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

(Stock Code: 00323)

ANNOUNCEMENT ON IMPLEMENTATION OF MIXED OWNERSHIP REFORM BY A WHOLLY-OWNED SUBSIDIARY

Baowu Group Masteel Rail Transportation Material Technology Co., Ltd. (“**Magang Transportation Material**”), a wholly-owned subsidiary of Maanshan Iron & Steel Company Limited (the “**Company**”), intends to implement the mixed ownership reform (the “**Mixed Ownership Reform**”) by introducing strategic investors and implementing employee share incentive through public listing on the Shanghai United Assets and Equity Exchange (the “**SUAEE**”). Upon completion of the Mixed Ownership Reform, the shareholding ratio of strategic investors shall not exceed 25% and the shareholding ratio of employees shall not exceed 5%.

I. INTRODUCTION OF THE TRANSACTION

Magang Transportation Material is committed to becoming the most competitive manufacturing service provider for rail transit axles in the world with a long-term focus on the field of new materials for rail transportation wheels. In order to improve the ability of sustainable development, Magang Transportation Material intends to implement the Mixed Ownership Reform by introducing strategic investors and implementing employee share incentive through public listing on the SUAEE. Upon completion of the Mixed Ownership Reform, the shareholding ratio of strategic investors shall not exceed 25% and the shareholding ratio of employees shall not exceed 5%. The final results are subject to the results of public listing.

Upon completion of the Mixed Ownership Reform, the Company will hold no less than 70% of equity interests in Magang Transportation Material, and remain as the controlling shareholder.

II. CONSIDERATION OF THE BOARD OF DIRECTORS

On 10 March 2023, the Implementation Plan for the Mixed Ownership Reform of Baowu Group Masteel Rail Transportation Material Technology Co., Ltd. was considered and approved at the 5th meeting of the tenth session of the board of directors of the Company, approving Magang Transportation Material to implement the Mixed Ownership Reform, including the implementation of employee share incentive.

The independent directors of the Company consider that the Company has engaged a qualified intermediary to conduct an audit or assessment of the subject matter of the transaction and there is no circumstance which is detrimental to the interests of the Company and its shareholders, especially the minority shareholders' interests. The Mixed Ownership Reform of Magang Transportation Material will further improve its corporate governance system, enhance its cohesion and competitiveness, which is conducive to its sustainable and stable development. The resolution is approved.

This transaction does not constitute a major assets restructuring as stipulated under the Administrative Measures for Major Assets Restructuring of Listed Companies (上市公司重大資產重組管理辦法). In accordance with the relevant provisions of the Articles of Association and other relevant regulations, this transaction is not required to be submitted to the general meeting of the Company for consideration.

III. INFORMATION OF SUBJECT MATTER OF THE TRANSACTION

(I) Basic information

Baowu Group Masteel Rail Transportation Material Technology Co., Ltd.

1. Registered address: 700 Yinhuang East Road, Maanshan Economic and Technological Development Zone
2. Legal representative: An Tao (安濤)
3. Unified social credit code: 91340500591449095N
4. Registered capital: RMB1,486 million
5. Nature of enterprise: Limited liability company

6. Principal scope of business: design, research and development, manufacture, maintenance, testing and sales of rail transit wheels, axles, tires, wheelsets, wheelset assemblies, bogies and other rail equipment; research and development, manufacture and sales of wheels, pulleys, gear blanks and accessories for industrial and mining vehicles and industrial vehicles; research and development, manufacture and sales of rings, plates, forgings and wheels; research and development, manufacture and sales of forgings and materials; sales of metal materials and products; import and export business of various commodities and technologies on its own account or as an agent (except for commodities and technologies whose dealing, import or export is restricted and prohibited by the State); technical consultation, technical development, technical transfer and technical services for the relevant products of the enterprise; leasing of properties and facilities (excluding finance leasing).(For the projects requiring approval according to laws, the operating activities can only be carried out upon approval from relevant authority(ies))
7. Major Financial Data (audited):

Unit: RMB '0,000

Items	30 September 2022	31 December 2021
Current assets	258,113.23	207,887.46
Non-current assets	107,135.07	105,749.04
Total assets	365,248.30	313,636.50
Current liabilities	178,889.69	137,866.45
Non-current liabilities	10,492.14	5,688.99
	<u>189,381.83</u>	<u>143,555.44</u>
Total liabilities	<u>189,381.83</u>	<u>143,555.44</u>
	<u>175,866.47</u>	<u>170,081.06</u>
Total shareholders' equity	<u>175,866.47</u>	<u>170,081.06</u>

Major data of income statement

Unit: RMB '0,000

Items	January to September 2022	2021
Revenue	218,266.11	257,143.89
Operating profit	14,521.49	16,146.81
Profit before tax	14,371.83	16,112.29
Net profit	<u>13,146.54</u>	<u>14,523.98</u>

(II) Audit and Appraisal

Magang Transportation Material entrusted Ernst & Young Hua Ming LLP (Special General Partnership) and Beijing Tianjian Xingye Assets Appraisal Co., Ltd. to carry out the net asset audit and appraisal, taking 30 September 2022 as the audit and valuation benchmark date of the Mixed Ownership Reform. The price of the Mixed Ownership Reform is determined by the quoted bid prices on the SUAEE based on the appraisal value of net assets.

According to the relevant audit report and valuation report, the book value of the net assets of Magang Transportation Material is RMB1,758.66 million and the appraisal value is RMB2,205.08 million (subject to the filed appraisal value of net assets).

The amount of capital injection of strategic investors and employees' shareholding platform shall be determined accordingly based on their respective proposed shareholding ratios and the result of public listing fund raising.

Changes in equity during the period between the audit and valuation benchmark date and the time of completion of the capital injection shall be enjoyed by the original shareholder.

IV. MAIN CONTENTS OF THE MIXED OWNERSHIP REFORM

(I) Introduction of Strategic Investors

Magang Transportation Material intends to introduce 4–9 strategic investors through public listing on the SUAEE. The minimum investment amount for a single investor is RMB40 million, and the total amount of funds to be raised by the listing shall not be less than RMB500 million. After the completion of the Mixed Ownership Reform, the shareholding ratio of strategic investors will not exceed 25%.

(II) Employee Share Incentive

The share incentive proposes to set up a partnership enterprise as the shareholding platform, and employees indirectly hold the equity interests in Magang Transportation Material. The shareholding platform does not engage in any business activities other than holding of shares. The holder, as a partner of the limited partnership, indirectly holds the subject equity interests through the limited partnership. The newly established limited partnership agrees to purchase the shares with the listing transaction price on the SUAEE as the entry price. After the completion of the Mixed Ownership Reform, the shareholding ratio of employees shall not exceed 5%.

V. IMPACT ON THE COMPANY

The Mixed Ownership Reform of Magang Transportation Material, including the implementation of the employee share incentive, will closely integrate the interests of the management team and core employees of the company with the long-term interests of the company, which is conducive to the improvement of the corporate governance structure of Magang Transportation Material, the establishment of a long-term incentive and constraint mechanism, the revitalization of sustainable development, and the enhancement of the overall competitiveness of the Company in wheels and axles industry.

After the completion of the Mixed Ownership Reform, the Company's equity interests in Magang Transportation Material will be no less than 70%, which will not affect the scope of consolidation in the financial statements of the Company and will not cause any material adverse impact on the financial position and production and operation of the Company.

VI. DOCUMENTS AVAILABLE FOR INSPECTION

- (i) Board meeting resolutions signed and confirmed by the directors
- (ii) Independent directors' opinions signed and confirmed by the independent directors
- (iii) Supervisory committee resolutions signed and confirmed by the supervisors
- (iv) Special Audit Report of Baowu Group Masteel Rail Transportation Material Technology Co., Ltd. (for the year 2021 and the nine months ended 30 September 2022) (Ernst & Young Hua Ming (2023) Zhuan Zi No. 61880289_L01)
- (v) Asset Appraisal Report on the Valuation of the Shareholders' Equity as a Whole in relation to the Proposed Implementation of the Mixed Ownership Reform of Baowu Group Masteel Rail Transportation Material Technology Co., Ltd. in the Form of Capital Injection and Share Expansion (Tianxing Pingbao Zi (2022) No. 2420)

By Order of the Board
Maanshan Iron & Steel Company Limited
Ding Yi
Chairman

10 March 2023
Maanshan City, Anhui Province, the PRC

As at the date of this announcement, the directors of the Company include: Executive directors Ding Yi, Mao Zhanhong and Ren Tianbao; Independent non-executive directors Zhang Chunxia, Zhu Shaofang, Guan Bingchun and He Anrui.