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

(Stock Code: 00323)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO ASSETS TRANSFER AGREEMENT

Reference is made to the announcement (the “**Announcement**”) of Maanshan Iron & Steel Company Limited (the “**Company**”) dated 14 July 2020 in relation to connected transactions – Assets Transfer Agreement. Unless otherwise stated, capitalised terms used herein shall have the same meaning as those defined in the Announcement.

The Company wishes to supplement the following information:

55% of the shareholding of Chemical Energy Company is held by the Parent Company, and the remaining 45% of the shareholding is held by the Company.

The Directors are of the view that the consideration of RMB17,537,900, which is determined based on the appraisal of the Assets conducted about one year ago, is fair and reasonable because:

- (i) According to the Company’s business strategy, since the Company is to focus on its main iron and steel production business, the Assets are not required by the coking plant of the Company anymore. Since July 2019, the Assets have been leased to Chemical Energy Company for its use together with some other assets of the Company. To utilize the Company’s resources efficiently, the Company intended to dispose of the Assets at appropriate time and therefore a valuation of the Assets was conducted in 2019, with the valuation report issued in October 2019.
- (ii) Subsequently, due to the change of the ultimate controller of the Company and the impact of the outbreak of Covid-19, negotiations on the disposal of the Assets have been delayed.

- (iii) The valuation report of the Assets is valid for one year in accordance with the “Detailed Rules for the Implementation of the Administrative Measures for State-owned Assets Assessment” (《國有資產評估管理辦法施行細則》). There is not any event which had a material impact on the value of the Assets after the valuation report was compiled. Therefore, the Directors are of the view that the appraised value as at 31 July 2019 is still an appropriate indication of the fair value of the Assets.

The independent non-executive Directors are of the view that the terms of the Assets Transfer Agreement are entered into on normal commercial terms, fair and reasonable and are in the interest of the Company and its shareholders as a whole after considering:

- (i) the valuation report of the Assets which was compiled by independent professional valuer in the PRC;
- (ii) although the valuation report was compiled in 2019, it is still within its validity period and the appraised value is still applicable;
- (iii) the business strategy of the Company as stated above and that the Assets would be redundant for the Company’s business development;
- (iv) that the Assets were leased to Chemical Energy Limited with some other assets of the Company, and no separate rental was recorded for the Assets. However, in view of the depreciation of the Assets and other costs like property tax, the rental value which may be attributable to the Assets is not significant.

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

20 July 2020
Maanshan City, Anhui Province, the PRC

As at the date of this announcement, the directors of the Company include executive directors Ding Yi, Wang Qiangmin, Ren Tianbao and Zhang Wenyang; non-executive director Qian Haifan; and independent non-executive directors Zhang Chunxia, Zhu Shaofang and Wang Xianzhu.