馬鞍山鋼鐵股份有限公司

Maanshan Iron & Steel Company Limited

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

(Stock Code: 00323)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO POTENTIAL CONNECTED TRANSACTION- CAPITAL INCREASE AGREEMENT

Reference is made to the announcement (the "**Announcement**") published by Maanshan Iron & Steel Company Limited (the "**Company**") on 27 May 2026 in relation to potential connected transaction – Capital Increase Agreement. Capitalised terms used herein shall bear the same meanings as defined in the Announcement.

The Company hereby provides the following supplemental information in the Announcement:

The income method was used in both Baowu Water Valuation Report and Baowu Environmental Technology Valuation Report.

Basic Concept of the Valuations

According to the asset composition and business characteristics of Baowu Water and Baowu Environmental Technology and the due diligence of the valuation, the basic concept of the valuation is based on the audited financial statements of Baowu Water and Baowu Environmental Technology: firstly, the discounted cash flow method (DCF) is adopted to estimate the value of operating assets of the enterprise; then plus the value of other non-operating or surplus assets, liabilities and surplus assets as at the Valuation Reference Date, deducting the interest-bearing debts, to arrive at the entire value of shareholders' equity.

Save as disclosed above, in relation to the respective Baowu Water Valuation Report and Baowu Environmental Technology Valuation Report, as Baowu Water, Baowu Environmental Technology and their subsidiaries all operate independently, and operation risks among them are different, therefore, the income approach is adopted for calculation on an individual basis for both Baowu Water Valuation Report and Baowu Environmental Technology Valuation Report.

Quantitative Assumptions used in Baowu Water Valuation Report and Baowu Environmental Technology Valuation Report

Free Cash Flow Discount Model

The free cash flow discount model is selected under the discounted cash flow method (DCF) for Baowu Water and Baowu Environmental Technology. The basic formula is:

Entire value of shareholders' equity = overall enterprise value – value of interest-bearing debts

Where:

Overall enterprise value = value of operating assets + value of surplus assets + value of non-operating assets and liabilities

Value of operating assets = P, namely, sum of the present value of free cash flows during the definite forecast period + the present value of free cash flows after the definite forecast period as follows:

$$p = \sum_{i=1}^{n} \frac{F_i}{(1+r)^i} + \frac{F_n * (1+g)}{(r-g) * (1+r)^n}$$

Where:

F_i: amount of free cash flow in the future i-th income period;

n: definite forecast period, representing the period from the Valuation Reference Date to the date on which the enterprise reaches a relatively stable operating condition;

g: expected annual growth rate of the future income after the definite forecast period;

r: the selected discount rate.

Valuation procedures

(1) Determination of amount of expected income. In consideration of the human resources, technical level, capital structure, operating conditions, historical performance, development trends of Baowu Water and Baowu Environmental Technology (in their respective valuation reports), as well as macroeconomic factors, the current conditions and development prospects of the industry, necessary analysis, review, judgment and adjustment shall be carried out on the forecast data of future income provided by the appointer or the management of Baowu Water and Baowu Environmental Technology (in their respective valuation reports), on which basis, the valuation assumptions shall be reasonably determined to arrive at the amount of future expected income.

(2) Determination of the future income period. After analyzing and understanding Baowu Water and Baowu Environmental Technology (in their respective valuation reports)'s nature and type, the status quo and development prospects of the industry in which it operates, its agreements and articles of association, operating conditions, asset characteristics and resource conditions, etc., the future income period is determined to be indefinite. At the same time, on the basis of a comprehensive analysis of the remaining economic life of the product or service of Baowu Water and Baowu Environmental Technology (in their respective valuation reports) and the research and development of substitute products or services, income structure, cost structure, capital structure, capital expenditure, working capital, investment income and risk level, etc., taking into account the macro policies, industry cycles and other factors that affect enterprises entering a stable period, the definite forecast period n is selected as a five-year period (in actual data for 2024) for the project, and the amount of *Fi* remains unchanged after the definite forecast period, i.e., the value of *g* is zero.

(3) Determination of the discount rate. According to the principle that the discount rate should be consistent with the expected income, in this valuation, the discount rate selected is weighted average cost of capital (WACC), i.e. the weighted average of the expected rate of return on equity and the expected rate of return on debt after adjustment for income tax. The formula is:

$$WACC = R_d \times (1 - T) \times W_d + R_e \times W_e$$

Where:

R_d: Expected return rate on debts;

R_e: Expected return rate on equity;

W_d: The percentage of debt capital in the capital structure;

W_e: The percentage of equity capital in the capital structure;

T: Effective income tax rate of the enterprise.

The expected return rate on equity is determined using the capital asset pricing model (CAPM), the formula is:

$$R_e = R_f + \beta_e \times MRP + \varepsilon$$

Where:

R_f: Risk-free interest rate;

MRP: Market risk premium;

ε : Specific risk premium rate;

β_e: Expected market risk coefficient of the equity capital of the appraisal object.

$$\beta_e = \beta_t \times (1 + (1 - t) \times \frac{D}{E})$$

Where:

β_t: Expected unlevered market risk coefficient of a comparable company;

D, E: Own debt capital and equity capital of Baowu Water and Baowu Environmental Technology (as the case may be) respectively.

(a) Determination of *Rf*, risk-free interest rate: According to the overseas and domestic industry research results and taking into account the requirements of the Guidelines for Experts in Asset Appraisal No. 12 – Calculation of Discount Rate in the Evaluation of Enterprise Value by Income Approach (《資產評估專家指引第12號–收益法評估企業價值中折現率的測算》) issued by China Appraisal Society, the risk-free interest rate in this valuation is calculated as the average yield of the latest 10-year China's treasury bonds. The data is derived from the China Treasury Bond Yield Curve (《中國國債收益率曲線》) of China Central Depository & Clearing Co., Ltd. (CCDC) published on the website of China Appraisal Society.

The treasury bond yield curve is a curve used to describe treasury bonds of various maturities and the corresponding interest rate levels. The China treasury bond yield curve is a curve compiled based on the market interest rate of RMB treasury bonds issued in Chinese mainland.

Considering that the income of the 10-year treasury bond is released every working day, in order to avoid the impact of short-term market sentiment fluctuations on the value, it is calculated in accordance with the latest complete quarterly average value in line with the Company's technical specifications and updated every quarter. The value at the Valuation Reference Date is 1.83%.

(b) Calculation of market risk premium (MRP, i.e. $R_m - R_f$): The market risk premium refers to the expected excess return required by investors for the equity investment with risk the same as overall market average risk, that is, the risk compensation that exceeds the risk-free interest rate. The market risk premium can usually be calculated using historical market risk premium data. The historical risk premium data of China's securities market index to calculate the market risk premium is used.

Calculation of R_m: The yield is calculated based on China's securities market index.

Selection of index: According to the Guidelines for Experts in Asset Appraisal No. 12 – Calculation of Discount Rate in the Evaluation of Enterprise Value by Income Approach (《資產評估專家指引第12號–收益法評估企業價值中折現率的測算》) issued by China Appraisal Society and considering that the CSI 300 Total Return Index has revised the dividend distribution of the sample stocks, the CSI 300 Index is relatively more accurate in calculating the rate of return, the CSI 300 Total Return Index is selected to calculate the rate of return. The base period index is 1,000 points and the date is 31 December 2004.

Time span: The calculation period is from January 2005 to the end of the year immediately before the Valuation Reference Date.

Data frequency: Weekly. Considering that China's capital market has existed for about 30 years and the index fluctuates greatly, if the calculation is simply based on weekly closing index, the yield will fluctuate greatly without value of reference. The annualized rate of return was calculated based on the 200-week average of the trading days before the weekly closing price (for less than 200 weeks, the average is calculated from the week the index was released) to eliminate the impact of severe (unusual) fluctuation.

Average annualized rate of return: After calculated and analyzed the arithmetic and geometric average annualized rate of return, the geometric average annualized rate of return was finally selected.

Calculation of R_f: The risk-free interest rate is calculated using the yield to maturity of 10-year treasury bonds for the same period (data source is the same as above). In line with the index yield, it is calculated using the average of the current full year.

Calculation of market risk premium (MRP, $R_m - R_f$):

The basic data of market risk premium in China for each year was obtained through the above calculation. Considering that China's economy is currently shifting from a high-speed growth stage to a high-quality development stage and the growth rate is gradually slowing down, the average of the last five years was used to calculate the MRP as follows:

Period	**Social average yield**	**Yield to maturity of 10-year treasury bonds**	**MRP, R_m -R_f**
Average			**6.65%**
2025	8.12%	1.74%	6.38%
2024	8.66%	2.22%	6.44%
2023	9.29%	2.73%	6.56%
2022	9.71%	2.77%	6.94%
2021	9.95%	3.03%	6.92%

That is, the current market risk premium in China is approximately 6.65%.

(c) Determination of beta value (β coefficient): This coefficient is an indicator to measure the risk premium of an appraised enterprise relative to the overall return of the capital market, and is also used to measure the degree to which individual stocks are affected by the overall economic environment including stock market price changes. Since the appraised enterprise is currently a non-listed company, it is generally difficult to directly calculate the index value of the coefficient for it. Therefore, the average β coefficient of the comparable listed companies in the same industry as the appraised enterprise as at the Valuation Reference Date (i.e. β_t) is used as a reference.

After comprehensively considering the comparability between comparable listed companies and Baowu Water and Baowu Environmental Technology (as the case may be) in terms of business type, scale, profitability, growth potential, industry competitiveness and development stage, 29 comparable listed companies (for Baowu Water)/34 comparable listed companies (for Baowu Environmental Technology) were finally selected. Hithink RoyalFlush Information Network Co., Ltd. (浙江核新同花順網絡信息股份有限公司) is a professional Internet financial information

service provider. The valuation agency found in its financial data terminal that the weighted average β_t of the 29 comparable listed companies (for Baowu Water)/34 comparable listed companies (for Baowu Environmental Technology) after taking out their financial leverage is 0.688 (for Baowu Water)/0.7994 (for Baowu Environmental Technology).

The selection criteria for the β coefficient value is as follows:

Selection of underlying index: CSI 300

Calculation period: Week

Time frame: From 31 December 2022 to 31 December 2025 (for Baowu Water)/three years (for Baowu Environmental Technology)

Calculation method of yield: logarithmic yield

Exclusion of financial leverage: based on market value ratio

D is determined based on the interest-bearing liabilities as at the Valuation Reference Date. For Baowu Water, E is calculated based on the market value corresponding to the closing price of the shares as at the Valuation Reference Date; for Baowu Environmental Technology, E is determined based on the iterative calculations of entire value of shareholders' equity as at the Valuation Reference Date.

Then, the estimated value of the expected risk coefficient of the equity capital of the appraisal object, i.e. β_e = 0.807(for Baowu Water)/0.814 (for Baowu Environmental Technology).

(d) Determination of specific risk return rate: After comprehensively considering factors such as the risk characteristics, scale, business model, operating stage, core competitiveness, reliance on major customers and suppliers of the appraised enterprise and the differences between it and comparable listed companies selected, the valuation agency determined primarily based on the professional experience of the valuation staff. The valuation agency finally determined the specific risk return rate to be 3.00% upon analysis and judgment.

(e) Determination of the expected return rate on debts R_d:

For Baowu Water:

The expected return rate on debts is selected from the enterprise's loan interest rate

For Baowu Environmental Technology:

Considering that the difference between the interest rate of the enterprise and the market interest rate is not significant and is within a reasonable range, the actual debt interest rate of Baowu Environmental Technology is selected for this valuation.

(f) Determination of capital structure: After analyzing various factors including the development stage of the appraised enterprise, the financing arrangements in the next year, the difference in financing capacity and financing costs with comparable companies and whether a stable capital structure is available, we decided to adopt the real capital institution of the appraised enterprise.

(4) Determination of the value of surplus assets and the net appraised value of non-operating assets and liabilities. Upon analysis and determination of the scope of surplus assets, non-operating assets and liabilities based on the audited financial statements of Baowu Water and Baowu Environmental Technology (in their respective valuation reports), appropriate valuation method is adopted to determine its appraised value.

Surplus assets refer to the surplus assets that are not directly related to the operating income of the enterprise in the profit forecast and exceed the operating needs of the enterprise in the profit forecast, comprising mainly surplus cash and dormant assets.

Non-operating assets and liabilities refer to assets and related liabilities that are not directly related to the normal operating income of the enterprise in the profit forecast, including assets and related liabilities that do not generate income, or can generate income but are not included in the scope of the profit forecast. For Baowu Water, they mainly include balance with equity invested companies, long-term investments and deferred income tax assets and liabilities. For Baowu Environmental Technology, they mainly include balance with equity invested companies, long-term investments and deferred income tax assets and liabilities.

(5) Determination of value of interest-bearing debt: Based on the audited financial statements of Baowu Water and Baowu Environmental Technology (in their respective valuation reports), the scope of interest- bearing debt, including borrowings from financial institutions or other units and individuals, such as short-term loans, long-term loans and bonds payable is analyzed and determined. The cost approach is adopted for the valuation this time.

Save for the above supplemental information, all other information contained in the Announcement remains unchanged.

By Order of the Board
Maanshan Iron & Steel Company Limited
Jiang Yuxiang
Chairman

1 June 2026
Maanshan City, Anhui Province, the PRC

As at the date of this announcement, the directors of the Company include executive director Jiang Yuxiang; employee director Tang Qiming; and independent non-executive directors Guan Bingchun, He Anrui, Qiu Shengtao and Zeng Xiangfei.