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

(Stock Code: 00323)

CONNECTED TRANSACTION EQUITY TRANSFER AGREEMENT

On 21 July 2022, the Company entered into the Equity Transfer Agreement with Magang Group, pursuant to which the Company transferred 9.88% equity interests in Ouye Lianjin to Magang Group at a total consideration of RMB348,501,500.

As at the date of this announcement, Magang Group is interested in approximately 47.131% of the issued share capital of the Company, among which 45.095% is directly held by Magang Group and 2.036% is indirectly controlled or held by Magang Group through its controlled corporation. Magang Group is the controlling shareholder of the Company. Therefore, under Chapter 14A of the Listing Rules, Magang Group is a connected person of the Company. As such, the transaction under the Equity Transfer Agreement would constitute connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios of the 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.

PRINCIPAL TERMS OF EQUITY TRANSFER AGREEMENT

Date

21 July 2022

Parties

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

TRANSACTION TARGET

The Company agreed to sell and Magang Group agreed to acquire 9.88% equity interests in Ouye Lianjin. Upon completion of the equity transfer, the Company will cease to hold equity interests in Ouye Lianjin.

CONSIDERATION

The appraised value, i.e. RMB348,501,500, is to be adopted as the transfer price of the transaction. With 31 December 2021 as the valuation reference date, the net asset value of Ouye Lianjin was appraised by China Enterprise Appraisals Co., Ltd. using the asset-based approach to be RMB3,527,343,400, representing an appreciation of RMB323,139,100 over the audited book value of net assets with an appreciation rate of 10.08%. Based on the appraised net asset value of Ouye Lianjin, the consideration for the 9.88% equity interests in Ouye Lianjin held by the Company was RMB348,501,500 (subject to the appraised value upon filing from the competent authority (if any)).

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. The taxes and fees arising from the equity transfer shall be borne by the parties in accordance with the relevant national laws and regulations.

TRANSITION PERIOD AND COMPLETION

The completion date is the date on which the equity transfer price is paid by Magang Group in accordance with the agreement. The transition period is from the valuation reference date to the completion date.

During the transition period, the Company will, as the shareholder, continue to enjoy the shareholders' right and assume the corresponding obligations at Ouye Lianjin. The operating profit and loss of Ouye Lianjin will be enjoyed and assumed by the Company in proportion to its shareholding before the equity transfer.

From the completion date, Magang Group will obtain the transferred equity interests, and the proportion of equity interests held in Ouye Lianjin will be increased to 47.55% 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 Ouye Lianjin.

The Company and Magang Group will go through the procedures in relation to registration of change in equity with the market regulation department within ten days from the date of completing the payment of the consideration for the equity transfer.

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

Currently, the Company gives priority in considering the needs of the high-quality development of the main iron and steel business and have its the allocation of resources to focus on the main iron and steel business. The Company's equity transfer of Ouye Lianjin may help the recovery of investment and the withdrawal of funds, which will be used for investing the main iron and steel business related projects.

The Directors (including independent non-executive Directors) are of the view that the terms of the 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 EQUITY TRANSFER AGREEMENT

As the book value of net assets of Ouye Lianjin on 31 December 2021 is approximately RMB3,204,204,300, it is expected that the Company will record a book profit of approximately RMB31.93 million (without deducting taxes and expenses) from the disposal of 9.88% equity interests in Ouye Lianjin (subject to the audit results), which is the difference between the consideration of disposal of 9.88% equity interests in Ouye Lianjin and its corresponding book value of net assets.

The Company intends to use the proceeds from the disposal of 9.88% equity interests in Ouye Lianjin (after deducting its directly attributable expenses) to replenish general working capital.

INFORMATION ABOUT OUYE LIANJIN

Ouye Lianjin is mainly engaged in recycling of renewable resources (except productive scrap metals); sales of renewable resources; processing of renewable resources; recycling of productive scrap metals; dismantling of end-of-life vehicles; recycling of end-of-life vehicles; sales of metal materials; domestic trade agency service; technology services, technology development, technology consultancy, technology exchanges, technology transfer, technology promotion; import and export of goods; import and export of technology; import and export agency; domestic agency for transportation of goods; general goods warehousing services (excluding hazardous chemicals and other items subject to approval).

For the year ended 31 December 2021, the total assets of Ouye Lianjin were RMB7,178,199,300; the net assets were RMB3,204,204,300; operating revenue was RMB34,349,339,000. Audited profit before tax and profit after tax were RMB112,811,500 and RMB97,610,600, respectively.

For the year ended 31 December 2020, audited profit before tax and profit after tax of Ouye Lianjin were RMB28,523,000 and RMB28,278,600, 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 at the date of this announcement, Magang Group is interested in approximately 47.131% of the issued share capital of the Company, among which 45.095% is directly held by Magang Group and 2.036% is indirectly controlled or held by Magang Group through its controlled corporation. Magang Group is the controlling shareholder of the Company. Therefore, under Chapter 14A of the Listing Rules, Magang Group is a connected person of the Company. As such, the transaction under the Equity Transfer Agreement would constitute connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios of the 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-third meeting of the ninth session of the Board of the Company held on 21 July 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 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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“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
“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 (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
“Ouye Lianjin”	Ouye Lianjin Renewable Resources Co., Ltd., a company established in the PRC with limited liability
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Equity Transfer Agreement”	the Equity Transfer Agreement in relation to Ouye Lianjin Renewable Resources Co., Ltd. entered into by the Company and Magang Group on 21 July 2022

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“%”

percentage

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

21 July 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.