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

**(Stock Code: 00323)**

## **CONNECTED TRANSACTION EQUITY TRANSFER AGREEMENT**

On 21 September 2020, the Company and Chemical Energy Company entered into the Equity Transfer Agreement, according to which the Company agrees to sell and Chemical Energy Company agrees to acquire 40% equity interests of OCI at the total price of RMB157,639,520.

As at the date of this announcement, the Parent Company is interested in approximately 47.59% of the issued share capital of the Company and is the controlling shareholder of the Company, while Chemical Energy Company is a subsidiary controlled by the Parent Company. Under Chapter 14A of the Listing Rules, Chemical Energy Company is a connected person of the Company. Therefore, the transactions under the Equity Transfer Agreement would constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratio of the Equity Transfer Agreement exceed 0.1% but fall below 5%, such connected transactions are only subject to the reporting and announcement requirements under the Listing Rules but are exempt from independent shareholders' approval requirement under the Listing Rules.

### **PRINCIPAL TERMS OF EQUITY TRANSFER AGREEMENT**

#### **Date**

21 September 2020

## **Parties**

- (1) the Company; and
- (2) the Chemical Energy Company

## **Subject Matter**

The Company agreed to sell and the Chemical Energy Company agreed to acquire 40% equity interest in OCI. Upon completion of the equity transfer, the Company will cease to hold the equity interest in OCI.

## **Pricing**

Adopting the asset-based approach and with 30 April 2020 as the valuation reference date, the net book value of OCI's net assets was RMB354,473,300 and the appraised value was RMB394,098,800, representing an appreciation of RMB39,625,500. The appreciation rate was 11.18%. The Company intends to use the corresponding appraised value of RMB157,639,520 as consideration for the transfer of its 40% equity interest in OCI.

Within 10 days upon the agreement takes effect, the Chemical Energy Company will pay the Company the transaction consideration.

## **Conditions**

After the parties have completed the approval procedures in accordance with the content of the agreement, the agreement shall come into effect upon the signing and affixing of seals by each party.

## **Completion**

Both parties agreed to go through the procedures in relation to registration of change in equity with the industrial and commercial administration authority within ten days from the date of completing the payment of the consideration for the equity transfer.

## **Reasons for and Benefits of the Equity Transfer Agreement**

Based on the strategic positioning, the Company shall strengthen and refine the main business of iron and steel. The transfer of OCI's equity interests will bring benefits to the Company in terms of gathering resources and focusing on its main business.

The transferee, Chemical Energy Company, is held as to 45% by the Company, which is related to the upstream and downstream industrial chain of OCI. The transfer of OCI equity interests by Chemical Energy Company will increase industrial synergy, benefit its long-term development, and be in the interest of the Company.

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

## **Potential Financial Impact of the Equity Transfer Agreement**

As the book value of net assets of OCI on 30 April 2020 is approximately RMB354,473,300, it is expected that the Company will record a book profits of approximately RMB15,850,200 (without deducting taxes and expenses) from the disposal of 40% equity interests of OCI (subject to the audit results), which is the difference between the consideration of disposing of 40% equity interests of OCI and its corresponding book value of net assets.

The Company intends to use the proceeds from the disposal of 40% equity interests of OCI (after deducting its directly attributable expenses) to replenish general working capital.

## **Information about OCI**

OCI is mainly engaged in the production, storage and sale of coal tar deeply processed products, as well as research and development of relevant technologies. OCI is currently held as to 60% and 40% by the OCI (China) Investment Co., Ltd. and the Company, respectively.

For the year ended 31 December 2018, audited net assets of OCI were RMB366,299,682.16, while audited pre-tax profits and after-tax profits were RMB59,700,256.18 and RMB43,639,568.39, respectively.

For the year ended 31 December 2019, audited net assets of OCI were RMB369,380,607.03, while audited pre-tax profits and after-tax profits were RMB16,069,462.95 and RMB12,742,407.71, respectively.

## **Information on the Company and Chemical Energy Company**

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

Chemical Energy Company is mainly engaged in the research and development, production and sale of chemical products (excluding hazardous chemicals and precursor chemicals), which is currently held 55% and 45% by the Parent Company and the Company, respectively.

## **Implications of the Listing Rules**

As of the date of this announcement, the Parent Company holds approximately 47.59% of the Company's issued share capital and is the controlling shareholder of the Company, while the Chemical Energy Company is a subsidiary controlled by the Parent Company, and hence the Chemical Energy Company is a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the transactions under the Equity Transfer Agreement would constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios of the Equity Transfer 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 the approval of independent shareholders under the Listing Rules.

## **Approval by the Board**

In the 37th meeting of the ninth session of the Board on 21 September 2020, the Board approved the Equity Transfer Agreement.

Among the Directors attending the above 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 are considered to have significant interests under the Equity Transfer Agreement and shall abstain from voting in the relevant Board resolutions of the Equity Transfer Agreement. Except for the disclosed above, none of the Directors attending the above Board meeting has significant interests in the Equity Transfer Agreement.

## DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below:

“Board”	the Board of the Directors of the Company
“Chemical Energy Company”	Anhui Ma Steel Chemical Energy Technology Co., Ltd. (安徽馬鋼化工能源科技有限公司), a limited company incorporated in the PRC
“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, whose shares are listed on the Stock Exchange
“Directors”	the directors of the Company
“Equity Transfer Agreement”	Equity Transfer Agreement signed by the Company and the Chemical Energy Company on 21 September 2020
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“OCI”	Ma-Steel OCI Chemical Co., Ltd (馬鋼奧瑟亞化工有限公司), a limited company incorporated in the PRC
“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 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

“Stock Exchange”            The Stock Exchange of Hong Kong Limited

“%”                                percentage

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

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 Director: Qian Haifan*

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