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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 5 December 2022, the Company entered into the Equity Transfer Agreement with Magang Group, pursuant to which the Company shall transfer 71% equity interests in Holly Industrial to Magang Group at a total consideration of RMB239,484,500.

As at 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, Magang Group is a connected person of the Company under Chapter 14A of the Listing Rules, and 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. Nevertheless, pursuant to the rules and regulations of the Shanghai Stock Exchange, the transaction under the Equity Transfer Agreement will be submitted to the general meeting of the Company for approval of the shareholders.

PRINCIPAL TERMS OF EQUITY TRANSFER AGREEMENT

Date

5 December 2022

Parties

- (i) The Company;
- (ii) Magang Group

TRANSACTION TARGET

The Company agreed to sell and Magang Group agreed to acquire 71% equity interests in Holly Industrial.

CONSIDERATION

With 30 June 2022 as the valuation reference date and the asset-based approach adopted, the book value of the net assets of Holly Industrial was RMB283,883,000, and the appraised value was RMB337,302,100 (subject to the appraised value upon filing with the competent authority), representing an appreciation of RMB53,419,100 over the book value of net assets with an appreciation rate of 18.82%. The transfer is based on the appraised value as the transfer price, and the appraised value of the 71% equity interests in Holly Industrial held by the Company is RMB239,484,500.

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. The transition period is the period from the valuation reference date to the completion date. During the transition period, the Company will, as a shareholder, continue to enjoy the shareholders' right and assume the corresponding obligations at Holly Industrial. The operating profit and loss of Holly Industrial will be enjoyed and assumed by the Company onwards in proportion to its shareholding before the equity transfer. From the completion date, Magang Group will obtain the target equity interests, and the proportion of equity interests held by it in Holly Industrial will be 71% 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 Holly Industrial.

EFFECTIVENESS OF THE AGREEMENT

The agreement shall come into effect upon being approved by the shareholders at the Company's general meeting.

REASONS FOR AND BENEFITS OF THE AGREEMENT

The disposal of the Company's equity interests in Holly Industrial is beneficial to the optimisation and integration of the inventory assets of the Company, so as to focus on steel business, which is its main business.

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 interests of the Company and its shareholders as a whole.

POTENTIAL FINANCIAL IMPACT OF THE EQUITY TRANSFER AGREEMENT

Based on the book value of net assets of Holly Industrial amounting to RMB283,883,000 as at 30 June 2022, it is expected that the Company will record a book profit of approximately RMB37,927,570 (without deducting taxes and expenses) from the disposal of 71% equity interests in Holly Industrial (subject to the audit results), which is the difference between the consideration of disposal of 71% equity interests in Holly Industrial and its corresponding book value of net assets.

The Company intends to use the proceeds from the disposal of 71% equity interests in Holly Industrial (after deducting the attributable expenses) to replenish the general working capital.

INFORMATION ABOUT HOLLY INDUSTRIAL

Holly Industrial is mainly engaged in provision of packaging materials for steel and other products, metals, plastics, chemical raw materials (except for dangerous chemicals and easy-to-manufacture drugs), the production, sales and agency of paper and wood products; provision of design consultation, equipment manufacturing, transportation and on-site packaging services; the R&D, manufacturing and sales of auto parts; the R&D, manufacturing and sales of photoelectric-electromechanical integration products; the R&D, production and sales of polymer composites; metal recycling, processing, sales, warehousing services and loading and unloading services; general equipment repair; electrical equipment repair; installation, upgrading and repair of special equipment; information system operation and maintenance services; labor services (excluding labor dispatch).

For the year ended 31 December 2021, the total assets of Holly Industrial were RMB316,025,700; the owners' equity attributable to the parent Company was RMB279,028,700; the operating revenue was RMB530,135,900; and the net profits attributable to the parent Company were RMB35,148,900. The audited profits before tax and profits after tax were RMB47,064,888.71 and RMB35,148,933.76, respectively.

For the year ended 31 December 2020, the audited profits before tax and profits after tax of Holly Industrial were RMB50,620,793.11 and RMB37,375,502.38, 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 sales of iron and steel products.

INFORMATION ABOUT MAGANG GROUP

Magang Group is a state-owned 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 UNDER THE LISTING RULES

As at 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, Magang Group is a connected person of the Company under Chapter 14A of the Listing Rules, and 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. Nevertheless, pursuant to the rules and regulations of the Shanghai Stock Exchange, the transaction under the Equity Transfer Agreement will be submitted to the general meeting of the Company for approval of the shareholders.

APPROVAL BY THE BOARD

At the second meeting of the tenth session of the Board of the Company held on 5 December 2022, Mr. Ding Yi and Mr. Mao Zhanhong, both being connected Directors, abstained from voting as required, and five non-connected Directors (including 4 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
“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 Agreement”	the Equity Transfer Agreement on Holly Industrial Co., Ltd. entered into between the Company and Magang Group on 5 December 2022
“Holly Industrial”	Holly Industrial Co., Ltd., a limited company incorporated in China
“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 enterprise 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

“%”

per cent

By Order of the Board
Maanshan Iron & Steel Company Limited
Ren Tianbao
Secretary to the Board

5 December 2022

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.