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)

CONNECTED TRANSACTION
CAPITAL INJECTION

On 27 May 2026, the Board approved the Capital Injection Agreement to be entered into by the Company with Baowu Environment, China Baowu and its subsidiaries and other relevant parties. Pursuant to the Capital Injection Agreement, the 16 existing shareholders of Baowu Water will act as the Contributing Parties and will make capital injections into Baowu Environment using their respective equity interests in Baowu Water. Among them, the Company proposes to make a capital injection into Baowu Environment by contributing its 1.61% equity interest in Baowu Water at an agreed valuation. Upon completion of the capital injection, the Company will hold a 0.53% equity interest in Baowu Environment and will cease to hold any equity interest in Baowu Water.

Upon completion of the Capital Injection, the registered capital of Baowu Environment will increase from RMB711.5522 million to RMB1,044.2152 million. Save for Bayi Iron & Steel, all other existing shareholders of Baowu Water will become shareholders of Baowu Environment. Baowu Environment will hold a 96.48% equity interest in Baowu Water, and Bayi Iron & Steel will hold the remaining 3.52% equity interest in Baowu Water.

As of the date of this announcement, China Baowu is interested in approximately 29.51% of the issued share capital of the Company, of which 1.47% is directly held by China Baowu and 28.04% is indirectly controlled or held by China Baowu through its controlled corporations. China Baowu is an indirect substantial shareholder of the Company, i.e. a connected person under Chapter 14A of the Listing Rules. China Baowu is the de facto controller of Baowu Environment and Baowu Water, and is also the ultimate beneficial owner or de facto controller of a number of the contracting parties under the Capital Injection. Accordingly, each of the foregoing entities constitutes a connected person of the Company under Chapter 14A of the Listing Rules, and the transactions under the Capital Injection Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratio in respect of the Capital Injection exceeds 0.1% but falls below 5%, the Capital Injection is only subject to the reporting and announcement requirements under the Listing Rules and is exempt from the independent shareholders' approval requirement under the Listing Rules.

PRINCIPAL TERMS OF THE CAPITAL INJECTION AGREEMENT

(I) Parties

Original Shareholders:	China Baowu, Baosteel Development, Wuhan Iron & Steel, Magang Group, Baodi Nanjing, Bayi Iron & Steel Group, Shanghai Huanwu, Zhongnan Iron and Steel and TISCO Group.
Contributing Parties:	China Baowu, Wuhan Iron & Steel, Magang Group, Baosteel Co., Ltd., TISCO, Zhanjiang Steel, Baowu Carbon, Magang Limited, Echeng Steel, Meishan Iron & Steel, the Company, Baosteel Chemical Zhanjiang, Baosteel Desheng, ZNGF, WISCO and Baosteel Engineering.
Target Company:	Baowu Environment.

(II) Capital Injection Scheme

Pursuant to the terms and conditions of the Capital Injection Agreement, the Contributing Parties agree to make capital injections into Baowu Environment with equity interests in Baowu Water valued at RMB3,490.6464 million in aggregate, of which RMB332.6630 million will be credited to the registered capital of Baowu Environment and RMB3,157.9834 million will be credited to the capital reserve of Baowu Environment. Upon completion of the capital injection, the registered capital of Baowu Environment will increase from RMB711.5522 million to RMB1,044.2152 million.

Among them, the Company proposes to make a capital injection into Baowu Environment using its 1.61% equity interest in Baowu Water. Based on the total appraised value of all equity interests in Baowu Water of RMB3,618 million, the value of the equity interest in Baowu Water to be contributed by the Company in the Capital Injection is approximately RMB58.0834 million, of which RMB5.5343 million will be credited to the registered capital of Baowu Environment and the balance of approximately RMB52.5491 million will be credited to the capital reserve of Baowu Environment.

(III) Shareholding Structure of the Target Company Before and After the Capital Injection

No.	Shareholder name	Before the capital injection		After the capital injection	
		Amount of contribution *(RMB'0,000)*	Proportion of shareholding *(%)*	Amount of contribution *(RMB'0,000)*	Proportion of shareholding *(%)*
1.	China Baowu	24,500.00	34.43	30,960.99	29.65
2.	Baosteel Development	23,998.42	33.73	23,998.42	22.98
3.	Wuhan Iron & Steel	4,792.38	6.74	8,792.29	8.42
4.	Magang Group	4,260.64	5.99	7,236.41	6.93
5.	Zhongnan Iron and Steel	5,269.31	7.41	5,269.31	5.05
6.	TISCO Group	4,345.85	6.11	4,345.85	4.16
7.	Shanghai Huanwu	1,501.58	2.11	1,501.58	1.44
8.	Baodi Nanjing	1,445.51	2.03	1,445.51	1.38
9.	Bayi Iron & Steel Group	1,041.53	1.46	1,041.53	1.00
10.	Baosteel Co., Ltd.	—	—	6,557.67	6.28
11.	TISCO	—	—	4,082.88	3.91
12.	Zhanjiang Steel	—	—	2,777.61	2.66
13.	Baowu Carbon	—	—	1,597.65	1.53
14.	Magang Limited	—	—	1,085.98	1.04
15.	Echeng Steel	—	—	657.86	0.63
16.	Meishan Iron & Steel	—	—	553.43	0.53
17.	The Company	—	—	553.43	0.53
18.	Baosteel Chemical Zhanjiang	—	—	532.55	0.51
19.	Baosteel Desheng	—	—	438.57	0.42
20.	ZNGF	—	—	355.03	0.34
21.	WISCO	—	—	323.71	0.31
22.	Baosteel Engineering	—	—	313.26	0.30
Total		71,155.22	100.00	104,421.52	100.00

(IV) Completion

The last day of the calendar month in which the Capital Injection Agreement becomes effective shall be the completion date. On the completion date, Baowu Environment shall obtain ownership of the equity interests contributed by the Contributing Parties. Within 20 business days following the completion date, the Contributing Parties shall cooperate with Baowu Environment to effect the registration of the change of the contributed equity interests into the name of Baowu Environment with the relevant business registration authorities.

Within 30 business days after the Contributing Parties have actually paid up their respective capital contributions in full in accordance with the Capital Injection Agreement, Baowu Environment shall issue to each Contributing Party a capital contribution certificate affixed with the official seal of Baowu Environment, and shall record the name of such Contributing Party in the register of shareholders of Baowu Environment.

(V) Profit and Loss Arrangements during the Transition Period

The capital injection amount (i.e. the capital injection price) of each Contributing Party shall not be adjusted on account of any profit or loss of Baowu Environment or the contributed assets during the period from the valuation benchmark date to the completion date. Any appreciation or depreciation in the value of Baowu Environment and the contributed assets after the valuation benchmark date shall be enjoyed or borne by the shareholders of Baowu Environment after the completion date of the Capital Injection in proportion to their respective shareholdings.

(VI) Corporate Governance

Upon completion of the Capital Injection, the general meeting of shareholders shall be composed of the Contributing Parties and the original shareholders of Baowu Environment. The convening, holding and voting procedures of the general meeting of shareholders shall be conducted in accordance with the Company Law and the articles of association of Baowu Environment.

Upon completion of the Capital Injection, the board of directors of Baowu Environment shall comprise nine directors. Matters relating to the appointment of directors, and the convening, holding and voting procedures of the board of directors, as well as the management team, shall be conducted in accordance with the Company Law and the articles of association of Baowu Environment.

(VII) Effectiveness

The Capital Injection Agreement shall become effective upon signing by all contracting parties.

BASIS OF DETERMINATION OF THE CONSIDERATION

The transaction price for the Capital Injection shall be determined based on the appraised net asset value of Baowu Water and Baowu Environment as at the valuation benchmark date (31 December 2025), as filed with the state-owned assets authorities. The valuation reports issued by the appraiser have been filed with China Baowu. According to the valuation reports, the book value of shareholders' equity of Baowu Environment as at the valuation benchmark date was RMB4,939.1775 million, and the appraised value was RMB7,467.00 million, representing an appreciation of RMB2,527.8225 million or an appreciation rate of 51.18%. The book value of shareholders' equity of Baowu Water as at the valuation benchmark date was RMB3,409.8638 million, and the appraised value was RMB3,618.00 million, representing an appreciation of RMB208.1362 million or an appreciation rate of 6.10%.

Further details of the valuation reports are set out in the appendix to this announcement.

PURPOSE AND IMPACT OF THE TRANSACTION

Through this asset reorganization, Baowu Environment will establish a "1+X" business structure, building an integrated green environmental management industrial platform covering solid waste, wastewater and waste gas treatment. This will be conducive to enhancing the value of the Company's equity interest in Baowu Environment in the future, and will also help the Company to further reduce its overall environmental management costs.

By making the capital injection into Baowu Environment using its equity interest in Baowu Water, the Company will cease to account for its interest in Baowu Water as a financial asset measured at fair value through other comprehensive income, and will continue to account for its equity interest in Baowu Environment as a financial asset measured at fair value through other comprehensive income. Upon completion of the Capital Injection, there will be no change in the scope of the consolidated financial statements of the Company. As the Company will use its equity interest in Baowu Water as the consideration for the Capital Injection and will receive equity interests in Baowu Environment in return, the Capital Injection does not involve the receipt of any cash proceeds by the Company, and the Company will not record any gain or loss in respect of the Capital Injection.

The industry to which the Capital Injection relates is subject to significant influence from macroeconomic policy regulation. Any tightening of industry policies or increase in regulatory requirements in the future may have an adverse impact on the operations of the Target Company and the returns on investment therein.

INFORMATION ON BAOWU ENVIRONMENT

Baowu Environment was incorporated on 30 December 2016 with a registered capital of RMB712 million, and principally engaged in technical service, environmental consultation services, solid waste treatment, renewable resources recycling, sales of chemical products, air pollution control and water pollution prevention and control. It is a specialized platform company within the China Baowu Group engaged in the comprehensive utilization of solid (hazardous) waste resources.

The financial data of Baowu Environment for the most recent year and period are set out below:

Unit: RMB'0,000

Item	**As at 31 March 2026/For the three months ended 31 March 2026 (unaudited)**	**As at 31 December 2025/For the year ended 31 December 2025 (audited)**
Total assets	1,094,320.23	1,101,508.67
Total liabilities	481,308.10	490,167.50
Total owners' equity	613,012.13	611,341.16
Debt-to-asset ratio (%)	43.98	44.50
Operating revenue	174,085.95	817,012.77
Net profit	1,230.79	3,539.58

Baowu Environment recorded profit/(loss) before tax of RMB190.8310 million and RMB50.9675 million for the years ended 31 December 2024 and 31 December 2025 respectively, and profit/(loss) after tax of RMB207.8194 million and RMB35.3958 million for the same periods respectively.

INFORMATION ON BAOWU WATER

Baowu Water was incorporated on 30 August 2019 with a registered capital of RMB2,666,780,056. Baowu Water is principally engaged in technical services, intelligent water system development, water pollution prevention and control services, air pollution prevention and control services, environmental consultation services, engineering management services, manufacturing and sales of special equipment for environmental protection, sales of chemical products.

The financial data of Baowu Water for the most recent year and period are set out below:

Unit: RMB'0,000

Item	As at 31 March 2026/For the three months ended 31 March 2026 (unaudited)	As at 31 December 2025/For the year ended 31 December 2025 (audited)
Total assets	807,815.12	812,035.47
Total liabilities	419,258.43	425,686.37
Total owners' equity	388,556.70	386,349.10
Debt-to-asset ratio (%)	51.90	52.42
Operating revenue	92,205.50	457,520.14
Net profit	1,988.62	(4,677.98)

Baowu Water recorded profit/(loss) before tax of RMB-42.1806 million and RMB-45.6959 million for the years ended 31 December 2024 and 31 December 2025 respectively, and profit/(loss) after tax of RMB-40.6430 million and RMB-46.7798 million for the same periods respectively.

INFORMATION ON THE COMPANY

The Company is principally engaged in the production and sale of hot rolled sheets, medium plates, steel billets, steel by-products, coke, coal chemical products, water granulated slag and other products.

INFORMATION ON OTHER CONTRACTING PARTIES

Details of the principal business and ultimate beneficial owners of the other contracting parties to the Capital Injection are set out below:

No.	Contracting party	Principal business	Ultimate beneficial owner
1.	China Baowu	A state-owned capital investment company wholly owned by the State-owned Assets Supervision and Administration Commission of the State Council. Its business scope includes operating state-owned assets within the scope authorized by the State Council, as well as carrying out relevant state-owned capital investment and operation.	State-owned Assets Supervision and Administration Commission of the State Council
2.	Wuhan Iron & Steel	Principally engaged in the manufacturing of metallurgical products and by-products and steel extension products, technological development of metallurgical products, and the wholesale of steel and by-products, coal and related businesses.	China Baowu
3.	Magang Group	Principally engaged in capital management, mining and selection of mineral products, construction works, building materials and machinery manufacturing, foreign trade, warehousing, property management and consultancy services.	
4.	Baosteel Co., Ltd.	Principally engaged in steel smelting and processing, smelting and processing of common non-ferrous metals, sales of coal and coal products, sales of recycled resources, production and operation of hazardous chemicals, and steel-related businesses including wharf, storage and transportation.	
5.	TISCO	Principally engaged in the production and sale of stainless steel and other steel materials, steel billets, steel ingots, ferrous metals, iron alloys and metal products.	
6.	Zhanjiang Steel	Principally engaged in steel smelting, rolling and processing, and businesses relating to power, coal, production of chemical products, wharf, logistics storage, transportation and related businesses.	

No.	Contracting party	Principal business	Ultimate beneficial owner
7.	Baowu Carbon	Principally engaged in the production and operation of hazardous chemicals, production and sales of chemical raw materials and products, and technology development and services in the fields of carbon materials and environmental protection technology.	
8.	Magang Limited	Principally engaged in steel smelting and the production and sale of steel products.	
9.	Echeng Steel	Principally engaged in the design, manufacturing, sales and installation of metallurgical products and by-products, metallurgical mineral products, steel extension products, building materials and metallurgical auxiliary materials.	
10.	Meishan Iron & Steel	Principally engaged in ferrous metal smelting and rolling processing, power generation, and the sales of steel and related products.	
11.	Baosteel Chemical Zhanjiang	Principally engaged in the operation and production of hazardous chemicals, production and sales of chemical products, technical services, import and export of goods and warehousing services.	
12.	Baosteel Desheng	Principally engaged in smelting, hot rolling, solid solution, cold rolling and machining, and the sales of metallic nickel, nickel alloys and stainless steel products.	
13.	ZNGF	Principally engaged in the manufacturing, processing and sale of iron and steel metallurgical products, metal products, coke and coal chemical products.	
14.	WISCO	Principally engaged in park management services, commercial complex management services, land use rights leasing, hotel management and property management, etc.	
15.	Baosteel Engineering	Principally engaged in the design of metallurgy, construction, decoration and environmental protection engineering, general contracting of engineering projects, complete sets of equipment and management, engineering technical services and consultancy.	

No.	Contracting party	Principal business	Ultimate beneficial owner
16.	Baosteel Development	Principally engaged in enterprise management, information consultancy, property management, residential leasing, non-residential real estate leasing, car park services and related ancillary services.	
17.	Baodi Nanjing	Principally engaged in park management, property management, solid waste treatment, recycling and processing of renewable resources, mineral washing and processing, and related services.	
18.	Bayi Iron & Steel Group	Principally engaged in investment activities, headquarters management, supply chain management, non-residential real estate leasing, enterprise management consultancy and related services.	
19.	Zhongnan Iron and Steel	Principally engaged in investment in and management of the steel industry and related businesses.	
20.	TISCO Group	Principally engaged in investment in and management of the steel industry and related businesses.	

No.	Contracting party	Principal business	Ultimate beneficial owner
21.	Shanghai Huanwu	Principally engaged in enterprise management consultancy, enterprise management, socioeconomic consultancy services and technical services.	The ultimate beneficial owner of its executive partner, Jianxin Financial Investment Private Equity Fund Management (Beijing) Co., Ltd. (建信金投私募基金管理(北京)有限公司), is China Construction Bank Corporation. Its limited partner is Baowu Green Carbon Private Investment Fund (Shanghai) Partnership (Limited Partnership) (寶武綠碳私募投資基金(上海)合夥企業(有限合夥)), a state-owned limited partnership, whose upper-tier partners include 14 partners such as China Baowu, Jianxin Finance Asset Investment Co., Ltd. (建信金融資產投資有限公司), and Jiangxi Modern Industry Guide Fund (Limited Partnership) (江西省現代產業引導基金(有限合夥))

LISTING RULES IMPLICATIONS

As of the date of this announcement, China Baowu is interested in approximately 29.51% of the issued share capital of the Company, of which 1.47% is directly held by China Baowu and 28.04% is indirectly controlled or held by China Baowu through its controlled corporations. China Baowu is an indirect substantial shareholder of the Company, i.e. a connected person under Chapter 14A of the Listing Rules. China Baowu is the de facto controller of Baowu Environment and Baowu Water, and is also the ultimate beneficial owner or de facto controller of a number of the contracting parties under the Capital Injection. Accordingly, each of the foregoing entities constitutes a connected person of the Company under Chapter 14A of the Listing Rules, and the transactions under the Capital Injection Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratio in respect of the Capital Injection exceeds 0.1% but falls below 5%, the Capital Injection is only subject to the reporting and announcement requirements under the Listing Rules and is exempt from the independent shareholders' approval requirement under the Listing Rules.

APPROVAL BY THE BOARD

The seventh special meeting of the independent directors of the tenth session of the Board was held on 26 May 2026, at which the Resolution on Making a Capital Injection into Baowu Environment Using Equity Interests in Baowu Water was considered and approved. All independent directors unanimously agreed to submit the resolution to the Board for consideration.

The twenty-sixth meeting of the tenth session of the Board was held on 27 May 2026, at which the Resolution on Making a Capital Injection into Baowu Environment Using Equity Interests in Baowu Water was considered and approved.

Save for Mr. Wang Huxiang and Mr. Lin Changchun, who hold positions at or are otherwise associated with China Baowu and have abstained from voting on the relevant board resolutions to approve the Capital Injection Agreement and the transactions contemplated thereunder, no other Director has any interest in such transactions. The Directors (including the independent non-executive Directors) are of the view that the terms of the Capital Injection Agreement are on normal commercial terms, fair and reasonable, and in the interests of the Company and its shareholders as a whole.

DEFINITIONS

The following defined terms are used in this announcement:

"Baodi Nanjing"	Nanjing Baodi Meishan Industrial City Development Co., Ltd. (南京寶地梅山產城發展有限公司), a company incorporated in the PRC with limited liability
"Baosteel Chemical Zhanjiang"	Baosteel Chemical Zhanjiang Co., Ltd. (寶鋼化工湛江有限公司), a company incorporated in the PRC with limited liability
"Baosteel Co., Ltd."	Baoshan Iron & Steel Co., Ltd. (寶山鋼鐵股份有限公司), a joint stock company incorporated in the PRC with limited liability
"Baosteel Desheng"	Baosteel Desheng Stainless Steel Co., Ltd. (寶鋼德盛不銹鋼有限公司), a company incorporated in the PRC with limited liability

"Baosteel Development"	Baosteel Development Co., Ltd. (寶鋼發展有限公司), a company incorporated in the PRC with limited liability
"Baosteel Engineering"	Baosteel Engineering & Technology Group Co., Ltd. (寶鋼工程技術集團有限公司), a company incorporated in the PRC with limited liability
"Baowu Carbon"	Baowu Carbon Technology Co., Ltd. (寶武碳業科技股份有限公司), a joint stock company incorporated in the PRC with limited liability
"Baowu Environment" or "Target Company"	Baowu Group Environmental Resources Technology Co., Ltd. (寶武集團環境資源科技有限公司), a company incorporated in the PRC with limited liability
"Baowu Environment Valuation Report"	the Asset Valuation Report on the Total Equity Value of Shareholders of Baowu Group Environmental Resources Technology Co., Ltd., in Connection with the Proposed Capital Injection into Baowu Group Environmental Resources Technology Co., Ltd. by Shareholders of Baowu Water Technology Co., Ltd. by Contributing Part of Their Equity Interests in Baowu Water Technology Co., Ltd. (Dong Zhou Ping Bao Zi [2026] No. 0411), issued by Shanghai Orient Appraisal Co., Ltd. (上海東洲資產評估有限公司), an independent valuation institution
"Baowu Water"	Baowu Water Technology Co., Ltd. (寶武水務科技有限公司), a company incorporated in the PRC with limited liability
"Baowu Water Valuation Report"	the Asset Valuation Report on the Total Equity Value of Shareholders of Baowu Water Technology Co., Ltd., in Connection with the Proposed Capital Injection into Baowu Group Environmental Resources Technology Co., Ltd. by Shareholders of Baowu Water Technology Co., Ltd. by Contributing Part of Their Equity Interests in Baowu Water Technology Co., Ltd. (Dong Zhou Ping Bao Zi [2026] No. 0412), issued by Shanghai Orient Appraisal Co., Ltd., an independent valuation institution
"Bayi Iron & Steel"	Xinjiang Bayi Iron & Steel Co., Ltd. (新疆八一鋼鐵股份有限公司), a joint stock company incorporated in the PRC with limited liability

"Bayi Iron & Steel Group"	Xinjiang Bayi Iron and Steel Group Co., Ltd. (新疆八一鋼鐵集團有限公司), a company incorporated in the PRC with limited liability
"Board"	the board of Directors
"Capital Injection"	the capital injection by the Company into Baowu Environment using its 1.61% equity interest in Baowu Water at an agreed valuation
"Capital Injection Agreement"	the capital injection agreement to be entered into by the Company with China Baowu, Baosteel Development, Wuhan Iron & Steel, Magang Group, Baodi Nanjing, Bayi Iron & Steel Group, Shanghai Huanwu, Zhongnan Iron and Steel, TISCO Group, Baowu Carbon, Baosteel Chemical Zhanjiang, WISCO, Magang Limited, Baosteel Engineering, Baosteel Co., Ltd., Zhanjiang Steel, Meishan Iron & Steel, ZNGF, Echeng Steel, TISCO, Baosteel Desheng and Baowu Environment
"China Baowu"	China Baowu Steel Group Corporation Limited (中國寶武鋼鐵集團有限公司), a limited liability company incorporated in the PRC and a state-owned capital investment company wholly owned by the State-owned Assets Supervision and Administration Commission of the State Council
"Company"	Chongqing Iron & Steel Company Limited (重慶鋼鐵股份有限公司), a joint stock company incorporated in the PRC with limited liability, the shares of which are listed on the Stock Exchange
"Contributing Parties"	the parties making capital injections into Baowu Environment using their respective equity interests in Baowu Water pursuant to the Capital Injection Agreement
"Director(s)"	the director(s) of the Company
"Echeng Steel"	Baowu Group Echeng Iron and Steel Co., Ltd. (寶武集團鄂城鋼鐵有限公司), a company incorporated in the PRC with limited liability
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Magang Group"	Magang (Group) Holding Company Limited (馬鋼(集團)控股有限公司), a company incorporated in the PRC with limited liability
"Magang Limited"	Maanshan Iron & Steel Limited Company (馬鞍山鋼鐵有限公司), a company incorporated in the PRC with limited liability
"Meishan Iron & Steel"	Shanghai Meishan Iron & Steel Co., Ltd. (上海梅山鋼鐵股份有限公司), a joint stock company incorporated in the PRC with limited liability
"PRC"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"Shanghai Huanwu"	Shanghai Huanwu Enterprise Consulting Partnership (Limited Partnership) (上海環武企業諮詢合夥企業(有限合夥)), a limited partnership incorporated in the PRC
"Shareholder(s)"	holder(s) of shares in the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"TISCO"	Shanxi Taigang Stainless Steel Co., Ltd. (山西太鋼不銹鋼股份有限公司), a joint stock company incorporated in the PRC with limited liability
"TISCO Group"	Taiyuan Iron and Steel (Group) Co., Ltd. (太原鋼鐵(集團)有限公司), a company incorporated in the PRC with limited liability
"Valuation Reports"	the Baowu Environment Valuation Report and the Baowu Water Valuation Report
"WISCO"	Wuhan Iron and Steel (Group) Corp. (武鋼集團有限公司), a company incorporated in the PRC with limited liability
"Wuhan Iron & Steel"	Wuhan Iron and Steel Company Limited (武漢鋼鐵有限公司), a company incorporated in the PRC with limited liability

"Zhanjiang Steel"	Baogang Zhanjiang Iron and Steel Co., Ltd. (寶鋼湛江鋼鐵有限公司), a company incorporated in the PRC with limited liability
"Zhongnan Iron and Steel"	Baowu Group Zhongnan Iron and Steel Co., Ltd. (寶武集團中南鋼鐵有限公司), a company incorporated in the PRC with limited liability
"ZNGF"	Guangdong Zhongnan Iron & Steel Co., Ltd. (廣東中南鋼鐵股份有限公司), a joint stock company incorporated in the PRC with limited liability
"%"	per cent

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

Chongqing, the PRC, 27 May 2026

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

Basic Information on Valuation

Appraisal object:	Entire value of shareholders' equity of Baowu Environment (the "**Appraised Entity**").
Scope of valuation:	All assets and liabilities of Baowu Environment, specifically including current assets, non-current assets, and liabilities.
Type of value:	Market value
The valuation benchmark date:	31 December 2025.

Valuation Assumptions

(I) Basic Assumptions

1. Transaction assumption

The transaction assumption is that all assets to be evaluated are in the process of transaction, and the asset appraiser will make estimation in a simulated market according to the transaction conditions of assets to be evaluated. The transaction assumption is a most fundamental assumption for the further implementation of the asset valuation.

2. Open market assumption

An open market assumption is an assumption about the market conditions into which an asset is intended to enter and what effects the asset will receive under such market conditions. An open market is a fully developed and comprehensive market condition, a competitive market with willing buyers and sellers, where buyers and sellers are on equal footing and have equal opportunity and time for access to adequate market information, and where transactions between buyers and sellers are conducted under voluntary, rational, non-compulsory or unrestricted conditions. The open market assumption is based on the assumption that assets are publicly tradable in the market.

3. *Going concern assumption*

Going concern assumption is assuming that the Appraised Entity can legally continue its production and operation business according to its current status within the foreseeable future operating period under the existing asset resources conditions and there will be no major adverse changes in the operating conditions.

4. *Assumption about the use of an asset for an existing purpose*

Assumption about the use of an asset for an existing purpose means that it is assumed that the asset will continue to be used for the current purpose. Firstly, it is assumed that the assets within the scope of valuation are in use. Then it is assumed that the assets will continue to be used for the current purpose and mode of use without considering asset use conversion or optimal utilization conditions.

(II) General Assumptions

1. This valuation assumes that there will be no unforeseen significant adverse changes in the external economic environment, including the relevant laws, macroeconomic, financial and industrial policies prevailing in the country after the valuation benchmark date, and that there will be no significant impact caused by other human force majeure and unforeseen factors.

2. This valuation does not consider the impact on the Appraised Entity's valuation conclusion of any collateral or guarantee that the Appraised Entity and its assets may assume in the future, or any additional price that may be paid as a result of a special transaction method.

3. It is assumed that there will be no significant changes in the socio-economic environment in which the Appraised Entity is located or in the fiscal and taxation policies in place, such as taxes and tax rates, and that the credit policy, interest rate, exchange rate and other financial policies will be generally stable.

4. The current and future business operations of the Appraised Entity are and will be legal and in compliance with the relevant provisions of its business license and articles of association.

(III) Special Valuation Assumptions in the Income Approach

1. The current and future management of the Appraised Entity is legally, compliantly and diligently performing its operation and management functions. After the implementation of the economic activities, there will be no serious impact on the development of the enterprise or damage to the interests of shareholders, and it will continue to maintain the existing operation management model and management level.

2. In the future forecast period, the core management and technical personnel of the Appraised Entity will be relatively stable, and there will be no major changes that affect the business development and profit realization of the enterprise.

3. The accounting policies adopted by the Appraised Entity after the valuation benchmark date are consistent with the accounting policies adopted in the preparation of this valuation report in terms of importance.

4. It is assumed that the Appraised Entity will have even cash inflow and cash outflow after the valuation benchmark date.

5. The High and New Technology Enterprise Certificate (《高新技術企業證書》) of the Appraised Entity was obtained on 25 December 2025 for a validity period of 3 years. Assuming that there will be no material changes in the relevant regulations and policies for the recognition of high and new technology enterprises in the future, the Valuer, after analyzing the indicators of the enterprise's current business structure, the composition of research and development personnel and the proportion of future research and development investment to its revenue, and based on reasonable assumptions for the future, assumes that the Appraised Entity will continue to be qualified to obtain the recognition of high and new technology enterprise in the future and be able to continue to enjoy the preferential policies on income tax.

6. The Appraised Entity currently possesses the following production and business sites, as well as certain production equipment, facilities, and vehicles, which are acquired through leasing:

No.	Name of assets	Lessor	Location of assets	Number of lease/ leased area	Commencement date	Expiry date
1	Lease of premises at No. 1943, Baoyang Road (寶楊路 1943 號)	Shanghai Baodi Yangpu Real Estate Development Co., Ltd (the lessor has been changed to Baosteel Special Steel Co., Ltd. since 1 January 2026)	Floors 1, 2, 3, and 7-9, and 90 ground-level parking spaces at No. 1943, Baoyang Road	7,220.26 m^2	25 June 2024	24 June 2031
2	Lease of rotary hearth furnace building (轉底爐房屋)	Wuhan Iron and Steel Company Limited	2# independent region of rotary hearth furnace; 1#, 2# public region of rotary hearth furnace (2#轉底爐獨立區域；1#、2#轉底爐共用區域)	1 property	1 January 2025	31 December 2026
3	Lease of rotary hearth furnace equipment	Wuhan Iron and Steel Company Limited	A total of 37 properties in 2# independent region of rotary hearth furnace (for lease, management and use by the Party B); A total of 103 properties in 1#, 2# public region of rotary hearth furnace (for lease and use by the Party B, with the Party A's general contractor continuing to manage and operate)	140 properties	1 January 2025	31 December 2026
4	Park land lease at No. 914, Yuexin South Road (月新南路914號)	Shanghai Qinyu Shiye Company Limited (上海勤宇實業公司)	No. 914, Yuexin Southern Road, Baoshan District, Shanghai	7,333.00 m^2	1 January 2024	31 December 2026
5	Factory building and office building at No. 233, Yangnan Road, along with ancillary equipment, facilities, and grounds	Shanghai Baoweilai Environmental Technology Co., Ltd. (上海寶威萊環保科技有限公司)	Factory building and office building at No. 233, Yangnan Road, Baoshan District, Shanghai, along with ancillary equipment, facilities, and grounds	8,463.63 m^2	1 January 2024	31 December 2026
6	Property lease of B•Link, Jinpu Park (互聯寶地 • 錦溥園)	Baodi Jinpu (Shanghai) Enterprise Development Co., Ltd.	Unit A4-101 on Floor A41, Unit A4-201 on Floor A42, Unit A4-F3 on Floor A43, Unit A4-F4 on Floor A44, and Unit A4-F5 on Floor A45 (office building), Tieli Community, Meipu Road, Baoshan District, Shanghai	3,161.00 m^2	1 January 2025	31 December 2025
7	Lease of 6th Floor at No. 1943, Baoyang Road, etc.	Shanghai Baodi Yangpu Real Estate Development Co., Ltd (the lessor has been changed to Baosteel Special Steel Co., Ltd. since 1 January 2026)	Units 101, 203, 601, and 602, and 40 ground-level parking spaces at No. 1943, Baoyang Road, Baoshan District, Shanghai	1,457.94 m^2	25 June 2021	24 June 2031
8	Lease of Baosteel F0289 JMC pickup truck (寶鋼 F0289江鈐皮卡)	Baosteel Development Co., Ltd. (Park Commuting Business Department)	/	1 vehicle	1 September 2025	31 August 2028

This valuation assumes that upon expiry of above lease agreements, the Appraised Entity will be able to be renewed for further use in accordance with the terms of the lease agreement or that premises of similar terms, scales and equipment and facilities will then be available at market rental prices.

Valuation Approaches and Reasons for Election

In this valuation, the income approach served as the basis for the valuation results. The main reasons are as follows:

The asset-based approach is adopted to determine enterprise value primarily by performing individual valuations of various tangible assets and identifiable intangible assets and aggregating them. While this method can reflect the replacement cost of assets as at the benchmark date, its limitation lies in the difficulty of fully reflecting the contribution of intangible resources such as the advantages of the technical R&D team, business network, service capabilities, management efficiency, and brand value to the overall value of the enterprise. More importantly, the asset-based approach cannot effectively measure the overall corporate synergy value that may be generated by factors such as the mutual matching and organic combination of various assets.

In contrast, the income approach is adopted to assess the overall value of an enterprise by forecasting and discounting its future earnings. Its value connotation naturally encompasses all value drivers, including the aforementioned various types of unidentifiable intangible resources, and can more comprehensively reflect the comprehensive profitability of the enterprise. In addition, taking into account that the core business of the Appraised Entity serves the steel industry, its operating performance is currently under pressure due to the cyclical downturn of the industry; however, with the future recovery of industry sentiment, the enterprise possesses profitability and room for growth. The income approach can reasonably reflect such expected improvements and future development potential, whereas the asset-based approach, being an assessment approach based on a static point in time, is unable to capture such dynamic value elements.

For the purpose of this valuation, the valuation agency considers that the income approach can more comprehensively, objectively, and reasonably reflect the overall intrinsic value of the Appraised Entity, and its valuation results can better reflect the core competitiveness and future development expectations of the enterprise compared to the asset-based approach. Therefore, it is more reasonable to adopt the valuation results under the income approach as the final valuation conclusion.

Introduction to Valuation Approaches

– ***Income approach***

1. Overview

In accordance with the Practice Guidelines for Asset Valuation – Enterprise Value (《資產評估執業準則–企業價值》), the discounted cash flow method (DCF) is a commonly used method under the income approach, that is, by estimating the future expected cash flow of the enterprise and applying an appropriate discount rate, the expected cash flow was converted to their present value to arrive at the entire value of shareholders' equity. The discounted cash flow method usually includes a discounted free cash flow model and a discounted equity free cash flow model of an enterprise. The asset valuation professionals will appropriately select the cash flow discount model depending on the industry, business model, capital structure, development trend of the Appraised Entity.

2. Basic Concept

According to the asset composition and business characteristics of the Appraised Entity and the due diligence of the valuation, the basic concept of this valuation is based on the audited financial statements of the Appraised Entity: firstly, the discounted cash flow method (DCF) is adopted to estimate the value of operating assets of the enterprise; then plus the value of other non-operating or surplus assets, liabilities and surplus assets as at the benchmark date, deducting the interest-bearing debts, to arrive at the entire value of shareholders' equity.

3. Valuation Model

According to the actual situation of the Appraised Entity, the enterprise's free cash flow discount model is selected under the discounted cash flow method (DCF). The basic formula is:

Entire value of shareholders' equity = overall enterprise value - value of interest-bearing debts

Where:

(1) Overall enterprise value = value of operating assets + value of surplus assets + value of non-operating assets and liabilities

(2) Value of operating assets = P, namely, sum of the present value of free cash flows during the definite forecast period + the present value of free cash flows after the definite forecast period as follows:

$$p = \sum_{i=1}^{n} \frac{F_i}{(1+r)^i} + \frac{F_n * (1+g)}{(r-g) * (1+r)^n}$$

Where: Fi – amount of free cash flow in the future i-th income period;
n – definite forecast period, representing the period from the valuation benchmark date to the date on which the enterprise reaches a relatively stable operating condition;
g – expected annual growth rate of the future income after the definite forecast period;
r – the selected discount rate.

4. Valuation Procedures

(1) Determination of amount of expected income. In consideration of the human resources, technical level, capital structure, operating conditions, historical performance, development trends of the Appraised Entity, as well as macroeconomic factors, the current conditions and development prospects of the industry, necessary analysis, review, judgment and adjustment shall be carried out on the forecast data of future income provided by the appointer or the management of the Appraised Entity, on which basis, the valuation assumptions shall be reasonably determined to arrive at the amount of future expected income.

(2) Determination of the future income period. After analyzing and understanding the Appraised Entity's nature and type, the status quo and development prospects of the industry in which it operates, its agreements and articles of association, operating conditions, asset characteristics and resource conditions, etc., the future income period is determined to be indefinite. At the same time, on the basis of a comprehensive analysis of the remaining economic life of the product or service of the Appraised Entity and the research and development of substitute products or services, income structure, cost structure, capital structure, capital expenditure, working capital, investment income and risk level, etc., taking into account the macro policies, industry cycles and other factors that affect enterprises entering a stable period, the

definite forecast period n is selected as 5 years for the project, and the amount of Fi remains unchanged after the definite forecast period, i.e., the value of g is zero.

(3) Determination of the discount rate. According to the principle that the discount rate should be consistent with the expected income, in this valuation, the discount rate selected is weighted average cost of capital (WACC), i.e. the weighted average of the expected rate of return on equity and the expected rate of return on debt after adjustment for income tax. The formula is:

$$WACC = R_d \times (1 - T) \times W_d + R_e \times W_e$$

Where:

R_d: Expected return rate on debts;
R_e: Expected return rate on equity;
W_d: The percentage of debt capital in the capital structure;
W_e: The percentage of equity capital in the capital structure;
T: Effective income tax rate of the enterprise.

The expected return rate on equity is determined using the capital asset pricing model (CAPM), the formula is:

$$R_e = R_f + \beta_e \times MRP + \varepsilon$$

Where: R_f: Risk-free interest rate;
MRP: Market risk premium;
ε: Specific risk premium rate;
β_e: Expected market risk coefficient of the equity capital of the appraisal object;

$$\beta_e = \beta_t \times (1 + (1 - t) \times \frac{D}{E})$$

Where: β_t: Expected unlevered market risk coefficient of a comparable company;

D, E: The company's own debt capital and equity capital, respectively.

(3.1) Determination of R_f, risk-free interest rate: According to the overseas and domestic industry research results and taking into account the requirements of the Guidelines for Experts in Asset Appraisal No. 12 – Calculation of Discount Rate in the Evaluation of Enterprise Value by Income Approach (《資產評估專家指引第12號– 收益法評估企業價值中折現率的測算 》) issued by China Appraisal Society, the risk-free interest rate in this valuation is calculated as the average yield of the latest 10-year China's treasury bonds. The data is derived from the China Treasury Bond Yield Curve (《中國國債收益率曲線》) of China Central Depository & Clearing Co., Ltd. (CCDC) published on the website of China Appraisal Society.

The treasury bond yield curve is a curve used to describe treasury bonds of various maturities and the corresponding interest rate levels. The China treasury bond yield curve is a curve compiled based on the market interest rate of RMB treasury bonds issued in Chinese mainland.

Considering that the income of the 10-year treasury bond is released every working day, in order to avoid the impact of short-term market sentiment fluctuations on the value, it is calculated in accordance with the latest complete quarterly average value in line with the Company's technical specifications and updated every quarter. The value at the valuation benchmark date is 1.83%.

(3.2) Calculation of market risk premium (MRP, i.e. R_m -R_f): The market risk premium refers to the expected excess return required by investors for the equity investment with risk the same as overall market average risk, that is, the risk compensation that exceeds the risk-free interest rate. The market risk premium can usually be calculated using historical market risk premium data. We use the historical risk premium data of China's securities market index to calculate the market risk premium.

Calculation of R_m: The yield is calculated based on China's securities market index.

Selection of index: According to the Guidelines for Experts in Asset Appraisal No. 12 – Calculation of Discount Rate in the Evaluation of Enterprise Value by Income Approach (《資產評估專家指引第12號–收益法評估企業價值中折現率的測算》) issued by China Appraisal Society and considering that the CSI 300 Total Return Index has revised the dividend distribution of the sample stocks, the CSI 300 Index is relatively more accurate in calculating the rate of return, we select the CSI 300 Total Return Index to calculate the rate of return. The base period index is 1,000 points and the date is 31 December 2004.

Time span: The calculation period is from January 2005 to the end of the year immediately before the benchmark date.

Data frequency: Weekly. Considering that China's capital market has existed for about 30 years and the index fluctuates greatly, if the calculation is simply based on weekly closing index, the yield will fluctuate greatly without value of reference. The annualized rate of return was calculated based on the 200-week average of the trading days before the weekly closing price (for less than 200 weeks, the average is calculated from the week the index was released) to eliminate the impact of severe (unusual) fluctuation.

Average annualized rate of return: After calculated and analyzed the arithmetic and geometric average annualized rate of return, we finally selected the geometric average annualized rate of return.

Calculation of R_f: The risk-free interest rate is calculated using the yield to maturity of 10-year treasury bonds for the same period (data source is the same as above). In line with the index yield, it is calculated using the average of the current full year.

Calculation of market risk premium (MRP, R_m -R_f):

The basic data of market risk premium in China for each year was obtained through the above calculation. Considering that China's economy is currently shifting from a high-speed growth stage to a high-quality development stage and the growth rate is gradually slowing down, we use the average of the last five years to calculate the MRP as follows:

Period	Social average yield	Yield to maturity of 10-year treasury bonds	MRP, R_m -R_f
Average			**6.65%**
2025	8.12%	1.74%	6.38%
2024	8.66%	2.22%	6.44%
2023	9.29%	2.73%	6.56%
2022	9.71%	2.77%	6.94%
2021	9.95%	3.03%	6.92%

That is, the current market risk premium in China is approximately 6.65%.

(3.3) Determination of beta value (β coefficient): This coefficient is an indicator to measure the risk premium of an appraised enterprise relative to the overall return of the capital market, and is also used to measure the degree to which individual stocks are affected by the overall economic environment including stock market price changes. Since the appraised enterprise is currently a non-listed company, it is generally difficult to directly calculate the index value of the coefficient for it. Therefore, the average β coefficient of the comparable listed companies in the same industry as the appraised enterprise as at the benchmark date (i.e. βt) is used as a reference.

After comprehensively considering the comparability between comparable listed companies and the Appraised Entity in terms of business type, scale, profitability, growth potential, industry competitiveness and development stage, 34 comparable listed companies were finally selected. Hithink RoyalFlush Information Network Co., Ltd. (浙江核新同花順網絡信息股份有限公司) is a professional Internet financial information service provider. The valuation agency found in its financial data terminal that the weighted average βt of the 34 comparable listed companies after taking out their financial leverage is 0.7994.

The selection criteria for the β coefficient value is as follows:

Selection of underlying index: CSI 300

Calculation period: Week

Time frame: three years

Calculation method of yield: logarithmic yield

Exclusion of financial leverage: based on market value ratio

D is determined based on the interest-bearing liabilities as at the benchmark date, and E is determined based on the iterative calculations of entire value of shareholders' equity as at the benchmark date.

Then, the estimated value of the expected risk coefficient of the equity capital of the appraisal object, i.e. βe=0.814.

(3.4) Determination of specific risk return rate: After comprehensively considering factors such as the risk characteristics, scale, business model, operating stage, core competitiveness, reliance on major customers and suppliers of the appraised enterprise and the differences between it and comparable listed companies selected, the valuation agency determined primarily based on the professional experience of the valuation staff. The valuation agency finally determined the specific risk return rate to be 3.00% upon analysis and judgment.

(3.5) Determination of the expected return rate on debts R_d: Considering that the difference between the interest rate of the enterprise and the market interest rate is not significant and is within a reasonable range, the actual debt interest rate of the Appraised Entity is selected for this valuation.

(3.6) Determination of capital structure: After analyzing various factors including the development stage of the appraised enterprise, the financing arrangements in the next year, the difference in financing capacity and financing costs with comparable companies and whether a stable capital structure is available, we decided to adopt the real capital institution of the appraised enterprise.

(4) Determination of the value of surplus assets and the net appraised value of non-operating assets and liabilities. Upon analysis and determination of the scope of surplus assets, non-operating assets and liabilities based on the audited financial statements of the Appraised Entity, appropriate valuation method is adopted to determine its appraised value.

Surplus assets refer to the surplus assets that are not directly related to the operating income of the enterprise in the profit forecast and exceed the operating needs of the enterprise in the profit forecast, comprising mainly surplus cash and dormant assets.

Non-operating assets and liabilities refer to assets and related liabilities that are not directly related to the normal operating income of the enterprise in the profit forecast, including assets and related liabilities that do not generate income, or can generate income but are not included in the scope of the profit forecast. They mainly include long-term investment in controlled and equity-method subsidiaries and deferred income tax assets and liabilities.

(5) Determination of value of interest-bearing debt: Based on the audited financial statements of the Appraised Entity, the scope of interest-bearing debt, including borrowings from financial institutions or other units and individuals, such as short-term loans, long-term loans and bonds payable is analyzed and determined. The cost approach is adopted for the valuation this time.

Valuation Results

(I) Relevant Valuation Results

1. Appraised value under the asset-based approach

The following valuation results are obtained for the Appraised Entity as at the valuation benchmark date using the asset-based approach to appraise the entire value of shareholders' equity of the enterprise:

As at the valuation benchmark date, the carrying amount of the owners' equity of the Appraised Entity was RMB4,939.1775 million, with an appraised value of RMB7,070.905 million, representing an appreciation of RMB2,131.7275 million or 43.16%. Specifically, the carrying amount of total assets was RMB6080.4386 million, with an appraised value of RMB8,212.1661 million, representing an appreciation of RMB2,131.7275 million or 35.06%. The carrying amount of total liabilities was RMB1,141.2612 million, with an appraised value of RMB1,141.2612 million, with no change in appraised value.

2. Appraised value under the income approach

The following valuation results are obtained as at the valuation benchmark date using the income approach to appraise the entire value of shareholders' equity of the enterprise:

The carrying amount of the owners' equity of the Appraised Entity was RMB4,939.1775 million and the appraised value was RMB7,467 million, representing an appreciation of RMB2,527.8225 million or 51.18%.

(II) Analysis of the Difference in Valuation Results under Different Approaches

The entire value of shareholders' equity derived from the income approach was RMB7,467 million, representing an increase of RMB396.0950 million from the entire value of shareholders' equity of RMB7,070.9050 million derived from the asset-based approach.

The difference in the valuation results under the different valuation approaches is mainly due to the different perspectives on asset values considered by the various valuation approaches. The asset-based approach is conducted from the perspective of the current replacement cost of the various assets of the enterprise, while the income approach is conducted from the perspective of the future comprehensive profitability of the enterprise.

(III) Changes in the Comparison of Valuation Conclusions and Carrying Amount and Reasons

The major increase/decrease analyses for this valuation conclusion using the income approach are as follows:

Summary of valuation results by using the income approach

Valuation benchmark date: 31 December 2025 *Unit: RMB0'000*

Items	Carrying amount	Appraised value	Appreciation	Appreciation rate %
	A	B	C=B-A	D=C/A×100%
Current assets	57,559.32			
Non-current assets	550,484.55			
Of which: Long-term equity investments	491,791.92			
Fixed assets	46,012.55			
Right-of-use assets	5,257.17			
Intangible assets	3,182.32			
Deferred income tax assets	4,240.58			
Total assets	**608,043.86**			
Current liabilities	82,734.31			
Non-current liabilities	31,391.81			
Total liabilities	**114,126.12**			
Owners' equity (net assets)	**493,917.75**	**746,700.00**	**252,782.25**	**51.18**

The valuation conclusion under the income approach and the reasons for the appreciation are as follows:

As the valuation was based on the income approach, the company possesses significant intangible resources, such as advantages in technology and R&D team, service capacity, management strengths, and brand advantage, which are not reflected in its carrying amount; therefore, the income approach results in a large appreciation compared to the carrying amount.

Basic Information on Valuation

Appraisal object:	Entire value of shareholders' equity of Baowu Water (the "**Appraised Entity**").
Scope of valuation:	All assets and liabilities of Baowu Water, specifically including current assets, non-current assets, and liabilities.
Type of value:	Market value
The valuation benchmark date:	31 December 2025.

Valuation Assumptions

(I) Basic Assumptions

1. Transaction assumption

The transaction assumption is that all assets to be evaluated are in the process of transaction, and the asset appraiser will make estimation in a simulated market according to the transaction conditions of assets to be evaluated. The transaction assumption is a most fundamental assumption for the further implementation of the asset valuation.

2. Open market assumption

An open market assumption is an assumption about the market conditions into which an asset is intended to enter and what effects the asset will receive under such market conditions. An open market is a fully developed and comprehensive market condition, a competitive market with willing buyers and sellers, where buyers and sellers are on equal footing and have equal opportunity and time for access to adequate market information, and where transactions between buyers and sellers are conducted under voluntary, rational, non-compulsory or unrestricted conditions. The open market assumption is based on the assumption that assets are publicly tradable in the market.

3. Going concern assumption

Going concern assumption is assuming that the Appraised Entity can legally continue its production and operation business according to its current status within the foreseeable future operating period under the existing asset resources conditions and there will be no major adverse changes in the operating conditions.

4. Assumption about the use of an asset for an existing purpose

Assumption about the use of an asset for an existing purpose means that it is assumed that the asset will continue to be used for the current purpose. Firstly, it is assumed that the assets within the scope of valuation are in use. Then it is assumed that the assets will continue to be used for the current purpose and mode of use without considering asset use conversion or optimal utilization conditions.

(II) General Assumptions

1. This valuation assumes that there will be no unforeseen significant adverse changes in the external economic environment, including the relevant laws, macroeconomic, financial and industrial policies prevailing in the country after the valuation benchmark date, and that there will be no significant impact caused by other human force majeure and unforeseen factors.

2. This valuation does not consider the impact on the Appraised Entity's valuation conclusion of any collateral or guarantee that the Appraised Entity and its assets may assume in the future, or any additional price that may be paid as a result of a special transaction method.

3. It is assumed that there will be no significant changes in the socio-economic environment in which the Appraised Entity is located or in the fiscal and taxation policies in place, such as taxes and tax rates, and that the credit policy, interest rate, exchange rate and other financial policies will be generally stable.

4. The current and future business operations of the Appraised Entity are and will be legal and in compliance with the relevant provisions of its business license and articles of association.

(III) Special Valuation Assumptions in the Income Approach

1. The current and future management of the Appraised Entity is legally, compliantly and diligently performing its operation and management functions. After the implementation of the economic activities, there will be no serious impact on the development of the enterprise or damage to the interests of shareholders, and it will continue to maintain the existing operation management model and management level.

2. In the future forecast period, the core management and technical personnel of the Appraised Entity will be relatively stable, and there will be no major changes that affect the business development and profit realization of the enterprise.

3. The accounting policies adopted by the Appraised Entity after the valuation benchmark date are consistent with the accounting policies adopted in the preparation of this valuation report in terms of importance.

4. It is assumed that the Appraised Entity will have even cash inflow and cash outflow after the valuation benchmark date.

5. The High and New Technology Enterprise Certificate (《高新技術企業證書》) of the Appraised Entity was obtained on 26 December 2024 for a validity period of 3 years. Assuming that there will be no material changes in the relevant regulations and policies for the recognition of high and new technology enterprises in the future, the Valuer, after analyzing the indicators of the enterprise's current business structure, the composition of research and development personnel and the proportion of future research and development investment to its revenue, and based on reasonable assumptions for the future, assumes that the Appraised Entity will continue to be qualified to obtain the recognition of high and new technology enterprise in the future and be able to continue to enjoy the preferential policies on income tax.

6. The lease details of the Appraised Entity's current office and land-use rights are set out as below:

Lessor	Location of assets	Unit of measurement	Amount	Commencement date	Expiry date
Shanghai Baodi Hulian Zhongchuang Space Management Co., Ltd. (上海寶地互聯眾創空間管理有限公司)	No. 330, 360 and 400, Meipu Road, Baoshan District, Shanghai	m^2	7,716.30	1 July 2022	30 June 2032
Baodi Jinpu (Shanghai) Enterprise Development Co., Ltd.	Units of A-6 5/F on Floor A65 and Units of A-7 3/F-4/F on Floor A75, B•Link, Jinpu Park (互聯寶地 • 錦溥園) Project, Baoshan District, Shanghai	m^2	2,629.09	1 February 2025	30 June 2032
China Baowu Steel Group Corporation Limited	Land use rights for certain plots in Yuepu Town, Baoshan District, Shanghai	m^2	111,779.60	1 January 2025	31 December 2029
China Baowu Steel Group Corporation Limited	Production base in the factory located in Baoshan District, Shanghai	Property	8.00	1 January 2025	31 December 2029
China Baowu Steel Group Corporation Limited	Production base in the factory located in Baoshan District, Shanghai	m^2	3,370.00	1 February 2021	31 January 2031
Taiyuan Iron & Steel (Group) Co., Ltd.	Within the factory of TISCO Group	m^2	4,750.00	1 January 2024	31 December 2026

This valuation assumes that upon expiry of the lease agreements, the Appraised Entity will be able to be renewed for further use in accordance with the terms of the lease agreement or that premises of similar terms and scales will then be available at market rental prices.

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In this valuation, the income approach served as the basis for the valuation results. The main reasons are as follows:

The asset-based approach is adopted to determine enterprise value primarily by performing individual valuations of various tangible assets and identifiable intangible assets and aggregating them. While this method can reflect the replacement cost of assets as at the benchmark date, its limitation lies in the difficulty of fully reflecting the contribution of intangible resources such as the advantages of the technical R&D team, business network, service capabilities, management efficiency, and brand value to the overall value of the enterprise. More importantly, the asset-based approach cannot effectively measure the overall corporate synergy value that may be generated by factors such as the mutual matching and organic combination of various assets.

In contrast, the income approach is adopted to assess the overall value of an enterprise by forecasting and discounting its future earnings. Its value connotation naturally encompasses all value drivers, including the aforementioned various types of unidentifiable intangible resources, and can more comprehensively reflect the comprehensive profitability of the enterprise. In addition, taking into account that the core business of the Appraised Entity serves the steel industry, its operating performance is currently under pressure due to the cyclical downturn of the industry; however, with the future recovery of industry sentiment, the enterprise possesses profitability and room for growth. The income approach can reasonably reflect such expected improvements and future development potential, whereas the asset-based approach, being an assessment approach based on a static point in time, is unable to capture such dynamic value elements.

For the purpose of this valuation, the valuation agency considers that the income approach can more comprehensively, objectively, and reasonably reflect the overall intrinsic value of the Appraised Entity, and its valuation results can better reflect the core competitiveness and future development expectations of the enterprise compared to the asset-based approach. Therefore, it is more reasonable to adopt the valuation results under the income approach as the final valuation conclusion.

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– ***Income approach***

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In accordance with the Practice Guidelines for Asset Valuation – Enterprise Value (《資產評估執業準則–企業價值》), the discounted cash flow method (DCF) is a commonly used method under the income approach, that is, by estimating the future expected cash flow of the enterprise and applying an appropriate discount rate, the expected cash flow was converted to their present value to arrive at the entire value of shareholders' equity. The discounted cash flow method usually includes a discounted free cash flow model and a discounted equity free cash flow model of an enterprise. The asset valuation professionals will appropriately select the cash flow discount model depending on the industry, business model, capital structure, development trend of the Appraised Entity.

2. Basic Concept

According to the asset composition and business characteristics of the Appraised Entity and the due diligence of the valuation, the basic concept of this valuation is based on the audited financial statements of the Appraised Entity: firstly, the discounted cash flow method (DCF) is adopted to estimate the value of operating assets of the enterprise; then plus the value of other non-operating or surplus assets, liabilities and surplus assets as at the benchmark date, deducting the interest-bearing debts, to arrive at the entire value of shareholders' equity.

Baowu Water and its subsidiaries operate independently, and operation risks among them are different, therefore, the income approach is adopted for calculation on a individual basis.

3. Valuation Model

According to the actual situation of the Appraised Entity, the enterprise's free cash flow discount model is selected under the discounted cash flow method (DCF). The basic formula is:

Entire value of shareholders' equity = overall enterprise value - value of interest-bearing debts

Where:

(1) Overall enterprise value = value of operating assets + value of surplus assets + value of non-operating assets and liabilities

(2) Value of operating assets = P, namely, sum of the present value of free cash flows during the definite forecast period + the present value of free cash flows after the definite forecast period as follows:

$$p = \sum_{i=1}^{n} \frac{F_i}{(1+r)^i} + \frac{F_n * (1+g)}{(r-g) * (1+r)^n}$$

Where: Fi – amount of free cash flow in the future i-th income period;
n – definite forecast period, representing the period from the valuation benchmark date to the date on which the enterprise reaches a relatively stable operating condition;
g – expected annual growth rate of the future income after the definite forecast period;
r – the selected discount rate.

4. Valuation Procedures

(1) Determination of amount of expected income. In consideration of the human resources, technical level, capital structure, operating conditions, historical performance, development trends of the Appraised Entity, as well as macroeconomic factors, the current conditions and development prospects of the industry, necessary analysis, review, judgment and adjustment shall be carried out on the forecast data of future income provided by the appointer or the management of the Appraised Entity, on which basis, the valuation assumptions shall be reasonably determined to arrive at the amount of future expected income.

(2) Determination of the future income period. After analyzing and understanding the Appraised Entity's nature and type, the status quo and development prospects of the industry in which it operates, its agreements and articles of association, operating conditions, asset characteristics and resource conditions, etc., the future income period is determined to be indefinite. At the same time, on the basis of a comprehensive analysis of the remaining economic life of the product or service of the Appraised Entity and the research and development of substitute products or services, income structure, cost structure, capital structure, capital expenditure, working capital, investment income and risk level, etc., taking into account the macro policies, industry cycles and other factors that affect enterprises entering a stable period, the definite forecast period n is selected as a five-year period (in actual data

for 2024) for the project, and the amount of Fi remains unchanged after the definite forecast period, i.e., the value of g is zero.

(3) Determination of the discount rate. According to the principle that the discount rate should be consistent with the expected income, in this valuation, the discount rate selected is weighted average cost of capital (WACC), i.e. the weighted average of the expected rate of return on equity and the expected rate of return on debt after adjustment for income tax. The formula is:

$$WACC = R_d \times (1 - T) \times W_d + R_e \times W_e$$

Where:

R_d: Expected return rate on debts;
R_e: Expected return rate on equity;
W_d: The percentage of debt capital in the capital structure;
W_e: The percentage of equity capital in the capital structure;
T: Effective income tax rate of the enterprise.

The expected return rate on equity is determined using the capital asset pricing model (CAPM), the formula is:

$$R_e = R_f + \beta_e \times MRP + \varepsilon$$

Where: R_f: Risk-free interest rate;
MRP: Market risk premium;
ε: Specific risk premium rate;
β_e: Expected market risk coefficient of the equity capital of the appraisal object;

$$\beta_e = \beta_t \times (1 + (1 - t) \times \frac{D}{E})$$

Where: β_t: Expected unlevered market risk coefficient of a comparable company;
D, E: The company's own debt capital and equity capital, respectively.

(3.1) Determination of R_f, risk-free interest rate: According to the overseas and domestic industry research results and taking into account the requirements of the Guidelines for Experts in Asset Appraisal No. 12 – Calculation of Discount Rate in the Evaluation of Enterprise Value by Income Approach (《資產評估專家指引第12號– 收益法評估企業價值中折現率的測算》) issued by China Appraisal Society, the risk-free interest rate in this valuation

is calculated as the average yield of the latest 10-year China's treasury bonds. The data is derived from the China Treasury Bond Yield Curve (《中國國債收益率曲線》) of China Central Depository & Clearing Co., Ltd. (CCDC) published on the website of China Appraisal Society.

The treasury bond yield curve is a curve used to describe treasury bonds of various maturities and the corresponding interest rate levels. The China treasury bond yield curve is a curve compiled based on the market interest rate of RMB treasury bonds issued in Chinese mainland.

Considering that the income of the 10-year treasury bond is released every working day, in order to avoid the impact of short-term market sentiment fluctuations on the value, it is calculated in accordance with the latest complete quarterly average value in line with the Company's technical specifications and updated every quarter. The value at the valuation benchmark date is 1.83%.

(3.2) Calculation of market risk premium (MRP, i.e. R_m -R_f): The market risk premium refers to the expected excess return required by investors for the equity investment with risk the same as overall market average risk, that is, the risk compensation that exceeds the risk-free interest rate. The market risk premium can usually be calculated using historical market risk premium data. We use the historical risk premium data of China's securities market index to calculate the market risk premium.

Calculation of R_m: The yield is calculated based on China's securities market index.

Selection of index: According to the Guidelines for Experts in Asset Appraisal No. 12 – Calculation of Discount Rate in the Evaluation of Enterprise Value by Income Approach (《資產評估專家指引第12號–收益法評估企業價值中折現率的測算》) issued by China Appraisal Society and considering that the CSI 300 Total Return Index has revised the dividend distribution of the sample stocks, the CSI 300 Index is relatively more accurate in calculating the rate of return, we select the CSI 300 Total Return Index to calculate the rate of return. The base period index is 1,000 points and the date is 31 December 2004.

Time span: The calculation period is from January 2005 to the end of the year immediately before the benchmark date.

Data frequency: Weekly. Considering that China's capital market has existed for about 30 years and the index fluctuates greatly, if the calculation is simply based on weekly closing index, the yield will fluctuate greatly without value of reference. The annualized rate of return was calculated based on the 200-week average of the trading days before the weekly closing price (for less than 200 weeks, the average is calculated from the week the index was released) to eliminate the impact of severe (unusual) fluctuation.

Average annualized rate of return: After calculated and analyzed the arithmetic and geometric average annualized rate of return, we finally selected the geometric average annualized rate of return.

Calculation of R_f: The risk-free interest rate is calculated using the yield to maturity of 10-year treasury bonds for the same period (data source is the same as above). In line with the index yield, it is calculated using the average of the current full year.

Calculation of market risk premium (MRP, $R_m - R_f$):

The basic data of market risk premium in China for each year was obtained through the above calculation. Considering that China's economy is currently shifting from a high-speed growth stage to a high-quality development stage and the growth rate is gradually slowing down, we use the average of the last five years to calculate the MRP as follows:

Period	**Social average yield**	**Yield to maturity of 10-year treasury bonds**	**MRP, $R_m - R_f$**
Average			**6.65%**
2025	8.12%	1.74%	6.38%
2024	8.66%	2.22%	6.44%
2023	9.29%	2.73%	6.56%
2022	9.71%	2.77%	6.94%
2021	9.95%	3.03%	6.92%

That is, the current market risk premium in China is approximately 6.65%.

(3.3) Determination of beta value (β coefficient): This coefficient is an indicator to measure the risk premium of an appraised enterprise relative to the overall return of the capital market, and is also used to measure the degree to which individual stocks are affected by the overall economic environment including stock market price changes. Since the appraised enterprise is currently a non-listed company, it is generally difficult to directly calculate the index value of the coefficient for it. Therefore, the average β coefficient of the comparable listed companies in the same industry as the appraised enterprise as at the benchmark date (i.e. *βt*) is used as a reference.

After comprehensively considering the comparability between comparable listed companies and the Appraised Entity in terms of business type, scale, profitability, growth potential, industry competitiveness and development stage, 29 comparable listed companies were finally selected. Hithink RoyalFlush Information Network Co., Ltd. (浙江核新同花順網絡信息股份有限公司) is a professional Internet financial information service provider. The valuation agency found in its financial data terminal that the weighted average *βt* of the 29 comparable listed companies after taking out their financial leverage is 0.688.

The selection criteria for the β coefficient value is as follows:

Selection of underlying index: CSI 300

Calculation period: Week

Time frame: From 31 December 2022 to 31 December 2025

Calculation method of yield: logarithmic yield

Exclusion of financial leverage: based on market value ratio

D is determined based on the interest-bearing liabilities as at the benchmark date, and E is calculated based on the market value corresponding to the closing price of the shares as at the benchmark date.

Then, the estimated value of the expected risk coefficient of the equity capital of the appraisal object, i.e. βe=0.807.

(3.4) Determination of specific risk return rate: After comprehensively considering factors such as the risk characteristics, scale, business model, operating stage, core competitiveness, reliance on major customers and suppliers of the appraised enterprise and the differences between it and comparable listed companies selected, the valuation agency determined primarily based on the professional experience of the valuation staff. The valuation agency finally determined the specific risk return rate to be 3.00% upon analysis and judgment.

(3.5) Determination of the expected return rate on debts R_d: The expected return rate on debts is selected from the enterprise's loan interest rate.

(3.6) Determination of capital structure: After analyzing various factors including the development stage of the appraised enterprise, the financing arrangements in the next year, the difference in financing capacity and financing costs with comparable companies and whether a stable capital structure is available, we decided to adopt the real capital institution of the appraised enterprise.

(4) Determination of the value of surplus assets and the net appraised value of non-operating assets and liabilities. Upon analysis and determination of the scope of surplus assets, non-operating assets and liabilities based on the audited financial statements of the Appraised Entity, appropriate valuation method is adopted to determine its appraised value.

Surplus assets refer to the surplus assets that are not directly related to the operating income of the enterprise in the profit forecast and exceed the operating needs of the enterprise in the profit forecast, comprising mainly surplus cash and dormant assets.

Non-operating assets and liabilities refer to assets and related liabilities that are not directly related to the normal operating income of the enterprise in the profit forecast, including assets and related liabilities that do not generate income, or can generate income but are not included in the scope of the profit forecast. They mainly include balance with equity-method subsidiaries, long-term investments and deferred income tax assets and liabilities.

(5) Determination of value of interest-bearing debt: Based on the audited financial statements of the Appraised Entity, the scope of interest-bearing debt, including borrowings from financial institutions or other units and individuals, such as short-term loans, long-term loans and bonds payable is analyzed and determined. The cost approach is adopted for the valuation this time.

Valuation Results

(I) Relevant Valuation Results

1. Appraised value under the asset-based approach

The following valuation results are obtained for the Appraised Entity as at the valuation benchmark date using the asset-based approach to appraise the entire value of shareholders' equity of the enterprise:

As at the valuation benchmark date, the carrying amount of the owners' equity of the Appraised Entity was RMB3,409.8638 million, with an appraised value of RMB3,433.5231 million, representing an appreciation of RMB23.6593 million or 0.69%. Specifically, the carrying amount of total assets was RMB6,384.2863 million, with an appraised value of RMB6,408.5814 million, representing an appreciation of RMB24.2951 million or 0.38%. The carrying amount of total liabilities was RMB2,974.4225 million, with an appraised value of RMB2,975.0583 million, representing an appreciation of RMB635.8 thousand or 0.02%.

2. Appraised value under the income approach

The following valuation results are obtained as at the valuation benchmark date using the income approach to appraise the entire value of shareholders' equity of the enterprise:

The carrying amount of the owners' equity of the Appraised Entity was RMB3,409.8638 million and the appraised value was RMB3,618.00 million, representing an appreciation of RMB208.13622 million or 6.10%.

(II) Analysis of the Difference in Valuation Results under Different Approaches

The entire value of shareholders' equity derived from the income approach was RMB3,618.00 million, representing an increase of RMB184.4769 million from the entire value of shareholders' equity of RMB3,433.5231 million derived from the asset-based approach.

The difference in the valuation results under the different valuation approaches is mainly due to the different perspectives on asset values considered by the various valuation approaches. The asset-based approach is conducted from the perspective of the current replacement cost of the various assets of the enterprise, while the income approach is conducted from the perspective of the future comprehensive profitability of the enterprise, resulting in the valuation results varying from approach by approach.

(III) Changes in the Comparison of Valuation Conclusions and Carrying Amount and Reasons

As the valuation was based on the income approach, the company's value fully reflects key intangible resources other than its carrying amount, including the advantages in technology and R&D team, customer network, comprehensive service capability, and organizational management efficiency. Meanwhile, the income approach valuation reasonably incorporates the company's expectations regarding future market recovery and its own growth potential. Therefore, the valuation results under the income approach represents an appreciation compared to the carrying amount.