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**BAOSTEEL HONG KONG
INVESTMENT COMPANY LIMITED**

寶鋼香港投資有限公司

*(a company incorporated in Hong Kong
with limited liability)*

 **馬鞍山鋼鐵股份有限公司
Maanshan Iron & Steel Company Limited**

(A joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 00323)

JOINT ANNOUNCEMENT

(1) EQUITY TRANSFER AGREEMENT

AND

(2) POSSIBLE MANDATORY CONDITIONAL CASH OFFER BY CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED ON BEHALF OF BAOSTEEL HONG KONG INVESTMENT COMPANY LIMITED 寶鋼香港投資有限公司 TO ACQUIRE ALL THE ISSUED H SHARES IN MAANSHAN IRON & STEEL COMPANY LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY BAOSTEEL HONG KONG INVESTMENT COMPANY LIMITED 寶鋼香港投資有限公司 AND PARTIES ACTING IN CONCERT WITH IT)

**Financial Adviser to Baosteel Hong Kong Investment Company Limited
寶鋼香港投資有限公司**



EQUITY TRANSFER AGREEMENT

The Company announced on 2 June 2019 that, on 31 May 2019, Anhui SASAC and China Baowu have entered into the Equity Transfer Agreement, pursuant to which Anhui SASAC agreed to transfer 51% of the equity interest held by it in Magang Group to China Baowu at nil consideration. Completion of the Equity Transfer will be subject to the satisfaction (or waiver, where applicable) of the Equity Transfer Conditions.

As at the date of this announcement, Anhui SASAC is the owner of 100% of the equity interest in Magang Group, and Magang Group holds 3,506,467,456 A Shares, representing approximately 45.54% of the total issued share capital of the Company. Upon Completion, China Baowu will become the owner of 51% of the equity interest in Magang Group, and will, through Magang Group, obtain indirect control of the A Shares representing approximately 45.54% of the issued shares of the Company. Anhui SASAC will continue to hold 49% of the equity interest in Magang Group immediately following Completion.

POSSIBLE H SHARE OFFER

Pursuant to the Panel Decision and as required under Rule 26.1 of the Takeovers Code, upon Completion, China Baowu will procure its wholly owned subsidiary, Baosteel, to extend a mandatory conditional cash offer for all the outstanding H Shares (other than those H Shares which are already owned or agreed to be acquired by Baosteel and parties acting in concert with it).

Upon the Completion taking place, the Possible H Share Offer will be made by Baosteel to the Offer Shareholders. Based on the issued share capital of the Company as at the date of this announcement, there are 1,732,930,000 H Shares subject to the Possible H Share Offer, representing approximately 22.50% of the total issued share capital of the Company.

TERMS OF THE POSSIBLE H SHARE OFFER

Subject to and upon Completion, the Possible H Share Offer will be made by CICC, for and on behalf of Baosteel, on the following basis:

For each H Share. HK\$2.97 in cash

ACCEPTANCE CONDITION

The Possible H Share Offer, when it is made, will be conditional on valid acceptances of the Possible H Share Offer having been received (and not, where permissible, withdrawn) in respect of a minimum of 343,873,138 H Shares which, together with the Shares already owned by Baosteel and parties acting in concert with it and acquired or agreed to be acquired before or during the offer period, will result in Baosteel and parties acting in concert with it holding in aggregate more than 50 per cent. of the voting rights of the Company, by 4:00 p.m. on the First Closing Date (or such later time or date as Baosteel may, subject to the Takeovers Code, determine).

H Shareholders of and potential investors in the Company should note that the Equity Transfer Conditions must be satisfied and the Equity Transfer must have become effective before the Possible H Share Offer will be made. The making of the Possible H Share Offer is therefore a possibility only. Further, H Shareholders of and potential investors in the Company should note that the Possible H Share Offer will be subject to the satisfaction of the Acceptance Condition. Accordingly, the Possible H Share Offer may or may not become unconditional. H Shareholders, holders of other Shares and potential investors in the Company are advised to exercise caution when dealing in the securities of the Company and, if they are in any doubt about their positions, they should consult their professional advisers.

CONFIRMATION OF FINANCIAL RESOURCES

Baosteel intends to finance the Possible H Share Offer by external debt financing. CICC, as the financial adviser to Baosteel in respect of the Possible H Share Offer, is satisfied that Baosteel has sufficient financial resources available for the payment in full of the cash required to satisfy full acceptance of the Possible H Share Offer.

LISTING STATUS

Baosteel intends to maintain the listing status of the issued H Shares on the Stock Exchange after the close of the Possible H Share Offer.

INDEPENDENT BOARD COMMITTEE OF THE COMPANY

The Independent Board Committee, comprising Mr. Ren Tianbao, non-executive director of Company, and all three of the independent non-executive directors of the Company, none of whom has direct or indirect interest in the Possible H Share Offer, has been established. If the Possible H Share Offer is made, the Independent Board Committee will advise the Independent H Shareholders as to whether the terms of the Possible H Share Offer are fair and reasonable and as to acceptance of the Possible H Share Offer.

An Independent Financial Adviser will be appointed by the Company (with approval from the Independent Board Committee) to advise the Independent Board Committee in relation to the Possible H Share Offer. An announcement will be made by the Company as soon as practicable after the appointment of the Independent Financial Adviser.

COMPOSITE DOCUMENT

If the Possible H Share Offer is made, it is the intention of Baosteel and the Company that a Composite Document comprising the offer document from Baosteel and the response document from the Board be jointly despatched by Baosteel and the Company to the Offer Shareholders in accordance with the requirements of the Takeovers Code. The Composite Document will contain, among others, the terms and details of the Possible H Share Offer, the recommendations of the Independent Board Committee in respect of the Possible H Share Offer, a letter of advice from the Independent Financial Adviser and a form of acceptance as to the Possible H Share Offer.

BACKGROUND

Reference is made to the Rule 3.7 Announcement and the Update Announcement in relation to, among others, the Equity Transfer.

On 31 May 2019, Anhui SASAC and China Baowu have entered into the Equity Transfer Agreement, pursuant to which Anhui SASAC agreed to transfer 51% of the equity interest held by it in Magang Group to China Baowu at nil consideration. Completion of the Equity Transfer will be subject to the satisfaction (or waiver, where applicable) of the Equity Transfer Conditions as set out below.

As at the date of this announcement, Anhui SASAC is the owner of 100% of the equity interest in Magang Group, and Magang Group holds 3,506,467,456 A Shares, representing approximately 45.54% of the total issued share capital of the Company. Upon Completion, China Baowu will become the owner of 51% of the equity interest in Magang Group, and will, through Magang Group, obtain indirect control of the A Shares representing approximately 45.54% of the issued shares of the Company. Anhui SASAC will continue to hold 49% of the equity interest in Magang Group immediately following Completion.

THE EQUITY TRANSFER AGREEMENT

Principal Terms

The principal terms of the Equity Transfer Agreement are summarised as follows:

Date of the Equity Transfer Agreement	31 May 2019
Parties	(1) Anhui SASAC (as the equity interest transferor) (2) China Baowu (as the equity interest transferee)
Equity interest to be transferred	51 per cent. of the equity interest in Magang Group
Consideration	Nil
Amount of net asset value in respect of the equity interest in Magang Group to be transferred under the Equity Transfer	The amount of net asset value in respect of the equity interest in Magang Group to be transferred at nil consideration has been determined to be RMB6,155,190,000 based on the audited net asset value of Magang Group as at 31 December 2018 and taking into account factors including: <ul style="list-style-type: none"> (1) the profit and loss of Magang Group resulting from its business operation during the period from January 2019 to March 2019; (2) the improvement in labour efficiency; (3) the resolution of certain historical issues in Magang Group; and (4) transfer of certain state-owned assets out of Magang Group by Anhui SASAC to be completed prior to the Equity Transfer.

Equity Transfer Conditions

Completion of the Equity Transfer shall be subject to obtaining approval from the state-owned assets supervision and administration authorities and the approvals from relevant authorities having jurisdiction in respect of the relevant matters relating to the Equity Transfer.

As advised by its advisers, China Baowu considers that the applicable approvals and/or waivers which shall be sought in relation to the Equity Transfer as Equity Transfer Conditions are as follows:

- (1) approval of the Equity Transfer by SASAC;
- (2) approval of the Equity Transfer by Anhui SASAC;
- (3) a waiver granted by the CSRC to China Baowu in respect of China Baowu's obligation to make a general offer for the A Shares of the Company;
- (4) completion of the merger notification to, and approval by, the State Administration for Market Regulation of the Equity Transfer;
- (5) completion of the merger notification to, and approval by, the German Bundeskartellamt of the Equity Transfer;
- (6) completion of the merger notification to, and clearance by, the Korea Fair Trade Commission of the Equity Transfer; and
- (7) completion of the filing with, and grant of the certificate of filing by, the NDRC, of the notification of foreign investments to be made by China Baowu in relation to the Possible H Share Offer.

Each of Anhui SASAC and China Baowu has undertaken to perform all necessary acts to procure the grant of any approval or completion of any filings or registrations which are required by law for the Equity Transfer Agreement.

As at the date of this announcement and as mentioned in the Update Announcement, approval of the Equity Transfer has been obtained from SASAC and Anhui SASAC.

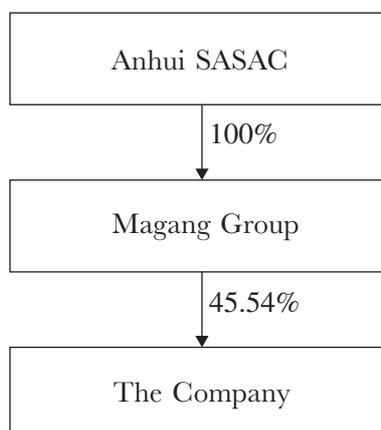
As at the date of this announcement, none of the other Equity Transfer Conditions has been satisfied yet. See further details on the status of the satisfaction of the outstanding Equity Transfer Conditions under the section headed “Outstanding Equity Transfer Conditions” below.

No assumption of liabilities or assignment of benefit of debt

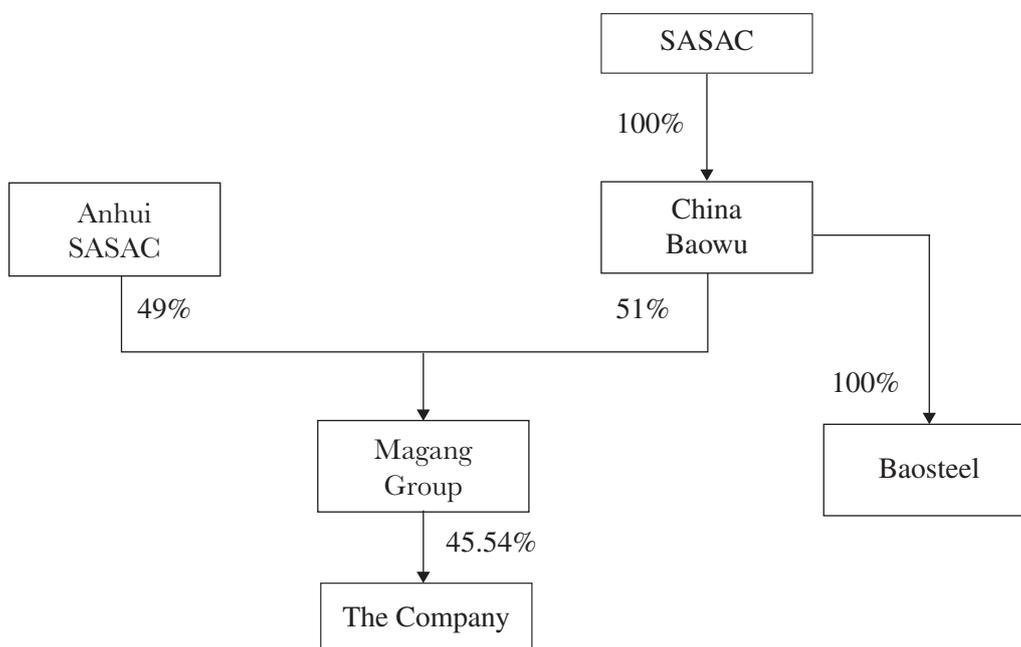
Upon Completion, there shall be no assumption by China Baowu of any outstanding liability owed by Magang Group, or assignment to China Baowu of any benefit of debt owed to Magang Group.

Shareholding and control prior to and after the Equity Transfer

As at the date of this announcement, Magang Group holds 3,506,467,456 A Shares, representing approximately 45.54% of the total share capital of the Company, and is the direct controlling shareholder of the Company. Anhui SASAC in turn holds 100% of the equity interest in Magang Group, and therefore indirectly holds a controlling interest in the Company through Magang Group. The shareholding and control between the Company, Magang Group and Anhui SASAC as at the date of this announcement is illustrated as follows:



Upon the Completion of the Equity Transfer, China Baowu will hold 51% of the equity interest in Magang Group, while Anhui SASAC will hold the remaining 49% of the equity interest in Magang Group. China Baowu is wholly owned by SASAC, and Baosteel is wholly owned by China Baowu. Immediately upon the Completion of the Equity Transfer, assuming that Magang Group will continue to hold 3,506,467,456 A Shares (representing approximately 45.54% of the total share capital of the Company), China Baowu will indirectly hold a controlling interest in A Shares representing approximately 45.54% of the total share capital of the Company through Magang Group. The equity interest held by Anhui SASAC in Magang Group will decrease from 100% to 49%. The direct controlling shareholder of the Company will remain unchanged (being Magang Group). The shareholding and control between the Company, Magang Group, China Baowu, Anhui SASAC, Baosteel and SASAC immediately upon the Completion of the Equity Transfer is illustrated as follows:



Outstanding Equity Transfer Conditions

As disclosed in the Rule 3.7 Announcement, China Baowu had applied to the Executive for a waiver in respect of its obligation to make a mandatory general offer for all the shares in the Company pursuant to Rule 26.1 of the Takeovers Code as a result of the Equity Transfer. Pursuant to the Panel Decision, the Takeovers Panel has ruled that such waiver will not be granted. Notwithstanding the unavailability of such waiver, China Baowu has reviewed whether or not and how best to proceed with the Equity Transfer in the circumstances, and following such review, has decided to proceed with the Equity Transfer and shall, upon Completion, comply with its obligation to make a mandatory general offer for all the H Shares pursuant to Rule 26.1 of the Takeovers Code. Further, on 14 July 2019, Anhui SASAC and China Baowu have agreed that whether or not a waiver is obtained from the SFC in respect of China Baowu's obligation to make a mandatory general offer for the H Shares as a result of the Equity Transfer will not affect the effectiveness of the Equity Transfer Agreement and the parties will continue to proceed with matters relating to the Equity Transfer.

As disclosed in the Update Announcement, Magang Group has received the “Reply in relation to the Nil Price Transfer of the State-owned Equity Interest in Magang (Group) Holding Company Limited” (Guo Zi Chan Quan No. 301 of 2019) (《關於馬鋼(集團)控股有限公司國有股權無償劃轉有關問題的批覆》(國資產權[2019]301號文)) from SASAC stating SASAC’s approval of the Equity Transfer.

Further, approval of the Equity Transfer has been obtained from Anhui SASAC.

As at the date of this announcement, none of the other Equity Transfer Conditions has been satisfied yet. China Baowu is in the process of obtaining the applicable approvals and/or waivers in relation to the Equity Transfer, details of which are set out below:

- (1) application for a waiver in respect of China Baowu’s obligation to make a general offer for the A Shares of the Company has been made by China Baowu to the CSRC on 8 July 2019 and has been accepted for review on 11 July 2019, pending approval by the CSRC;
- (2) application for filing of the merger notification has been made to, and accepted by, the State Administration of Market Regulation on 3 July 2019, pending review and approval;
- (3) filing of the merger notification to the German Bundeskartellamt in respect of the Equity Transfer has been made on 5 July 2019, pending approval;
- (4) filing of the merger notification to the Korea Fair Trade Commission in respect of the Equity Transfer has been made on 8 July 2019, pending clearance; and
- (5) filing of the notification of foreign investments to be made by China Baowu in relation to the Possible H Share Offer will be made to the NDRC.

If all the Equity Transfer Conditions have been satisfied (or waived, where applicable) and the Equity Transfer becomes effective, Baosteel and the Company will issue a further announcement as soon as practicable thereafter.

The Equity Transfer Conditions must be satisfied (or waived, where applicable) and the Equity Transfer must have become effective before the Possible H Share Offer may proceed. The making of the Possible H Share Offer is therefore a possibility only. Accordingly, H Shareholders, holders of other Shares and prospective investors are advised to exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their professional advisers.

POSSIBLE MANDATORY CONDITIONAL CASH OFFER

Introduction

As stated above, following Completion, China Baowu will indirectly control 3,506,467,456 A Shares, representing approximately 45.54% of the Shares, through Magang Group.

Pursuant to the Panel Decision and as required under Rule 26.1 of the Takeovers Code, upon Completion, China Baowu will procure its wholly owned subsidiary, Baosteel, to extend a mandatory conditional cash offer for all the outstanding H Shares (other than those H Shares which are already owned or agreed to be acquired by Baosteel and parties acting in concert with it).

Upon the Completion taking place, the Possible H Share Offer will be made by Baosteel to the Offer Shareholders. Based on the issued share capital of the Company as at the date of this announcement, there are 1,732,930,000 H Shares subject to the Possible H Share Offer, representing approximately 22.50% of the total issued share capital of the Company.

The Company has no outstanding securities, options, warrants or derivatives which are convertible into or which confer rights to require the issue of Shares and the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) other than as disclosed above as at the date of this announcement.

Terms of the Possible H Share Offer

Subject to and upon Completion, the Possible H Share Offer will be made by CICC, for and on behalf of Baosteel, on the following basis:

For each H Share. HK\$2.97 in cash

Pursuant to the Panel Decision, the Takeovers Panel has ruled that the offer price for the Possible H Share Offer shall be set at the volume weighted average price of the H Shares in the Company on the last trading day prior to the publication of the Rule 3.7 Announcement. In arriving at the offer price for the Possible H Share Offer, adjustment is made to such volume weighted average price by deducting therefrom a sum equal to the final dividend declared by the Company for the financial year ended 31 December 2018. The Offer Price has therefore been set at HK\$2.97 per H Share, equal to the volume weighted average price of the H Shares of the Company on the Stock Exchange on 31 May 2019, being the last trading day prior to the issuance of the Rule 3.7 Announcement, and deducted by HK\$0.35278 (including tax), being the final dividend per H Share as declared by the Company for the financial year ended 31 December 2018. The Offer Price has been rounded up to two decimal places (to the nearest cent).

The H Shares to be acquired under the Possible H Share Offer shall be fully paid and free from all Encumbrances and together with all rights attaching to them as at the date of this announcement, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date of this announcement.

Comparison of value

The Offer Price of HK\$2.97 per H Share represents:

- (a) a discount of approximately 28.95 per cent. to the audited net asset value attributable to shareholders as at 31 December 2018 of approximately HK\$4.18 per Share, based on 7,700,681,186 Shares in issue as at the date of this announcement and the exchange rate of RMB0.8762 to HK\$1 (being the exchange rate as quoted by the People's Bank of China on the last working day before 31 December 2018);
- (b) a discount of approximately 17.04 per cent. to the average closing price as quoted on the Stock Exchange for the last 120 trading days up to and including the Last Trading Day (being approximately HK\$3.58 per H Share);
- (c) a discount of approximately 15.86 per cent. to the average closing price as quoted on the Stock Exchange for the last 90 trading days up to and including the Last Trading Day (being approximately HK\$3.53 per H Share);
- (d) a discount of approximately 10.27 per cent. to the average closing price as quoted on the Stock Exchange for the last 60 trading days up to and including the Last Trading Day (being approximately HK\$3.31 per H Share);
- (e) a discount of approximately 4.50 per cent. to the average closing price as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day (being approximately HK\$3.11 per H Share);
- (f) a discount of approximately 1.02 per cent. to the average closing price as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day (being approximately HK\$2.94 per H Share);
- (g) a premium of approximately 1.71 per cent. to the average closing price as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day (being approximately HK\$2.92 per H Share); and
- (h) a premium of approximately 1.37 per cent. to the closing price as quoted on the Stock Exchange on the Last Trading Day (being HK\$2.93 per H Share).

Acceptance Condition to the Possible H Share Offer

The Possible H Share Offer, when it is made, will be conditional on valid acceptances of the Possible H Share Offer having been received (and not, where permissible, withdrawn) in respect of a minimum of 343,873,138 H Shares which, together with the Shares already owned by Baosteel and parties acting in concert with it and acquired or agreed to be acquired before or during the offer period, will result in Baosteel and parties acting in concert with it holding in aggregate more than 50 per cent. of the voting rights of the Company, by 4:00 p.m. on the First Closing Date (or such later time or date as Baosteel may, subject to the Takeovers Code, determine) (the “**Acceptance Condition**”).

As the Possible H Share Offer will be made upon and following Completion and the Equity Transfer becoming effective, the 45.54% of the voting right of the Company held by Magang Group (51% of the equity interest of which will at that time be held by China Baowu) will be taken into account for determining the voting rights of the Company to be held by Baosteel or its concert parties for the purposes of the Acceptance Condition.

Baosteel will issue a further announcement in relation to the revision, extension or lapse of the Possible H Share Offer or the fulfilment of the Acceptance Condition in accordance with the Takeovers Code and the Listing Rules.

H Shareholders of and potential investors in the Company should note that the Equity Transfer Conditions must be satisfied and the Equity Transfer must have become effective before the Possible H Share Offer will be made. The making of the Possible H Share Offer is therefore a possibility only. Further, H Shareholders of and potential investors in the Company should note that the Possible H Share Offer will be subject to the satisfaction of the Acceptance Condition. Accordingly, the Possible H Share Offer may or may not become unconditional. H Shareholders, holders of other Shares and potential investors in the Company are advised to exercise caution when dealing in the securities of the Company and, if they are in any doubt about their positions, they should consult their professional advisers.

Highest and lowest H Share prices

The highest and lowest closing prices of the H Shares quoted on the Stock Exchange during the six-month period immediately preceding the Last Trading Day were HK\$4.20 on 10 April 2019 and HK\$2.89 on 16 July 2019 respectively.

Aggregate value of the Possible H Share Offer

As at the date of this announcement, the Company has 1,732,930,000 H Shares in issue, all of which are subject to the Possible H Share Offer. On the basis of the Offer Price of HK\$2.97 per H Share, the Possible H Share Offer is valued at approximately HK\$5,146,802,100.00.

Confirmation of financial resources

Baosteel intends to finance the Possible H Share Offer by external debt financing. CICC, as the financial adviser to Baosteel in respect of the Possible H Share Offer, is satisfied that Baosteel has sufficient financial resources available for the payment in full of the cash required to satisfy full acceptance of the Possible H Share Offer.

Effect of accepting the Possible H Share Offer

Subject to the Possible H Share Offer becoming unconditional, acceptance of the Possible H Share Offer by any Offer Shareholder will be deemed to constitute a warranty by such person that all the H Shares sold by such person under the Possible H Share Offer are free from all Encumbrances and are sold together with all rights and benefits attaching to them as at the date of the Composite Document or subsequently becoming attached to them, including but not limited to the rights to receive all dividends, distributions and any return of capital, if any, which may be paid, made or declared or agreed to be made or paid thereon or in respect thereof on or after the date on which the Possible H Share Offer is made, being the date of the Composite Document.

Hong Kong stamp duty

Seller's ad valorem stamp duty under the Possible H Share Offer at the rate of 0.1% of the market value of H Shares or consideration payable by Baosteel in respect of the relevant acceptances of the Possible H Share Offer, whichever is higher, will be deducted from the amount payable to the Offer Shareholder electing to accept the Possible H Share Offer. Baosteel will bear its own portion of buyer's ad valorem stamp duty under the Possible H Share Offer at a rate of 0.1% of the market value of H Shares or consideration payable by Baosteel in respect of the relevant acceptances of the Possible H Share Offer, whichever is higher. Baosteel will arrange for payment of the seller's ad valorem stamp duty on behalf of the H Shareholders electing to accept the Possible H Share Offer and the buyer's ad valorem stamp duty, in each case, in connection with the acceptance of the Possible H Share Offer and the transfer of H Shares.

Payment

Subject to the Possible H Share Offer becoming unconditional, payment in cash in respect of acceptances of the Possible H Share Offer will be made as soon as possible but, in any event, within seven business days (as defined under the Takeovers Code) following the later of the date on which the Possible H Shares Offer becomes unconditional and the date on which the H Shares are validly tendered for acceptance of the Possible H Share Offer. Relevant documents of title must be received by or on behalf of Baosteel to render such acceptance of the Possible H Share Offer complete and valid.

No fractions of a cent will be payable and the amount of the consideration payable to an H Shareholder electing to accept the Possible H Share Offer will be rounded up to the nearest cent.

Return of documents

If the Possible H Share Offer does not become, or is not declared, unconditional in all respects within the period permitted by the Takeovers Code, the share certificate(s), transfer receipt(s) and/or other document(s) (and/or any satisfactory indemnity required thereof) received by the branch registrar of the Company in Hong Kong will be returned to the Offer Shareholders who have accepted the Possible H Share Offer by ordinary post at the Offer Shareholders' own risk as soon as practicable, but in any event within ten days after the date on which the Possible H Share Offer has lapsed.

Overseas H Shareholders

The availability of the Possible H Share Offer to any persons not resident in Hong Kong may be affected by the applicable laws of the relevant jurisdictions. H Shareholders who are not resident in Hong Kong and who wish to accept the Possible H Share Offer should inform themselves about and observe any applicable requirements in their own jurisdictions. It is the responsibility of the H Shareholders who are not resident in Hong Kong who wish to accept the Possible H Share Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Possible H Share Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions) and, where necessary, consult their own professional advisers.

In the event that the receipt of the Composite Documents by overseas H Shareholders is prohibited by any relevant law or regulation or may only be effected after compliance with conditions or requirements that the directors of Baosteel regard as unduly burdensome, the Composite Document will not be despatched to such overseas H Shareholders. For that purpose, Baosteel may apply for a waiver pursuant to Note 3 to Rule 8 of the Takeovers Code at such time. Any such waiver will only be granted if the Executive is satisfied that it would be unduly burdensome to despatch to such overseas H Shareholders. In granting the waiver, the Executive will be concerned to see that all material information in the Composite Document is made available to such overseas H Shareholders. If any such waiver is granted by the Executive, Baosteel reserves the right to make arrangements in respect of the H Shareholders not resident in Hong Kong in relation to the terms of the Possible H Share Offer. Such arrangements may include notifying any matter in connection with the Possible H Share Offer to the H Shareholders having a registered overseas address by announcement or by advertisement in a newspaper which may or may not be circulated in the jurisdiction within which such persons are resident. The notice will be deemed to have been sufficiently given despite any failure by such H Shareholders to receive or see that notice.

BAOSTEEL'S INTEREST IN THE SECURITIES OF THE COMPANY

As of the date of this announcement, save for the holdings of Shares held by CICC on behalf of non-discretionary investment clients, Baosteel and/or parties acting in concert with it do not hold, control or have direction over any Shares and do not have, control or have direction over any other interest in the Shares or voting rights of the Company.

As at the date of this announcement, there are 1,732,930,000 H Shares and 5,967,751,186 A Shares in issue. Assuming there is no other change to the issued share capital of the Company or to the holding of Shares, upon Completion, China Baowu will own or control 3,506,467,456 A Shares, representing approximately 45.54% of the issued share capital of the Company.

As at the date of this announcement, Baosteel and/or parties acting in concert with it has not entered into any outstanding derivative in respect of the securities of the Company.

Save for the dealings in the H Shares by CICC which are conducted for the account of non-discretionary investment clients, Baosteel and/or parties acting in concert with it have not dealt in the H Shares during the six month period immediately prior to 2 June 2019, being the date of the commencement of the offer period as defined under the Takeovers Code, nor have they dealt in the H Shares since the commence of the offer period.

Details of holdings, borrowings or lendings of, and dealings in, Shares (or options, rights over Shares, warrants or derivatives in respect of them) held by or entered into by other parts of the CICC group (except in respect of Shares held by exempt principal traders or exempt fund managers or Shares held on behalf of non-discretionary investment clients of other parts of the CICC group) will be obtained as soon as possible after the date of this announcement in accordance with Note 1 to Rule 3.5 of the Takeovers Code. A further announcement will be made by Baosteel if the holdings, borrowings, lendings, or dealings of the other parts of the CICC group are significant and in any event, such information will be disclosed in the Composite Document. The statements in this announcement as to holdings, borrowings or lendings of, or their dealings in, or voting of Shares (or rights, rights over Shares, warrants or derivatives in respect of them) by persons acting in concert with Baosteel are subject to the holdings, borrowings, lendings, or dealings (if any) of members in such other parts of the CICC group.

Any dealings in Shares during the six month period immediately prior to 2 June 2019, being the date of the commencement of the offer period as defined under the Takeovers Code, and since the commence of the offer period to the latest practicable date prior to the despatch of the Composite Document by CICC group (excluding dealings in Shares by CICC group members who are exempt principal traders or exempt fund managers or dealings in Shares by CICC group members for the account of non-discretionary investment clients of the CICC group) will be disclosed in the Composite Document.

SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) as at the date of this announcement and (ii) immediately upon Completion but prior to the Possible H Share Offer being made, assuming there is no change of the number of Shares from the date of this announcement up to the date of the Completion but prior to the Possible H Share Offer being made:

Name of Shareholder	As at the date of this announcement			Immediately upon Completion but prior to the Possible H Share Offer being made		
	Number of A Shares	Number of H Shares	Shareholding percentage of the entire issued share capital (<i>approximately</i>)	Number of A Shares	Number of H Shares	Shareholding percentage of the entire issued share capital (<i>approximately</i>)
Magang Group	3,506,467,456 ⁽¹⁾	0	45.54%	3,506,467,456	0	45.54%
	<i>(with China Baowu holding no equity interest in Magang Group, and Anhui SASAC holding 100% of the equity interest in Magang Group)</i>			<i>(with China Baowu holding 51% of the equity interest in Magang Group, and Anhui SASAC holding 49% of the equity interest in Magang Group)</i>		
HKSCC Nominees Limited	0	1,716,396,800 ⁽²⁾	22.29%	0	1,716,396,800	22.29%
Other public holders of A Shares	2,461,283,730	0	31.96%	2,461,283,730	0	31.96%
Other public holders of H Shares	0	16,533,200 ⁽²⁾	0.21%	0	16,533,200	0.21%
Total	7,700,681,186		100%	7,700,681,186		100%

Note (1): As at the date of this announcement, Anhui SASAC holds 100 per cent. of the equity interests in Magang Group and is regarded as being indirectly interested in the 3,506,467,456 A Shares held by Magang Group. Upon Completion, China Baowu will hold 51 per cent. of the equity interests in Magang Group, and will be regarded as being indirectly interested in the 3,506,467,456 A Shares held by Magang Group.

Note (2): The figures appearing on the register of H Shareholders as of 17 July 2019 are adopted.

INFORMATION OF BAOSTEEL, CHINA BAOWU AND THE COMPANY

Information on Baosteel and China Baowu

Baosteel is a public company limited by shares incorporated in Hong Kong and is a direct wholly owned subsidiary of China Baowu. Baosteel is an offshore investment platform of China Baowu, and the principal business activities of Baosteel are offshore equity investments in the industrial sector for China Baowu's group companies and other related businesses.

China Baowu is a company incorporated in the PRC with limited liability. China Baowu is a pilot enterprise of a state-owned capital investment company and is wholly owned by the SASAC. China Baowu and its group companies have the largest steel production capacity in the PRC and the second largest steel production capacity worldwide. The principal activities of China Baowu and its group companies are manufacturing, production and sales of iron and steel products. China Baowu is the direct holding company of Baoshan Iron & Steel Co., Ltd., a listed company on the Shanghai Stock Exchange (stock code: 600019.SH), and the indirect holding company of various listed companies in the PRC including SGIS Songshan Co., Ltd., a listed company on the Shenzhen Stock Exchange (stock code: 000717.SZ), Xinjiang Bayi Iron & Steel Co., Ltd., a listed company on the Shanghai Stock Exchange (stock code: 600581.SH), Shanghai Baosight Software Co., Ltd., a listed company on the Shanghai Stock Exchange (stock code: 600845.SH) and Shanghai Baosteel Packaging Co., Ltd., a listed company on the Shanghai Stock Exchange (stock code: 601968.SH).

Information on the Company

The principal activities of the Company involve manufacturing and sale of iron and steel products with its main business operation in the PRC. The Company is one of the largest iron and steel manufacturer in the PRC in terms of steel production capacity.

REASONS FOR THE EQUITY TRANSFER AND INTENTIONS OF CHINA BAOWU REGARDING THE COMPANY

The Equity Transfer represents part of the initiative consistent with the policy of the PRC government to promote the development of the iron and steel industry and to implement a structural reform of the industry, by way of consolidating and reorganizing iron and steel producers to create globally competitive conglomerates. The principal objective is to consolidate and optimize the iron and steel production operations between China Baowu and the Company, thereby increasing the degree of market concentration within the iron and steel industry in the PRC and thus the overall level of competitiveness of the enlarged China Baowu group in the global markets. Such restructuring is also in line with the ongoing restructuring of state-owned asset by the PRC government.

Pursuant to a guiding opinion issued by the State Council of the PRC in September 2016, by 2025, the top ten enterprises in the iron and steel industry of the PRC should achieve a total concentrated production capacity of over 60% of the overall production capacity among the whole iron and steel industry in the PRC. Further, the top ten enterprises should include at least three to four conglomerates in the iron and steel industry of the PRC, each with a production capacity of at least 80 million tonnes. The Equity Transfer, upon Completion, will likely enable the enlarged China Baowu group to achieve the required target of at least 80 million tonnes of production capacity. It is against such background that the Equity Transfer Agreement was entered into by Anhui SASAC and China Baowu, with the support of SASAC, in order to implement and support the overall policy and strategies in relation to the long-term development of the iron and steel industry in the PRC.

Following Completion and after the close of the Possible H Share Offer, China Baowu intends to continue the existing business of the Company. China Baowu has no intention to make any material change to the principal business of the Company, undertake any significant asset disposal or conduct any business re-deployment or re-organisation. In the event that there is any change in such intention, China Baowu shall make all necessary disclosures in compliance with all applicable laws as soon as reasonably practicable.

PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

Baosteel intends to maintain the listing status of the issued H Shares on the Stock Exchange after the close of the Possible H Share Offer. If, at the close of the Possible H Share Offer, less than the minimum prescribed percentage applicable to the Company is held by the public, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading in the H Shares; or (ii) there are insufficient H Shares in public hands to maintain an orderly market, the Stock Exchange may consider exercising its discretion to suspend dealings in the H Shares until a level of sufficient public float is attained. The Company and Baosteel will undertake to the Stock Exchange that it will take approximate steps to ensure that the minimum public float requirement is complied with following the close of the Possible H Share Offer.

INDEPENDENT BOARD COMMITTEE OF THE COMPANY

The Independent Board Committee, comprising Mr. Ren Tianbao, non-executive director of Company, and all three of the independent non-executive directors of the Company, none of whom has direct or indirect interest in the Possible H Share Offer, has been established. If the Possible H Share Offer is made, the Independent Board Committee will advise the Independent H Shareholders as to whether the terms of the Possible H Share Offer are fair and reasonable and as to acceptance of the Possible H Share Offer.

An Independent Financial Adviser will be appointed by the Company (with approval from the Independent Board Committee) to advise the Independent Board Committee in relation to the Possible H Share Offer. An announcement will be made by the Company as soon as practicable after the appointment of the Independent Financial Adviser.

COMPOSITE DOCUMENT

If the Possible H Share Offer is made, it is the intention of Baosteel and the Company that a Composite Document comprising the offer document from Baosteel and the response document from the Board be jointly despatched by Baosteel and the Company to the Offer Shareholders in accordance with the requirements of the Takeovers Code. The Composite Document will contain, among others, the terms and details of the Possible H Share Offer, the recommendations of the Independent Board Committee in respect of the Possible H Share Offer, a letter of advice from the Independent Financial Adviser and a form of acceptance as to the Possible H Share Offer.

Pursuant to Rule 8.2 of the Takeovers Code, Baosteel and the Company are required to despatch the Composite Document within 21 days from the date of this announcement.

If the Possible H Share Offer is made, the Offer Shareholders are encouraged to read the Composite Document carefully, including the advice of the Independent Financial Adviser to the Independent Board Committee and the recommendation from the Independent Board Committee to the Offer Shareholders in respect of the Possible H Share Offer, before deciding whether or not to accept Possible H Share Offer.

DISCLOSURE OF DEALINGS

In accordance with Rule 3.8 of the Takeovers Code, associates (including persons holding 5 per cent. or more of a class of relevant securities (as defined in Note 4 to Rule 22 to the Takeovers Code)) of Baosteel and the Company are hereby reminded to disclose their dealings in Shares pursuant to the requirements of the Takeovers Code.

In accordance with Rule 3.8 of the Takeovers Code, reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate

cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any seven day period is less than HK\$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

GENERAL

Baosteel confirms that, as of the date of this announcement:

- (1) Baosteel and/or parties acting in concert with it have not received any irrevocable commitment to accept the Possible H Share Offer;
- (2) save for the Equity Transfer Agreement, there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of Baosteel or Shares which may be material to the Possible H Share Offer;
- (3) save for the Equity Transfer Agreement or as otherwise disclosed in this announcement, there is no agreement to which Baosteel and/or parties acting in concert with it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Possible H Share Offer;
- (4) there is no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which Baosteel and/or parties acting in concert has borrowed or lent;
- (5) Anhui SASAC and/or parties acting in concert with it have not and will not receive any consideration or benefit in any form from Baosteel and/or parties acting in concert with it; and
- (6) save for the Equity Transfer Agreement, there is no other arrangement, agreement or undertaking between (a) Baosteel and/or parties acting in concert with it and (b) Anhui SASAC and/or parties acting in concert with it.

Warning: the making of the Possible H Share Offer is a possibility only.

H Shareholders and potential investors should be aware of and take note that the Possible H Share Offer will only be made if the Completion takes place. Completion is conditional upon satisfaction of the Equity Transfer Conditions which may or may not materialize. If any of the Equity Transfer Conditions is not satisfied (or waived, if applicable), the Equity Transfer shall not proceed and the Possible H Share Offer shall not be made.

The Possible H Share Offer is conditional. If the total number of H Shares in respect of which valid acceptance of the Possible H Share Offer are received (and not, where permissible, withdrawn) by 4:00 p.m. on the First Closing Date (or such later time or date as Baosteel may, subject to the Takeovers Code, determine), together with the Shares already owned by Baosteel and parties acting in concert with it and acquired or agreed to be acquired before or during the offer period, do not result in Baosteel and parties acting in concert with it holding in aggregate more than 50 per cent. of the voting rights of the Company, the Possible H Share Offer will not become unconditional.

H Shareholders, holders of other Shares, and potential investors in the Company are reminded to exercise caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional advisers.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Acceptance Condition”	has the meaning ascribed to such expression in the section headed “Possible Mandatory Conditional Offer – Acceptance Condition to the Possible H Share Offer” in this announcement, being the condition to which the Possible H Share Offer (if made) will be subject
“A Share(s)”	A share(s) of RMB1.00 each in the capital of the Company which is/are listed and traded on the Shanghai Stock Exchange
“Anhui SASAC”	State-owned Assets Supervision and Administration Commission of the Government of the Anhui Province
“Baosteel”	Baosteel Hong Kong Investment Company Limited 寶鋼香港投資有限公司, a public company limited by shares incorporated in Hong Kong wholly owned by China Baowu

“Board”	the board of directors of the Company
“China Baowu”	China Baowu Steel Group Corporation Limited, a limited company incorporated in the PRC, a pilot enterprise of a state-owned capital investment company wholly owned by the SASAC
“CICC”	China International Capital Corporation Hong Kong Securities Limited, the financial adviser to Baosteel in relation to the Possible H Share Offer, being a licensed corporation under the SFO to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on future contracts) and Type 6 (advising on corporate finance) regulated activities
“Company”	Maanshan Iron & Steel Company Limited, a joint stock limited company incorporated in the PRC, the H Shares of which are listed on the Stock Exchange and the A Shares of which are listed on the Shanghai Stock Exchange
“Completion”	completion of the Equity Transfer under the Equity Transfer Agreement
“Composite Document”	the proposed composite offer and response document to be issued jointly by Baosteel and the Company to the H Shareholders (other than the Excluded Shareholders) in accordance with the Takeovers Code in relation to the Possible H Share Offer
“CSRC”	China Securities Regulatory Commission
“Encumbrances”	any encumbrances including any mortgage, pledge, charge, lien, deposit or assignment by way of security, bill of sale, right to acquire, option or right of pre-emption, beneficial ownership (including usufruct or similar entitlements), any provision or executorial attachment and any other interest of right of any nature held, or claim that could be raised, by a third party, and any agreement, commitment or right to give, create or enforce any of the foregoing

“Equity Transfer”	the transfer of 51 per cent. of the equity interest in Magang Group at nil consideration by Anhui SASAC to China Baowu pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement”	the agreement dated 31 May 2019 regarding the Transfer of Equity Interests in Magang (Group) Holding Company Limited at nil consideration between Anhui SASAC and China Baowu
“Equity Transfer Condition”	any condition precedent to the completion of the Equity Transfer Agreement as set out in the section headed “The Equity Transfer Agreement – Equity Transfer Conditions” in this announcement
“Excluded Shareholder”	an H Shareholder whose address as shown on the register of members of the Company as at the latest practicable date to be set out in the Composite Document is outside Hong Kong and located in a jurisdiction the laws of which prohibit the making of the Possible H Share Offer to such H Shareholder or otherwise requires that the Possible H Share Offer may only be made after compliance with additional conditions or requirements that are unduly burdensome
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“First Closing Date”	the date to be stated in the Composite Document as the first closing date of the Possible H Share Offer, which shall be at least 21 days following the date of despatch of the Composite Document
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“H Share(s)”	H share(s) of RMB1.00 each in the capital of the Company which is/are listed and traded on the Stock Exchange
“H Shareholders”	holders of H Shares

“Independent Board Committee”	an independent committee of the Board established pursuant to the Takeovers Code to give recommendations to the Independent H Shareholders in respect of the Possible H Share Offer
“Independent Financial Adviser”	the independent financial adviser to be appointed by the Company (with approval from the Independent Board Committee) to advise the Independent Board Committee in relation to the Possible H Share Offer
“Independent H Shareholders”	all holders of H Shares not already owned and/or agreed to be acquired by Baosteel and/or parties acting in concert with it
“Last Trading Day”	19 July 2019, being the last trading day prior to the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Magang Group”	Magang (Group) Holding Company Limited, a wholly state-owned enterprise (which, as at the date of this announcement, holds approximately 45.54% of the Company’s share capital and is a controlling shareholder of the Company as defined under the Listing Rules)
“NDRC”	the National Development and Reform Commission of the PRC
“Offer Price”	HK\$2.97 per H Share
“Offer Shareholder”	each H Shareholder other than an Excluded Shareholder
“Panel Decision”	the decision of the Takeovers Panel dated 19 July 2019 in respect of, among others, the application by China Baowu for a waiver from strict compliance with the obligation to make a mandatory general offer under Rule 26.1 of the Takeovers Code in relation to the Equity Transfer Agreement
“Possible H Share Offer”	the possible mandatory conditional cash offer to be made by CICC, on behalf of Baosteel, to acquire all the H Shares not already owned and/or agreed to be acquired by Baosteel and/or parties acting in concert with it, subject to the conditions set out in this announcement and in accordance with the Takeovers Code

“PRC”	the People’s Republic of China, which, for the purpose of this announcement, does not include Hong Kong, Macau Special Administrative Region and Taiwan
“Rule 3.7 Announcement”	the announcement of the Company dated 2 June 2019 made pursuant to Rule 3.7 of the Takeovers Code, in relation to the entering into of the Equity Transfer Agreement
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share(s)”	ordinary share(s) of RMB1.00 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC
“Takeovers Panel”	the Takeover and Mergers Panel of Hong Kong
“Update Announcement”	the announcement of the Company dated 27 June 2019 made pursuant to Rule 3.7 of the Takeovers Code

On behalf of the board
**Baosteel Hong Kong Investment
Company Limited**
寶鋼香港投資有限公司
Liu Wenxin
Director

On behalf of the board
Maanshan Iron & Steel Company Limited
He Hongyun
Secretary to the Board

Maanshan City, Anhui Province, the PRC, 22 July 2019

As at the date of this announcement, the directors of the Company include:

<i>Executive Directors:</i>	Ding Yi, Qian Haifan, Zhang Wenyang
<i>Non-executive Directors:</i>	Ren Tianbao
<i>Independent Non-executive Directors:</i>	Zhang Chunxia, Zhu Shaofang, Wang Xianzhu

The directors of the Company jointly and severally accept full responsibility for the accuracy of information contained in this announcement (other than any information relating to Baosteel and/or parties acting in concert with it) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those expressed by the directors of China Baowu or Baosteel) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

As at the date of this announcement, the directors of China Baowu are Chen Derong, Hu Wangming, Fu Zhongzhe, Bei Kewei, Li Guoan, Shen Xiaowu, Lin Jianqing and Fu Lianchun.

As at the date of this announcement, the directors of Baosteel are Cai Donghui, Liu Wenxin and Yan Yao.

The directors of the China Baowu and Baosteel jointly and severally accept full responsibility for the accuracy of information contained in this announcement (other than any information relating to the Company) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those expressed by the directors of the Company) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.