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

(Stock Code: 00323)

CONNECTED TRANSACTION CAPITAL INJECTION AGREEMENT

On 17 September 2021, the Company and China Baowu, Magang Group, Baowu Carbon, Baosteel Chemical Zhanjiang, WISCO, Baosteel Co., Ltd., Wuhan Iron & Steel, Zhanjiang Steel, Meishan Iron & Steel, Baosteel Engineering and Baowu Water jointly entered into the Capital Injection Agreement, which agreed the capital injection into Baowu Water by the Company. China Baowu, Magang Group, Baowu Carbon, Baosteel Chemical Zhanjiang, WISCO are the original shareholders of Baowu Water, while the Company, Baosteel Co., Ltd., Wuhan Iron & Steel, Zhanjiang Steel, Meishan Iron & Steel and Baosteel Engineering are capital injection parties under the Capital Injection Agreement to jointly increase capital into Baowu Water. The Company will make the capital injection by way of contribution in kind, accounting for 19.135% of Baowu Water's shareholding, and the amount of the capital injection by the Company is RMB661,300,000.

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 57.48% of the Company's shares. Therefore, under Chapter 14A of the Listing Rules, Magang Group and China Baowu are connected persons of the Company, while Baowu Carbon, Baosteel Chemical Zhanjiang, WISCO, Baosteel Co., Ltd., Wuhan Iron & Steel, Zhanjiang Steel, Meishan Iron & Steel, Baosteel Engineering and Baowu Water are subsidiaries controlled by China Baowu. Under Chapter 14A of the Listing Rules, Baowu Carbon, Baosteel Chemical Zhanjiang, WISCO, Baosteel Co., Ltd., Wuhan Iron & Steel, Zhanjiang Steel, Meishan Iron & Steel, Baosteel Engineering and Baowu Water are connected persons of the Company. Therefore, the transactions under the Capital Injection Agreement would constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratio of the Capital Injection Agreement exceeds 0.1% but falls 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 CAPITAL INJECTION AGREEMENT

Date

17 September 2021

Parties

(1) the Company; (2) China Baowu; (3) Magang Group; (4) Baowu Carbon; (5) Baosteel Chemical Zhanjiang; (6) WISCO; (7) Baosteel Co., Ltd.; (8) Wuhan Iron & Steel; (9) Zhanjiang Steel; (10) Meishan Iron & Steel; (11) Baosteel Engineering; and (12) Baowu Water.

Share Capital and Contribution

The Company, Baosteel Co., Ltd., Wuhan Iron & Steel, Zhanjiang Steel, Meishan Iron & Steel and Baosteel Engineering will inject capital into Baowu Water by way of contribution in kind, equity and cash.

The valuation benchmark date for the audit and valuation of all parties to the capital injection is 31 January 2021. The Company invested in its own water treatment-related fixed assets. According to the cost approach assessed by Pan-China Appraisal Co., Ltd., the book value of the water treatment-related assets of the Company was RMB478,035,300, the appraised value excluding tax was RMB606,050,600, and the value-added amount was RMB128,015,300, representing an increase of 26.78%. The appraised value including tax was RMB675,719,500. After excluding the effects of asset depreciation of the Capital Injection during the transition period, the amount of capital injection of the Company was RMB661,300,000 (subject to the final filing results), of which RMB474,080,000 was transferred to the registered capital of Baowu Water, and RMB187,210,000 was transferred to the capital reserve of Baowu Water.

Shareholding structure of Baowu Water prior to the capital injection:

Name of shareholder	Form of contribution	Paid-up registered capital (RMB'0,000)	Shareholding ratio
China Baowu	Cash	50,000	54.36%
Magang Group	Cash	23,036	25.04%
Baowu Carbon	Contribution in kind and equity	12,329	13.40%
Baosteel Chemical Zhanjiang	Contribution in kind	4,134	4.49%
WISCO	Equity	2,479	2.70%
Total		<u>91,978</u>	<u>100%</u>

Shareholding structure of Baowu Water after the capital injection:

Name of shareholder	Form of contribution	Paid-up registered capital (RMB'0,000)	Shareholding ratio
China Baowu	Cash	50,000	20.181%
Magang Group	Cash	23,036	9.298%
Baowu Carbon	Contribution in kind and equity	12,329	4.976%
Baosteel Chemical Zhanjiang	Contribution in kind	4,134	1.669%
WISCO	Equity	2,479	1.001%
The Company	Contribution in kind	47,408	19.135%
Baosteel Engineering	Cash	2,361	0.953%
Baosteel Co., Ltd.	Contribution in kind	51,435	20.760%
Wuhan Iron and Steel	Contribution in kind	29,392	11.863%
Zhanjiang Steel	Contribution in kind	20,943	8.453%
Meishan Iron & Steel	Contribution in kind	4,236	1.710%
Total		<u>247,754</u>	<u>100%</u>

The shareholding ratio of all parties shall be determined on the basis of the appraised net assets value of the final filing of Baowu Water. From the valuation benchmark date to the date of the capital injection, changes of book value of the proposed capital injection assets and net assets of Baowu Water shall be enjoyed or borne by the original shareholders of the relevant company.

All parties to the capital injection shall complete the transfer of the ownership of the assets used for capital contribution before 1 December 2021, and cooperate in the registration of changes in industry, commerce and taxation.

Conditions

After all 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 official seals by the legal representatives (or authorized representatives) of all parties.

Reasons for and Benefits of the Capital Injection Agreement

As the State focuses on the development of ecological economy, green economy and environmental protection economy, there is strong market demand for the treatment of industrial water and reclaimed water. According to the forecast of Qianzhan Intelligence Co., Ltd. (前瞻产业研究院), the scale of industrial wastewater treatment market in the PRC will maintain rapid growth, which exceeded RMB160 billion in 2020 and is expected to exceed RMB350 billion by 2024.

Baowu Water, as a professional platform company for the water and atmospheric treatment of China Baowu, has broad development prospects. The capital injection into Baowu Water by the Company is conducive to leveraging synergy. Through professional operation and systematic problem solving capabilities, the Company may reduce the governance cost for water and gas, improve operating performance by boosting the main iron and steel business, and share the benefits of external business development of Baowu Water, so as to obtain return of investment and share capital value.

The Directors (including independent non-executive Directors) are of the view that the terms of the Capital Injection 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.

Information about Baowu Water

Baowu Water is principally 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.

The main financial data of Baowu Water in 2020: total assets of RMB1,598,574,000; operating income of RMB1,366,408,000.

The consolidated data of Baowu Water in 2019: total profit of RMB311,100 and net profit of RMB233,300. The consolidated data in 2020: total profit of RMB66,943,600 and net profit of RMB65,068,300.

Information about the Company

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

Information about China Baowu

The main business scope of China Baowu: operating state-owned assets within the scope authorized by the State Council, as well as carrying out relevant state-owned capital investment and operation. (For projects subject to the administrative approval, approvals from the relevant authorities must be obtained prior to the commencement of operation).

China Baowu is 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.

Information about Magang Group

The main business scope of Magang Group: Capital management; Mining and selection of mineral products; Construction of construction projects; Building materials, machinery manufacturing, maintenance and design; Foreign trade; Domestic trade (except for projects restricted by the state); Supply, marketing and storage of materials; Property management; Advisory services; Leasing; Agroforestry. (limited to subordinate branches) (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 Magang Group is China Baowu.

Information about Baowu Carbon

The main business scope of Baowu Carbon: Licensed items: hazardous chemicals production, hazardous chemicals business, goods import and export, technology import and export, various engineering construction activities. (For projects subject to the administrative approval, approvals from the relevant authorities must be obtained prior to the commencement of operation, the actual business projects as approved under the approval documents or license documents granted by the relevant departments shall prevail) General projects: production and sales of chemical raw materials and products (excluding licensed chemical products); chemicals, graphite and new carbon materials, carbon fibers, special carbon products, highly purified graphite products, carbon composite materials, lithium ion battery cathode materials, polyester materials and technological development, technology transformation, technical consultation and technical services within the field of environmental protection technology; processing, maintenance and sales of general machinery and equipment and spare parts; sales of water-based paint (excluding hazardous chemicals). (Except for items that are subject to approval in accordance with the laws, the business activities shall be conducted independently with the business licenses in accordance with the laws).

The ultimate beneficial owner of Baowu Carbon is China Baowu.

Information on Baosteel Chemical Zhanjiang

Principal scope of business of Baosteel Chemical Zhanjiang: operation of hazardous chemicals (trade operation): hazardous chemicals (for particulars, please refer to the project approved by the license for hazardous chemicals of Yue Zhan Wei Hua Jing Zi [2020] No. 058, valid until 7 June 2023); production of hazardous chemicals (for particulars, please refer to the project approved by the safety production license of Yue Zhan Wei Hua Sheng Zi [2020] No. 0003, valid until 13 June 2023); (the following business items exclude hazardous chemicals) production, purchase and sales of chemical raw materials and products (including carbon black); technology development, technology transfer, technology consulting, technology service, import

and export of goods and import and export of technology in the professional field of chemical industry (except for the import and export of goods and technologies prohibited by the State or involving administrative approval); industrial wastewater treatment; warehouse service (except for the storage of hazardous wastes). (For items subject to approval in accordance with the laws, operating activities can only be conducted upon approval by the relevant authorities).

The ultimate beneficial owner of Baosteel Chemical Zhanjiang is China Baowu.

Information on WISCO

Principal scope of business of WISCO: development, construction and operation of factories, parks and urban areas; real estate development and operation; residential and commercial ancillary facilities and industrial park leasing business; park industrial services; operation and management of apartments; hotel management; provision of technical and operation consulting and technology and information services relating to the above businesses. (For items subject to approval in accordance with the laws, operating activities can only be conducted upon approval by the relevant authorities).

The ultimate beneficial owner of WISCO is China Baowu.

Information on Baosteel Co., Ltd.

Principal scope of business of Baosteel Co., Ltd.: steel smelting and processing, and steel related businesses including power, coal, industrial gas production, wharf, storage and transportation; technology development, technology transfer, technology service and technology management consulting service; automobile repairs; import and export of commodities and technologies; non-ferrous metal smelting and rolling processing; industrial furnace; production and sales of chemical raw materials and products; metal ore, coal, steel, non-metal ore loading and unloading, port service; transportation agency for the waterway cargo; loading, unloading and transportation of the waterway cargo; shipping agency; foreign contracting engineering and labor service; international tendering; engineering tender agency; domestic trading; set-off and carrying trade; steel scrap, coal, fuel oil, hazardous chemicals (wholesale only) (operation at branches and sub-branches only); security check on motor vehicles; production and sales of chemical raw materials and products. (For items subject to approval in accordance with the laws, operating activities can only be conducted upon approval by the relevant authorities).

The ultimate beneficial owner of Baosteel Co., Ltd. is China Baowu.

Information on Wuhan Iron & Steel

Principal scope of business of Wuhan Iron & Steel: manufacturing of metallurgical products and by-products and steel extension products, and technological development of metallurgical products; the import and export of goods and technology, and the import and export of agency services (excluding goods or technologies that are prohibited or restricted by the state); wholesale of steel and by-products and coal; sales of metal ores and non-metal ores, alloys, steel scrap, metal materials, electrical engineering and materials, wires and cables, building materials, refractory materials, electromechanical equipment, instrumentation and chemical products (excluding inflammable, explosive and hazardous goods); supply of electricity, heat and gas; warehousing, railway cargo transportation and road cargo transportation (where licensed business items are involved, operation is subject to permission by relevant authorities); repair of general equipment (excluding special equipment); professional repair of equipment specifically for use in metallurgy; electrical equipment repair; instrumentation repair; measurement service and verification and calibration service; the Group's own carbon emission quota trading (limited for designated trading institutions or platforms); environmental protection monitoring service (only limited for operation of licensed branches); environmental technology consulting service (For items subject to approval in accordance with the laws, operating activities can only be conducted upon approval by the relevant authorities).

The ultimate beneficial owner of Wuhan Iron & Steel is China Baowu.

Information on Zhanjiang Steel

Principal scope of business of Zhanjiang Steel: steel smelting, rolling and processing, power, coal, chemical engineering, industrial gas production, wharf, logistics storage and transportation; automobile repairs; security check on motor vehicles (where the above licensed business items are involved, operation is subject to permission by relevant certificate of approvals and license files); steel-related business technology development, technology transfer, technology service and technology management consulting service; domestic trading (specially regulated ones excepted); import and export and agency services of commodities and technologies. (excluding the above items prohibited by laws and administrative regulations, and items restricted by laws and administrative regulations shall obtain an approval before operation) for the projects). (For items subject to approval in accordance with the laws, operating activities can only be conducted upon approval by the relevant authorities).

The ultimate beneficial owner of Zhanjiang Steel is China Baowu.

Information on Meishan Iron & Steel

Principal scope of business of Meishan Iron & Steel: ferrous metal smelting and rolling processing; generation of electricity; sales of self-produced products, cold-rolled products, mineral products, steel products, hardware, building materials, mechanical and electrical equipment, instrumentation, and metal products; economics information consulting; processing of ore and mineral powder, pig iron, billet and hot rolled plate; operation of hazardous chemicals (as listed in the license); import and export of various commodities and technologies (excluding those restricted by the State for trading or import and export) for itself or as agent. (For items subject to approval in accordance with the laws, operating activities can only be conducted upon approval by the relevant authorities).

The ultimate beneficial owner of Meishan Iron & Steel is China Baowu.

Information on Baosteel Engineering

Principal scope of business of Baosteel Engineering: design of metallurgy, construction, decoration and environmental protection engineering, and general contracting; the design of chemical, petrochemical and pharmaceutical and special municipal construction projects; special design of environmental engineering and construction engineering; equipment design, complete equipment and management, engineering, investment technical service and consultation; the audit on the settlement of projects; environmental assessment and urban planning; foreign economic and technological cooperation and the import and export of various commodities and technologies. (For items subject to approval in accordance with the laws, operating activities can only be conducted upon approval by the relevant authorities).

The ultimate beneficial owner of Baosteel Engineering is China Baowu.

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 57.48% of the Company's shares. Therefore, under Chapter 14A of the Listing Rules, Magang Group and China Baowu are connected persons of the Company, while Baowu Carbon, Baosteel Chemical Zhanjiang, WISCO, Baosteel Co., Ltd., Wuhan Iron & Steel, Zhanjiang Steel, Meishan Iron & Steel, Baosteel Engineering and Baowu Water are subsidiaries controlled by China Baowu. Under Chapter 14A of the Listing Rules, Baowu Carbon, Baosteel Chemical Zhanjiang, WISCO, Baosteel Co., Ltd., Wuhan Iron & Steel, Zhanjiang Steel, Meishan Iron & Steel, Baosteel Engineering and Baowu Water are connected persons of the Company. Therefore, the transactions under the Capital Injection Agreement would constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratio of the Capital Injection Agreement exceeds 0.1% but falls 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.

Approval by the Board

In the 49th meeting of the ninth session of the Board of the Company on 17 September 2021, the Board approved the Capital Injection Agreement.

Among the Directors attending the abovementioned Board meeting, Mr. Ding Yi, as a connected Director, is considered to have significant interests under the Capital Injection Agreement and shall abstain from voting in the relevant Board resolutions of the Capital Injection Agreement. Except for the disclosed above, none of the Directors attending the abovementioned Board meeting has significant interests in the Capital Injection Agreement.

DEFINITIONS

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

“Board”	The Board of the Directors of the Company
“Baosteel Engineering”	Baosteel Engineering & Technology Group Co., Ltd. (寶鋼工程技術集團有限公司), a company established in the PRC with limited liability
“Baowu Carbon”	Baowu Carbon Technology Co., Ltd. (寶武碳業科技股份有限公司), a company established in the PRC with limited liability
“Baosteel Chemical Zhanjiang”	Baosteel Chemical Zhanjiang Co., Ltd. (寶鋼化工湛江有限公司), a company established in the PRC with limited liability
“Baowu Water”	Baowu Water Technology Co., Ltd. (寶武水務科技有限公司), a company established in the PRC with limited liability
“Baosteel Co., Ltd.”	Baoshan Iron & Steel Co., Ltd. (寶山鋼鐵股份有限公司), a company established in the PRC with limited liability

“Capital Injection Agreement”	Capital Injection Agreement of Baowu Water Technology Co., Ltd. entered into by the Company and China Baowu, Magang Group, Baowu Carbon, Baosteel Chemical Zhanjiang, WISCO, Baosteel Co., Ltd., Wuhan Iron & Steel, Zhanjiang Steel, Meishan Iron & Steel, Baosteel Engineering and Baowu Water on 17 September 2021
“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
“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
“Meishan Iron & Steel”	Shanghai Meishan Iron & Steel Co., Ltd. (上海梅山鋼鐵股份有限公司), a company established in the PRC with limited liability
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“WISCO”	Wuhan Iron and Steel (Group) Corp. (武鋼集團有限公司), a company established in the PRC with limited liability
“Wuhan Iron & Steel”	Wuhan Iron and Steel Company Limited (武漢鋼鐵有限公司), a company established in the PRC with limited liability
“Zhanjiang Steel”	Baosteel Zhanjiang Iron and Steel Co., Ltd. (寶鋼湛江鋼鐵有限公司), a company established in the PRC with limited liability
“%”	percentage

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

17 September 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.