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

**(Stock Code: 00323)**

**CONNECTED TRANSACTION**  
**TRANSFER OF IRONMAKING CAPACITY REPLACEMENT**  
**QUOTA AND TRANSFER OF STEELMAKING CAPACITY**  
**REPLACEMENT QUOTA**

On 7 June 2022, Changjiang Steel, a subsidiary of the Company, and Zhanjiang Steel entered into the Ironmaking Capacity Replacement Quota Transfer Agreement, pursuant to which Changjiang Steel transferred 550,000 tonnes of ironmaking capacity to Zhanjiang Steel; and the Company entered into the Steelmaking Capacity Replacement Quota Transfer Agreement with Baosteel Special Steel, pursuant to which the Company purchased 280,000 tonnes of steelmaking capacity from Baosteel Special Steel.

As of the date of this announcement, Magang Group is interested in approximately 45.095% 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 53.34% of the Company's shares. Zhanjiang Steel and Baosteel Special Steel are subsidiaries of China Baowu, and are therefore connected persons of the Company under Chapter 14A of the Listing Rules. Therefore, the transactions under the Ironmaking Capacity Replacement Quota Transfer Agreement and the Steelmaking Capacity Replacement Quota Transfer Agreement would constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios of the Ironmaking Capacity Replacement Quota Transfer Agreement and the Steelmaking Capacity Replacement Quota 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 IRONMAKING CAPACITY REPLACEMENT QUOTA TRANSFER AGREEMENT**

## **Date**

7 June 2022

## **Parties**

- (1) Changjiang Steel
- (2) Zhanjiang Steel

## **SUBJECT OF TRANSACTION**

In September 2018, with the approval of the Anhui Economic and Information Technology Commission, Changjiang Steel implemented a capacity reduction and replacement technical transformation project, i.e. eliminating two 40-tonne converters with a capacity of 1.2 million tonnes and replacing with a 140-tonne electric furnace with a capacity of 1.1 million tonnes, and eliminating a 450-cubic-meter blast furnace with a capacity of 550,000 tonnes. The 550,000 tonnes of ironmaking capacity transferred by Changjiang Steel was the eliminated 450-cubic-meter blast furnace with a capacity of 550,000 tonnes.

No revenue has been recorded in the past two years as the ironmaking capacity is a discontinued project.

## **CONSIDERATION**

The valuation agency for the transfer of ironmaking capacity is Yinxin Assets Appraisal Co., Ltd.\* (銀信資產評估有限公司); the valuation method is market approach; the valuation benchmark date is 28 February 2022; the unit price of the ironmaking capacity quota transferred by Changjiang Steel is RMB512 per tonne, and the total market value of the 550,000 tonnes of capacity quota is RMB281.6 million (including tax), subject to the appraised value recorded by the competent authority (if any); and the transfer price is based on the appraised value.

After the agreement has come into effect and both parties have completed all the procedures for the transfer of capacity replacements, Zhanjiang Steel shall pay the transfer price for the ironmaking capacity replacement quota as agreed in the agreement within one month upon receipt of the full value-added tax invoice issued by Changjiang Steel.

## **EFFECTIVENESS OF THE AGREEMENT**

The agreement shall come into effect from the date when the legal representatives or authorised representatives of both parties sign and affix their official seals.

## **REASONS FOR AND BENEFITS OF THE AGREEMENT**

The transfer of the idle 550,000 tonnes of ironmaking capacity by Changjiang Steel will improve the efficiency of the Company's resource allocation through coordinating the allocation of capacity resources, and has no impact on the capacity of Changjiang Steel.

The Directors (including independent non-executive Directors) are of the view that the terms of the Ironmaking Capacity Replacement Quota 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.

The Company intends to use the proceeds from the transfer of ironmaking capacity (after deducting its directly attributable expenses) to replenish general working capital. The ironmaking capacity transferred has no separate book value. The net proceeds from the transfer will be regarded as the income from the transfer, and such income will be recognised as current income.

## **INFORMATION ABOUT CHANGJIANG STEEL**

Changjiang Steel is mainly engaged in the production process system of 32,000 m<sup>3</sup>/h industrial oxygen, 32,000 m<sup>3</sup>/h industrial nitrogen, 930 m<sup>3</sup>/h pure argon, 700 m<sup>3</sup>/h liquid oxygen (converted into gas), 300 m<sup>3</sup>/h liquid nitrogen (converted into gas) (operation is limited to subordinate branches); production and sale of screw-threaded steel, round steel, section steel, angle steel, flat steel, deformed steel, tube steel, wire, rod, ferrous metal smelting, steel billets and pig iron; sale of iron ore, iron ore fines and scrap steel as well as import and export operating business.

## **INFORMATION ABOUT ZHANJIANG STEEL**

Zhanjiang Steel is mainly engaged in 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 of commodities and technologies.

The ultimate beneficial owner of Zhanjiang Steel is China Baowu.

## **IMPLICATIONS OF THE LISTING RULES**

As at the date of this announcement, Magang Group is interested in approximately 45.095% 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 53.34% of the Company's shares. Zhanjiang Steel is a subsidiary of China Baowu and is therefore connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the transactions under the Ironmaking Capacity Replacement Quota Transfer Agreement would constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios of the Ironmaking Capacity Replacement Quota 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.

## **APPROVAL BY THE BOARD**

On 7 June 2022, at the 61<sup>st</sup> meeting of the ninth session of the Board of the Company, four non-connected Directors (including three independent non-executive Directors) voted to approve the Ironmaking Capacity Replacement Quota Transfer Agreement, except for Mr. Ding Yi, a connected Director, who abstained from voting as required.

## **PRINCIPAL TERMS OF STEELMAKING CAPACITY REPLACEMENT QUOTA TRANSFER AGREEMENT**

### **Date**

7 June 2022

### **Parties**

- (1) the Company
- (2) Baosteel Special Steel

## **SUBJECT OF TRANSACTION**

The 280,000 tonnes of steelmaking capacity purchased is the 280,000 tonnes of steelmaking replacement capacity corresponding to the two 40-tonne electric furnaces of Baosteel Special Steel.

The steelmaking capacity purchased has no separate book value, and no revenue has been recorded in the past two years.

## **CONSIDERATION**

The valuation agency for the transfer of steelmaking capacity is Beijing China Enterprise Appraisals Co., Ltd.; the valuation method is market approach; the valuation benchmark date is 28 February 2022; the unit price of the steelmaking capacity quota transferred by Baosteel Special Steel is RMB651 per tonne, and the total market value of the 280,000 tonnes of capacity quota is RMB182.28 million (including tax), subject to the appraised value recorded by the competent authority (if any); and the transfer price is based on the appraised value.

After the agreement has come into effect and both parties have completed all the procedures for the transfer of capacity replacements, the Company shall pay the transfer price for the steelmaking capacity replacement quota as agreed in the agreement within one month upon receipt of the full value-added tax invoice issued by Baosteel Special Steel. The consideration will be financed by the Company's internal resources.

## **EFFECTIVENESS OF THE AGREEMENT**

The agreement shall come into effect from the date when the legal representatives or authorised representatives of both parties sign and affix their official seals.

## **REASONS FOR AND BENEFITS OF THE AGREEMENT**

The Company purchased 280,000 tonnes of steelmaking replacement capacity from Baosteel Special Steel for the plans to invest in the construction of its new special steel project, which would enable the Company to rely on its existing production base for concentrated development and enhance the internal dynamics of the corporate development.

The Directors (including independent non-executive Directors) are of the view that the terms of the Steelmaking Capacity Replacement Quota 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 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 BAOSTEEL SPECIAL STEEL**

Baosteel Special Steel is mainly engaged in steel smelting and processing; non-ferrous metal smelting, rolling and processing; domestic trading (specially regulated ones excepted); industrial furnace building; extended processing of steel and non-ferrous metal products; wharf handling, warehousing; import and export of goods and technologies; technology consulting, technology service, technology transfer and technology development in the field of iron and steel smelting; real estate investment, development and operation; self-owned housing lease; employment agency; development, construction and operation of industrial parks and ancillary facilities; parking lot (garage) operation; advertising release (non-radio, television, newspaper publishing units).

The ultimate beneficial owner of Baosteel Special Steel is China Baowu.

## **IMPLICATIONS OF THE LISTING RULES**

As at the date of this announcement, Magang Group is interested in approximately 45.095% 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 53.34% of the Company's shares. Baosteel Special Steel is a subsidiary of China Baowu and is therefore connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the transactions under the Steelmaking Capacity Replacement Quota Transfer Agreement would constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios of the Steelmaking Capacity Replacement Quota 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.

## **APPROVAL BY THE BOARD**

On 7 June 2022, at the 61<sup>st</sup> meeting of the ninth session of the Board of the Company, four non-connected Directors (including three independent non-executive Directors) voted to approve the Steelmaking Capacity Replacement Quota Transfer Agreement, except for Mr. Ding Yi, a connected Director, who abstained from voting as required.

## DEFINITIONS

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

“Baosteel Special Steel”	Baosteel Special Steel Co., Ltd., a company established in the PRC with limited liability
“Board”	the Board of the Directors of the Company
“Changjiang Steel”	Anhui Changjiang Steel Co., Ltd., a company established in the PRC with limited liability, being a subsidiary 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 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 of Hong Kong Limited
“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
“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**  
*Secretary to the Board*

7 June 2022  
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.*