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

(Stock Code: 00323)

CONNECTED TRANSACTIONS EQUITY TRANSFER AGREEMENT AND ASSETS TRANSFER AGREEMENT

On 29 September 2021, the Company entered into the Equity Transfer Agreement of Anhui Masteel K. Wah New Building Materials Co. Ltd. and the Assets Transfer Agreement with Baowu Environment Maanshan Company, and transferred its 30% equity interests in Ma Steel K. Wah and the assets related to solid waste treatment of the Company to Baowu Environment Maanshan Company.

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 57.19% of the Company's shares. Therefore, under Chapter 14A of the Listing Rules, Magang Group and China Baowu are connected persons of the Company. Since Baowu Environment Maanshan Company is a subsidiary of China Baowu, under Chapter 14A of the Listing Rules, Baowu Environment Maanshan Company is a connected person of the Company. Therefore, the transactions under the Equity Transfer Agreement and the Assets 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 and the Assets 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 the approval of independent shareholders under the Listing Rules.

PRINCIPAL TERMS OF EQUITY TRANSFER AGREEMENT

Date

29 September 2021

Parties

- (1) The Company; and
- (2) Baowu Environment Maanshan Company

Subject Matter

The Company agreed to sell and Baowu Environment Maanshan Company agreed to acquire 30% equity interests in Ma Steel K. Wah and the assets related to solid waste treatment of the Company. Upon completion of the equity transfer, the Company will cease to hold the equity interests in Ma Steel K. Wah.

Pricing

The equity valuation method of Ma Steel K. Wah is asset-based approach; the valuation benchmark date is 31 March 2021; the book value of net assets of Ma Steel K. Wah is RMB317,199,600, and the appraised value is RMB371,141,400, representing an appreciation of RMB53,941,800, with an appreciation rate of 17.01%. The consideration of 30% equity interests in Ma Steel K. Wah is RMB111,342,400 (subject to the appraised value upon filing from the competent authority (if any)). The appraised value shall be adopted as the transfer consideration.

Baowu Environment Maanshan Company shall pay the equity transfer consideration to the Company within five days from the effective date of the agreement.

Conditions

After the parties have completed the respective 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 shall handle the change of the industrial and commercial registration as soon as practicable after the contract takes effect, and the completion date will be in the month when the change of industrial and commercial registration takes place. The profit and loss for the period from the evaluation benchmark day to the completion date shall be enjoyed and assumed by the Company in proportion to the equity held by the Company. From the completion date, the subject of the transaction and all rights and interests related thereto shall be deemed to be attributable to Baowu Environment Maanshan Company. Baowu Environment Maanshan Company, as the owner of the subject of the transaction, enjoys and assumes the rights and obligations related to the subject of the transaction, and the Company no longer enjoys and assumes such rights and obligations.

Potential Financial Impact of the Equity Transfer Agreement

As the book value of net assets of Ma Steel K. Wah on 31 March 2021 is approximately RMB317,199,600, it is expected that the Company will record a book profits of approximately RMB16,182,500 (without deducting taxes and expenses) from the disposal of 30% equity interests of Ma Steel K. Wah (subject to the audit results), which is the difference between the consideration of disposing of 30% equity interests of Ma Steel K. Wah and its corresponding book value of net assets.

The Company intends to use the proceeds from the disposal of 30% equity interests of Ma Steel K. Wah (after deducting its directly attributable expenses) to replenish general working capital.

PRINCIPAL TERMS OF ASSETS TRANSFER AGREEMENT

Date

29 September 2021

Parties

- (3) The Company; and
- (4) Baowu Environment Maanshan Company

Subject Matter

The Company transferred its holding of the assets related to solid waste treatment of the Company to Baowu Environment Maanshan Company, which principally include fixed assets and construction in progress for the production lines and structures related to steel slag resource processing, rotary hearth furnace production and solid waste recycling.

Pricing

The equity valuation method of the Company for the assets related to solid waste treatment of the Company is cost approach; the valuation benchmark date is 31 March 2021; the book value of such part of assets is RMB168,436,200, while the appraised value excluding taxation was RMB189,908,600, with an appreciation of RMB21,472,400, representing an appreciation rate of 12.75%. Sales tax of value added tax amounted to RMB21,813,500, and the appraised value (tax inclusive) was RMB211,722,100 (subject to the appraised value recorded by the competent authority (if any)). The appraised value shall be adopted as the transfer consideration.

An invoice for value added tax will be issued by the Company within 10 working days after confirmation of completion of delivery by both parties and the consideration for the asset transfer will be paid to the Company within five days from the date of receipt of the invoice by Baowu Environment Maanshan Company.

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 date of delivery of the assets will be the date of confirmation of completion of delivery of the assets. Changes in the book value of the assets from the date of completion to the valuation benchmark date shall be enjoyed or assumed by Baowu Environment Maanshan Company. From the date of completion, the subject of the transfer shall be attributable to Baowu Environment Maanshan Company and Baowu Environment Maanshan Company shall enjoy and assume all rights, obligations and risks in relation to the subject of the transfer; the Company shall no longer enjoy any rights and shall not assume any obligations and risks in relation to the subject of the transfer.

Information about the Assets related to Solid Waste Treatment

For the year of 2020, the operating income, the profits before taxation and the net profit after taxation attributable to the assets related to solid waste treatment amounted to RMB575,653,552.52, RMB95,804,697.74 and RMB68,103,523.31, respectively.

For the year of 2019, the operating revenue and the net loss attributable to the assets related to solid waste treatment amounted to RMB400,202,077.97 and RMB56,067,734.37, respectively.

Potential Financial Impact of the Assets Transfer Agreement

As the book value of net assets of the assets related to solid waste treatment of the Company on 31 March 2021 is approximately RMB168,436,200, it is expected that the Company will record a book profit from the disposal of approximately RMB21,472,400 (subject to the audit results), which is the difference between the consideration of disposing of the assets related to solid waste treatment and its corresponding book value of net assets.

The Company intends to use the proceeds from the disposal of the assets related to solid waste treatment (after deducting its directly attributable expenses) to replenish general working capital.

REASONS FOR AND BENEFITS OF THE EQUITY TRANSFER AGREEMENT AND ASSETS TRANSFER AGREEMENT

In order to focus on the main business in steel and iron industry and optimize the allocation of resources, the Company transferred its holding of the equity interests of Masteel K. Wah and relevant assets of solid waste treatment. The transfer of these assets will not have adverse impact on the main business in steel and iron industry of the Company.

Baowu Environment Maanshan Company is a management platform of Baowu Group Environmental Resources Technology Co., Ltd. in Maanshan region, which is principally engaged in related business of integrated utilization of solid waste resources. The asset transfer is conducive to enhancing the professional collaboration between the Company and Baowu Environment Maanshan Company, and reducing the solid waste treatment cost of the Company to boost the operating performance of steel business through leveraging professional operation and systematic problem solving capabilities.

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.

INFORMATION ABOUT MA STEEL K. WAH

Ma Steel K. Wah is principally engaged in transportation and sales of slag of blast furnace; transportation and sales of steel slag; production, sales and transportation of slag of blast furnace and steel slag combination utilization products, such as micronized powder, mine filling solidifier, provision of consultancy and service for related technology; loading and unloading in docks and warehousing services, dock and other port facilities services. (For projects subject to the administrative approval, approvals from the relevant authorities must be obtained prior to the commencement of operation).

For the year 2020, the operating income, the profits before taxation and the net profits after taxation of Ma Steel K. Wah amounted to RMB1,094,380,000, RMB65,174,256.82 and RMB49,107,895.05, respectively.

For the year 2019, the profits before taxation and the net profits after taxation of Ma Steel K. Wah amounted to RMB121,119,182.35 and RMB89,382,929.62, respectively.

Before the equity transfer under the Equity Transfer Agreement, Magang (Group) Holding Company Limited holds 40% equity interests, Leader Investment Co., Ltd holds 30% equity interests and the Company holds 30% equity interests in Ma Steel K. Wah.

INFORMATION ABOUT THE COMPANY AND BAOWU ENVIRONMENT MAANSHAN 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.

Baowu Environment Maanshan Company is principally engaged in recycling, processing and sales of renewable resources; metal materials, metallurgical furnace materials, metallurgical auxiliary materials (except special) sales; steel slag, dust ash (mud), waste refractory, desulfurization gypsum recovery, sorting, processing and sales; blast furnace slag processing and sales; slag powder sales; reduction iron powder manufacturing, sales and its professional technical services; non-metallic waste and scrap processing; road common cargo transportation, warehousing services, loading and unloading services; construction materials, development and consultancy services of metallurgical minerals 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 Environment Maanshan Company 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 57.19% of the Company's shares. Therefore, under Chapter 14A of the Listing Rules, Magang Group and China Baowu are connected persons of the Company. Since Baowu Environment Maanshan Company is a subsidiary of China Baowu, under Chapter 14A of the Listing Rules, Baowu Environment Maanshan Company is a connected person of the Company. Therefore, the transactions under the Equity Transfer Agreement and the Assets Transfer Agreement would constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

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APPROVAL BY THE BOARD

In the 50th meeting of the ninth session of the Board of the Company on 29 September 2021, the Board approved the Equity Transfer Agreement and the Assets 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 the Assets Transfer Agreement, and shall abstain from voting in the relevant Board resolutions of the Equity Transfer Agreement and the Assets Transfer Agreement. Except for the disclosed above, none of the Directors attending the abovementioned Board meeting has significant interests in the Equity Transfer Agreement and the Assets Transfer Agreement.

DEFINITIONS

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

“Assets Transfer Agreement”	the Assets Transfer Agreement signed by the Company and Baowu Environment Maanshan Company on 29 September 2021
“Baowu Environment Maanshan Company”	Baowu Environment Maanshan Resources Utilization Co., Ltd. (寶武環科馬鞍山資源利用有限公司), a company established in the PRC with limited liability
“Board”	the Board of the Directors of the Company
“China Baowu”	China Baowu Steel Group Corporation Limited (中國寶武鋼鐵集團有限公司), a limited company incorporated in the PRC and a pilot enterprise of state-owned capital investment company with 90% equity interests 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 (馬鞍山鋼鐵股份有限公司), 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”	the Equity Transfer Agreement of Anhui Ma Steel K. Wah New Building Materials Co., Ltd. signed by the Company and Baowu Environment Maanshan Company on 29 September 2021
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Magang Group”	Magang (Group) Holding Company Limited (馬鋼集團) 控 股 有 限 公 司), a wholly state-owned enterprise with limited liability, formerly known as Maanshan Magang Holding Company, and was approved by the government to be restructured into Magang (Group) Holding Company Limited in September 1998
“Ma Steel K. Wah”	Anhui Ma Steel K. Wah New Building Materials Co., Ltd. (安 徽 馬 鋼 嘉 華 新 型 建 材 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
“%”	percentage

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

29 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.