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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)

VOLUNTARY ANNOUNCEMENT

ENTERING INTO MERGER BY ABSORPTION AGREEMENT BY INVESTEE COMPANY

On 30 October 2020, Ma Steel (Shanghai) Financial Leasing Co., Ltd. (“**Ma Steel Leasing**”), an investee company of Ma Steel (Hong Kong) Company Limited (“**Ma Steel Hong Kong**”), a wholly-owned subsidiary of Maanshan Iron & Steel Company Limited (the “**Company**”) entered into the merger by absorption agreement (“**Merger by Absorption Agreement**”) with Huabao Duding (Shanghai) Finance Leasing Co., Ltd. (“**Huabao Leasing**”), pursuant to which Huabao Leasing shall exchange shares for merger by absorption of Ma Steel Leasing, and Huabao Leasing will be the subsisting entity of the newly merged company.

I. OVERVIEW

On 30 October 2020, Ma Steel Leasing entered into the Merger by Absorption Agreement with Huabao Leasing in Shanghai, pursuant to which Huabao Leasing shall exchange shares for merger by absorption of Ma Steel Leasing, and Huabao Leasing will be the subsisting entity of the newly merged company. China Baowu is the controlling shareholder of Magang (Group) Holding Company Limited, the controlling shareholder of the Company (being the indirect controlling shareholder of the Company), and Huabao Leasing is a subsidiary of China Baowu. Pursuant to the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, the investment constitutes a related party transaction. The transaction was conducted by Ma Steel Leasing, an indirect investee company of the Company, which is held as to 25% equity interests by Ma Steel Hong Kong and is not a subsidiary of Ma Steel Hong Kong, and does not constitute a transaction of the Company or its subsidiaries under Chapter 14 or Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

On 30 October 2020, at the 38th meeting of the ninth session of the board of directors of the Company, Mr. Ding Yi, Mr. Wang Qiangmin, Mr. Qian Haifan and Mr. Ren Tianbao, all being related directors, are abstained from voting as required. Four non-related directors (including three independent directors) voted to approve the transaction.

II. INFORMATION ON THE PARTIES INVOLVED

(I) Ma Steel (Shanghai) Financial Leasing Co., Ltd.

1. Registered address: Room 1209, 12th Floor, No. 738 Dongfang Road, China (Shanghai) Pilot Free Trade Zone
2. Legal representative: Yan Taixia
3. Unified social credit code: 91310115MA1K42BN2U
4. Registered capital: RMB300 million
5. Nature of enterprise: Limited liability company (joint venture between Taiwan, Hong Kong, Macau and mainland China)
6. Principal scope of business: Financial leasing business, leasing business, purchase of leasing properties from domestic and overseas, treatment and maintenance of residual value of leasing properties, consultation and guarantee of leasing transactions and commercial factoring business in relation to principal business. (For projects subject to approval in accordance with law, business activities can only be carried out upon approval by relevant departments).
7. Major financial information for 2019 (Unit: RMB): Total assets: RMB1,101.7264 million; equity attributable to the owners of the parent company: RMB340.2753 million; operating income: RMB66.1996 million; net profit attributable to owners of the parent company: RMB31.4927 million. The profits before tax and net profits after tax from 10 April 2018 (incorporation date) to 31 December 2018 are RMB12,658,979.84 and RMB10,246,313.65, respectively, and the profits before tax and net profits after tax in 2019 are RMB34,014,948.30 and RMB25,650,553.18, respectively.
8. Shareholding structure is as follows:

| Name of shareholders | Subscribed capital contribution (RMB0'000) | Percentage of shareholdings |
|-------------------------------------------------------|-----------------------------------------------|-----------------------------|
| Magang Group Investment Company Limited | 19,500 | 65% |
| Ma Steel Hong Kong | 7,500 | 25% |
| Maanshan Jiangdong Financial Holdings Company Limited | 3,000 | 10% |
| Total | 30,000 | 100% |

(II) Huabao Duding (Shanghai) Finance Leasing Co., Ltd.

1. Registered address: Room 02, West Zone, 59/F, No. 100 Century Avenue, China (Shanghai) Pilot Free Trade Zone
2. Legal representative: Li Qiqiang
3. Unified social credit code: 91310115MA1K3MNG0F
4. Registered capital: RMB1,300 million
5. Nature of enterprise: Limited liability company (joint venture between Taiwan, Hong Kong, Macau and mainland China)
6. Principal scope of business: Financial leasing business, leasing business, domestic and overseas purchase of leased properties, treatment and maintenance of residual value of leased properties, consultation and guarantee of leasing transaction and commercial factoring business in relation to principal business. (For projects subject to approval in accordance with law, business activities can only be carried out upon approval by relevant departments).
7. Major financial information for 2019 (Unit: RMB): Total assets: RMB886.1295 million; equity attributable to the owners of the parent company: RMB154.2699 million; operating income: RMB540.7796 million; Net profit attributable to owners of the parent company: RMB190.2168 million. The profits before tax and net profits after tax in 2018 are RMB65,242,428.64 and RMB48,613,415, respectively, and the profits before tax and net profits after tax in 2019 are RMB190,216,815.37 and RMB142,127,315.72, respectively.
8. Shareholding structure is as follows:

| Name of shareholders | Subscribed capital contribution (RMB0'000) | Percentage of shareholdings |
|----------------------------------------------------------------------------|-----------------------------------------------|-----------------------------|
| Huabao Investment Co., Ltd. | 71,240 | 54.8% |
| Baosteel Hong Kong Investment Company Limited | 32,500 | 25% |
| Zhoushan City State-owned Assets Investment and Management Company Limited | 24,700 | 19% |
| Shanghai Duding Enterprise Management Center (limited partnership) | 1,560 | 1.2% |
| Total | 130,000 | 100% |

Note: Huabao Investment Co., Ltd. and Baosteel Hong Kong Investment Company Limited are wholly-owned subsidiaries of China Baowu.

III. BASIC INFORMATION AND MAIN CONTENTS OF THE TRANSACTION

(I) Agreement signing

1. Date of signing of agreement: 30 October 2020
2. Effective conditions: the agreement shall be effective on the date when the legal representatives/authorized representatives of both parties sign and affix their official seals.

(II) Transaction and main contents

1. Overview of the transaction scheme

The transaction adopted the way of merger by absorption of enterprise under the same control. Huabao Leasing will exchange shares for the merger by absorption of Ma Steel Leasing, and Huabao Leasing will become the subsisting entity of the newly merged company; Ma Steel Leasing, which will be merged by absorption, will be deregistered, and its assets, liabilities, business and personnel will be all undertaken by Huabao Leasing. Ma Steel Hong Kong will become a shareholder of Ma Steel Leasing into a shareholder of Huabao Leasing.

2. Asset evaluation and pricing

The transaction was evaluated by income method with 31 August 2020 as the benchmark date of audit and evaluation. The book value of the total equity interests of the shareholders of Masteel Leasing is RMB323.77 million, the appraisal value is RMB326 million, the increase of appraised value is RMB2.23 million, and the capital increase rate is 0.69%; the book value of the total equity interests the shareholders of Huabao Leasing is RMB1,544.7603 million, the appraised value is RMB156.1 million, and the increase of appraised value is RMB16.2397 million, with a value increase rate of 1.05%. The evaluation result will be applied to the institution which has the right to file the evaluation, and the filing result will be considered as the pricing basis of the transaction.

3. Way of share exchange

After the merger by absorption, the registered capital of the subsisting company will be the sum of Huabao Leasing and Masteel Leasing, i.e., RMB1,600 million; the corresponding share ratio and capital contribution of the original shareholders of both parties in the new leasing company will be determined in accordance with the corresponding equity value determined by the filed and confirmed net assets appraisal value of both parties. The corresponding calculation formula is as follows:

- (1) The shareholding ratio of shareholders of Ma Steel Leasing in the subsisting company = the shareholding ratio of Ma Steel Leasing held by original shareholders \times the appraisal value of net assets of Ma Steel Leasing \div (the appraisal value of net assets of Huabao Leasing + the appraisal value of net assets of Ma Steel Leasing)

The capital contribution of shareholders of Ma Steel Leasing in the subsisting company = the shareholding ratio of the shareholders of Ma Steel Leasing in the subsisting company \times (registered capital of Huabao Leasing before the merger by absorption + registered capital of Ma Steel Leasing before the merger by absorption)

- (2) The shareholding ratio of shareholders of Huabao Leasing in the subsisting company = the shareholding ratio of Huabao Leasing held by original shareholders \times the appraisal value of net assets of Huabao Leasing \div (the appraisal value of net assets of Huabao Leasing + the appraisal value of net assets of Ma Steel Leasing)

The capital contribution of shareholders of Huabao Leasing in the subsisting company = the shareholding ratio of shareholders of Huabao Leasing in the subsisting company \times (registered capital of Huabao Leasing before the merger by absorption + registered capital of Ma Steel Leasing before the merger by absorption)

Pursuant to the appraisal value of both parties to the merger and the above formula of share exchange, the equity structure of the new leasing company after the merger by absorption is as follows:

| No. | Name of shareholders | Subscribed capital contribution (RMB) | Percentage of shareholdings |
|--------------|----------------------------------------------------------------------------|------------------------------------------|-----------------------------|
| 1 | Magang Group Investment Co., Ltd. | 179,672,000.00 | 11.2295% |
| 2 | Ma Steel Hong Kong | 69,104,000.00 | 4.3190% |
| 3 | Maanshan Jiangdong Finance Holding Co., Ltd. | 27,641,600.00 | 1.7276% |
| 4 | Huabao Investment Co., Ltd. | 725,323,200.00 | 45.3327% |
| 5 | Baosteel Hong Kong Investment Company Limited | 330,896,000.00 | 20.6810% |
| 6 | Zhoushan City State-owned Assets Investment and Management Company Limited | 251,480,000.00 | 15.7175% |
| 7 | Shanghai Duding Enterprise Management Center (limited partnership) | 15,883,200.00 | 0.9927% |
| Total | | 1,600,000,000.00 | 100% |

IV. IMPACT OF THE TRANSACTION ON THE COMPANY

Huabao Leasing will merge Ma Steel Leasing by absorption, and Ma Steel Hong Kong will transform from shareholders of Ma Steel Leasing to that of Huabao Leasing. The Company may obtain investment income in the same way, which has no adverse impact on the Company.

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

30 October 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.