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

(Stock Code: 00323)

CONNECTED TRANSACTION EQUITY TRANSFER AGREEMENTS

JINHUA PROCESSING EQUITY TRANSFER AGREEMENT

On 15 November 2022, the Company entered into the Jinhua Processing Equity Transfer Agreement with Magang Group, pursuant to which the Company transferred 75% equity interests in Jinhua Processing to Magang Group at a total consideration of RMB168,189,000.

As of the date of this announcement, Magang Group is directly or indirectly interested in approximately 47.131% of the issued share capital of the Company, being the controlling shareholder of the Company. Therefore, under Chapter 14A of the Listing Rules, Magang Group is a connected person of the Company, and the transaction under the Jinhua Processing Equity Transfer Agreement would constitute connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios of the Jinhua Processing 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.

GUANGZHOU PROCESSING EQUITY TRANSFER AGREEMENT

On 15 November 2022, the Company entered into the Guangzhou Processing Equity Transfer Agreement with Magang Group, pursuant to which the Company transferred 75% equity interests in Guangzhou Processing to Magang Group at a total consideration of RMB229,620,700.

As of the date of this announcement, Magang Group is directly or indirectly interested in approximately 47.131% of the issued share capital of the Company, being the controlling shareholder of the Company. Therefore, under Chapter 14A of the Listing Rules, Magang Group is a connected person of the Company, and the transaction under the Guangzhou Processing Equity Transfer Agreement would constitute connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios of the Guangzhou Processing 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.

I. PRINCIPAL TERMS OF JINHUA PROCESSING EQUITY TRANSFER AGREEMENT

Date

15 November 2022

Parties

- (1) The Company; and
- (2) Magang Group

Transaction Target

The Company agreed to sell and Magang Group agreed to acquire 75% equity interests in Jinhua Processing.

Consideration

With 30 June 2022 as the valuation reference date and the asset-based approach adopted, the book value of the net assets of Jinhua Processing was RMB149,862,300, and the appraised value was RMB224,252,000 (subject to the appraised value upon filing with the competent authority), representing an appreciation of RMB74,389,700 over the book value of net assets with an appreciation rate of 49.64%. The transfer is based on the appraised value as the transfer price, and the appraised value of the 75% equity interests in Jinhua Processing held by the Company is RMB168,189,000.

Magang Group shall pay to the Company the amount payable for the equity transfer within 10 business days from the effective date of the agreement.

Completion

Both parties confirmed that the completion date is the last day of the month on which the final payment is made by Magang Group. Since the completion date, Magang Group will obtain the target equity interests, and the proportion of equity interests held in Jinhua Processing will be 75% in total. Magang Group will enjoy all the shareholders' right and assume all the corresponding obligations under such equity interests. The Company will cease to hold equity interests in Jinhua Processing.

Effectiveness of the Agreement

The agreement shall come into effect upon the signing and affixing of seals by each party.

Reasons for and Benefits of the Agreement

The disposal of the Company's equity interests in Jinhua Processing is beneficial to optimization and integration of stock assets of the Company, and the capital returned can replenish the Company's working capital, so as to better support the investment and construction in the main steel industry of the Company.

The Directors (including independent non-executive Directors) are of the view that the terms of the Jinhua Processing 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 Jinhua Processing Equity Transfer Agreement

As the book value of net assets of Jinhua Processing on 30 June 2022 is RMB149,862,300, it is expected that the Company will record a book profit of approximately RMB55,792,275 (without deducting taxes and expenses) from the disposal of 75% equity interests in Jinhua Processing (subject to the audit results), which is the difference between the consideration of disposal of 75% equity interests in Jinhua Processing and its corresponding book value of net assets.

The Company intends to use the proceeds from the disposal of 75% equity interests in Jinhua Processing (after deducting its directly attributable expenses) to replenish general working capital.

Information about Jinhua Processing

Jinhua Processing is principally engaged in the production, processing and sales of steel plates, wires and profiles, as well as provision of warehousing and after-sales services for the products.

For the year ended 31 December 2021, the total assets of Jinhua Processing were RMB244,640,000; the owners' equity attributable to the parent company was RMB151,094,200; the operating revenue was RMB1,406,411,100; and the net profits attributable to the parent Company were RMB54,685,200. Audited profit before tax and profit after tax were RMB59,575,833.67 and RMB54,685,199.65, respectively.

For the year ended 31 December 2020, audited profit before tax and profit after tax of Jinhua Processing were RMB5,218,722.22 and RMB3,842,568.67, respectively.

Information about the 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.

Information about Magang Group

Magang Group is a state-owned holding enterprise with limited liability and the controlling shareholder of the Company. It is mainly engaged in mining and sorting of mineral products, construction, manufacturing of construction materials, trading, storage and property management, as well as agriculture and forestry.

Implications of the Listing Rules

As of the date of this announcement, Magang Group is directly or indirectly interested in approximately 47.131% of the issued share capital of the Company, being the controlling shareholder of the Company. Therefore, under Chapter 14A of the Listing Rules, Magang Group is a connected person of the Company, and the transaction under the Jinhua Processing Equity Transfer Agreement would constitute connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios of the Jinhua Processing 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

At the sixty-seventh meeting of the ninth session of the Board of the Company held on 15 November 2022, the connected Director Mr. Ding Yi abstained from voting as required, and four non-connected Directors (including 3 independent Directors) voted in favor of the Jinhua Processing Equity Transfer Agreement.

II. PRINCIPAL TERMS OF GUANGZHOU PROCESSING EQUITY TRANSFER AGREEMENT

Date

15 November 2022

Parties

- (1) The Company; and
- (2) Magang Group

Transaction Target

The Company agreed to sell and Magang Group agreed to acquire 75% equity interests in Guangzhou Processing.

Consideration

With 30 June 2022 as the valuation reference date and the asset-based approach adopted, the book value of the net assets of Guangzhou Processing was RMB173,343,200, and the appraised value was RMB306,160,900 (subject to the appraised value upon filing with the competent authority), representing an appreciation of RMB132,817,700 over the book value of net assets with an appreciation rate of 76.62%. The transfer is based on the appraised value as the transfer price, and the appraised value of the 75% equity interests in Guangzhou Processing held by the Company is RMB229,620,700.

Magang Group shall pay to the Company the amount payable for the equity transfer within 10 business days from the effective date of the agreement.

Completion

Both parties confirmed that the completion date is the last day of the month on which the final payment is made by Magang Group. Since the completion date, Magang Group will obtain the target equity interests, and the proportion of equity interests held in Guangzhou Processing will be 75% in total. Magang Group will enjoy all the shareholders' right and assume all the corresponding obligations under such equity interests. The Company will cease to hold equity interests in Guangzhou Processing.

Effectiveness of the Agreement

The agreement shall come into effect upon the signing and affixing of seals by each party.

Reasons for and Benefits of the Agreement

The disposal of the equity interests of the Company in Guangzhou Processing is beneficial to the optimization and integration of stock assets as well as the focus of main steel industry of the Company.

The Directors (including independent non-executive Directors) are of the view that the terms of the Guangzhou Processing 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 Guangzhou Processing Equity Transfer Agreement

As the book value of net assets of Guangzhou Processing on 30 June 2022 is RMB173,343,200, it is expected that the Company will record a book profit of approximately RMB99,613,300 (without deducting taxes and expenses) from the disposal of 75% equity interests in Guangzhou Processing (subject to the audit results), which is the difference between the consideration of disposal of 75% equity interests in Guangzhou Processing and its corresponding book value of net assets.

The Company intends to use the proceeds from the disposal of 75% equity interests in Guangzhou Processing (after deducting its directly attributable expenses) to replenish general working capital.

Information about Guangzhou Processing

Guangzhou Processing is mainly engaged in steel rolling and processing; retail of steel; other warehousing industries (excluding crude oil and refined oil warehousing, gas warehousing and hazardous goods warehousing).

For the year ended 31 December 2021, the total assets of Guangzhou Processing were RMB319,245,700; the owners' equity attributable to the parent company was RMB186,468,800; the operating revenue was RMB1,793,492,700; and the net profits attributable to the parent Company were RMB13,882,500. Audited profit before tax and profit after tax were RMB20,468,680.36 and RMB14,783,759.04, respectively.

For the year ended 31 December 2020, audited profit before tax and profit after tax of Guangzhou Processing were RMB5,054,338.5 and RMB3,748,547.04, respectively.

Information about the 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.

Information about Magang Group

Magang Group is a state-owned holding enterprise with limited liability and the controlling shareholder of the Company. It is mainly engaged in mining and sorting of mineral products, construction, manufacturing of construction materials, trading, storage and property management, as well as agriculture and forestry.

Implications of the Listing Rules

As of the date of this announcement, Magang Group is directly or indirectly interested in approximately 47.131% of the issued share capital of the Company, being the controlling shareholder of the Company. Therefore, under Chapter 14A of the Listing Rules, Magang Group is a connected person of the Company, and the transaction under the Guangzhou Processing Equity Transfer Agreement would constitute connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios of the Guangzhou Processing 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

At the sixty-seventh meeting of the ninth session of the Board of the Company held on 15 November 2022, the connected Director Mr. Ding Yi abstained from voting as required, and four non-connected Directors (including 3 independent Directors) voted in favor of the Guangzhou Processing 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
“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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Equity Transfer Agreements”	Guangzhou Processing Equity Transfer Agreement and Jinhua Processing Equity Transfer Agreement
“Guangzhou Processing”	Ma Steel (Guangzhou) Processing and Distribution Co., Ltd., a limited company incorporated in the PRC
“Guangzhou Processing Equity Transfer Agreement”	the Equity Transfer Agreement on Ma Steel (Guangzhou) Processing and Distribution Co., Ltd. entered into between the Company and Magang Group on 15 November 2022
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Jinhua Processing”	Ma Steel (Jinhua) Processing and Distribution Co., Ltd., a limited company incorporated in the PRC
“Jinhua Processing Equity Transfer Agreement”	the Equity Transfer Agreement on Ma Steel (Jinhua) Processing and Distribution Co., Ltd. entered into between the Company and Magang Group on 15 November 2022
“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 state-owned holding company 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
“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
Secretary to the Board

15 November 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.