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

(Stock Code: 00323)

CONNECTED TRANSACTION ABSORPTION AND MERGER OF MA STEEL FACTORING

On 28 April 2021, the Company (as one of the existing shareholders of Ma Steel Factoring), together with Ma Steel Factoring and its existing shareholders (namely, Magang Investment, Masteel Mining, Baowu Heavy Industry and Ma Steel International Trade and Economic), as a party of the Agreement, entered into the Merger Agreement with Ouye Factoring and its existing shareholder (namely Ouye Financial), pursuant to which, all parties including the Company agree that Ouye Factoring shall absorb and merge Ma Steel Factoring by issuing shares to the existing shareholders of Ma Steel Factoring. Upon completion of the absorption and merger, the Company will become a shareholder of Ouye Factoring.

As at the date of this announcement, Magang Group is the controlling shareholder of the Company, and holds 47.59% equity interests in total, while all of Ma Steel Factoring, Magang Investment, Masteel Mining, Baowu Heavy Industry and Ma Steel International Trade and Economic are subsidiaries of Magang Group. China Baowu is the controlling shareholder of Magang Group, and holds approximately 59.23% of the Company, while Ouye Factoring and Ouye Financial are subsidiaries of China Baowu. As such, other parties of the Agreement 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 exempted from independent shareholders' approval requirement under the Listing Rules.

MAJOR TERMS OF THE AGREEMENT

Date

28 April 2021

Parties

- (1) the Company;
- (2) Ma Steel Factoring;
- (3) Ouye Factoring;
- (4) Ouye Financial;
- (5) Magang Investment;
- (6) Masteel Mining;
- (7) Baowu Heavy Industry; and
- (8) Ma Steel International Trade and Economic

ABSORPTION AND MERGER PROPOSAL

Overview of the Absorption and Merger Proposal

Ouye Factoring will merge with Ma Steel Factoring by way of absorption and merger. Ouye Factoring, as the surviving company after the merger, shall undertake and inherit all the assets, liabilities, businesses, personnel, contracts and all other rights and obligations of Ma Steel Factoring. The legal person status of Ma Steel Factoring will be cancelled.

Asset Valuation and Pricing

The benchmark date of audit and valuation for the absorption and merger is 30 June 2020. According to the valuation results, the book net assets of Ouye Factoring before valuation is RMB351.3608 million, the appraisal value is RMB351.3609 million, and the appreciation of valuation is RMB100; the book net assets of Ma Steel Factoring before valuation is RMB639.1464 million, the appraisal value is RMB639.2111, and the appreciation of valuation is RMB64,800 with the appreciation rate of 0.01%.

Way of Share Exchange

After the absorption and merger, the registered capital of the surviving company will be the sum of Ouye Factoring, whose registered capital is RMB400 million, and Ma Steel Factoring, whose registered capital is RMB600 million, which equals to RMB1,000 million; the corresponding share ratio and capital contribution of the original shareholders of both parties in Ouye Factoring 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 Factoring in the surviving company = the shareholding ratio of original shareholders in Ma Steel Factoring \times the appraisal value of net assets of Ma Steel Factoring \div (the appraisal value of net assets of Ma Steel Factoring + the appraisal value of net assets of Ouye Factoring)

The capital contribution of shareholders of Ma Steel Factoring in the surviving company = the shareholding ratio of the shareholders of Ma Steel Factoring in the surviving company \times (the registered capital of Ma Steel Factoring before the absorption and merger + the registered capital of Ouye Factoring before the absorption and merger)

- 2) The shareholding ratio of shareholders of Ouye Factoring in the surviving company = the shareholding ratio of original shareholders in Ouye Factoring \times the appraisal value of net assets of Ouye Factoring \div (the appraisal value of net assets of Ma Steel Factoring + the appraisal value of net assets of Ouye Factoring)

The capital contribution of shareholders of Ouye Factoring in the surviving company = the shareholding ratio of shareholders of Ouye Factoring in the surviving company \times (the registered capital of Ma Steel Factoring before the absorption and merger + the registered capital of Ouye Factoring before the absorption and merger)

The original equity structure of Ma Steel Factoring and Ouye Factoring before the absorption and merger is as follows:

Ma Steel Factoring

No.	Name of shareholders	Capital contribution (RMB0'000)	Percentage of shareholdings
1	Magang Investment	27,000	45%
2	The Company	15,000	25%
3	Masteel Mining	6,000	10%
4	Baowu Heavy Industry	6,000	10%
5	Ma Steel International Trade and Economic	6,000	10%
	Total	<u>60,000</u>	<u>100%</u>

Ouye Factoring

No.	Name of shareholders	Capital contribution (RMB0'000)	Percentage of shareholdings
1	Ouye Financial	<u>40,000</u>	<u>100%</u>
	Total	<u>40,000</u>	<u>100%</u>

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

No.	Name of shareholders	Percentage of shareholdings
1	Ouye Financial	35.47%
2	Magang Investment	29.04%
3	The Company	16.14%
4	Masteel Mining	6.45%
5	Baowu Heavy Industry	6.45%
6	Ma Steel International Trade and Economic	<u>6.45%</u>
	Total	<u>100%</u>

Conditions Precedent

The Agreement shall come into force on the date when the legal representatives/ authorized representatives sign and seal the Agreement after both parties and their shareholders perform necessary internal decision-making procedures in accordance with the relevant laws and regulations.

Information on Ma Steel Factoring

Ma Steel Factoring is mainly engaged in the accounts receivables financing, sales sub-account management, collection of accounts receivables and bad debt guarantee transferred by the Company.

The following table sets out the main audited financial data of Ma Steel Factoring for the two financial years ended 31 December 2019 and 2020:

RMB

	For the year ended 31 December 2019	For the year ended 31 December 2020
Total revenue	74,666,684	23,132,700
Net profit before tax	36,709,832	19,368,289
Net profit after tax	27,497,563	14,526,200

Information on Ouye Factoring

Ouye Factoring is mainly engaged in export factoring, domestic factoring, consulting services related to commercial factoring, and credit risk management platform development.

The following table sets out the main audited financial data of Ouye Factoring for the two financial years ended 31 December 2019 and 2020:

RMB

	For the year ended 31 December 2019	For the year ended 31 December 2020
Total revenue	66,350,975	42,572,900
Net profit before tax	-81,125,378	20,996,864
Net profit after tax	-60,870,229	13,234,600

REASONS FOR AND BENEFITS OF THE AGREEMENT

Upon the absorption and merger of Ma Steel Factoring by Ouye Factoring, the Company will become the shareholder of Ouye Factoring instead of Ma Steel Factoring. The factoring business will be carried out on a higher-level platform, and will receive more professional management and operation, which may bring better return to the Company without adverse influence.

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.

FINANCIAL IMPACT OF THE AGREEMENT

Upon completion, Ma Steel Factoring will cease to be an associate company of the Company. The assets, liabilities and financial results of Ouye Factoring will not be consolidated into the financial statements of the Group. Upon completion of the transaction, approximately 16.14% equity interest in Ouye Factoring held by the Group will be recognized as investment in an associated company and at the fair value of Ouye Factoring's identifiable net assets and liabilities attributable to the Company.

The Company does not expect to record any gains from the transactions under the Agreement because the value of 25% equity interests of Ma Steel Factoring should be equal to the value of 16.14% equity interests of Ouye Factoring after the merger is completed.

INFORMATION ON THE COMPANY AND OTHER PARTIES OF THE AGREEMENT

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.

Ma Steel Factoring is mainly engaged in the accounts receivables financing, sales sub-account management, collection of accounts receivables and bad debt guarantee transferred by the Company.

Ouye Factoring is mainly engaged in export factoring, domestic factoring, consulting services related to commercial factoring, and credit risk management platform development.

Ouye Financial is mainly engaged in financial data processing, financial software development, industrial investment and investment management, asset management, business consulting, corporate management consulting, investment consulting, and financial consulting.

Magang Investment is mainly engaged in equity investment, investment consulting, and financial adviser (excluding securities business).

Masteel Mining is mainly engaged in the exploration of mineral resources; mining of mineral resources (non-coal mines); beneficiation; mineral washing and processing; coal mining; coal washing, etc.

Baowu Heavy Industry is mainly engaged in metallurgical industry design, construction industry design, municipal industry design, electric power industry design, environmental engineering design, landscape engineering design; engineering consulting; engineering cost consulting, urban and rural planning preparation, engineering supervision, geotechnical surveying and mapping, technical research and development, consulting, and application of the comprehensive utilization of ore resources and secondary resources; general contracting of metallurgical engineering, electromechanical engineering, construction engineering, electric power engineering, water conservancy and hydropower engineering, municipal public engineering, highway engineering, mining engineering, etc.

Ma Steel International Trade and Economic is mainly engaged in the wholesale of coal; cargo transportation insurance, motor vehicle insurance, accident insurance agency; self-operated and agent import and export business of various commodities and technologies; wholesale and retail of pre-packaged food, coke, iron ore products, ferroalloys, non-ferrous metals and products, scrap steel (excluding recycling), pig iron, metal products, steel, mechanical equipment and accessories, electrical equipment, refractory materials, organic fertilizer, building materials, lubricating oil, fuel oil, wire and cable, rubber products, chemical products, general merchandise, agricultural products; economic and business information consulting services; and warehousing services (excluding dangerous goods).

LISTING RULES IMPLICATION

As at the date of this announcement, Magang Group is the controlling shareholder of the Company, and holds 47.59% equity interests in total, while all of Ma Steel Factoring, Magang Investment, Masteel Mining, Baowu Heavy Industry and Ma Steel International Trade and Economic are subsidiaries of Magang Group. China Baowu is the controlling shareholder of Magang Group, and holds approximately 59.23% of the Company, while Ouye Factoring and Ouye Financial are subsidiaries of China Baowu. As such, other parties of the Agreement 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.

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BOARD APPROVAL

By the 43rd meeting of the ninth session of the Board dated 28 April 2021, the Board approved the Agreement.

Among the Directors attending the Board meeting, due to reason related to the employment at Magang Group, Mr. Ding Yi was 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”	the Merger Agreement entered into by the Company and Chemical Energy Company dated 28 April 2021
“Baowu Heavy Industry”	Baowu Heavy Industry Co., Ltd., a limited company incorporated in PRC
“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 90% equity interest 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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Ma Steel Factoring”	Ma Steel (Shanghai) Commercial Factoring Company Limited, a limited company incorporated in PRC
“Magang Group”	Magang (Group) Holding Company Limited, a 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
“Magang Investment”	Magang Group Investment Company Limited, a limited company incorporated in PRC
“Masteel Mining”	Anhui Masteel Mining Resources Co., Ltd., a limited company incorporated in PRC
“Ma Steel International Trade and Economic”	Ma Steel International Trade and Economic Co., Ltd., a limited company incorporated in PRC
“PRC”	the People’s Republic of China

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Ouye Factoring”	Ouye Commercial Factoring Company Limited, a limited company incorporated in PRC
“Ouye Financial”	Shanghai Ouye Financial Information Services Company Limited, a limited company incorporated in PRC
“RMB”	Renminbi, the lawful currency of the PRC
“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

28 April 2021
Maanshan City, Anhui Province, the PRC

*As at the date of this announcement, the directors of the Company include:
Executive Directors: Ding Yi, Ren Tianbao; Independent Non-executive Directors:
Zhang Chunxia, Zhu Shaofang, Wang Xianzhu.*