



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)

Executive Directors:

Ding Yi (*Chairman*)

Qian Haifan

Zhang Wenyang

Registered office:

No. 8 Jiu Hua Xi Road

Maanshan City

Anhui Province

the PRC

Non-executive Director:

Ren Tianbao

Office address:

No. 8 Jiu Hua Xi Road

Maanshan City

Anhui Province

the PRC

Independent Non-executive Directors:

Zhang Chunxia

Zhu Shaofang

Wang Xianzhu

30 September 2019

Dear Sir or Madam,

**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)**

INTRODUCTION

Reference is made to the Joint Announcement.

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 was subject to the satisfaction (or waiver, where applicable) of the Equity Transfer Conditions.

As disclosed in the announcement dated 4 September 2019 jointly issued by Baosteel and the Company, all the Equity Transfer Conditions had been satisfied. Completion took place on 19 September 2019.

As at the date of the Joint Announcement, Anhui SASAC was the owner of 100% of the equity interest in Magang Group, and Magang Group held 3,506,467,456 A Shares, representing approximately 45.54% of the total issued share capital of the Company. Immediately after Completion and as at the Latest Practicable Date, China Baowu had become the owner of 51% of the equity interest in Magang Group, and had, through Magang Group, obtained indirect control of the A Shares representing approximately 45.54% of the total issued shares of the Company. Anhui SASAC continued to hold 49% of the equity interest in Magang Group immediately following Completion.

In accordance with Rule 26.1 of the Takeovers Code, upon Completion, China Baowu is required to make a mandatory conditional general offer in cash for all the issued H Shares (other than those already owned or agreed to be acquired by China Baowu and parties acting in concert with it).

As disclosed in the Joint 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 H Shares in the Company pursuant to Rule 26.1 of the Takeovers Code as a result of the Equity Transfer, and pursuant to the Panel Decision the Takeovers Panel had ruled that such waiver would not be granted. Notwithstanding the unavailability of such waiver, China Baowu had decided to proceed with the Equity Transfer, and had accordingly procured its direct wholly owned subsidiary, Baosteel, to extend the Offer to the Offer Shareholders.

In accordance with Rule 2.1 of the Takeovers Code, the Independent Board Committee comprising Mr. Ren Tianbao, the non-executive Director of the Company, and all three of the independent non-executive directors of the Company, none of whom has direct or indirect interest in the Offer, has been established to advise the Offer Shareholders in respect of the Offer. All members of the Independent Board Committee are independent in respect of the Offer. As stated in the announcement of the Company dated 24 July 2019, Somerley has been appointed by the Board as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer. The appointment of Somerley as the Independent Financial Adviser has been approved by the Independent Board Committee.

The purpose of this Composite Document is to provide you with, amongst other things, (i) the details of the Offer (including the expected timetable and the terms and conditions of the Offer); (ii) a letter of recommendation from the Independent Board Committee to the Offer Shareholders in respect of the Offer; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee in respect of the Offer; and (iv) information relating to Baosteel and information relating to the Group, together with the Form of Acceptance.

THE OFFER

As at the Latest Practicable Date, there were 1,732,930,000 H Shares in issue, representing approximately 22.50% of the total issued share capital of the Company. There were no options, warrants or derivatives or other securities convertible into Shares as at the Latest Practicable Date and the Company had not entered into any agreement for the issue of any Shares or options, warrants, derivatives or other securities which may confer to the holder(s) thereof any right to subscribe for, convert or exchange into Shares.

Principal Terms of the Offer

CICC, for and on behalf of Baosteel, is making a conditional mandatory cash offer to acquire all the issued 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) on the terms set out in this Composite Document in accordance with the Takeovers Code on the following basis:

For each H Share. HK\$2.97 in cash

Pursuant to the Panel Decision, the Takeovers Panel has also ruled that the offer price for the 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 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 Offer shall be fully paid and free from all Encumbrances and together with all rights attaching to them as at the date of the Joint 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 the Joint 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 Latest Practicable Date and the exchange rate of RMB0.87620 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 25.38 per cent. to the unaudited net asset value attributable to shareholders as at 30 June 2019 of approximately HK\$3.98 per Share, calculated based on 7,700,681,186 Shares in issue as at the Latest Practicable Date and the exchange rate of RMB0.87966 to HK\$1 (being the exchange rate as quoted by the People's Bank of China on the last working day before 30 June 2019);
- (c) a discount of approximately 11.08 per cent. to the closing price as quoted on the Stock Exchange on the last trading date prior to the issuance of the Rule 3.7 Announcement (being HK\$3.34 per H Share);

- (d) 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);
- (e) 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);
- (f) 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);
- (g) 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);
- (h) a premium 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);
- (i) 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);
- (j) 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); and
- (k) a premium of approximately 1.37 per cent. to the closing price as quoted on the Stock Exchange on the Latest Practicable Date (being HK\$2.93 per H Share).

Acceptance Condition to the Offer

The Offer is conditional on valid acceptances of the 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 (except Hwabao Fund Management) and acquired or agreed to be acquired before or during the Offer Period, will result

in Baosteel and parties acting in concert with it (except Hwabao Fund Management) holding in aggregate more than 50% of the voting rights of the Company, by 4:00 p.m. on the Closing Date (or such later time or date as Baosteel may, subject to the Takeovers Code, determine) (the “**Acceptance Condition**”).

As the Completion has taken place and the Equity Transfer has become effective, the approximately 45.54% of the voting rights of the Company held by Magang Group (51% of the equity interest of which is 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.

The interest of Hwabao Fund Management in voting rights of the Company will be excluded when determining the voting rights of the Company to be held by Baosteel or parties acting in concert with it for the purposes of the Acceptance Condition. Please refer to the section headed “3. Shareholdings in the Company” in Appendix III to this Composite Document for further details.

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

Closing of the Offer is subject to the Acceptance Condition being satisfied. Accordingly, the Offer may or may not become unconditional, and the transactions contemplated by the Offer may or may not proceed. H Shareholders, holders of other Shares, and potential investors of 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.

Further details regarding the Offer, including the terms and procedures for acceptance of the Offer are set out in the “Letter from CICC” as set out on pages 13 to 27 of this Composite Document and “Further Terms and Procedures for Acceptance of the Offer” as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

Highest and lowest H Share prices

During the Relevant Period, the highest and lowest closing prices of the H Shares quoted on the Stock Exchange were HK\$4.20 on 10 April 2019 and HK\$2.89 on 16 July 2019 respectively.

Aggregate value of the Offer

As at the Latest Practicable Date, the Company had 1,732,930,000 H Shares in issue, all of which were subject to the Offer. On the basis of such number of H Shares in issue and the Offer Price of HK\$2.97 per H Share, the Offer is valued at HK\$5,146,802,100.

SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) as at the date of the Joint Announcement; and (ii) immediately upon Completion and as at the Latest Practicable Date:

Name of Shareholder	As at the date of the Joint Announcement			Immediately upon Completion and as at the Latest Practicable Date		
	<i>Shareholding percentage of the entire issued</i>			<i>Shareholding percentage of the entire issued</i>		
	<i>Number of A Shares</i>	<i>Number of H Shares</i>	<i>share capital (approximately)</i>	<i>Number of A Shares</i>	<i>Number of H Shares</i>	<i>share capital (approximately)</i>
Magang Group	3,506,467,456 ⁽¹⁾	0	45.54%	3,506,467,456 ⁽¹⁾	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>		
Baosteel	0	0	0	0	0	0
HKSCC Nominees Limited	0	1,716,396,800 ⁽²⁾	22.29%	0	1,716,365,050 ⁽³⁾	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	16,564,950 ⁽³⁾	0.21%
Total	<u>7,700,681,186</u>		<u>100%</u>	<u>7,700,681,186</u>		<u>100%</u>

Note (1): As at the date of the Joint Announcement, Anhui SASAC held 100 per cent. of the equity interests in Magang Group and was regarded as being indirectly interested in the 3,506,467,456 A Shares held by Magang Group. Upon Completion, China Baowu held 51 per cent. of the equity interests in Magang Group, and was 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 were adopted.

Note (3): The figures appearing on the register of H Shareholders as of 25 September 2019 were adopted.

INFORMATION OF BAOSTEEL, CHINA BAOWU AND THE COMPANY

Reasons for the Equity Transfer and Intentions of China Baowu Regarding the Company

Your attention is drawn to the section headed “Reasons of the Offer and Baosteel’s intention in relation to the Company” in the “Letter from CICC” as set out on pages 13 to 27 of this Composite Document.

The Board is pleased to note Baosteel’s intention to continue with the existing business of the Company following and within 12 months after the close of the Offer, and China Baowu’s intentions to consolidate and optimize the iron and steel production operations between China Baowu and the Company, and that save for certain undertakings provided to CSRC as set out in the section headed “Reasons of the Offer and Baosteel’s intention in relation to the Company” in the “Letter from CICC”, Baosteel has no intention to introduce any material change to the business of the Company, including undertaking any redeployment of fixed assets or conducting any reployment or reorganisation of business of the Company. Further, it is noted that Baosteel has no intention to terminate any employment of the employees of the Company and its subsidiaries, nor to introduce any change to the Board composition, during the Offer Period. Any changes to the Board composition (if any) will be made in compliance with the relevant requirements of the Takeovers Code, the Listing Rules, the constitutional documents of the Company and other applicable laws and regulations.

Information on Baosteel and China Baowu

Your attention is drawn to the section headed “Information on Baosteel and China Baowu” in the “Letter from CICC” as set out on page 19 of this Composite Document.

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 manufacturers in the PRC in terms of steel production capacity.

PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

Your attention is drawn to the section headed “Public float and maintaining the listing status of the Company” in the “Letter from CICC” as set out on page 24 of this Composite Document.

INDEPENDENT BOARD COMMITTEE OF THE COMPANY

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

As stated in the announcement of the Company dated 24 July 2019, Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer and, in particular, as to whether the Offer is fair and reasonable and as to acceptance. The appointment of Somerley as the Independent Financial Adviser has been approved by the Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code.

RECOMMENDATION

Your attention is drawn to the “Letter from the Independent Board Committee” as set out on pages 38 to 40 of this Composite Document and the “Letter from the Independent Financial Adviser” as set out on pages 41 to 69 of this Composite Document, which contain, among other things, their advice in relation to the Offer and the principal factors considered by them in arriving at their recommendations. The Offer Shareholders are urged to read those letters carefully before taking any action in respect of the Offer.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this Composite Document. You are also recommended to read carefully the “Further Terms of Acceptance of the Offer” as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance for further details in respect of the procedures for acceptance of the Offer.

In considering what action to take in connection with the Offer, you should also consider your own tax positions, if any, and in case of any doubt, consult your professional advisers.

Yours faithfully,

On behalf of the board

Maanshan Iron & Steel Company Limited



Ding Yi

Chairman