagement or connection between the Group, Hwabao Investment or China Baowu 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 other arrangements exist whereby we had received any fees or benefits from the Group, Hwabao Investment or China Baowu. Accordingly, we are considered eligible to give an independent advice to the Independent Board Committees and the Independent Shareholders in respect of the Issuance of A Shares to Specific Target Subscriber and the Whitewash Waiver.

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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 Latest Practicable Date.

The Independent Shareholders will be informed by the Company and us as soon as possible if there is any material change to the information disclosed in this Circular in accordance with Rule 9.1 of the Takeovers Code during the offer period, in which case we will consider whether it is necessary to revise our opinion and inform the Independent Board Committees and the Independent Shareholders accordingly.

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, Hwabao Investment, China Baowu or any of their respective substantial shareholders, subsidiaries or associates.

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

In arriving at our opinion in respect of the Issuance of A Shares to Specific Target Subscriber and the Whitewash Waiver, we have taken into consideration the following principal factors and reasons:

#### **1. Information on the Group**

The Group is principally engaged in the production, processing and sale of steel products such as steel plates, steel sections, wire rods, bar materials, billets and thin plates, as well as the 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.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(i) *Financial performance*

Set out in the table below is a summary of the audited consolidated financial information of the Group for the years ended 31 December 2023 and 2024 (“FY2023” and “FY2024”, respectively) as extracted from the Company’s annual report for FY2024, and the unaudited consolidated financial information of the Company for the nine months ended 30 September 2024 and 2025 (“9M2024” and “9M2025”) as extracted from the Company’s quarterly report for 9M2025:

	9M2025	9M2024	FY2024	FY2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(audited)	(audited)
<b>Revenue</b>	<b>19,091,283</b>	<b>20,598,067</b>	<b>27,244,169</b>	<b>39,318,142</b>
Cost of sales	(18,836,440)	(21,679,172)	(28,599,482)	(40,002,413)
<b>Gross profit/(loss)</b>	<b>254,843</b>	<b>(1,081,105)</b>	<b>(1,355,312)</b>	<b>(684,271)</b>
Taxes and surcharges	(122,490)	(115,122)	(148,499)	(171,556)
Sales expenses	(47,173)	(43,949)	(56,788)	(75,804)
General and administrative expenses	(197,321)	(203,353)	(370,595)	(334,986)
R&D expenses	(27,690)	(31,057)	(41,784)	(31,949)
Finance expenses	(120,646)	(153,667)	(200,673)	(242,279)
Other income	87,398	56,199	82,936	59,936
Investment income	1,360	5,097	5,491	7,381
Credit impairment losses	–	–	(3,529)	–
Impairment losses on assets	(52,180)	–	(1,233,901)	(303,327)
Gains from disposal of assets	2,305	–	2,556	12,625
<b>Operating loss</b>	<b>(221,596)</b>	<b>(1,566,958)</b>	<b>(3,320,098)</b>	<b>(1,764,229)</b>
Non-operating income	1,668	3,218	5,665	7,516
Non-operating expenses	3,425	(27,921)	22,792	12,454
<b>Total loss</b>	<b><u>(216,503)</u></b>	<b><u>(1,591,661)</u></b>	<b><u>(3,291,641)</u></b>	<b><u>(1,744,259)</u></b>
Income tax (expenses)/credit	(1,824)	241,911	96,080	249,842
<b>Net loss</b>	<b><u>(218,327)</u></b>	<b><u>(1,349,750)</u></b>	<b><u>(3,195,561)</u></b>	<b><u>(1,494,417)</u></b>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *FY2024 as compared to FY2023*

The Group's revenue decreased by approximately 30.7% from approximately RMB39,318.1 million for FY2023 to approximately RMB27,244.2 for FY2024, which was mainly due to lower sales volume and the decrease in the selling price of commodity billet. The Group's gross loss increased from approximately RMB684.3 million for FY2023 to approximately RMB1,355.3 million, which was mainly due to the increase in gross loss margin resulting from the decrease in selling price.

As the steel industry was in a downward trend in 2024, the Group performed impairment testing on long-term assets in accordance with accounting standards and recorded impairment losses on assets of approximately RMB1,233.9 million on FY2024, representing an increase of approximately 306.8% as compared to that of approximately RMB303.3 million for FY2023.

The Group's net loss increased by approximately 113.8% from approximately RMB1,494.4 million for FY2023 to approximately RMB3,195.6 million for FY2024, which was mainly due to the increase in gross loss and the increase in impairment losses on assets.

### *9M2025 as compared to 9M2024*

Although the Group's revenue decreased by approximately 7.3% from approximately RMB20,598.1 million for 9M2024 to approximately RMB19,091.3 million for 9M2025, the Group turned around from a gross loss of approximately RMB1,081.1 million for 9M2024 to gross profit of approximately RMB254.8 million for 9M2025, which was mainly due to the Group's focus on cost reduction and efficiency improvement.

During the nine months ended 30 September 2025, the Company wrote off certain obsolete fixed assets as a result of its technological upgrade projects and recorded an asset impairment loss of approximately RMB52.2 million.

The Group's net loss decreased by approximately 83.8% from approximately RMB1,349.8 million for 9M2024 to approximately RMB218.3 million for 9M2025, which was mainly due to the turnaround from a gross loss to a gross profit.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

**(ii) Financial position**

Set out below is a summary of the consolidated financial position of the Group as at 31 December 2023, 31 December 2024 and 30 September 2025:

	<b>30 September 2025</b>	<b>31 December 2024</b>	<b>31 December 2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)	(audited)
Total current assets	<u>5,185,019</u>	<u>6,287,381</u>	<u>6,051,987</u>
Total non-current assets	<u>29,892,079</u>	<u>29,191,863</u>	<u>31,305,047</u>
Total current liabilities	<u>15,982,157</u>	<u>16,927,242</u>	<u>13,863,584</u>
– Short-term borrowings	775,441	919,368	450,331
– Non-current liabilities due within one year	<u>2,929,167</u>	<u>4,253,093</u>	<u>2,252,747</u>
Total non-current liabilities	2,686,979	1,945,366	3,639,120
– Long-term borrowings	2,459,722	1,652,075	2,986,945
Net assets	16,407,961	16,606,636	19,854,331
Gearing ratio ( <i>Note</i> )	<u>53.2%</u>	<u>53.2%</u>	<u>46.9%</u>

*Note:* Being total liabilities divided by total assets.

The Group's net assets decreased by approximately RMB3,247.7 million from RMB19,854.3 million as at 31 December 2023 to RMB16,606.6 million as at 31 December 2024, and further decreased by approximately RMB198.7 million to RMB16,408.0 million as at 30 September 2025, which was mainly due to that the Group recorded net loss of RMB3,195.6 million and RMB218.3 million for FY2024 and 9M2025, respectively.

The Group's gearing ratio increased from 46.9% as at 31 December 2023 to 53.2% as at 31 December 2024, and remained stable at 53.2% as at 30 September 2025, The increase in 2024 was mainly due to that the Group's interest-bearing borrowings increased from RMB5,372.1 million as at 31 December 2023 to RMB6,664.8 million as at 31 December 2024.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *(iii) Industry overview*

According to the statistics of National Bureau of Statistic, national production of crude steel and steel remained stable in 2025. National crude steel production was 961 million tonnes in 2025, representing a year-on-year decrease of 4.4%. National steel production was 1,446 million tonnes in 2025, representing a year-on-year increase of 3.1%.

According to the statistics of the Administration of Customs of the PRC, the average import price of iron ore and concentrate was RMB699 per tonne in 2025, representing a year-on-year decrease of 8.3% from RMB762 per tonne in 2024. Coking coal and coke prices also fell in 2025. The decline in raw material prices resulted in lower production costs, which in turn contributed to a reduction in selling prices of steel products. According to the statistics of China Iron and Steel Association, the national average steel price index was 93.67 points for 9M2025, representing a year-on-year decrease of 9.6%.

According to the statistics of National Bureau of Statistic, the ferrous metal smelting and rolling processing industry recorded a significant year-on-year increase in profitability in 2025. The industry's operating revenue was RMB7,726.8 billion for the year ended 31 December 2025, representing a year-on-year decrease of 4.7%. Operating costs amounted to RMB7,289.9 billion for the year ended 31 December 2025, representing a year-on-year decrease of 5.7%. Total profit was RMB109.8 billion for the year ended 31 December 2025, representing a year-on-year increase of 299.2%.

### *(iv) Overall comments*

In line with industry trends, the Company maintained relatively stable sales volumes during the first three quarters of 2025. However, continued declines in steel product prices led to a reduction in the Company's revenue. Given lower production costs, the Company's net loss narrowed for 9M2025. Nonetheless, weak demand in downstream sectors continues to cast uncertainty over the Company's near-term outlook.

## **2. Information of Hwabao Investment and China Baowu**

Hwabao Investment, an industrial finance investment and management platform under China Baowu, is principally engaged in long-term equity investments and securities investments. Hwabao Investment is a wholly-owned subsidiary of China Baowu.

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 covers operating state-owned assets within the scope authorized by the State Council, as well as carrying out relevant state-owned capital investment and operation.

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As at the Latest Practicable Date, China Baowu, Hwabao Investment, together with parties acting in concert with any of them are interested in approximately 29.51% of the issued share capital of the Company.

### 3. Reasons for and benefits of the Issuance of A Shares to Specific Target Subscriber

After deduction of relevant issuance expenses, the proceeds from the Issuance of A Shares to Specific Target Subscriber shall be utilised for replenishing working capital and repaying bank debts, thereby alleviating pressure on daily working capital and lowering the gearing ratio.

#### *The Company has the imminent funding needs*

The Issuance of A Shares to Specific Target Subscriber will further improve the Company's liquidity levels, optimise its capital structure, increase the scales of its total assets and net assets by RMB993 million, lower the gearing ratio by approximately 1.5 to 2.9 percentage points, increase the current ratio by approximately 0.02 to 0.06 percentage points, and enhance its risk-resistance capabilities. This initiative also aligns with national policy directives to increase the proportion of direct financing, strengthen the capacity of financial services to support the real economy, and lower the leverage ratio of the Company as a state-owned enterprise. As at 30 September 2025, the Group had outstanding borrowings of approximately RMB6.2 billion, including short-term borrowings of RMB775 million, long-term borrowings of RMB2.5 billion, and RMB2.9 billion in non-current liabilities due within one year. Interest expenses paid by the Group during the nine months ended on 30 September 2025 was RMB147.3 million.

Given the capital-intensive nature of the steel industry in which the Company operates, coupled with the continuous upgrade of technological equipment and environmental compliance requirements, the Company maintains substantial working capital requirements. The Company incurred expenses exceeding RMB14 billion for the nine months ended 30 September 2025 while the Group only had cash and bank balances of RMB3.0 billion as at 31 December 2024. We consider that the Company has the imminent funding needs to replenish working capital. Particularly within the context of the steel industry's weak cyclical phase, relatively ample capital is essential to enhance operational stability. By investing the proceeds from the Issuance of A Shares to Specific Target Subscriber, the Company can deploy capital more efficiently and directing resources towards its competitive product lines, which may facilitate product portfolio restructuring and lean operations, while advancing the strategies of "green manufacturing, cost reduction and efficiency enhancement, and continuous improvement", elevate the Company's operational robustness, create favourable conditions for enhancing its core competitiveness and drive sustainable, high-quality development, which is in the interest of the Shareholders' as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Other alternative fundraising methods*

The Company has considered other alternative fundraising methods such as debt financing. However, debt financing may incur financial costs on the Group and may be subject to lengthy due diligence and negotiations with lenders, which is not in line with the Company's funding needs. We have reviewed the Company's quarterly report for the nine months ended 30 September 2025 and noted that the Group had outstanding borrowings of RMB6.2 billion as at 30 September 2025 and incurred finance expenses of RMB147.3 million, equivalent to 57.8% of its gross profit of RMB254.8 million for the nine months ended 30 September 2025. Accordingly, we consider that debt financing would increase the Company's financial burden and is not the most appropriate means of financing for the Company.

In respect of other equity financing methods, rights issue is the most commonly adopted equity financing method in the market. Rights issue shall be implemented to the holders of A Shares and H Shares simultaneously at the same price, while the closing price of A Shares represented premium over the closing price of H Shares. It may not be practical to determine a price suitable for both classes of Shares. We have reviewed the website of the Stock Exchange and we did not identify any A+H listed companies conducting a rights issue during the Review Period (as defined below). In addition, in view of the current industry conditions, there is uncertainty in the amount of funds which could be raised under a rights issue. As for open offer, similar to a rights issue, it also offers qualifying shareholders to participate, but it does not allow the trading of rights entitlements in the open market. Therefore, we consider that rights issue and open offer are neither appropriate nor commonly used fund-raising methods for A+H listed companies such as the Company.

In addition, as stated in the Letter from the Board, it is practically difficult for the Company to pursue market-based equity financing (including rights issue or open offer) due to regulatory constraints since conducting equity financing with market investors at an issue price below the Company's net asset value per share may raise concerns about potential impairment of state-owned assets, and pose challenges in obtaining approval from regulatory authorities in the PRC.

State-owned enterprises face the risk of state-owned asset loss when issuing shares to external market investors at prices below 1x net asset value. However, the A Shares and H Shares has been long traded below 1x PB, reflecting persistent losses and industrywide challenges such as overcapacity in the steel sector and ongoing supply-side reforms, which made it difficult to attract market investors.

In accordance with the CSRC's regulatory guidance on "Balancing Primary and Secondary Markets and Optimizing IPO and Refinancing Rules", listed companies facing "break-even" or "below-book" share prices are restricted from conducting refinancing through public issuance. In this regard, we have reviewed the website of the Shanghai Stock Exchange and noted that where all issuance targets, typically the controlling shareholders or strategic investors, are pre-determined by the board

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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of the listed company, the issuance is not subject to above regulatory requirements on “break-even” or “below-book” share price. Such issuances are often undertaken to provide financial relief, facilitate corporate transformation, or introduce strategic investors. They contribute to enhancing the quality of listed companies, stabilizing share prices, and safeguarding the rights and interests of minority investors.

Taking into account that (i) alternative debt financing methods to replenish working capital would increase the Company’s financial burden; (ii) the Group was loss-making while the Issuance of A Shares to the Specific Target Subscriber would lower the gearing ratio and reduce finance expenses; (iii) the Issuance of A Shares to the Specific Target Subscriber is an appropriate equity financing method; and (iv) the Issuance of A Shares to Specific Target Subscriber enables the Company to secure necessary funding while also demonstrating the Company’s substantial shareholder’s confidence and commitment for the Group’s long-term development and growth prospect, we consider that although the Issuance of A Shares to Specific Target Subscriber is not conducted in the ordinary and usual course of business of the Company, the Issuance of A Shares to Specific Target Subscriber is in the interests of the Company and the Shareholders as a whole.

#### 4. Principal terms of the Share Subscription Agreement

Set out below is a summary of the principal terms of the Share Subscription Agreement, details of which are set out in the Letter from the Board.

Parties	:	(i) The Company; and  (ii) Hwabao Investment
Date	:	19 December 2025
Subscription amount and subscription number	:	Hwabao Investment intends to subscribe for RMB1 billion (subject to regulatory approval) of Shares. The number of Shares to be subscribed for shall be calculated by dividing the intended subscription amount by the Issue Price.
Issue Price	:	RMB1.32 per Share, representing 90% of the average trading price of A Shares over the 20 trading days prior to the Pricing Benchmark Date (rounded up to two decimal places).

The average trading price of A Shares over the 20 trading days prior to the Pricing Benchmark Date = the total trading value of A Shares over the 20 trading days prior to the Pricing Benchmark Date ÷ the total trading volume of A Shares over the 20 trading days prior to the Pricing Benchmark Date.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In the event of distribution of dividend, bonus share issue, conversion of capital reserve into share capital during the period from the Pricing Benchmark Date to the issuance date, the Issue Price shall be adjusted accordingly.

- Conditions precedent : The Share Subscription Agreement shall be effective upon the date of signature and seal by the parties, and has come into force on 19 December 2025. It shall take effect upon the fulfilment (or waiver) of all the following conditions:
- (i) Matters relating to the Issuance of A Shares to Specific Target Subscriber have been approved by the Board and the EGM;
  - (ii) The Board and the Shareholders have considered and approved Hwabao Investment's application for a Whitewash Waiver from the obligation to make a general offer for H Shares, and the Executive have granted a waiver and/or confirmation to exempt Hwabao Investment, China Baowu and Chongqing Changshou Iron & Steel and/or to confirm that Hwabao Investment China Baowu and Chongqing Changshou Iron & Steel were not required to make a general offer to H Shareholders in connection with the Issuance of A Shares to Specific Target Subscriber;
  - (iii) The Board and the Shareholders have considered and approved Hwabao Investment's exemption from acquiring additional A Shares by way of an offer;
  - (iv) China Baowu has approved the Issuance of A Shares to Specific Target Subscriber;
  - (v) The Issuance of A Shares to Specific Target Subscriber has been approved by the Shanghai Stock Exchange and registered with the CSRC.

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Save for the condition paragraph (ii) above which may be waived by Hwabao Investment, and Hwabao Investment shall separately seek China Baowu's further approval as to whether such condition can be waived before Hwabao Investment waives such condition, none of the parties shall be entitled to waive any of the foregoing conditions.

Lock-up period : Shares to be subscribed for by Hwabao Investment under the Issuance of A Shares to Specific Target Subscriber shall not be transferred for a period of thirty-six (36) months from the date of completion of the issuance.

Hwabao Investment and the parties acting in concert with it shall not transfer any Shares held prior to the Issuance of A Shares to Specific Target Subscriber for a period of eighteen (18) months from the date of completion of such issuance. However, transfers between different entities under the control of the same actual controller shall not be subject to the foregoing restriction.

Upon expiry of the aforementioned lock-up period, the relevant provisions of the securities regulatory authorities shall be complied with.

### 5. Issue Price

#### (i) *Issue Price comparison*

The Issue Price of RMB1.32 per Share represents:

- (a) a discount of approximately 12.0% to the closing price of RMB1.50 per A Share as quoted on the Shanghai Stock Exchange as at the Latest Practicable Date;
- (b) a discount of 9.6% to the average trading price of approximately RMB1.46 per A Share for the 20 trading days prior to the Pricing Benchmark Date;
- (c) a discount of 10.8% to the closing price of approximately RMB1.48 per A share on the last trading day immediately preceding the Pricing Benchmark Date;

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- (d) a discount of 10.2% to the average closing price of approximately RMB1.47 per A share for the five trading days immediately preceding the Pricing Benchmark Date;
- (e) a discount of 9.6% to the average closing price of approximately RMB1.46 per A share for the 20 trading days immediately preceding the Pricing Benchmark Date;
- (f) a discount of 12.6% to the average closing price of approximately RMB1.51 per A share for the 60 trading days immediately preceding the Pricing Benchmark Date; and
- (g) a discount of 29.8% to the net asset value per Share of approximately RMB1.88 as at 31 December 2024, calculated based on the Group’s audited net asset value of RMB16,606.6 million as at 31 December 2024 and 8,851,763,767 Share in issue as at the Latest Practicable Date;
- (h) a discount of 28.6% to the net asset value per Share of approximately RMB1.85 as at 30 September 2025, calculated based on the Group’s unaudited net asset value of RMB16,408.0 million as at 30 September 2025 and 8,851,763,767 Share in issue as at the Latest Practicable Date.

**(ii) Historical price performance of A Shares**

Set out below is the chart showing the movement of the daily closing price of A Shares during the period from 1 November 2024 to the Latest Practicable Date (the “**Review Period**”). We consider such Review Period to be fair, reasonable and representative as we consider it a sufficient period to illustrate the general trend and level of movement of the daily closing price of A Shares for the purpose of this analysis, which reflects the prevailing market sentiment for conducting a comparison between the closing price of A Shares and the Issue Price.

**Historical daily closing price per A Share**



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During the Review Period, the closing price of A Shares ranged from RMB1.20 per A Share recorded on 7 April 2025 to RMB1.79 per A Share recorded on 7 November 2024, with an average closing price of RMB1.45 per A Share. The Issue Price represents a slight discount of approximately 9.0% to the average closing price of A Shares during the Review Period.

At the beginning of the Review Period, the closing price of A Shares exhibited a general downward trend, declining from RMB1.69 per A Share on 1 November 2024 to RMB1.31 per A Share on 10 January 2025. Between 13 January 2025 and 1 July 2025, the closing price of A Shares fluctuated within a range of RMB1.20 to RMB1.44 per A Share. Subsequently, the closing price of A Shares increased sharply and reached RMB1.65 per A Share on 22 July 2025. The closing price of A Shares fell to RMB1.48 per A Share on the Pricing Benchmark Date, to which the Issue Price represents a discount of approximately 10.8%.

As at the Latest Practicable Date, the closing price of A Shares was RMB1.50 per A Share, to which the Issue Price represents a discount of approximately 12.0%.

*(iii) Comparison transactions*

To assess the fairness and reasonableness of the Issue Price, we have reviewed precedents based on the following selection criteria: (a) standalone issuance of A shares to specific targets that did not involve acquisition; (b) issuances by companies listed on the main board of the Shanghai Stock Exchange; (c) the pricing benchmark date is the date of board resolution approving the relevant issuance; and (d) the transactions were completed during the Review Period. Based on the aforesaid criteria, we identified an exhaustive list of 24 precedents (the “**Comparable Transactions**”). Since a sufficient sample size has been identified based on the aforementioned selection criteria, we have not extended the scope to include companies listed on the Shenzhen Stock Exchange. Although the issuances by China Construction Bank Corporation (601939) and Bank of China Limited (601988) did not constitute connected transactions, we consider that their pricing benchmarks also reflect prevailing market practice for issuance of A shares to specific targets. Given that (a) as

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disclosed in “The Plan for Issuance of A Shares to Specific Target Subscriber in 2025”, upon completion of the Issuance of A Shares to Specific Target Subscriber, China Baowu remains the actual controlling party of the Company, and the Issuance of A Shares to Specific Target Subscriber will not result in any change to the Company’s control rights; and (b) Hwabao Investment reserves the right to waive the conditions precedent relating to the Whitewash Waiver under the Subscription Agreement and the pricing basis for the Issue Price did not take the Whitewash Waiver into account, we did not adopt the involvement of change in control or whitewash waiver as selection criterion to identify the Comparable Transactions.

Company name (stock code)	Completion date	Issue price before adjustments	Premium/	Premium/	Premium/	Premium/	
			(discount) of the issue price over/to the average trading price of A shares for the 20 trading days immediately prior to the pricing benchmark date (the	(discount) of the issue price over/to the average closing price per A share on the last trading day immediately preceding the pricing benchmark date (the	(discount) of the issue price over/to the average closing price per A share for the five trading days immediately preceding the pricing benchmark date (the	(discount) of the issue price over/to the average closing price per A share for the 20 trading days immediately preceding the pricing benchmark date (the	(discount) of the issue price over/to the average closing price per A share for the 60 trading days immediately preceding the pricing benchmark date (the
			“Benchmark Premium/ Discount”) (%)	“LTD Premium/ Discount”) (%)	“5 Days Premium/ Discount”) (%)	“20 Days Premium/ Discount”) (%)	“60 Days Premium/ Discount”) (%)
China Agriculture Development Seed Group Co., Ltd (600313)	5 February 2026	5.14	(20.00)	(19.06)	(19.64)	(19.97)	(18.93)
Guangzhou Baiyun International Airport Company Limited (600004)	31 December 2025	7.70	(19.90)	(21.59)	(20.16)	(19.77)	(23.35)
Guangzhou Pearl River Development Group Co., Ltd. (600684)	31 December 2025	2.92	(19.62)	(21.29)	(21.63)	(18.98)	(26.60)
Zhejiang Chenfeng Technology Co., Ltd. (603685)	16 December 2025	8.85	(20.00)	(19.25)	(18.54)	(20.41)	(20.57)
Nanjing Chervon Auto Precision Technology Co., Ltd. (603982)	29 October 2025	7.82	(19.92)	(24.37)	(22.62)	(18.93)	(11.41)
Inspur software Co., Ltd. (600756)	28 October 2025	10.94	(20.00)	(14.66)	(15.13)	(19.67)	(23.10)
Shanghai Ace Investment & Development Co., Ltd. (603329)	27 October 2025	8.95	(19.94)	(14.84)	(17.75)	(19.78)	(27.43)

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company name (stock code)	Completion date	Issue price before adjustments	“Benchmark Premium/Discount” (%)	“LTD Premium/Discount” (%)	“5 Days Premium/Discount” (%)	“20 Days Premium/Discount” (%)	“60 Days Premium/Discount” (%)
Ningxia Jiaze Renewables Corporation Ltd. (601619)	26 September 2025	2.61	(19.93)	(22.78)	(23.14)	(19.64)	(13.52)
Fiberhome Telecommunication Technologies Co., Ltd. (600498)	20 August 2025	12.88	(19.98)	(21.03)	(25.21)	(14.85)	(13.63)
Shanghai Kai Kai Industry Co., Ltd. (600272)	15 July 2025	8.17	(19.92)	(20.68)	(21.11)	(19.37)	(20.43)
Sichuan Hongda Co., Ltd. (600331)	8 July 2025	4.68	(19.96)	(22.26)	(19.34)	(18.65)	(19.25)
China National Software & Service Co., Ltd. (600536)	3 July 2025	22.19	(19.99)	(27.17)	(24.29)	(19.72)	(31.43)
China Construction Bank Corporation (601939)	24 June 2025	9.27	8.76	8.80	7.87	8.70	8.54
Tianfeng Securities Co., Ltd. (601162)	19 June 2025	2.71	(8.59)	(7.82)	(6.87)	(8.43)	(9.14)
Postal Savings Bank of China Co., Ltd. (601658)	19 June 2025	6.32	19.19	21.54	18.75	18.90	18.13
Bank of Communications Co., Ltd. (601328)	17 June 2025	8.71	19.76	16.91	17.29	19.94	19.04
Bank of China Limited (601988)	17 June 2025	6.05	11.87	10.00	10.44	11.79	11.70
Anhui Hwasu Co., Ltd. (600935)	6 June 2025	2.29	0.00	1.78	2.23	0.00	(8.66)
Wuxi Xinje Electric Co., Ltd. (603416)	13 May 2025	23.49	(19.74)	(21.75)	(19.77)	(20.25)	(19.97)
SDIC Power Holdings Co., Ltd. (600886)	4 March 2025	12.72	(19.94)	(17.46)	(17.36)	(20.06)	(26.04)

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company name (stock code)	Completion date	Issue price before adjustments	Premium/ (discount) of the issue price over/to the average trading price of A shares for the 20 trading days immediately prior to the pricing benchmark date (the				
			“Benchmark Premium/ Discount”) (%)	“LTD Premium/ Discount”) (%)	“5 Days Premium/ Discount”) (%)	“20 Days Premium/ Discount”) (%)	“60 Days Premium/ Discount”) (%)
Xiamen Xiangyu Co., Ltd. (600057)	27 February 2025	7.03	(19.90)	(23.75)	(19.82)	(19.71)	(18.21)
China National Nuclear Power Co., Ltd. (601985)	10 January 2025	8.52	(19.92)	(25.65)	(24.47)	(20.40)	(14.16)
Wuzhou Special Paper Co., Ltd. (605007)	26 December 2024	11.64	(19.96)	(17.74)	(19.23)	(19.96)	(25.86)
Air China Limited (601111)	10 December 2024	7.02	(9.36)	(2.09)	(3.89)	(9.48)	(9.95)
		Maximum	19.76	21.54	18.75	19.94	19.04
		Minimum	(20.00)	(27.17)	(25.21)	(20.41)	(31.43)
		Average	(12.37)	(12.76)	(12.64)	(12.03)	(13.51)
		Median	(19.92)	(19.15)	(19.29)	(19.51)	(18.57)
The Company (601005)		1.32	<u>(9.59)</u>	<u>(10.81)</u>	<u>(10.20)</u>	<u>(9.59)</u>	<u>(12.58)</u>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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CSRC allowed a discount of not more than 20% to the average trading price of such A shares for the 20 trading days preceding the pricing benchmark date. As shown in the table above:

- (a) the Benchmark Premium/Discount of the Comparable Transactions ranged from a discount of approximately 20.00% to a premium of approximately 19.76%, with average discount of approximately 12.37% and median discount of approximately 19.92%;
- (b) the LTD Premium/Discount of the Comparable Transactions ranged from a discount of approximately 27.17% to a premium of approximately 21.54%, with average discount of approximately 12.76% and median discount of approximately 19.15%;
- (c) the 5 Days Premium/Discount of the Comparable Transactions ranged from a discount of approximately 25.21% to a premium of approximately 18.75%, with average discount of approximately 12.64% and median discount of approximately 19.29%;
- (d) the 20 Days Premium/Discount of the Comparable Transactions ranged from a discount of approximately 20.41% to a premium of approximately 19.94%, with average discount of approximately 12.03% and median discount of approximately 19.51%; and
- (e) the 60 Days Premium/Discount of the Comparable Transactions ranged from a discount of approximately 31.43% to a premium of approximately 19.04%, with average discount of approximately 13.51% and median discount of approximately 18.57%;

Each of the Benchmark Discount, the LTD Discount, the 5 Days Discount, the 20 Days Discount and the 60 Days Discount represented by the Issue Price is lower than the average discount and the median discount of the Comparable Transactions.

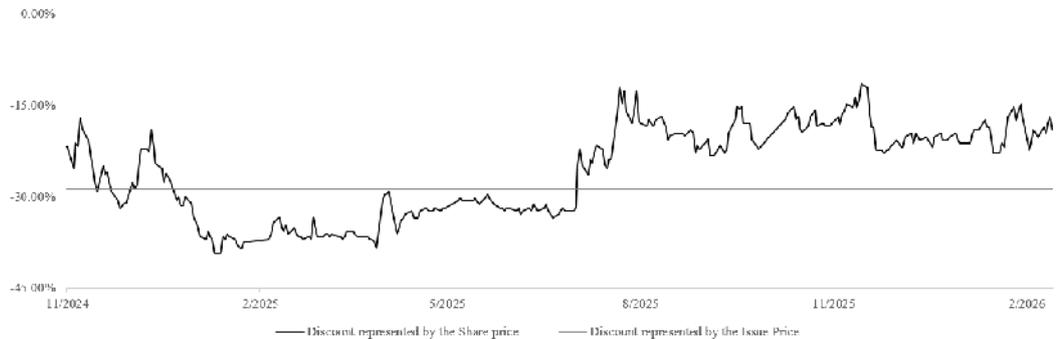
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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*(iv) Discount to the net asset value per Share*

Set out below is the chart showing the movement of discounts represented by the daily closing price of A Shares to the Group's net asset value per Share (the "NAV Discount") during the Review Period.



During the Review Period, the NAV Discount ranged from 11.5% to 39.3% with an average discount of 25.8%. The discount of 28.6% represented by the Issue Price to the Group's unaudited net asset value per Share as at 30 September 2025 is within the range of the NAV Discount and close to the average NAV Discount during the Review Period. Taking into account the downturn in the industry, the Company's continued losses and the declining net asset value over the years, as well as the fact that the Company's Share price has consistently traded below its net asset value per Share, we consider the discount of the Issue Price to the net asset value per Share to be acceptable.

As the Group is engaged in steel production rather than property development and investment, the overall value of the Company lies primarily in its earning power rather than in the value of its property interests. The Group's property interests are held mainly for operating use and not for investment or development purposes. As such, fluctuations in the value of these properties do not materially affect the valuation of the Group or the assessment of the Issue Price. Furthermore, the Issue Price was not determined with reference to the value of the Group's property interests. The basis for determining the Issue Price primarily includes the market price of the A Shares, the Group's financial performance and prospects, industry conditions, and commercial negotiations between the parties, none of which are directly related to the valuation of the Group's property interests.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As such, we are of the view that the absence of a property valuation report in the Circular does not affect our assessment of the fairness and reasonableness of the Issue Price and our advice in respect of the Issuance of A Shares to Specific Target Subscriber and the Whitewash Waiver.

*(iv) Overall comments*

Having considered that:

- (a) the Issue Price represents a slight discount of approximately 9.0% to the average closing price of A Shares during the Review Period;
- (b) each of the Benchmark Discount, the LTD Discount, the 5 Days Discount, the 20 Days Discount and the 60 Days Discount represented by the Issue Price is lower than the average discount and the median discount of the Comparable Transactions; and
- (c) the discount represented by the Issue Price to the Group's unaudited net asset value per Share as at 30 September 2025 is within the range of the NAV Discount and close to the average NAV Discount during the Review Period. Taking into account the downturn in the industry, the Company's continued losses and the declining net asset value over the years, as well as the fact that the Company's Share price has consistently traded below its net asset value per Share, we consider the discount of the Issue Price to the net asset value per Share to be acceptable;

we are of the view that the Issue Price is fair and reasonable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 6. Dilution effect on the shareholding interests of the existing public Shareholders

The shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon completion of the Issuance of A Shares to Specific Target Subscriber (the “**Completion**”) are set out below:

	As at the Latest Practicable Date		Immediately upon Completion	
	Number of Shares	% of total issued Shares	Number of Shares	% of total issued Shares
<i>Non-public Shareholders</i>				
Hwabao Investment	137,459,680	1.55%	895,035,437	9.31%
China Baowu	129,815,901	1.47%	129,815,901	1.35%
Changshou Iron & Steel	2,096,981,600	23.69%	2,096,981,600	21.82%
Other parties acting in concert with				
China Baowu and Hwabao Investment	247,972,017	2.80%	247,972,017	2.58%
Chen Yingming*	100	0.000001%	100	0.000001%
<i>Public Shareholders</i>				
(i) Public A Shareholders	5,701,407,269	64.41%	5,701,407,269	59.33%
(ii) Public H Shareholders	538,127,200	6.08%	538,127,200	5.60%
A Shares	<b>8,313,636,567</b>	<b>93.92%</b>	<b>9,071,212,324</b>	<b>94.40%</b>
H Shares	<b>538,127,200</b>	<b>6.08%</b>	<b>538,127,200</b>	<b>5.60%</b>
<b>Total issued Shares</b>	<b><u>8,851,763,767</u></b>	<b><u>100.00%</u></b>	<b><u>9,609,339,524</u></b>	<b><u>100.00%</u></b>

\* Mr. Chen Yingming is an executive Director and is not acting in concert with China Baowu, Hwabao Investment and the parties acting in concert with any of them.

As shown in the above table, we noted that the shareholding in the Company held by the existing public Shareholders would be diluted from approximately 70.49% as at the Latest Practicable Date to approximately 64.93% immediately upon the Completion. Nonetheless, having considered (i) the reasons for and benefits of the Issuance of A Shares to Specific Target Subscriber as discussed in the section headed “3. Reasons for and benefits of the Issuance of A Shares to Specific Target Subscriber”; and (ii) that the Issue Price is fair and reasonable so far as the Independent Shareholders are concerned, we are of the view that the potential dilution effect on the shareholding interests of the existing public Shareholders is acceptable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 7. Whitewash Waiver

As at the Latest Practicable Date, China Baowu, Hwabao Investment and the parties acting in concert with any of them collectively control 2,612,229,198 A Shares, representing approximately 29.51% of Shares in issue. Upon Completion, assuming that there are no adjustments and no further changes in the shareholding structure of the Company, China Baowu, Hwabao Investment and the parties acting in concert with any of them will collectively control 3,369,804,955 Shares upon Completion, representing approximately 35.07% of the enlarged issued share capital of the Company.

As such, under Rule 26.1 of the Takeovers Code, the Issuance of A Shares to Specific Target Subscriber will give rise to an obligation on the part of Hwabao Investment and the parties acting in concert with it to make a mandatory general offer for all H Shares (other than those already owned or agreed to be acquired by China Baowu, Hwabao Investment and the parties acting in concert with any of them), unless the Whitewash Waiver is granted by the Executive.

Hwabao Investment has submitted an application for the Whitewash Waiver to the Executive to exempt it from the obligation to make a mandatory general offer for all H Shares (other than those already owned or agreed to be acquired by China Baowu, Hwabao Investment and the parties acting in concert with any of them) under Rule 26.1 of the Takeovers Code as a result of the Issuance of A Shares to Specific Target Subscriber. The Executive has indicated it is minded to grant the Whitewash Waiver, subject to, among other things, the approval by at least 75% of the votes cast by Independent Shareholders in respect of the Whitewash Waiver and more than 50% of the votes cast by Independent Shareholders in respect of the Issuance of A Shares to Specific Target Subscriber at the EGM.

Under the Share Subscription Agreement, the grant of Whitewash Waiver by the Executive and the approval of the Whitewash Waiver by Independent Shareholders is a condition precedent of the Issuance of A Shares to Specific Target Subscriber which Hwabao Investment reserved the right to waive. If the Whitewash Waiver is not granted by the Executive and/or not approved by Independent Shareholders at the EGM, Hwabao Investment may decide whether or not to waive the condition precedent relating to the Whitewash Waiver and proceed with the Issuance of A Shares to Specific Target Subscriber and make a general offer in cash by coordinating with relevant parties in compliance with Rule 26.1 of the Takeovers Code.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Having taken into consideration (i) the reasons for and benefits of the Issuance of A Shares to Specific Target Subscriber as discussed in the section headed “3. Reasons for and benefits of the Issuance of A Shares to Specific Target Subscriber”; (ii) that the Issue Price is fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the Issuance of A Shares to Specific Target Subscriber may not proceed if the Whitewash Waiver is not granted or approved and Hwabao Investment decides not to waive the condition precedent, we are of the view that the approval of the Whitewash Waiver is in the interests of the Company and the Shareholders as a whole and is fair and reasonable.

### OPINION AND RECOMMENDATION

In arriving at our opinion and recommendation, we have considered the principal factors and reasons as discussed above and in particular the following:

- Although the Company’s net loss narrowed for 9M2025, weak demand in downstream sectors continues to cast uncertainty over the Company’s near-term outlook;
- The Issuance of A Shares to Specific Target Subscriber will improve the Company’s liquidity levels, optimise its capital structure, increase the scales of its total assets and net assets, lower the gearing ratio, and enhance its risk-resistance capabilities;
- The Issue Price is fair and reasonable after considering the following:
  - The Issue Price represents a slight discount of approximately 9.0% to the average closing price of A Shares during the Review Period;
  - Each of the Benchmark Discount, the LTD Discount, the 5 Days Discount, the 20 Days Discount and the 60 Days Discount represented by the Issue Price is lower than the average discount and the median discount of the Comparable Transactions;
  - The discount represented by the Issue Price to the Group’s unaudited net asset value per Share as at 30 September 2025 is within the range of the NAV Discount and close to the average NAV Discount during the Review Period. Taking into account the downturn in the industry, the Company’s continued losses and the declining net asset value over the years, as well as the fact that the Company’s Share price has consistently traded below its net asset value per Share, we consider the discount of the Issue Price to the net asset value per Share to be acceptable;
- The potential dilution effect on the shareholding interests of the existing public Shareholders is acceptable after taking into account the factors discussed above

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Based on the above, we consider that the Issuance of A Shares to Specific Target Subscriber is on normal commercial terms, and the Issuance of A Shares to Specific Target Subscriber and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned. We also consider that the Issuance of A Shares to Specific Target Subscriber and the Whitewash Waiver, while not in the ordinary and usual course of business of the Group, are nevertheless in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Board Committees to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Issuance of A Shares to Specific Target Subscriber and the Whitewash Waiver.

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 activity under the SFO. He has over ten years of experience in the corporate finance industry.*

Stock Code: 601005

Stock Abbreviation: Chongqing Iron & Steel

**Chongqing Iron & Steel Company Limited**  
**重慶鋼鐵股份有限公司**

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*(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)

**THE PLAN FOR ISSUANCE OF A SHARES**  
**TO SPECIFIC TARGET SUBSCRIBER IN 2025**

December 2025

COMPANY'S STATEMENT

1. Chongqing Iron & Steel Company Limited and all members of its Board hereby warrant that the contents of the Plan are true, accurate, and complete, and confirm that there are no false records, misleading statements, or material omissions. They shall bear corresponding legal liabilities for the authenticity, accuracy, and completeness thereof.
2. The Plan is prepared in accordance with the requirements of the Company Law, the Securities Law, the Administrative Measures for the Registration of Securities Offerings by Listed Companies (《上市公司證券發行註冊管理辦法》), and other relevant regulations.
3. Upon completion of the issuance of A shares to specific target subscriber, the Company shall be solely responsible for any changes in its operations and income; investors shall bear all investment risks arising from the issuance of A shares to specific target subscriber. Investors shall consult their own stockbroker, lawyer, professional accountant, or other professional advisor if they have any questions.
4. The Plan is the explanation by the Company's Board regarding the issuance of A shares to specific target subscriber. Any statement inconsistent with the Plan constitutes a misrepresentation.
5. The matters described in the Plan do not constitute substantive judgment, confirmation, approval, or registration by the regulatory authorities or the registration department regarding the proposed issuance of A shares to specific target subscriber. The issuance of A shares to specific target subscriber as outlined in the Plan is still subject to approval by the Company's shareholders' meeting and class meetings, as well as the following conditions: the shareholders' meeting must approve the exemption from the mandatory general offer obligation for A shares, the shareholders' meeting must approve the H share whitewash exemption, and the SFC must grant its approval (with the subscriber retaining the right to seek approval from China Baowu to waive this condition). Additionally, the issuance requires approval from China Baowu, review and approval by the SSE, and registration approval from the CSRC before it can be implemented.
6. Any references to investment benefits or performance forecasts in the Plan do not constitute the Company's commitment to any investors or related parties. Investors and related parties should understand the differences between plans, forecasts, and commitments, and be aware of investment risks.

**IMPORTANT NOTICE**

The terms or abbreviations mentioned in this section have the same meanings as those defined in the interpretation of the Plan.

1. The matters related to the issuance of A shares to specific target subscriber were reviewed and approved at the 22nd meeting of the tenth Board of Chongqing Iron & Steel held on 19 December 2025. These matters are still subject to approval by the Company's shareholders' meeting and class meetings, as well as the following conditions: the shareholders' meeting must approve the exemption from the mandatory general offer obligation for A shares, the shareholders' meeting must approve the H share whitewash exemption, and the SFC must grant its approval (with the subscriber retaining the right to seek approval from China Baowu to waive this condition). Additionally, the issuance requires approval from China Baowu, review and approval by the SSE, and registration approval from the CSRC before it can be implemented. The final issuance plan is subject to the plan approved by the CSRC for registration.
2. The target subscriber of the issuance of A shares is Hwabao Investment. Hwabao Investment intends to subscribe for all the shares issued in the issuance with cash. Hwabao Investment and the Company entered into a conditional share subscription agreement. The issuance of A shares to specific target subscriber constitutes a related-party transaction. the Company will perform the corresponding approval and disclosure procedures for the related-party transaction in accordance with the requirements of relevant laws and regulations.
3. The pricing benchmark date for the issuance of A shares to specific target subscriber is the announcement date of the resolution of the 22nd meeting of the tenth Board. The price of the issuance of A shares to specific target subscriber is RMB1.32 per share, not less than 80% (RMB1.17 per share) of the average trading price of the Company's A shares over the 20 trading days prior to the pricing benchmark date. The average trading price of A shares over the 20 trading days prior to the pricing benchmark date = the total trading value of the Company's shares over the 20 trading days prior to the pricing benchmark date/the total trading volume of the Company's shares over the 20 trading days prior to the pricing benchmark date.

During the period from the pricing base date to the issuance date, if the Company undergoes dividend distribution, bonus share issuance, or capital reserve conversion into share capital, the issue price of the issuance of A shares to the target subscriber will be adjusted accordingly.

4. The number of the issuance of A shares to the target subscriber is 757,575,757 shares, not exceeding 30% of the Company's share capital prior to the issuance. Hwabao Investment intends to subscribe for an amount of RMB1,000,000,000. The number of shares to be subscribed will be determined by dividing the subscription amount by the issue price, rounded down to the nearest whole number, with any fractional shares disregarded. The amount corresponding to any fractional share will be credited to the Company's capital reserve. If the Company's shares undergo ex-rights or ex-dividend adjustments between the announcement date of the board resolution regarding the issuance of A shares to the target subscriber and the issuance date, the number of the issuance of A shares to the target subscriber will be adjusted accordingly. If the total amount of proceeds to be raised or the total number of shares to be issued in the issuance of A shares to specific target subscriber is adjusted due to changes in regulatory policies or registration document requirements, the subscription amount and issuance quantity will be adjusted accordingly in compliance with the relevant authorities' requirements.
5. The total amount of proceeds to be raised from the issuance of A shares to the target subscriber is expected not to exceed RMB1,000,000,000 (inclusive), subject to the approval document for registration issued by the CSRC for the issuance. After deducting issuance expenses, all proceeds will be used to supplement working capital and repay bank loans.
6. The newly issued shares of the Company obtained by Hwabao Investment through the issuance of shares to specific target subscriber shall not be transferred within 36 months from the completion of the issuance of shares to specific target subscriber. At the same time, Hwabao Investment and China Baowu commit that Hwabao Investment and its concerted parties will not transfer the shares of Chongqing Iron & Steel held prior to the issuance within eighteen months from the completion of the issuance. However, transfers between different entities controlled by the same ultimate controlling party are exempt from the aforementioned eighteen-month restriction. From the completion of the issuance of shares to specific target subscriber until the date when such shares are released from the lock-up period, any shares derived from stock dividends, capital reserve conversion into share capital increases, or similar events shall also be subject to the aforementioned lock-up period restrictions. If the above-mentioned lock-up period is inconsistent with the latest regulatory requirements of the securities regulatory authorities, corresponding adjustments will be made in accordance with the latest regulatory requirements. After the expiration of the above-mentioned share lock-up period, the shares will be handled in accordance with the relevant regulations of the securities regulatory authorities.
7. The issuance of A shares to specific target subscriber will not result in a change of the Company's actual controller, nor will it cause the Company's equity distribution to fail to meet the listing requirements.

8. The Company's profit distribution policy and shareholder distribution plan for the next three years (2026–2028). For details, please refer to “Section VII Company's Profit Distribution Policy and Profit Distribution” in the Plan.
9. The Company's accumulated undistributed profit prior to the issuance shall be shared by both existing and new shareholder post-issuance in proportion to their respective shareholdings at that time.
10. In accordance with the Opinions of the General Office of the State Council on Further Strengthening the Protection of the Legitimate Rights and Interests of Small and Medium Investors in the Capital Market (Guobanfa [2013] No. 110) (國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見)(國辦發[2013]110號), the Several Opinions of the State Council on Further Promoting the Healthy Development of the Capital Market (Guofa [2014] No. 17) (《國務院關於進一步促進資本市場健康發展的若干意見》(國發[2014]17號)), and the Guiding Opinions on Matters Concerning the Dilution of Immediate Returns in Initial Public Offerings, Refinancing, and Major Asset Restructurings (CSRC Announcement [2015] No. 31) (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》(證監會公告[2015]31號)), the Company has analyzed the potential impact of the issuance of shares to specific target subscriber on immediate returns and proposed specific measures to mitigate such effects, thereby safeguarding the interests of small and medium investors. All directors, senior management, controlling shareholders, and actual controllers of the Company have committed to ensuring the effective implementation of the measures to mitigate the potential dilution of immediate returns from the issuance of shares to specific target subscriber. For details on these measures and commitments, please refer to “Section VIII Dilution of Immediate Returns from the Issuance of A Shares to Specific Target Subscriber and Corresponding Mitigation Measures, along with Commitments by Relevant Parties” in the Plan. The measures implemented by the Company to offset potential returns do not constitute a guarantee of future profit. Investors should not base their investment decisions on these measures. the Company will not be liable for any losses incurred by investors who make decisions based on this information. Investors are advised to take note of this disclaimer.
11. The issuance of A shares to specific target subscriber is still subject to approval by the Company's shareholders' meeting and class meetings, as well as the following conditions: the shareholders' meeting must approve the exemption from the mandatory general offer obligation for A shares, the shareholders' meeting must approve the H share whitewash exemption, and the SFC must grant its approval (with the subscriber retaining the right to seek approval from China Baowu to waive this condition). Additionally, the issuance requires approval from China Baowu, review and approval by the SSE, and registration approval from the CSRC before it can be implemented. There is uncertainty regarding whether the relevant approvals or registrations can be obtained, as well as the timing of final approval or registration. Investors are advised to be aware of the investment risks.

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**DEFINITIONS**

In the Plan, unless otherwise specified, the following abbreviations have the meanings indicated:

the Company, Chongqing Iron & Steel, the issuer, the listed company	Chongqing Iron & Steel Company Limited
Actual controller, China Baowu	China Baowu Steel Group Corporation Limited
Issuer, Hwabao Investment	Hwabao Investment Co., Ltd.
Parties acting in concert of Hwabao Investment	China Baowu, Chongqing Changshou Iron and Steel Co., Ltd. (重慶長壽鋼鐵有限公司), Zhongnan Iron and Steel Co., Ltd. of Baowu Group, Sinosteel Equipment & Engineering Co., Ltd. (中鋼設備有限公司), Baoxin Software (Wuhan) Co., Ltd. (寶信軟件(武漢)有限公司), Sinosteel Xi'an Heavy Machinery Co., Ltd.* (中鋼集團西安重機有限公司), Shanghai Baosight Software Co., Ltd., Chongqing Baocheng Carbon Co., Ltd., Sinosteel Luoyang Institute of Refractories Research Co., Ltd. (中鋼集團洛陽耐火材料研究院有限公司), Baosteel Engineering & Technology Group Co., Ltd. (寶鋼工程技術集團有限公司), Baowu Heavy Industry Co., Ltd. (寶武重工有限公司), and Chongqing Zhaoyang Gas Co., Ltd. (重慶朝陽氣體有限公司), etc.
A shares	Ordinary shares with a par value of RMB1.00 per share, listed domestically and subscribed to and traded in RMB
the issuance, the issuance of shares to specific target subscriber, the issuance of A shares to specific target subscriber	The Issuance of A shares to Specific Target Subscriber of Chongqing Iron & Steel Company Limited in 2025
Share Subscription Agreement	Share Subscription Agreement between Chongqing Iron & Steel Company Limited and Hwabao Investment Co., Ltd. (《重慶鋼鐵股份有限公司與華寶投資有限公司之股份認購協議》)
Pricing benchmark date	Announcement Date of Resolutions from the 22nd Meeting of the tenth Board
CSRC	China Securities Regulatory Commission

SASAC of the State Council	State-owned Assets Supervision and Administration Commission of the State Council
SSE	SSE
SFC	Securities and Futures Commission of Hong Kong
Hong Kong Stock Exchange, Stock Exchange	Hong Kong Exchanges and Clearing Limited
Board	Board of Chongqing Iron & Steel Company Limited
shareholders' meeting	Shareholders' meeting of Chongqing Iron & Steel Company Limited
Company Law	Company Law of the People's Republic of China
Securities Law	Securities Law of the People's Republic of China
Articles of Association	Articles of Association of Chongqing Iron & Steel Company Limited
the Plan	The Plan on the Issuance of A shares to Specific Target Subscriber of Chongqing Iron & Steel Company Limited in 2025
RMB, RMB0'000	RMB, RMB0'000
Past Three Years	The years 2022, 2023 and 2024
Past Three Years and Most Recent Period	The years 2022, 2023 and 2024 and January-September 2025

In the Plan, there may be minor discrepancies between certain totals and the sum of individual figures due to rounding.

## SECTION I SUMMARY OF THE PLAN ON THE ISSUANCE OF A SHARES TO SPECIFIC TARGET SUBSCRIBER

### I. BASIC INFORMATION ABOUT THE ISSUER

Company Chinese Name: Chongqing Iron & Steel Company Limited

Legal Representative: Wang Huxiang

Total Share Capital: 8,851,763,767 shares

Stock Abbreviation: Chongqing Iron & Steel, Chongqing Iron & Steel Company

Stock Code: 601005. SH, 1053. HK

Listing Location: SSE, Hong Kong Stock Exchange

Date of Establishment: 11 August 1997

Registered Address: No. 2 Jiangnan Avenue, Jiangnan Street, Changshou District, Chongqing

Office Address: No. 2 Jiangnan Avenue, Jiangnan Street, Changshou District, Chongqing

Postal Code: 401258

Secretary to the Board: Kuang Yunlong

Contact: 8623-68983482

Fax Number: 8623-68873189

Business scope: production, processing and sale of steel plates, steel sections, wire rods, bar materials, billets and thin plates; production and sales of coke and coal chemical products (excluding hazardous chemicals except for crude benzene used in aromatic hydrocarbon processing and crude benzene for solvents, which must be operated within the scope and duration approved by the license), pig iron, water slag, steel slag, scrap steel; domestic shipping agency; domestic cargo transportation agency

**II. BACKGROUND AND PURPOSE OF THE ISSUANCE OF A SHARES TO SPECIFIC TARGET SUBSCRIBERS**

**(I) Background of the Issuance of Shares to Specific Target Subscriber**

**1. *The steel industry is in a critical period of stabilizing growth and enhancing quality and efficiency. Chongqing Iron & Steel continues to implement the central government’s work plan and policies for stabilizing growth in the sector***

In September 2025, the Ministry of Industry and Information Technology issued the Steel Industry Steady Growth Work Plan (2025–2026) (鋼鐵行業穩增長工作方案(2025-2026年)), stating that the steel industry is a vital foundational and pillar sector of the national economy, crucial for stable industrial growth and economic performance. However, the current oversupply in the steel industry, coupled with insufficient effective demand, has created a supply-demand imbalance that remains the primary challenge affecting the sector’s development quality and efficiency. The plan emphasizes “focusing on quality and efficiency, deepening the integration of technological and industrial innovation, balancing supply and demand dynamics, and enhancing their alignment by strictly prohibiting new capacity and implementing production cuts to control total output.” It also advocates for “transformation through digital and green upgrades, accelerating the shift from old to new growth drivers, fostering new quality productive forces tailored to local conditions, and further strengthening the resilience and security of industrial and supply chains to achieve both qualitative improvements and reasonable quantitative growth.”

In recent years, China’s steel industry has been in a weak cycle. Chongqing Iron & Steel has consistently focused on cost reduction and efficiency improvement, implementing company-wide financial management practices. the Company has made continuous efforts across three key dimensions—management efficiency, operational efficiency, and production efficiency—overcoming multiple challenges including environmental performance upgrades to Grade A standards and production ramp-ups. Simultaneously, it has driven green development through technological innovation, achieving dual improvements in energy efficiency and innovative outcomes. These efforts have led to significant operational enhancements while consistently implementing the central government’s policies and guidelines for stabilizing growth in the steel industry.

**2. *Chongqing Iron & Steel plays a vital role in the development of Chongqing and the southwestern region, serving as a key strategic industrial pillar for the city***

Chongqing Iron & Steel is located in Chongqing, which is adjacent to the golden waterway of the Yangtze River. The region faces numerous opportunities, including the “Western Development Strategy”, “Belt and Road Initiative”, “Yangtze River Economic Belt”, “Chengdu-Chongqing Economic Circle”, and the “Ongoing Relocation of Coastal Industries to the Western Region” Chongqing Iron & Steel is the only listed steel company in Chongqing. As the steel enterprise with the longest industrial chain, highest production capacity, most advanced technical equipment, and most comprehensive product range in the region, it primarily serves Chongqing and Southwest China. the Company operates its own raw material and finished product terminals, benefiting from superior logistics and distinct competitive advantages. For years, it has supplied high-quality steel products to support various foundational industries in Southwest China, serving as a strategic pillar for regional development while securing substantial business opportunities. The issuance will enhance the operational performance of listed companies and support their healthy development. It holds significant importance for the construction of key infrastructure and the advancement of the advanced manufacturing sector in Chongqing and its surrounding regions.

**3. *The SASAC of the State Council supports listed companies in utilizing the capital market to achieve high-quality development***

In October 2020, the State Council issued the Guidelines on Further Enhancing the Quality of Listed Companies (《國務院關於進一步提高上市公司質量的意見》), which explicitly stated that improving the quality of listed companies is essential for fostering the healthy development of the capital market and a key component of advancing the socialist market economy system in the new era. The guidelines call for continuous enhancement of corporate governance standards and the strengthening and optimization of listed companies. In May 2022, the SASAC of the State Council issued the Work Plan for Improving the Quality of Listed Companies Controlled by Central Enterprises (《提高央企控股上市公司質量工作方案》). The plan requires central enterprise-controlled listed companies to fully utilize the financing functions of their listing platforms to focus on core business development. It also guides these companies to effectively leverage capital markets in serving enterprise development and optimizing resource allocation, thereby achieving integrated growth between industrial operations and capital operations that mutually reinforce each other—ultimately strengthening and refining their core businesses. Additionally, the plan encourages central enterprise-controlled listed companies to conduct equity financing based on both developmental needs and market conditions, while optimizing financing

arrangements, improving capital structures, and increasing the proportion of direct financing.

Further improving the quality of listed companies controlled by central enterprises is of great significance for achieving high-quality development of central enterprises, promoting the healthy development of the capital market, and ensuring the stable operation of the national economy. The issuance is an important measure to implement the requirements for high-quality development of listed companies controlled by central enterprises and to boost confidence in the capital market. It demonstrates strong confidence in China's macroeconomic stability, the steel industry's prospects, and Chongqing Iron & Steel's long-term steady growth. This initiative will help listed companies seize opportunities in comprehensive green transformation and achieve superior development.

**(II) Purpose of the Issuance of Shares to Specific Target Subscriber**

**1. *Optimize the capital structure of the listed company and enhance their risk resilience***

The issuance will help further improve the liquidity of the listed company, optimize their capital structure, increase their total assets and net assets, reduce their asset-liability ratio and financial expenses, and enhance their risk resilience. This initiative also aligns with the national policy direction of increasing the proportion of direct financing, strengthening financial services' support for the real economy, and reducing the leverage ratio of state-owned enterprises.

**2. *Support the stable development of the listed company's core businesses and create favorable conditions for enhancing their core competitiveness and achieving sustainable, high-quality development***

Due to the capital-intensive nature of the steel industry in which the listed company operate, as well as the continuous updates in technical equipment and environmental protection requirements, the listed company faces high working capital demands. This is particularly true during periods of weak industry cycles, when sufficient liquidity becomes even more critical for maintaining operational stability. Through the investment of the raised proceeds by the issuance, the listed company can utilize capital more efficiently, directing resources toward superior products to achieve product structure optimization and lean operations. This enhances the Company's operational stability and creates favorable conditions for strengthening the core competitiveness of the listed company and achieving sustainable, high-quality development, ultimately maximizing shareholder value.

**III. TARGET SUBSCRIBER AND THEIR RELATIONSHIP WITH THE COMPANY**

The target subscriber of the issuance is Hwabao Investment, which will fully subscribe in cash for the A shares issued to specific investors.

For details about the target subscriber of the issuance and their relationship with the listed company, please refer to "SECTION II BASIC INFORMATION OF THE TARGET SUBSCRIBER OF THE ISSUANCE" of the Plan.

**IV. SUMMARY OF PLAN ON THE ISSUANCE OF SHARES TO SPECIFIC TARGET SUBSCRIBER**

**(I) Types and Par Value of Shares to be Issued**

The types of shares for the issuance are domestically listed RMB-denominated ordinary shares (A shares), with a par value of RMB1.00 per share.

**(II) Method and Timing of the Issuance**

The issuance will be conducted through the issuance of shares to specific target subscriber, to be executed at an opportune time within the validity period after obtaining approval from the SSE and registration approval from the CSRC.

**(III) Target Subscriber and Subscription Methods**

The target subscriber of the issuance is Hwabao Investment, which will subscribe in cash for the A shares issued to it through the issuance.

Hwabao Investment and the Company are both controlled by China Baowu, making them related parties. Hwabao Investment's participation in the issuance constitutes a related-party transaction with the Company. the Company will follow applicable laws and regulations to complete the required approval and disclosure procedures for this related-party transaction.

**(IV) Pricing Benchmark Date, Issue Price, and Pricing Principles**

The pricing benchmark date for the issuance is the announcement date of the resolution from the 22nd meeting of the tenth Board, which reviewed the plan for the issuance.

The issue price of the issuance is 90% of the average trading price of the Company's A share stock over the 20 trading days prior to the pricing benchmark date (with the calculation result rounded up to two decimal places).

The average trading price of A shares over the 20 trading days prior to the pricing benchmark date = the total trading value of the shares over the 20 trading days prior to the pricing benchmark date/the total trading volume of the shares over the 20 trading days prior to the pricing benchmark date.

According to the above pricing principles, the issue price of the issuance is RMB1.32 per share.

During the period from the pricing base date to the issuance date, if the Company undergoes dividend distribution, bonus share issuance, or capital reserve conversion into share capital, the issue price of the issuance will be adjusted accordingly. The specific adjustment formula is as follows:

Cash dividend distribution:  $P1 = P0 - D$

Bonus shares or capital increase from reserves:  $P1 = P0/(1 + N)$

Both implemented simultaneously:  $P1 = (P0 - D)/(1 + N)$

Among which, P1 is the adjusted issue price, P0 is the original issue price before adjustment, D is the cash dividend per share, and N is the number of bonus shares or capital increase per share.

**(V) Number of Shares Issued**

The number of the issuance is 757,575,757 shares, not exceeding 30% of the Company's share capital prior to this issuance. Hwabao Investment intends to subscribe for an amount of RMB1,000,000,000. The number of shares to be subscribed will be determined by dividing the subscription amount by the issue price, rounded down to the nearest whole number, with any fractional shares disregarded. The amount corresponding to any fractional share will be credited to the Company's capital reserve.

If the Company's shares undergo ex-rights or ex-dividend adjustments between the announcement date of the board resolution regarding the issuance and the issuance date, the number of the issuance will be adjusted accordingly.

If the total amount of proceeds to be raised or the total number of shares to be issued in the issuance is adjusted due to changes in regulatory policies or registration document requirements, the subscription amount and issuance quantity will be adjusted accordingly in compliance with the relevant authorities' requirements.

**(VI) Lock-up Period**

The newly issued shares of the Company obtained by Hwabao Investment through the issuance shall not be transferred within 36 months from the completion of the issuance. At the same time, Hwabao Investment and China Baowu commit that Hwabao Investment and its concerted parties will not transfer the shares of Chongqing Iron & Steel held prior to the issuance within eighteen months from the completion of the issuance. However, transfers between different entities controlled by the same ultimate controlling party are exempt from the aforementioned eighteen-month restriction.

From the completion of the issuance until the date when such shares are released from the lock-up period, any shares derived from bonus share issuance, capital reserve conversion into share capital increases, or similar events shall also be subject to the aforementioned lock-up period restrictions.

If the above-mentioned lock-up period is inconsistent with the latest regulatory requirements of the securities regulatory authorities, corresponding adjustments will be made in accordance with the latest regulatory requirements.

After the expiration of the above-mentioned share lock-up period, the shares will be handled in accordance with the relevant regulations of the securities regulatory authorities.

**(VII) Total Amount and Use of Proceeds Raised**

The total amount of proceeds to be raised in the issuance is expected not to exceed RMB1,000,000,000 (inclusive), subject to the registration approval document issued by the CSRC for the issuance. After deducting issuance expenses, all proceeds will be used to supplement working capital and repay bank loans.

**(VIII) Arrangement of the Company's Accumulated Undistributed Profit Prior to the Issuance**

The Company's accumulated undistributed profit prior to the issuance shall be shared by both existing and new shareholders of the Company for post-issuance in proportion to their respective shareholdings at that time.

**(IX) Listing Location**

The shares for the issuance will be listed and traded on the SSE.

**(X) Validity Period of Resolution**

The validity period of the issuance resolution is 12 months from the date the Company's shareholders' meeting approves the relevant proposals for the issuance.

**V. WHETHER THE ISSUANCE OF SHARES TO SPECIFIC TARGET SUBSCRIBER CONSTITUTES A RELATED-PARTY TRANSACTION**

The Company's issuance of A shares to specific target subscriber is subscribed by Hwabao Investment. Since both Hwabao Investment and the Company are controlled by China Baowu, Hwabao Investment is deemed a related party of the Company. Its participation in the subscription of this A share issuance constitutes a connected transaction.

The Company will strictly comply with laws, regulations, and internal policies to carry out the approval procedures for related-party transactions. The Company's independent directors have convened a special meeting to review and approve the related-party transactions involved in the issuance of shares to specific target subscriber. the Company's Board voted to approve the proposal regarding the issuance of shares to specific target subscriber. At the shareholders' meeting, when reviewing matters related to the issuance of shares to specific target subscriber affiliated shareholders will abstain from voting on the relevant proposals.

**VI. WHETHER THE ISSUANCE OF SHARES TO SPECIFIC TARGET SUBSCRIBER RESULT IN A CHANGE OF CONTROL OF THE COMPANY**

As of the announcement date of the Plan, China Baowu and its acting-in-concert parties collectively hold a total of 29.51% of the shares in Chongqing Iron & Steel. The issuance of A shares to specific target subscriber is conducted by Hwabao Investment, a wholly-owned subsidiary of China Baowu. Upon completion of the issuance, the combined shareholding of China Baowu and its acting-in-concert parties is expected to be 35.07%. China Baowu remains the actual controlling party of the Company, and the issuance of shares to specific target subscriber will not result in any change to the Company's control rights.

**VII. THE STATUS OF THE ISSUANCE PLAN'S APPROVAL BY THE RELEVANT COMPETENT AUTHORITIES AND THE PROCEDURES STILL REQUIRING SUBMISSION FOR APPROVAL**

The matters related to the issuance of A shares to specific target subscriber were reviewed and approved at the 22nd meeting of the tenth Board held on 19 December 2025. The issuance of A shares to specific target subscriber is subject to the following procedures before implementation:

1. Upon consideration and approval by the Company's shareholders' meeting and class meeting of shareholders, and following the exemption of the A share mandatory general offer obligation approved by the shareholders' meeting, as well as the H share whitewash exemption approved by the shareholders' meeting and the SFC (the subscriber reserves the right to seek approval from China Baowu to waive this condition precedent);
2. Obtain approval from China Baowu;
3. It has been reviewed and approved by the SSE and registered with the consent of the CSRC.

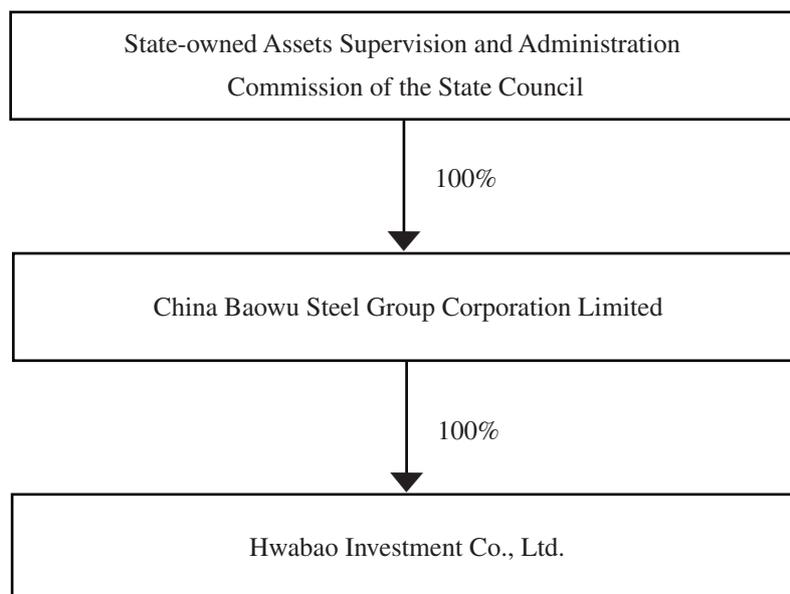
## SECTION II BASIC INFORMATION OF THE TARGET SUBSCRIBER OF THE ISSUANCE

### I. BASIC INFORMATION

Company Name	Hwabao Investment Co., Ltd.
Date of Establishment	21 November 1994
Operating Term	21 November 1994 to indefinite term
Registered Capital	RMB9,368.95 million
Legal Representative	Hu Aimin
Unified Social Credit Code	913100001322288169
Business Type	Limited liability company (sole proprietorship of a legal person not invested in or controlled by natural persons)
Registered Address	West Area, 59th Floor, No. 100 Century Avenue, China (Shanghai) Pilot Free Trade Zone
Business Scope	Investment and investment management in the metallurgical and related industries, investment consulting, business consulting services (excluding brokerage), and property brokerage. Projects subject to approval in accordance with the laws, business activities can only be carried out after approval by relevant departments
Mailing Address	West Area, 59th Floor, No. 100 Century Avenue, China (Shanghai) Pilot Free Trade Zone
Contact Number	021-20857500

**II. EQUITY AND CONTROL STRUCTURE**

As of the announcement date of the Plan, the equity control structure of Hwabao Investment is as follows:



**III. MAIN BUSINESS AND BRIEF FINANCIAL STATUS FOR THE MOST RECENT YEAR**

Hwabao Investment is the financial investment management and service platform of China Baowu, primarily engaged in investment services, securities services, financial leasing and futures trading. The main financial data for Hwabao Investment in 2024 are as follows:

*Unit: RMB0'000*

<b>Item</b>	<b>31 December 2024/For the year of 2024</b>
Total assets	8,945,041.44
Net assets attributable to shareholders of the parent company	2,387,248.48
Revenue	352,794.34
Net profit attributable to shareholders of the parent company	83,970.86

*Note:* The above data are the consolidated caliber data of Hwabao Investment.

**IV. THE TARGET SUBSCRIBER AND ITS DIRECTORS, SUPERVISORS, AND SENIOR MANAGERS HAVE BEEN SUBJECT TO ADMINISTRATIVE PENALTIES (EXCLUDING THOSE CLEARLY UNRELATED TO THE SECURITIES MARKET), CRIMINAL PENALTIES, OR MAJOR CIVIL LITIGATION OR ARBITRATION INVOLVING ECONOMIC DISPUTES WITHIN THE PAST FIVE YEARS**

As of the announcement date of the Plan, the target subscriber and its directors, and senior management have not been subject to any administrative penalties (excluding those clearly unrelated to the securities market) or criminal penalties in the past five years, or involved in any major civil litigation or arbitration related to economic disputes.

**V. INDUSTRY COMPETITION AND RELATED-PARTY TRANSACTIONS FOLLOWING THE COMPLETION OF THE ISSUANCE**

Upon completion of the issuance of shares to specific target subscriber, the business and management relationships between Hwabao Investment, its controlling shareholders, actual controllers, and the Company will not undergo any material changes. Apart from the related-party transactions resulting from Hwabao Investment's participation in the issuance, this transaction will not create any new material adverse competition or potential competition, manifestly unfair related-party transactions between the Company and Hwabao Investment, its controlling shareholders, or actual controllers, nor will it materially impair the independence of the Company's production and operations.

**VI. SIGNIFICANT TRANSACTIONS BETWEEN THE TARGET OF THE ISSUANCE AND ITS CONTROLLING SHAREHOLDERS, ACTUAL CONTROLLERS, AND THE LISTED COMPANY WITHIN THE 24 MONTHS PRIOR TO THE DISCLOSURE OF THE PLAN FOR THE ISSUANCE**

Within the 24 months prior to the disclosure of the Plan, details of related party transactions between Hwabao Investment, its controlling shareholders, actual controllers, and the Company are available in the periodic reports and interim announcements disclosed by the Company. Apart from the related party transactions disclosed in the Company's periodic reports and interim announcements, no other material transactions requiring disclosure have occurred between Hwabao Investment, its controlling shareholders, actual controllers, and the listed companies.

**VII. SOURCE OF SUBSCRIPTION FUNDS**

All funds used by Hwabao Investment to subscribe for the issuance are sourced from its own or self-raised funds.

**VIII. EXPLANATION ON THE EXEMPTION OF TARGET SUBSCRIBER OF THE ISSUANCE FROM ACQUIRING ADDITIONAL SHARES IN THE COMPANY THROUGH A TENDER OFFER**

According to Article 63 of the Measures for the Administration of the Takeover of Listed Companies (《上市公司收購管理辦法》): “Investors may be exempt from making an offer under any of the following circumstances:... (3) With the approval of non-affiliated shareholders at the shareholders’ meeting of the listed company, an investor obtains new shares issued by the listed company, resulting in their shareholding exceeding 30% of the Company’s total issued shares. The investor commits not to transfer these newly issued shares within three years, and the shareholders’ meeting agrees to exempt the investor from making an offer”.

According to the issuance plan for the issuance, the subscriber for the Company’s offering is Hwabao Investment. Following the issuance, the combined shareholding of Hwabao Investment and its concert parties in the Company is expected to exceed 30%. In accordance with the relevant provisions of the Measures for the Administration of Acquisition of Listed Companies, Hwabao Investment’s subscription of the A shares for the issuance will trigger the mandatory tender offer obligation. Given that Hwabao Investment has committed not to transfer the shares acquired through this subscription within 36 months from the completion of the issuance, in accordance with Article 63, Paragraph 1, Item (3) of the Measures for the Administration of Acquisition of Listed Companies, and subject to approval by the non-affiliated shareholders at the Company’s shareholders’ meeting, Hwabao Investment’s subscription of shares qualifies for an exemption from the obligation to issue a tender offer under the Measures for the Administration of Acquisition of Listed Companies. The Board has submitted a proposal to the shareholders’ meeting for approval to exempt Hwabao Investment from making a mandatory offer when increasing its shareholding in the Company.

## SECTION III SUMMARY OF THE SHARE SUBSCRIPTION AGREEMENTS SUBJECT TO CONDITIONS

### I. AGREEMENT PARTIES AND EXECUTION DATE

Party A (Issuer): Chongqing Iron & Steel Company Limited

Party B (Subscriber): Hwabao Investment Co., Ltd.

Agreement signing date: 19 December 2025

### II. SUBSCRIPTION SUBJECT, SUBSCRIPTION AMOUNT, AND SUBSCRIPTION METHOD

Subscription subject: Party A issues domestically listed RMB ordinary shares (A shares) to Party B through the issuance of shares to specific target subscriber, with a par value of RMB1.00 per share

Subscription amount: Party B intends to subscribe for RMB1,000.000 million

Subscription method: Party B shall subscribe to the shares issued by Party A in cash

### III. SUBSCRIPTION PRICE AND PRICING BASIS

The pricing benchmark date for Party A in the issuance is the announcement date of the Board resolution approving the Plan for the issuance. The issue price of the issuance is 90% of the average trading price of the Party A's A share stock over the 20 trading days prior to the pricing benchmark date (with the calculation result rounded up to two decimal places). The average trading price of A shares over the 20 trading days prior to the pricing benchmark date = the total trading value of the shares over the 20 trading days prior to the pricing benchmark date/the total trading volume of the shares over the 20 trading days prior to the pricing benchmark date. According to the above pricing principles, the issue price of the issuance is RMB1.32 per share.

During the period from the pricing base date to the issuance date, if the listed company undergoes dividend distribution, bonus share issuance, or capital reserve conversion into share capital, the price of the issuance will be adjusted accordingly. The specific adjustment formula is as follows:

Cash dividend distribution:  $P1 = P0 - D$

Bonus shares or capital increase from reserves:  $P1 = P0/(1 + N)$

Both implemented simultaneously:  $P1 = (P0 - D)/(1 + N)$

Among which, P1 is the adjusted issue price, P0 is the original issue price before adjustment, D is the cash dividend per share, and N is the number of bonus shares or capital increase per share.

#### **IV. SUBSCRIPTION AMOUNT AND QUANTITY**

Party B intends to subscribe for an amount of RMB1,000,000,000. The number of shares to be subscribed will be determined by dividing the subscription amount by above issue price, rounded down to the nearest whole number, with any fractional shares disregarded. The amount corresponding to any fractional share will be credited to the listed company's capital reserve.

If the listed company's shares undergo ex-rights or ex-dividend adjustments between the announcement date of the board resolution regarding the issuance and the issuance date, the number of shares acquired by subscribers for the issuance will be adjusted accordingly.

If the total amount of proceeds to be raised or the total number of shares to be issued in the issuance is adjusted due to changes in regulatory policies or registration document requirements, above subscription amount and subscribed quantity will be adjusted accordingly in compliance with the relevant authorities' requirements.

#### **V. ARRANGEMENT FOR ACCUMULATED UNDISTRIBUTED PROFIT**

The listed company's accumulated undistributed profit prior to the issuance shall be shared by both existing and new shareholders for post-issuance in proportion to their respective shareholdings at that time.

**VI. LOCK-UP PERIOD**

The newly issued shares of the listed company obtained by subscriber through the issuance shall not be transferred within 36 months from the completion of the issuance.

From the completion of the issuance until the date when such shares are released from the lock-up period, any shares derived from bonus share issuance, capital reserve share capital increases, or similar events shall also be subject to the aforementioned lock-up period restrictions. If the above-mentioned lock-up period is inconsistent with the latest regulatory requirements of the securities regulatory authorities, corresponding adjustments will be made in accordance with the latest regulatory requirements.

After the expiration of the above-mentioned share lock-up period, the shares will be handled in accordance with the relevant regulations of the securities regulatory authorities.

**VII. PAYMENT, CAPITAL VERIFICATION, AND SHARE REGISTRATION**

On the payment date, the subscriber shall transfer the full subscription amount from the subscriber's bank account to the bank account of the sponsor (lead underwriter) for the issuance by the listed company in a single transaction, in accordance with the payment notice issued by the listed company and its sponsor (lead underwriter).

To register the subscriber as the shareholder of the newly issued shares, the listed company shall appoint an accounting firm that complies with the relevant requirements of the Securities Law to verify the capital contributions and issue a capital verification report. The issuance date of the capital verification report shall be no later than three working days after the date on which the full subscription price is paid into the listed company's designated account for the issuance, as stipulated in the aforementioned agreement.

After the capital verification report is issued, the listed company shall submit a written application to the Shanghai Branch of China Securities Depository and Clearing Corporation Limited to register the subscriber as the holder of the newly issued shares no later than ten working days after the issuance of the capital verification report.

**VIII. LIABILITY FOR BREACH OF CONTRACT**

After the signing of this agreement, except in cases of force majeure (including but not limited to earthquakes, floods, infectious diseases, and wars), if any party fails to fulfill its obligations or commitments under this agreement, or if its representations or warranties are materially inaccurate or false, such party shall be deemed in breach of this Agreement.

The breaching party shall continue to fulfill its obligations as required by the non-breaching party, take remedial measures, or pay full and adequate compensation to the non-breaching party. The above compensation amount shall not exceed the losses that the breaching party foresaw or should have foreseen at the time of entering into the agreement as a possible consequence of the breach.

If the issuance fails to meet the effective conditions specified in the agreement and is canceled, it shall not constitute a breach of contract by either party, and neither party shall be liable for any breach of contract. If the issuance plan is adjusted or canceled due to requirements from relevant regulatory authorities such as the CSRC or the SSE, neither party shall be liable for breach of contract to the other party for such adjustment or cancellation for the issuance.

**IX. EFFECTIVENESS AND TERMINATION**

This agreement shall be established upon the date of signing and sealing by both parties and shall take effect only after all the following conditions are fully satisfied:

1. The Board and shareholders' meeting (including class meetings) of Party A reviewed and approved the resolution to authorize the issuance;
2. Party A's Board and shareholders' meeting reviewed and approved Party B's exemption from acquiring additional A shares in Party A through a tender offer;
3. Party A's Board and shareholders' meeting reviewed and approved the exemption of Party B from the obligation to make a general offer for H shares, and the Hong Kong Securities and Futures Commission granted an exemption and/or confirmation, exempting Party B and/or confirming that Party B is not required to make a general offer to Party A's H share shareholders in connection with the issuance;
4. The issuance was approved by China Baowu Steel Group Corporation Limited;
5. The issuance has been approved by the SSE and registered with the approval of the CSRC.

If any of the above conditions is not met, this agreement will automatically terminate as of the date such condition is not met, and neither party shall be liable for breach of contract.

For the avoidance of doubt, both parties agree that, subject to the approval of China Baowu Steel Group Corporation, Party B has the right to unilaterally waive the agreement's effective conditions specified in item 3 above. This means that if the conditions in item 3 are not met, subject to the approval of China Baowu Steel Group Corporation, Party B retains the right to declare its decision to proceed with the transaction, and to coordinate with relevant parties to fulfill the corresponding H share general tender offer procedures. This agreement shall take full effect from the date Party B makes such a declaration, provided all other effective conditions, except those in item 3, have been satisfied.

Unless otherwise agreed in this agreement, this agreement shall terminate upon the occurrence of any of the following events:

1. When this agreement is terminated by mutual written consent of both parties;
2. The registration documents obtained for the issuance become invalid for any reason;
3. After the execution of this agreement, if the issuance plan is materially amended or requires material amendment for any reason (including but not limited to pricing method, issuance method, subscriber, or issuance price), the party that does not agree to such amendments shall notify the other parties in writing to terminate this agreement;
4. If one party discovers that the other party has committed a material breach prior to the issuance date, and the breaching party fails to remedy such breach within thirty (30) days after receiving written notice from the non-breaching party, the non-breaching party shall have the right to terminate this agreement by providing written notice to the breaching party;
5. If either party is unable to continue performing this agreement due to force majeure, such party shall provide written notice to the other party to terminate this Agreement.

## SECTION IV FEASIBILITY ANALYSIS OF THE BOARD ON THE USE OF PROCEEDS RAISED

### I. PLAN FOR THE USE OF PROCEEDS RAISED

The total amount of proceeds to be raised in the issuance is expected not to exceed RMB1.0 billion (inclusive), subject to the registration approval document issued by the CSRC for the issuance. After deducting issuance expenses, all proceeds will be used to supplement working capital and repay bank loans.

### II. ANALYSIS OF THE NECESSITY AND FEASIBILITY OF THE FUNDRAISING PROJECT

#### (I) Necessity Analysis

##### ***(1) Optimize the capital structure of the listed company and enhance their risk resilience***

The proceeds raised to supplement working capital and repay bank loans will help further improve the liquidity of the listed company, optimize its capital structure, increase its total assets and net assets, reduce its asset-liability ratio and financial expenses, and enhance its risk resilience. This initiative also aligns with the national policy direction of increasing the proportion of direct financing, strengthening financial services' support for the real economy, and reducing the leverage ratio of state-owned enterprises.

##### ***2. Support the stable development of the listed company's core businesses and create favorable conditions for enhancing their core competitiveness and achieving sustainable, high-quality development***

Due to the capital-intensive nature of the steel industry in which the listed company operate, as well as the continuous updates in technical equipment and environmental protection requirements, the listed company faces high working capital demands. This is particularly true during periods of weak industry cycles, when sufficient liquidity becomes even more critical for maintaining operational stability. Through the investment of the raised proceeds, the listed company can utilize capital more efficiently, directing resources toward superior products to achieve product structure optimization and lean operations. This enhances the Company's profitability and

operational stability and creates favorable conditions for strengthening the core competitiveness of the listed company and achieving sustainable, high-quality development, ultimately maximizing shareholder value.

**(II) Feasibility Analysis**

**1. *The use of proceeds from the issuance complies with applicable laws and regulations***

The use of proceeds raised by the Company in the issuance complies with relevant laws, regulations, and normative documents, and is feasible. After the proceeds raised from the issuance are received, the Company's net assets will increase, enhancing its ability to mitigate risks and market competitiveness, and promoting sustained, healthy, and high-quality business development.

**2. *The listed company has standardized governance, sound internal controls, and robust safeguards for the use of raised proceeds***

The Company has established a modern enterprise system centered on a corporate governance structure in compliance with the governance standards of listed companies, forming a standardized corporate governance framework and a robust internal control environment. The Company has established a Management System for Raised Funds (《募集資金管理制度》) in accordance with regulatory requirements, which clearly defines the storage, use, allocation, and supervision of raised proceeds. After the proceeds raised in the issuance are received, the Board of the Company will continue to oversee the storage and use of the proceeds raised to ensure their proper and standardized utilization and mitigate any associated risks.

**III. THE IMPACT OF THE PROCEEDS RAISED FROM THE ISSUANCE ON THE COMPANY'S OPERATIONS, MANAGEMENT, AND FINANCIAL CONDITION**

**(I) Impact on the Company's Operations and Management**

The use of proceeds raised through the issuance of shares to specific target subscriber aligns with the Company's business development needs. It will help improve the liquidity of the listed company, enhance its capital strength, reduce the asset-liability ratio, further advance the development of its core business, strengthen risk resilience, boost overall competitiveness, and safeguard the long-term interests of all shareholders. This initiative holds significant strategic importance for the Company's sustainable long-term growth.

After the completion of the issuance, the Company will maintain a sound corporate governance structure, ensuring the integrity of its personnel, assets, finances, and operations in R&D, procurement, sales, and other areas. It will also preserve its independence from controlling shareholders, actual controllers, and their related parties in business operations, personnel, assets, organizational structure, and financial matters.

**(II) Impact on the Company's Financial Status**

Upon completion of the issuance, the Company's total assets and net assets will increase, the current ratio will rise, the asset-liability ratio will decline, and the capital structure will be optimized, thereby enhancing risk resilience. Additionally, it will reduce financial expenses, and provide robust support for the Company's future development.

**IV. FEASIBILITY CONCLUSION OF FUNDRAISING INVESTMENT PROJECTS**

In summary, the allocation of proceeds raised by the Company's issuance will further advance the development of its core business, optimize the capital structure, enhance risk resilience, and provide robust support for future growth. This initiative aligns with the Company's overall strategic development plan, complies with relevant laws, regulations, and normative documents, serves the interests of both the company and all shareholders, and demonstrates both necessity and feasibility.

## **SECTION V DISCUSSION AND ANALYSIS OF THE BOARD ON THE IMPACT OF THE ISSUANCE ON THE COMPANY**

### **I. CHANGES IN THE COMPANY'S BUSINESS AND ASSET INTEGRATION PLAN, ARTICLES OF ASSOCIATION, SHAREHOLDER STRUCTURE, SENIOR MANAGEMENT STRUCTURE, AND BUSINESS STRUCTURE FOLLOWING THE ISSUANCE**

#### **(I) Impact of the Issuance on the Company's Business and Assets**

After deducting the issuance expenses, the funds raised from the issuance of shares to specific target subscriber will be entirely used to supplement working capital and repay bank loans. The issuance will enable the Company to utilize funds more efficiently, concentrate on premium products, achieve product structure optimization and lean operations, and strengthen the core competitiveness of the listed company. At the same time, the issuance will improve the Company's liquidity, increase total assets and net assets, optimize the Company's asset-liability structure, reduce the asset-liability ratio and financial expenses, and enhance the listed company's risk resilience.

#### **(II) Impact of the Issuance on the Articles of Association**

Upon completion of the issuance of shares to specific target subscriber, the Company's total share capital and share capital structure will be adjusted. the Company will amend the relevant provisions of the Articles of Association regarding shareholder structure and registered capital in accordance with the issuance results, and proceed with the industrial and commercial registration changes.

#### **(III) Impact of the Issuance on the Company's Shareholder Structure**

Upon completion of the issuance, the Company's share capital will increase accordingly, resulting in certain changes to the shareholder structure and adjustments to the shareholding ratios of existing shareholders. However, this will not affect the Company's controlling shareholder or actual controller. Before and after the issuance, the controlling shareholder of the Company remains Changshou Steel, and the actual controller is China Baowu. The issuance will not result in a change of control of the Company.

**(IV) Impact of the Issuance on the Senior Management Structure**

The issuance will not significantly impact the Company's senior management structure. If the Company intends to adjust the structure of its senior management personnel, it will comply with the necessary legal procedures and fulfill its information disclosure obligations in accordance with applicable regulations.

**(V) Impact of the Issuance on the Business Structure**

After deducting the issuance expenses, all the funds raised from the issuance will be used to supplement working capital and repay bank loans, which will not result in any significant changes to the Company's business structure.

**II. CHANGES IN THE FINANCIAL CONDITION, PROFITABILITY, AND CASH FLOW OF THE LISTED COMPANY FOLLOWING THE ISSUANCE**

**(I) Impact on the Financial Condition**

Upon completion of the issuance, the Company's total assets and net assets will increase accordingly, strengthening its ability to mitigate financial risks. The issuance will further optimize the Company's capital structure, reduce financial risks, improve solvency, and strengthen financial capacity.

**(II) Impact on Profitability**

Upon completion of the issuance, if the Company remains profitable, its income per share may be diluted and return on net assets may decline in the short term. However, the raised capital will enhance the Company's financial capacity and market competitiveness, aligning with its long-term sustainable strategic development objectives.

**(III) Impact on Cash Flow**

Upon completion of the issuance, all proceeds will be used to supplement working capital and repay bank loans. This will help improve the Company's cash flow, strengthen its risk resilience, and lay the foundation for sustainable development.

**III. CHANGES IN BUSINESS RELATIONSHIPS, MANAGEMENT RELATIONSHIPS, RELATED-PARTY TRANSACTIONS, AND COMPETITIVE ACTIVITIES BETWEEN LISTED COMPANIES AND THEIR CONTROLLING SHAREHOLDERS AND AFFILIATES**

Upon completion of the issuance, the business and management relationships between the Company and its controlling shareholder, actual controller, and their affiliates will remain unchanged. The issuance will not result in any new material adverse horizontal competition or obviously unfair related-party transactions between the Company and its controlling shareholder and affiliates, nor will it significantly affect the independence of the Company's production and operations.

**IV. AFTER THE COMPLETION OF THE ISSUANCE, WHETHER THERE ARE ANY INSTANCES OF FUNDS OR ASSETS BEING MISAPPROPRIATED BY THE CONTROLLING SHAREHOLDER AND ITS AFFILIATES, OR WHETHER THE LISTED COMPANY HAS PROVIDED GUARANTEES FOR THE CONTROLLING SHAREHOLDER AND ITS AFFILIATES**

The use of the Company's funds or provision of external guarantees shall strictly comply with applicable laws, regulations, and the Articles of Association, undergo corresponding approval procedures, and be disclosed in a timely manner. As of the announcement date of the Plan, the Company has no funds or assets occupied by the controlling shareholder, actual controller, or their affiliates, nor does it provide any guarantees for the controlling shareholder, actual controller, or their affiliates.

The issuance will not result in the Company's funds and assets being occupied by the controlling shareholder, actual controller, or their affiliates, nor will it create any new circumstances where the Company provides guarantees for the controlling shareholder, actual controller, or their affiliates.

**V. WHETHER THE DEBT STRUCTURE OF THE LISTED COMPANY IS REASONABLE, WHETHER THE ISSUANCE WILL SIGNIFICANTLY INCREASE LIABILITIES (INCLUDING CONTINGENT LIABILITIES), AND WHETHER THERE IS A SITUATION WHERE THE DEBT RATIO IS TOO LOW OR FINANCIAL COSTS ARE UNREASONABLE**

In the issuance, the target subscriber will purchase the shares for the issuance in cash. Upon completion of the issuance, the Company's total assets and net assets will increase, the debt-to-asset ratio will decrease accordingly, the Company's financial structure will be further optimized, and risk resilience will be enhanced. The issuance will not result in an excessively low debt ratio or unreasonable financial costs for the Company, nor will it lead to a significant increase in liabilities (including contingent liabilities) through the issuance.

## SECTION VI RISK DISCLOSURE RELATED TO THE ISSUANCE

### I. RISKS ASSOCIATED WITH THE ISSUER

#### (1) Industry and Market Risks

##### 1. *Economic cycle fluctuation risk*

The iron and steel industry is one of the most important foundational industries in China. Its development is closely linked to the coal industry, mining industry, metallurgical industry, power generation, and transportation sectors. As a highly cyclical industry, it is particularly sensitive to fluctuations in economic and business cycles and is significantly influenced by the development of upstream and downstream industries. The downstream industries of the steel sector, such as real estate, automotive, machinery, railways, and shipbuilding, are all major steel-consuming sectors and are highly susceptible to macroeconomic conditions. Among these, real estate demand accounts for over 50% of construction steel demand, significantly influencing overall steel demand. Following a period of slowing growth and declining demand, the steel industry's downstream demand has now largely stabilized, supporting steady development in the sector. However, fluctuations in downstream market conditions can still directly impact the steel industry. There are many uncertain factors during periods of cyclical economic fluctuations, and the industry's performance significantly impacts the Company's operations.

##### 2. *The risk of industry policies falling short of expectations or undergoing significant changes*

Against the backdrop of national policies aimed at restructuring, optimizing supply, stabilizing growth, and phasing out outdated production capacity, the steel industry is increasingly moving toward green, environmentally friendly, and intelligent manufacturing. In the future, advanced production capabilities with low emissions and low energy consumption will receive greater policy support from industry regulators, guiding capital market resources to favor these sectors. Currently, the steel industry is influenced by national policies and is expected to undergo further optimization. However, if there are significant changes in these policies or if subsequent policy implementations fall short of expectations, the phase-out of outdated production

capacity may be delayed or fail to materialize, adversely affecting the high-quality development of the steel industry. As the steel industry gradually recovers, the possibility of a subsequent rebound in steel production cannot be ruled out. If steel companies resume production on a large scale and significantly increase supply, the steel market may face another surplus, driving down prices of related steel products and putting pressure on the profitability of steel companies.

**(2) Operational Risks**

**1. *Risk of fluctuations in raw material prices***

The steel industry chain is significantly impacted by fluctuations in raw material costs, and substantial price volatility in materials like iron ore can undermine the stability of profitability for companies within the sector. On the one hand, if the prices of iron ore, coking coal, etc. drop significantly, it may also drive down the prices of finished steel products and affect the profit of steel enterprises. On the other hand, the domestic steel industry is highly dependent on imports of iron ore, its main raw material, and is significantly affected by the output of the four major overseas mining companies. Should any major mining company experience accidents or other incidents, iron ore prices may rise irrationally. If steel companies cannot effectively pass on the increased costs to downstream buyers, their profit margins will come under pressure.

**2. *Risks in production safety***

In recent years, safety issues in domestic industrial production have become increasingly prominent. The government has imposed stricter regulations on production safety, leading to a significant increase in corporate investment in safety production initiatives. Listed companies have long prioritized investment in production safety, actively enhancing the safety of production equipment and working environments, and continuously improving various safety precautions. However, the possibility of unexpected safety incidents remains. If preventive measures are not properly implemented, it may disrupt normal production and operations, reducing the Company's sales revenue and profit.

**(3) Financial Risks****1. Risk of sustained performance losses**

The steel industry is a typical cyclical sector. In recent years, affected by both international and domestic factors, the industry has been operating in a weak cycle, with most steel mills reporting marginal profits or losses. The net profit attributable to the shareholders of the listed company for the Past Three Years and Most Recent Period were RMB-1.019 billion, RMB-1.494 billion, RMB-3.196 billion, and RMB-0.218 billion, respectively. In the first three quarters of 2025, the Company significantly improved profitability through dual empowerment of “procurement cost reduction” and “sales profit increase”, while advancing lean management across the entire production process and continuously promoting refined control to achieve the dual-track parallel of “cost reduction” and “efficiency improvement”, thereby enhancing risk resistance. The loss amount narrowed significantly, and the gross profit margin turned positive. However, if significant adverse changes occur in the domestic and international political and economic environment, industrial policies, downstream demand, or other factors in the future, the Company may face the risk of sustained losses.

**2. Risk of asset impairment**

In the Past Three Years, the Company’s asset impairment losses were RMB-251 million, RMB-303 million, and RMB-1.234 billion, respectively, of which fixed asset impairment losses were RMB-109 million, RMB-115 million, and RMB-1.142 billion, respectively. Over the Past Three Years, the steel industry has continued to decline, and the Company’s operating losses have further widened. In 2024, the Company adjusted its product structure, idling some production lines. It is expected that the market for certain products will not improve significantly in the short term, leading to an increase in fixed asset impairment losses. Although the Company focuses on “financial management” and has implemented a series of business improvement measures through systematic reforms and targeted policies, significant adverse changes in factors such as industry conditions and downstream demand in the future could still lead to the risk of asset impairment losses, thereby affecting the Company’s operating performance.

## II. RISKS ASSOCIATED WITH THE ISSUANCE

### (I) Risk of Immediate Return Dilution from the Issuance

Upon completion of the issuance, the Company's total share capital will be further increased, enhancing its overall capital strength. After deducting the issuance expenses, all the raised funds will be used to supplement working capital and repay bank loans. If the Company is profitable at that time, it may result in the dilution of financial metrics such as income per share.

### (II) Approval Risks of the Issuance

1. The relevant matters regarding the issuance are approved by the Board, but are still subject to approval by the Company's shareholders' meeting and class meetings as well as the following conditions: the shareholders' meeting must approve the exemption from the mandatory general offer obligation for A shares, the shareholders' meeting must approve the H share whitewash exemption, and the SFC must grant its approval (with the subscriber retaining the right to seek approval from China Baowu to waive this condition). Additionally, the issuance requires approval from China Baowu, review and approval by the Shanghai Stock Exchange, and registration approval from the CSRC. There is uncertainty regarding whether the abovementioned approvals or registrations can be obtained, as well as the timing of final approval or registration. Investors are advised to be aware of the investment risks.

### (III) Risk of Stock Price Fluctuations

Investment income and risks go hand in hand in the stock market. The fluctuation of stock prices is influenced not only by the Company's profit level and development prospects, but also by various factors such as adjustments in national macroeconomic policies, financial policy regulations, stock market speculation, investors' psychological expectations, and many others. The review and implementation of the issuance will take some time, and there is uncertainty as to whether it can be fully completed. During this period, stock prices may fluctuate, which could pose a certain level of risk to investors.

## SECTION VII COMPANY'S PROFIT DISTRIBUTION POLICY AND PROFIT DISTRIBUTION

### I. THE COMPANY'S PROFIT DISTRIBUTION POLICY

According to the latest Articles of Association (revised on 26 November 2025), the Company's profit distribution policies are as follows:

#### (I) Profit distribution principles

When distributing the after-tax profit of the year, the Company shall allocate 10% of its after-tax profit as statutory reserve funds.

When the statutory reserves of the Company fall short to offset the loss of prior years, the Company shall use the profit earned during the year to offset the loss before withdrawing the statutory reserves according to the previous paragraph.

After withdrawing the statutory reserves out of the post-tax profit, the Company may, subject to the resolution of the shareholders' meeting, withdraw the discretionary reserve out of the post-tax profit.

The post-tax profit left after the loss recovery and withdrawal of the reserves by the Company shall be distributed in proportion according to the shareholding proportions of the shareholders, unless otherwise specified under the Articles of Association.

If the shareholders' meeting violates the provisions of the preceding paragraph by distributing profit to shareholders before the Company offsets its losses and allocates statutory reserves, the shareholders must return the unlawfully distributed profit to the Company.

The Company shares held by the Company shall not participate in the profit distribution.

#### (2) Profit Distribution Method

The Company may distribute dividends in cash, stock, or a combination of cash and stock, or otherwise permitted by laws and regulations. The Company prioritizes cash dividends for profit distribution.

**(III) Profit Distribution Conditions**

The remaining after-tax profits, after the Company covers its losses and allocates funds to the reserve, shall be distributed in proportion to the shares held by shareholders.

The Company's cash profit distribution must meet at least the following conditions:

1. The distributable profit realized by the Company in the current year (i.e., the remaining after-tax profit after the Company covers losses and allocates to the provident fund) are positive, and the cash flow is sufficient. Implementing cash dividends will not affect the Company's subsequent ongoing operations;
2. The audit institution issued a standard unqualified audit report on the Company's financial statements for that year;
3. The Company has no major investment plans or significant cash expenditures (excluding fundraising investment projects). The above-mentioned major investment plans or major cash expenditures refer to the Company's planned external investments, acquisitions, or asset purchases within the next twelve months, where the cumulative expenditure reaches or exceeds 30% of the Company's most recently audited total assets.

**(IV) Proportion of Cash Dividends**

The Company shall distribute in cash no less than 10% of its annual distributable profits each year. In principle, the cumulative cash distributions over any three consecutive years shall not be less than 30% of the average annual distributable profits during that three-year period. The specific dividend ratio for each year shall be proposed by the Board based on the Company's annual profitability and future capital expenditure plans.

**(V) Conditions for the Distribution of Stock Dividends**

Based on the Company's accumulated distributable profit, cash flow status, and other actual conditions, and on the premise of ensuring sufficient cash dividends and maintaining a reasonable size of the Company's share capital, the Company may also distribute profit by issuing stock dividends. The specific dividend ratio will be proposed by the Board. When determining the specific amount of stock dividends to be distributed, the Company's Board should fully consider whether the total share capital after the distribution is compatible with the Company's current operating scale and profit growth rate, while also taking into account the impact on future debt financing costs. This ensures that the profit distribution plan aligns with the overall and long-term interests of all shareholders.

**(VI) Review Procedures for Profit Distribution Plans**

**1. *Research, demonstration, and decision-making process for profit distribution plans***

Prior to the release of periodic reports, the Company's Board shall thoroughly study and evaluate the profit distribution proposal in accordance with the provisions of the Articles of Association. This shall be done while fully considering the Company's ability to sustain operations, ensuring necessary funds for normal production, operations, and business development, and prioritizing reasonable returns for investors. During the deliberation and decision-making process regarding the profit distribution proposal, the Company's Board may communicate with independent directors and minority shareholders through various channels such as telephone, fax, correspondence, email, and the investor relations interactive platform on the Company's website, fully considering the opinions and requests of independent directors and minority shareholders.

When the Board reviews the profit distribution proposal, it must be approved by a majority of all directors.

When the shareholders' meeting reviews the profit distribution plan, it must be approved by a majority of the voting rights held by shareholders (including shareholders who have appointed proxies to attend the shareholders' meeting) present at the meeting. If the shareholders' meeting considers a plan to issue stock dividends or convert capital reserves into share capital, it must be approved by at least two-thirds of the voting rights held by shareholders (including shareholders who have appointed proxies to attend the shareholders' meeting) present at the meeting.

If the Company is profitable in the current year but the Board does not propose a cash dividend plan, the Board shall consult with the independent directors and disclose in the periodic report the reasons for not proposing a cash dividend plan, as well as the intended use of the retained earnings not allocated for dividends. Independent directors should express their independent opinions and disclose them publicly. For companies that are profitable during the reporting period but do not propose a cash dividend plan, in addition to holding in-person meetings, they must also provide shareholders with an online voting platform when convening shareholders' meetings.

**2. *Adjustment to profit distribution policy***

If the Company needs to adjust its profit distribution policy due to significant changes in the external operating environment or its own operating conditions, it may do so.

In the process of studying and demonstrating adjustments to the profit distribution policy, the Company's Board should fully consider the opinions of independent directors and minority shareholders. When the Board reviews adjustments to the profit distribution policy, the resolution must be approved by a majority of all directors.

Any adjustment or change to the profit distribution policy must be reviewed and approved by the Board before submission to the shareholders' meeting for approval. The Company shall provide online voting to facilitate shareholder participation in the shareholders' meeting. The Company should prioritize the protection of shareholders' rights and interests, providing detailed justification and explanation in the shareholders' meeting proposal. When the shareholders' meeting reviews adjustments to the profit distribution policy, the resolution must be passed by more than two-thirds of the voting rights held by shareholders (including shareholder proxies) present at the meeting.

**II. THE COMPANY'S CASH DIVIDENDS AND UTILIZATION OF UNDISTRIBUTED PROFIT OVER THE PAST THREE YEARS**

**(I) The Company's Profit Distribution Plan for the Past Three Years**

1. The Company's 2022 profit distribution

On 30 March 2023, the Company held the 24th meeting of the ninth session of the Board and the 13th meeting of the ninth session of the Board of Supervisors, during which the 2022 Profit Distribution Plan (《2022年度利潤分配方案》) was reviewed and approved. According to the audit conducted by Ernst & Young Hua Ming LLP, the parent company reported a net loss of RMB1.038 billion in 2022, with undistributed profit totaling negative RMB7.651 billion as of 31 December 2022. Since the Company's undistributed profit at the end of 2022 were negative, no profit distribution will be made for the year 2022, nor will any capital reserve be converted into share capital.

This profit distribution proposal has been reviewed and approved at the Company's 2022 annual shareholders' meeting.

2. The Company's 2023 profit distribution

On 28 March 2024, the Company held the 33rd meeting of the ninth session of the Board and the 19th meeting of the ninth session of the Board of Supervisors, during which the 2023 Profit Distribution Plan (《2023年度利潤分配方案》) was reviewed and approved. According to the audit conducted by Ernst & Young Hua Ming LLP, the net profit attributable to the Company's shareholders in 2023 was RMB-1.511 billion, and the undistributed profit as of the end of 2023 was RMB-9.166 billion. Since the Company's undistributed profit at the end of 2023 were negative, no profit distribution will be made for the year 2023, nor will any capital reserve be converted into share capital.

This profit distribution proposal has been reviewed and approved by the Company's 2023 annual shareholders' meeting.

3. The Company's 2024 profit distribution

On 28 March 2025, the Company held the 12th meeting of the tenth session of the Board and the eighth meeting of the tenth session of the Board of Supervisors, during which the 2024 Profit Distribution Plan (《2024年度利潤分配方案》) was reviewed and approved. According to the audit conducted by Ernst & Young Hua Ming LLP, the net profit attributable to the Company's shareholders in 2023 was RMB-3.169 billion, and the undistributed profit as of the end of 2024 was RMB-12.335 billion. Since the Company's undistributed profit at the end of 2024 were negative, no profit distribution will be made for the 2024 fiscal year, nor will any capital reserve be converted into share capital.

This profit distribution proposal has been reviewed and approved at the Company's 2024 annual shareholders' meeting.

(II) Cash Dividends of the Company in the Past Three Years

The Company's cash dividend distributions over the Past Three Years are as follows:

Dividend Year	Amount of cash dividends <i>(RMB) (tax included)</i>	Net profit attributable to shareholders of listed companies in the consolidated statements for the dividend distribution year <i>(RMB)</i>	Proportion of net profit attributable to shareholders of listed companies in the consolidated statements <i>(%)</i>
2022	–	-1,019,409,354.34	Not Applicable
2023	–	-1,494,416,898.53	Not Applicable
2024	–	-3,195,561,486.30	Not Applicable

The Company incurred losses from 2022 to 2024, and the accumulated undistributed profit at the end of each reporting period were negative, which does not meet the profit distribution conditions stipulated in the Articles of Association. the Company's cash dividend distribution complies with the provisions of the Company Law and the Articles of Association.

### **III. SHAREHOLDER RETURN PLAN FOR THE NEXT THREE YEARS**

To further standardize and enhance the profit distribution policy of the Company, establish a scientific, sustainable, and stable shareholder return mechanism, improve the transparency and operability of profit distribution policy decisions, and protect the legitimate rights and interests of minority shareholders, in accordance with the Company Law of the People's Republic of China, the No. 3 Guideline for the Supervision of Listed Companies–Cash Dividend Distribution of Listed Companies (《上市公司監管指引第3號—上市公司現金分紅》), and other relevant laws and regulations, as well as the Articles of Association, and coupled with the Company's actual circumstances, the Board has formulated the Shareholder Dividend Return Plan of Chongqing Iron & Steel Company Limited for the Next Three Years (2026-2028) (《重慶鋼鐵股份有限公司未來三年(2026-2028年)股東分紅回報規劃》).

#### **(I) Factors Considered in Formulating the Shareholder Return Plan**

With a focus on long-term and sustainable development, the Company conducts a comprehensive analysis of factors such as its business development strategy, shareholders' requirements and expectations, social capital costs, and the external financing environment, and thoroughly considers the Company's current and future profit scale, cash flow status, development stage, project investment funding needs, and bank credit conditions. The Company establishes and enhances a sustainable, stable, and scientifically sound dividend return plan and mechanism for investors, implementing institutional arrangements for profit distribution to ensure the continuity and stability of its profit distribution policy.

#### **(II) Principles for Formulating the Shareholder Return Plan**

The shareholder return plan is formulated in compliance with the provisions of relevant laws and regulations, normative documents, and the Articles of Association, taking into account the Company's strategic development plan and sustainable development needs. It shall comprehensively consider factors such as the actual situation of the Company's business development, shareholders' reasonable investment returns, and the Company's cash flow status. The profit distribution plan shall be prudently determined to maintain the continuity and stability of the Company's profit distribution policy. The Company shall determine a reasonable profit distribution plan each year based on its current production and operational conditions as well as the capital requirements for project investments, while fully considering reasonable returns for investors. The Company shall also carefully consider and take into account the opinions of shareholders, particularly small and medium investors, independent directors, and public investors.

**(III) SPECIFIC DETAILS OF SHAREHOLDER DIVIDEND DISTRIBUTION PLAN FOR THE NEXT THREE YEARS (2026–2028)**

The Company maintains a consistent and stable profit distribution policy, ensuring reasonable investment returns for shareholders while supporting the Company’s sustainable development. While ensuring the Company’s normal production and operational funding needs are met, the Company will actively distribute profit in cash.

**1. Profit distribution method**

The Company may distribute dividends in cash, stock, or a combination of cash and stock, or otherwise permitted by laws and regulations. The Company prioritizes cash dividends for profit distribution.

**2. Specific provisions for profit distribution**

(1) Subject to meeting the conditions for cash dividends, the Company will generally distribute cash dividends once a year. The Board of the Company may propose interim cash dividend distributions based on the Company’s profitability and capital requirements.

On the premise of ensuring the minimum cash dividend ratio and maintaining a reasonable size and ownership structure of the Company’s share capital, the Company may distribute profit through stock dividends based on annual profitability and cash flow conditions, taking into account genuine factors such as corporate growth, dilution of net assets per share, and the alignment between the Company’s stock price and share capital size.

(2) The specific conditions for the Company to distribute cash dividends are:

- ① The distributable profit realized by the Company in the current year (i.e., the remaining after-tax profit after the Company covers losses and allocates to the provident fund) are positive, and the cash flow is sufficient. Implementing cash dividends will not affect the Company’s subsequent ongoing operations;

- ② The auditing firm issued a standard unqualified audit report on the Company's annual financial statements;
  - ③ The Company has no major investment plans or significant cash outlays (excluding fundraising investment projects). The above-mentioned major investment plans or major cash expenditures refer to the Company's planned external investments, acquisitions, or asset purchases within the next twelve months, where the cumulative expenditure reaches or exceeds 30% of the Company's most recently audited total assets.
- (3) If the Company meets the conditions for cash dividends, it shall distribute no less than 10% of its annual distributable profit in cash each year, and the cumulative cash dividends paid over the Past Three Years shall not be less than 30% of the average annual distributable profits realized in the Past Three Years.

**(IV) Decision-making Procedures and Mechanisms for Profit Distribution Plans And Three-year Dividend Distribution Plan**

1. The Company's annual profit distribution plan is proposed and drafted by the Board in accordance with the provisions of the Articles of Association, profitability, and capital supply and demand conditions. When reviewing the specific cash dividend plan, the Board shall thoroughly study and evaluate matters such as the timing, conditions, and minimum ratio of the Company's cash dividends, as well as the adjustment criteria and decision-making process requirements. When the Board deliberates and formulates profit distribution policies, approval by a majority of all directors is required before submission to the shareholders' meeting for deliberation.
2. Independent directors may solicit opinions from small and medium-sized shareholders, propose dividend distribution plans, and submit them directly to the Board for review. Independent directors have the right to express independent opinions if they believe the specific cash dividend plan may harm the interests of the Company or minority shareholders. If the Board does not adopt or only partially adopts the opinions of independent directors, the independent directors' opinions and specific reasons for non-adoption shall be disclosed in the board resolution announcement.

3. Prior to the deliberation of the specific cash dividend plan at the shareholders' meeting, the Company shall proactively engage with shareholders, particularly minority shareholders, through various channels. These include, but are not limited to, telephone, fax, email communications, or by inviting minority shareholders to attend the meeting. the Company shall fully consider the opinions and requests of minority shareholders and promptly address their concerns.
  
4. When the Company holds an annual shareholders' meeting to review the annual profit distribution plan, it may review and approve the conditions, maximum percentage, maximum amount, etc. for interim cash dividends in the following year. The upper limit for interim dividends in the following year, as approved at the shareholders' meeting, shall not exceed the net profit attributable to the Company's shareholders during the corresponding period. In accordance with the resolutions of the shareholders' meeting, the Board formulates a specific interim dividend plan subject to profit distribution conditions.

**(V) Dividend Distribution Planning Cycle and Adjustments**

the Company will review the shareholder dividend distribution plan every three years and determine the distribution plan for the period based on the Company's operational performance and shareholder feedback (particularly from minority shareholders).

If it is necessary to adjust the profit distribution policy specified in the shareholder dividend return plan due to the Company's actual production and operation conditions, investment planning, and long-term development needs, the Company's Board shall propose an adjustment to the profit distribution policy based on the actual circumstances. The adjusted profit distribution policy must prioritize the protection of shareholders' rights and interests and must not violate the relevant regulations of the CSRC and the SSE. Proposals regarding adjustments to the profit distribution policy must be reviewed by the Board before being submitted to the Company's shareholders' meeting for deliberation and approval. When the shareholders' meeting deliberates on adjustments to the profit distribution policy, the resolution shall be passed by more than two thirds of the voting rights held by shareholders present at the meeting.

## **SECTION VIII DILUTION OF IMMEDIATE RETURNS FROM THE ISSUANCE OF A SHARES TO SPECIFIC TARGET SUBSCRIBER AND CORRESPONDING MITIGATION MEASURES, ALONG WITH COMMITMENTS BY RELEVANT PARTIES**

### **I. THE IMPACT OF THE ISSUANCE ON THE COMPANY'S KEY FINANCIAL INDICATORS REGARDING DILUTED IMMEDIATE RETURNS**

#### **(I) Key Assumptions**

1. It is assumed that there are no significant changes in the macroeconomic environment, industrial policies, or industry development status;
2. The impact of the funds raised from the issuance on the issuer's production, operations, and financial status (including operating income, financial expenses, and investment income) is temporarily not considered, nor is the equity incentive plan.
3. From January to September 2025, the Company reported a net profit attributable to shareholders of the listed company of RMB-218.3268 million, and a net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses of RMB-231.2780 million. Based on the Company's net profit realized from January to September 2025, it is assumed that the Company's net profit attributable to shareholders of listed companies in 2025 will be RMB-291.1024 million, and the net profit attributable to shareholders of listed companies after deducting non-recurring gains and losses will be RMB-308.3706 million (this assumption is solely for calculating the impact of the issuance on the Company's earnings per share and does not represent the Company's forecast or judgment regarding 2025 profits). On this basis, it is assumed that in 2026, the net profit attributable to shareholders of listed companies and the net profit attributable to shareholders of listed companies after deducting non-recurring gains and losses will remain unchanged from 2025, decrease by 20% compared to 2025, or reach breakeven (zero profit) under three scenarios to assess the Company's 2026 performance;

4. Assuming the number of shares for the issuance is 757,575,757 shares, with a total fundraising amount of RMB1 billion, and excluding the impact of issuance expenses; the aforementioned number of shares issued and total fundraising amount are only estimates used by the Company for this calculation. The final fundraising amount and number of shares issued will be determined based on the number of shares approved by the SSE and registered with the CSRC, issuance expenses, and other relevant factors;
5. Assuming the issuance is completed by the end of April 2026, this estimated completion date is for internal calculation purposes only. The final timeline shall be subject to the actual issuance completion date approved by the CSRC;
6. Assume the impact of the Company's profit distribution is not considered for the time being;
7. In forecasting the Company's total share capital, the calculation is based on the total share capital of 8,851,763,767 shares as of 30 September 2025, considering only the impact of the issuance and excluding other factors (such as capital reserve conversion into share capital, stock dividend distribution, equity incentives, share repurchases, etc.) that may affect the issuer's total share capital.

The above assumptions are only intended to measure the impact of the issuance's dilution on the Company's key financial indicators and do not constitute the Company's profit forecast, nor do they represent the issuer's assessment of the operating conditions and trends.

(II) Impact on the Company's Key Financial Indicators

Based on the above assumptions, the Company has calculated the impact of the issuance on its key financial indicators, as follows:

Item	For the year	For the year of 2026/	
	of 2025/ 31 December 2025	31 December 2026 Prior to the issuance	After the issuance
Total share capital ( <i>shares</i> )	8,851,763,767	8,851,763,767	9,609,339,524

**Scenario 1: The net profit attributable to shareholders of the listed company, both before and after deducting non-recurring gains and losses, remains unchanged in 2026 compared to 2025**

Net profit attributable to shareholders of the listed company ( <i>RMB0'000</i> )	-29,110.24	-29,110.24	-29,110.24
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses ( <i>RMB0'000</i> )	-30,837.06	-30,837.06	-30,837.06
Basic earnings per share ( <i>RMB/share</i> )	-0.03	-0.03	-0.03
Diluted earnings per share ( <i>RMB/share</i> )	-0.03	-0.03	-0.03
Basic earnings per share after deducting non-recurring gains and losses ( <i>RMB/share</i> )	-0.03	-0.03	-0.03
Diluted earnings per share after deducting non-recurring gains and losses ( <i>RMB/share</i> )	-0.03	-0.03	-0.03

Item	For the year	For the year of 2026/	
	of 2025/ 31 December 2025	31 December 2026	After the issuance
		Prior to the issuance	After the issuance
<b>Scenario 2: The net profit attributable to shareholders of the listed company, both before and after deducting non-recurring gains and losses, reduced losses by 20% in 2026 compared to 2025</b>			
Net profit attributable to shareholders of the listed company ( <i>RMB0'000</i> )	-29,110.24	-23,288.19	-23,288.19
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses ( <i>RMB0'000</i> )	-30,837.06	-24,669.65	-24,669.65
Basic earnings per share ( <i>RMB/share</i> )	-0.03	-0.03	-0.02
Diluted earnings per share ( <i>RMB/share</i> )	-0.03	-0.03	-0.02
Basic earnings per share after deducting non-recurring gains and losses ( <i>RMB/share</i> )	-0.03	-0.03	-0.03
Diluted earnings per share after deducting non-recurring gains and losses ( <i>RMB/share</i> )	-0.03	-0.03	-0.03

Item	For the year	For the year of 2026/	
	of 2025/ 31 December 2025	31 December 2026	After
		Prior to	the issuance
<b>Scenario 3: The net profit attributable to shareholders of the listed company, both before and after deducting non-recurring gains and losses, will be zero in 2026, meaning it will break even</b>			
Net profit attributable to shareholders of the listed company (RMB0'000)	-29,110.24	0.00	0.00
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses (RMB0'000)	-30,837.06	0.00	0.00
Basic earnings per share (RMB/share)	-0.03	0.00	0.00
Diluted earnings per share (RMB/share)	-0.03	0.00	0.00
Basic earnings per share after deducting non-recurring gains and losses (RMB/share)	-0.03	0.00	0.00
Diluted earnings per share after deducting non-recurring gains and losses (RMB/share)	-0.03	0.00	0.00

*Note:* The above earnings per share is calculated in accordance with the provisions of Information Disclosure and Preparation Rules for Companies Offering Securities to the Public No. 9– Calculation and Disclosure of Return on Net Assets and Earnings per Share (《公開發行證券的公司信息披露編報規則第9號-淨資產收益率和每股收益的計算及披露》).

## II. RISK WARNING REGARDING THE DILUTION OF IMMEDIATE RETURNS FROM THE ISSUANCE

According to the above calculations, the Company incurred losses from January to September 2025. If the profit data for January to September 2025 is used as the basis for calculation, the issuance of additional shares will not dilute the Company's income per share. However, as the Company's operations improve and profitability is gradually achieved, the issuance of additional shares may still dilute immediate returns. After the issuance, the Company's total share capital will increase accordingly. However, it will take some time for the raised funds to generate income after being invested. If the Company's future business scale and net profit do not increase proportionally, and if the Company remains profitable at that time, certain metrics such as earnings per share may experience a short-term decline to some extent. Investors are hereby reminded to be aware of the potential risk that this share issuance may dilute immediate returns.

### III. NECESSITY AND RATIONALE FOR THE ISSUANCE

For details on the necessity and rationale of the issuance, please refer to “SECTION IV FEASIBILITY ANALYSIS OF THE BOARD ON THE USE OF PROCEEDS RAISED”.

### IV. THE RELATIONSHIP BETWEEN THE CURRENT FUNDRAISING INVESTMENT PROJECTS AND THE COMPANY’S EXISTING BUSINESS, AS WELL AS THE COMPANY’S PERSONNEL, TECHNICAL, AND MARKET PREPAREDNESS FOR THE FUNDRAISING PROJECTS

After deducting the issuance expenses, the funds raised by the Company will be used to supplement working capital and repay bank loans, which will help strengthen the Company’s capital position and risk resilience. After the issuance, the Company’s business scope will remain unchanged. This fundraising project does not involve specific construction projects or the Company’s reserves in personnel, technology, market, or other aspects related to such projects.

### V. MEASURES THE COMPANY PLANS TO TAKE TO MITIGATE THE DILUTION OF CURRENT RETURNS FROM THE ISSUANCE

#### (I) Continuously Improve Corporate Governance to Provide Institutional Support for the Company’s Development

The Company will strictly comply with the requirements of laws, regulations, and normative documents such as the Company Law of the People’s Republic of China (《中華人民共和國公司法》), the Securities Law of the People’s Republic of China (《中華人民共和國公司法》), the Corporate Governance Code for Listed Companies (《上市公司治理準則》), and the Rules Governing the Listing of Stocks on Shanghai Stock Exchange (《上海證券交易所股票上市規則》). We will continuously improve our corporate governance structure to ensure shareholders can fully exercise their rights and enable the Board to perform its duties in accordance with laws, regulations, and the Company’s articles of association, making scientific, prompt, and prudent decisions. Continuously enhance the quality of information disclosure, strictly comply with legal and regulatory requirements, prioritize investor needs, further improve the readability of disclosed information, and consistently increase the transparency and precision of disclosures. The Company will establish an effective investor communication mechanism to actively gather and analyze market participants’ assessments of listed companies’ investment value and their operational expectations. The Company will establish streamlined and efficient production and operation methods with market-oriented incentive mechanisms, closely aligning the interests of employees, management, and shareholders to achieve true benefit-sharing, risk-sharing, and responsibility-sharing between employees and the Company, thereby injecting vitality and momentum into the Company’s sustainable future development.

**(II) Strengthen Oversight of the Raised Funds to Ensure Their Reasonable, Standardized, and Effective Use**

The Board of the Company has conducted a thorough assessment of the feasibility and necessity of the capital raising. To standardize the management and use of the raised funds and ensure their proper, safe, and efficient utilization, the Company has established and enhanced the Management System for Raised Funds of Chongqing Iron & Steel Company Limited (《重慶鋼鐵股份有限公司募集資金管理制度》) in compliance with the provisions and requirements of the Company Law of the People’s Republic of China (《中華人民共和國公司法》), the Securities Law of the People’s Republic of China (《中華人民共和國證券法》), the Rules Governing the Listing of Stocks on Shanghai Stock Exchange (《上海證券交易所股票上市規則》), and other relevant laws and regulations, taking into account the Company’s actual circumstances. This system strictly regulates the deposit, use, and redirection of raised funds to facilitate effective management and oversight. At the same time, the Company will strictly manage the use of raised funds in accordance with relevant laws and regulations and the requirements of the Management System for Raised Funds of Chongqing Iron & Steel Company Limited (《重慶鋼鐵股份有限公司募集資金管理制度》) to ensure that the raised funds are fully and effectively utilized for their intended purposes.

**(III) Focusing on Core Business to Drive High-Quality Development**

The Company will continue to focus on its main business, continuously optimize technical and economic indicators and corporate governance, and will conduct in-depth benchmarking, comprehensively deepen reforms, deepen accounting operations, activate all-employee management, solidly promote safety and environmental protection, energy conservation and emission reduction, cost reduction and efficiency increase, and market expansion; at the same time, the Company will improve the efficiency of asset use, speed up the layout of industrial parks and ecological circles, create a new mode of harmonious symbiosis, revitalize existing assets, expand cooperation channels, optimize resource allocation, implement the strategic layout of industrial parks, implement the strategy of strengthening, supplementing and extending the chain of steel industry, effectively implement the strategic layout of “near-local layout, industrial chain coordination, industrial park innovation and ecological circle construction”, comprehensively enhance core competitiveness, realize the Company’s transformation and upgrading, and enhance enterprise value.

**(IV) Enhance the Profit Distribution Mechanism and Strengthen Shareholder Returns**

In accordance with the requirements of documents such as the Supervision Guidelines for Listed Companies No. 3–Cash Dividends of Listed Companies (《上市公司監管指引第3號—上市公司現金分紅》), as well as the relevant provisions of the Articles of Association of Chongqing Iron & Steel Company Limited (《重慶鋼鐵股份有限公司章程》), the Company has formulated the Shareholder Dividend Return Plan for the Next Three Years (2026–2028) of Chongqing Iron & Steel Company Limited (《重慶鋼鐵股份有限公司未來三年(2026–2028年)股東分紅回報規劃》). The Company will strictly comply with relevant regulations, effectively safeguard the legitimate rights and interests of investors, and enhance the protection mechanisms for small and medium-sized investors. After the issuance, the Company will implement the profit distribution policy in accordance with relevant laws, regulations, and the Articles of Association, striving to enhance shareholder returns, effectively safeguard the legitimate rights and interests of investors, and protect the interests of the Company’s shareholders.

To sum up, the Company will utilize the funds raised from the issuance in a scientific and effective manner, enhance the efficiency of fund utilization and operations, focus on its core business to drive high-quality development, and actively promote profit distribution to shareholders when profit distribution conditions are met. This will enhance the Company’s ability to deliver returns to investors and effectively mitigate the risk of dilution in shareholders’ immediate returns.

The above-mentioned measures to enhance returns implemented by the Company do not constitute a guarantee of future profit. Investors should not base their investment decisions on these measures. This serves as a reminder.

**VI. COMMITMENT BY THE COMPANY’S CONTROLLING SHAREHOLDER AND ACTUAL CONTROLLER TO ENSURE THE EFFECTIVE IMPLEMENTATION OF MEASURES TO OFFSET THE DILUTION OF IMMEDIATE RETURNS IN THE ISSUANCE**

To ensure the effective implementation of the Company’s measures to mitigate the dilution of immediate returns and to protect the interests of small and medium-sized investors, the Company’s controlling shareholder, Chongqing Iron & Steel Company Limited, and its actual controller, China Baowu, have made the following commitments regarding the measures to mitigate the dilution of immediate returns from the issuance:

- “1. Do not interfere with the Company’s operations and management activities beyond authorized limits, do not infringe upon the Company’s interests, and prompt the Company to diligently implement the relevant measures to offset the dilution of immediate returns;
2. From the date of this commitment until the completion of the Company’s issuance of A shares to specific target subscriber, if the CSRC or the SSE issues new regulatory requirements regarding measures to mitigate dilution and related commitments, and if the aforementioned commitments fail to comply with such requirements, the Company hereby undertakes to provide supplementary commitments in accordance with the latest regulations of the CSRC and SSE at that time;
3. As one of the responsible entities for the measures to fill the return gap, if the Company violates or refuses to fulfill the above commitments, it agrees to be subject to relevant penalties or management measures imposed by securities regulatory authorities such as the CSRC and the SSE in accordance with their established or published regulations and rules. If the Company violates the above commitments and causes losses to the Company or investors, it shall be legally liable for compensating the Company or investors.”

**VII. COMMITMENT BY THE COMPANY'S DIRECTORS AND SENIOR MANAGEMENT TO ENSURE THE EFFECTIVE IMPLEMENTATION OF MEASURES TO OFFSET THE DILUTION OF IMMEDIATE RETURNS IN THE ISSUANCE**

To ensure the effective implementation of the Company's measures to mitigate the dilution of immediate returns from the issuance and to protect the interests of small and medium-sized investors, all directors and senior management of the Company hereby commit to the following measures regarding the mitigation of immediate return dilution:

- “1. Do not provide benefits to other entities or individuals free of charge or under unfair conditions, nor harm the Company's interests through any other means;
2. Restrict my job-related expenses;
3. Do not use the Company's assets for investment or consumption activities unrelated to the performance of my duties;
4. Within the scope of my legal authority, I will make every effort to ensure that the compensation system established by the Board or the Compensation and Appraisal Committee is linked to the implementation of the Company's measures to supplement returns;
5. If the Company implements an equity incentive plan in the future, I commit that the vesting conditions of the equity incentive scheme will be tied to the Company's fulfillment of measures to offset dilution effects;
6. From the date of this commitment until the completion of the Company's issuance of A shares to specific target subscriber, if the CSRC or the SSE issues new regulatory requirements regarding measures to mitigate dilution and related commitments, and if the aforementioned commitments fail to comply with such requirements, I hereby undertake to provide supplementary commitments in accordance with the latest regulations of the CSRC and SSE at that time;
7. I undertake to diligently implement the relevant measures for supplementary returns as stipulated by the Company and any commitments I have made regarding such measures. Should I breach these commitments and thereby cause losses to the Company or investors, I am willing to assume legal liability for compensation to the Company or investors.”

Board of Chongqing Iron & Steel Company Limited

19 December 2025

Stock Code: 601005

Stock Abbreviation: Chongqing Iron & Steel



**Chongqing Iron & Steel Company Limited**

**DISCUSSION AND ANALYSIS REPORT ON THE  
PROPOSAL FOR THE ISSUANCE OF  
A SHARES TO SPECIFIC TARGET SUBSCRIBER BY  
THE COMPANY IN 2025**

December 2025

Chongqing Iron & Steel Company Limited (hereinafter referred to as “Chongqing Iron & Steel”, the “Company”, or the “Listed Company”) is a company listed on the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited. To meet the needs of implementing the Company’s operational strategy and business development, enhance the Company’s financial capacity, and provide financial support for the Company’s future development, the Company, in accordance with the provisions of the relevant laws, regulations and normative documents, such as the Company Law of the People’s Republic of China (《中華人民共和國公司法》) (hereinafter referred to as the “Company Law”), the Securities Law of the People’s Republic of China (《中華人民共和國證券法》) (hereinafter referred to as the “Securities Law”), the Administrative Measures for the Registration of Securities Offerings by Listed Companies (《上市公司證券發行註冊管理辦法》) (hereinafter referred to as the “Registration Administrative Measures”), and the Articles of Association, the Company intends to raise funds through the issuance of A shares to specific target subscriber. The Company has prepared a discussion and analysis report on the proposal for the issuance of A shares to specific target subscriber.

In this report, unless otherwise specified, relevant terms shall have the same meanings as the Definitions in “Chongqing Iron & Steel Company Limited’s Plan for Issuance of A Shares to Specific Target Subscriber in 2025”.

## I. BACKGROUND AND PURPOSE OF THE ISSUANCE

### (I) Background of the Issuance of Shares to Specific Target Subscriber

#### 1. The steel industry is in a critical period of stabilizing growth and enhancing quality and efficiency. Chongqing Iron & Steel continues to implement the central government’s work plan and policies for stabilizing growth in the sector

In September 2025, the Ministry of Industry and Information Technology issued the Steel Industry Steady Growth Work Plan (2025–2026) (鋼鐵行業穩增長工作方案(2025–2026年)), stating that the steel industry is a vital foundational and pillar sector of the national economy, crucial for stable industrial growth and economic performance. However, the current oversupply in the steel industry, coupled with insufficient effective demand, has created a supply-demand imbalance that remains the primary challenge affecting the sector’s development quality and efficiency. The plan emphasizes “focusing on quality and efficiency, deepening the integration of technological and industrial innovation, balancing supply and demand dynamics, and enhancing their alignment by strictly prohibiting new capacity and implementing production cuts to control total output.” It also advocates for “transformation through digital and green upgrades, accelerating the shift from old to new growth drivers, fostering new quality productive forces tailored to local conditions, and further strengthening the resilience and security of industrial and supply chains to achieve both qualitative improvements and reasonable quantitative growth.”

In recent years, China’s steel industry has been in a weak cycle. Chongqing Iron & Steel has consistently focused on cost reduction and efficiency improvement, implementing company-wide financial management practices. The Company has made continuous efforts across three key dimensions—management efficiency, operational efficiency, and production efficiency—overcoming multiple challenges including environmental performance upgrades to Grade A standards and production ramp-ups. Simultaneously, it has driven green development through technological innovation, achieving dual improvements in energy efficiency and innovative outcomes. These efforts have led to significant operational enhancements while consistently implementing the central government’s policies and guidelines for stabilizing growth in the steel industry.

**2. Chongqing Iron & Steel plays a vital role in the development of Chongqing and the southwestern region, serving as a key strategic industrial pillar for the city**

Chongqing Iron & Steel is located in Chongqing, which is adjacent to the golden waterway of the Yangtze River. The region faces numerous opportunities, including the “Western Development Strategy”, “Belt and Road Initiative”, “Yangtze River Economic Belt”, “Chengdu-Chongqing Economic Circle”, and the “Ongoing Relocation of Coastal Industries to the Western Region” Chongqing Iron & Steel is the only listed steel company in Chongqing. As the steel enterprise with the longest industrial chain, highest production capacity, most advanced technical equipment, and most comprehensive product range in the region, it primarily serves Chongqing and Southwest China. The Company operates its own raw material and finished product terminals, benefiting from superior logistics and distinct competitive advantages. For years, it has supplied high-quality steel products to support various foundational industries in Southwest China, serving as a strategic pillar for regional development while securing substantial business opportunities. The issuance will enhance the operational performance of listed companies and support their healthy development. It holds significant importance for the construction of key infrastructure and the advancement of the advanced manufacturing sector in Chongqing and its surrounding regions.

**3. The SASAC of the State Council supports listed companies in utilizing the capital market to achieve high-quality development**

In October 2020, the State Council issued the Guidelines on Further Enhancing the Quality of Listed Companies (《國務院關於進一步提高上市公司質量的意見》), which explicitly stated that improving the quality of listed companies is essential for fostering the healthy development of the capital market and a key component of advancing the socialist market economy system in the new era. The guidelines call for continuous enhancement of corporate governance standards and the strengthening and optimization of listed companies. In May 2022, the SASAC of the State Council issued the Work Plan for Improving the Quality of Listed Companies Controlled by Central Enterprises (《提高央企控股上市公司質量工作方案》). The plan requires central enterprise-controlled listed companies to fully utilize the financing functions of their listing platforms to focus on core business development. It also guides these companies to effectively leverage capital markets in serving enterprise development and optimizing resource allocation, thereby achieving integrated growth between industrial operations and capital operations that mutually reinforce each other—ultimately strengthening and refining their core businesses. Additionally, the plan encourages central enterprise-controlled listed companies to conduct equity financing based on both developmental needs and market conditions, while optimizing financing arrangements, improving capital structures, and increasing the proportion of direct financing.

Further improving the quality of listed companies controlled by central enterprises is of great significance for achieving high-quality development of central enterprises, promoting the healthy development of the capital market, and ensuring the stable operation of the national economy. The issuance is an important measure to implement the requirements for high-quality development of listed companies controlled by central enterprises and to boost confidence in the capital market. It demonstrates strong confidence in China’s macroeconomic stability, the steel industry’s prospects, and Chongqing Iron & Steel’s long-term steady growth. This initiative will help listed companies seize opportunities in comprehensive green transformation and achieve superior development.

**(II) Purpose of the Issuance of Shares to Specific Target Subscriber**

**1. Optimize the capital structure of the listed company and enhance their risk resilience**

The issuance will help further improve the liquidity of the listed company, optimize their capital structure, increase their total assets and net assets, reduce their asset-liability ratio and financial expenses, and enhance their risk resilience. This initiative also aligns with the national policy direction of increasing the proportion of direct financing, strengthening financial services' support for the real economy, and reducing the leverage ratio of state-owned enterprises.

**2. Support the stable development of the listed company's core businesses and create favorable conditions for enhancing their core competitiveness and achieving sustainable, high-quality development**

Due to the capital-intensive nature of the steel industry in which the listed company operate, as well as the continuous updates in technical equipment and environmental protection requirements, the listed company faces high working capital demands. This is particularly true during periods of weak industry cycles, when sufficient liquidity becomes even more critical for maintaining operational stability. Through the investment of the raised proceeds by the issuance, the listed company can utilize capital more efficiently, directing resources toward superior products to achieve product structure optimization and lean operations. This enhances the Company's operational stability and creates favorable conditions for strengthening the core competitiveness of the listed company and achieving sustainable, high-quality development, ultimately maximizing shareholder value.

**II. NECESSITY FOR THE SELECTION OF SECURITIES TO BE ISSUED UNDER THE ISSUANCE AND THE TYPE OF SECURITIES**

**(I) Type of Securities to be Issued Selected under the Issuance**

The type of securities selected under the issuance is a private placement of shares to specific target subscriber. The shares to be issued under the issuance are domestically listed ordinary shares denominated in RMB (A shares) with a nominal value of RMB1.00 per share.

**(II) Necessity for the Selection of Securities to be Issued under the Issuance**

**1. Optimize the capital structure of the listed company and enhance their risk resilience**

The proceeds raised through the issuance of shares to specific target subscriber to supplement working capital and repay bank loans will help further improve the liquidity of the listed company, optimize its capital structure, increase its total assets and net assets, reduce its asset-liability ratio and financial expenses, and enhance its risk resilience. This initiative also aligns with the national policy direction of increasing the proportion of direct financing, strengthening financial services' support for the real economy, and reducing the leverage ratio of state-owned enterprises.

**2. Support the stable development of the listed company's core businesses and create favorable conditions for enhancing their core competitiveness and achieving sustainable, high-quality development**

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**III. APPROPRIATENESS OF THE SELECTION SCOPE, NUMBER AND CRITERIA OF THE SUBSCRIBER UNDER THE ISSUANCE****(I) Appropriateness of the Selection Scope of the Subscriber under the Issuance**

The target subscriber of the issuance is Hwabao Investment. The target subscriber intends to subscribe for the shares issued in the issuance with cash. The selection scope of the subscriber under the issuance is in compliance with the provisions of the Registration Administrative Measures and other relevant laws and regulations, and is deemed appropriate.

**(II) Appropriateness of the Number of the Subscriber under the Issuance**

The issuance has one target subscriber: Hwabao Investment. The number of the subscriber under the issuance is in compliance with the provisions of the Registration Administrative Measures and other relevant laws and regulations, and is deemed appropriate.

**(III) Appropriateness of the Criteria of the Subscriber under the Issuance**

The subscriber under the issuance possesses a certain level of risk identification capability and risk-bearing capacity, and has the ability to pay the subscription price for the shares to be issued under the issuance. The subscriber under the issuance has entered into a share subscription agreement with the Company, which stipulates the subscription method, subscription price, pricing basis, subscription amount and quantity, lock-up period for the subscribed shares, liability for breach of contract, and the effective date and termination provisions. The criteria of the subscriber under the issuance is in compliance with the provisions of the Registration Administrative Measures and other relevant laws and regulations, and is deemed appropriate.

**IV. REASONABLENESS OF THE PRINCIPLES, BASIS, METHODOLOGY AND PROCEDURES FOR THE PRICING OF THE ISSUANCE****(I) Principles and Basis for the Pricing of the Issuance**

The pricing benchmark date of the issuance of shares to specific target subscriber shall be the date of the announcement regarding the resolution in respect of the proposal for the issuance considered at the 22nd meeting of the 10th session of the board of directors by the Company.

The price for the issuance is 90% of the average trading price of the Company's A shares for the 20 trading days prior to the pricing benchmark date (rounded up to two decimal places).

Average trading price of A shares for the 20 trading days prior to the pricing benchmark date = total trading value of shares for the 20 trading days prior to the pricing benchmark date / total trading volume of shares for the 20 trading days prior to the pricing benchmark date.

Based on the aforementioned pricing principles, the price for the issuance is RMB1.32 per share.

During the period from the pricing benchmark date to the date of the issuance, should the Company undertake dividend distributions, bonus share issues, or conversion of capital reserves, the price for the issuance shall be adjusted accordingly. The adjustment formulae are as follows:

Cash dividend distribution:  $P_1 = P_0 - D$

Bonus share distribution or conversion of capital reserves:  $P_1 = P_0 / (1 + N)$

Both measures implemented concurrently:  $P_1 = (P_0 - D) / (1 + N)$

Among above,  $P_1$  denotes the adjusted price for the issuance;  $P_0$  denotes the unadjusted price for the issuance;  $D$  denotes the cash dividend per share distributed; and  $N$  denotes the number of bonus shares issued or converted reserves per share.

## (II) Methodology and Procedures for the Pricing of the Issuance

The principles and basis for the pricing of the issuance are in compliance with the provisions of the Registration Administrative Measures and other relevant laws and regulations, and have been considered and approved by the Company's 22nd meeting of the 10th session of the board of directors and disclosed on the website of the Shanghai Stock Exchange and media outlets meeting the conditions stipulated by the China Securities Regulatory Commission. The independent directors' special meeting has considered and approved the relevant resolution(s) pertaining to the issuance. The relevant resolution(s) will be submitted to the Company's shareholders' meeting for consideration.

The methodology and procedures for the pricing of the issuance are in compliance with the provisions of the Registration Administrative Measures and other relevant laws and regulations, and are deemed reasonable.

## V. FEASIBILITY OF THE METHOD OF THE ISSUANCE

### (I) The Method of the Issuance is Legal and Compliant

#### 1. The issuance is in compliance with the issuance conditions stipulated in the Company Law

- (1) All shares issued under the issuance are domestically listed Renminbi ordinary shares, each of which carries identical issuance conditions and pricing and confers the same rights as those already issued by the Company, thereby complying with Article 143 of the Company Law.
- (2) The pricing benchmark date of the issuance is the date of the announcement regarding the resolution adopted at the 22nd meeting of the 10th session of the board of directors of the Company. The price for the issuance of shares to

specific target subscriber is RMB1.32 per share, which is not less than 80% of the average trading price of the Company's shares for the 20 trading days prior to the pricing benchmark date (RMB1.17 per share). The price for the issuance exceeds the par value, thereby complying with the Article 148 of the Company Law.

**2. The issuance is in compliance with the issuance conditions stipulated in the Securities Law**

- (1) The issuance is in compliance with the relevant provisions of Article 9 of the Securities Law: "Securities may not be issued to specific target subscribers through advertising, public solicitation, or disguised public means."
- (2) The issuance is in compliance with the relevant provisions of Article 12 of the Securities Law: "The issuance of new shares by listed companies shall meet the conditions stipulated by the securities regulatory authority under the State Council as approved by the State Council. Specific administrative measures shall be prescribed by the securities regulatory authority under the State Council."

**3. The issuance is in compliance with the provisions of Article 11 of the Registration Administrative Measures**

The issuance does not involve any of the following circumstances prohibiting the issuance of shares to specific target subscriber:

- (1) Unauthorised alteration of the use of proceeds from a previous fundraising without rectification, or without approval by the shareholders' meeting;
- (2) The preparation and disclosure of the most recent annual financial statements failing to comply in a material respect with the Enterprise Accounting Standards or relevant information disclosure rules; the most recent annual financial accounting report receiving an adverse opinion or an audit report expressing an inability to express an opinion; the most recent financial accounting report receiving an audit opinion with a qualified opinion, and the matters covered by the qualified opinion having not yet been resolved to the extent that they no longer have a material adverse effect on the Listed Company. This exclusion does not apply where the issuance involves a major asset restructuring;
- (3) Existing directors, supervisors, or senior management having received administrative penalties from the China Securities Regulatory Commission within the past three years, or having been publicly reprimanded by a securities exchange within the past year;
- (4) The Listed Company and its existing directors, supervisors, and senior management currently under investigation by judicial authorities for suspected criminal offences, or under investigation by the China Securities Regulatory Commission for suspected violations of laws or regulations;
- (5) The controlling shareholder or actual controller having committed any major illegal acts within the past three years that have seriously harmed the interests of the Listed Company or the lawful rights and interests of investors;
- (6) The occurrence of any major illegal acts within the past three years that have seriously harmed the lawful rights and interests of investors or the public interest.

**4. The issuance is in compliance with the provisions of Article 12 of the Registration Administrative Measures**

The use of proceeds raised through the issuance shall comply with the following provisions:

- (1) Conform to national industrial policies and relevant laws and administrative regulations concerning environmental protection, land management, etc.;
- (2) Except for financial enterprises, the proceeds raised shall not be used for holding financial investments, nor shall they be directly or indirectly invested in companies whose principal business involves trading in securities;
- (3) Upon completion of the fundraising projects, no new instances of significant adverse competitive overlap, grossly unfair related-party transactions, or material impairment to the Company's operational independence shall arise with the controlling shareholder, actual controller, or other enterprises under their control.

**5. The issuance is in compliance with the provisions of Article 55 of the Registration Administrative Measures**

The issuance has one specific target subscriber: Hwabao Investment, which falls below thirty-five and is in compliance with the relevant provisions of Article 55 of the Registration Management Measures.

**6. The issuance is in compliance with the provisions of Article 56 and Article 27 of the Registration Administrative Measures**

- (1) The price for the issuance shall not be less than 80% of the average trading price of the Company's shares for the 20 trading days prior to the pricing benchmark date (average trading price of the shares for the 20 trading days prior to the pricing benchmark date = total trading value of the Company's shares for the 20 trading days prior to the pricing benchmark date/total trading volume of the Company's shares for the 20 trading days prior to the pricing benchmark date), and is in compliance with the provisions of Article 56 of the Registration Administrative Measures;
- (2) The target subscriber of the issuance is Hwabao Investment. As the board of directors resolved to pre-determine all subscribers, and the subscriber is an associate controlled by the actual controller of the Listed Company, the pricing benchmark date of the issuance is the date of the announcement regarding the resolution adopted at the 22nd meeting of the 10th session of the board of directors. The price for the issuance is RMB1.32 per share, which is not less than 80% of the average trading price of the Company's shares for the 20 trading days prior to the pricing benchmark date (RMB1.17 per share), thereby complying with the provisions of Article 57 of the Registration Administration Measures.

**7. The lock-up period of the issuance is in compliance with the provisions of Article 59 of the Registration Administrative Measures**

The target subscriber of the issuance is Hwabao Investment. The newly issued shares subscribed for by the subscriber of the issuance shall not be transferred for a period of 36 months from the date of completion of the issuance. The issuance is in compliance with the provisions of Article 59 of the Registration Administration Measures.

**8. The issuance is in compliance with the provisions of Article 66 of the Registration Administrative Measures**

The funds utilised by Hwabao Investment, the target subscriber of the issuance, to subscribe for the securities issued herein derive entirely from its own or self-raised capital. There exists no commitment from the Company or any other relevant party to the subscription entity guaranteeing minimum returns or providing disguised guarantees of minimum returns. Furthermore, there is no instance of financial assistance or other compensation being provided to the target subscriber either directly or through interested parties. This is in compliance with the provisions of Article 66 of the Registration Management Measures.

**9. The issuance is in compliance with the Application Opinions on Articles 9, 10, 11, 13, 40, 57 and 60 of the Administrative Measures for the Registration of Securities Offerings by Listed Companies – Opinion No. 18 on the Application of Securities and Futures Laws**

- (1) As of the end of the most recent period, the Company had no significant financial investments.
- (2) The issuance does not involve any circumstances that would preclude a private placement, such as the Company’s “controlling shareholder or actual controller having committed any material illegal acts in the past three years that seriously harmed the interests of the Listed Company or the lawful rights and interests of investors”, or the Company itself having “committed any material illegal acts in the past three years that seriously harmed the lawful rights and interests of investors or the public interest”.
- (3) The issuance is in compliance with the relevant requirements for “rational financing and reasonable determination of financing scale”.

The number of shares issued shall not exceed 30% of the Company’s total share capital prior to the issuance; the period between the date of the resolution(s) of the board of directors for the issuance and the date of receipt of the previous fundraising exceeds 18 months; the total proceeds raised from the issuance shall not exceed RMB1,000 million (inclusive), with the entire amount, after deducting issuance expenses, intended for supplementing working capital and repaying bank loans, which will facilitate the further advancement of the Company’s principal business operations, optimise its capital structure, enhance its risk-bearing capacity, and provide robust support for its subsequent development. It aligns with the Company’s overall strategic development plan for the future, serves the interests of the Company and all shareholders, constitutes rational financing, and features a reasonable financing scale.

- (4) The issuance is in compliance with the relevant requirements for “primarily directing funds towards the principal business”.

The proceeds from the issuance of shares to specific target subscriber, after deducting issuance expenses, are intended to be used entirely for supplementing working capital and repaying bank loans, which aligns with the relevant provisions stipulating that “where funds are raised through rights issues, the issuance of preference shares, or private placements to specific target subscribers determined by the board of directors, the proceeds may be used entirely for supplementing working capital and repaying debts”.

**10. The lock-up period of the issuance is in compliance with the provisions of Articles 63 and 74 of the Regulation on the Takeover of Listed Companies**

Pursuant to the proposal for the issuance, the subscription entity for the issuance is Hwabao Investment. Following the issuance, Hwabao Investment and its concert parties are expected to collectively hold a proportion of the Company's shares exceeding 30%.

According to the relevant provisions of the Regulation on the Takeover of Listed Companies (《上市公司收購管理辦法》), the A shares under the issuance subscribed for by Hwabao Investment will trigger the obligation of a takeover offer. According to Article 63(1) (iii) of the "Regulation on the Takeover of Listed Companies", if the investor promises not to transfer the newly issued shares within three years, and the company's general meeting agrees to exempt the investor from issuing a takeover offer, they can be exempted from issuing an offer. Hwabao Investment has promised not to transfer the shares subscribed for under the issuance within 36 months from the date of completion of the issuance, which is in compliance with the provisions of Article 63 of the Regulation on the Takeover of Listed Companies.

According to Article 74 of the Regulation on the Takeover of Listed Companies, in the acquisition of a listed company, the acquirer may not transfer the acquired company's shares within 18 months after the acquisition is completed. Hwabao Investment and China Baowu have committed that Hwabao Investment and its concert parties shall not transfer the shares of Chongqing Iron & Steel held by them prior to the issuance with 18 months from the date of completion of the issuance, which is in compliance with the provisions of Article 74 of the Regulation on the Takeover of Listed Companies.

- 11. As the Company does not fall under the scope of enterprises to be punished as specified in the Memorandum of Cooperation on Taking Joint Disciplinary Actions against Dishonest Persons Subject to Enforcement and the Memorandum of Cooperation on Taking Joint Disciplinary Actions against Dishonest Enterprises in Customs Affairs, the Company is not classified as a generally dishonest enterprise or a dishonest enterprise in customs affairs.**

Upon self-inspection, it is found that the Company does not fall under the scope of enterprises to be punished as specified in the Memorandum of Cooperation on Taking Joint Disciplinary Actions against Dishonest Persons Subject to Enforcement and the Memorandum of Cooperation on Taking Joint Disciplinary Actions against Dishonest Enterprises in Customs Affairs, and therefore the Company is not classified as a generally dishonest enterprise or a dishonest enterprise in customs affairs.

In summary, the Company is in compliance with the provisions of the Securities Law, the Registration Administration Measures, the Application Opinions on Articles 9, 10, 11, 13, 40, 57 and 60 of the Administrative Measures for the Registration of Securities Offerings by Listed Companies – Opinion No. 18 on the Application of Securities and Futures Laws, and other laws and regulations. The method of the issuance meets the requirements of relevant laws and regulations and is lawful, compliant, and feasible.

**(II) The Procedures for Determining the Method of the Issuance are Legal and Compliant**

The proposal for the issuance of A shares to specific target subscriber has been considered and approved at the 22nd meeting of the 10th session of the board of directors by the Company and the independent directors' special meeting, and all relevant documents have

been disclosed on the website of the Shanghai Stock Exchange and media outlets meeting the conditions stipulated by the China Securities Regulatory Commission, and the necessary consideration and information disclosure procedures have been fulfilled.

Pursuant to relevant regulations, the issuance of A shares to specific target subscriber remains subject to consideration by the shareholders' meeting and class meetings of the Company, approval of the exemption from the mandatory general offer obligation for A shares by the shareholders' meeting, approval of the H-share whitewash waiver by the shareholders' meeting, authorisation from the Hong Kong Securities and Futures Commission (the acquirer reserves the right to seek approval from China Baowu for exemption from this condition precedent), approval from China Baowu, secure approval from the Shanghai Stock Exchange, and registration consent from the China Securities Regulatory Commission. Following approval by the Shanghai Stock Exchange and registration consent from the China Securities Regulatory Commission, the Company shall apply to the Shanghai Stock Exchange and China Securities Depository and Clearing Corporation Limited, Shanghai Branch, to handle matters relating to the share issuance, registration, and listing, thereby completing all reporting and approval procedures for this share issuance.

In summary, the procedures for the issuance at this stage have been completed, and such procedures are compliant.

#### **VI. FAIRNESS AND REASONABLENESS OF THE PROPOSAL FOR THE ISSUANCE**

The proposal for the issuance, having been considered and approved by the board of directors, is conducive to further advancing the development of the Company's principal business operations and optimising its capital structure, thereby enhancing its risk-bearing capacity and providing robust safeguards for its subsequent development. It aligns with the Company's overall strategic development plan for the future, complies with laws, regulations, and normative documents, is in the interests of both the Company and all shareholders, and is deemed necessary and feasible.

The proposal for the issuance and related documents have been disclosed on the website of the Shanghai Stock Exchange and media outlets meeting the conditions stipulated by the China Securities Regulatory Commission. This ensures all shareholders' right to information and guarantees the fairness and reasonableness of the issuance.

The Company will hold a shareholders' meeting and a class meeting to consider the proposal for the issuance, and all shareholders will fairly cast votes on a one-share-one-vote basis. Any resolution of the shareholders' meeting and the class meeting in respect of the matters relating to the issuance must be adopted by statutory proportion of the voting rights held by the shareholders present at the meeting; for resolution(s) involving related-party transactions, the related shareholders shall abstain from voting, and the voting by small and medium investors shall be counted separately, and meanwhile the shareholders of the Company may exercise their shareholders' rights by way of on-site or online voting. In summary, the board of directors has considered and approved the proposal for the issuance and believes that the proposal for the issuance is in the interests of the Company and all shareholders; the related disclosure procedures for the proposal for the issuance and relevant documents will be fulfilled, thus ensuring the right to information of all shareholders; meanwhile it is fair and reasonable that the proposal for the issuance will be subject to the fair voting by the shareholders attending the shareholders' meeting and the class meeting.

#### **VII. ANALYSIS OF DILUTED IMMEDIATE RETURN ON THE ISSUANCE OF THE SHARES**

**TO SPECIFIC TARGET SUBSCRIBER AND THE REMEDIAL MEASURES TO BE TAKEN  
BY THE COMPANY**

In accordance with the Opinions of the General Office of the State Council on Further Strengthening the Protection of the Legitimate Rights and Interests of Small and Medium Investors in the Capital Market (Guobanfa [2013] No. 110) (國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見)(國辦發[2013]110號)), the Several Opinions of the State Council on Further Promoting the Healthy Development of the Capital Market (Guofa [2014] No. 17) (《國務院關於進一步促進資本市場健康發展的若干意見》(國發[2014]17號)), and the Guiding Opinions on Matters Concerning the Dilution of Immediate Returns in Initial Public Offerings, Refinancing, and Major Asset Restructurings (CSRC Announcement [2015] No. 31) (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》(證監會公告[2015]31號)), the Company has analyzed the potential impact of the issuance of shares to specific target subscriber on immediate returns and proposed specific measures to mitigate such effects, thereby safeguarding the interests of small and medium investors. All directors, senior management, controlling shareholders, and actual controllers of the Company have committed to ensuring the effective implementation of the measures to mitigate the potential dilution of immediate returns from the issuance of shares to specific target subscriber. For details, please refer to the Announcement of Chongqing Iron & Steel Company Limited Regarding Risk Warning on Dilution of Immediate Returns from the Issuance of A Shares to Specific Target Subscriber and Related Commitments by Relevant Parties.

**VIII. CONCLUSION**

In summary, the issuance of A shares to specific target subscriber by the Company is necessary and feasible, and is in compliance with the provisions of the relevant laws and regulations. The issuance will further advance the development of its core business, optimize the capital structure, enhance risk resilience, and provide robust support for future growth. This initiative aligns with the Company's overall strategic development plan and serves the interests of both the Company and all shareholders.

Board of directors of  
Chongqing Iron & Steel Company Limited  
19 December 2025

Stock Code: 601005

Stock Abbreviation: Chongqing Iron & Steel

**Chongqing Iron & Steel Company Limited**  
**重慶鋼鐵股份有限公司**

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*(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)

FEASIBILITY ANALYSIS REPORT ON THE USE OF PROCEEDS FROM THE  
ISSUANCE OF A SHARES TO SPECIFIC TARGET SUBSCRIBER IN 2025

December 2025

Chongqing Iron & Steel Company Limited (hereinafter referred to as “**Chongqing Iron & Steel**”, the “**listed company**,” or the “**Company**”) plans to issue A shares to specific target subscriber, with the total amount of proceeds to be raised (including issuance expenses) not exceeding RMB1,000,000,000. In accordance with the Administrative Measures for the Registration of Securities Offerings by Listed Companies (《上市公司證券發行註冊管理辦法》) and other relevant regulations, the Company’s feasibility analysis regarding the use of proceeds raised by issuance of A shares to specific target subscriber is as follows:

## **I. PLAN FOR THE USE OF PROCEEDS RAISED**

The total amount of proceeds to be raised in the issuance is expected not to exceed RMB1,000,000,000 (inclusive), subject to the registration approval document issued by the CSRC for the issuance. After deducting issuance expenses, all proceeds will be used to supplement working capital and repay bank loans.

## **II. THE NECESSITY OF THE PROCEEDS RAISED**

### **(1) Optimize the capital structure of the listed company and enhance its risk resilience**

The proceeds raised to supplement working capital and repay bank loans will help further improve the liquidity of the listed company, optimize their capital structure, increase their total assets and net assets, reduce their asset-liability ratio and financial expenses, and enhance their risk resilience. This initiative also aligns with the national policy direction of increasing the proportion of direct financing, strengthening financial services’ support for the real economy, and reducing the leverage ratio of state-owned enterprises.

### **(2) Support the stable development of the listed company’s core businesses and create favorable conditions for enhancing its core competitiveness and achieving sustainable, high-quality development**

Due to the capital-intensive nature of the steel industry in which the listed company operate, as well as the continuous updates in technical equipment and environmental protection requirements, the listed company faces high working capital demands. This is particularly true during periods of weak industry cycles, when sufficient liquidity becomes even more critical for maintaining operational stability. Through the investment of the raised proceeds, the listed company can utilize capital more efficiently, directing resources toward superior products to achieve product structure optimization and lean operations and enhancing the operational stability. These measures create favorable conditions for strengthening the core competitiveness of the listed company and achieving sustainable, high-quality development, ultimately maximizing shareholder value.

**III. FEASIBILITY OF THE PROCEEDS RAISED****(1) The use of proceeds from the issuance complies with applicable laws and regulations**

The use of proceeds raised by the Company in the issuance complies with relevant laws, regulations, and normative documents, and is feasible. After the proceeds raised from the issuance are received, the Company's net assets will increase, enhancing its ability to mitigate risks and market competitiveness, and promoting sustained, healthy, and high-quality business development.

**(2) The listed company has standardized governance, sound internal controls, and robust safeguards for the use of raised proceeds**

The Company has established a modern enterprise system centered on a corporate governance structure in compliance with the governance standards of listed companies, forming a standardized corporate governance framework and a robust internal control environment. The Company has established a Management System for Raised Funds (《募集資金管理制度》) in accordance with regulatory requirements, which clearly defines the storage, use, allocation, and supervision of raised proceeds. After the proceeds raised in the issuance are received, the Board of the Company will continue to oversee the storage and use of the proceeds raised to ensure their proper and standardized utilization and mitigate any associated risks.

**IV. APPROVAL MATTERS RELATED TO THE INVESTMENT OF PROCEEDS RAISED IN THE ISSUANCE**

After deducting the issuance expenses, all the proceeds raised from the issuance will be used to supplement working capital and repay bank loans, meeting the Company's future capital needs for development. The use of the raised proceeds does not require any approvals.

**V. THE IMPACT OF THE ISSUANCE TO SPECIFIC TARGET SUBSCRIBER ON THE  
COMPANY'S OPERATIONS, MANAGEMENT, AND FINANCIAL STATUS****(1) Impact on the Company's Operations and Management**

The use of proceeds raised in the issuance aligns with the Company's business development needs. It will help improve the liquidity of the listed company, enhance its capital strength, reduce the asset-liability ratio, further advance the development of its core business, strengthen risk resilience, boost overall competitiveness, and safeguard the long-term interests of all shareholders. This initiative holds significant strategic importance for the Company's sustainable long-term growth.

After the completion of the issuance, the Company will maintain a sound corporate governance structure, ensuring the integrity of its personnel, assets, finances, and operations in R&D, procurement, sales, and other areas. It will also preserve its independence from controlling shareholders, actual controllers, and their related parties in business operations, personnel, assets, organizational structure, and financial matters.

**(2) Impact on the Company's Financial Status**

Upon completion of the issuance, the Company's total assets and net assets will increase, the current ratio will rise, the asset-liability ratio will decline, and the capital structure will be optimized, thereby enhancing risk resilience. Additionally, it will reduce financial expenses and provide robust support for the Company's future development.

**VI. FEASIBILITY CONCLUSION OF FUNDRAISING INVESTMENT PROJECTS**

In summary, the allocation of proceeds raised by the Company's issuance will further advance the development of its core business, optimize the capital structure, enhance risk resilience, and provide robust support for future growth. This initiative aligns with the Company's overall strategic development plan, complies with relevant laws, regulations, and normative documents, serves the interests of both the company and all shareholders, and demonstrates both necessity and feasibility.

Board of Directors of Chongqing Iron & Steel Company Limited

19 December 2025

Stock Code: 601005

Stock Abbreviation: Chongqing Iron & Steel

# **Chongqing Iron & Steel Company Limited** **重慶鋼鐵股份有限公司**

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*(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)

## **SHAREHOLDER DIVIDEND DISTRIBUTION PLAN FOR THE NEXT THREE YEARS (2026-2028)**

December 2025

To further standardize and enhance the profit distribution policy of Chongqing Iron & Steel Company Limited (hereinafter referred to as the “**Company**”), establish a scientific, sustainable, and stable shareholder return mechanism, improve the transparency and operability of profit distribution policy decisions, and protect the legitimate rights and interests of minority shareholders, in accordance with the Company Law of the People’s Republic of China (《中華人民共和國公司法》), the No. 3 Guideline for the Supervision of Listed Companies – Cash Dividend Distribution of Listed Companies (《上市公司監管指引第3號–上市公司現金分紅》), and other relevant laws and regulations, as well as the Articles of Association of Chongqing Iron & Steel Company Limited (《重慶鋼鐵股份有限公司章程》) (hereinafter referred to as the “Articles of Association”), and coupled with the Company’s actual circumstances, the Board has formulated the Shareholder Dividend Return Plan of Chongqing Iron & Steel Company Limited for the Next Three Years (2026-2028) (《重慶鋼鐵股份有限公司未來三年(2025–2027年)股東分紅回報規劃》) (hereinafter referred to as the “**Plan**”), with the specific contents as follows:

## **I. FACTORS CONSIDERED IN FORMULATING THE PLAN**

With a focus on long-term and sustainable development, the Company conducts a comprehensive analysis of factors such as its business development strategy, shareholders’ requirements and expectations, social capital costs, and the external financing environment, and thoroughly considers the Company’s current and future profit scale, cash flow status, development stage, project investment funding needs, and bank credit conditions. The Company establishes and enhances a sustainable, stable, and scientifically sound dividend return plan and mechanism for investors, implementing institutional arrangements for profit distribution to ensure the continuity and stability of its profit distribution policy.

## **II. PRINCIPLES FOR THE FORMULATION OF THE PLAN**

The formulation of the Plan shall comply with the provisions of relevant laws and regulations, normative documents, and the Articles of Association, taking into account the Company’s strategic development plan and sustainable development needs. It shall comprehensively consider factors such as the actual situation of the Company’s business development, shareholders’ reasonable investment returns, and the Company’s cash flow status. The profit distribution plan shall be prudently determined to maintain the continuity and stability of the Company’s profit distribution policy. The Company shall determine a reasonable profit distribution plan each year based on its current production and operational conditions as well as the capital requirements for project investments, while fully considering reasonable returns for investors. The Company shall also carefully consider and take into account the opinions of shareholders, particularly small and medium investors, independent directors and public investors.

**III.    SHAREHOLDER DIVIDEND DISTRIBUTION PLAN FOR THE NEXT THREE YEARS  
(2026-2028)**

The Company maintains a consistent and stable profit distribution policy, ensuring reasonable investment returns for shareholders while supporting the Company’s sustainable development. While ensuring the Company’s normal production and operational funding needs are met, the Company will actively distribute profit in cash.

**1.    Profit distribution method**

The Company may distribute dividends in cash, shares, or a combination of cash and shares, or through other profit distribution methods permitted by laws and regulations. The Company shall prioritise the distribution of profits through cash dividends.

**2.    Specific provisions for profit distribution**

- (1)    Subject to meeting the conditions for cash dividends, the Company will generally distribute cash dividends once a year. The Board of the Company may propose interim cash dividend distributions based on the Company’s profitability and capital requirements.

On the premise of ensuring the minimum cash dividend ratio and maintaining a reasonable size and ownership structure of the Company’s share capital, the Company may distribute profit through stock dividends based on annual profitability and cash flow conditions, taking into account genuine factors such as corporate growth, dilution of net assets per share, and the alignment between the Company’s stock price and share capital size.

- (2)    The specific conditions for the Company to distribute cash dividends are:

- ①    The distributable profit realized by the Company in the current year (i.e., the remaining after-tax profit after the Company covers losses and allocates to the provident fund) are positive, and the cash flow is sufficient. Implementing cash dividends will not affect the Company’s subsequent ongoing operations;

- ② The auditing firm issued a standard unqualified audit report on the Company's annual financial statements;
  - ③ The Company has no major investment plans or significant cash outlays (excluding projects funded by raised capital). Such material investment plans or significant cash outflows refer to external investments, asset acquisitions or purchases proposed by the Company within the next twelve months, where the cumulative expenditure reaches or exceeds 30% of the Company's most recent audited total assets.
- (3) If the Company meets the conditions for cash dividends, it shall distribute no less than 10% of its annual distributable profit in cash each year, and the cumulative cash dividends paid over the last three years shall not be less than 30% of the average annual distributable profits realized in the last three years.

#### **IV. DECISION-MAKING PROCEDURES AND MECHANISMS FOR PROFIT DISTRIBUTION PLANS AND THREE-YEAR DIVIDEND DISTRIBUTION PLAN**

1. The Company's annual profit distribution plan is proposed and drafted by the Board in accordance with the provisions of the Articles of Association, profitability, and capital supply and demand conditions. When reviewing the specific cash dividend plan, the Board shall thoroughly study and evaluate matters such as the timing, conditions, and minimum ratio of the Company's cash dividends, as well as the adjustment criteria and decision-making process requirements. When the Board deliberates and formulates profit distribution policies, approval by a majority of all directors is required before submission to the shareholders' meeting for review.

2. Independent directors may solicit opinions from small and medium-sized shareholders, propose dividend distribution plans, and submit them directly to the Board for review. Independent directors have the right to express independent opinions if they believe the specific cash dividend plan may harm the interests of the Company or minority shareholders. If the Board does not adopt or only partially adopts the opinions of independent directors, the independent directors' opinions and specific reasons for non-adoption shall be disclosed in the board resolution announcement.
  
3. Prior to the deliberation of the specific cash dividend plan at the shareholders' meeting, the Company shall proactively engage with shareholders, particularly minority shareholders, through various channels. These include, but are not limited to, telephone, fax, email communications, or by inviting minority shareholders to attend the meeting. The Company shall fully consider the opinions and requests of minority shareholders and promptly address their concerns.
  
4. When the Company holds an annual shareholders' meeting to review the annual profit distribution plan, it may review and approve the conditions, maximum percentage, maximum amount, etc. for interim cash dividends in the following year. The upper limit for interim dividends in the following year, as approved at the shareholders' meeting, shall not exceed the net profit attributable to the Company's shareholders during the corresponding period. In accordance with the resolutions of the shareholders' meeting, the Board formulates a specific interim dividend plan subject to profit distribution conditions.

**V.      DIVIDEND DISTRIBUTION PLANNING CYCLE AND ADJUSTMENTS**

The Company will review the shareholder dividend distribution plan every three years and determine the distribution plan for the period based on the Company's operational performance and shareholder feedback (particularly from minority shareholders).

If it is necessary to adjust the profit distribution policy specified in the shareholder dividend return plan due to the Company's actual production and operation conditions, investment planning, and long-term development needs, the Board of the Company shall propose an adjustment to the profit distribution policy based on the actual circumstances. The adjusted profit distribution policy must prioritize the protection of shareholders' rights and interests and must not violate the relevant regulations of the CSRC and the Shanghai Stock Exchange. Proposals regarding adjustments to the profit distribution policy must be reviewed by the Board before being submitted to the Company's shareholders' meeting for deliberation and approval. When the shareholders' meeting deliberates on adjustments to the profit distribution policy, the resolution must be passed by a two-thirds majority vote of the voting rights held by shareholders present at the meeting.

**VI.      OTHER MATTERS**

For matters not covered in the Plan or in case of any inconsistency between the Plan and relevant laws, regulations, normative documents, or the provisions of the Articles of Association, the provisions of such laws, regulations, normative documents, and the Articles of Association shall prevail. The Plan shall be interpreted by the Board of the Company and shall take effect upon approval by the shareholders' meeting.

Board of Directors of Chongqing Iron & Steel Company Limited  
19 December 2025

## Chongqing Iron & Steel Company Limited Management System for Raised Funds

### CHAPTER I GENERAL PROVISIONS

- Article 1** In order to regulate the use and management of raised funds by Chongqing Iron & Steel Company Limited (hereinafter referred to as the “**Company**”), improve the efficiency of raised funds usage, prevent risks associated with fund utilization, ensure fund safety, and protect investors’ interests, in accordance with the “Company Law of the People’s Republic of China”, the “Securities Law of the People’s Republic of China”, the “Measures for Registration Administration of Initial Public Offering of Stocks”, the “Measures for Registration Administration of Listed Companies’ Securities Issuance”, the “Guidelines on Application of Regulatory Rules — Category 7: Issuance”, the “Regulatory Rules for Raised Funds of Listed Companies”, the “Shanghai Stock Exchange Stock Listing Rules”, the “Self-regulatory Guidelines No. 1 of Shanghai Stock Exchange — Standard Operations”, other laws, regulations and normative documents, as well as the requirements of the “Articles of Association of Chongqing Iron & Steel Company Limited” (hereinafter referred to as the “**Articles of Association**”), and combined with the actual situation of the Company, this system is formulated.
- Article 2** The term “raised funds” as used in this system refers to funds raised from investors by the Company through issuing stocks or other equity-related securities for specific purposes, but does not include funds raised under equity incentive plans subject to regulatory oversight.
- Article 3** The Company’s raised funds shall be used for designated purposes only. The use of raised funds by the Company shall comply with national industrial policies and relevant laws and regulations, practice the concept of sustainable development, fulfill social responsibilities, and shall in principle be used for its main business operations, which will help enhance the Company’s competitiveness and innovation capability. Raised funds shall not be used for financial investments, nor directly or indirectly invested in companies whose primary business is trading in securities.
- Article 4** The Company shall establish and improve internal control systems regarding the deposit, management, use, change of purpose, supervision, and accountability of raised funds, clearly define tiered approval authorities, decision-making procedures, risk control measures, and information disclosure requirements for the use of raised funds, and standardize the use of raised funds.

The Board of Directors shall continuously monitor the deposit, management, and use of raised funds to effectively prevent investment risks and improve the efficiency of raised funds usage.

Where a raised-fund investment project (hereinafter referred to as a “**fund-raising project**”) is implemented through the Company’s subsidiary or another enterprise controlled by the Company, such subsidiary or controlled enterprise shall comply with this system.

**Article 5** The controlling shareholder, actual controller, and other related parties of the Company shall not occupy the Company’s raised funds, nor obtain improper benefits by utilizing the Company’s fund-raising projects.

**Article 6** The directors and senior management of the Company shall perform their duties diligently and ensure the safety of the Company’s raised funds; they shall not manipulate the Company to arbitrarily or de facto change the intended use of raised funds.

## **CHAPTER II DEPOSIT OF RAISED FUNDS**

**Article 7** The Company shall prudently select commercial banks and open special accounts for raised funds. The raised funds shall be deposited and centrally managed in special accounts established upon approval by the Board of Directors (hereinafter referred to as “**Special Accounts for Raised Funds**”).

Non-raised funds shall not be deposited into the special accounts for raised funds, nor shall these accounts be used for other purposes.

If the Company has undergone two or more financings, separate special accounts for raised funds shall be set up for each financing. Surplus raised funds shall also be managed within the special accounts for raised funds.

For fund-raising projects invested overseas, the provisions of this system shall apply. The Company and its sponsor institution or independent financial advisor (collectively referred to as the “sponsor institution”) shall take effective measures to ensure the safety and standardized use of raised funds invested in overseas projects, and disclose the relevant specific measures and actual effects in the “Special Report on the Deposit, Management and Actual Use of the Company’s Raised Funds” (hereinafter referred to as the “Raised Funds Special Report”).

**Article 8** Within one month after the raised funds are credited, the Company shall enter into a tripartite regulatory agreement on the deposit of raised funds with the sponsor institution and the commercial bank where the raised funds are deposited (hereinafter referred to as the “**commercial bank**”), and promptly make an announcement. After signing the agreement, the Company may begin using the raised funds. The agreement shall at least include the following contents:

- (1) The Company shall concentrate the raised funds in the special accounts for raised funds;
- (2) The account numbers of the special accounts for raised funds, the fund-raising projects involved, and the deposited amounts;
- (3) The commercial bank shall provide the Company with monthly bank statements of the special accounts for raised funds and send copies to the sponsor institution;
- (4) If the amount withdrawn by the Company once or cumulatively within 12 months exceeds RMB50 million and reaches 20% of the net amount of raised funds (after deducting issuance expenses) (hereinafter referred to as the “**net amount of raised funds**”), the Company shall promptly notify the sponsor institution;
- (5) The sponsor institution may access the data of the special accounts for raised funds at the commercial bank at any time;
- (6) The supervisory responsibilities of the sponsor institution, the notification and cooperation obligations of the commercial bank, and the regulatory methods adopted by the sponsor institution and the commercial bank regarding the Company’s use of raised funds;
- (7) The liability for breach of contract by the Company, the commercial bank, and the sponsor institution.
- (8) If the commercial bank fails to issue statements to the sponsor institution three times without justification or refuses to cooperate with the sponsor institution’s inquiries and investigations into the special account data, the Company may terminate the agreement and cancel the special account for raised funds.

If the above-mentioned agreement is terminated prior to the expiration of its validity period, the Company shall sign a new agreement with the relevant parties within two weeks from the date of termination and promptly make an announcement.

### **CHAPTER III USE OF RAISED FUNDS**

**Article 9** The Company shall use raised funds prudently and according to the purposes listed in the prospectus or other public offering documents, and shall not change the intended use without authorization. The Company shall truthfully, accurately, and completely disclose the actual use of raised funds. When circumstances seriously affect the normal progress of the fund-raising investment plan, the Company shall promptly make an announcement.

**Article 10** The Company's raised funds shall in principle be used for its main business operations. The use of raised funds shall not involve the following actions: (1) de facto changing the intended use of raised funds through pledges, entrusted loans, or other means; (2) directly or indirectly providing raised funds to the controlling shareholder, actual controller, or other related parties, or facilitating such parties to obtain improper benefits through fund-raising projects; (3) other acts in violation of raised funds management regulations.

**Article 11** The Company shall use raised funds prudently and according to the purposes specified in the prospectus or other public offering documents, and shall not change the intended use without authorization. The use of raised funds must strictly follow the fund approval procedures stipulated in this system and the Company's relevant regulations.

**Article 12** When any of the following circumstances occur with respect to a fund-raising project, the Company shall re-evaluate the feasibility and expected returns of the project and decide whether to continue its implementation: (1) There is a significant change in the market environment related to the fund-raising project; (2) The fund-raising project remains idle for over one year after the raised funds are credited; (3) The completion deadline of the raised funds investment plan is exceeded and the amount of raised funds invested has not reached 50% of the relevant planned amount; (4) Other abnormal circumstances arise in the fund-raising project.

Where the Company is in any of the above situations, it shall make timely disclosure. If adjustments to the raised funds investment plan are required, the adjusted plan shall also be disclosed simultaneously; if changes to the fund-raising project are involved, the relevant review procedures for changing the use of raised funds shall apply.

The Company shall disclose the specific circumstances of the re-evaluation of fund-raising projects during the reporting period in its most recent periodic report.

**Article 13**

When the Company uses raised funds for the following matters, it shall obtain approval from the Board of Directors, receive a clear consent opinion from the sponsor institution, and make timely disclosure:

- (1) Using raised funds to replace self-raised funds previously invested in fund-raising projects;
- (2) Using temporarily idle raised funds for cash management;
- (3) Temporarily supplementing working capital with temporarily idle raised funds;
- (4) Changing the intended use of raised funds;
- (5) Using surplus raised funds for ongoing projects or new projects, or repurchasing the Company's own shares and legally cancelling them.

If the Company falls under items (4) or (5) above, it shall also obtain approval from the Shareholders' Meeting.

If the relevant matter involves related-party transactions, asset purchases, external investments, etc., it shall also comply with the relevant rules and fulfill review procedures and information disclosure obligations.

**Article 14**

Where the Company has used self-raised funds to pre-invest in a fund-raising project, and intends to replace such funds with raised funds after the latter are credited, such replacement shall be carried out within six months after the raised funds are transferred into the special account.

During the implementation of the fund-raising project, payments shall in principle be made directly from raised funds; however, where direct payment from raised funds is practically difficult (e.g., for personnel compensation or purchasing products/equipment overseas), the replacement may be conducted within six months after making the payment via self-raised funds.

Matters concerning the replacement of funds shall be approved by the Company's Board of Directors, the sponsor institution shall issue a clear opinion, and the Company shall promptly disclose the relevant information.

**Article 15**

The Company may conduct cash management with temporarily idle raised funds. Cash management shall be conducted through the special account for raised funds or a publicly disclosed product-specific settlement account. If a product-specific settlement account is used for cash management, such account shall not hold non-raised funds or be used for other purposes. The conduct of cash management shall not affect the normal progress of the raised funds investment plan.

Cash management products shall meet the following conditions:

- (1) They shall be high-safety products such as structured deposits or large-denomination certificates of deposit, and shall not be non-guaranteed principal products;
- (2) They shall have good liquidity, and the product term shall not exceed twelve months;
- (3) Cash management products shall not be pledged.

The use of temporarily idle raised funds for cash management shall be approved by the Board of Directors, the sponsor institution shall issue a clear opinion, and the Company shall promptly disclose the following information:

- (1) Basic information about the current raised funds, including the fundraising time, amount of raised funds, net amount of raised funds, and investment plan;
- (2) The use of raised funds;
- (3) The amount and duration of cash management, whether there are any acts that de facto change the intended use of raised funds, and measures taken to ensure that the fund-raising project proceeds normally;

- (4) The income distribution method, investment scope, and safety of the cash management products;
- (5) The opinion issued by the sponsor institution.

If any situation arises during the use of temporarily idle raised funds for cash management that may harm the interests of the listed company and investors, the Company shall promptly disclose the relevant circumstances and proposed remedial measures.

**Article 16**

The Company may temporarily use temporarily idle raised funds to supplement working capital, provided that such use is conducted through the special account for raised funds and meets the following requirements:

- (1) It shall not de facto change the intended use of raised funds or affect the normal progress of the raised funds investment plan;
- (2) It shall be limited to operational activities related to the main business;
- (3) Each temporary supplementation of working capital shall not exceed 12 months;
- (4) Previously used raised funds for temporary supplementation of working capital have been repaid upon maturity (if applicable).

The amount, duration, and other matters related to the temporary use of temporarily idle raised funds to supplement working capital shall be approved by the Board of Directors, the sponsor institution shall issue a clear opinion, and the Company shall promptly disclose the relevant information.

Before the expiry date for returning the funds, the Company shall return such portion of funds to the special account for raised funds and promptly announce the return of the raised funds.

**Article 17** The Company shall properly arrange the use plan of surplus raised funds based on its development planning and actual operational needs. Surplus raised funds shall be used for ongoing projects or new projects, or for repurchasing the Company's own shares and legally cancelling them. The Company shall determine the specific use plan of surplus raised funds no later than the overall conclusion of the batch of fund-raising projects, and use the funds according to the plan. The use of surplus raised funds shall be resolved by the Board of Directors in accordance with law, the sponsor institution shall issue a clear opinion, and the resolution shall be submitted to the Shareholders' Meeting for approval. The Company shall timely and fully disclose information regarding the necessity and rationality of using surplus raised funds. Where the Company uses surplus raised funds to invest in ongoing or new projects, it shall also fully disclose information such as the construction plan, investment cycle, and rate of return of the relevant projects.

If it is necessary to use temporarily idle surplus raised funds for cash management or temporary supplementation of working capital, the necessity and rationality shall be explained. The amount, duration, and other matters related to the use of temporarily idle surplus raised funds for cash management or temporary supplementation of working capital shall be approved by the Board of Directors, the sponsor institution shall issue a clear opinion, and the Company shall promptly disclose the relevant information.

**Article 18** After the completion of a single fund-raising project, if the Company intends to use the remaining raised funds (including interest income) from that project for other fund-raising projects, such use shall be approved by the Board of Directors and subject to a clear opinion from the sponsor institution before implementation.

The Company shall make a prompt announcement after the Board meeting. Where the remaining raised funds (including interest income) are less than RMB1 million or less than 5% of the committed investment amount of the project, the foregoing procedures may be exempted, and the use shall be disclosed in the annual report.

If the remaining raised funds (including interest income) from a single completed fund-raising project are used for non-fund-raising projects (including supplementing working capital), the corresponding procedures and disclosure obligations for changing the use of raised funds shall apply.

**Article 19** After all fund-raising projects are completed, the use of remaining raised funds (including interest income) shall be approved by the Board of Directors and subject to a clear opinion from the sponsor institution. The Company shall make a prompt announcement after the Board deliberation. If the remaining raised funds (including interest income) account for 10% or more of the net amount of raised funds, approval from the Shareholders' Meeting shall also be obtained.

If the remaining raised funds (including interest income) are less than RMB5 million or less than 5% of the net amount of raised funds, the foregoing procedures may be exempted, and the use shall be disclosed in the most recent periodic report.

#### CHAPTER IV CHANGE OF USE OF RAISED FUNDS

**Article 20** The following circumstances constitute a change in the intended use of raised funds. In such cases, the Board of Directors shall make a resolution in accordance with law, the sponsor institution shall issue a clear opinion, and the matter shall be submitted to the Shareholders' Meeting for approval. The Company shall promptly disclose the relevant information:

- (1) Cancelling or terminating the original fund-raising project and implementing a new project or permanently supplementing working capital;
- (2) Changing the implementing entity of the fund-raising project;
- (3) Changing the implementation method of the fund-raising project;
- (4) Other circumstances recognized by the China Securities Regulatory Commission (hereinafter referred to as "CSRC") or the Shanghai Stock Exchange as constituting a change in the intended use of raised funds.

A change of the implementing entity between the Company and its wholly-owned subsidiaries, or a mere change in the location of the fund-raising project, shall not be deemed as a change in the intended use of raised funds. Such changes shall be resolved by the Board of Directors, without the need to submit to the Shareholders' Meeting for approval. The sponsor institution shall issue a clear opinion, and the Company shall promptly disclose the relevant information.

**Article 21** If the Company intends to change a fund-raising project, it shall promptly announce the following content after submitting it for Board review:

- (1) The basic situation of the original fund-raising project and the specific reasons for the change;
- (2) The basic situation, feasibility analysis, and risk warnings of the new fund-raising project;
- (3) The investment plan of the new fund-raising project;
- (4) An explanation of whether the new fund-raising project has obtained or still requires approval from relevant departments (if applicable);
- (5) The opinion of the sponsor institution on changing the fund-raising project;
- (6) An explanation that the change of the fund-raising project still requires submission to the Shareholders' Meeting for approval;
- (7) Other contents required by the Shanghai Stock Exchange.

If the new fund-raising project involves related-party transactions, asset purchases, or external investments, the Company shall refer to the relevant rules and fulfill review procedures and information disclosure obligations.

**Article 22** The changed fund-raising project shall be invested in the main business.

The Company shall conduct a scientific and prudent feasibility analysis of the new fund-raising project, ensuring that the investment helps enhance the Company's competitiveness and innovation capability, effectively prevents investment risks, and improves the efficiency of raised funds usage.

**Article 23** If the Company changes the fund-raising project to acquire assets (including equity) from the controlling shareholder or actual controller, it shall ensure that after the acquisition, it can effectively avoid competition among peers and reduce related-party transactions.

**Article 24** If the Company intends to transfer or exchange a fund-raising project externally (except where the fund-raising project has already been fully transferred or exchanged in connection with a major asset restructuring of the Company), it shall promptly announce the following content after submitting it for Board review:

- (1) The specific reasons for the external transfer or exchange of the fund-raising project;
- (2) The amount of raised funds already invested in the project;
- (3) The completion degree and realized benefits of the project;
- (4) The basic situation, feasibility analysis, and risk warnings of the incoming project (if applicable);
- (5) The pricing basis and related gains of the transfer or exchange;
- (6) The opinion of the sponsor institution on the transfer or exchange of the fund-raising project;
- (7) An explanation that the transfer or exchange of the fund-raising project still requires submission to the Shareholders' Meeting for approval;

#### **CHAPTER V MANAGEMENT AND SUPERVISION OF THE USE OF RAISED FUNDS**

**Article 25** The Company's accounting department shall establish ledgers to record in detail the expenditure of raised funds and the input into fund-raising projects.

The Company's internal audit department shall inspect the deposit and use of raised funds at least once every six months and promptly report the inspection results to the Audit and Risk Committee.

If the Audit and Risk Committee believes that there are violations or major risks in the Company's raised funds management, or if the internal audit department fails to submit the inspection results report as required, it shall promptly report to the Board of Directors. Upon receiving such report, the Board of Directors shall promptly report to and make an announcement with the Shanghai Stock Exchange.

**Article 26** If a fund-raising project is expected to be unable to complete within the original time limit and the Company intends to delay its implementation, it shall be promptly approved by the Board of Directors, and the sponsor institution shall issue a clear opinion. The Company shall promptly disclose the specific reasons for the failure to complete on schedule, explain the current deposit and account status of the raised funds, whether there are circumstances affecting the normal advancement of the raised funds use plan, the estimated completion time and phased investment plan, and measures to ensure completion within the extended time limit.

**Article 27** The Board of Directors shall continuously monitor the actual management and use of raised funds and surplus raised funds (if any), conduct a comprehensive review of the progress of fund-raising projects every half year, and prepare, deliberate, and disclose the “Raised Funds Special Report”. The relevant special reports shall include the basic situation of raised funds and surplus raised funds, as well as the deposit, management, and use situation as stipulated in these guidelines. If there is a discrepancy between the actual investment progress of a fund-raising project and the investment plan, the Company shall explain the specific reasons in the “Raised Funds Special Report”.

During the annual audit, the Company shall engage an accounting firm to issue an attestation report on the deposit, management, and use of raised funds, and disclose it together with the annual report.

**Article 28** The sponsor institution shall, in accordance with the “Measures for the Administration of Sponsorship Business for Securities Issuance and Listing”, carry out continuous supervision over the deposit, management, and use of the Company’s raised funds. If any abnormality is discovered during continuous supervision, it shall promptly conduct an on-site inspection. The sponsor institution shall conduct an on-site inspection of the deposit, management, and use of the Company’s raised funds at least once every half year. If abnormalities are found during continuous supervision or on-site inspections, the sponsor institution shall urge the Company to rectify promptly and promptly report to the Shanghai Stock Exchange and relevant regulatory authorities.

After the end of each fiscal year, the sponsor institution shall issue a special verification report on the annual deposit, management, and use of the Company’s raised funds, and disclose it together with the Company’s disclosure of the annual report. The verification report shall include the following contents:

- (1) The deposit, management, use, and balance of the special accounts for raised funds;

- (2) The progress of raised funds projects, including discrepancies with the planned progress of the raised funds investment;
- (3) The situation of using raised funds to replace self-raised funds already invested in fund-raising projects (if applicable);
- (4) The situation and effect of supplementing working capital with idle raised funds (if applicable);
- (5) The situation of cash management with idle raised funds (if applicable);
- (6) The use of surplus raised funds (if applicable);
- (7) The change of direction of raised funds (if applicable);
- (8) The use of remaining raised funds (if applicable);
- (9) Conclusive opinions on whether the deposit, management, and use of the Company's raised funds are in compliance;
- (10) Other contents required by the Shanghai Stock Exchange.

After the end of each fiscal year, the Company's Board of Directors shall disclose in the "Raised Funds Special Report" the conclusive opinions contained in the sponsor institution's special verification report and the attestation report issued by the accounting firm.

The Company shall cooperate with the sponsor institution's continuous supervision, on-site inspections, and the audit work of the accounting firm, and promptly provide or apply to the bank for necessary materials related to the deposit, management, and use of raised funds.

If the sponsor institution finds that the Company or the commercial bank has failed to fulfill the tripartite regulatory agreement on the deposit of raised funds as agreed, it shall urge the Company to rectify promptly and promptly report to the Exchange.

**CHAPTER VI SUPPLEMENTARY PROVISIONS**

**Article 29** This system shall be interpreted by the Company’s Board of Directors.

**Article 30** In case of conflict between the provisions of this system and laws, regulations, normative documents, the relevant provisions of the Shanghai Stock Exchange or the “Articles of Association” promulgated or amended after the effectiveness of this system, or for matters not covered herein, the relevant provisions of national laws, regulations, normative documents, the Shanghai Stock Exchange and the “Articles of Association” shall prevail.

**Article 31** This system shall come into effect and be implemented upon approval by the Company’s Shareholders’ Meeting.

**I. FINANCIAL INFORMATION OF THE GROUP****I. Financial Summary**

The Company is required to set out or refer to in this circular the consolidated statements of profit or loss, the consolidated statements of financial position, the consolidated statements of cash flows, and any other primary statements as shown in the (i) audited consolidated financial statements of the Group for the year ended 31 December 2022, together with significant accounting policies and any points from the notes to the relevant published accounts which are of major relevance to an appreciation of the above financial information (the “**2022 Financial Statements**”); (ii) audited consolidated financial statements of the Group for the year ended 31 December 2023, together with significant accounting policies and any points from the notes to the relevant published accounts which are of major relevance to an appreciation of the above financial information (the “**2023 Financial Statements**”); (iii) audited consolidated financial statements of the Group for the year ended 31 December 2024 (the “**2024 Financial Statements**”); (iv) unaudited consolidated financial statements of the Group for the six months ended 30 June 2025 (the “**2025H1 Financial Statements**”); and (v) unaudited consolidated financial statements of the Group for the nine months ended 30 September 2025 (the “**2025Q3 Financial Statements**”).

The 2022 Financial Statements are set out from page 176 to 380 in the 2022 Annual Report which was published on 26 April 2023. The 2022 Annual Report is available on the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.com>) and the Company (<http://www.cqgt.cn>) and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0426/2023042601573.pdf>

The 2023 Financial Statements are set out from page 171 to 356 in the 2023 Annual Report which was published on 25 April 2024. The 2023 Annual Report is available on the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.com>) and the Company (<http://www.cqgt.cn>) and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0425/2024042501478.pdf>

The 2024 Financial Statements are set out from page 153 to 346 in the 2024 Annual Report which was published on 23 April 2025. The 2024 Annual Report is available on the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.com>) and the Company (<http://www.cqgt.cn>) and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0423/2025042300517.pdf>

The 2025H1 Financial Statements are set out from page 56 to 224 in the 2025 Interim Report which was published on 19 September 2025. The 2025 Interim Report is available on the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.com>) and the Company (<http://www.cqgt.cn>) and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0919/2025091900734.pdf>

The 2025Q3 Financial Statements are set out from page 2 to 24 in the third quarterly report of 2025 which was published on 30 October 2025. The third quarterly report of 2025 is available on the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.com>) and the Company (<http://www.cqgt.cn>) and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2025/1030/2025103002099.pdf>

### ***Analysis and explanation on changes in accounting policies***

Detailed analysis and explanation of changes to important accounting policies in connection with the consolidated financial statements of the Company is set out in pages 129 and 231 of the annual report of the Company for the financial year ended 31 December 2022 and pages 124 and 223 of the annual report of the Company for the financial year ended 31 December 2023 respectively. There were no changes in accounting policies in connection with the consolidated financial statements of the Company during the financial year ended 31 December 2024.

#### ***(1) Impact of ASBE Interpretation No. 15 on the Group***

The Ministry of Finance issued Interpretation No. 15 of the Accounting Standards for Business Enterprises (“**ASBE Interpretation No. 15**”) in December 2021. The Group has applied ASBE Interpretation No. 15 since 1 January 2022.

##### **a. Trial Operation Sales**

ASBE Interpretation No. 15 clarifies the accounting treatment of the external sales of products or by-products produced by enterprises before their fixed assets are in their predetermined usable state and during research and development process (“**Trial Operation Sales**”). If an enterprise has Trial Operation Sales, it shall comply with the “Accounting Standards for Business Enterprises No. 1 – Inventories”, the “Accounting Standards for Business Enterprises No. 14 – Income” and other regulations to account relevant income and costs of Trial Operation Sales separately and include them in the profit or loss of the current period, and the net amount of the relevant income from Trial Operation Sales

after offsetting relevant costs shall not be written off against the cost of fixed assets or research and development expenditures. The relevant products or by-products developed during trial operation before external sales that meet asset recognition conditions will be recognised as inventories or other relevant assets. The relevant accounting treatment provisions for Trial Operation Sales have been effective since 1 January 2022, and the comparative financial statements shall be adjusted retrospectively.

Since 1 January 2022, the Group has adopted separate accounting treatment regarding the income and cost related to Trial Operation Sales and included them in the profit or loss (routine activities will be listed under “operating income” and “operating cost”; non-routine activities will be listed under “gain on disposal of assets”). The net amount of the relevant income from Trial Operation Sales that offsets the relevant costs was no longer used to offset the fixed assets cost. The relevant products or by-products produced by the trial operation before external sales were considered as inventory or other related assets in conformity with the asset recognition conditions. For Trial Operation Sales in 2021, the accounting treatment in 2021 of the Group was in accordance with ASBE Interpretation No. 15 and thus retroactive adjustment was not necessary.

b. Onerous Contracts

ASBE Interpretation No. 15 clarifies the evaluation of onerous contracts. The costs inevitably incurred in the performance of contractual obligations should reflect the minimum net cost of exiting the contract (i.e., the lower of (a) the cost of performing the contract and (b) the compensation or penalty incurred for failure to perform the contract). When evaluating onerous contracts, the cost of performing the contract includes the incremental cost of performing the contract and the apportionment of other costs directly related to the performance of the contract. The relevant accounting treatment provisions for onerous contracts have been effective from 1 January 2022. Therefore, in accordance with the convergence provisions, the retained earnings and other related financial statement items at the beginning of the year in which ASBE Interpretation No. 15 was first adopted would be adjusted, and comparative data in financial statements for prior periods would not be adjusted.

This change in accounting policy had no effect on the Group’s retained earnings as at 1 January 2022.

(2) *Impact of ASBE Interpretation No. 16 on the Group*

The Ministry of Finance issued Interpretation No. 16 of the Accounting Standards for Business Enterprises (“**ASBE Interpretation No. 16**”) in November 2022.

According to ASBE Interpretation No. 16, the requirement of being exempted from initially recognising deferred tax liabilities and deferred tax assets under Clause 11(II) and Clause 13 of “Accounting Standards for Business Enterprises No. 18 – Income Tax” (“**ASBE No. 18**”) shall not apply to a single transaction (a) that is not a business combination, (b) that affects neither accounting profit nor taxable income (or deductible losses) at the time of the transaction and (c) where the initial recognition of assets and liabilities results in taxable temporary differences and deductible temporary differences of equal amounts (including any lease transaction in which the lessee initially recognises lease liability and includes it in the right-of-use asset at the commencement date of the lease term, and any transaction in which the lessee recognises an estimated liability and includes it in the cost of the related assets because there is an asset retirement obligation for fixed assets). Instead, the taxable temporary differences and deductible temporary differences arising from the initial recognition of the assets and liabilities in respect of the transaction shall be recognised as the corresponding deferred tax liabilities and deferred tax assets at the time of the transaction in accordance with the relevant provisions of ASBE No. 18. For transactions to which ASBE Interpretation No. 16 applies that occur between the beginning of the earliest period presented in the financial statements on which ASBE Interpretation No. 16 was initially applied and the date ASBE Interpretation No. 16 took effect, the enterprise had to make adjustments in accordance with ASBE Interpretation No. 16. For lease liabilities and right-of-use assets recognised at the beginning of the earliest period presented in the financial statements on which ASBE Interpretation No. 16 was initially applied due to the transactions falling within the scope of ASBE Interpretation No. 16, and for provisions recognised in respect of asset retirement obligations and the corresponding related assets, where taxable temporary differences and deductible temporary differences arise, the entity had to in accordance with ASBE Interpretation No. 16 and ASBE No. 18 adjust the cumulative effect to the opening retained earnings and other relevant financial statement items of the earliest period presented in the financial statements on which ASBE Interpretation No. 16 was initially applied.

The Group has applied ASBE Interpretation No. 16 since 1 January 2023. The above-mentioned transactions that occurred between the beginning of the earliest period presented in the financial statements on which ASBE Interpretation No. 16 was initially applied and the date of changes to accounting policies had no significant or material impact on the Group’s opening balance of retained earnings.

## II. INDEBTEDNESS

As at the close of business on 31 January 2026, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately RMB6,606.08 million, comprising bank loans of RMB5,820.69 million and other interest-bearing borrowings of RMB783.39 million (the aforesaid figures are unaudited).

Among the borrowings mentioned above, RMB82 million of bank loans are secured. Save as disclosed herein, none of the above outstanding borrowings are guaranteed or secured.

Save as disclosed above, and apart from intra-group liabilities and normal trade payables, as at the close of business on 31 January 2026, the Group did not have any outstanding issued or agreed-to-be-issued loan capital, bank overdrafts, loans, or other similar borrowings, liabilities or liabilities under acceptance credit, debentures, mortgages, charges, hire-purchase commitments, guarantees or other material contingent liabilities.

## III. MATERIAL CHANGE

The Directors confirm that, save and except for the following information, there had been no material change in the financial or trading position or outlook of the Group since 31 December 2024, being the date to which the latest published audited consolidated financial statements of the Company were made up, up to and including the Latest Practicable Date.

- (i) As disclosed in the Company's third quarterly report of 2025, the Group's net loss decreased by 83.8% from RMB1,349.8 million for the nine months ended 30 September 2024 ("9M2024") to RMB218.3 million for the nine months ended 30 September 2025 ("9M2025"), primarily due to a turnaround from a gross loss of RMB1,081.1 million for 9M2024 to a gross profit of RMB254.8 million for 9M2025. The Group's profitability has improved significantly, driven by a dual focus on reducing procurement costs and enhancing sales margins.
- (ii) As disclosed in the Company's announcement on estimated loss in the annual results for the year of 2025, the net loss attributable to the shareholders of the Company for 2025 is ranged from RMB2,500 million to RMB2,800 million, representing an estimated decrease in loss of RMB396 million to RMB696 million as compared with 2024; and the net loss excluding non-recurring gains or losses attributable to shareholders of the listed company is ranged from RMB2,530 million to RMB2,830 million, representing an estimated decrease in loss of RMB377 million to RMB677 million as compared with 2024. In 2025, facing a volatile steel market and asset impairment risks, the Company implemented cost reduction, efficiency enhancement, and market optimization measures through refined control, energy efficiency improvements, and strategic supply and sales management to stabilize operations and improve performance which led to improvement of the Company's financial performance.

**IV. WORKING CAPITAL**

As at the Latest Practicable Date, having considered the Group's cash and cash equivalents and taking into account of the working capital requirements of the Group in the coming 12 months, the Board is of the view that the Group would have sufficient funding.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors 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 circular also includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Group.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than those relating to China Baowu, Hwabao Investment and parties acting in concert with any of them), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statements in this circular misleading.

The directors of Hwabao Investment jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than those relating to the Company), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statements in this circular misleading.

## 2. MARKET PRICE

The table below shows the closing prices of the H Shares on the Hong Kong Stock Exchange and the A Shares on the Shanghai Stock Exchange (i) on the last trading day of each of the six calendar months immediately preceding the date of the Announcement and up to the Latest Practicable Date; (ii) on the last trading day immediately preceding the date of the Announcement; (iii) on the date of the Announcement; and (iv) on the Latest Practicable Date:

	Closing price per H Share <i>HK\$</i>	Closing price per A Share <i>RMB</i>
30 April 2025	0.80	1.28
31 May 2025	0.86	1.28
30 June 2025	0.90	1.27
31 July 2025	1.53	1.55
31 August 2025	1.31	1.45
30 September 2025	1.37	1.48
31 October 2025	1.36	1.52
18 December 2025 (the last trading date prior to the publication of the Announcement)	1.17	1.45
19 December 2025 (date of the Announcement)	1.19	1.48
31 December 2025	1.18	1.46
31 January 2026	1.26	1.54
20 February 2026 (the Latest Practicable Date)	1.16	1.50

During the Relevant Period, the highest closing price of the H Shares as quoted on the Hong Kong Stock Exchange was HK\$1.77 on 21 July 2025, and the lowest closing price of the H Shares as quoted on the Hong Kong Stock Exchange was HK\$0.86 on 19 June 2025; and the highest closing price of the A Shares as quoted on the Shanghai Stock Exchange was RMB1.65 on 22 July 2025, and the lowest closing price of the A Shares as quoted on the Shanghai Stock Exchange was RMB1.25 on 20 June 2025.

### 3. SHARE CAPITAL

The registered and issued share capital of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Issuance of A Shares to Specific Target Subscriber are set out below:

#### As at the Latest Practicable Date:

	<b>Number of Shares</b>
A Shares	8,313,636,567
H Shares	<u>538,127,200</u>
Total	<u><u>8,851,763,767</u></u>

#### Immediately after completion of the Issuance of A Shares to Specific Target Subscriber:

	<b>Number of Shares</b>
A Shares	9,071,212,324
H Shares	<u>538,127,200</u>
Total	<u><u>9,609,339,524</u></u>

The A Shares to be issued under the Issuance of A Shares to Specific Target Subscriber when issued and fully paid, shall rank pari passu in all aspects amongst themselves with the A Shares in issue at the time of the issuance of such A Shares including, in particular, as to dividends, voting rights and return of capital.

The Company has not carried out any fund raising exercises through issue of any equity securities since 31 December 2024 (being the end of the last financial year of the Company) and up to the Latest Practicable Date.

#### 4. INTERESTS OF DIRECTORS

##### (a) Interests in the Company

Save as disclosed below, as at Latest Practicable Date, none of the Directors 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 or chief executive 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 or required to be disclosed under the Takeovers Code.

Name	Position	Nature of interest	Total number of share held (share)	Percentage of A share capital (%)	Percentage of	Class of share
					total issued share capital (%)	
Chen						
Yingming	Director	Beneficial interest	100 (long position)	0.000001	0.000001	A share

Save as Mr. Wang Huxiang and Mr. Zhou Ping, who are also directors of Changshou Iron & Steel, 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 2025, 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.

## 5. INTEREST OF SUBSTANTIAL SHAREHOLDER

### 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 or required to be disclosed under the Takeovers Code:

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	2,612,229,198	31.42%	–	29.51%
Changshou Iron & Steel	Long	Beneficial owner	2,096,981,600	25.22%	–	23.69%

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.

## 6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date,

- (a) none of the Directors 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).
- (b) none of the Directors has entered into or proposes to enter into any service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation);
- (c) there are no subsisting service contracts between the Directors and any subsidiary or associates of the Company which are (i) entered into or amended within 6 months prior to the date of the announcement (including both continuous and fixed term contracts); (ii) continuous contracts with a notice period of 12 months or more; or (iii) fixed term contracts with more than 12 months to run (irrespective of the notice period); and
- (d) the following Directors have entered into service agreements with the Company, and such contracts are (i) entered into or amended within 6 months prior to the date of the announcement (including both continuous and fixed term contracts); (ii) continuous contracts with a notice period of 12 months or more; or (iii) fixed term contracts with more than 12 months to run (irrespective of the notice period). Under such service agreements, the Company is not required to pay any variable remuneration to any Director.

<b>Director</b>	<b>Term of service agreement</b>	<b>Remuneration</b>
Mr. Wang Huxiang and Mr. Kuang Yunlong (Executive Directors)	From 19 September 2024 until the expiry of the term of the tenth session of the Board	Entitled to receive remuneration from the Company in accordance with the effective remuneration scheme or remuneration system

<b>Director</b>	<b>Term of service agreement</b>	<b>Remuneration</b>
Mr. Chen Yingming (Executive Director)	From 11 December 2025 until the expiry of the term of the tenth session of the Board	Entitled to receive remuneration from the Company in accordance with the effective remuneration scheme or remuneration system
Mr. Song De An, Mr. Lin Changchun and Mr. Zhou Ping (Non-executive Directors)	From 27 June 2024 until the expiry of the term of the tenth session of the Board	Entitled to receive remuneration from the Company in accordance with the effective remuneration scheme or remuneration system
Mr. Sheng Xuejun, Ms. Tang Ping and Mr. Guo Jiebin (Independent Non-executive Directors)	From 27 June 2024 until the expiry of the term of the tenth session of the Board	RMB180,000 per annum (before tax)

## 7. 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.

## 8. 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.

## 9. MATERIAL CONTRACT

Save for the Share Subscription Agreement, during the two years immediately before commencement of the offer period (as defined under the Takeovers Code), which commenced on 19 December 2025, up to and including the Latest Practicable Date, the members of the Group have not entered into other material contract(s) (i.e. contracts that were not entered into in the ordinary course of business).

**10. ARRANGEMENT IN CONNECTION WITH THE ISSUANCE OF A SHARES TO SPECIFIC TARGET SUBSCRIBER**

As at the Latest Practicable Date,

- (a) save for the Share Subscription Agreement, no agreement, arrangement or understanding (including any compensation arrangement) exists between Hwabao Investment or parties acting in concert with it and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Issuance of A Shares to Specific Target Subscriber, the Specific Mandate, and the Whitewash Waiver;
- (b) there was no benefit to be given to any Directors as compensation for loss of office or otherwise in connection with the Issuance of A Shares to Specific Target Subscriber, the Specific Mandate, and the Whitewash Waiver;
- (c) there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of, or otherwise connected with, the Issuance of A Shares to Specific Target Subscriber, the Specific Mandate, and the Whitewash Waiver;
- (d) there was no material contract entered into by Hwabao Investment or parties acting in concert with it in which any Director has a material personal interest; and
- (e) there was no agreement, arrangement or understanding pursuant to which the A Shares to be issued to Hwabao Investment under the Issuance of A Shares to Specific Target Subscriber would be transferred, charged or pledged to any other persons.

**11. DISCLOSURE OF SHAREHOLDINGS PURSUANT TO THE TAKEOVERS CODE**

As at the Latest Practicable Date,

- (a) China Baowu, Hwabao Investment and parties acting in concert with any of them held 2,612,229,198 Shares in aggregate, representing approximately 29.51% of the total number of Shares in issue, among which: (i) Hwabao Investment directly held 137,459,680 A Shares; (ii) China Baowu directly held 129,815,901 A Shares; (iii) parties acting in concert with China Baowu or Hwabao Investment held 2,344,953,617 A Shares;
- (b) none of the directors of China Baowu, Hwabao Investment and parties acting in concert with any of them was interested in or owned or controlled any shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Takeovers Code), convertible securities, warrants, options or derivatives in respect of the Shares and in the Company;

- (c) none of China Baowu, Hwabao Investment and parties acting in concert with any of them has received any irrevocable commitment from any person to vote for or against the resolutions to be proposed at the EGM and/or the Class Meetings to approve the Issuance of A Shares to Specific Target Subscriber, the Whitewash Waiver, and/or the Specific Mandate;
- (d) save for the Share Subscription Agreement and the transactions contemplated thereunder, none of Hwabao Investment or parties acting in concert with it had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any person;
- (e) neither China Baowu, Hwabao Investment and parties acting in concert with any of them had borrowed or lent any shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Takeovers Code), convertible securities, warrants, options and derivatives in the Company;
- (f) the Company had no shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Takeovers Code), convertible securities, warrants, options and derivatives in China Baowu and Hwabao Investment;
- (g) none of the Directors was interested in any shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Takeovers Code), convertible securities, warrants, options and derivatives in China Baowu and Hwabao Investment;
- (h) save for the information stated in “4. Interest of Directors” in this appendix, none of the Directors was interested in any shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Takeovers Code), convertible securities, warrants, options and derivatives in the Company;
- (i) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert”, or the Company’s associates by virtue of classes (2), (3) or (4) of the definition of “associate” under the Takeovers Code;
- (j) no shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Takeovers Code), convertible securities, warrants, options and derivatives in the Company was owned or controlled by any subsidiary of the Company or by a pension fund of any member of the Group or by an adviser to the Company as specified in class (5) of “acting in concert” or class (2) of the definition of “associate” in the Takeovers Code but excluding any exempt principal trader or exempt fund manager;

- (k) no shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Takeovers Code), convertible securities, warrants, options and derivatives in the Company were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company;
- (l) there were no shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Takeovers Code), convertible securities, warrants, options and derivatives in the Company which the Company or the Directors has/have borrowed or lent or sold;
- (m) none of China Baowu, Hwabao Investment and parties acting in concert with any of them has entered into any understanding, agreement, arrangement or special deal (as defined under Rule 25 of the Takeovers Code) with any of the Shareholders;
- (n) none of the Company, its subsidiaries or associated companies has entered into any understanding, agreement, arrangement or special deal (as defined under Rule 25 of the Takeovers Code) with any of the Shareholders;
- (o) save for the aggregate subscription price payable under the Share Subscription Agreement, none of China Baowu, Hwabao Investment and parties acting in concert with any of them has paid or will pay any other considerations, compensations or benefits in whatever form to the Company or any parties acting in concert with it in relation to the Issuance of A Shares to Specific Target Subscriber;
- (p) none of China Baowu, Hwabao Investment and parties acting in concert with any of them will make any acquisitions or disposals of voting rights in the Company in the period between the Latest Practicable Date and the completion of the Issuance of A Shares to Specific Target Subscriber;
- (q) save for the Issuance of A Shares to Specific Target Subscriber, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares or shares of any of China Baowu, Hwabao Investment and parties acting in concert with any of them and which might be material to the transactions contemplated under the Issuance of A Shares to Specific Target Subscriber or the Whitewash Waiver; and
- (r) save for the Share Subscription Agreement, there are no agreements or arrangements to which China Baowu, Hwabao Investment and parties acting in concert with any of them is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition under the Issuance of A Shares to Specific Target Subscriber or the Whitewash Waiver.

**12. DEALINGS IN SHARES**

During the Relevant Period:

- (a) save for the Share Subscription Agreement, neither China Baowu, Hwabao Investment and parties acting in concert with any of them had dealt for value in any shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Takeovers Code), convertible securities, warrants, options and derivatives in the Company;
- (b) none of the directors of Hwabao Investment had dealt for value in any shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Takeovers Code), convertible securities, warrants, options and derivatives in the Company;
- (c) there were no Shares or convertible securities, warrants, options and derivatives of the Company which Hwabao Investment or parties acting in concert with it or the Directors has borrowed or lent;
- (d) the Company had not dealt for value in any shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Takeovers Code), convertible securities, warrants, options and derivatives of China Baowu or Hwabao Investment;
- (e) none of the Directors had dealt for value in any shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Takeovers Code), convertible securities, warrants, options and derivatives of Hwabao Investment or Hwabao Investment or any shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Takeovers Code), convertible securities, warrants, options and derivatives of the Company; and
- (f) none of the subsidiaries of the Company had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares.
- (g) Mr. Chen Yingming, in respect of his own beneficial shareholdings (i.e. 100 A Shares), intends to vote in favour of the resolutions in relation to the Issuance of A Shares to Specific Target Subscriber and the Whitewash Waiver to be proposed at the EGM.

**13. EXPERT**

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

Name	Qualifications
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)
Deloitte Touche Tohmatsu Certified Public Accountants LLP	Certified Public Accountants

- (b) As at the Latest Practicable Date, the above experts 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 experts 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 2024 (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 experts 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.

**14. MISCELLANEOUS**

- (a) The registered office of the Company is at No.2 Jiangnan Avenue, Jiangnan Street, Changshou District, Chongqing, the PRC. The registered address of the Company in Hong Kong is Rooms 1204-06, 12th Floor, The Chinese Bank Building, 61 Des Voeux Road Central, Hong Kong.
- (b) The joint company secretaries of the Company are Mr. Kuang Yunlong and Ms. Chiu Hoi Shan.
- (c) The share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, 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.
- (e) The correspondence address of Hwabao Investment is at West Area, 59th Floor, No. 100 Century Avenue, China (Shanghai) Pilot Free Trade Zone, PRC.
- (f) As at the Latest Practicable Date, save for the disclosure made in the paragraph headed “4. Interests of Directors” in this appendix, none of the Directors or proposed Director was a director or employee of a company which had an interest in the shares and 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.
- (g) The registered office of the Independent Financial Adviser is at Office No. 710, 7/F Wing On House, 71 Des Voeux Road Central, Central, Hong Kong..
- (h) The directors of China Baowu are Hu Wangming, Hou Angui, Dong Changqing, Zhang Helei, Hu Zhanghong, Deng Jianling, Cheng Daoran, Wang Xuxiang and Yang Ya.
- (i) The directors of Hwabao Investment are Hu Aimin, Huang Hongyong, Liu Andong, Yang Yang, Cai Weifei, Wang Chengran, and Wang Xiaogan.
- (j) China Baowu is wholly-owned by the State-owned Assets Supervision and Administration Commission of the State Council.

#### 15. 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 (<http://www.cqgt.cn>) and the website of the SFC at [www.sfc.hk](http://www.sfc.hk) from the date of this circular up to and including the date of the EGM and the Class Meetings:

- (a) the Articles of Association;
- (b) the articles of association of Hwabao Investment;
- (c) the annual reports of the Company for the financial years ended 31 December 2023 and 2024;
- (d) the interim report of the Company for the six months ended 30 June 2025;
- (e) the third quarterly report of the Company for the nine months ended 30 September 2025;

- (f) the service agreements entered into between each of the Directors and the Company as referred to in the paragraph headed “6. Directors’ Service Contracts” in this appendix;
- (g) the Share Subscription Agreement;
- (h) the letter from Code Independent Board Committee;
- (i) the letter from Listing Rules Independent Board Committee;
- (j) the letter from the Independent Financial Adviser; and
- (k) the report from the Reporting Accountant on the Loss Estimate;
- (l) the report from the Independent Financial Adviser on the Loss Estimate, and;
- (m) the written consent of the experts referred to in the section headed “13. Expert” in this appendix.

*The Loss Estimate (as defined below) is set out in the Loss Estimate Announcement of the Company dated 15 January 2026 as set out below.*

## LOSS ESTIMATE ANNOUNCEMENT

*The following is the full text of the Loss Estimate Announcement and the clarification announcement dated 16 January 2025, which are repeated in full in this circular pursuant to Rule 10.4 of the Takeovers Code.*

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

## **Chongqing Iron & Steel Company Limited** **重慶鋼鐵股份有限公司**

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*  
*(在中華人民共和國註冊成立的股份有限公司)*

(Stock Code: 1053)

### **ANNOUNCEMENT ON ESTIMATED LOSS IN THE ANNUAL RESULTS FOR THE YEAR OF 2025**

This announcement is made by Chongqing Iron & Steel Company Limited (the “**Company**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

#### **IMPORTANT NOTE:**

The Company expects that the net loss attributable to the shareholders of the listed company for the year of 2025 is ranged from RMB2,500 million to RMB2,800 million, representing an estimated decrease in loss of RMB396 million to RMB696 million as compared with the same period last year; and the net loss excluding non-recurring gains or losses attributable to shareholders of the listed company is ranged from RMB2,530 million to RMB2,830 million, representing an estimated decrease in loss of RMB377 million to RMB677 million as compared with the same period last year.

#### **I. ESTIMATED RESULTS DURING THE PERIOD**

##### **(I) Estimated results period**

1 January 2025 to 31 December 2025.

**(II) Estimated results**

Based on a preliminary estimate by the finance department, the net loss attributable to the shareholders of the listed company for the year of 2025 is expected to be ranged from RMB2,500 million to RMB2,800 million, representing an estimated decrease in loss of RMB396 million to RMB696 million as compared with the same period last year.

The net loss excluding non-recurring gains or losses attributable to the shareholders of the listed company for the year of 2025 is expected to be ranged from RMB2,530 million to RMB2,830 million, representing an estimated decrease in loss of RMB377 million to RMB677 million as compared with the same period last year.

**(III) The estimated results have not been audited by auditors.****II. RESULTS FOR THE CORRESPONDING PERIOD OF THE PREVIOUS YEAR**

(I) Net loss attributable to the shareholders of the listed company: RMB3,196 million. Net loss excluding non-recurring gains or losses attributable to the shareholders of the listed company: RMB3,207 million.

(II) Earnings per share: RMB-0.36/share.

**III. MAIN REASONS FOR THE ESTIMATED LOSS IN RESULTS DURING THE PERIOD**

In 2025, the domestic steel market experienced a volatile trend as supply and demand went through profound structural adjustments, with the construction materials segment exhibiting particularly weak performance. Certain assets of the Company showed signs of impairment. In accordance with the relevant provisions of Accounting Standard for Business Enterprises No. 8 – Impairment of Assets, the Company intends to conduct impairment tests on the related assets and make provision for asset impairment.

In order to improve the operating performance of the Company and actively cope with the long-term downside risks of the industry, the Company anchored its strategy on achieving ultimate energy efficiency and implementing full-process refined control, and systematically advanced cost reduction and efficiency enhancement by optimizing furnace charge structure, improving smelting efficiency, focusing on product innovation and efficiency enhancement, and developing high-value-added products. Procurements and sales worked in synergy and laid a solid foundation for value creation and efficiency enhancement. Centering on the core objectives of “supply assurance, quality enhancement and

cost reduction”, the Company broadened supply channels, strengthened quality control, and implemented localized procurement, ensuring stable supply while reducing inventory and procurement costs; optimized customer and product portfolios, increased the proportion of direct sales and price-locked transactions to mitigate market risks, and strengthened market competitiveness and customer loyalty by enhancing service quality, maintaining regional price differentials, and developing new customers, which provided critical support for the improvement of operating performance.

#### IV. RISK DISCLOSURE

There are no material uncertainties in the Company that will affect the accuracy of the estimated results.

#### V. OTHER MATTERS

The foregoing estimated data is a preliminary review only. For the detailed and accurate financial data, please refer to the 2025 annual report to be formally disclosed by the Company. Investors are advised to make decision with prudence and pay attention to the investment risks.

By order of the Board  
**Chongqing Iron & Steel Company Limited**  
**Kuang Yunlong**  
*Secretary to the Board*

Chongqing, the PRC, 15 January 2026

*As at the date of this announcement, the Directors of the Company are: Mr. Wang Huxiang (Executive Director), Mr. Kuang Yunlong (Executive Director), Mr. Chen Yingming (Executive Director), Mr. Song De An (Non-executive Director), Mr. Lin Changchun (Non-executive Director), Mr. Zhou Ping (Non-executive Director), Mr. Sheng Xuejun (Independent Non-executive Director), Ms. Tang Ping (Independent Non-executive Director) and Mr. Guo Jiebin (Independent Non-executive Director).*

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

## **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)

### **CLARIFICATION ANNOUNCEMENT**

Reference is made to (i) the announcement of Chongqing Iron & Steel Company Limited (the “**Company**”) dated 19 December 2025 in relation to, among others, the Issuance of A Shares to Specific Target Subscriber and the Whitewash Waiver (the “**Announcement**”); (ii) the announcement of the Company dated 9 January 2026 in relation to the delay in despatch of the circular in respect to the above transaction (the “**Delay in Despatch Announcement**”); and (iii) the announcement of the Company dated 15 January 2026 in relation to estimated loss (the “**Loss Estimate**”) in the annual results for the year of 2025 (the “**Loss Estimate Announcement**”). Capitalised terms used herein shall have the same meanings as those defined in the Announcement unless stated otherwise. This clarification announcement is published in accordance with Practice Note 2 of the Takeovers Code.

The Board would like to clarify that as set out in the Announcement, the offer period (as defined under the Takeovers Code) commenced on the date of the Announcement, being 19 December 2025. As such, the Loss Estimate constitutes a profit forecast under Rule 10 of the Takeovers Code and is required to be reported on by the financial advisers and the accountants or auditors in accordance with Rule 10.4 of the Takeovers Code.

As the Loss Estimate Announcement was required to be made pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the SFO, which require the Company to disclose any inside information as soon as practicable and given the time constraints, the Company has encountered genuine practical difficulties (timewise or otherwise) in meeting the requirements of Rule 10.4 of the Takeovers Code. Accordingly, the Loss Estimate does not meet the standard required by Rule 10 of the Takeovers Code.

Pursuant to Rule 10.4 and Practice Note 2 of the Takeovers Code, if the Loss Estimate is published first in an announcement, it must be repeated in full, together with the reports from the Company's financial advisers and auditors or accountants, in the next document sent to the Shareholders. The requisite reports by the Company's financial advisers and auditors or accountants under Rule 10.4 of the Takeovers Code are proposed to be contained in the Circular (as defined in the Delay in Despatch Announcement), which is the next document to be sent to the Shareholders by the Company in accordance with the Takeovers Code. In addition, the Loss Estimate Announcement did not include the responsibility statement as required under Rule 9.3 of the Takeovers Code. The Company will use its best endeavour to ensure future compliance with the Takeovers Code.

Save for the clarification stated in this announcement, all information in the Loss Estimate Announcement remains unchanged.

**Shareholders and potential investors of the Company should note that the Loss Estimate Announcement does not meet the standard required by Rule 10 of the Takeovers Code and has not been reported on in accordance with the Takeovers Code. Shareholders and potential investors of the Company should therefore exercise caution in placing reliance on the Loss Estimate Announcement in assessing the merits and demerits of the Issuance of A Shares to Specific Target Subscriber and the Whitewash Waiver.**

**Shareholders and potential investors of the Company should also exercise extreme caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional adviser(s).**

By order of the Board  
**Chongqing Iron & Steel Company Limited**  
**Kuang Yunlong**  
*Secretary to the Board*

Chongqing, the PRC, 16 January 2026

*As at the date of this announcement, the Directors of the Company are: Mr. Wang Huxiang (Executive Director), Mr. Kuang Yunlong (Executive Director), Mr. Chen Yingming (Executive Director), Mr. Song De An (Non-executive Director), Mr. Lin Changchun (Non-executive Director), Mr. Zhou Ping (Non-executive Director), Mr. Sheng Xuejun (Independent Non-executive Director), Ms. Tang Ping (Independent Non-executive Director) and Mr. Guo Jiebin (Independent Non-executive Director).*

*The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*

**BASES**

The Directors have prepared the estimate of the net loss attributable to shareholders of the Company and the net loss excluding non-recurring gains or losses attributable to the shareholders of the Company for the year ended 31 December 2025 (the “**Loss Estimate**”) based on the unaudited consolidated results of the Group based on the management accounts of the Group for the year ended 31 December 2025.

The Loss Estimate has been prepared on a basis consistent in all material respects with the accounting policies normally adopted by the Group for the year ended 31 December 2024 and the nine months ended 30 September 2025 as set out in the Circular.

*The following is the text of a letter, prepared for inclusion in this Circular, received from Deloitte Touche Tohmatsu Certified Public Accountants LLP, Shanghai, China, the reporting accountants of the Company, in connection with the Loss Estimate.*

24 February 2026

The Board of Directors  
Chongqing Iron & Steel Company Limited  
No. 2 Jiangnan Avenue  
Jiangnan Street  
Changshou District  
Chongqing, the PRC

Dear Sirs,

Chongqing Iron & Steel Company Limited (the “**Company**”)

**Loss Estimate for Year Ended 31 December 2025**

We refer to the estimate of the net loss attributable to shareholders of the Company and the net loss excluding non-recurring gains or losses attributable to the shareholders of the Company for the year ended 31 December 2025 (the “**Loss Estimate**”) set forth in the announcement of the Company dated 15 January 2026 in relation to estimated loss in the annual results for the year of 2025 (the “**Loss Estimate Announcement**”), and the announcement of the Company dated 16 January 2026 in relation to the clarification of the Loss Estimate Announcement, as referred to in the circular dated 24 February 2026 (the “**Circular**”) issued by of the Company in relation to the proposed issuance of A shares of the Company to specific target subscriber under specific mandate and the whitewash waiver.

The Loss Estimate has been prepared by the directors of the Company and constitutes a profit forecast under Rule 10 of the Code on Takeovers and Mergers issued by the Securities and Futures Commission.

**Directors' Responsibilities**

The Loss Estimate has been prepared by the directors of the Company based on the unaudited consolidated results based on the management accounts of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2025.

The Company's directors are solely responsible for the Loss Estimate.

**Our Independence and Quality Management**

We have complied with the independence and other ethical requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Management 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements", which requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion on the accounting policies and calculations of the Loss Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Loss Estimate in accordance with the bases adopted by the directors and as to whether the Loss Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion.

**Opinion**

In our opinion, so far as the accounting policies and calculations are concerned, the Loss Estimate has been properly compiled in accordance with the bases adopted by the directors and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group for the year ended 31 December 2024 and the nine months ended 30 September 2025 as set out in the Circular.

Yours faithfully,

Deloitte Touche Tohmatsu Certified Public Accountants LLP  
Shanghai, China

*The following is the text of a report prepared for the purpose of incorporation in this Circular, received from Rainbow Capital (HK) Limited, the independent financial adviser of the Company.*

The Board of Directors  
Chongqing Iron & Steel Company Limited  
No. 2 Jiangnan Avenue  
Jiangnan Street  
Changshou District  
Chongqing, the PRC

24 February 2026

Dear Sirs,

We refer to (i) the circular of even date (the “**Circular**”) issued by Chongqing Iron & Steel Company Limited (the “**Company**”) in relation to the Issuance of A Shares to Specific Target Subscriber and the Whitewash Waiver; and (ii) the estimate of the net loss attributable to shareholders of the Company and the net loss excluding non-recurring gains or losses attributable to the shareholders of the Company for the year ended 31 December 2025 (the “**Loss Estimate**”) set forth in the announcement of the Company dated 15 January 2026. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless otherwise specified.

The Loss Estimate constitutes a profit forecast under Rule 10 of the Takeovers Code and is required to be reported on by the financial advisers and the accountants or auditors in accordance with Rule 10.4 of the Takeovers Code.

The Loss Estimate has been prepared based on the unaudited consolidated management accounts of the Company for the year ended 31 December 2025 (the “**2025 Management Accounts**”). For the purpose of providing this letter, we, in our capacity as the Independent Financial Adviser, have conducted the following due diligence:

- (i) reviewed and discussed the Loss Estimate, the 2025 Management Accounts and the bases upon which the Loss Estimate and the 2025 Management Accounts have been made (no assumption was involved as it is related to a period already ended) with the management of the Company; and
- (ii) considered the report on the Loss Estimate from Deloitte Touche Tohmatsu Certified Public Accountants LLP of even date addressed to you regarding the accounting policies and calculations upon which the Loss Estimate has been made, which stated that the Loss Estimate, so far as the accounting policies and calculations are concerned, has been properly compiled in accordance with the bases adopted by the directors of the Company.

Based on the above, we are satisfied that the Loss Estimate has been made by the directors of the Company with due care and consideration. The work undertaken by us in giving this opinion is for the sole purpose of reporting to you under Rule 10 of the Takeovers Code and for no other purposes. This letter may not be used or disclosed, referred or communicated (in whole or in part) to any party for any other purpose whatsoever, except with our prior written approval. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

Yours faithfully,  
For and on behalf of  
**Rainbow Capital (HK) Limited**

**Larry Choi**  
*Managing Director*

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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 2026 FIRST EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the 2026 first extraordinary general meeting (the “**EGM**”) of Chongqing Iron & Steel Company Limited (the “**Company**”) will be held at 2:00 p.m. on Friday, 13 March 2026 at Chongqing Iron & Steel Company Limited 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.

Unless the context otherwise requires, capitalized terms used herein shall have the same meaning as defined in the Company’s circular dated 24 February 2026.

#### RESOLUTIONS ADOPTING NON-CUMULATIVE VOTING

##### SPECIAL RESOLUTIONS

1. The resolution in relation to the Company’s compliance with the conditions of the Issuance of A Shares to Specific Target Subscriber.
2. The resolution in relation to the proposal for the Issuance of A Shares to Specific Target Subscriber by the Company:
  - (i) class and nominal value of shares to be issued;
  - (ii) method and timing of the issuance;
  - (iii) target subscriber and method of subscription;
  - (iv) pricing benchmark date, issue price and pricing principle;

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## NOTICE OF EGM

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- (v) number of shares to be issued;
  - (vi) lock-up period;
  - (vii) amount of total funds to be raised and the proposed use of proceeds;
  - (viii) arrangement relating to the accumulated undistributed profits;
  - (ix) listing venue; and
  - (x) validity period of resolution regarding the issuance to Specific Target Subscriber.
3. The resolution in relation to the Plan for Issuance of A Shares to Specific Target Subscriber in 2025 by the Company.
  4. The resolution in relation to the Discussion and Analysis Report on the Issuance of A Shares to Specific Target Subscriber in 2025 by the Company.
  5. The resolution in relation to the Feasibility Analysis Report on the Use of Proceeds from the Issuance of A Shares to Specific Target Subscriber in 2025 by the Company.
  6. The resolution in relation to the Company's exemption from issuing a report on use of proceeds from previous fund raising activities.
  7. The resolution in relation to the Company's Shareholder Dividend Distribution Plan for the Next Three Years (2026-2028).
  8. The resolution in relation to the dilution of immediate returns from the Company's Issuance of A Shares to Specific Target Subscriber and corresponding mitigation measures, along with commitments by relevant parties.

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## NOTICE OF EGM

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9. The resolution in relation to the conditional share subscription agreement entered into between the Company and Hwabao Investment Co., Ltd.
10. The resolution in relation to the Issuance of A Shares to Specific Target Subscriber by the Company which involves a related party transaction.

### ORDINARY RESOLUTIONS

11. The resolution in relation to the proposal to the shareholders' meeting for approval of the exemption of Hwabao Investment Co., Ltd. from the obligation to make an offer when increasing its shareholding in the Company.
12. The resolution in relation to the proposal to the shareholders' meeting for consideration and approval of the application by Hwabao Investment Co., Ltd. for a whitewash waiver from the obligation to make a mandatory general offer for H shares.

### SPECIAL RESOLUTION

13. The resolution in relation to the proposal to the Company's shareholders' meeting for consideration and approval of the specific mandate to the Board and persons authorized by the Board to fully handle matters related to the Issuance of A Shares to Specific Target Subscriber.

### ORDINARY RESOLUTION

14. The resolution in relation to the amendments to the Management System for Raised Funds.

*As at the date of this notice, the Directors of the Company are: Mr. Wang Huxiang (Executive Director), Mr. Kuang Yunlong (Executive Director), Mr. Chen Yingming (Executive Director), Mr. Song De An (Non-executive Director), Mr. Lin Changchun (Non-executive Director), Mr. Zhou Ping (Non-executive Director), Mr. Sheng Xuejun (Independent Non-executive Director), Ms. Tang Ping (Independent Non-executive Director) and Mr. Guo Jiebin (Independent Non-executive Director)*

*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 Monday, 9 March 2026 are entitled to attend the EGM upon completion of the necessary registration procedures (holders of A shares will be otherwise notified).

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## NOTICE OF EGM

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### II. REGISTRATION PROCEDURES FOR ATTENDING THE EGM

The register of members of the Company will be closed from Tuesday, 10 March 2026 to Friday, 13 March 2026 (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 Computershare Hong Kong Investor Services Limited, the Registrars of the Company, before 4:30 p.m. on Monday, 9 March 2026.

### 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 Computershare Hong Kong Investor Services 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 12 March 2026.
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 Computershare Hong Kong Investor Services Limited: Shops 1712–1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
4. Office of the Board of Chongqing Iron & Steel Company Limited

Address: Room 412, Management Building of the Company, No. 2 Jiangnan Avenue, Jiangnan Street,  
Changshou District, Chongqing

Postal Code: 401258

Tel: (86) 23 6898 3482

Fax: (86) 23 6887 3189

Contact Person: Peng Guoju/Ji Hong

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## NOTICE OF CLASS MEETING OF H SHAREHOLDERS

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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 2026 FIRST CLASS MEETING OF H SHAREHOLDERS

**NOTICE IS HEREBY GIVEN THAT** the 2026 first class meeting of H Shareholders (the “**Class Meeting of H Shareholders**”) of Chongqing Iron & Steel Company Limited (the “**Company**”) will be held at 2:30 p.m. on Friday, 13 March 2026 (or immediately after the conclusion of the 2026 First Extraordinary General Meeting and the 2026 First Class Meeting of A Shareholders or any adjournment thereof) at Chongqing Iron & Steel Company Limited Conference Centre, 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.

Unless the context otherwise requires, capitalized terms used herein shall have the same meaning as defined in the Company’s circular dated 24 February 2026.

### SPECIAL RESOLUTIONS ADOPTING NON-CUMULATIVE VOTING

1. The resolution in relation to the proposal for the Issuance of A Shares to Specific Target Subscriber by the Company:
  - (i) class and nominal value of shares to be issued;
  - (ii) method and timing of the issuance;
  - (iii) target subscriber and method of subscription;
  - (iv) pricing benchmark date, issue price and pricing principle;

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## NOTICE OF CLASS MEETING OF H SHAREHOLDERS

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- (v) number of shares to be issued;
  - (vi) lock-up period;
  - (vii) amount of total funds to be raised and the proposed use of proceeds;
  - (viii) arrangement relating to the accumulated undistributed profits;
  - (ix) listing venue; and
  - (x) validity period of resolution regarding the issuance to Specific Target Subscriber.
2. The resolution in relation to the Plan for Issuance of A Shares to Specific Target Subscriber in 2025 by the Company.
  3. The resolution in relation to the conditional share subscription agreement entered into between the Company and Hwabao Investment Co., Ltd.
  4. The resolution in relation to the Issuance of A Shares to Specific Target Subscriber by the Company which involves a related party transaction.
  5. The resolution in relation to the proposal to the Company's shareholders' meeting for consideration and approval of the specific mandate to the Board and persons authorized by the Board to fully handle matters related to the Issuance of A Shares to Specific Target Subscriber.

By order of the Board  
**Chongqing Iron & Steel Company Limited**  
**Kuang Yunlong**  
Secretary to the Board

Chongqing, the PRC, 24 February 2026

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## NOTICE OF CLASS MEETING OF H SHAREHOLDERS

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*As at the date of this notice, the Directors of the Company are: Mr. Wang Huxiang (Executive Director), Mr. Kuang Yunlong (Executive Director), Mr. Chen Yingming (Executive Director), Mr. Song De An (Non-executive Director), Mr. Lin Changchun (Non-executive Director), Mr. Zhou Ping (Non-executive Director), Mr. Sheng Xuejun (Independent Non-executive Director), Ms. Tang Ping (Independent Non-executive Director) and Mr. Guo Jiebin (Independent Non-executive Director)*

*The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*

Notes:

### **I. ELIGIBILITY FOR ATTENDING THE CLASS MEETING OF H SHAREHOLDERS**

H Shareholders whose names appear on the register of members of the Company at the close of business on Monday, 9 March 2026 are entitled to attend the Class Meeting of H Shareholders upon completion of the necessary registration procedures.

### **II. REGISTRATION PROCEDURES FOR ATTENDING THE CLASS MEETING OF H SHAREHOLDERS**

The register of members of the Company will be closed from Tuesday, 10 March 2026 to Friday, 13 March 2026 (both days inclusive), during which no transfer of shares will be effected. Holders of H shares of the Company intending to attend the Class Meeting of H Shareholders are required to lodge their respective instrument of transfer and the relevant share certificates to Computershare Hong Kong Investor Services Limited, the Registrars of the Company, before 4:30 p.m. on Monday, 9 March 2026.

### **III. PROXIES**

1. Any shareholder entitled to attend and vote at the Class Meeting of H Shareholders 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 form of proxy 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 Computershare Hong Kong Investor Services Limited, the Registrars of the Company, no less than 24 hours before the time appointed for the holding of the Class Meeting of H Shareholders (or appointed for voting), i.e. by no later than 2:30 p.m. on 12 March 2026.
3. For the shareholders appointing more than one proxy, such proxies of shareholders can only exercise the voting right by way of poll.

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## NOTICE OF CLASS MEETING OF H SHAREHOLDERS

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### IV. MISCELLANEOUS

1. Shareholders attending the Class Meeting of H Shareholders shall be responsible for their own travel and accommodation expenses.
2. Information may be dispatched by hand or registered post.
3. Address of Computershare Hong Kong Investor Services Limited: Shops 1712–1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
4. Office of the board of directors of Chongqing Iron & Steel Company Limited

Address: Room 412, Management Building of the Company, No. 2 Jiangnan Avenue, Jiangnan Street, Changshou District, Chongqing

Postal Code: 401258

Tel: (86) 23 6898 3482

Fax: (86) 23 6887 3189

Contact Person: Peng Guoju/Ji Hong