

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
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Changshou District
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(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.

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.

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.

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;

- (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.

- (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.

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.

- (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.

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.

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.

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.

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.

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;

- (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.

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.

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):

- (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.

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.

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
Non-public Shareholders				
Hwabao Investment	137,459,680	1.55	895,035,437	9.31
<i>Parties acting in concert with China Baowu and Hwabao Investment⁽¹⁾</i>				
China Baowu	129,815,901	1.47	129,815,901	1.35
Changshou Iron & Steel ^(a)	2,096,981,600	23.69	2,096,981,600	21.82
Chongqing Baocheng Carbon Co., Ltd. ^(b)	315,783	0.004	315,783	0.003
Shanghai Baosight Software Co., Ltd. ^(c)	375,201	0.004	375,201	0.004
Baosight Software (Wuhan) Co., Ltd. ^(d)	3,188,173	0.04	3,188,173	0.03
Baosteel Engineering & Technology Group Co., Ltd. ^(e)	261,692	0.003	261,692	0.003
Baowu Heavy Industry Co., Ltd. ^(f)	79,953	0.001	79,953	0.001
Zhongnan Steel ^(g)	224,831,743	2.54	224,831,743	2.34
Sinosteel Equipment & Engineering Co., Ltd. ^(h)	8,000,000	0.09	8,000,000	0.083
Sinosteel Xi'an Heavy Machinery Co., Ltd. ⁽ⁱ⁾	1,176,627	0.01	1,176,627	0.012
Sinosteel Luoyang Institute of Refractories Research Co., Ltd. ^(j)	285,271	0.003	285,271	0.003
Chongqing Chaoyang Gas Co., Ltd. ^(k)	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>

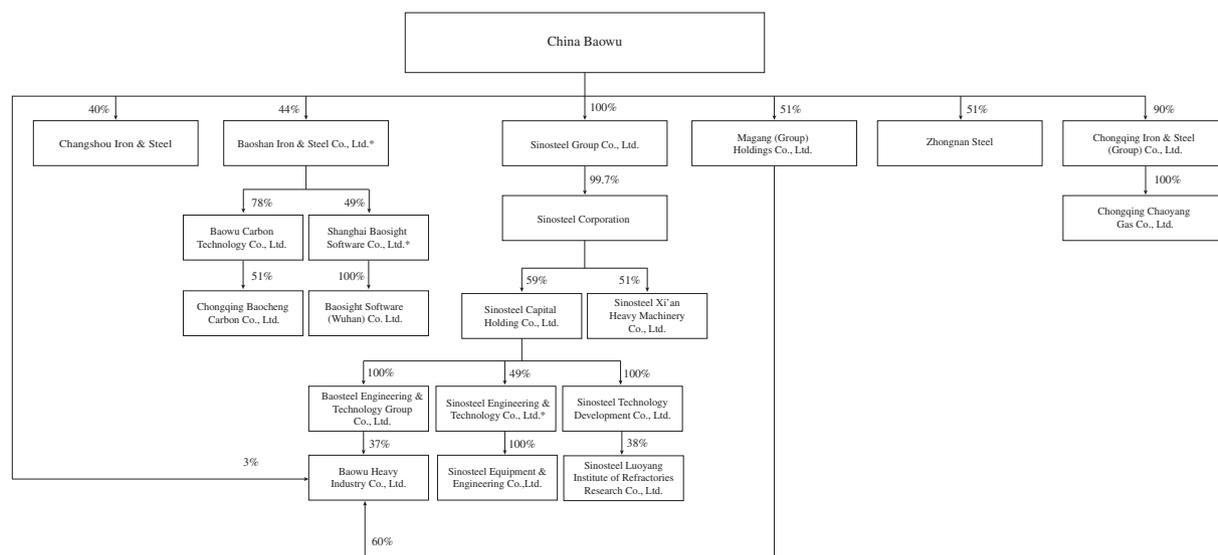
	As at the Latest Practicable Date		Immediately following the completion of the Issuance of A Shares to Specific Target Subscriber	
	Total number of Shares held	Approximate % of the total number of Shares in issue	Total number of Shares held	Approximate % of the total number of Shares in issue
Chen Yingming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

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.

- 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

- (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.

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.

(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.

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.

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.

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.

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;

- (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.

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

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.

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.

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.

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.

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

A handwritten signature in black ink, appearing to be 'Kuang Yunlong', written in a cursive style.

Kuang Yunlong
Secretary to the Board