

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 THE PLAN TO CONDUCT FINANCIAL DERIVATIVE TRANSACTIONS IN 2024

I. OVERVIEW

(i) Transaction purpose

Chongqing Iron & Steel Company Limited (the “**Company**”) heavily relies on imported ore purchases, and the estimated total foreign exchange purchases for the year 2024 are expected to reach US\$632 million. Correctly identifying the risks associated with exchange rate fluctuations and taking appropriate measures are extremely important to the Company’s production and operations. Therefore, in order to effectively manage exchange rate fluctuation risks, it is necessary for the Company to engage in forward foreign exchange purchases. At the same time, in order to minimize the Company’s financial costs and broaden its financing channels, it is necessary to establish US dollar financing channels as soon as possible to achieve cost reduction and efficiency enhancement to the maximum extent possible.

The Company’s related derivatives transactions will be based on the Company’s foreign currency assets, liabilities, and foreign exchange inflows and outflows, in order to make reasonable fund arrangements with genuine business background, closely related to the Company’s daily operational needs, without engaging in foreign exchange transactions for speculative purposes, and without affecting the development of the Company’s main business.

(ii) Transaction amount

The total cumulative amount of financial derivative transactions to be conducted by the Company shall not exceed US\$250 million, of which the total amount of forward foreign exchange purchases shall not be higher than US\$200 million and the total amount of currency swaps shall not be higher than US\$50 million, including margin and royalty provided for the transactions, and the quota may be utilized on a revolving and rolling basis within the approval period. The maximum contract value held at any point in time during the validity period of the approval shall not exceed the above quota.

(iii) Source of funds

The source of funds for this financial derivatives trading business will be the Company's own funds and will not involve proceeds raised.

(iv) Transaction method

1. Transaction varieties: The financial derivatives business to be carried out by the Company shall be based on the principle of ensuring the sound and safe operation of the Company, including forward foreign exchange purchases and currency swaps, with the selection of commodities based on the avoidance of the risks of foreign exchange revenues, expenditures, assets or liabilities arising from the Company's business operations, and the currencies to be held must be in line with the Company's actual demand for foreign currencies for various business transactions.
2. Foreign currency: U.S. dollars.
3. Counterparties and venues: The counterparties of the Company's forward foreign exchange purchases and currency swaps are domestic/overseas banks with sound operation, good credit standing and long-term cooperation with the Company, which are qualified for financial derivative transactions, including on-exchange transactions and over-the-counter transactions.

(v) Transaction period

Not more than 12 months from the date of approval by the board of directors of the Company.

II. REVIEW PROCEDURES

On 27 June 2024, at the first meeting of the tenth session of the board of directors of the Company, the “Resolution on the Plan to Conduct Financial Derivative Transactions in 2024” was considered and approved.

III. TRANSACTION RISK ANALYSIS AND RISK CONTROL MEASURES

(i) Risk analysis

1. Pre-transaction risk: Inexperience may lead to unidentified risks.
2. In-transaction risk:
 - 2.1 Operational risk: During the execution of transactions, there is a risk of operational errors if the personnel fail to follow the prescribed procedures for financial derivative transactions or have insufficient understanding of derivative product information.
 - 2.2 Market risk: Significant deviations between the exchange rate trend and the Company’s expectations may affect the Company’s exchange gains or losses for the current period, which will have a certain degree of impact on the Company’s operating results.
 - 2.3 Credit risk: Non-performance risk at maturity due to credit rating of counterparty, performance capability and other reasons.
 - 2.4 Legal risk: Losses may be incurred to the Company due to changes in relevant laws or violation of the relevant legal system by the counterparty, which may result in the contract not being properly executed.
3. Ex-post risk: The ex-post analysis of the derivatives business lacks scientificity and rationality, and cannot provide reliable theoretical support for subsequent business.

(ii) Countermeasures

1. Before-the-event risk control: To strengthen internal training so as to enhance business capabilities, and to learn from the existing operational experience of other listed companies so as to reduce the likelihood of occurrence of unrecognized risks.

2. In-process risk control:

2.1 Transaction principles: To determine the principles for financial derivative transactions: The Company's engagement in financial derivatives must be based on the precondition of normal production and operation, with the primary objective to avoid and prevent the risk of exchange rate fluctuations, must align with the actual business of the Company, shall not affect the normal production and operation of the Company, and shall not carry out transactions for the purpose of speculation.

2.2 Product option: To conduct comparison between and enquiry among multiple products in multiple markets, and to select financial derivatives with simple structure, high liquidity and controllable risk to conduct hedging business.

2.3 Counterparty management: The Company engages in foreign exchange derivative transactions only with large financial institutions such as commercial banks that possess legal qualifications. The Company will prudently review the terms of contracts entered into with counterparties and strictly implement the risk management system to prevent credit and legal risks.

3. Ex-post risk control:

Information disclosure: To make timely information disclosure in strict accordance with regulatory rules.

Internal audit: The Company's internal audit department conducts compliance audits of derivative investments on a regular basis.

Learn and improve: To learn a systematic analysis approach and increase the value of the analytical reports.

IV. IMPACT OF THE TRANSACTION ON THE COMPANY AND RELATED ACCOUNTING TREATMENT

(i) Impact on the Company

The Company carries out financial derivatives trading business based on the principles of locking in exchange rate risks and hedging, without engaging in speculative or arbitrage trading activities. Carrying out financial derivatives trading business can partially offset the impact of exchange rate fluctuations on the Company's profit and shareholders' equity, improve the Company's ability to cope with the risk of foreign exchange fluctuations, and contribute to the financial stability of the Company.

(ii) Accounting treatment

The Company will strictly comply with the relevant provisions such as Accounting Standards for Business Enterprise No. 22 – Recognition and Measurement of Financial Instruments, Accounting Standards for Business Enterprise No. 24 – Hedge Accounting and Accounting Standards for Business Enterprise No. 37 – Presentation of Financial Instruments and their guidelines published by the Ministry of Finance, and carry out corresponding accounting treatment as well as presentation and disclosure of the hedging business.

V. RISK WARNING

The Company has exercised strict control over financial derivative transactions and analyzed the feasibility of engaging in such transactions from the perspectives of institutional constraints, personnel allocation, in-process controls, post-review, and early warning mechanisms. Risks before, during, and after such transactions have been analyzed, and corresponding measures have been formulated. However, the financial market is significantly influenced by macroeconomic factors. It is not ruled out that this investment may be affected by factors such as policy risks, market risks, credit risks, liquidity risks, information transmission risks, force majeure risks, and other factors, leading to fluctuations in returns. Investors are advised to pay attention to investment risks.

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

Chongqing, the PRC, 28 June 2024

As at the date of this announcement, the Directors of the Company are: Mr. Xie Zhixiong (Executive Director), Mr. Meng Wenwang (Executive Director), Mr. Zou An (Executive Director), Mr. Song De An (Non-executive Director), Mr. Zhou Ping (Non-executive Director), Mr. Lin Changchun (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).