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CITIC Limited
中國中信股份有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00267)

DISCLOSEABLE TRANSACTIONS
PROPOSED ACQUISITION OF NANJING IRON & STEEL AND
GRANT OF THE PUT OPTION

Financial Adviser to the Company



PROPOSED ACQUISITION

On 2 April 2023, Xinye Steel, an indirect wholly-owned subsidiary of the Company, entered into the Framework Investment Agreement with Nanjing Iron & Steel Venture Capital (南鋼創投), New Industry Investment and Nanjing Iron & Steel Group (南鋼集團) in relation to, among other things, (i) the subscription by Xinye Steel for the additional registered capital to be issued by Nanjing Iron & Steel Group (南鋼集團); (ii) the exercise of the right of first refusal by Nanjing Iron & Steel Group (南鋼集團) to acquire the 60% equity interest of Nanjing Iron & Steel United (南京鋼聯); and (iii) the grant of the Put Option to Nanjing Iron & Steel Venture Capital (南鋼創投) and New Industry Investment.

On the same date, Xinye Steel entered into the Capital Increase Agreement with Nanjing Iron & Steel Venture Capital (南鋼創投), New Industry Investment and Nanjing Iron & Steel Group (南鋼集團) in relation to the Proposed Acquisition of Nanjing Iron & Steel Group (南鋼集團).

On the same date, Nanjing Iron & Steel Group also entered into the Equity Transfer Agreement with the Fosun Shareholders in relation to the Proposed Acquisition of Nanjing Iron & Steel United (南京鋼聯).

Proposed Acquisition of Nanjing Iron & Steel Group (南鋼集團)

Pursuant to the Framework Investment Agreement and the Capital Increase Agreement, Xinye Steel agreed to subscribe for and Nanjing Iron & Steel Group (南鋼集團) agreed to issue additional registered capital to Xinye Steel, representing 55.2482% of the enlarged registered capital at a consideration of RMB13.58 billion. Upon completion of the Proposed Acquisition of Nanjing Iron & Steel Group (南鋼集團), Xinye Steel will hold 55.2482% equity interest in Nanjing Iron & Steel Group (南鋼集團).

Proposed Acquisition of Nanjing Iron & Steel United (南京鋼聯)

As at the date of this announcement, Nanjing Iron & Steel United (南京鋼聯) directly and indirectly holds in aggregate 59.10% equity interest of Nanjing Iron & Steel (南鋼股份), and is directly owned by Nanjing Iron & Steel Group (南鋼集團) as to 40%, and the Fosun Shareholders as to 60%.

The Fosun Shareholders proposed to sell the 60% equity interest of Nanjing Iron & Steel United (南京鋼聯) held by them, and have entered into a framework investment agreement with Jiangsu Shagang Group Co., Ltd. (江蘇沙鋼集團有限公司), and an equity transfer agreement with Jiangsu Shagang Group Co., Ltd. (江蘇沙鋼集團有限公司) and Jiangsu Shagang Group Investment Holding Co., Ltd. (江蘇沙鋼集團投資控股有限公司) with respect to the equity transfer.

Nanjing Iron & Steel Group (南鋼集團) is entitled to the right of first refusal of such equity interest to be sold by the Fosun Shareholders. Nanjing Iron & Steel Group (南鋼集團) has confirmed the exercise of the right of first refusal, and entered into the Equity Transfer Agreement with the Fosun Shareholders to acquire such equity interest at a consideration comprising of RMB13.58 billion and the Cost of Funds (subject to adjustment). Upon completion of the Proposed Acquisition of Nanjing Iron & Steel United (南京鋼聯), Nanjing Iron & Steel Group (南鋼集團) will hold the entire equity interest in Nanjing Iron & Steel United (南京鋼聯).

Completion of the above Transactions

As such, upon completion of the above mentioned transactions, Xinye Steel will hold 55.2482% equity interest in Nanjing Iron & Steel Group (南鋼集團), which will then hold the entire equity interest in Nanjing Iron & Steel United (南京鋼聯), which directly and indirectly holds in aggregate 59.10% equity interest of Nanjing Iron & Steel (南鋼股份). Nanjing Iron & Steel Group (南鋼集團), Nanjing Iron & Steel United (南京鋼聯) and Nanjing Iron & Steel (南鋼股份) will each become a non-wholly owned subsidiary of the Company, and their financial results will be consolidated into the accounts of the Group.

As Xinye Steel's indirect interest in Nanjing Iron & Steel (南鋼股份) will exceed 30% of its total issued registered capital, Xinye Steel is then required to make a general offer to all shareholders of Nanjing Iron & Steel (南鋼股份) other than Nanjing Iron & Steel United (南京鋼聯) and Nanjing Iron & Steel United Co., Ltd. (南京鋼鐵聯合有限公司) in accordance with applicable laws and regulations.

Nanjing Iron & Steel is a top tier special steel manufacturer in terms of production capacity, equipment, competitiveness and profitability. As Nanjing Iron & Steel's products are complementary to the Group's products, the Proposed Acquisition will further strengthen the Group's competitive advantages in bar steel, wire steel and plate steel products and increase the Group's special steel production capacity to over 30 million tonnes per annum, strengthening its leading position in the special steel industry.

GRANT OF THE PUT OPTION

Pursuant to the Framework Investment Agreement, Xinye Steel granted the Put Option to Nanjing Iron & Steel Venture Capital (南鋼創投) and New Industry Investment, the Put Option Holders, to

require Xinye Steel (or its designated affiliates) to acquire no more than an aggregate of approximately (and including) 18% of the enlarged registered capital of Nanjing Iron & Steel Group (南鋼集團) held by the Put Option Holders after completion of the Capital Increase.

The Put Option can be exercised during the period from the closing date of the Proposed Acquisition but no later than one day before the fifth (5th) anniversary from the closing date of the Proposed Acquisition, subject to the conditions set out in the Framework Investment Agreement.

LISTING RULES IMPLICATIONS

Proposed Acquisition

As the highest applicable percentage ratio in respect of the Proposed Acquisition (assuming, solely for purposes of illustration, acquisition of all the remaining shares of Nanjing Iron & Steel (南鋼股份) pursuant to the General Offer) is more than 5% but less than 25%, the Proposed Acquisition constitutes a discloseable transaction of the Company under the Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under the Listing Rules.

Grant of the Put Option

Given that the exercise of the Put Option is not at the discretion of Xinye Steel, pursuant to Rule 14.74 of the Listing Rules, the grant of the Put Option will be classified as if it had been exercised. As the Put Option (if exercised) and the Proposed Acquisition involve the acquisition of equity interest in the same company, the grant of the Put Option and the Proposed Acquisition shall be aggregated in accordance with Rule 14.22 of the Listing Rules. As the highest applicable percentage ratio in respect of the grant of the Put Option and the Proposed Acquisition (assuming, solely for purposes of illustration, acquisition of all the remaining shares of Nanjing Iron & Steel (南鋼股份) pursuant to the General Offer), after aggregation, is more than 5% but less than 25%, the grant of the Put Option and the Proposed Acquisition constitute discloseable transactions of the Company under the Chapter 14 of the Listing Rules and are subject to the notification and announcement requirements under the Listing Rules.

As the completion of the transaction under the Framework Investment Agreement, the Capital Increase Agreement and the Equity Transfer Agreement is subject to the fulfilment (or, if applicable, waiver) of certain conditions precedent as stipulated therein, the Proposed Acquisition may or may not proceed. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

I. OVERVIEW OF THE TRANSACTIONS

On 2 April 2023, Xinye Steel, an indirect wholly-owned subsidiary of the Company, entered into the Framework Investment Agreement with Nanjing Iron & Steel Venture Capital, New Industry Investment and Nanjing Iron & Steel Group in relation to, among other things, (i) the subscription by Xinye Steel for the additional registered capital to be issued by Nanjing Iron & Steel Group; (ii) the exercise of the right of first refusal by Nanjing Iron & Steel Group to acquire the 60% equity interest of Nanjing Iron & Steel United; and (iii) the grant of the Put Option to Nanjing Iron & Steel Venture Capital and New Industry Investment.

On the same date, Xinye Steel entered into the Capital Increase Agreement with Nanjing Iron & Steel Venture Capital, New Industry Investment and Nanjing Iron & Steel Group in relation to the Proposed Acquisition of Nanjing Iron & Steel Group.

On the same date, Nanjing Iron & Steel Group also entered into the Equity Transfer Agreement with the Fosun Shareholders in relation to the Proposed Acquisition of Nanjing Iron & Steel United.

Principal Terms of the Framework Investment Agreement

Date

2 April 2023

Parties

- (1) Xinye Steel;
- (2) Nanjing Iron & Steel Venture Capital;
- (3) New Industry Investment; and
- (4) Nanjing Iron & Steel Group

Subject matter

(1) Proposed Acquisition of Nanjing Iron & Steel Group

Pursuant to the Framework Investment Agreement, Xinye Steel shall enter into the Capital Increase Agreement with Nanjing Iron & Steel Venture Capital, New Industry Investment and Nanjing Iron & Steel Group, pursuant to which, Xinye Steel will subscribe for and Nanjing Iron & Steel Group will issue additional registered capital to Xinye Steel at a consideration of RMB13.58 billion, representing 55.2482% of the enlarged registered capital. In addition, each of Nanjing Iron & Steel Venture Capital and New Industry Investment have unconditionally and irrevocably agreed to waive its respective pre-emptive right to subscribe for the additional registered capital.

Detailed terms of the Capital Increase Agreement are set out in “II. Proposed Acquisition of Nanjing Iron & Steel Group” in this announcement.

(2) Proposed Acquisition of Nanjing Iron & Steel United

As at the date of this announcement, Nanjing Iron & Steel United directly and indirectly holds in aggregate 59.10% equity interest of Nanjing Iron & Steel, and is directly owned by Nanjing Iron & Steel Group as to 40%, and the Fosun Shareholders as to 60%. The Fosun Shareholders proposed to sell the 60% equity interest of Nanjing Iron & Steel United held by them, and have entered into a framework investment agreement with Jiangsu Shagang Group Co., Ltd. (“**Shagang Group**”), and an equity transfer agreement with Shagang Group and Jiangsu Shagang Group Investment Holding Co., Ltd. (“**Shagang Investment**”) with respect to the equity transfer. Nanjing Iron & Steel Group is entitled to the right of first refusal of such equity interest to be sold by the Fosun Shareholders.

Pursuant to the Framework Investment Agreement, Nanjing Iron & Steel Group shall exercise (and has exercised) the right of first refusal to acquire such equity interest and enter into the Equity Transfer Agreement with the Fosun Shareholders.

Detailed terms of the Equity Transfer Agreement are set out in “III. Proposed Acquisition of Nanjing Iron & Steel United” in this announcement.

(3) Disposals of Certain Assets

In view of (i) the exit of the Fosun Shareholders in Nanjing Iron & Steel United or (ii) the requirements of applicable laws and regulations in relation to change of control of listed company, based on parties’ arm’s length negotiation, the Framework Investment Agreement provides that, Nanjing Iron & Steel United or Nanjing Iron & Steel (or entity holding relevant interest) shall transfer their direct or indirect interest in (a) Hefei Microelectronics Co., Ltd. (合肥復睿微電子有限公司), (b) Shanghai Fosun High

Technology Group Finance Co., Ltd. (上海復星高科技集團財務有限公司), (c) Zhejiang Wansheng Co., Ltd. (浙江萬盛股份有限公司), and (d) Nanjing Nangang Xinqi Enterprise Management Partnership (Limited Partnership) (南京南鋼鑫啟企業管理合夥企業 (有限合夥)) to the Fosun Shareholders or their affiliates. The consideration of all the disposals above shall be determined based on the market value (where applicable), the net asset value of such interest or the investment costs. Certain information on the Disposed Assets is also set out in “VII. Financial Information of Nanjing Iron & Steel Group and Nanjing Iron & Steel United” of this announcement.

Among the disposals above, the disposal of Nanjing Iron & Steel’s interest in Zhejiang Wansheng Co., Ltd. shall be completed before the completion of the transaction contemplated under the Equity Transfer Agreement (the “**Pre-Closing Disposal**”). The Framework Investment Agreement also provides that Nanjing Iron & Steel Group shall provide a loan of RMB1 billion with a term of 24 months and a simple interest rate of 6% per annum to Fosun Industrial Investment, which may be extended for one year upon written request of Fosun Industrial Investment at a simple interest rate of 8% per annum during the extension period.

(4) General Offer for shares of Nanjing Iron & Steel listed on The Shanghai Stock Exchange

Upon the completion of the Proposed Acquisition of Nanjing Iron & Steel United, as Xinye Steel’s indirect interest in Nanjing Iron & Steel will exceed 30% of its total issued registered capital, Xinye Steel is required to make a general offer to all shareholders of Nanjing Iron & Steel other than Nanjing Iron & Steel United and Nanjing Iron & Steel United Co., Ltd. in accordance with applicable laws and regulations of the PRC and the Rules Governing the Listing of Stocks on The Shanghai Stock Exchange. The General Offer shall be funded by Xinye Steel.

Detailed terms of the General Offer are set out in “IV. General Offer for the Shares of Nanjing Iron & Steel on the Shanghai Stock Exchange” in this announcement.

(5) Grant of the Put Option

Pursuant to the Framework Investment Agreement, Xinye Steel grants the Put Option to the Put Option Holders to require Xinye Steel (or its designated affiliates) to acquire no more than an aggregate of approximately (and including) 18% of the enlarged registered capital of Nanjing Iron & Steel Group held by the Put Option Holders after completion of the Capital Increase, subject to the conditions set out in the Framework Investment Agreement.

Detailed terms of the Put Option are set out in “V. Grant of the Put Option” in this announcement.

Relationship between the subject matters

The transactions contemplated under the Capital Increase Agreement are conditional upon the transactions contemplated under the Equity Transfer Agreement, and subject to, among other things, the completion of the Pre-Closing Disposal.

Term

The Framework Investment Agreement has taken effect on the date of execution, i.e. 2 April 2023, and shall be rescinded upon occurrence of the following events, whichever is earliest:

- (1) the parties unanimously agree in writing to rescind the Framework Investment Agreement;
- (2) upon the occurrence of an event of default, the defaulting party shall, upon receipt of written notice from the non-defaulting party, promptly cure the default or take effective remedial measures to save the non-defaulting party from loss within a reasonable period of time as set forth in the notice. If,

after the expiration of such reasonable period of time, the defaulting party still fails to cure the default or take effective remedial measures, and if damage is caused to the lawful interests of the non-defaulting party, the non-defaulting party may unilaterally rescind the Framework Investment Agreement by written notice if the defaulting party's conduct materially and adversely affects the performance of the Framework Investment Agreement and makes it impossible to achieve the purpose of the Framework Investment Agreement, and the rescission shall take effect from the date of delivery of the notice;

- (3) the adoption of a valid resolution or making of a binding order in respect of the winding up, dissolution, liquidation or bankruptcy of Nanjing Iron & Steel Group;
- (4) the rescission or termination of the Capital Increase Agreement according to its terms; or
- (5) the rescission or termination of the Equity Transfer Agreement according to its terms.

II. PROPOSED ACQUISITION OF NANJING IRON & STEEL GROUP

1. Principal Terms of the Capital Increase Agreement

Date

2 April 2023

Parties

- (1) Xinye Steel;
- (2) Nanjing Iron & Steel Venture Capital;
- (3) New Industry Investment; and
- (4) Nanjing Iron & Steel Group

Subject matter

Additional registered capital of RMB1,325,432,691 to be issued by Nanjing Iron & Steel Group, representing 55.2482% of its enlarged registered capital

Consideration

The consideration for the Capital Increase is RMB13.58 billion.

Payment Arrangement and Conditions Precedent

The consideration for the Capital Increase shall be paid in three instalments.

First Instalment Prepayment of Capital Increase

The first instalment prepayment of RMB8.3 billion (the “**First Instalment Prepayment of Capital Increase**”) shall be payable by Xinye Steel to an escrow account opened by Nanjing Iron & Steel Group and jointly supervised and managed by Xinye Steel, Nanjing Iron & Steel Group and a custodian bank (the “**Capital Increase Escrow Account**”) on a date which is the first (1st) or second (2nd) business day after the following conditions precedent have been fulfilled (or waived by Xinye Steel in writing):

- (1) Nanjing Iron & Steel Group has obtained the approval and consent of Nanjing Iron & Steel Venture Capital and New Industry Investment (together, the “**Existing Shareholders**”) in respect of the Capital Increase and Nanjing Iron & Steel Group has passed/obtained all necessary resolutions (including but not limited to resolutions of the general meeting of shareholders) in this regard;
- (2) the Existing Shareholders have passed the resolution to approve the amended articles of association of Nanjing Iron & Steel Group;
- (3) Xinye Steel have completed its internal approval procedures and obtained valid approval documents consenting to the Capital Increase;
- (4) the procedure for Nanjing Iron & Steel Group to pledge its 40% equity interest in Nanjing Iron & Steel United to Xinye Steel as security for the First Instalment Prepayment of Capital Increase and the Second Instalment Prepayment of Capital Increase (as defined below) has been completed, which will be automatically released upon the Capital Increase Closing Date (as defined below);
- (5) the Equity Transfer Agreement has been entered into, and the conditions precedent for (a) the effectiveness of such agreement and (b) the First Instalment Prepayment of Equity Transfer (as defined below) have been fulfilled;
- (6) the representations and warranties made by the Fosun Shareholders with regard to themselves and the Nanjing Iron & Steel United Group Companies under the Equity Transfer Agreement are true and accurate in material respects (as defined in the Equity Transfer Agreement), and will remain true and accurate in material respects as of the date of payment of the First Instalment Prepayment of Equity Transfer in accordance with relevant terms of the Equity Transfer Agreement;
- (7) during the period from the Valuation Reference Date and until the date of payment of the First Instalment Prepayment of Equity Transfer, there do not exist any events individually or jointly causing any material adverse effects which still exist as at date of payment of the First Instalment Prepayment of Equity Transfer;
- (8) with respect to the pledge of 11% equity interest in Nanjing Iron & Steel United by the Fosun Shareholders to Nanjing Iron & Steel Group for the purpose of obtaining a loan of RMB1.2 billion from Nanjing Iron & Steel Group, Nanjing Iron & Steel Group has executed and is prepared to deliver the application for cancellation of pledge of equity interest and other necessary documents required by the administration for market regulation for registration of cancellation of pledge;
- (9) the Fosun Shareholders have executed and are ready to deliver all documents pledging their 60% equity interest in Nanjing Iron & Steel United to Nanjing Iron & Steel Group;

- (10) the Existing Shareholders and Nanjing Iron & Steel Group have performed and complied in all material respects with all covenants and undertakings required to be performed or complied with by the Existing Shareholders and Nanjing Iron & Steel Group under the transaction documents on or before the Capital Increase Closing Date, and all statements, representations and warranties and undertakings by them under the Capital Increase Agreement are true, accurate and complete in all material respects as at the date of the Capital Increase Agreement and continue to be true, accurate and complete up to the date of payment of the First Instalment Prepayment of Capital Increase;
- (11) the Group Companies are not, and have not been, subject to any event with material adverse effect;
- (12) there are no judgments, rulings, decisions, injunctions or orders of applicable laws or governmental agencies that restrict, prohibit or cancel the Proposed Acquisition or any pending litigation, arbitration, judgments, rulings, injunctions or orders that would have a material adverse effect on the Proposed Acquisition as of the payment date;
- (13) the Framework Investment Agreement, the Capital Increase Agreement, the Equity Transfer Agreement and the amended articles of association of Nanjing Iron & Steel Group have been duly executed, validated, delivered and continue to be in force and are not claimed to be invalid, discharged or terminated by the relevant signatories;
- (14) there has been no material adverse change in the business, financial or operating conditions of the Group Companies since the Valuation Reference Date or any change in circumstances which may result in a material adverse effect on the business, operations, properties, financial conditions, revenue, circumstances or prospects of the Group Companies; and
- (15) Nanjing Iron & Steel Group and the Existing Shareholders have provided confirmation letters to Xinye Steel confirming all the conditions (save for (3)) have been fulfilled.

Second Instalment Prepayment of Capital Increase

The second instalment of RMB5 billion (the “**Second Instalment Prepayment of Capital Increase**”) shall be payable by Xinye Steel to the Capital Increase Escrow Account on a date within three (3) business days after the following conditions precedent have been fulfilled (or waived by Xinye Steel in writing):

- (1) the Equity Transfer Agreement has taken effect and the conditions precedent under the Equity Transfer Agreement for the Second Instalment Prepayment of Equity Transfer (as defined below) have been fulfilled;
- (2) the representations and warranties made by the Fosun Shareholders with regard to themselves and the Nanjing Iron & Steel United Group Companies under the Equity Transfer Agreement are true and accurate in material respects (as defined in the Equity Transfer Agreement), and will remain true and accurate in material respects as of the date of payment of the Second Instalment Prepayment of Equity Transfer in accordance with relevant terms of the Equity Transfer Agreement;
- (3) during the period from the Valuation Reference Date and until the date of payment of the Second Instalment Prepayment of Equity Transfer, there do not exist any events individually or jointly causing any material adverse effects which still exist as at date of payment of the Second Instalment Prepayment of Equity Transfer;

- (4) the Fosun Shareholders have pledged their 60% equity interest in Nanjing Iron & Steel United to Nanjing Iron & Steel Group, and the registration has been completed and effective;
- (5) the Pre-Closing Disposal has been completed;
- (6) the Existing Shareholders and Nanjing Iron & Steel Group have performed and complied in all material respects with all covenants and undertakings required to be performed or complied with by the Existing Shareholders and Nanjing Iron & Steel Group under the transaction documents on or before the Capital Increase Closing Date, and all statements, representations and warranties and undertakings by them under the Capital Increase Agreement are true, accurate and complete in all material respects as at the date of the Capital Increase Agreement and continue to be true, accurate and complete up to the date of payment of the Second Instalment Prepayment of Capital Increase;
- (7) the Group Companies are not, and have not been, subject to any event with material adverse effect;
- (8) there are no judgments, rulings, decisions, injunctions or orders of applicable laws or governmental agencies that restrict, prohibit or cancel the Proposed Acquisition or any pending litigation, arbitration, judgments, rulings, injunctions or orders that would have a material adverse effect on the Proposed Acquisition as of the payment date;
- (9) the Framework Investment Agreement, the Capital Increase Agreement, the Equity Transfer Agreement and the amended articles of association of Nanjing Iron & Steel Group have been duly executed, validated, delivered and continue to be in force and are not claimed to be invalid, discharged or terminated by the relevant signatories;
- (10) there has been no material adverse change in the business, financial or operating conditions of the Group Companies since the Valuation Reference Date or any change in circumstances which may result in a material adverse effect on the business, operations, properties, financial conditions, revenue, circumstances or prospects of the Group Companies; and
- (11) Nanjing Iron & Steel Group and the Existing Shareholders have provided confirmation letters to Xinye Steel confirming all the conditions have been fulfilled.

Final Instalment Payment of Capital Increase

The final instalment of RMB0.28 billion (the “**Final Instalment Payment of Capital Increase**”) shall be payable by Xinye Steel to the Capital Increase Escrow Account on a date which is within five (5) business days after the following conditions precedent have been fulfilled (or waived by Xinye Steel in writing) (the “**Closing Conditions to the Capital Increase**”) or a date otherwise agreed by Xinye Steel and the Existing Shareholders in writing:

- (1) all approvals, registrations or filings required for the execution, delivery and performance of relevant transaction documents and the completion of the transactions thereunder by the Existing Shareholders and Nanjing Iron & Steel Group have been obtained and remain in full force and effect as of the corresponding closing date;
- (2) Nanjing Iron & Steel Group has obtained the approval and consent of the Existing Shareholders in respect of the Capital Increase and Nanjing Iron & Steel Group has passed/obtained all necessary resolutions (including but not limited to resolutions of the general meeting of shareholders) in this regard;

- (3) the Existing Shareholders have passed a resolution approving the amended articles of association of Nanjing Iron & Steel Group;
- (4) the internal approval procedures of Xinye Steel have been completed and valid approval documents consenting to the capital increase have been obtained;
- (5) the anti-monopoly law enforcement agency under the State Council has made a decision of not to prohibit the concentration of business operators in respect of the Proposed Acquisition;
- (6) all the conditions precedent to the closing under the Equity Transfer Agreement have been fulfilled;
- (7) the notices and/or consents (if required) required to be given to the contract counterparties to implement the Capital Increase have been given or obtained in accordance with applicable law and the provisions of any contracts entered into by the Group Companies, and that the completion of the Capital Increase will not interrupt or have any material adverse effect on the ongoing operations, business or transactions of Nanjing Iron & Steel Group;
- (8) the Existing Shareholders and Nanjing Iron & Steel Group have performed and complied in all material respects with all covenants and undertakings required to be performed or complied with by the Existing Shareholders and Nanjing Iron & Steel Group under the transaction documents on or before the Capital Increase Closing Date, and all statements, representations and warranties and undertakings by them under the Capital Increase Agreement are true, accurate and complete in all material respects as at the date of the Capital Increase Agreement and continue to be true, accurate and complete up to the payment date;
- (9) the Group Companies are not, and have not been, subject to any event with material adverse effect;
- (10) there are no judgments, rulings, decisions, injunctions or orders of applicable laws or governmental agencies that restrict, prohibit or cancel the Proposed Acquisition or any pending litigation, arbitration, judgments, rulings, injunctions or orders that would have a material adverse effect on the Proposed Acquisition as of the payment date;
- (11) the Framework Investment Agreement, the Capital Increase Agreement, the Equity Transfer Agreement and the amended articles of association of Nanjing Iron & Steel Group have been duly executed, validated, delivered and continue to be in force and are not claimed to be invalid, discharged or terminated by the relevant signatories;
- (12) there has been no material adverse change in the business, financial or operating conditions of the Group Companies since the Valuation Reference Date or any change in circumstances which may result in a material adverse effect on the business, operations, properties, financial conditions, revenue, circumstances or prospects of the Group Companies; and
- (13) Nanjing Iron & Steel Group and the Existing Shareholders have provided confirmation letters to Xinye Steel confirming all the conditions (save for (4) and (5)) have been fulfilled.

Closing

The closing of the Capital Increase shall take place on the date of payment of the Final Instalment Payment of Capital Increase (the “**Capital Increase Closing Date**”).

Termination

The Capital Increase Agreement shall be rescinded upon occurrence of the following events, whichever is earliest:

- (1) the parties unanimously agree in writing to rescind the Capital Increase Agreement;
- (2) (a) In the event of default by Nanjing Iron & Steel Group and/or the Existing Shareholders, and upon the occurrence of any material event as specified below, which renders the Proposed Acquisition fundamentally unachievable, Xinye Steel shall have the right to rescind the Capital Increase Agreement by written notice to the other parties:
 - i. either party is in material breach of its obligations under the Capital Increase Agreement and fails to cure such breach within thirty (30) business days after receipt of written notice from the other party requiring it to cure such breach;
 - ii. any of the conditions precedent to prepayment has not been fulfilled nor waived in writing by Xinye Steel within one (1) month from the execution of the Capital Increase Agreement;
 - iii. any of the Closing Conditions to the Capital Increase has not been fulfilled nor waived in writing by Xinye Steel within six (6) months from the execution of the Capital Increase Agreement;
 - iv. the occurrence of any material adverse event prior to the Capital Increase Closing Date as agreed in the Capital Increase Agreement; or
 - v. Nanjing Iron & Steel Group, Nanjing Iron & Steel United or Nanjing Iron & Steel is unable to operate, or, pursuant to any regulatory or judicial action or otherwise, is prohibited from continuing to operate any such business due to inability to obtain or failure to renew the approval of its existing principal business, or is permanently unable to operate any such business in a commercially viable manner due to changes in applicable laws.(b) In the event of default by Xinye Steel, and upon the occurrence of the material event as specified below, which renders the Capital Increase and the acquisition of Nanjing Iron & Steel United fundamentally unachievable, Nanjing Iron & Steel Group and the Existing Shareholders shall have the right to rescind the Capital Increase Agreement by written notice to Xinye Steel:
 - i. either party is in material breach of its obligations under the Capital Increase Agreement and fails to cure such breach within thirty (30) business days after receipt of written notice from the other party requiring it to cure such breach;
- (3) the adoption of a valid resolution or making of a binding order in respect of the winding up, dissolution, liquidation or bankruptcy of Nanjing Iron & Steel Group, Nanjing Iron & Steel United or Nanjing Iron & Steel;
- (4) the rescission or termination of the Framework Investment Agreement according to its terms; or
- (5) the rescission or termination of the Equity Transfer Agreement according to its terms.

2. Basis of consideration for the Proposed Acquisition of Nanjing Iron & Steel Group

The consideration of RMB13.58 billion under the Capital Increase Agreement was determined after negotiations on an arm's length basis between Xinye Steel and Nanjing Iron & Steel Group, taking the following key factors into consideration: (i) the value of total shareholders' equity of Nanjing Iron & Steel Group as at the Valuation Reference Date of 30 September 2022 (i.e. approximately RMB12.45 billion) and the value of total shareholders' equity of Nanjing Iron & Steel United as at the Valuation Reference Date of 30 September 2022 (i.e. approximately RMB26.09 billion) as determined by the Independent Appraiser based on the income approach; and (ii) the amount of dividend distributed by Nanjing Iron & Steel Group to Nanjing Iron & Steel Venture Capital and New Industry Investment of RMB1.2 billion in total after the Valuation Reference Date.

As income approach was adopted for the valuation of total shareholders' equity of Nanjing Iron & Steel Group and Nanjing Iron & Steel United, such valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules. Relevant information required under 14.60A and 14.62 of the Listing Rules in relation to profit forecast is set out in section "X. Profit Forecasts Under the Valuation" in this announcement.

III. PROPOSED ACQUISITION OF NANJING IRON & STEEL UNITED

1. Principal Terms of the Equity Transfer Agreement

Date

2 April 2023

Parties

- (1) Fosun High Technology;
- (2) Fosun Industrial Investment; and
- (3) Fosun Industrial; Fosun High Technology, Fosun Industrial Investment and Fosun Industrial, being the Fosun Shareholders, collectively as the transferors;
- (4) Nanjing Iron & Steel Group, as the transferee

Target

60% equity interest of Nanjing Iron & Steel United held by the Fosun Shareholders

The Fosun Shareholders and Nanjing Iron & Steel United agreed that the transfer of equity interest of Nanjing Iron & Steel United held by each of the Fosun Shareholders shall be inter-conditional and subject to the transfer of an aggregate of 60% equity interest Nanjing Iron & Steel United to Nanjing Iron & Steel Group.

Consideration

The consideration of the Equity Transfer comprises of RMB13.58 billion and the Cost of Funds, subject to the adjustment based on the formula as set out below.

Adjustment Formula

Actual amount of the consideration to be received by each Fosun Shareholder = Benchmark Transfer Price (as set out below) – Omission Notice Cost (as defined below) applicable to such Fosun Shareholder x 110% (the "**Omission Notice Compensation Amount**")

(a) Benchmark Transfer Price

Benchmark Transfer Price = RMB13.58 billion + Cost of Funds

The cost of funds is calculated on a daily basis (a) for the period from and including 14 October 2022 to and including the day before the date of payment of the First Instalment Prepayment of Equity Transfer, in the principal amount of RMB4 billion (which is the first tranche of earnest money under the investment framework entered into between the Fosun Shareholders and Shagang Group) with a simple interest rate of 8% per annum; and (b) for the period from and including 17 October 2022 to and including the date of payment of the First Instalment Prepayment of Equity Transfer, in the principal amount of RMB4 billion (which is the second tranche of earnest money under the investment framework entered into between the Fosun Shareholders and Shagang Group) with a simple interest rate of 8% per annum (the “**Cost of Funds**”). Based on the below conditions precedent to the First Instalment Prepayment of Equity Transfer, the date of payment of the First Instalment Prepayment of Equity Transfer is 4 April 2023, and the Cost of Funds calculated accordingly is RMB298,958,904.11.

For each of the Fosun Shareholders:

Subject	Benchmark Transfer Price
30% equity interest of Nanjing Iron & Steel United held by Fosun High Technology	RMB6,940,794,520.55 (RMB6,790,000,000 + Cost of Funds of RMB150,794,520.55)
20% equity interest of Nanjing Iron & Steel United held by Fosun Industrial Investment	RMB4,619,272,739.73 (RMB4,526,670,000 + Cost of Funds of RMB92,602,739.73)
10% equity interest of Nanjing Iron & Steel United held by Fosun Industrial	RMB2,318,891,643.84 (RMB2,263,330,000 + Cost of Funds of RMB55,561,643.84)
Total	RMB13,878,958,904.11 (RMB13,580,000,000 + Cost of Fund of RMB298,958,904.11)

(b) Omission Notice Compensation Amount

In respect of any Fosun Shareholder, omission refers to, during the period commencing from 00:01 a.m. on the day following 30 June 2022 and ending on the Equity Transfer Closing Date (as defined below), if there are certain new circumstances which result in (i) the Nanjing Iron & Steel United Group Companies having to pay such Fosun Shareholder or its affiliates (or their designated third parties); (ii) liabilities being incurred on the part of the Group Companies for the benefit of such Fosun Shareholder or its affiliates; and/or (iii) the transfer of any asset or other interest of the Nanjing Iron & Steel United Group Companies to such Fosun Shareholder or its affiliates (or their designated third parties) as described under the Equity Transfer Agreement.

Each Fosun Shareholder shall submit a written notice to Nanjing Iron & Steel Group no later than the fifth (5th) business day before the Equity Transfer Closing Date, stating the aggregate amount of omission cost that have been accumulated in respect of such Fosun Shareholder (the “**Omission Notice Cost**”).

The parties agreed that, if Nanjing Iron & Steel United increases its registered capital by way of capital reserve and/or undistributed profits with the prior written consent of Nanjing Iron & Steel Group and after performing its internal decision-making procedure in accordance with the applicable law before the closing, Nanjing Iron & Steel Group shall still acquire all equity interest held by each

of the Fosun Shareholders in Nanjing Iron & Steel United (with the registered capital corresponding to such equity interests increasing accordingly) prior to the closing and the consideration receivable by each Fosun Shareholder shall remain unchanged.

Payment Arrangement and Conditions Precedent

The consideration for the Equity Transfer shall be paid in three instalments.

First Instalment Prepayment of Equity Transfer

The first instalment prepayment of RMB8 billion and the Cost of Funds (the “**First Instalment Prepayment of Equity Transfer**”) shall be payable by Nanjing Iron & Steel Group to three escrow accounts opened each of the Fosun Shareholders and jointly supervised and managed by Nanjing Iron & Steel Group, the Fosun Shareholders and a custodian bank on a date which is the second (2nd) business day after the following conditions precedent have been fulfilled (or waived by Nanjing Iron & Steel Group in writing):

- (1) the Equity Transfer Agreement has been duly executed and remains valid as of the date of payment of the First Instalment Prepayment of Equity Transfer;
- (2) as at of the date of payment of the First Instalment Prepayment of Equity Transfer, there does not exist and there is no claim in relation to the Fosun Shareholders from any governmental authorities to restrict, hinder or prohibit the Equity Transfer and such restriction, hindrance or prohibition constitutes a material impediment to the Equity Transfer;
- (3) as at the date of payment of the First Instalment Prepayment of Equity Transfer, no law or governmental order has been enacted, promulgated, enforced or passed by any governmental authority that would render the Equity Transfer in relation to the Fosun Shareholders unlawful or otherwise restrict or prohibit the Equity Transfer and such restriction or prohibition constitutes a material impediment to the Equity Transfer;
- (4) the Fosun Shareholders have executed and are ready to deliver all documents in relation to the pledge of 60% equity interest in Nanjing Iron & Steel United to Nanjing Iron & Steel Group as required in the Equity Transfer Agreement;
- (5) the Fosun Shareholders have provided Nanjing Iron & Steel Group with a confirmation letter signed by its authorized representative confirming that all the above conditions have been fulfilled. By providing such confirmation letter at the time of signing the Equity Transfer Agreement, the Fosun Shareholders shall simultaneously confirm that the conditions precedent to the First Instalment Prepayment of Equity Transfer have been fulfilled. For the avoidance of doubt, both parties confirm that the above conditions have been fulfilled or waived by Nanjing Iron & Steel Group upon the signing of the Equity Transfer Agreement.

Based on the above, the date of payment of the First Instalment Prepayment of Equity Transfer is 4 April 2023.

Second Instalment Prepayment of Equity Transfer

The second instalment prepayment of RMB5 billion (the “**Second Instalment Prepayment of Equity Transfer**”) shall be payable by Nanjing Iron & Steel Group to the relevant accounts of the Fosun Shareholders within three (3) business days after the following conditions precedent have been fulfilled (or waived by Nanjing Iron & Steel Group in writing):

- (1) the Equity Transfer Agreement has been duly executed and remains valid as of the date of payment of the Second Instalment Prepayment of Equity Transfer;

- (2) as of the date of payment of the Second Instalment Prepayment of Equity Transfer, there does not exist and there is no claim in relation to the Fosun Shareholders from any governmental authorities to restrict, hinder or prohibit the Equity Transfer and such restriction, hindrance or prohibition constitutes a material obstacle to the Equity Transfer;
- (3) as of the date of payment of the Second Instalment Prepayment of Equity Transfer, no law or governmental order has been enacted, promulgated, enforced or passed by any governmental authority that would render the Equity Transfer in relation to the Fosun Shareholders unlawful or otherwise restrict or prohibit the Equity Transfer and such restriction or prohibition constitutes a material impediment to the Equity Transfer;
- (4) the Fosun Shareholders have pledged their 60% equity interest in Nanjing Iron & Steel United to Nanjing Iron & Steel Group, and the registration has been completed and effective;
- (5) the Pre-Closing Disposal has been completed (including the completion of the registration of securities transfers);
- (6) the Fosun Shareholders have provided Nanjing Iron & Steel Group with a confirmation letter signed by its authorized representative confirming that all the above conditions have been fulfilled.

The Fosun Shareholders also agree to pledge 60% equity interest of Nanjing Iron & Steel United to Nanjing Iron & Steel Group as the security for the prepayments under the Equity Transfer.

Final Instalment Payment of Equity Transfer

The final instalment of all the remaining consideration (the “**Final Instalment Payment of Equity Transfer**”) shall be payable by Nanjing Iron & Steel Group to the respective accounts of the Fosun Shareholders within five (5) business days after the following conditions precedent have been fulfilled (or waived by the relevant party in writing) or a date otherwise agreed by Nanjing Iron & Steel Group and the Fosun Shareholders in writing:

- (1) Conditions precedent applicable to both Nanjing Iron & Steel Group and the Fosun Shareholders (any of the conditions may be waived in whole or part by mutual decision of Nanjing Iron & Steel Group and Fosun Shareholders in writing and in compliance with the laws):
 - i. the Equity Transfer Agreement has been properly signed and remains valid on the Equity Transfer Closing Date;
 - ii. there are no claims by any governmental authority to restrict, hinder or enjoin the relevant portion with respect to Fosun Shareholders in the Equity Transfer and such restriction, hindrance or injunction constitutes a material impediment to the Equity Transfer;
 - iii. no law or governmental order has been enacted, promulgated, enforced or passed by any governmental authority that would render the Equity Transfer unlawful or otherwise restrict or prohibit the portion of the Equity Transfer involving the Fosun Shareholders and such restriction or prohibition constitutes a material impediment to the Equity Transfer.
- (2) Conditions precedent to the performance by Nanjing Iron & Steel Group of its obligations (any of the conditions may be waived in whole or in part in writing at the sole discretion of Nanjing Iron & Steel Group, and the conditions precedent waived at the discretion of Nanjing Iron &

Steel Group shall automatically be converted into post-closing obligations of the Fosun Shareholders after the Equity Transfer):

- i. (a) the representations and warranties made by the Fosun Shareholders with regard to themselves and the Nanjing Iron & Steel United Group Companies under the Equity Transfer Agreement are true and accurate in material respects (as defined in the Equity Transfer Agreement), and will remain true and accurate in material respects (as defined in the Equity Transfer Agreement) as of the Equity Transfer Closing Date in accordance with relevant terms of the Equity Transfer Agreement; and (b) undertakings and agreements to be fulfilled by the Fosun Shareholders on or before the Equity Transfer Closing Date under the Equity Transfer Agreement shall be fulfilled in material respects (as defined in the Equity Transfer Agreement);
- ii. during the period from the valuation reference date and until the Equity Transfer Closing Date, there do not exist any events individually or jointly causing any material adverse effects which still exist as at the Equity Transfer Closing Date;
- iii. all government authorizations required for Nanjing Iron & Steel Group, the Fosun Shareholders or Nanjing Iron & Steel United to execute and deliver the Equity Transfer Agreement and complete the Equity Transfer have been obtained or completed and remain valid in full, including but not limited to passing of the review of concentration filings (the “**Anti-Monopoly Review**”) by the State Administration for Market Regulation;
- iv. in relation to the Equity Transfer and any possible changes in the control of Nanjing Iron & Steel United resulting thereof, the Fosun Shareholders have performed their notification obligations in accordance with the applicable law or any relevant agreements signed by the Nanjing Iron & Steel United Group Companies by providing relevant third parties (including, but not limited to, trustees, financial institutions or business partners of bonds issued by the Nanjing Iron & Steel United Group Companies) with necessary notification, and delivered the proof of such written notification (including email format) and all relevant written replies/receipts to Nanjing Iron & Steel Group (if obtained by the Fosun Shareholders);
- v. there is no objection from the China Securities Regulatory Commission and its despatched offices and competent stock exchanges concerned (the “**Relevant Securities Regulatory Authorities**”) to the Equity Transfer: within ten (10) business days after the fulfilment of the conditions precedent to the closing (save for this condition and condition (viii)), the Fosun Shareholders and Nanjing Iron & Steel Group jointly conduct onsite communication or communicate by email or telephone with the Relevant Securities Regulatory Authorities, and the Relevant Securities Regulatory Authorities have not expressly objected to, or have confirmed the approval of the completion of the Equity Transfer. If the Relevant Securities Regulatory Authorities raise any adjustment proposals in relation to the Equity Transfer, the Fosun Shareholders and Nanjing Iron & Steel Group shall make reasonable efforts to make the corresponding adjustments. If the Fosun Shareholders and Nanjing Iron & Steel Group have cooperated to implement such adjustment proposals, it shall be deemed that the Relevant Securities Regulatory Authorities have confirmed the approval to the closing;
- vi. directors, supervisors and senior management of Nanjing Iron & Steel United nominated by the Fosun Shareholders have resigned from their respective positions;
- vii. the Pre-Closing Disposal has been completed (including the completion of the registration of securities transfers);

- viii. the Fosun Shareholders have procured the Nanjing Iron & Steel United to complete the registration procedures and filings with the competent administration for market regulation in respect of the Equity Transfer, including the change in shareholding structure of the Nanjing Iron & Steel United, and to deliver the notice of approval issued by the competent administration for market regulation and the amended original and scanned copy of business license of the Nanjing Iron & Steel United to the Nanjing Iron & Steel Group;
- ix. the Fosun Shareholders have submitted to Nanjing Iron & Steel Group a letter of confirmation of satisfaction of the conditions precedents above.

Closing

The closing of the Equity Transfer shall take place on the date of payment of the Final Instalment Payment of Equity Transfer (the “**Equity Transfer Closing Date**”).

Exclusive Arrangement

During the period from the date of execution of the Equity Transfer Agreement to the Equity Transfer Closing Date, without the prior written consent of Nanjing Iron & Steel Group, the Fosun Shareholders shall not, and shall cause any of its respective affiliates, officers, directors, representatives or agents of the Fosun Shareholders not to:

- (1) (i) make any investment (whether in the form of equity or debt) in any Nanjing Iron & Steel United Group Company; (ii) acquire or otherwise obtain all or part of the equity, voting rights, equity interest, assets or business of any Nanjing Iron & Steel United Group Company; (iii) merger or consolidate any Nanjing Iron & Steel United Group Company or its business; (iv) participate in any capital reorganization, asset reorganization, structural reorganization or other transactions which are not during ordinary course of business; or
- (2) enter into any agreement, memorandum, letter of intent or similar legal documents in relation to the above matters, participate in any discussions, conversations, negotiations and other forms of communication, or provide other entities with information related to the above matters, or cooperate and assist in any form or participate in, facilitate or encourage any other party's efforts or attempts to do the above.

Unless otherwise agreed in writing by Nanjing Iron & Steel Group, during the period from the date of the Equity Transfer Agreement to the Long Stop Date (as defined below) or the date of termination, whichever is earlier, or such a later date mutually agreed by the Fosun Shareholders and Nanjing Iron & Steel Group, except for Shagang Group and Shagang Investment, the Fosun Shareholders shall not proceed with any negotiation with any other third party on the Equity Transfer.

Termination

The Equity Transfer Agreement can be terminated and rescinded under any of the following circumstances before the closing:

- (1) Nanjing Iron & Steel Group and the Fosun Shareholders jointly terminate the Equity Transfer Agreement in writing and determine the effective time of termination;
- (2) if any government promulgates any law, issues any order, decree or ruling, or takes any other legal action to restrict, prevent or otherwise prohibit the Equity Transfer involving any Fosun Shareholder, or otherwise render the Equity Transfer involving any Fosun Shareholder illegal

or impracticable to complete, both Nanjing Iron & Steel Group and the Fosun Shareholders shall have the right to terminate the Equity Transfer Agreement after serving a written notification to the other party with an effective date of termination specified in the notification;

(3) If any of the following situations occurs, Nanjing Iron & Steel Group shall have the right to terminate and rescind the Equity Transfer Agreement after serving a written notification to the Fosun Shareholders with an effective date of termination specified in the notification:

- i. material breach of any of the representations and warranties or the covenants, undertakings and obligations under the Equity Transfer Agreement by the Fosun Shareholders which would result in conditions precedent not being satisfied or waived in writing by Nanjing Iron & Steel Group before the Long Stop Date (as defined below) and such breach is not remedied within ten (10) business days after the written notice is issued by Nanjing Iron & Steel Group;
- ii. the closing has not occurred on the 180th day after the date of execution of the Equity Transfer Agreement or such later date as agreed in writing by Nanjing Iron & Steel Group and the Fosun Shareholders. For the avoidance of doubt, if after the expiry of the above period, the Equity Transfer is still pending review and approval of the government department, the above deadline shall be postponed accordingly but the maximum extension shall not exceed forty-five (45) days unless otherwise agreed in writing by Nanjing Iron & Steel Group and the Fosun Shareholders (the “**Long Stop Date**”). If the non-occurrence of the closing on the Long Stop Date is solely caused by a material breach by Nanjing Iron & Steel Group (for the avoidance of doubt, itself, excluding any other third party), Nanjing Iron & Steel Group shall not be entitled to terminate the Equity Transfer Agreement pursuant to this clause; or
- iii. the non-compliance of the exclusive arrangement by the Fosun Shareholders as set out above, and the entering into any equity transfer agreement or any letter of intention with binding effect with respect to their equity interest in Nanjing Iron & Steel United with any third parties.

(4) If any of the following situations occurs, the Fosun Shareholders shall have the right to terminate and rescind the Equity Transfer Agreement after serving a written notification to Nanjing Iron & Steel Group with an effective date of termination specified in the notification:

- i. material breach of any of the representations and warranties or the covenants, undertakings and obligations under the Equity Transfer Agreement by Nanjing Iron & Steel Group which would result in conditions precedent to the closing common to Nanjing Iron & Steel Group and the Fosun Shareholders not being satisfied or waived in writing by the Fosun Shareholders before the Long Stop Date and such breach is not remedied within ten (10) business days after the written notice is issued by the Fosun Shareholders;
- ii. failure of Nanjing Iron & Steel Group to file an Anti-Monopoly Review with the State Administration for Market Regulation in a timely manner which would result in the relevant conditions precedent to the closing not being satisfied before the Long Stop Date and such breach is not remedied within ten (10) Business Days after the written notice is issued by the Fosun Shareholders;
- iii. failure of Nanjing Iron & Steel Group to pay any instalment payment of Equity Transfer pursuant to the Equity Transfer Agreement and the overdue period is more than sixty (60) days;

- iv. the closing has not occurred on the Long Stop Date. If the non-occurrence of the closing on the Long Stop Date is solely caused by a material breach by the Fosun Shareholders (for the avoidance of doubt, themselves, excluding any other third party), the Fosun Shareholders shall not be entitled to terminate the Equity Transfer Agreement pursuant to this clause.

Other Undertakings

The Fosun Shareholders and Nanjing Iron & Steel Group agreed to be subject to certain undertakings, including but not limited to, the following undertakings:

- i. Nanjing Iron & Steel Group shall file an Anti-Monopoly Review with the State Administration for Market Regulation within one (1) month upon the execution of the Equity Transfer Agreement, communicate with the Fosun Shareholders' representative in a timely manner on the progress of the review and notify the Fosun Shareholders immediately upon the confirmation of the review result. Withdrawal of the application by Nanjing Iron & Steel Group shall be subject to the prior written consent of the Fosun Shareholders, except for that the State Administration for Market Regulation explicitly requires Nanjing Iron and Steel Group to do so;
- ii. the Fosun Shareholders and Nanjing Iron & Steel Group shall, and shall procure Nanjing Iron & Steel United to cooperate with the Fosun Shareholders or their affiliates to acquire the entire equity interest in Hefei Microelectronics Co., Ltd. held by Nanjing Iron & Steel United at a consideration equivalent to the original cost of capital contribution and complete the transfer registration in respect of such equity transfer within six (6) months from the signing date of the Equity Transfer Agreement. The Fosun Shareholders or their affiliates shall be responsible for or indemnify Nanjing Iron & Steel United against any costs, fees, obligations or liabilities incurred as a result of the above transfer;
- iii. the Fosun Shareholders and Nanjing Iron & Steel Group shall, and shall procure Nanjing Iron & Steel United to cooperate with the Fosun Shareholders or their affiliates to transfer the 9% equity interest in Shanghai Fosun High Technology Group Finance Co., Ltd. (上海復星高科技集團財務有限公司) ("**Shanghai Fosun Finance**") held by Nanjing Iron & Steel United Co., Ltd. (南京鋼鐵聯合有限公司) ("**NISU**") at a consideration which is equivalent to the net asset value as set out in the latest financial statement of Shanghai Fosun Finance (based on the monthly report) before the signing of the related transfer agreement and complete the transfer registration in respect of such equity transfer within six (6) months from the signing date of the Equity Transfer Agreement. The Fosun Shareholders or their affiliates shall be responsible for or indemnify NISU against any costs, fees, obligations or liabilities incurred by the Nanjing Iron & Steel United and NISU as a result of the above transfer;
- iv. in respect of the private equity funds jointly operated by Nanjing Iron & Steel United through entities controlled by it and the affiliates of the Fosun Shareholders and the private equity funds directly or indirectly invested by Nanjing Iron & Steel United as limited partner and managed and operated by the affiliates of the Fosun Shareholders (the "**Related Fosun Funds**"), the Fosun Shareholders agreed to enter into friendly negotiations with Nanjing Iron & Steel Group on the treatment proposal of the Related Fosun Funds within six (6) months after the Equity Transfer Closing Date;
- v. subject to the request of Nanjing Iron & Steel Group, the Fosun Shareholders shall procure Hainan Mining Co., Ltd. (海南礦業股份有限公司) ("**Hainan Mining**"), to cooperate with Nanjing Iron & Steel United, Nanjing Iron & Steel, Anhui Jinan Mining Co., Ltd. (安徽金安

礦業有限公司) and NISU to release their undertakings and confirmations in respect of self-use iron ore products as set out in the initial public offering prospectus of Hainan Mining within six (6) months after the Equity Transfer Closing Date;

- vi. pursuant to the compliance requirement of the Asset Management Association of China, the Fosun Shareholders and Nanjing Iron & Steel Group agreed to jointly procure Nanjing Iron & Steel United to, within three (3) months upon the expiry of a 12-month period following the Equity Transfer Closing Date, (a) sell the 11% property interest in Nanjing Nangang Xinqi Enterprise Management Partnership (Limited Partnership) (“**Nanjing Nangang Xinqi**”) held by Nanjing Iron & Steel United to the party designated by the Fosun Shareholders (the “**Nanjing Nangang Xinqi Transfer**”) at a consideration with reference to the then actual investment costs of Nanjing Iron & Steel United in Nanjing Nangang Xinqi and the interests calculated based on the loan prime rate (LPR) for the same period announced by the National Interbank Funding Center; (b) change the general partner of Nanjing Nangang Xinqi to an affiliate of the Fosun Shareholders; and (c) complete the transfer registration in respect of the Nanjing Nangang Xinqi Transfer with the competent administration for market regulation. In addition, the Fosun Shareholders and Nanjing Iron & Steel Group shall jointly procure Nanjing Iron & Steel United to (a) change the appointed representative of managing partner of Wuxi Binhu Nangang Xingbo Venture Capital Partnership (Limited Partnership) (無錫濱湖南鋼星博創業投資合夥企業(有限合夥)) (“**Wuxi Nangang**”) to the party nominated by the Fosun Shareholders; and (b) adjust the composition of the five members in the investment decision committee of Wuxi Nangang appointed by Nanjing Nangang Xinqi so that the Fosun Shareholders shall appoint three members and Nanjing Iron & Steel United shall appoint two members in such committee.

For the avoidance of doubt, the proportion of the right to proceeds of Nanjing Iron & Steel United in Nanjing Nangang Xinqi (i.e. being 60%) shall not be affected by the Nanjing Nangang Xinqi Transfer, with the adjustment of the right to proceeds of Nanjing Iron & Steel United to be negotiated by the Fosun Shareholders and Nanjing Iron & Steel Group separately. Nanjing Iron & Steel Group also acknowledged and confirmed that the management team of Wuxi Nangang will continue to enjoy the corresponding incentive in Nanjing Nangang Xinqi pursuant to the then effective incentive policy of the Fosun Shareholders.

2. Basis of consideration for the Proposed Acquisition of Nanjing Iron & Steel United

The consideration under the Equity Transfer Agreement was determined after negotiations on an arm’s length basis between Nanjing Iron & Steel Group and the Fosun Shareholders, respectively, with reference to the value of total shareholders’ equity of Nanjing Iron & Steel United as at the valuation reference date of 30 September 2022 (i.e. approximately RMB26.09 billion) as determined by the Independent Appraiser based on the income approach and subject to compliance with relevant requirement of laws and regulations on supervision and management of state-owned assets and taking into consideration the terms and conditions in relation to the exercise of right of first refusal by Nanjing Iron & Steel Group.

IV. GENERAL OFFER FOR THE SHARES OF NANJING IRON & STEEL ON THE SHANGHAI STOCK EXCHANGE

Upon the completion of the Proposed Acquisition of Nanjing Iron & Steel United, as Xinye Steel’s indirect interest in Nanjing Iron & Steel will exceed 30% of its total issued registered capital, Xinye Steel is required to make a general offer to all shareholders of Nanjing Iron & Steel other than Nanjing Iron & Steel United and Nanjing Iron & Steel United Co., Ltd. in accordance with applicable laws and regulations of the PRC and the Rules Governing the Listing of Stocks on The Shanghai Stock Exchange.

The offer price of the General Offer shall be RMB3.94 per share, which is determined with reference to the relevant requirements of applicable PRC laws and regulations on offer price. Based on the above offer price, assuming 100% of the General Offer is taken up, the maximum consideration for the General Offer is approximately RMB9.935 billion (the actual amount will be determined based on the accept rate of the General Offer).

V. GRANT OF THE PUT OPTION

Principal terms of the Put Option

Put Option Grantor

Xinye Steel

Put Option Holders

- (1) Nanjing Iron & Steel Venture Capital; and
- (2) New Industry Investment

Subject of the Put Option

No more than an aggregate of (and including) RMB431,829,484 of the capital contribution in Nanjing Iron & Steel Group (i.e. approximately (and including) 18% of the enlarged registered capital of Nanjing Iron & Steel Group after completion of the Capital Increase)

Exercise Price

The exercise price of the Put Option shall be determined based on the valuation as set out in the valuation report then recognized by CITIC Group Corporation (中國中信集團有限公司). Such valuation report shall also complete the approval and/or filing procedure in accordance with the laws, regulations and rules on supervision and management of state-owned assets then in force.

Notwithstanding the foregoing, the exercise price of the Put Option shall be no more than (and including) RMB6.1 billion in aggregate. For the avoidance of doubt, if Nanjing Iron & Steel Group distributes cash or asset dividends or other kinds of distributions to the Put Option Holders within the exercise period, the aforesaid limit of RMB6.1 billion shall deduct the accumulate and aggregate amount of such dividends and other kinds of distributions received by the Put Option Holders accordingly.

The maximum exercise price of the Put Option was determined based on arm's length negotiation after taking into consideration of the valuation of Nanjing Iron & Steel Group and its growth potential, does not reflect the actual profitability of Nanjing Iron & Steel Group and does not constitute a profit forecast under Rule 14.61 of the Listing Rules.

Exercise Period

From the closing date of the Proposed Acquisition but no later than one day before the fifth (5th) anniversary from the closing date of the Proposed Acquisition.

Conditions

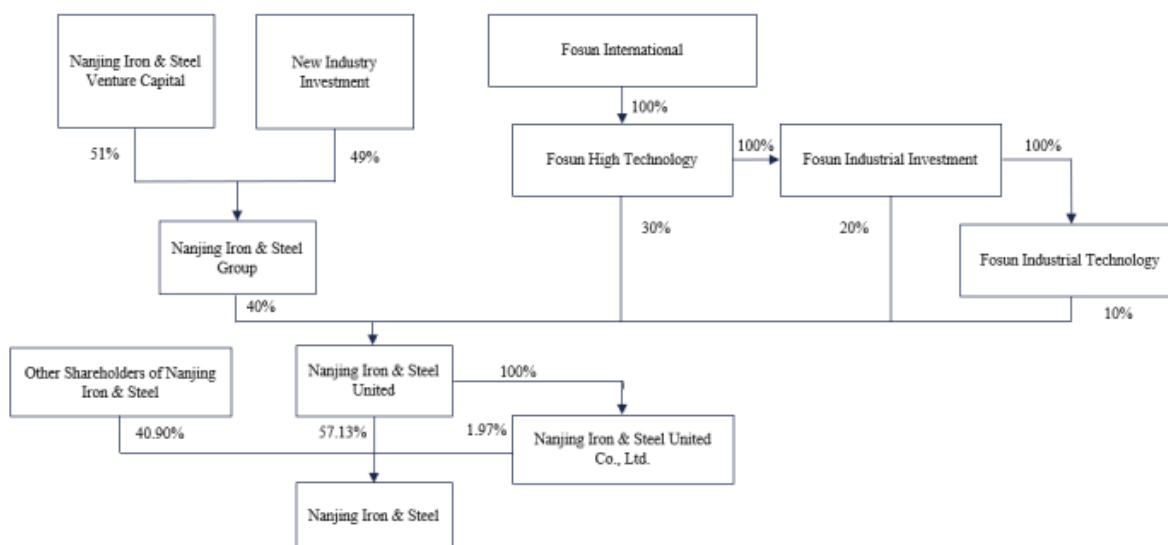
- (1) The Put Option may be exercised up to two times within the exercise period by the Put Option Holders issuing a joint exercise notice.
- (2) At each time of exercise, the total registered capital of Nanjing Iron & Steel Group to be sold to Xinye Steel by the Put Option Holders shall not be less than RMB119,952,634 (i.e. not less than

approximately 5% of the enlarged registered capital of Nanjing Iron & Steel Group after the Capital Increase).

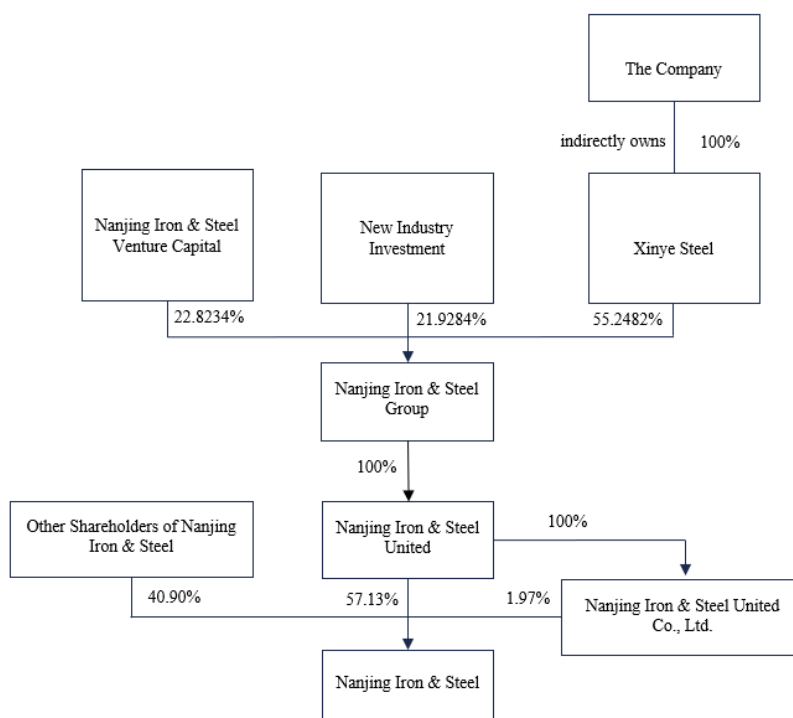
- (3) if the amount of the exercise price is beyond the authority of the Board, then the equity transfer shall be subject to the approval of the shareholders of the Company in accordance with the Listing Rules.

VI. SHAREHOLDING STRUCTURE OF NANJING IRON & STEEL IMMEDIATELY PRIOR TO AND FOLLOWING THE PROPOSED ACQUISITION

Shareholding Structure of Nanjing Iron & Steel Immediately Prior to the Proposed Acquisition



Shareholding Structure of Nanjing Iron & Steel Immediately Following the completion of the Proposed Acquisition



VII. FINANCIAL INFORMATION OF NANJING IRON & STEEL GROUP AND NANJING IRON & STEEL UNITED

Set out below is the audited financial information of Nanjing Iron & Steel Group and Nanjing Iron & Steel United for the years ended 31 December 2020 and 2021, which is prepared in accordance with the PRC GAAP. As at the date of this announcement, there is no available financial information of Nanjing Iron & Steel Group and Nanjing Iron & Steel United for the year ended 31 December 2022.

	For the year ended 31 December	
	2020	2021
	(RMB million)	
<i>Nanjing Iron & Steel Group</i>		
Net profit before taxation	925.41	1,326.68
Net profit after taxation	919.17	1,312.82
<i>Nanjing Iron & Steel United</i>		
Net profit before taxation	4,821.21	5,708.86
Net profit after taxation	3,927.27	4,695.62

The audited net assets and total assets of Nanjing Iron & Steel Group prepared in accordance with the PRC GAAP as at 30 September 2022 were approximately RMB9,714.37 million and RMB11,362.22 million, respectively. The audited net assets and total assets of Nanjing Iron & Steel United prepared in accordance with the PRC GAAP as at 30 September 2022 were approximately RMB36,863.22 million and RMB93,277.57 million, respectively.

Book value of the Disposed Assets and the consideration of the disposals

Disposed Assets	Book value as at 30 September 2022 (Unaudited)	Consideration of the disposals
Entire equity interest in Hefei Microelectronics Co., Ltd. held by Nanjing Iron & Steel United	-	The consideration shall be determined based on the original cost of capital contribution.
9% equity interest in Shanghai Fosun Finance	RMB178,385,319	The consideration shall be determined based on the net asset value as set out in the latest financial statement of Shanghai Fosun Finance (based on the monthly report) before the signing of the related transfer agreement.
29.5645% equity interest in Zhejiang Wansheng Co., Ltd.	RMB2,742,617,987	RMB2.65 billion, determined based on investment cost and the market value of the equity interest
11% property interest in Nanjing Nangang Xinqi	RMB110,000	The consideration shall be determined based on the actual investment costs and the interests calculated based on the loan prime rate (LPR) for the same period announced by the National Interbank Funding Center.

VIII. REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION

The acquisition will increase the Group's special steel production capacity to over 30 million tonnes per annum, strengthening its leading position in the special steel industry. It will also enhance the profitability of the Group's advanced materials segment.

Nanjing Iron & Steel is a top tier special steel manufacturer in terms of production capacity, equipment, competitiveness and profitability. As Nanjing Iron & Steel's products are complementary to the Group's products, the acquisition will further strengthen the Group's competitive advantages in bar steel, wire steel and plate steel products. The acquisition will also create synergies in raw materials procurement, sales, technology and innovation, human resources and management, better positioning the Group's special steel business for long-term growth.

The Directors are of the view that the terms of the Proposed Acquisition and the grant of the Put Option are fair and reasonable and in the interest of the Group and its shareholders as a whole.

IX. IMPLICATIONS OF THE TRANSACTIONS UNDER THE LISTING RULES

Proposed Acquisition

As the highest applicable percentage ratio in respect of the Proposed Acquisition (assuming, solely for purposes of illustration, acquisition of all the remaining shares of Nanjing Iron & Steel pursuant to the General Offer) is more than 5% but less than 25%, the Proposed Acquisition constitutes a discloseable transaction of the Company under the Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under the Listing Rules.

Grant of the Put Option

Given that the exercise of the Put Option is not at the discretion of Xinye Steel, pursuant to Rule 14.74 of the Listing Rules, the grant of the Put Option will be classified as if it had been exercised. As the Put Option (if exercised) and the Proposed Acquisition involve the acquisition of equity interest in the same company, the grant of the Put Option and the Proposed Acquisition shall be aggregated in accordance with Rule 14.22 of the Listing Rules. As the highest applicable percentage ratio in respect of the grant of the Put Option and the Proposed Acquisition (assuming, solely for purposes of illustration, acquisition of all the remaining shares of Nanjing Iron & Steel pursuant to the General Offer), after aggregation, is more than 5% but less than 25%, the grant of the Put Option and the Proposed Acquisition constitute discloseable transactions of the Company under the Chapter 14 of the Listing Rules and are subject to the notification and announcement requirements under the Listing Rules.

X. PROFIT FORECASTS UNDER THE VALUATION

The Independent Appraiser was appointed to conduct a valuation of the total shareholders' equity of Nanjing Iron & Steel Group and Nanjing Iron & Steel United. As income approach was adopted in the valuation of the total shareholders' equity of Nanjing Iron & Steel Group and Nanjing Iron & Steel United, such valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules and this announcement is subject to the requirements under Rules 14.60A and 14.62 of the Listing Rules in relation to profit forecast.

Principal Assumptions

Details of the principal assumptions underlying the valuation of the total shareholders' equity of Nanjing Iron & Steel Group are set out below:

General Assumptions

- (1) Assuming that all valuation targets are already in the process of trading, valuation professionals conduct valuations based on the simulated market such as the trading conditions of the valued assets;

- (2) Assuming that assets traded on the market or assets to be traded on the market, both parties to the asset transaction have equal status with each other, each has the opportunity and time to obtain sufficient market information, and the transaction behavior is voluntary, rational, and both parties are able to make sensible judgments on the functions, uses and transaction prices of assets;
- (3) Assuming that the valued asset is continuously used in accordance with the current purpose and method of use;

Specific Assumptions

- (1) Assuming that there are no major changes in the relevant laws, regulations and policies currently in force of the PRC, and macroeconomic situation in the PRC, and there are no major changes in the political, economic and social environment of the region where the parties to the transaction are located;
- (2) In view of the actual condition of assets on the Valuation Reference Date, and assuming that Nanjing Iron & Steel Group continues to operate;
- (3) Assuming that the interest rate, exchange rate, tax base and tax rate, and policy collection fees related to the valuation target will not undergo major changes after the Valuation Reference Date;
- (4) Assuming that the management of Nanjing Iron & Steel Group after the Valuation Reference Date is responsible, stable, and capable of performing its duties;
- (5) Assuming that there will be no force majeure and unforeseen factors that will cause material adverse effects on Nanjing Iron & Steel Group after the Valuation Reference Date;
- (6) Assuming that the accounting policies adopted by Nanjing Iron & Steel Group after the Valuation Reference Date and the accounting policies adopted in the preparation of the valuation report are consistent in important respects;
- (7) Assuming that Nanjing Iron & Steel Group will maintain the same business scope and method as the current one based on the current management method and management level after the Valuation Reference Date;
- (8) Assuming that the cash inflow of Nanjing Iron & Steel Group is an average inflow, and the cash outflow is an average outflow after the Valuation Reference Date;
- (9) Assuming that the products manufactured or sold by Nanjing Iron & Steel Group are within the scope of their qualifications, and there will be no major quality defects or major safety failures in the future;
- (10) Assuming that in the future, the qualifications of subsidiaries of Nanjing Iron & Steel Group as high-tech enterprises will be able to be extended after expiration, and they will still enjoy the preferential income tax policy, and the applicable income tax rate is still 15%;
- (11) The valuation did not take into account the impact on the valuation result of future mortgage, guarantee, litigation and other issues that may be incurred in the future, as well as the impact of additional price imposed by any special transaction methods; and
- (12) Unless otherwise stated, assuming that Nanjing Iron & Steel Group fully complies with all relevant laws and regulations.

Details of the principal assumptions underlying the valuation of the total shareholders' equity of

Nanjing Iron & Steel United are set out below:

General Assumptions

- (1) Assuming that all valuation targets are already in the process of trading, valuation professionals conduct valuations based on the simulated market such as the trading conditions of the valued assets;
- (2) Assuming that assets traded on the market or assets to be traded on the market, both parties to the asset transaction have equal status with each other, each has the opportunity and time to obtain sufficient market information, and the transaction behavior is voluntary, rational, and both parties are able to make sensible judgments on the functions, uses and transaction prices of assets;
- (3) Assuming that the valued asset is continuously used in accordance with the current purpose and method of use;

Specific Assumptions

- (1) Assuming that there are no major changes in the relevant laws, regulations and policies currently in force of the PRC, and macroeconomic situation in the PRC, and there are no major changes in the political, economic and social environment of the region where the parties to the transaction are located;
- (2) In view of the actual condition of assets on the Valuation Reference Date, and assuming that Nanjing Iron & Steel United continues to operate;
- (3) Assuming that the interest rate, exchange rate, tax base and tax rate, and policy collection fees related to the valuation target will not undergo major changes after the Valuation Reference Date;
- (4) Assuming that the management of Nanjing Iron & Steel United after the Valuation Reference Date is responsible, stable, and capable of performing its duties;
- (5) Assuming that there will be no force majeure and unforeseen factors that will cause material adverse effects on Nanjing Iron & Steel United after the Valuation Reference Date;
- (6) Assuming that the accounting policies adopted by Nanjing Iron & Steel United after the Valuation Reference Date and the accounting policies adopted in the preparation of the valuation report are consistent in important respects;
- (7) Assuming that Nanjing Iron & Steel United will maintain the same business scope and method as the current one based on the current management method and management level after the Valuation Reference Date;
- (8) Assuming that the cash inflow of Nanjing Iron & Steel United is an average inflow, and the cash outflow is an average outflow after the Valuation Reference Date;
- (9) Assuming that the products manufactured or sold by Nanjing Iron & Steel United are within the scope of their qualifications, and there will be no major quality defects or major safety failures in the future;
- (10) Assuming that the KinRui project in Indonesia operated by one of Nanjing Iron & Steel United's subsidiaries is expected to reach planned production capacity in accordance with the latest planned progress as a precondition of the forecast;
- (11) Assuming that the KinXiang project in Indonesia operated by one of Nanjing Iron & Steel United's subsidiaries could reach planned production capacity in accordance with the latest planned

progress as a precondition of the forecast;

- (12) Assuming that in the future, the qualifications of subsidiaries of Nanjing Iron & Steel United as high-tech enterprises will be able to be extended after expiration, and they will still enjoy the preferential income tax policy, and the applicable income tax rate is still 15%;
- (13) The valuation did not take into account the impact on the valuation result of future mortgage, guarantee, litigation and other issues that may be incurred in the future, as well as the impact of additional price imposed by any special transaction methods; and
- (14) Unless otherwise stated, assuming that Nanjing Iron & Steel United fully complies with all relevant laws and regulations.

Confirmations

SHINEWING (HK) CPA Limited, the reporting accountants of the Company for purposes of Rule 14.62(2) of the Listing Rules, has examined the calculations of the profit forecast on which the valuation is based, which does not involve the adoption of the accounting policy.

CITIC Securities (Hong Kong) Limited, the financial adviser of the Company for purposes of Rule 14.62(3) of the Listing Rules, has confirmed that it is satisfied that the profit forecast has been made by the Directors after due and careful enquiry.

A report from SHINEWING (HK) CPA Limited dated 2 April 2023 in compliance with Rule 14.62(2) of the Listing Rules and a letter from CITIC Securities (Hong Kong) Limited dated 2 April 2023 in compliance with Rule 14.62(3) of the Listing Rules have been submitted to the Stock Exchange, the texts of which are included in Appendix I and Appendix II to this announcement, respectively.

XI. INFORMATION ON THE EXPERTS

The following is the qualification of the experts who have given their opinion and advice included in this announcement:

Name	Qualifications
SHINEWING (HK) CPA Limited	Certified Public Accountants
CITIC Securities (Hong Kong) Limited	Licensed corporation under the Securities and Futures Ordinance for type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities
China Enterprise Appraisals Co., Ltd.	Qualified asset valuer in the PRC

As at the date of this announcement, save that CITIC Securities (Hong Kong) Limited is a non-wholly-owned subsidiary of the Company, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the experts listed above does 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 person to subscribe for securities in any member of the Group.

Each of the experts listed above has given and has not withdrawn its consent to the publication of this announcement with inclusion of its report and/or all references to its name in the form and context in which it appears.

XII. GENERAL INFORMATION

CITIC Limited

CITIC Limited (SEHK: 00267) is one of China's largest conglomerates and a constituent of the Hang Seng Index. Tracing our roots to the beginning of China's opening and reform, CITIC has grown in step with the country's rise and modernisation. We have built a remarkable portfolio of businesses in comprehensive financial services, advanced intelligent manufacturing, advanced materials, new consumption and new-type urbanisation. Our platform is unique in its diversity and scale, allowing CITIC to capture emerging opportunities in China and around the world. Guiding us as we grow is our fundamental commitment to create long-term value for all of its shareholders.

Xinye Steel

Xinye Steel, an indirect wholly-owned subsidiary of the Company, is a company incorporated under the laws of the PRC with limited liability, with primary business activities of import and export trade, procurement and utilization of renewable resources and equity investment.

Nanjing Iron & Steel

Nanjing Iron & Steel is a joint-stock company incorporated under the laws of the PRC with limited liability, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600282). Nanjing Iron & Steel is a leading whole-process integrated iron and steel company operating with high efficiency, capable of producing 10 million tonnes of crude steel per year. Nanjing Iron & Steel constructs a new steel material oriented industrial chain ecosystem in which the segments empower each other and achieve compound increase.

Nanjing Iron & Steel United

Nanjing Iron & Steel United is a company incorporated under the laws of the PRC with limited liability. As of the date of this announcement, Nanjing Iron Steel United is owned by Nanjing Iron & Steel Group as to 40% and by Fosun International as to 60%. Nanjing Iron & Steel United is principally engaged in business investment, provision of labour services, and self-operated and agency import and export business of various commodities and technologies.

Nanjing Iron & Steel Group

Nanjing Iron & Steel Group is a company incorporated under the laws of the PRC with limited liability, which is primarily engaged in the investment holding activities. As of the date of this announcement, Nanjing Iron & Steel Group is owned by Nanjing Iron & Steel Venture Capital as to 51% and by New Industry Investment as to 49%. The ultimate beneficial owners of New Industry Investment are Nanjing State-owned Assets Supervision and Administrative Council and Department of Finance of Jiangsu. Nanjing Iron & Steel Group is principally engaged in investment in the iron and steel industries including machinery manufacturing. It has achieved sustainable development through deepening transformation and strengthening management.

Nanjing Iron & Steel Venture Capital

Nanjing Iron & Steel Venture Capital is a company incorporated under the laws of the PRC with limited liability, which is primarily engaged in investment holding activities. As of the date of this announcement, Nanjing Iron & Steel Venture Capital is owned by the Labor Union Committee of Nanjing Iron & Steel Group as to 36% and 12 management personnel of Nanjing Iron & Steel Group, each of whom holds no more than 10% of its equity interest.

New Industry Investment

New Industry Investment is a company incorporated under the laws of the PRC with limited liability, which is primarily engaged in investment holding activities. As of the date of this announcement, New Industry Investment is owned by the Nanjing State-owned Assets Supervision and Administrative Council as to 90.7864% and the Department of Finance of Jiangsu as to 9.2136%.

Fosun High Technology

Fosun High Technology is a company established in the PRC with limited liability. It is a wholly-owned subsidiary of Fosun International, a company listed on the Main Board of the Stock Exchange (stock code: 00656), and with mission to provide high-quality products and services for families around the world in health, happiness, wealth and intelligent manufacturing segments.

Fosun Industrial Investment

Fosun Industrial Investment is a company established in the PRC with limited liability. It is a wholly-owned subsidiary of Fosun International, a company listed on the Main Board of the Stock Exchange (stock code: 00656), and is principally engaged in investment holding.

Fosun Industrial Technology

Fosun Industrial Technology is a company established in the PRC with limited liability. It is a wholly-owned subsidiary of Fosun International, a company listed on the Main Board of the Stock Exchange (stock code: 00656), and is principally engaged in investment holding.

Fosun International

Fosun International is a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (stock code: 00656). Through 30 years of accumulation, Fosun International has become a global innovation-driven consumer group with mission to provide high quality products and services for families around the world in health, happiness, wealth and intelligent manufacturing business segments. It is one of the few domestic companies equipped with global operations and investment capabilities, and accumulated profound technology and innovation capabilities. Currently, Fosun International is seeking to accelerate the implementation of profound industry operations and industrial investment strategy, driving the sustainable development of Fosun International's ecosystem and providing high-quality products and services to families around the world.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, Nanjing Iron & Steel Venture Capital, Nanjing Iron & Steel Group, the Fosun Shareholders and their respective ultimate beneficial owner(s) are third parties independent from the Company and its connected persons.

As the completion of the transaction under the Framework Investment Agreement, the Capital Increase Agreement and the Equity Transfer Agreement is subject to the fulfilment (or, if applicable, waiver) of certain conditions precedent as stipulated therein, the Proposed Acquisition may or may not proceed. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

XIII. DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following respective meanings:

“Board”		the board of the Company
“Capital Increase”		the proposed capital increase contemplated under the Capital Increase Agreement
“Capital Increase Agreement”	Increase	the capital increase agreement entered into between Xinye Steel, Nanjing Iron & Steel Venture Capital, New Industry Investment and Nanjing Iron & Steel Group in relation to the subscription for the additional registered capital to be issued by Nanjing Iron & Steel Group by Xinye Steel dated 2 April 2023

“Company” or “CITIC Limited”	CITIC Limited, a company incorporated in Hong Kong with limited liability with its shares listed on the Main Board of the Stock Exchange (Stock Code: 00267)
“Director(s)”	the director(s) of the Company
“Equity Transfer”	the transfer of 60% of the equity interest of Nanjing Iron & Steel United from the Fosun Shareholders to Nanjing Iron & Steel Group contemplated under the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement entered into between Nanjing Iron & Steel Group and the Fosun Shareholders in relation to the transfer of 60% of the equity interest of Nanjing Iron & Steel United dated 2 April 2023
“Fosun High Technology”	Shanghai Fosun High Technology (Group) Co., Ltd., holding 30% of the equity interest in Nanjing Iron & Steel United as at the date of this announcement
“Fosun Industrial Investment”	Shanghai Fosun Industrial Investment Co., Ltd., holding 20% of the equity interest in Nanjing Iron & Steel United as at the date of this announcement
“Fosun Industrial Technology”	Shanghai Fosun Industrial Technology Development Co., Ltd., holding 10% of the equity interest in Nanjing Iron & Steel United as at the date of this announcement
“Fosun International”	Fosun International Limited, a company incorporated in Hong Kong with limited liability with its shares listed on the Main Board of the Stock Exchange (Stock Code: 00656)
“Fosun Shareholders”	Fosun High Technology, Fosun Industrial Investment and Fosun Industrial Technology, together holding 60% equity interest in Nanjing Iron & Steel United as at the date of this announcement
“Framework Investment Agreement”	the framework investment agreement entered into among Xinye Steel, Nanjing Iron & Steel Venture Capital, New Industry Investment and Nanjing Iron & Steel Group dated 2 April 2023
“General Offer”	the mandatory general offer expected to be made by Xinye Steel to all shareholders of Nanjing Iron & Steel other than Nanjing Iron & Steel United and Nanjing Iron & Steel United Co., Ltd. in accordance with applicable laws and regulations of the PRC and the Rules Governing the Listing of Stocks on The Shanghai Stock Exchange upon the completion of the Proposed Acquisition of Nanjing Iron & Steel United
“Group”	the Company and its subsidiaries
“Group Companies”	(i) Nanjing Iron & Steel Group and its subsidiaries, and Nanjing Iron & Steel United and its subsidiaries as at the date of this announcement, excluding Hefei Microelectronics Co., Ltd. and Zhejiang Wansheng Co., Ltd. and their subsidiaries and branches, and (ii) any newly-acquired or controlled entities by Nanjing Iron & Steel Group and its subsidiaries as well as Nanjing Iron & Steel United until the Capital Increase Closing Date (if any)

“Hong Kong”	Hong Kong Special Administration Region of the People’s Republic of China
“Independent Appraiser”	China Enterprise Appraisals Co., Ltd.
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Nanjing Iron & Steel”	Nanjing Iron & Steel Co., Ltd., a company incorporated in the PRC with limited liability with its shares listed on the Shanghai Stock Exchange (Stock Code: 600282), and a subsidiary of Nanjing Iron & Steel United
“Nanjing Iron & Steel Group”	Nanjing Iron and Steel Group Co., Ltd., a company incorporated in the PRC with limited liability, and a shareholder of Nanjing Iron & Steel United holding 40% of its equity interest as at the date of this announcement
“Nanjing Iron & Steel United Group Companies”	(i) Nanjing Iron & Steel United and its subsidiaries as at the date of this announcement, excluding Hefei Microelectronics Co., Ltd. and Zhejiang Wansheng Co., Ltd. and their subsidiaries and branches, and (ii) any newly-acquired or controlled entities by Nanjing Iron & Steel United until the Equity Transfer Closing Date (if any)
“Nanjing Iron & Steel United”	Nanjing Nangang Iron & Steel United Co., Ltd., a company incorporated in the PRC with limited liability, and a company owned by Nanjing Iron & Steel Group as to 40% of its equity interest as at the date of this announcement
“Nanjing Iron & Steel Venture Capital”	Nanjing Iron & Steel Venture Capital Co., Ltd., a company incorporated in the PRC with limited liability, and a shareholder of Nanjing Iron & Steel Group holding 51% of its equity interest as at the date of this announcement
“New Industry Investment”	Nanjing New Industry Investment Group Co., Ltd, a company incorporated in the PRC with limited liability, and a shareholder of Nanjing Iron & Steel Group holding 49% of its equity interest as at the date of this announcement
“PRC” or “China”	the People’s Republic of China
“PRC GAAP”	China Accounting Standards for Business Enterprises
“Proposed Acquisition”	the proposed acquisition of Nanjing Iron & Steel through Proposed Acquisition of Nanjing Iron & Steel Group and the Proposed Acquisition of Nanjing Iron & Steel United as defined in this announcement
“Proposed Acquisition of Nanjing Iron & Steel Group”	the proposed acquisition by Xinye Steel of the 55.2482% equity interest in Nanjing Iron & Steel Group in accordance with the terms of the Capital Increase Agreement and the Framework Investment Agreement
“Proposed Acquisition of Nanjing Iron & Steel United”	the proposed acquisition by Nanjing Iron & Steel Group of the 60% equity interest held by the Fosun Shareholders in Nanjing Iron & Steel United in accordance with the terms of the Equity Transfer

	Agreement and the Framework Investment Agreement
“Put Option”	the put option granted to Nanjing Iron & Steel Venture Capital and New Industry Investment under the Framework Investment Agreement, pursuant to which Nanjing Iron & Steel Venture Capital and New Industry Investment are entitled to require Xinye Steel (or its designated affiliates) to acquire no more than an aggregate of approximately (and including) 18% of the enlarged registered capital of Nanjing Iron & Steel Group held by them after completion of the Capital Increase, subject to certain conditions under the Framework Investment Agreement
“Put Option Holder(s)”	Nanjing Iron & Steel Venture Capital and New Industry Investment
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Valuation Date”	Reference 30 September 2022
“Xinye Steel”	Hubei Xinyegang Steel Co., Ltd., a company incorporated in the PRC with limited liability and an indirectly wholly-owned subsidiary of the Company
“%”	percentage

By Order of the Board
CITIC Limited
Zhu Hexin
Chairman

Hong Kong, 2 April 2023

As at the date of this announcement, the executive directors of the Company are Mr Zhu Hexin (Chairman), Mr Xi Guohua, Mr Liu Zhengjun and Mr Wang Guoquan; the non-executive directors of the Company are Ms Yu Yang, Mr Zhang Lin, Ms Li Yi, Mr Yue Xuekun and Mr Yang Xiaoping; and the independent non-executive directors of the Company are Mr Francis Siu Wai Keung, Dr Xu Jinwu, Mr Anthony Francis Neoh, Mr Gregory Lynn Curl and Mr Toshikazu Tagawa.

APPENDIX I – REPORTING ACCOUNTANTS’ INDEPENDENT ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF NANJING IRON & STEEL GROUP AND NANJING IRON & STEEL UNITED

Board of Directors
CITIC Limited
32/F, CITIC Tower,
1 Tim Mei Avenue, Central,
Hong Kong

Dear Sirs,

INDEPENDENT ASSURANCE REPORT

We have examined the calculations of the underlying profit forecast (the “Underlying Forecast”) to the business valuation dated 19 March 2023 prepared by China Enterprise Appraisals Consultation Co., Ltd. (the “Valuer”) in respect of the valuation on Nanjing Iron & Steel Group Co., Ltd., and Nanjing Nangang Iron & Steel United Co., Ltd. and its subsidiaries (collectively referred to as the “Target Group”) in connection with the proposed acquisition of equity interests in the Target Group by Hubei Xin Yegang Co., Ltd., an indirect wholly-owned subsidiary of CITIC Limited (the “Company”) as of 30 September 2022 as set out in the Announcement of the Company dated 2 April 2023 (the “Announcement”).

Directors’ Responsibilities

The directors of the Company and the Target Group (the “**Directors**”) are solely responsible for the preparation of the Underlying Forecast including the bases and assumptions, for the purpose of business valuation of the Target Group based on discounted cash flow method. The Underlying Forecast has been prepared using a set of bases and assumptions (the “**Assumptions**”) that include hypothetical assumptions about future events and management’s actions that are not necessarily expected to occur. Even if the events anticipated occur, actual results are still likely to be different from the Underlying Forecast and the variation may be material. The Directors are responsible for the reasonableness and validity of the Assumptions.

Our Independence and Quality Management

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants, (the “HKICPA”) which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Management (“HKSQM”) 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 or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, based on our work on the Underlying Forecast and to report our opinion solely to you, as a body, solely for the purpose of reporting under Rule 14.62 of Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and for no other purpose. We have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and express no opinion on the reasonableness and validity of the Assumptions on which the Underlying Forecast is based. We accept no responsibility to any other person in respect of, arising out of or in connection with our work. The Underlying Forecast does not involve adoption of accounting policies.

We conducted our engagement in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) ("HKSAE 3000 (Revised)") "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. We examined the arithmetical accuracy of the Underlying Forecast. We have planned and performed our work to obtain reasonable assurance for giving our opinion below.

We have planned and performed such procedures as we considered necessary to assist the Directors solely in evaluating whether the Underlying Forecast, so far as the calculations are concerned, has been properly compiled in accordance with the Assumptions made by the Directors. Our work does not constitute any valuation of the Target Group.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, so far as the calculations are concerned, the Underlying Forecast has been properly compiled, in all material aspects, in accordance with the Assumptions adopted by the Directors as set out in the Announcement.

Yours faithfully,

SHINEWING (HK) CPA Limited

Certified Public Accountants

Cheung Wang Kei

Practising Certificate Number: P07788

Hong Kong

2 April 2023

APPENDIX II - LETTER FROM THE FINANCIAL ADVISER IN RELATION TO THE PROFIT FORECAST

2 April 2023

The Board of Directors

CITIC Limited (the “Company”)

32/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

Dear Sirs,

We refer to (i) the announcement dated 2 April 2023 (the “**Announcement**”) of which this letter forms part, in relation to the proposed acquisition of Nanjing Iron & Steel through the Proposed Acquisition of Nanjing Iron & Steel Group and the Proposed Acquisition of Nanjing Iron & Steel United as defined in the Announcement, (together, the “**Proposed Acquisition**”). Unless otherwise defined or if the context otherwise requires, capitalised terms used herein shall have the same meanings as defined in the Announcement.

The Announcement refers to valuation reports dated 19 March 2023 prepared by China Enterprise Appraisals Co., Ltd. (the “**Valuer**”) in respect of the valuation of total shareholders’ equity of Nanjing Iron & Steel Group and Nanjing Iron & Steel United respectively (the “**Valuation Reports**”). We note that the valuation has been arrived at using the income approach, and as such they are regarded as a profit forecast (the “**Forecast**”) under Rule 14.61 of the Listing Rules.

For the purpose of giving this letter, we have (i) reviewed the Forecast disclosed in the Announcement, for which you as the Directors are solely responsible; and (ii) conducted enquiries with you or the representative(s) designated by you, the management of Nanjing Iron & Steel Group and Nanjing Iron & Steel United or the representative(s) designated by the management of Nanjing Iron & Steel Group and Nanjing Iron & Steel United, and the Valuer regarding the qualifications, bases and assumptions upon which the Forecast has been made; and (iii) considered the report addressed to you from SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong dated 2 April 2023, as set out in the Announcement, regarding the calculations of the profit forecast on which the valuation is based, which does not involve adoption of accounting policies. We noted that in the opinion of SHINEWING (HK) CPA Limited, so far as the calculations of the profit forecast on which the valuation is based, that the Forecast has been properly compiled, in all material aspects, in accordance with the Assumptions adopted by the Directors as set out in the Announcement.

On the basis of the foregoing and without giving any opinion on the reasonableness of the valuation

methods, bases and assumptions adopted by the Valuer and the Company for which the Valuer and the Company are solely responsible, we are of the opinion that the Forecast, for which you as the Directors are solely responsible, have been made by you after due and careful enquiry. For the avoidance of doubt, this letter does not constitute an independent valuation or fairness opinion and is expressly limited to the matters described herein.

Having regard to the information made available to us as at the date of this letter, without giving any other opinion or expressing any other view on the Valuation Reports, for which the Valuer and the Company are responsible, we are satisfied that the Forecast disclosed in the Announcement, for which you as the Directors are solely responsible, have been made by you after due and careful enquiry.

The work undertaken by us is for the sole purpose of reporting to you under Rule 14.62(3) of the Listing Rules, and for no other purpose. We accept no responsibility to any other person in respect of, arising out or in connection with such work.

Yours faithfully,

For and on behalf of CITIC Securities (Hong Kong) Limited

Edmund Chan

Managing Director, Head of M&A