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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 25 August 2021, Hefei Steel Plates, a company indirectly controlled by the Company, and Baowu Water entered into the Equity Transfer Agreement, and Hefei Steel Plates transferred its 100% equity interests of Hefei Water Supply to Baowu Water at a total price of RMB104,430,100.

As at the date of this announcement, Magang Group is interested in approximately 47.59% of the issued share capital of the Company and is the controlling shareholder of the Company. China Baowu, the controlling shareholder of Magang Group, indirectly holds a total of approximately 58.58% of the Company's shares, while Baowu Water is a subsidiary controlled by the China Baowu. Under Chapter 14A of the Listing Rules, Baowu Water is a connected person of the Company. Therefore, the transactions under the Equity Transfer Agreement would constitute connected transactions 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

25 August 2021

Parties

- (1) Hefei Steel Plates; and
- (2) Baowu Water

Subject Matter

Hefei Steel Plates agreed to sell and Baowu Water agreed to acquire 100% equity interest in Hefei Water Supply. Upon completion of the equity transfer, Hefei Steel Plates will cease to hold the equity interest in Hefei Water Supply.

Pricing

The equity valuation method of Hefei Water Supply is income approach; the valuation benchmark date is 31 January 2021; the book value of net assets of Hefei Water Supply is RMB84,036,000, and the appraised value is RMB104,430,100 (subject to the appraised value recorded by the competent authority (if any)), representing an increase of RMB20,394,100 compared with the book net assets, with an appreciation rate of 24.27%. The transfer price is based on the appraised value of RMB104,430,100.

Within five days from the effective date of the agreement, Baowu Water shall pay 50% of the equity transfer consideration to Hefei Steel Plates, and the remaining amount shall be paid to the designated account of Hefei Steel Plates before 31 December 2021.

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

The completion date will be in the month in which the change of industrial and commercial registration takes place. Any profit or loss during the period from the appraised benchmark date to the completion date shall be enjoyed or borne by Hefei Steel Plates. After completion, Hefei Water Supply will no longer be an indirect subsidiary of the Company.

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, gradually withdraw from non-core assets and businesses, expand leading industries, allocate resources to core business project investment, and enhance the Company's comprehensive competitiveness. The transfer of Hefei Water Supply's equity interests will bring benefits to the Company in terms of gathering resources and focusing on its main business.

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 Hefei Water Supply on 31 January 2021 is approximately RMB84,036,000, it is expected that the Company will record a book profits of approximately RMB20,394,100 (without deducting taxes and expenses) from the disposal of 100% equity interests of Hefei Water Supply through Hefei Steel Plates (subject to the audit results), which is the difference between the consideration of disposing of 100% equity interests of Hefei Water Supply and its corresponding book value of net assets.

The Company intends to use the proceeds from the disposal of 100% equity interests of Hefei Water Supply through Hefei Steel Plates (after deducting its directly attributable expenses) to replenish general working capital.

Information about Hefei Water Supply

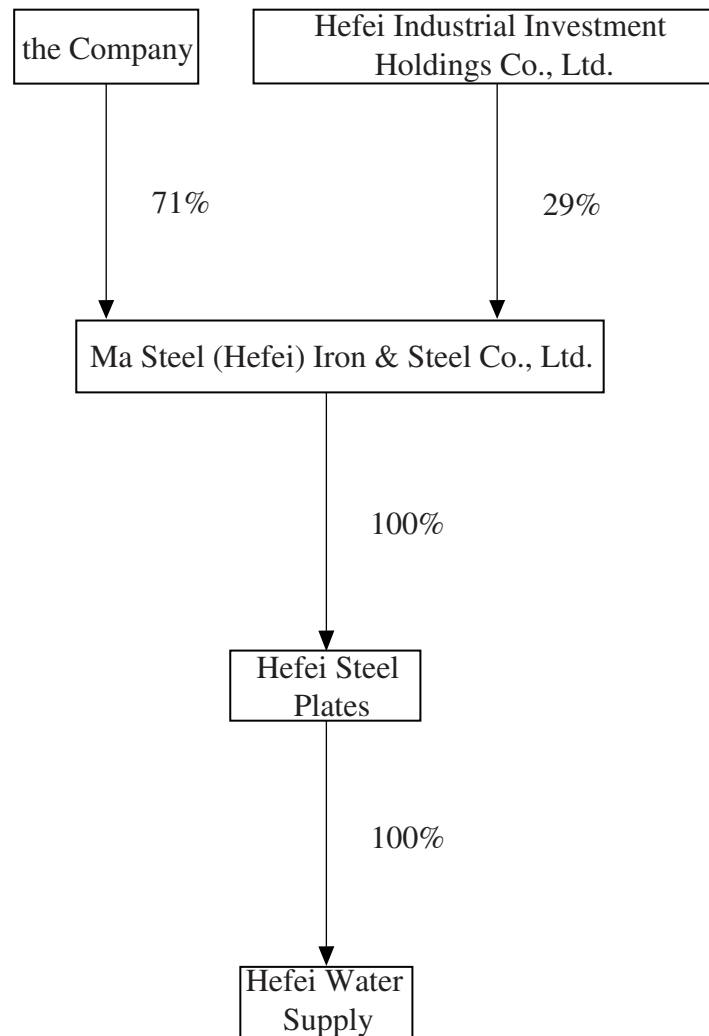
Main scope of business of Hefei Water Supply: industrial water production, operation and related services; sales of industrial water materials and energy and power; water supply engineering construction; water supply labor and technical services; waste materials disposal; electric equipment maintenance. (For projects subject to the administrative approval, approvals from the relevant authorities must be obtained prior to the commencement of operation).

The major financial data of Hefei Water Supply for the year 2020: total assets amounted to RMB108,247,300; operating revenue amounted to RMB41,601,300.

For the year ended 31 December 2019, the audited profit before tax and profit after tax of Hefei Water Supply amounted to RMB13,497,390.82 and RMB10,122,947.12, respectively.

For the year ended 31 December 2020, the audited profit before tax and profit after tax of Hefei Water Supply amounted to RMB16,144,201.58 and RMB12,108,151.18, respectively.

Shareholding Structure:



Information about the Company and Hefei Steel Plates

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.

Hefei Steel Plates is principally engaged in smelting and processing of ferrous metals and sale of the products, by-products and semi-products; processing of iron and steel products; production and sale of metallic products; agency sales of iron and steel products; technical services of iron and steel products and iron and steel industry related business; warehousing (excluding hazardous goods) and services; assets lease; provision of labour and technical services; treatment of waste materials; repair of electrical appliances and equipment. (For items subject to approval in accordance with the laws, operating activities can only be conducted upon approval by the relevant authorities).

Information about Baowu Water

Baowu Water is principally engaged in engaged in technology development, technology transfer, technical consultation and technical services in the fields of water treatment equipment and environmental technology; development of intelligent water software system; prevention and control service for water environment pollution; planning, design and consulting of water treatment, environmental engineering, and water supply and drainage; construction of environmental engineering and municipal utilities; building mechanical and electrical installation; research and development, production (limited to branches) and sales of environmental protection equipment and accessories; sales of chemical raw materials and products (excluding hazardous chemicals, controlled chemicals, fireworks and firecrackers, civil explosives and precursor chemicals); operation and maintenance of water treatment and environmental engineering facilities; manufacture (limited to branches) and sales of monitoring and detection instruments and meters for water pollution; import and export of goods and technology. (For projects subject to the administrative approval, approvals from the relevant authorities must be obtained prior to the commencement of operation).

The ultimate beneficial owner of Baowu Water is China Baowu, which holds 54.36% equity interest of Baowu Water.

Implications of the Listing Rules

As at the date of this announcement, Magang Group is interested in approximately 47.59% of the issued share capital of the Company and is the controlling shareholder of the Company. China Baowu, the controlling shareholder of Magang Group, indirectly holds a total of approximately 58.58% of the Company's shares, while Baowu Water is a subsidiary controlled by China Baowu. Under Chapter 14A of the Listing Rules, Baowu Water is a connected person of the Company. Therefore, the transactions under the Equity Transfer Agreement would constitute connected transactions 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 48th meeting of the ninth session of the Board of the Company on 25 August 2021, the Board approved the Equity Transfer Agreement.

Among the Directors attending the abovementioned Board meeting, Mr. Ding Yi, as a connected Director, is 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 abovementioned 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
“Baowu Water”	Baowu Water Technology Co., Ltd., a company established in the PRC with limited liability
“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 with 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, whose shares are listed on the Stock Exchange
“Directors”	the directors of the Company
“Equity Transfer Agreement”	Equity Transfer Agreement signed by Hefei Steel Plates and Baowu Water on 25 August 2021
“Hefei Steel Plates”	Ma Steel (Hefei) Steel Plates Co., Ltd., a company established in the PRC with limited liability
“Hefei Water Supply”	Maanshan Iron & Steel (Hefei) Industrial Water Supply Co., Ltd., a company established in the PRC with limited liability
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Magang Group”	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

25 August 2021
Maanshan City, Anhui Province, the PRC

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