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

(Stock Code: 00323)

CONNECTED TRANSACTION ESTABLISHMENT OF A JOINT VENTURE COMPANY

The Board is pleased to announce that on 21 September 2020, the Company, China Baowu, Baosteel, SGIS Songshan, Bayi Iron & Steel, Echeng Steel, Ouyeel Cloud Commerce and Baosight Software entered into the Joint Venture Agreement, pursuant to which the parties have agreed to invest for the establishment of a joint venture company named Ouyeel Industrial Products Co., Ltd.

As of the date of this announcement, China Baowu is the controlling shareholder of the Parent Company, and holds 47.59% equity interests of the Company through the Parent Company. Meanwhile, Baosteel Hong Kong Investment Company Limited, a wholly-owned subsidiary of China Baowu, holds 11.64% equity interests of the Company. China Baowu holds a total of 59.23% equity interests of the Company, while other parties of the Agreement are all subsidiaries of China Baowu. As such, China Baowu, Baosteel, SGIS Songshan, Bayi Iron & Steel, Echeng Steel, Ouyeel Cloud Commerce and Baosight Software are all connected persons of the Company under Chapter 14A of the Listing Rules. Therefore, the transactions under the Agreement would constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios of the Agreement 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.

MAJOR TERMS OF THE AGREEMENT

Date

21 September 2020

Parties

- (1) the Company;
- (2) China Baowu;
- (3) Baosteel;
- (4) SGIS Songshan;
- (5) Bayi Iron & Steel;
- (6) Echeng Steel;
- (7) Ouyeel Cloud Commerce; and
- (8) Baosight Software

THE JOINT VENTURE

Industrial Products Company is intended to have its office registered at Room 1150, Building 216, 1269 Shuichan Road, Baoshan District, Shanghai. Its business scope mainly includes the sale of industrial products, type 2 value-added telecommunication business, supply chain management and services and supply chain settlement and supporting services.

SHARE CAPITAL AND FUNDING

Industrial Products Company has a total of 4.0 billion shares with the registered capital of RMB4.0 billion, to be funded by non-monetary assets and cash. Among them, China Baowu and Baosight Software shall fund by cash in RMB, while Baosteel, the Company, SGIS Songshan, Bayi Iron & Steel and Echeng Steel shall fund by their inventory assets at its appraised value and cash in RMB for the short amount, and Ouyeel Cloud Commerce shall fund by its 100% equity interest in Shanghai Ouyeel

Purchase Information Technology Co., Ltd. (上海歐冶採購資訊科技有限責任公司) at its appraised value and cash in RMB for the short amount. The shareholding structure is as follows:

Shareholders' name	Capital contribution (RMB million)	Shareholding (%)
China Baowu	1,000	25
Baosteel	1,360	34
the Company	440	11
SGIS Songshan	240	6
Bayi Iron & Steel	80	2
Echeng Steel	80	2
Ouyeel Cloud Commerce	500	12.5
Baosight Software	300	7.5
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Total	<u>4,000</u>	<u>100</u>

The carrying value of the inventory assets of the Company as consideration amounted to RMB333.1687 million as at 31 July 2020, as evaluated by Beijing Tianjian Xingye Asset Evaluation Co., Ltd. by market approach with the valuation reference date on 31 July 2020. The appraised value of such assets amounted to RMB331.9521 million (result filed at the authorized unit shall prevail). The short amount shall be funded by cash in RMB.

The capital contribution parties shall pay their respective subscribed contributions within one year from the date of registration and incorporation of the Industrial Products Company.

The amount of the capital contribution under the Agreement was determined after arm's length negotiations among the parties and was determined by reference to the estimated capital demand of the Industrial Products Company. The Company's capital contribution will be appropriated by internal resources.

CONDITIONS

The Agreement shall take effect upon being signed and sealed by legal representatives of respective parties or their authorized representatives.

REASONS FOR AND BENEFITS OF THE AGREEMENT

The Company, China Baowu and its other steel subsidiaries and E-commerce platforms jointly established the Industrial Products Company by coordinating internal resources and capabilities related to industrial products to realize procurement coordination and form procurement synergy, fully leverage on the advantage of concentrated procurement and purchase, optimize procurement and purchase cost, enhance supply chain service quality, strengthen supply guarantee and emergency response service and improve risk management level. Meanwhile, the Industrial Products Company is positioned as a platform service provider for equipment and materials procurement and purchase, and aims to establish a steel ecological transaction cycle by leveraging on its advantages in steel and iron products and externally extensive ecological development. It will have certain commercial and capital value in the trading of industrial products, from which the Company is expected to benefit.

The Directors (including the independent non-executive directors) believe that the terms of the Agreement are on normal commercial terms, fair and reasonable, and in the interest of the Company and its shareholders as a whole.

INFORMATION ON THE COMPANY

The Company is one of the largest iron and steel producers and merchandisers in the PRC and is principally engaged in the manufacture and sale of iron and steel products.

INFORMATION ON CHINA BAOWU

China Baowu, is mainly engaged in operating state-owned assets within the scope authorized by the State Council, as well as carrying out relevant state-owned capital investment and operation. It is the indirect controlling shareholder of the Company.

INFORMATION ON BAOSTEEL

Baosteel is mainly engaged in steel smelting and processing, and steel related businesses including power, coal, industrial gas production, wharf, storage and transportation. It is a subsidiary controlled by China Baowu.

INFORMATION ON SGIS SONGSHAN

SGIS Songshan is mainly engaged in manufacturing, processing and sale of iron and steel metallurgical products, metal products, coke, coal chemical products (excluding dangerous chemicals), technology development, transfer, introduction and consulting services. It is a subsidiary controlled by China Baowu.

INFORMATION ON BAYI IRON & STEEL

Bayi Iron & Steel is mainly engaged in steel smelting, rolling, processing and sales; coal tar, crude benzene, ammonia solution (containing more than 10% ammonia) and coal gas production and sales. It is a subsidiary controlled by China Baowu.

INFORMATION ON ECHENG STEEL

Echeng Steel is mainly engaged in metallurgical products and by-products, metallurgical mineral products and steel extension products. It is a subsidiary controlled by China Baowu.

INFORMATION ON OUYEEL CLOUD COMMERCE

Ouyeel Cloud Commerce is mainly engaged in the type 2 value-added telecommunication services; warehousing services (excluding dangerous goods), freight transport agents, third-party logistics services; advertising design, production, agency and release; technology development, technical consultation, technical services and technology transfer in the field of e-commerce; economic information consulting; enterprise management consulting, etc. It is a subsidiary controlled by China Baowu.

INFORMATION ON BAOSIGHT SOFTWARE

Baosight Software is mainly engaged in the research, design, development, manufacturing and integration of computer, automation, network communication system, software and hardware products, and the corresponding outsourcing, maintenance, consulting and other services. It is a subsidiary controlled by China Baowu.

LISTING RULES IMPLICATION

As of the date of this announcement, China Baowu is the controlling shareholder of the Parent Company, and holds 47.59% equity interests of the Company through the Parent Company. Meanwhile, Baosteel Hong Kong Investment Company Limited, a wholly-owned subsidiary of China Baowu, holds 11.64% equity interests of the Company. China Baowu holds a total of 59.23% equity interests of the Company, while other parties of the Agreement are all subsidiaries of China Baowu. As such, China Baowu, Baosteel, SGIS Songshan, Bayi Iron & Steel, Echeng Steel, Ouyeel Cloud Commerce and Baosight Software are all connected persons of the Company under Chapter 14A of the Listing Rules. Therefore, the transactions under the Agreement would constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios of the Agreement 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.

BOARD APPROVAL

By the 37th meeting of the ninth session of the Board dated 21 September 2020, the Board approved the Joint Venture Agreement.

Among the Directors attending the Board meeting, due to reason related to the employment of Mr. Ding Yi, Mr. Wang Qiangmin, Mr. Qian Haifan and Mr. Ren Tianbao at the Parent Company, they were considered to have material interests and had abstained from voting on the Board resolution(s) in respect of the Agreement. Save as disclosed above, none of the Directors attended the Board meeting has a material interest in the Agreement.

DEFINITIONS

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

“Agreement” or “Joint Venture Agreement”	the Agreement on Sponsors of Ouyeel Industrial Products Company entered into by the Company, China Baowu, Baosteel, SGIS Songshan, Bayi Iron & Steel, Echeng Steel, Ouyeel Cloud Commerce and Baosight Software on 21 September 2020
“Baosteel”	Baoshan Iron & Steel Co., Ltd., a limited company incorporated in China
“Baosight Software”	Shanghai Baosight Software Co., Ltd., a limited company incorporated in China
“Bayi Iron & Steel”	Xinjiang Bayi Iron & Steel Co. Ltd., a limited company incorporated in China
“Board”	the board of Directors of the Company
“China Baowu”	China Baowu Steel Group Corporation Limited, a limited company incorporated in the PRC and a pilot enterprise of state-owned capital investment company wholly owned by the State-owned Assets Supervision and Administration Commission of the State Council
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“Company”	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
“Director(s)”	the directors of the Company
“Echeng Steel”	Baowu Group Echeng Steel Company Limited, a limited company incorporated in China
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Industrial Products Company”	Ouyeel Industrial Products Co., Ltd., a limited company intended to be established in China in accordance with the Joint Venture Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Ouyeel Cloud Commerce”	Ouyeel Cloud Commerce Co., Ltd. (歐冶雲商股份有限公司), a limited company incorporated in China
“Parent Company”	Magang (Group) Holding Company Limited, a wholly state-owned enterprise with limited liability, formerly known as Maanshan Magang Holding Company, and was approved by the PRC government to restructure into Magang (Group) Holding Company Limited in September 1998
“PRC”	the People’s Republic of China,
“RMB”	Renminbi, the lawful currency of the PRC

“SGIS Songshan”	SGIS Songshan Co., Ltd., a limited company incorporated in China
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

21 September 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, Zhang Wenyang
Non-executive Directors: Qian Haifan
Independent Non-executive Directors: Zhang Chunxia, Zhu Shaofang, Wang Xianzhu