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

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(在中華人民共和國註冊成立的股份有限公司)

(Stock Code: 1053)

ANNOUNCEMENT ON THE PLAN OF FINANCIAL DERIVATIVE TRANSACTIONS IN 2025

I. OVERVIEW

(i) Transaction purpose

In order to enhance the ability of Chongqing Iron & Steel Company Limited (the "**Company**") to address risks associated with price and exchange rate fluctuations, and to better avoid and prevent such risks, the Company plans to conduct financial derivative trading business for hedging purposes, aiming to hedge risks, reduce the operating risk, and strengthen financial stability.

1. Commodity financial derivatives investment

In recent years, the spot market price of steel has been influenced by macro factors, futures, supply and demand, and other factors, resulting in frequent and significant short-term fluctuations. The long-term price volatility typically ranges between RMB500 and RMB1,300 per ton, posing challenges to the Company's steel sales and inventory management. In addition, as the Company relies heavily on imported iron ore futures with a portion priced using the Platts Iron Ore Index, when market conditions fluctuate sharply, the Platts Index at the shipment month may be significantly higher than that at the arrival month, leading to the cost of raw materials for iron ore exceeding the prevailing market rates. By conducting commodity derivatives hedging business, the Company can achieve risk hedging and minimize the risk on its operational performance due to sharp spot price fluctuations.

2. Currency financial derivative investments

In 2025, factors influencing the RMB exchange rate will be intertwined, necessitating stronger management of currency mismatches and exchange rate exposure risks. As the Company relies partly on imported iron ore, the estimated foreign exchange purchases for 2025 are expected to reach US$400 million. To more effectively manage exchange rate fluctuation risks, it is necessary to engage in forward foreign exchange purchases. Moreover, the economic outlook for 2025 remains uncertain. To prevent capital risks and reserve credit lines, it is necessary to broaden financing channels and prepare for establishing US dollar financing channels in the future. Therefore, it is necessary to conduct currency swap business.

(ii) Transaction scale

1. Commodity financial derivative transactions

The total commodity financial derivatives to be conducted for this period shall not exceed 300,000 tons, of which the plan of ore hedging business shall not exceed 200,000 tons and the plan of hot rolled sheets hedging business shall not exceed 100,000 tons.

2. Currency financial derivative transactions

The total cumulative amount of currency financial derivative transactions shall not exceed US$250 million, of which the total amount of forward foreign exchange purchases shall not exceed US$200 million and the total amount of currency swaps shall not exceed US$50 million.

3. The Company strictly implements the financial derivatives business authorized by the Board of Directors of the Company (the "**Board**"), including but not limited to scope, varieties, quota and term of transactions. The transaction scale at any point in time during the authorization period shall not exceed the quota approved, and the Company prudently conducts the financial derivatives business in conjunction with its own capital position and credit lines, with the cap of transaction margin and premium and the contract values held under control within a reasonable range.

(iii) Source of funds

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

(iv) Transaction method

1. Transaction varieties: The varieties of the Company's commodity financial derivatives business are limited to iron ore, a raw material resource, and hot rolled sheets, the finished products, which are related to the Company's production and operation; the varieties of the Company's currency financial derivatives business are limited to foreign currency exchange rates and interest rates, which are related to the Company's operation.

2. Transaction instruments: The financial derivatives trading business to be conducted by the Company is forward business, swap business, futures and other financial instruments. The financial derivative transactions conducted by the Company are all for the purpose of avoiding and preventing exchange rate, interest rate and price risks, and it is strictly prohibited to carry out financial derivative transactions purely for the purpose of making profits.

3. Transaction venues: Trading may be conducted on domestic/overseas exchange-traded or over-the-counter markets. Exchange-traded refers to futures exchanges; the counterparties of the over-the-counter forwards and swaps are limited to financial institutions with sound operation and good credit standing, which are qualified for financial derivative transactions. There is no connected relationship between the counterparties and the Company.

(v) Transaction feasibility

The Company has formulated the Measures for Management of Financial Derivatives Business and Measures for Management of Commodity Hedging, improved the relevant internal control processes and adopted feasible targeted risk control measures. The Company's financial derivative transactions are carried out on the basis of specific business operations and on the premise of ensuring the normal production and operation of the Company, which are in line with the overall interests and long-term development of the Company, without prejudice to the interests of the Company and shareholders, and are necessary and feasible.

(vi) Transaction period

Not more than 12 months from the date of approval by the Board.

II. REVIEW PROCEDURES

On 30 June 2025, at the fifteenth meeting of the tenth session of the Board and the eleventh meeting of the tenth session of the Supervisory Committee of the Company, the "Resolution on the Plan of Financial Derivative Transactions in 2025" was considered and approved. The resolution was subject to the approval of the Board, and it is not required to be submitted to the general meeting for consideration.

III. TRANSACTION RISK ANALYSIS AND RISK CONTROL MEASURES

(i) Risk analysis

1. Pre-transaction risk:

Commodity futures hedging and foreign exchange derivative transactions are relatively specialized and complex, and there may be unidentified risks due to inexperience.

2. In-transaction risk:

2.1 Operational risk: During the execution of transactions, there are operational risks if the personnel fail to follow the prescribed procedures for financial derivative transactions or have insufficient understanding of derivative product information.

2.2 Market risk: Under normal market conditions, the spot and futures markets show parallel price movements in the long run as they are both influenced by the same supply-demand relationship. However, since opposite positions are taken in these two markets, the profit and loss outcomes are inversely correlated. Profits in the futures market can offset losses in the spot market, or appreciation in the spot market may be offset by losses in the futures market, so hedging does not guarantee 100% profitability on the books. Significant deviations between the exchange rate trend and the Company's expectations may affect the Company's exchange gains or losses for the current period, which will have a certain degree of impact on the Company's operating results.

2.3 Credit risk: Non-performance risk at maturity due to credit rating of counterparty, performance capability and other reasons.

2.4 Legal risk: Losses may be incurred to the Company due to changes in relevant laws or violation of the relevant legal system by the counterparty, which may result in the contract not being properly executed.

3. Ex-post risk

The ex-post analysis of the financial derivatives business lacks scientificity and rationality, which cannot provide reliable theoretical support for subsequent business and will affect the development of subsequent business.

(ii) Countermeasures

1. Before-the-event risk control

To strengthen internal training and enhance business capabilities, and to learn from the existing operational experience of other companies so as to reduce the likelihood of occurrence of unrecognized risks. The Company formulated and continuously improved the Measures for Management of Financial Derivatives Business and Measures for Management of Commodity Hedging, and established a robust organizational structure for the management of currency financial derivatives and commodity financial derivatives with the whole process of financial derivatives business being standardized and rigorous, and the business execution and management supervision being strictly separated and carried out in an orderly manner.

2. In-process risk control

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

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

2.3 Early warning and stop-loss mechanism: When sudden and significant changes in the commodity futures market are expected to have a significant impact on the hedging business or when sudden and significant political, economic, industrial and other events are expected to have a significant impact on the hedging business, each business department of the Company shall analyze the impact of the significant events in conjunction with the operation and finance department within 24 hours, and briefly report to the leaders of the Company, who may convene an emergency meeting to analyze and discuss the significant events based on the impact of such events. The Company's leaders are entitled to directly instruct commodity futures hedging business operators to carry out commodity futures hedging operations within the scope of authorization after the analysis of the impact of the significant events. At the same time, the trading program sets up a stop-loss line based on the market situation and specifies the exact amount or range to control transaction risks.

2.4 Cultivation of personnel quality: The Company continues to intensify the training of relevant personnel, and design specific operating procedures and programs for financial derivatives trading business, to continuously improve the professionalism of relevant personnel. It also strengthens the research on financial derivatives market while maintaining ongoing monitoring of market changes, enabling the timely formulation and implementation of response programs to address extreme market volatility.

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

3. Ex-post risk control

3.1 Information disclosure: To make timely information disclosure in strict accordance with the relevant regulations and requirements of the stock exchange.

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

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

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

(i) Impact on the Company

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

(ii) Accounting treatment

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

V. RISK WARNING

The Company has exercised strict control over financial derivative transactions, analyzed pre-transaction risk, in-transaction risk and market risk, formulated corresponding measures, and also analyzed the feasibility of engaging in such transactions. However, the financial market is significantly influenced by macroeconomic factors. It is not ruled out that this investment may be affected by factors such as policy risks, market risks, credit risks, liquidity risks, information transmission risks, force majeure risks, and other factors, leading to fluctuations in returns. Investors are advised to pay attention to investment risks.

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

Chongqing, the PRC, 30 June 2025

As at the date of this announcement, the directors of the Company are: Mr. Wang Huxiang (Executive Director), Mr. Meng Wenwang (Executive Director), Mr. Kuang Yunlong (Executive Director), Mr. Song De An (Non-executive Director), Mr. Lin Changchun (Non-executive Director), Mr. Zhou Ping (Non-executive Director), Mr. Sheng Xuejun (Independent Non-executive Director), Ms. Tang Ping (Independent Non-executive Director) and Mr. Guo Jiebin (Independent Non-executive Director).