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(A joint stock limited company incorporated in the People's Republic of China)
(Stock code: 00323)

Proposed Subscription of Part of Additional Shares of Controlling Shareholder's Subsidiary through Public Bidding

Subscription of the additional shares issued by PHIMA Intelligence

On 19 September 2019, the Board approved the intended investment of not more than RMB200 million through Ma Steel (Hefei) to subscribe for part of the additional shares issued by PHIMA Intelligence by way of public bidding.

As at the date of this announcement, Magang Group is interested in approximately 45.54% of the Company's issued share capital and is the controlling shareholder of the Company. PHIMA Intelligence is a subsidiary controlled by Magang Group and is a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the subscription for the additional shares issued by PHIMA Intelligence by Ma Steel (Hefei) (if executed) may constitute a connected transaction of the Company.

There are still uncertainties as to whether Ma Steel (Hefei) could subscribe for the additional shares issued by PHIMA Intelligence by bidding. As of the date of this announcement, Ma Steel (Hefei) has not yet entered into the relevant shares subscription agreement with PHIMA Intelligence. If Ma Steel (Hefei) successfully wins the bidding for the subscription and executes the relevant shares subscription agreement, the Company will make further disclosure according to the requirements of the Listing Rules.

Details of the shares subscription

To accelerate development, PHIMA Intelligence invested in the construction of two high-tech parks, namely Maanshan City Smart Equipment and Big Data High-tech park, and Hefei Yangtze River Data Centre, mainly to develop cloud computing and robot projects. For this reason, PHIMA Intelligence initiated the second-round of work in relation to introducing strategic investors and intended to raise RMB810 million, mainly for the construction of the above two projects.

On 2 September 2019, among RMB810 million intended to be raised, PHIMA Intelligence listed the capital increase and equity enlargement project of RMB510 million on the Anhui Assets and Equity Exchange for public tender. PHIMA Intelligence has engaged Beijing Pan-China Assets Appraisal Co., Ltd. to conduct a valuation of itself with 31 May 2019 as the reference date. It is estimated that the book value of net assets of PHIMA Intelligence is RMB329.9925 million, and the assessed value is RMB377.6034 million. Taking into consideration of the profit and loss from the valuation reference date to the date of completion of the equity transfer, the proposed initial bidding price will be not less than RMB3.0443/share, and the specific bidding price will be subject to the actual transaction price after listing on the Anhui Assets and Equity Exchange.

Ma Steel (Hefei) intends to invest not more than RMB200 million to subscribe for part of the additional shares issued by PHIMA Intelligence through public bidding to be conducted on the Anhui Assets and Equity Exchange.

Listing

Issuer: PHIMA Intelligence

Potential Subscriber: Ma Steel (Hefei)

Existing Structure

As at the date of this announcement, PHIMA Intelligence is a subsidiary controlled by Magang Group, and Magang Group is holding 83.12% of its shares.

Proposed Consideration

The Board has resolved to acquire part of PHIMA Intelligence's listed shares with not more than RMB200 million.

Basis of Consideration

PHIMA Intelligence has engaged Beijing Pan-China Assets Appraisal Co., Ltd. to conduct a valuation of itself with 31 May 2019 as the reference date. It is estimated that the book value of net assets of PHIMA Intelligence is RMB329.9925 million, and the assessed value is RMB377.6034 million. Taking into consideration of the profit and loss from the valuation reference date to the date of completion of the equity transfer, the proposed initial bidding price will be not less than RMB3.0443/share, and the specific bidding price will be subject to the actual transaction price after listing on the Anhui Assets and Equity Exchange.

Information about the Company

The Company is one of China's largest steel producers and distributors, mainly engaging in the production and sale of iron and steel products.

Information on PHIMA Intelligence

PHIMA Intelligence, a subsidiary controlled by Magang Group, is mainly engaged in system integration and engineering service, system operation and maintenance service, technical consultation, communication and cloud service.

The company was formerly named Anhui Maanshan Automation Information Technology Co., Ltd., and was founded on 15 May 152002. It is currently a modern state-level high-tech enterprise integrating intelligence, scientific research, engineering, consultation and cloud services. The Company was one of the first 20 pilot enterprises that deepen reform and innovation development in the State-owned Assets Supervision and Administration Commission of Government of the Anhui Province. The company was selected by State-owned Assets Supervision and Administration Commission of the State Council in 2018 to be on the list of “Double Hundred Actions” enterprise for its reform of the state-owned enterprises. In 2019, it was listed on the National Equities Exchange and Quotations (“NEEQ”), the share transfer system for state-owned small and medium enterprises (“PHIMA Intelligence”, stock code: 873158).

As of the end of 2018, the total assets were RMB519.86 million, and the owner's equity attributable to the parent company was RMB296.21 million. During the year of 2018, the revenue was RMB448.91 million and the net profit attributable to the parent company was RMB38.92 million.

Details of Ma Steel (Hefei)

Ma Steel (Hefei), a subsidiary controlled by Magang Group, is principally engaged in the production and sale of iron and steel products. The Company holds 71% of the equity interest in Ma Steel (Hefei).

Reasons for and Benefits of the Agreement

PHIMA Intelligence is in the stage of rapid development. Raising funds to invest in the project is in line with the national and local industrial development policies. After the completion of the project, the operational business of PHIMA Intelligence is expected to be appropriately improved. The investment into PHIMA Intelligence by Ma Steel (Hefei) will bring itself certain investment returns.

Listing Rules Implication

As at the date of this announcement, Magang Group is interested in approximately 45.54% of the Company's issued share capital and is the controlling shareholder of the Company. PHIMA Intelligence is a subsidiary controlled by Magang Group and is a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the subscription for the additional shares issued by PHIMA Intelligence by Ma Steel (Hefei) (if executed) may constitute a connected transaction of the Company.

There are still uncertainties as to whether Ma Steel (Hefei) could subscribe for the additional shares issued by PHIMA Intelligence by bidding. As of the date of this announcement, Ma Steel (Hefei) has not yet entered into the relevant shares subscription agreement with PHIMA Intelligence. If Ma Steel (Hefei) successfully wins the bidding for the subscription and executes the relevant shares subscription agreement, the Company will make further disclosure according to the requirements of the Listing Rules.

General Information

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no Director has a material interest in the Subscription except the connected Directors, namely Mr. Ding Yi, Mr. Qian Haifan and Mr. Ren Tianbao. The other Directors, including independent non-executive Directors, have unanimously approved the Subscription (the connected Directors, namely Mr. Ding Yi, Mr. Qian Haifan and Mr. Ren Tianbao have abstained from voting), and are of the view that the Subscription conform with normal commercial requirements and are in the interests of the Company and its Shareholders as a whole.

Definitions

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

“Board”	Means	the board of Directors of the Company
“Company”	Means	Maanshan Iron & Steel Company Limited, a joint stock limited company incorporated in the PRC and the shares of which are listed on the Stock Exchange
“connected person(s)”	Means	has the meaning ascribed to it under the Listing Rules
“Director(s)”	Means	the directors of the Company
“Hong Kong”	Means	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	Means	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Magang Group”	Means	Magang (Group) Holding Company Limited, a wholly state-owned enterprise and a controlling shareholder of the Company as defined under the Listing Rules
“Ma Steel (Hefei)”	Means	Ma Steel (Hefei) Iron & Steel Co., Ltd , a limited company registered in China
“PHIMA Intelligence”	Means	PHIMA Intelligence Technology Co., Ltd., a limited liability company incorporated in the PRC
“PRC”	Means	the People’s Republic of China, which, for the purposes

of this announcement, does not include Hong Kong, Macao Special Administrative Region and Taiwan

“RMB”	Means	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	Means	holders of shares of the Company
“Stock Exchange”	Means	The Stock Exchange of Hong Kong Limited
“Subscription”	Means	Ma Steel (Hefei) intends to subscribe for part of the additional shares of PHIMA Intelligence by public bidding
“%”	Means	per cent

By order of the Board
Maanshan Iron & Steel Company Limited
He Hongyun
Secretary to the Board

19 September 2019

Maanshan City, Anhui Province, the PRC

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

Executive Directors: Ding Yi, Qian Haifan, Zhang Wenyang

Non-executive Director: Ren Tianbao

Independent Non-executive Directors: Zhang Chunxia, Zhu Shaofang, Wang Xianzhu