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

(Stock Code: 00323)

CONNECTED TRANSACTION CAPITAL REDUCTION AGREEMENT

On 30 March 2022, the Company, Magang Group and Magang Chemical, jointly entered into the Capital Reduction Agreement of Anhui Magang Chemical & Energy Technology Co., Ltd., pursuant to which, the Company would implement the capital reduction by way of receiving the return of the assets related to the coke oven gas purification business of Magang Chemical at a consideration, and Magang Group would implement the capital reduction by way of currency returns. After the completion of capital reduction, the shareholding of the Company in Magang Chemical will decrease from 45% to 32%, while that of Magang Group in Magang Chemical will increase from 55% to 68%.

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. Therefore, under Chapter 14A of the Listing Rules, Magang Group is a connected person of the Company. Therefore, the transactions under the Capital Reduction Agreement would constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratio of the Capital Reduction Agreement exceeds 0.1% but falls below 5%, such connected transaction is only subject to the reporting and announcement requirements under the Listing Rules but is exempt from independent shareholders' approval requirement under the Listing Rules.

PRINCIPAL TERMS OF CAPITAL REDUCTION AGREEMENT

Date

30 March 2022

Parties

- (1) the Company;
- (2) Magang Group;
- (3) Magang Chemical

Share Capital and Reduction

For this capital reduction, it is proposed to make targeted capital reduction by way of non-public agreement. The Company would implement the capital reduction by way of receiving the return of the assets related to the coke oven gas purification business of Magang Chemical at a consideration, and Magang Group would implement the capital reduction by way of currency returns.

The amount of capital reduction is determined after arm's length negotiation among the parties and based on independent valuation. Taking 30 September 2021 as the valuation reference date, according to the valuation adopting cost approach by Pan-China Appraisal Co., Ltd., the book value of net assets related to the coke oven gas purification business of Magang Chemical is RMB455,894,600, the appraised value is RMB500,373,100, and the value-added amount is RMB44,478,500, representing an increase of 9.76%. After comprehensive estimation of the physical assets depreciation of the coke oven gas purification business during the transition period and the input in renewal and transformation, the capital reduction amount of the Company is RMB500,232,300, and Magang Chemical will pay by the assets related to the coke oven gas purification business.

The capital reduction amount of Magang Group is RMB344,385,100, and Magang Chemical will pay by cash. According to the results of the pre-valuation, after the capital reduction, the net asset value of Magang Chemical will decrease from RMB1,768,774,600 to RMB924,157,200, of which the registered capital will decrease from RMB1,333,330,000 to RMB696,645,900, with Magang Group holding 68% and the Company holding 32%.

Registered capital prior to the capital reduction:

Name of shareholder	Registered capital <i>(RMB'0,000)</i>	Shareholding ratio
Magang Group	73,333	55%
The Company	60,000	45%
Total	<u>133,333</u>	<u>100%</u>

Registered capital after the capital reduction: (the figures are subject to the final valuation filing):

Name of shareholder	Registered capital <i>(RMB'0,000)</i>	Shareholding ratio
Magang Group	47,372.98	68%
The Company	22,291.61	32%
Total	<u>69,664.59</u>	<u>100%</u>

The changes in profit and loss from the valuation reference date to the completion date of the capital reduction shall be confirmed by the audit of changes in net assets. The changes in profit and loss arising shall be enjoyed or borne by both parties according to their shareholdings prior to the capital reduction.

Magang Chemical shall pay the consideration of the capital reduction to Magang Group within 30 working days after the agreement has come into effect; Magang Chemical shall complete the delivery of the ownership of corresponding physical assets to the Company within 30 working days after the agreement has come into effect.

Reasons for and Benefits of the Capital Reduction Agreement

Through the capital reduction, the assets related to the coke oven gas purification business will return to the Company and become the related processes of the Company's main business of iron and steel. Such arrangements will reduce the gas trading part between the Company and Magang Chemical to help the Company promote the synergy and adherence of the production and operation and enhance the stability of the Company's production. At the same time, it is conducive to reducing the ordinary connected transactions between the Company and Magang Chemical.

The Directors (including independent non-executive Directors) are of the view that the terms of the Capital Reduction 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 Magang Chemical

Magang Chemical is principally engaged in: research, development, production and sales of chemical products (excluding dangerous chemicals and easy-to-manufacture drugs); annual output of 61,050 tons of benzene, 10,760 tons of toluene, 3,460 tons of xylene, 1,820 tons of non-aromatic hydrocarbons, 2,510 tons of dimethyl residue, 340 tons of benzene residue, 67,700 tons of crude benzene (light benzene), 18,670 tons of sulfur, 1,835 tons of heavy benzene, 4,790 tons of sodium phenolate and 150,000 tons of coal tar; production and sales of coke, metal products, household appliances, mechanical and electrical equipment, instruments and meters, and technical consulting services; project and engineering design; product identification and testing; transportation of goods through railway. (For projects subject to the administrative approval, approvals from the relevant authorities must be obtained prior to the commencement of operation).

The main financial data of Magang Chemical in 2021: total assets: RMB2,353,852,000; equity attributable to owners of the parent: RMB1,719,723,600; operating income: RMB2,391,835,000; profits before tax and after tax: RMB277,752,400 and RMB269,533,100, respectively.

In 2020, the operating income of Magang Chemical was RMB2,204,768,400. Profits before tax and after tax were RMB50,255,900 and RMB85,329,000, respectively. Since Magang Chemical's income tax was deducted based on the preferential tax policy due to its comprehensive utilization of waste gas resources, the profits after tax was higher than that before tax.

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 Magang Group

Magang Group is principally engaged in capital management; mining and selection of mineral products; construction of construction projects; building materials, machinery manufacturing, maintenance and design; foreign trade; domestic trade (except for projects restricted by the state); supply, marketing and storage of materials; property management; advisory services; leasing; agroforestry. (limited to subordinate branches) (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 Magang Group 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. Therefore, under Chapter 14A of the Listing Rules, Magang Group is a connected person of the Company. Therefore, the transactions under the Capital Reduction Agreement would constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratio of the Capital Reduction Agreement exceeds 0.1% but falls below 5%, such connected transaction is only subject to the reporting and announcement requirements under the Listing Rules but is exempt from independent shareholders' approval requirement under the Listing Rules.

Approval by the Board

On 30 March 2022, at the 59th meeting of the ninth session of the Board of the Company, Mr. Ding Yi, a related Director, has abstained from voting as required. Four non-related Directors (including three independent Directors) voted to approve the capital reduction. According to the relevant requirements of the Shanghai Stock Exchange and the actual condition of the Company, the Company decides that the transaction shall be subject to the consideration and approval at the general meeting of the Company after submission.

DEFINITIONS

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

“Board”	The Board of the Directors of the Company
“Capital Reduction Agreement”	Capital Reduction Agreement of Anhui Magang Chemical & Energy Technology Co., Ltd. entered into by the Company, Magang Group and Magang Chemical on 30 March 2022
“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
“Magang Chemical”	Anhui Magang Chemical & Energy Technology Co., Ltd., a company established in the PRC with limited liability
“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
“%”	percentage

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

30 March 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.