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

Connected Transaction Subscription for New Shares

On 19 September 2019, the Board approved the investment of not more than RMB200 million of Ma Steel (Hefei), subsidiary controlled by the Company, for the subscription for part of the new shares issued by PHIMA Intelligence by way of public bidding. On 29 November 2019, Ma Steel (Hefei), Cornerstone Intelligence, Suyan Guoxin, Anhui Hi-tech Venture Capital and PHIMA Intelligence entered into the Capital Increase Agreement, pursuant to which each of the Investors would subscribe for part of the new shares issued by PHIMA Intelligence. After the completion of the issuance of new shares, the total number of shares of PHIMA Intelligence will be 361,093,720, of which Ma Steel (Hefei) will hold 65,696,500 shares or 18.194% of its shares.

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 new shares issued by PHIMA Intelligence by Ma Steel (Hefei) constitutes a connected transaction of the Company. As the applicable percentage ratios of the transaction exceed 0.1% but fall below 5%, such connected transaction is only subject to the reporting and announcement requirements under the Listing Rules but is exempt from independent shareholders' approval requirement under the Listing Rules.

Principal terms of the Capital Increase Agreement

Date:

29 November 2019

Parties:

- (i) Ma Steel (Hefei), Cornerstone Intelligence, Suyan Guoxin and Anhui Hi-tech Venture Capital (as Investors);
- (ii) PHIMA Intelligence (as the company increasing its capital).

Subject Matter

Ma Steel (Hefei), Cornerstone Intelligence, Suyan Guoxin and Anhui Hi-tech Venture Capital subscribe for part of the new shares issued by PHIMA Intelligence.

Consideration

Ma Steel (Hefei) subscribes for part of the new shares issued by PHIMA Intelligence through Anhui Assets and Equity Exchange. The subscription price is RMB3.0443 per share, which adopts the public transaction price on Anhui Assets and Equity Exchange. The total investment amount of Ma Steel (Hefei) is RMB199,999,855 and the number of subscribed shares is 65,696,500 shares.

Ma Steel (Hefei) has already paid RMB60,000,000 to Anhui Assets and Equity Exchange as security, and shall pay the balance of the subscription price after deducting the security into the account designated by Anhui Assets and Equity Exchange within 5 working days after the effective date of the Agreement.

Conditions Precedent of the Agreement

The Agreement will be effective once it is signed with chop affixed by all the parties and filed with Anhui Assets and Equity Exchange.

Information about the Company

The Company is one of the largest steel producers and distributors in the PRC and is mainly engaged in the production and sale of iron and steel products.

Details of Ma Steel (Hefei)

Ma Steel (Hefei) is a subsidiary controlled by the Company which the Company holds 71% of its shares. It is mainly engaged in the production and sale of iron and steel products.

Details of Cornerstone Intelligence

Cornerstone Intelligence is a limited partnership and is mainly engaged in venture capital investment and investment in non-listed companies.

Details of Suyan Guoxin

Suyan Guoxin is a limited partnership and is mainly engaged in fund management, investment management, asset management, equity investment and venture capital investment.

Details of Anhui Hi-tech Venture Capital

Anhui Hi-tech Venture Capital is a state-controlled company and is mainly engaged in venture capital investment, venture capital agency and consultancy, venture management, and participation in establishing venture capital corporation and venture capital managing institution.

Information of 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 Masteel Automation & Information Technology Co., Ltd., and was founded on 15 May 2002. 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 of intensifying reform and innovation development under the State-owned Assets Supervision and Administration Commission of Anhui Province. It was selected by the State-owned Assets Supervision and Administration Commission of the State Council to be an enterprise under the “Double Hundred Campaign” for reform of state-owned enterprises in 2018. In 2019, it was listed on the National Equities Exchange and Quotations (“NEEQ”) (stock abbreviation: 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.

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 improved accordingly. Ma Steel (Hefei)’s investment into PHIMA Intelligence 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 new shares issued by PHIMA Intelligence by Ma Steel (Hefei) constitutes a connected transaction of the Company. As the applicable percentage ratios of the transaction exceed 0.1% but fall below 5%, such connected transaction is only subject to the reporting and announcement requirements under the Listing Rules but is exempt from independent shareholders’ approval requirement under 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 terms of transaction under the Subscription are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Definitions

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

“Agreement” or “Capital Increase Agreement”	Means	the capital increase agreement entered into between Ma Steel (Hefei), Cornerstone Intelligence, Suyan Guoxin, Anhui Hi-tech Venture Capital and PHIMA Intelligence on 29 November 2019
“Anhui Hi-tech Venture Capital”	Means	Anhui Hi-tech Venture Capital Co., Ltd, a limited company registered in the PRC
“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
“Cornerstone Intelligence”	Means	Maanshan Cornerstone Intelligence Manufacturing Fund Limited (Limited Partnership), a limited partnership established in the PRC
“Director(s)”	Means	the directors of the Company
“Hong Kong”	Means	the Hong Kong Special Administrative Region of the PRC
“Investors”	Means	the investors under the Capital Increase Agreement, namely Ma Steel (Hefei), Cornerstone Intelligence, Suyan Guoxin and Anhui Hi-tech Venture Capital
“Listing Rules”	Means	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Ma Steel (Hefei)”	Means	Ma Steel (Hefei) Iron & Steel Co., Ltd , a limited company registered in the PRC
“Magang Group”	Means	Magang (Group) Holding Company Limited, a wholly state-owned enterprise incorporated in the PRC and a controlling shareholder of the Company as defined under the Listing Rules
“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)’s subscription for part of the new shares of PHIMA Intelligence by public bidding
“Suyan Guoxin”	Means	Jiangsu Suyan Guoxin Development Fund (Limited Partnership), a limited partnership established in the PRC
“%”	Means	per cent

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

29 November 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