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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Maanshan Iron & Steel Company Limited, you should at once hand this circular and the form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

**(Stock Code: 00323)**

**(1) CONTINUING CONNECTED TRANSACTIONS  
NEW SALE AND PURCHASE OF PRODUCTS AGREEMENT,  
NEW PROVISION AND ACCEPTANCE OF SERVICES AGREEMENT AND  
NEW FINANCIAL SERVICES AGREEMENT; AND  
(2) NOTICE OF EGM**

**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**



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Unless the context otherwise requires, all capitalised terms used in this circular have the meanings set out in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 1 to 34 of this circular. A letter from the Independent Board Committee is set out on page 35 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 36 to 61 of this circular.

Notice for convening the 2024 sixth extraordinary general meeting (the "EGM") of Maanshan Iron & Steel Company Limited (the "Company") to be held at the Magang Office Building, No.8 Jiu Hua Xi Road, Maanshan City, Anhui Province, the PRC, at 20 December 2024 was issued on 2 December 2024.

Whether or not you intend to attend the EGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon and return it to the Company's registered office (in the case of holders or proxies of domestic shares) at No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province, the PRC or to the H share registrar Hong Kong Registrars Limited (in the case of holders or proxies of H shares) at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in any event not later than 24 hours before the time appointed for such meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the said meeting or any adjournment thereof.

2 December 2024

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Baowu Finance”	Baowu Group Finance Co., Ltd., a limited liability company established in the PRC
“Board”	the board of the Directors of the Company
“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 which is 90% controlled and owned by the State-owned Assets Supervision and Administration Commission of the State Council
“China Baowu Group”	China Baowu and its subsidiaries (excluding the Group)
“Company”	Maanshan Iron & Steel Company Limited, a joint stock limited company incorporated in the PRC
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“EGM” or “2024 Sixth Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held on December 2024 to approve, among other things, Non-exempt Continuing Connected Transactions and the adoption of the Non-exempt Proposed Annual Caps
“Exempted Continuing Connected Transactions”	the transactions in settlement services and other financial services (settlement services and other financial services as described in paragraph (c) of the “New Financial Services Agreement” in this circular) contemplated under the New Financial Services Agreement
“Existing Provision and Acceptance of Services Agreement”	the provision and acceptance of services agreement entered into between the Company and China Baowu on 29 September 2021

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## DEFINITIONS

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“Existing Financial Services Agreement”	the financial services agreement entered into between the Company and Baowu Finance on 15 November 2022
“Existing Sale and Purchase of Products Agreement”	the sale and purchase of products agreement entered into between the Company and China Baowu on 29 September 2021
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a board committee comprising all the Independent Non-executive Directors, which will, among others, consider and advise the Independent Shareholders on the Non-exempt Continuing Connected Transactions and the adoption of the Non-exempt Proposed Annual Caps
“Independent Financial Adviser”	TC Capital International Limited, a licensed corporation to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, has been appointed as an independent financial adviser and will advise the Independent Board Committee and the Independent Shareholders on the Non-exempt Continuing Connected Transactions and the adoption of the Non-exempt Proposed Annual Caps
“Independent Non-executive Directors”	independent non-executive Directors of the Company
“Independent Shareholders”	shareholders of the Company other than the Parent Company and its associates
“Latest Practicable Date”	25 November 2024
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Magang Group” or “Parent Company”	Magang (Group) Holding Company Limited, a state-owned enterprise with limited liability, formerly known as Magang Holding Company, and was approved by the government to restructure into Magang (Group) Holding Company Limited in September 1998

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## DEFINITIONS

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“New Provision and Acceptance of Services Agreement” or “Provision and Acceptance of Services Agreement”	the 2025-2027 new provision and acceptance of services agreement entered into between the Company and China Baowu on 30 October 2024
“New Financial Services Agreement” or “Financial Services Agreement”	the 2025-2027 new financial services agreement entered into between the Company and Baowu Finance on 30 October 2024
“New Sale and Purchase of Products Agreement” or “Sale and Purchase of Products Agreement”	the 2025-2027 new sale and purchase of products agreement entered into between the Company and China Baowu on 30 October 2024
“NFRA”	National Financial Regulatory Administration
“Non-exempt Continuing Connected Transactions”	the New Sale and Purchase of Products Agreement, the New Provision and Acceptance of Services Agreement and the transactions contemplated thereunder, and the New Financial Services Agreement and the transactions contemplated thereunder in relation to deposit services (category (a) of the financial services as described in the section headed “New Financial Services Agreement” in this circular)
“Non-exempt Proposed Annual Caps”	the proposed annual caps for the Non-exempt Continuing Connected Transactions in respect of the New Sale and Purchase of Products Agreement, the New Provision and Acceptance of Services Agreement and the transactions contemplated thereunder, and the maximum daily deposit balance (accrued interest inclusive) to be placed by the Group with Baowu Finance pursuant to the New Financial Services Agreement (excluding categories (b) and (c) of the financial services as described in the section headed “New Financial Services Agreement” in this circular) for the three years ending 31 December 2027
“PRC”	the People’s Republic of China
“PBOC”	the People’s Bank of China
“RMB”	Renminbi, the lawful currency of the PRC

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## DEFINITIONS

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“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of shares of the Company
“state prescribed price(s)”	the price(s) that are set by or with reference to the relevant laws, regulations, determination, orders or policies issued by the relevant departments of the PRC government
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	percentage

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LETTER FROM THE BOARD

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

**(Stock Code: 00323)**

*Executive Directors:*

Jiang Yuxiang (*Chairman*)

Mao Zhanhong (*Vice Chairman*)

Zhang Wenyang

*Registered office:*

No. 8 Jiu Hua Xi Road

Maanshan City

Anhui Province

the PRC

*Independent Non-executive Directors:*

Guan Bingchun

He Anrui

Qiu Shengtao

Zeng Xiangfei

*Office address:*

No.8 Jiu Hua Xi Road

Maanshan City

Anhui Province

the PRC

2 December 2024

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS  
NEW SALE AND PURCHASE OF PRODUCTS AGREEMENT,  
NEW PROVISION AND ACCEPTANCE OF SERVICES AGREEMENT AND  
NEW FINANCIAL SERVICES AGREEMENT; AND  
(2) NOTICE OF EGM**

**1. INTRODUCTION**

Reference is made to the announcement of the Company dated 30 October 2024 in relation to the continuing connected transactions – New Sale and Purchase of Products Agreement, New Provision and Acceptance of Services Agreement and New Financial Services Agreement.

The purpose of this circular is to give you the notice of the EGM and to provide you with information regarding certain resolutions to be proposed at the EGM to enable you to make an informed decision on whether to vote for or against those resolutions at the EGM.

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## LETTER FROM THE BOARD

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### 2. CONTINUING CONNECTED TRANSACTIONS – NEW SALE AND PURCHASE OF PRODUCTS AGREEMENT, NEW PROVISION AND ACCEPTANCE OF SERVICES AGREEMENT AND NEW FINANCIAL SERVICE AGREEMENT

#### (I) New Sale and Purchase of Products Agreement

The Existing Sale and Purchase of Products Agreement entered into between the Company and China Baowu will expire on 31 December 2024. On 30 October 2024, the Company entered into the New Sale and Purchase of Products Agreement with China Baowu, pursuant to which the Group has agreed to continue to sell products to China Baowu Group and China Baowu Group has agreed to continue to sell products to the Group during the period from 1 January 2025 to 31 December 2027. The principal terms of the New Sale and Purchase of Products Agreement are set out below:

#### *Date*

30 October 2024

#### *Parties*

- (1) The Company; and
- (2) China Baowu

#### *Subject matter*

The Company agreed to sell products to China Baowu Group through itself and the Group, including steel, steel ingots, coke fines, iron oxide, metallurgical accessories and materials (stainless steel belts, cables, tools, etc.) and other products (labour protection appliance, office supplies, etc.); electricity, domestic water, industrial treated water, blast furnace gas, coke oven gas, converter gas, steam, compressed air, other gases and water slag, etc..

China Baowu itself agreed to sell products to the Group through itself and China Baowu Group, including ore, lime, scrap steel, steel billets, refractory materials, spare parts, complete equipment, non-standard spare parts and other commodities (coke, coal, alloy, oil, gas, etc.).



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## LETTER FROM THE BOARD

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Both parties agreed to adopt an appropriate, reasonable and fair pricing method in accordance with the principle of fairness in formulating the transactions under the New Sale and Purchase of Products Agreement. The terms of the products (including but not limited to pricing and payment) to be sold by the Group to China Baowu Group shall not be more favourable than those to the independent third parties provided by the Group for similar categories of products. The terms of the products (including but not limited to pricing and payment) to be sold by China Baowu Group to the Group shall not be less favourable than those provided by the independent third parties to the Group for similar categories of products.

During the term of the New Sale and Purchase of Products Agreement, the Company has the right to decide whether to enter into transactions with any independent third parties in respect of the transactions contemplated under the New Sale and Purchase of Products Agreement.

### ***Pricing***

The price shall be based on state-prescribed price, if any. In the absence of state-prescribed price, the price shall be based on the market price, which shall be determined through open tenders, price comparison, arm's length negotiations between the parties, and shall be based on normal commercial terms.

Meanwhile, the price of the products to be sold by the Group to China Baowu Group shall not be lower than the price of products of the same categories sold by the Group to independent third parties.

The price of the products to be sold by China Baowu Group to the Group shall not be higher than the price of products of the same categories sold by the independent third parties to the Group.

In accordance with the current price standards, the price basis adopted in each of the transactions under the New Sale and Purchase of Products Agreement are as follows:

<b>Category</b>	<b>Principle of Pricing</b>	<b>Items</b>
Products sold by the Group to China Baowu Group	Government price	Electricity/domestic water/industrial treated water
	Market price	Blast furnace gas/coke oven gas/converter gas/steam/compressed air/other gases/water slag, etc.
	Market price	Steel/steel ingots/coke fines/iron oxide/metallurgical accessories and others/materials (stainless steel belts, cables, tools, etc.)/labour protection appliance, office supplies, etc.
Products purchased by the Group from China Baowu Group	Market price	Ore/lime/scrap steel/steel billets/refractory materials/spare parts and complete equipment/non-standard spare parts, etc.
	Market price	Other commodities (coke, coal, alloy, oil, gas, etc.)

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## LETTER FROM THE BOARD

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### *Pricing of products sold by the Group to China Baowu*

The electricity prices stipulated by the state are determined with reference to the monthly price notices issued by the Development and Reform Commission of Anhui Province. As of October 2024, the state-prescribed industrial and commercial electricity consumption rate was approximately RMB1.1267 per kilowatt-hour during peak seasons and approximately RMB0.6844 per kilowatt-hour during normal periods. For details, please refer to the “Notice of Anhui Province Development and Reform Commission on Adjusting Matters Related to Electricity Sales in October in the Province\*” (《安徽省發展改革委關於調整我省10月銷售電有關事項的通知皖發改價格》) issued and implemented on 30 September 2024 (<https://fzggw.ah.gov.cn/ywdt/tzgg/149630951.html>).

The water price stipulated by the state is determined with reference to the price notice issued by the Development and Reform Commission of Maanshan City. As of October 2024, the price of non-residential water stipulated by the Maanshan Municipal People’s Government was RMB3.12 per tonne, including sewage treatment fees, was approximately RMB1.4 per tonne. For details, please refer to “Notice of Maanshan Municipal People’s Government on Adjusting Water Resources Fees and Sewage Treatment Fees\*” (《馬鞍山市人民政府關於調整水資源費和污水處理費標準的通知》) implemented by Maanshan Municipal People’s Government on 1 January 2017 (<http://zwgk.mas.gov.cn/openness/detail/content/613b29e6d1da9b24178b4567.html>).

The market price of coal gas is adjusted synchronously according to the frequency of government pricing of natural gas and approved according to the calorific value per cubic meter of natural gas and various types of gas. Other types of gas are priced against the prices published by third party website (e.g. Baichuan website (<http://www.baiinfo.com>)).

The market price of materials such as stainless steel belts, cables, tools, etc., labour protection appliance, office supplies etc. are determined at a fair bidding price, with reference to the relevant comparable market prices of the products of similar types, qualities and quantities of the products provided by at least 2 independent third-parties.

### *Pricing of products purchased by the Group from China Baowu*

The market price of scrap steel is determined by the Company on a monthly basis with reference to the arithmetic average price of monthly average daily transactions on industry websites including “SteelHome” (<http://www.steelhome.cn>) and “MySteel” ([www.mysteel.com](http://www.mysteel.com)) which are commonly recognised sources of data for the iron and steel industry.

The market price of coke and coal are negotiated and priced according to third party websites’ guide; the market price of coal gas is adjusted synchronously according to the frequency of government pricing of natural gas and approved according to the calorific value per cubic meter of natural gas and various types of gas; the market price of oil products are determined in accordance with the government guidelines.

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## LETTER FROM THE BOARD

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### ***Payment***

Regarding the payment of electricity, domestic water, industrial treated water, blast furnace gas, coke oven gas, converter gas, steam, compressed air, other gases and water slag, etc. sold by the Group to China Baowu Group, the sum for the sales with respect to the previous month shall be paid by China Baowu Group to the Group at the beginning of each month and settlement will be done on a monthly basis. For the payment of steel, steel ingots, coke fines, iron oxide and other products (labour protection appliance, office supplies, etc.), China Baowu Group shall pay to the Group on schedule according to the corresponding agreed payment time and method. As for the payment of metallurgical accessories and other materials (stainless steel belts, cables, tools, etc.), the sum for the sales with respect to the previous month shall be paid by China Baowu Group to the Group and settlement shall be done on a monthly basis.

For the products sold by China Baowu Group to the Group, the Group shall pay for them within 30 business days after the Group has received and verified the quality of the relevant products.

### ***Condition precedent***

The New Sale and Purchase of Products Agreement is conditional upon the Independent Shareholders' approval at the EGM.

### ***Duration***

Subject to the fulfillment of the aforementioned condition precedent, the term of the New Sale and Purchase of Products Agreement commences from 1 January 2025 and ends on 31 December 2027.

## LETTER FROM THE BOARD

### ***Existing annual caps and historical transaction amounts of the Existing Sale and Purchase of Products Agreement***

The existing annual caps (tax exclusive) for the relevant products under the Existing Sale and Purchase of Products Agreement for the years ended/ending 31 December 2022, 31 December 2023 and 31 December 2024 and the historical transaction amounts (tax exclusive) of the relevant products for the years ended 31 December 2022 and 31 December 2023, and the first six months ended 30 June 2024 are set out as follows:

		<i>RMB</i>				
		For the year ended 31 December 2022	For the year ended 31 December 2023	For the year ending 31 December 2024	For the first six months ended 30 June 2024	
1.	Products sold by the Group to China Baowu Group, including steel, steel ingots, coke fines, iron oxide, metallurgical accessories and materials (stainless steel belts, cables, tools, etc.) and other products (labour protection appliance, office supplies, etc.); electricity, domestic water, industrial treated water, blast furnace gas, coke oven gas, converter gas, steam, compressed air, other gases and water slag, etc.	Existing annual caps 13,859,277,400	Historical transaction 6,412,768,877	15,149,577,600	15,952,495,300 N/A	N/A 4,719,755,752
2.	Products sold by China Baowu Group to the Group, including ore, lime, scrap steel, refractory materials, spare parts, complete equipment, non-standard spare parts and other commodities (coke, coal, alloy, oil, gas, etc.)	Existing annual caps 39,451,969,700	Historical transaction 29,103,863,013	39,524,488,400	39,941,462,000 N/A	N/A 13,121,504,576

## LETTER FROM THE BOARD

### *Proposed annual caps of the New Sale and Purchase of Products Agreement*

The relevant proposed annual caps (tax exclusive) for products under the New Sale and Purchase of Products Agreement for the years ending 31 December 2025, 31 December 2026 and 31 December 2027 are set out as follows:

	<i>RMB</i>		
	For the year ending 31 December 2025	For the year ending 31 December 2026	For the year ending 31 December 2027
1. Products sold by the Group to China Baowu Group, including steel, steel ingots, coke fines, iron oxide, metallurgical accessories and materials (stainless steel belts, cables, tools, etc.) and other products (labour protection appliance, office supplies, etc.); electricity, domestic water, industrial treated water, blast furnace gas, coke oven gas, converter gas, steam, compressed air, other gases and water slag, etc.	10,415,741,829	10,834,947,348	11,075,303,436
2. Products sold by China Baowu Group to the Group, including ore, lime, scrap steel, billets, refractory materials, spare parts, complete equipment, non-standard spare parts and other commodities (coke, coal, alloy, oil, gas, etc.)	38,301,245,112	39,332,282,483	39,994,340,676
<b>Total</b>	<u><u>48,716,986,941</u></u>	<u><u>50,167,229,831</u></u>	<u><u>51,069,644,112</u></u>

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## LETTER FROM THE BOARD

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### *Basis for the proposed annual caps of the New Sale and Purchase of Products Agreement*

The proposed annual caps of the New Sale and Purchase of Products Agreement for the term commencing 1 January 2025 and ending 31 December 2027 will be determined with reference to (i) the historical transaction amounts; (ii) the state-prescribed price or the market price for the continuing connected transactions; (iii) the Group's anticipated capacity to supply products to China Baowu Group and the Group's anticipated demand for China Baowu Group's products to meet its production plan; and (iv) China Baowu Group's anticipated demand for the Group's products and China Baowu Group's anticipated capacity to supply products to the Group.

### *The proposed annual caps for the sales of products by the Group*

The proposed annual caps for the products sold by the Group to China Baowu Group mainly comprise (i) steel products; and (ii) power and energy medium, the aggregate amount of which accounted for approximately 87% of the proposed annual caps for the products sold by the Group to China Baowu Group for each of the three years ending 31 December 2027.

### *Steel products*

The expected transaction amounts of the sales of steel products by the Group to China Baowu Group for the three years ending 31 December 2027 were approximately RMB7,018 million, RMB7,374 million and RMB7,586 million respectively. The expected price of steel products was determined based on the average sales price of the steel products for the five months ended 31 May 2024.

In 2023, the Company sold 1.1 million tonnes of steel. The expected sales volumes of steel products to China Baowu Group for the three years ending 31 December 2027 were approximately 2.0 million tonnes, 2.1 million tonnes and 2.1 million tonnes respectively, which were determined based on China Baowu Group's estimated demand for steel products for the three years ending 31 December 2027 and the historical or expected sales volumes of steel products to China Baowu Group for the year ended 31 December 2022 ("**financial year of 2022**"), year ended 31 December 2023 ("**financial year of 2023**") and the year ending 31 December 2024 of approximately 0.2 million tonnes, 1.1 million tonnes and 1.36 million tonnes, indicating the sharp increase in demand for the steel products from China Baowu Group. China Baowu Group proposed to enhance the synergistic effect among all the members of China Baowu Group and between China Baowu Group and its strategic cooperative partners, which is expected to lead to the increase in China Baowu Group's estimated demand for steel products from the Group after considering the quality of steel products and the steel production advantages of the Group.

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## LETTER FROM THE BOARD

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In addition during the period of three years ending 31 December 2027, due to the improvement of information technology, the sales model of the e-commerce platform for steel products is expected to be significantly promoted. Therefore, the transaction scale between the Company and Shanghai Ouye Supply Chain Co., Ltd.\* (上海歐冶供應鏈有限公司) is expected to increase further. In order to build the brand image of the Company's high-quality long products, the Company and enterprises within the China Baowu Group intend to strengthen mutual supply cooperation, focusing on the development of special steel and long products along with key products, jointly develop product markets, and strengthen the sales scale of special steel and long products.

In order to quickly respond to the development needs of new energy vehicles in Anhui Province, the sales of high-efficiency products such as automotive panels and new energy silicon steel will be laid out in advance. It is estimated that the expected sales volume of steel products sold by the Company to China Baowu Group from 2025 to 2027 will be approximately 2 million tonnes, 2.1 million tonnes and 2.1 million tonnes respectively.

### *Power and energy medium*

The expected transaction amount of the sales of power and energy medium by the Group to China Baowu Group for each of the three years ending 31 December 2027 was approximately RMB2,032 million which was close to the annualised transaction amount for the year ending 31 December 2024 (“**financial year of 2024**”) of approximately RMB2,100 million. The expected price of power and energy medium was determined based on the historical price of power and energy mediums for the first three quarters of 2024. The expected sales volumes of power and energy medium to China Baowu Group for each of the three years ending 31 December 2027 were determined based on the historical volume of power and energy medium sold by the Group to China Baowu Group for the financial year of 2023.

At present, the total sales of current connected transactions is estimated to be approximately RMB1.6 billion based on the figures from January to September 2024, and that for the whole year of 2024 is estimated to be approximately RMB2.1 billion based on the figures from January to September 2024. Therefore, in 2025–2027, it remains basically unchanged without significant changes in the circumstances of the surrounding organizations, with an approximate value of RMB2 billion in principle. At present, the price of energy medium is uniformly implemented in accordance with the export price issued by the operating finance department.

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## LETTER FROM THE BOARD

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### *The proposed annual caps for the purchases of products by the Group*

The proposed annual caps for the products sold by China Baowu Group to the Group mainly comprise (i) scrap steel; (ii) imported iron ores and domestic iron ores; and (iii) coal and coke, the aggregate amount of which accounted for approximately 85% of the proposed annual caps for the products sold by China Baowu Group to the Group for each of the three years ending 31 December 2027.

### *Scrap steel*

The expected transaction amounts of the sales of scrap steel by China Baowu Group to the Group for the three years ending 31 December 2027 were approximately RMB7,507 million, RMB8,228 million and RMB8,588 million respectively. The expected price of scrap steel was determined based on the average purchase price of scrap steel for the first three quarters of 2024.

The expected transaction volumes of scrap steel purchased by the Group from China Baowu Group for the three years ending 31 December 2027 were approximately 2.9 million tonnes, 3.2 million tonnes and 3.2 million tonnes respectively, which were determined based on the historical purchase volume for the financial year of 2023 of approximately 2.8 million tonnes and the estimated demand for scrap steel for the three years ending 31 December 2027. The Group's production volume of steel products for the financial year of 2023 was relatively low as compared to that for the financial year of 2022 and was below the production capacity of the Group. The steel industry is expected to improve in the the year ending 31 December 2025 ("**financial year of 2025**") and the production volume of the steel products of the Group is expected to increase accordingly. Besides, both iron ores and scrap steel are the raw materials for production of steel products. When the cost of iron ores for steel production is higher than the cost of scrap steel for steel production, the Group may consider to increase the purchase volume of scrap steel.

### *Imported iron ores*

The expected transaction amounts of the sales of imported iron ores by China Baowu Group to the Group for the three years ending 31 December 2027 were approximately RMB15,516 million, RMB15,731 million and RMB15,951 million respectively. The expected price of imported iron ores was determined with reference to the average price of Platts Fe 62% Iron Ore Index and Platts Fe 65% Iron Ore Index for each of the financial year of 2022, the financial year of 2023 and the nine months ended 30 September 2024 and the historical proportion of the purchase volume of standard grade iron ores which were comparable to 65% iron ore and the purchase volume of low grade iron ores which were comparable to 62% iron ore. The Platts Iron Ore Index is a benchmark assessment of the spot price of physical iron ores issued by S&P Global Platts.



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## LETTER FROM THE BOARD

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The expected transaction volumes of imported iron ores purchased by the Group from China Baowu Group for the three years ending 31 December 2027 were approximately 19.7 million tonnes, 19.9 million tonnes and 20.1 million tonnes respectively, which were determined based on the historical transaction volume of imported iron ores purchased by the Group from or via China Baowu Group for the financial year of 2023 of approximately 21.0 million tonnes.

The Group is expected to change the procurement policies of imported iron ores with a member of China Baowu Group. As a result, the role of this member of China Baowu Group will be changed from the sourcing agent to the seller since the financial year of 2025, and the Group will purchase the imported iron ores from this subsidiary of China Baowu. The Company's procurement policies of imported iron ores with the rest of the members of China Baowu Group will remain unchanged.

### *Domestic iron ores*

The expected transaction amount of the sales of domestic iron ores by China Baowu Group to the Group for each of the three years ending 31 December 2027 was approximately RMB5,800 million. The expected price of domestic iron ores was determined with reference to the average price of Platts Fe 65% Iron Ore Index for each of the financial year of 2022, the financial year of 2023 and the nine months ended 30 September 2024. The expected purchase volume of domestic iron ores from China Baowu Group for each of the three years ending 31 December 2027 was approximately 5.8 million tonnes, which was determined based on the average of the historical transaction volume of domestic iron ores purchased by the Group from China Baowu Group for the financial year of 2023 and the annualised transaction volume of domestic iron ores purchased by the Group from China Baowu Group for the first three quarters of 2024.

### *Coal and coke*

The expected transaction amounts of the sales of coal and coke by China Baowu Group to the Group for the three years ending 31 December 2027 were approximately RMB3,681 million, RMB3,741 million and RMB3,802 million respectively. The expected price of coal and coke was determined with reference to the average coal and coke price for the six months ended 30 June 2024 as disclosed on [www.mysteel.com](http://www.mysteel.com) and adjusted by the estimated transportation fees and moisture content.

The expected purchase volume of coal and coke of the Group for each of the three years ending 31 December 2027 was approximately 2.3 million tonnes, which was determined based on the historical transaction volume of coal and coke purchased by the Group from or via China Baowu Group for the financial year of 2023 of approximately 2.0 million tonnes

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## LETTER FROM THE BOARD

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and the estimated demand for coal and coke for the three years ending 31 December 2027. The Group's production volume of steel products for the financial year of 2023 was relatively low as compared to that for the financial year of 2022 and was below the production capacity of the Group. The steel industry is expected to improve in the financial year of 2025 and the production volume of the steel products of the Group is expected to increase accordingly.

The Group is expected to change the procurement policies of coal and coke with a member of China Baowu Group. As a result, the role of this member of China Baowu Group will be changed from the sourcing agent to the seller since the financial year of 2025, and the Group will purchase the coal and coke from this subsidiary of China Baowu. The Company's procurement policies of coal and coke with the rest of the members of China Baowu Group will remain unchanged.

The reason for the gap between the aforementioned relevant historical transaction amounts and the existing annual caps is that the actual related transactions that occurred between 2022 and 2024 were fewer than expected. When establishing annual caps for 2022–2024, the Company made a relatively optimistic prediction about future market conditions, but the reality did not fully align with expectations. In 2021, when the annual caps for 2022–2024 were established, the market conditions in China were favorable, with the steel price index at a historical high. However, during the period of 2022–2024, there was a significant downward trend in steel prices: in 2021, the steel price was RMB5,425 per tonne, dropping to RMB5,012 per tonne in 2022, RMB4,192 per tonne in 2023, and RMB3,878 per tonne in 2024. The steel price index for 2022–2024 decreased by 7.6%, 23%, and 29% respectively compared to 2021. (The steel price index data is sourced from the industry website "Steelhome" (<http://www.steelhome.cn>)). These market changes resulted in the actual historical transaction amounts being lower than the existing annual caps.

Furthermore, the business collaboration between the Company and China Baowu Group was still progressing in 2022, which has resulted in the actual historical transaction amounts being lower than the existing annual caps. However, the Company anticipates that connected transactions amounts will gradually increase after 2023.

With the in-depth development of the Company's business collaboration with China Baowu Group, in 2025–2027, the amount of connected transactions in the sales sector of the Company's marketing center is expected to increase on a large scale, mainly because the Company's internal enterprises such as Maanshan Iron and Steel (Guangzhou) Steel Processing Co., Ltd.\* (馬鋼(廣州)鋼材加工有限公司) and Maanshan Iron and Steel (Jinhua) Steel Processing Co., Ltd.\* (馬鋼(金華)鋼材加工有限公司) are included in China Baowu Group, so the scale of resource supply in the Group is expected to continue to increase steadily. At the same time, with the further improvement of the brand influence of Magang

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## LETTER FROM THE BOARD

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wheel products, the market share of Baowu Group Magang Rail Transit Material Technology Co., Ltd.\* (寶武集團馬鋼軌交材料科技有限公司), a wholly-owned subsidiary of the Company, will continue to expand, so the relevant amount of connected transaction will also be further increased.

As such, in 2025–2027, the gap between the relevant historical transaction amount and the existing annual amount caps, as well as the gap between the expected transaction amount and the proposed annual amount caps, will gradually narrow.

After considering the above basis for determining proposed annual caps, the Board is of the view that the proposed annual caps for the New Sale and Purchase of Products Agreement are determined with reference to reasonable estimation and after due and careful consideration and are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

### ***Reasons for and benefits of the New Sale and Purchase of Products Agreement***

It will be in the interest of the Group to obtain a reliable and uniquely skilled supply of products from China Baowu Group to ensure the Group's stable and continuous production. The terms and pricing of the New Sale and Purchase of Products Agreement are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

## **(II) New Provision and Acceptance of Services Agreement**

The Existing Provision and Acceptance of Services Agreement entered into between the Company and China Baowu will expire on 31 December 2024. On 30 October 2024, the Company entered into the New Provision and Acceptance of Services Agreement with China Baowu, pursuant to which the Group has agreed to continue to provide services to China Baowu Group, and China Baowu Group has agreed to continue to provide services to the Group during the period from 1 January 2025 to 31 December 2027. The principal terms of the New Acceptance and Provision of Services Agreement are set out below:

### ***Date***

30 October 2024

### ***Parties***

- (1) The Company; and
- (2) China Baowu

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## LETTER FROM THE BOARD

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### ***Subject matter***

The Company agreed to provide services to China Baowu Group through itself and the Group, including entrusted steel billets processing, metering, inspection, rental services, railway transport, etc..

China Baowu agreed to provide services to the Group through itself and China Baowu Group, including infrastructural and technological renovation projects, energy conservation and environmental protection projects, contract energy management, custodial operations, major/medium maintenance of equipment, road transportation, waterway transportation, integrated port services, maintenance and preservation of equipment (facilities), automated/information operation and maintenance services and renovation; receiving inspection and repair services for electrical, electric and transformer works and other services (vehicle repair, monitoring and diagnostic services, etc.), wheel processing, scrap steel processing, waste water treatment, gas processing, warehousing/distribution services, etc.; receiving training, communication, printing, archiving, office rental, agency services and other specialized services.

Both parties agreed to adopt an appropriate, reasonable and fair pricing method in accordance with the principle of fairness to enter into the New Provision and Acceptance of Services Agreement and the transactions contemplated thereunder. The terms of the services (including but not limited to pricing and payment) to be provided by the Group to China Baowu Group shall not be more favourable than those to the independent third parties provided by the Group for services of similar categories. The terms of the services (including but not limited to pricing and payment) to be provided by China Baowu Group to the Group shall not be less favourable than those provided by the independent third parties to the Group for services of similar categories.

During the term of the New Provision and Acceptance of Services Agreement, the Company has the right to decide whether to enter into transactions with any independent third parties in respect of the transactions contemplated under the New Provision and Acceptance of Services Agreement on its own.

### ***Pricing***

The price shall be based on state-prescribed price, if any. In the absence of state-prescribed price, the price shall be based on the market price, which shall be determined through open tenders, price comparison, arm's length negotiations between the parties, and shall be based on normal commercial terms.

Meanwhile, the price of the services to be provided by the Group to China Baowu Group shall not be lower than the price of services of the same categories provided by the Group to independent third parties.

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## LETTER FROM THE BOARD

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The price of the services to be provided by China Baowu Group to the Group shall not be higher than the price of services of the same categories provided by the independent third parties to the Group.

In accordance with the current price standards, the price basis adopted in each of the other transactions under the New Provision and Acceptance of Services Agreement are as follows:

<b>Category</b>	<b>Principle of Pricing</b>	<b>Items</b>
Services provided by the Group to China Baowu Group	Market price	Provision of entrusted steel billets processing, metering, inspection, rental services, railway transport, etc.
Services received by the Group from China Baowu Group	Market price	Infrastructural and technological renovation projects, energy conservation and environmental protection projects, contract energy management, custodial operations, major/medium maintenance of equipment, road transportation, waterway transportation, integrated port services, maintenance and preservation of equipment (facilities), automated/information operation and maintenance services and renovation; receiving inspection and repair services for electrical, electric and transformer works and other services (vehicle repair, monitoring and diagnostic services, etc.)/wheel processing/scrap steel processing/waste water treatment/gas processing/warehousing, distribution services, etc.
	Market price	Training/communication/printing/archiving/office rental./agency services/other specialized services, etc..

### *Pricing of services provided by the Group to China Baowu*

- (1) Steel billet processing services were only provided to members of the China Baowu Group, and the price of billet processing fee was calculated on a cost-plus profit margin approach as there were no comparable transaction with independent third parties. The gross profit margin of billet processing services for the period from January to October 2024 was no less than 11%, which was higher than the Company's gross profit margin of steel products of -2.7% for the same period. Accordingly, the pricing of the billet processing services is based on a higher profit margin than the general and contemporaneous profit margins for steel products, the pricing method of which is fair and reasonable, and is in the interests of the Shareholders as a whole.

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## LETTER FROM THE BOARD

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- (2) The market price of the metering was determined with reference to the price of the Metallurgy Branch of China Metrology Association. In relation to the metering services, the unit prices of metering service provided by the Group to the China Baowu Group was checked against the Metallurgical System Metering and Control, Automation, Information Equipment Internal Accounting And Charging Standard\* (冶金系統計控、自動化、信息化設備內部核算收費規範) (the “**Standard**”) prepared by the Metallurgy Branch of China Metrology Association, which is a national industrial association approved by the Ministry of Civil Affairs of the PRC. The unit prices of metering service provided by the Group to the China Baowu Group were not less favourable than the unit prices in the Standard. Accordingly, the pricing method adopted by the Company for metering services is fair, and reasonable, and is in the interests of the Shareholders as a whole.
- (3) The market price of the rental services was determined with reference to the valuation report issued by an independent valuer, and the rental price of the properties leased by the Group to the China Baowu Group was determined based on the fair rental value stated in the relevant valuation report (market approach was adopted for the valuation) or the rental prices of properties owned by two independent third parties in nearby areas. In relation to the rental service of land, the rental unit prices of land leased by the Group to the China Baowu Group were not less favourable than the then rental unit prices of lands in the proximate area which were owned by two independent third parties at that time. Accordingly, the pricing method adopted by the Company for rental services is fair and reasonable, and is in the interests of the Shareholders as a whole.
- (4) Railway transportation services were only provided to members in the China Baowu Group, and the pricing for railway transportation services was based on internal transportation prices, which was calculated on a cost-plus profit margin approach as there were no comparable transaction with independent third parties. The gross profit margin of railway transportation services was 25.5%, which was not lower than the gross profit margin of the two independent third parties in the industry. The gross profit margins for railway transportation services of other listed companies, such as China Railway Tielong Container Logistics Co., Ltd.\* (中铁铁龙集装箱物流股份有限公司) and Daqin Railway Co., Ltd.\* (大秦铁路股份有限公司), were 20.81% and 19.75%, respectively. As the Company adopted pricing for railway transportation services with a profit margin that is higher than that of general railway transportation services and other listed companies in the same industry, the pricing method is therefore fair and reasonable and is in the interests of the shareholders as a whole.

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## LETTER FROM THE BOARD

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### *Pricing of services received by the Group from China Baowu*

- (1) the market price of infrastructure technical and renovation engineering services is determined with reference to relevant comparable bidding prices for similar services provided by at least 2 independent third parties;
- (2) the market price of water transportation is determined with reference to (i) relevant comparable bidding prices for similar services provided by at least 2 independent third parties; and (ii) standard pricing for management fees;
- (3) the market prices of port comprehensive services, energy management, and custody operation services are determined with reference to (i) market prices and service fee standards for the relevant similar service contents; (ii) demand for port comprehensive services, energy management, and custody operation services; and (iii) the actual cost of the relevant services; and
- (4) the market price of other services is determined after arm's length negotiations between the parties.

### ***Payment***

Regarding the payment of steel billets processing, metering, inspection services, etc., the sum for the sales with respect to the previous month shall be paid by China Baowu Group to the Group and settlement shall be done on a monthly basis.

Regarding the payment of infrastructure technical and renovation engineering services provided by China Baowu Group to the Group shall be made by the Group to China Baowu Group within 60 business days in accordance with the construction progress and by the Company's management department. As for the payment of water and land transportation and related services, the Group shall ascertain the payment amount in accordance with the service progress and pay China Baowu Group within 30 business days after the Group has verified the quality.

### ***Condition precedent***

The New Provision and Acceptance of Services Agreement is conditional upon the Independent Shareholders' approval at the EGM.

### ***Duration***

Subject to the fulfillment of the aforementioned condition precedent, the term of the New Provision and Acceptance of Services Agreement commences from 1 January 2025 and ends on 31 December 2027.

## LETTER FROM THE BOARD

### ***Existing annual caps and historical transaction amounts of the Existing Provision and Acceptance of Services Agreement***

The existing annual caps (tax exclusive) for the relevant services under the Existing Provision and Acceptance of Services Agreement for the years ended/ending 31 December 2022, 31 December 2023 and 31 December 2024 and the historical transaction amounts (tax exclusive) for the relevant services for the years ended 31 December 2022 and 31 December 2023 and the first six months ended 30 June 2024 are set out as follows:

		<i>RMB</i>			
		For the year ended 31 December 2022	For the year ended 31 December 2023	For the year ending 31 December 2024	For the first six months ended 30 June 2024
1. Services provided by the Group to China	Existing annual caps	272,589,100	311,487,100	331,972,900	N/A
Baowu Group, including entrusted steel	Historical transaction	49,081,578	51,065,919	N/A	2,067,457
billets processing, metering, inspection, rental services, railway transport, etc.		amounts			
2. China Baowu Group provides services to the	Existing annual caps	11,694,097,000	12,032,859,300	12,036,864,500	N/A
Group, including acceptance of infrastructural	Historical transaction	7,445,145,564	8,905,114,157	N/A	2,908,016,006
and technological improvement projects, energy conservation and environmental protection projects, contract energy management, custodial operations, major/medium maintenance of equipment, road transportation, waterway transportation, integrated port services, maintenance and preservation of equipment (facilities), automated/information operation and maintenance services and renovation; receiving inspection and repair services for electrical, electric and transformer works and other services (vehicle repair, monitoring and diagnostic services, etc.), wheel processing, scrap steel processing, waste water treatment, gas processing, warehousing/distribution services, etc.; receiving training, communication, printing, archiving, office rental, agency services and other specialized services		amounts			



## LETTER FROM THE BOARD

### *Proposed annual caps of the New Provision and Acceptance of Services Agreement*

The relevant proposed annual caps (tax exclusive) of the services under the New Provision and Acceptance of Services Agreement for the years ending 31 December 2025, 31 December 2026 and 31 December 2027 are set out as follows:

	<i>RMB</i>		
	For the year ending 31 December 2025	For the year ending 31 December 2026	For the year ending 31 December 2027
1. Service provided by the Group to China Baowu Group, including entrusted steel billets processing, metering, inspection, rental services, railway transport, etc.	169,579,832	169,611,977	169,646,190
2. China Baowu Group provides services to the Group, including acceptance of infrastructural and technological improvement projects, energy conservation and environmental protection projects, contract energy management, custodial operations, major/medium maintenance of equipment, road transportation, waterway transportation, integrated port services, maintenance and preservation of equipment (facilities), automated/information operation and maintenance services and renovation; receiving inspection and repair services for electrical, electric and transformer works and other services (vehicle repair, monitoring and diagnostic services, etc.); wheel processing, scrap steel processing, waste water treatment, gas processing, warehousing/distribution services, etc.; training, communication, printing, archiving, office rental, agency services and other specialized services.	8,524,864,429	8,353,538,370	8,428,834,045
<b>Total</b>	<u><u>8,694,444,262</u></u>	<u><u>8,523,150,347</u></u>	<u><u>8,598,480,235</u></u>

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## LETTER FROM THE BOARD

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### *Basis for the proposed annual caps of the New Provision and Acceptance of Services Agreement*

The proposed annual caps of the New Provision and Acceptance of Services Agreement for the term commencing from 1 January 2025 and ending on 31 December 2027 will be determined with reference to (i) the historical transaction amounts; (ii) the state-prescribed price or the market price for the continuing connected transactions; (iii) the Group's anticipated capacity to provide the services to China Baowu Group and the Group's anticipated demand for China Baowu Group's services to meet its production plan; and (iv) China Baowu Group's anticipated demand for the Group's services and China Baowu Group's anticipated capacity to provide the services to the Group.

### *The proposed annual caps for the provision of services by the Group*

The proposed annual caps for the services provided by the Group to China Baowu Group for the three years ending 31 December 2027 mainly comprise (i) steel billet processing services; (ii) metering and inspection services; and (iii) rental services, the aggregate amount of which accounted for approximately 94% of the proposed annual caps for the services provided by the Group to China Baowu Group for each of the three years ending 31 December 2027.

### *Steel billet processing services*

The historical amount for steel billet processing services was 270,000 tonnes in 2023 and the Company expects transaction amount for 2025–2027 to be 50,000 tonnes. Due to a decrease in demand for processing incoming materials from the Company's clients, there has been a decline in the steel billet processing business. Therefore, the Company has adjusted the expected transaction amount for steel billet processing services. The expected transaction amount of the provision of steel billet processing services by the Group to China Baowu Group for each of the three years ending 31 December 2027 was approximately RMB90 million. The expected price of steel billet processing services was determined based on the historical average price of the steel billet processing services for the financial year of 2023. The expected volumes of steel billet processing services provided to China Baowu Group for each of the three years ending 31 December 2027 was approximately 50,000 tonnes of steel billets, which was determined with reference to the (i) historical transaction amount of approximately 270,000 tonnes for the financial year of 2023; (ii) China Baowu Group's estimated demand for steel billet processing services in 2025–2027; and (iii) the remaining capacity of the Group for steel processing.

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## LETTER FROM THE BOARD

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### *Metering and inspection services*

The expected transaction amount of the provision of metering and inspection services by the Group to China Baowu Group for each of the three years ending 31 December 2027 was approximately RMB53 million, which was mainly determined based on the average historical amount of the metering and inspection services provided by the Group to an independent third party client of the Group in the last three years of approximately RMB50 million. This client of the Group is expected to become a connected person of the Company since the financial year of 2025.

### *Rental services*

The expected transaction amount of properties and lands leased by the Group to China Baowu Group for each of the three years ending 31 December 2027 was approximately RMB17 million, which was determined based on the signed rental contracts for 2024 of approximately RMB16 million and a buffer of approximately RMB1 million for the possible increase in rental price of properties and lands leased to by the Group China Baowu Group.

### *The proposed annual caps for the acceptance of services by the Group*

The proposed annual caps for the services provided by China Baowu Group to the Group for the three years ending 31 December 2027 mainly comprise (i) construction services; (ii) transportation services; (iii) environmental protection services; and (iv) repair and maintenance services, the aggregate amount of which accounted for approximately 91%, 92% and 92% of the proposed annual caps for the services provided by China Baowu Group to the Group for the three years ending 31 December 2027, respectively.

### *Construction services*

The construction services are related to the upgrade and modification of the Groups' infrastructural and technological renovation projects. The expected transaction amounts of the acceptance of construction services by the Group from China Baowu Group for the three years ending 31 December 2027 were approximately RMB2,073 million, RMB1,893 million and RMB1,889 million respectively. The aforesaid transaction amounts were determined based on (i) the signed contracts together with the respective estimated progress of the contracts in the three years ending 31 December 2027; (ii) the proposed construction projects of the Group which will be available for the bidding submission of China Baowu Group together with the respective estimated progress of the contracts in the three years ending 31 December 2027; and (iii) the expected miscellaneous work, the expected transaction amounts of which for the three years ending 31 December 2027 were determined based on the historical transaction amounts for the financial year of 2023. The expected transaction amounts of the acceptance of construction services by the Group from China Baowu Group for the three years ending 31 December 2027 were determined based on the project list.

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## LETTER FROM THE BOARD

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### *Transportation services*

The expected transaction amounts of the acceptance of transportation services by the Group from China Baowu Group for the three years ending 31 December 2027 were approximately RMB1,821 million, RMB1,836 million and RMB1,854 million respectively. The transportation services provided by China Baowu Group to the Group mainly comprise (i) the transportation for sales of steel products (the “**Sales Transportation**”); and (ii) the transportation for purchases of raw materials (the “**Purchase Transportation**”); and (iii) the internal transportation among the production units and the warehouses (the “**Internal Transportation**”).

The expected transaction amounts of the Sales Transportation for the three years ending 31 December 2027 were determined based on the expected production capacity of the steel products of the Group for the three years ending 31 December 2027 and the average price of the Sales Transportation for the nine months ended 30 September 2024. The expected transaction amounts of the Purchase Transportation for the three years ending 31 December 2027 were determined based on (i) the annualised transportation volume for the financial year of 2024 and the expected growth rate of 5% in the financial year of 2025; (ii) the expected increase in purchase volume of scrap steel as the Group planned to increase the scrap steel processing capacity; and (iii) the average price of the Purchase Transportation for the nine months ended 30 September 2024. The expected transaction amounts of the Internal Transportation for the three years ending 31 December 2027 were determined based on the expected order volumes from clients for the three years ending 31 December 2027 and the average price of the Internal Transportation for the nine months ended 30 September 2024.

### *Environmental protection services*

The environmental protection services are related to the management of the Group’s environmental system in the energy conservation and environmental protection projects to meet the requirement of waste emissions of the PRC. The expected transaction amounts of the acceptance of environmental protection services by the Group from China Baowu Group for the three years ending 31 December 2027 were approximately RMB1,218 million, RMB1,250 million and RMB1,283 million respectively. The aforesaid transaction amounts were determined based on (i) the signed contracts of the energy conservation and environmental protection projects; (ii) the proposed energy conservation and environmental protection projects of the Group which are available for the bidding submission of China Baowu Group for the year ending 31 December 2027. The expected transaction amounts of the acceptance of environmental protection services by the Group from China Baowu Group for the three years ending 31 December 2027 were determined based on the project list.

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## LETTER FROM THE BOARD

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### *Repair and maintenance services*

The Company accepted repair and maintenance services amounting to RMB2.56 billion in 2023 and RMB1.7 billion from January to September 2024, and the Company expects to accept repair and maintenance services amounting to RMB2.5 billion for the whole year of 2024 (taking into account the centralized settlement of expenses at the end of the year). The Company expects an improvement in the steel industry in the financial year of 2025 and therefore the production volume of the steel products of the Group and the amount of repair and maintenance services accepted by the Group will increase accordingly. The Company expects that the expected transaction amounts of repair and maintenance services to be accepted by the Group from the China Baowu Group from 2025 to 2027 will be approximately RMB2,644 million, RMB2,688 million and RMB2,697 million respectively. The above transaction amount is determined based on (1) the historical transaction amount of repair and maintenance services provided by China Baowu Group to the Group in financial year of 2023 and the first three quarters of 2024; (2) the expected transaction amount of repair and maintenance services provided by China Baowu Group to the Group in financial year of 2024; and (3) the increase in the Group's production volume of the steel products from 2025 to 2027 and the Group's expected demand for repair and maintenance services.

After considering the above basis for determining proposed annual caps, the Board is of the view that the proposed annual caps for the New Provision and Acceptance of Services Agreement are determined with reference to reasonable estimation and after due and careful consideration and are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

### ***Reasons for and benefits of the New Provision and Acceptance of Services Agreement***

It will be in the interest of the Group to obtain a reliable and uniquely skilled supply of services from China Baowu Group to ensure the Group's stable and continuous production. The terms and pricing of the New Provision and Acceptance of Services Agreement are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

### **(III) New Financial Services Agreement**

The Existing Financial Services Agreement for the years from 2022 to 2024 entered into between the Company and Baowu Finance on 15 November 2022 will expire on 31 December 2024. On 30 October 2024, Baowu Finance entered into the New Financial Services Agreement for the years from 2025 to 2027 with the Company, pursuant to which Baowu Finance has agreed to provide the Group with relevant financial services within its

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## LETTER FROM THE BOARD

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business scope approved by the NFRA in accordance with the law. The principal terms of the New Financial Services Agreement are set out below:

***Date***

30 October 2024

***Parties***

- (1) Baowu Finance; and
- (2) The Company

In the New Financial Services Agreement, Baowu Finance refers to Baowu Finance and/or its branches, and the Company refers to the Company and/or its subsidiaries.

***Duration***

The term of New Financial Services Agreement commences from 1 January 2025 and ends on 31 December 2027.

***Services under the New Financial Services Agreement***

***(a) Deposit services***

The Group opens settlement accounts with Baowu Finance, and will deposit funds into the saving accounts opened at Baowu Finance under the principles of independent choice and free access.

Baowu Finance provides deposit services to the Group at the deposit interest rate determined in accordance with that of the same type and under the same terms promulgated by the PBOC, in principle, not lower than the deposit interest rate of the same type and under the same terms of the independent major commercial banks in the PRC.

During the term of the agreement, the maximum daily deposit balance of the Group with Baowu Finance, in principle, does not exceed RMB9.5 billion, and the total interest fee payable by Baowu Finance to the Group for deposit services shall not exceed the maximum of RMB190 million per year. The above estimation of the maximum deposit balance has been determined with reference to the Group's RMB monetary funds, notes receivable, accounts receivable within one year and accounts

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## LETTER FROM THE BOARD

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receivable financing amount as at 30 June 2024. The above estimation of the maximum total interest fee has been determined with reference to deposit interest rate of the longest term deposits that Baowu Finance has provided quotations to the Group.

*(b) Credit services*

Baowu Finance will, within the scope permitted by national laws, regulations and policies, in accordance with the requirements of the NFRA and in combination with its own operating principles and credit policies, support the Group's capital needs in business development, and provide comprehensive credit services for the Group. The Group may use the comprehensive credit extension provided by Baowu Finance to handle loans, bill acceptance, bill discounting and other types of financial services.

Baowu Finance provides preferential credit interest rates and rates for credit businesses such as loans, bill acceptance, bill discounting, etc. to the Group, in principle, not higher than the credit interest rates and rates of the same type, for same period and at the same level obtained by the Group from independent major commercial banks in the PRC.

During the effective term of the New Financial Services Agreement, the Group's daily credit service balance with Baowu Finance is, in principle, not more than RMB9.5 billion.

Under the current terms of the New Financial Services Agreement, the Group is not required to pledge its assets to secure the credit services to be obtained.

*(c) Settlement services and other financial services*

The Group opens settlement accounts with Baowu Finance. Baowu Finance provides collection services and payment services, as well as other ancillary services related to settlement business to the Group, according to its instructions.

The standard in respect of the fees to be charged by Baowu Finance for providing various settlement services to the Group, in principle, is not higher than those of the same type for the same period charged by independent major commercial banks in the PRC.

Baowu Finance may provide other financial services to the Group within the scope of its business, and the parties shall negotiate and sign a stand-alone agreement separately before the provision of other financial services by Baowu Finance to the Group. Baowu Finance shall follow the principles of fairness and reasonableness to

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## LETTER FROM THE BOARD

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provide other financial services to the Group, and charge the relevant fees not higher than the fair market prices obtained by the Group from independent major commercial banks in the PRC or the standards stipulated by the State.

During the effective term of the agreement, the maximum service fee paid by the Group to Baowu Finance for financial services shall not exceed RMB210 million. The above estimation of the maximum service fee has been determined with reference to the average daily credit service amount, interest rate and settlement, and other financial service fees provided by Baowu Finance to the Group.

### ***Effectiveness of agreement***

The agreement shall become effective after each party has performed their own necessary internal decision-making procedures, and that the approval of the Company's general meeting is obtained in accordance with the "Shanghai Stock Exchange Shares Listing Rules" and the Listing Rules.

### ***Existing annual caps and historical transaction amounts for deposit services under the Existing Financial Services Agreement***

The existing annual caps (tax exclusive) for the relevant deposit services under the Existing Financial Services Agreement for the years ended/ending 31 December 2023 and 31 December 2024 and the historical maximum daily deposit balance (accrued interest inclusive) (tax exclusive) for the Group's deposits with Baowu Finance (deposit services: category (a) of the financial services referred to above) for the year ended 31 December 2023 and the first six months ended 30 June 2024 are set out as follows:

		<i>RMB</i>		
		For the year ended 31 December 2023	For the year ending 31 December 2024	For the first six months ended 30 June 2024
Deposit services	Existing annual caps	10,000,000,000	10,000,000,000	N/A
	Historical figures	4,273,401,484	N/A	4,357,449,499.38
Interest	Existing annual caps	190,000,000	190,000,000	190,000,000
	Historical figures	26,763,406	N/A	18,208,105



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## LETTER FROM THE BOARD

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### *Proposed annual caps for deposit services under the New Financial Services Agreement*

The relevant proposed annual caps (tax exclusive) for deposit services under the New Financial Services Agreement for the years ending 31 December 2025, 31 December 2026 and 31 December 2027 are set out as follows:

	<i>RMB</i>		
	<b>For the year ending 31 December 2025</b>	<b>For the year ending 31 December 2026</b>	<b>For the year ending 31 December 2027</b>
Deposit services	9,500,000,000	9,500,000,000	9,500,000,000
Interest	190,000,000	190,000,000	190,000,000

### *Basis for the proposed annual caps of deposit services under the New Financial Services Agreement*

The proposed annual caps for the provision of deposit services under the New Financial Services Agreement by Baowu Finance to the Group for the three years ending 31 December 2027 were determined with reference to the cash and bank balances (excluding foreign currency deposits), notes receivable, trade receivables within one year and financing receivables of the Group as at 30 June 2024.

According to the 2024 interim report and the data of the Company, the cash and bank balances (excluding foreign currency deposits), notes receivable, trade receivables within one year and financing receivables of the Group as at 30 June 2024 were approximately RMB5,425 million, RMB1,180 million, RMB1,841 million and RMB1,436 million respectively. The sum of the aforesaid current assets of the Group were approximately RMB9,882 million, which represented approximately 104% of the proposed annual caps for the deposit services to be provided to the Group. It is assumed that all of the trade receivables within one year will be collected from clients, and the payment from the clients and the fund from the discount on notes receivable and financing receivables will be placed with Baowu Finance.

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## LETTER FROM THE BOARD

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The maximum daily balance of the deposits placed with Masteel Finance by the Group was recorded at approximately RMB9,687 million, RMB8,965 million and RMB8,653 million for financial year of 2021, financial year of 2022 and January to April in financial year of 2023 respectively, which represented approximately 101.97%, 94.37% and 91.08% of the proposed annual caps for the deposit services to be provided to the Group. On 30 April 2023, a merger was settled where the Company transferred 91% equity interest in Masteel Finance to Baowu Finance in exchange for 29.68% equity interest in Baowu Finance. Baowu Finance was the absorbing party and the surviving party of the merger while Masteel Finance was the absorbed party and the non-surviving party. The Group shifted its deposits from Masteel Finance to Baowu Finance since May 2023. Despite the change of deposit service provider to Baowu Finance, the Group's demand and expected demand for deposit services are similar to those in the past. Accordingly, the Group has made reference to the historical maximum daily deposit balance placed by the Group with Masteel Finance.

During the term of the Existing Financial Services Agreement, three subsidiaries of the Group ceased to be connected persons of the Company due to the transfer of their shareholdings, while one subsidiary underwent industrial and commercial deregistration. The change in ownership of the aforesaid four subsidiaries resulted in a reduction in the expected demand for deposit services within the period of 2025–2027 under the New Financial Services Agreement. Consequently, the Company has adjusted the proposed annual caps for the New Financial Services Agreement from RMB10 billion to RMB9.5 billion.

The proposed annual caps for the interest on deposits for the three years ending 31 December 2027 were determined mainly based on the (i) expected demand for the deposit services under the New Financial Services Agreement in 2025–2027 as mentioned above; (ii) the historical maximum daily deposit balance placed with Masteel Finance and Baowu Finance; (iii) the quotation of the longest term deposit rate provided by Baowu Finance to the Group; and (iv) the proposed annual caps for the maximum daily deposit balance for the three years ending 31 December 2027.

After considering the above basis for determining proposed annual caps, the Board is of the view that, the proposed annual caps for the deposit services to be provided to the Group under the New Financial Services Agreement are determined with reference to reasonable estimation and after due and careful consideration and are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

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## LETTER FROM THE BOARD

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### ***Reasons for and benefits of the New Financial Services Agreement***

As a financial services provider of the Group, there are numerous advantages of utilising the financial services provided by Baowu Finance over similar services provided by other commercial banks in the PRC (as disclosed below):

1. According to Baowu Finance's articles of association, the major shareholders promise in writing to increase the corresponding capital amount in accordance with the actual needs to solve the payment difficulty in case of an emergency where Baowu Finance encounters payment difficulties; and
2. According to Baowu Finance's articles of association, its board of directors has a total of 11 directors, 2 of whom are nominated by the Company. By appointing directors nominated by the Company, the Company can better supervise the operations of Baowu Finance, generally communicate with and understand the Group better and more effectively than other commercial banks in the PRC.

The Company may continue to optimize its financial management, improve the efficiency of capital utilization, reduce financing costs, and obtain professional management and operation on a higher platform upon the effectiveness of the New Financial Services Agreement. The Directors (including the Independent Non-executive Directors) consider that the terms of the New Financial Services Agreement entered into on normal commercial terms, and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

### ***Reasons for and benefits of entering into the Non-exempt Continuing Connected Transactions***

The sales of products and services from China Baowu Group to the Group is conducive to the Company's use of China Baowu's brand, channels and resources advantages to ensure stable and reliable supply of products and services at a reasonable price, which is crucial to the Company's production stability, cost reduction and efficiency enhancement. The sales of products and services from the Group to China Baowu Group may increase the business opportunities and broaden the revenue base of the Group. In addition, Baowu Finance has been providing financial services to the Group for many years, through which it has gained a deeper understanding of the industry characteristics, capital structure, business operations, financing needs, capital flow models, and the entire financial management system of the Group. Therefore, the Directors are of the view that the entering into of the New Sale and Purchase of Products Agreement, the New Provision and Acceptance of Services Agreement, and the New Financial Services Agreement has a positive impact on the Group.

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## LETTER FROM THE BOARD

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In addition, the Non-exempt Continuing Connected Transactions do not restrict the Group from selling and/or purchasing products and/or services only to and/or from the corresponding contracting parties, nor do they prevent the Group from using deposit services and other financial services provided by other commercial banks or independent financial institutions in China. The Group reserves the right to make choices based on its business needs and the cost and quality of goods and services, thus providing the Group with an additional option.

Therefore, the Directors are of the view that conducting Non-exempt Continuing Connected Transactions is in the interests of the Company and its Shareholders as a whole.

### ***Information on the Company, the Parent Company, China Baowu and Baowu Finance***

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.

The Parent Company is a wholly state-owned enterprise with limited liability and a 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.

China Baowu, a state-owned capital investment company controlled by the State-owned Assets Supervision and Administration Commission of the State Council, is mainly engaged in operating state-owned assets within the scope authorized by the State Council, as well as carrying out relevant state-owned capital investment and operation.

Baowu Finance is a non-banking institution established under the laws of the PRC in October 1992 with the approval of the NFRA (formerly known as the China Banking Regulatory Commission) and is subject to the supervision of the NFRA, with its principal business being the provision of financial services (including, but not limited to, deposit services, loan and entrusted credit services, discounting services and settlement services) to China Baowu Group and its members. Its ultimate beneficial owner is China Baowu.

### ***Internal Management of Such Agreements***

To ensure effective execution and implementation of the pricing of the transactions under the agreements, the Company has established “Internal Control Management Measures of Related Transactions” to regulate the pricing management of relevant related transactions.

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## LETTER FROM THE BOARD

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The connected transaction management committee of the Company, which directly reports to the Board, is responsible for the on-going monitoring of all the continuing connected transactions of the Company, which include the continuing connected transactions contemplated under such agreements. The responsibilities of the connected transaction management committee include, among other things, approving and monitoring of continuing connected transactions, gathering information for disclosure of continuing connected transactions pursuant to the Listing Rules, and monitoring of pricing procedures for continuing connected transactions to ensure that prices are determined on normal commercial terms. For each relevant functional department of the continuing connected transaction agreements or relevant companies entering transactions shall provide actual trading situation quarterly to the operation and accounting department of the Company. The operation and accounting department of the Company will report on quarterly basis to the connected transaction management committee regarding the actual amount of the continuing connected transactions conducted during the quarter and the estimated amount in the following quarter so as to facilitate the connected transaction management committee to (i) monitor the actual amount of continuing connected transactions carried out; and (ii) assess whether the annual cap of any continuing connected transactions will be exceeded. The continuing connected transaction management committee will then report to the Board on quarterly basis.

The marketing department of the Company will be responsible for the pricing management and will guide various departments and units to establish the procedures and mechanism of professional price management, so as to ensure that the pricing standard is fair and reasonable, and conform with the market principle. Market prices will be obtained through, among other things, open tenders/quotations from independent third party suppliers and service providers, recent transaction prices of the Group with independent third parties, pricing information obtained through subscription service and researches on industry websites. The market price information will be circulated by the department to other departments and companies of the Group to enable them to determine the prices for the continuing connected transactions.

### ***Approval by the Board***

In the thirty-first meeting of the tenth session of the Board held on 30 October 2024, the Board approved the New Sale and Purchase of Products Agreement, the New Provision and Acceptance of Services Agreement and the New Financial Services Agreement, and the adoption of the Non-exempt Proposed Annual Caps. The Directors attending the Board meeting regarding the New Sale and Purchase of Products Agreement, the New Provision and Acceptance of Services Agreement and the New Financial Services Agreement consider that such agreements and the proposed annual caps in respect thereof have been negotiated on an arm's length basis and on normal commercial terms and the terms thereof and the proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole and the agreements are entered into in the ordinary and usual course of business of the Group.

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## LETTER FROM THE BOARD

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Among the Directors attending the Board meeting, Mr. Jiang Yuxiang and Mao Zhanhong were considered to have material interests in the New Sale and Purchase of Products Agreement, the New Provision and Acceptance of Services Agreement and the New Financial Services Agreement by virtue of being employed by the Parent Company or other reasons, and thus abstained from voting on the Board resolutions in respect of such relevant agreements and the proposed annual caps. Save as disclosed above, none of the Directors attended the Board meeting has a material interest in such agreements.

### *Listing Rules Implications*

As of the date of this circular, China Baowu is the controlling shareholder of the Parent Company and indirectly holds approximately 52.7% equity interests of the Company in aggregate, whereas the Parent Company holds approximately 48.07% equity interests of the share capital of the Company, being the controlling shareholder and a connected person of the Company. As at the date of this circular, Baowu Finance is an approximately 56.53% owned subsidiary of China Baowu. Therefore, China Baowu, the Parent Company and Baowu Finance are connected persons of the Company. The New Sale and Purchase of Products Agreement, the New Provision and Acceptance of Services Agreement and the New Financial Services Agreement and the transactions contemplated thereunder constitute non-exempt continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios under the Listing Rules in respect of the proposed annual caps for the New Sale and Purchase of Products Agreement, the New Provision and Acceptance of Services Agreement and the transactions contemplated thereunder, and the deposit services under the New Financial Services Agreement, calculated on an annual basis, are expected to be more than 5%, the relevant continuing connected transactions and proposed annual caps are subject to requirements including reporting, announcement, annual review and Independent Shareholders' approval under Chapter 14A of the Listing Rules.

As the provision of credit services to the Group by Baowu Finance constitutes financial assistance received by the Group from a connected person, and the transactions in relation to the loans to be obtained by the Group as contemplated under the New Financial Services Agreement is not secured by the Group's assets and are conducted on normal commercial or better terms. Accordingly, the relevant transactions are exempted from the reporting, announcement, annual review, circular (including independent financial advice) and Independent Shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

In addition, as the applicable ratios in respect of the service charges for the settlement services and the other financial services under the New Financial Services Agreement, are all more than 0.1% but less than 5%, the relevant transactions constitute exempted continuing connected transactions of the Company under Chapter 14A of the Listing Rules and are only

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## LETTER FROM THE BOARD

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subject to the reporting and announcement requirements set out in Chapter 14A of the Listing Rules, but are exempted from the circular (including independent financial advice) and Independent Shareholders' approval requirements.

### ***General Information***

The EGM will be convened to consider and, if thought fit, to approve the Non-exempt Continuing Connected Transactions and the adoption of the Non-exempt Proposed Annual Caps. In accordance with the Listing Rules, the vote of the Independent Shareholders taken at the EGM to approve the Non-exempt Continuing Connected Transactions and the adoption of the Non-exempt Proposed Annual Caps, will be taken by poll. Any Shareholder with a material interest in the the Non-exempt Continuing Connected Transactions and the adoption of the Non-exempt Proposed Annual Caps and his/her associates will abstain from voting at the EGM. Accordingly, the Parent Company, Magang Group Investment Ltd.\* (馬鋼集團投資有限公司), Baosteel Hong Kong Investment Company Limited\* (寶鋼香港投資有限公司) and Mr. Mao Zhanhong, the deputy general manager of the Company will abstain from voting at the EGM. The result of the vote will be announced after the EGM.

The Independent Board Committee will advise the Independent Shareholders as to the relevant terms of the Non-exempt Continuing Connected Transactions and the adoption of the Non-exempt Proposed Annual Caps. TC Capital International Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to this respect thereof.

### **3. EGM AND PROXY ARRANGEMENT**

The notice of the EGM is set out on pages 68 to 69 of this circular. At the EGM, resolutions will be proposed to approve, inter alia, the New Sale and Purchase of Products Agreement, the New Provision and Acceptance of Services Agreement and the New Financial Services Agreement, the Non-exempt Continuing Connected Transactions and the adoption of the Non-exempt Proposed Annual Caps.

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of the HKEXnews of the Stock Exchange (<http://www.hkexnews.hk>) and the Company ([www.magang.com.hk](http://www.magang.com.hk)). Whether or not you intend to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending the EGM and voting in person if you so wish.

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## LETTER FROM THE BOARD

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To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, other than the Parent Company and its associates who shall abstain from voting at the EGM in respect of the the Non-exempt Continuing Connected Transactions and the adoption of the Non-exempt Proposed Annual Caps, none of the Directors or Shareholders has a material interest in the resolutions to be proposed at the EGM and no Shareholder is required to abstain from voting on any of the resolutions at the EGM.

#### **4. PROCEDURES FOR VOTING AT THE EGM**

According to Rule 13.39(4) of the Listing Rules, any vote at a general meeting must be taken by poll.

#### **5. RECOMMENDATION**

The Directors consider that all resolutions to be proposed for consideration and approval by the Shareholders at the EGM are in the best interests of the Company and the Shareholders as a whole.

Accordingly, the Directors recommend that all the Shareholders should vote in favour of all the resolutions to be proposed at the EGM as set out in the notice of the EGM.

Yours faithfully,

By Order of the Board

**Maanshan Iron & Steel Company Limited**

**Jiang Yuxiang**

*Chairman*





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

**(Stock Code: 00323)**

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

2 December 2024

*To the Independent Shareholders*

Dear Sir or Madam,

Reference is made to the circular issued by the Company to the Shareholders dated 2 December 2024 (the “**Circular**”) of which this letter forms a part. Unless otherwise specified, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board to advise you on the Non-exempt Continuing Connected Transactions and the adoption of the Non-exempt Proposed Annual Caps. TC Capital International Limited has been appointed as the Independent Financial Adviser to advise you and us in this regard. Details of its advice, together with the principal factors and reasons it has taken into consideration in giving such advice, are set out on pages 36 to 61 of the Circular and the additional information is set out in the appendices thereto.

Having considered the terms and conditions of the New Sale and Purchase of Products Agreement, the New Provision and Acceptance of Services Agreement and the New Financial Services Agreement, and the Non-exempt Continuing Connected Transactions, and taking into account the independent advice of TC Capital International Limited, in particular the principal factors, reasons and recommendations set out in its letter on pages 1 to 28 of the Circular, we consider that (i) the Non-exempt Continuing Connected Transactions are entered into in the ordinary course of business of the Group; (ii) the terms of the Non-exempt Continuing Connected Transactions are normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole; and (iii) the Non-exempt Proposed Annual Caps under the New Sale and Purchase of Products Agreement, the New Provision and Acceptance of Services Agreement and the New Financial Services Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend you to vote in favor of the ordinary resolutions to be proposed at the EGM as set out in the notice of the EGM.

Yours faithfully,

The Independent Board Committee

**Guan Bingchun, He Anrui, Qiu Shengtao and Zeng Xiangfei**

*Set out below is the text of a letter received from TC Capital International Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions for the purpose of inclusion in this circular.*



2 December 2024

*The Independent Board Committee and the Independent Shareholders*  
**Maanshan Iron & Steel Company Limited**

Dear Sirs,

**CONTINUING CONNECTED TRANSACTIONS  
NEW SALE AND PURCHASE OF PRODUCTS AGREEMENT,  
NEW PROVISION AND ACCEPTANCE OF SERVICES AGREEMENT AND  
NEW FINANCIAL SERVICES AGREEMENT**

**INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 2 December 2024 issued to the Shareholders (the “**Circular**”). Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

As at the Latest Practicable Date, China Baowu was an indirect controlling Shareholder of the Company and Baowu Finance was a subsidiary of China Baowu. As such, China Baowu and Baowu Finance are connected persons of the Company. The Non-exempt Continuing Connected Transactions constitute connected transactions of the Company and are subject to the reporting, announcement, annual review and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Guan Bingchun, Mr. He Anrui, Mr. Qiu Shengtao and Mrs. Zeng Xiangfei (all being Independent Non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Non-exempt Continuing Connected Transactions (including the Non-exempt Proposed Annual Caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Non-exempt Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolutions to approve the Non-exempt Continuing Connected Transactions at the EGM. We, TC Capital International Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

### **OUR INDEPENDENCE**

We have not provided any other services to the Company in the last two years. As at the Latest Practicable Date, we did not have any relationships with or interests in the Company or any other parties that could reasonably be regarded as relevant to the independence of us.

### **BASIS OF OPINION**

In putting forth our recommendation, we have relied on the information, opinions, facts and representations supplied to us by the Directors and/or the representatives of the Company. We have reviewed, among other things, (i) the New Sale and Purchase of Products Agreement, the New Provision and Acceptance of Services Agreement and the New Financial Services Agreement; (ii) the annual reports of the Company for the years ended 31 December 2022 and 2023 (the “**2022 Annual Report**” and the “**2023 Annual Report**” respectively) and the third quarterly report of the Company for the nine months ended 30 September 2024 (the “**2024 Third Quarterly Report**”); (iii) other information as set out in the Circular; and (iv) relevant market data and information available from public sources.

We have assumed that all such information, opinions, facts and representations provided to us by the Directors and/or the representatives of the Company, for which they are fully responsible, are true, accurate and complete in all respects. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and/or the representatives of the Company. The Company has also confirmed to us that no material facts have been omitted from the information supplied and we have no reason to suspect that any material information has been withheld or is misleading.

We consider that we have sufficient information currently available to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided by the Directors and/or the representatives of the Company, nor have we conducted any independent investigation into the business, affairs, operations, financial position or future prospects of each of the Group, China Baowu, Baowu Finance and any of their respective subsidiaries and associates.

## PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the Non-exempt Continuing Connected Transactions, we have taken into account the following principal factors and reasons:

## A. Background information of the parties

## 1. Information on the Group

As stated in the Letter from the Board, 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.

Set out below is certain financial information of the Group for the three years ended 31 December 2023 (“FY2021”, “FY2022” and “FY2023” respectively) and the nine months ended 30 September 2023 and 2024 (“3Q2023” and “3Q2024” respectively) as extracted from the 2022 Annual Report, the 2023 Annual Report and the 2024 Third Quarterly Report:

	For the nine months ended		For the year ended 31 December		
	30 September 2024	2023	2023	2022	2021
	<i>RMB million</i> <i>(Unaudited)</i>	<i>RMB million</i> <i>(Unaudited)</i>	<i>RMB million</i> <i>(Audited)</i>	<i>RMB million</i> <i>(Audited)</i>	<i>RMB million</i> <i>(Audited)</i> <i>(Restated)</i>
Revenue	61,513	73,917	98,938	102,154	113,851
Operating (loss)/profit	(2,614)	(1,746)	(1,594)	(484)	7,368
Net (loss)/profit attributable to owners of the parent	(2,535)	(1,598)	(1,327)	(858)	5,332

	As at		As at 31 December	
	30 September 2024	2023	2022	2021
	<i>RMB million</i> <i>(Unaudited)</i>	<i>RMB million</i> <i>(Audited)</i>	<i>RMB million</i> <i>(Audited)</i>	<i>RMB million</i> <i>(Audited)</i> <i>(Restated)</i>
Total assets	81,391	84,552	96,892	91,208
Total liabilities	51,879	52,273	63,561	53,797
Equity attributable to owners of the parent	25,231	27,769	29,200	32,753

As illustrated in the above table, the revenue of the Group for FY2022 decreased by approximately 10% as compared to that for FY2021. As stated in the 2022 Annual Report, such decrease was mainly due to the impact of the economic downturn and shrinking demand, steel prices began to gradually decline since the second quarter and remained low fluctuations in the second half of FY2022, with a significant decrease compared to the same period for FY2021. Moreover, the sales volume of steel for FY2022 was also lower than FY2021 due to factors such as environmental protection and production restriction. The operating profit of the Group and the net profit attributable to owners of the parent recorded turnaround from profit for FY2021 to loss for FY2022 respectively, which were mainly due to the decrease in gross profit of steel products of the Company during FY2022 as compared with FY2021 as a result of the impact of the scissor difference between both markets.

The revenue of the Group for FY2023 decreased slightly by approximately 3% as compared to that for FY2022. As stated in the 2023 Annual Report, such decrease was mainly due to the decrease in steel prices as a result of the impact of the downward trend in the market environment. The operating loss of the Group and the net loss attributable to owners of the parent for FY2023 increased by approximately RMB1,110 million and RMB469 million as compared to those corresponding figures for FY2022 respectively, which were mainly due to the steel prices dropping more than the raw material prices, resulting in a decrease in gross profit of steel products compared to the previous year.

The revenue of the Group for 3Q2024 decreased by approximately 17% as compared to that for 3Q2023. As advised by the representatives of the Company, such decrease was mainly due to the year-on-year decrease in steel sales volume and prices during 3Q2024 as a result of weak demand from downstream industries. The operating loss of the Group and the net loss attributable to owners of the parent for 3Q2024 increased by approximately RMB868 million and RMB937 million as compared to those corresponding figures for 3Q2023 respectively, which were mainly due to the fact that steel prices continued to fall during 3Q2024, hitting their lowest point in nearly three years in the third quarter, and the spread between purchases and sales continued to narrow, resulting in an increase in losses year-on-year.

The equity attributable to owners of the parent experienced a downward trend during FY2022, FY2023 and 3Q2024. The representatives of the Company advised us that such movement in the equity attributable to owners of the parent was mainly due to the net loss of the Group during FY2022, FY2023 and 3Q2024.

## 2. *Information on China Baowu*

As stated in the Letter from the Board, China Baowu, a state-owned capital investment company controlled by the State-owned Assets Supervision and Administration Commission of the State Council, is mainly engaged in operating state-owned assets within the scope authorised by the State Council, as well as carrying out relevant state-owned capital investment and operation.

## 3. *Information on Baowu Finance*

As stated in the Letter from the Board, Baowu Finance is a non-banking institution established under the laws of the PRC in October 1992 with the approval of the NFRA (formerly known as the China Banking Regulatory Commission) and is subject to the supervision of the NFRA, with its principal business being the provision of financial services (including, but not limited to, deposit services, loan and entrusted credit services, discounting services and settlement services) to the China Baowu Group and its members. Its ultimate beneficial owner is China Baowu.

As advised by the representatives of the Company, the regulations imposed on finance companies of enterprise groups such as Baowu Finance are no less stringent than the regulations imposed on commercial banks. We noted from the Measures for the Administration of Finance Companies of Enterprise Groups\* (《企業集團財務公司管理辦法》) (the “**Measures**”) promulgated by the China Banking and Insurance Regulatory Commission (now known as the NFRA) and an appendix to the Notice of Issuing the Measures for the Regulatory Ratings of Finance Companies of Enterprise Groups\* (《國家金融監督管理總局關於印發企業集團財務公司監管評級辦法的通知》) despatched by the NFRA that the capital adequacy ratio for finance companies of enterprise groups shall not be lower than 10.5%, which is higher than that for commercial banks of 8% as stipulated in the Administrative Measures for the Capital of Commercial Banks\* (《商業銀行資本管理辦法》) issued by the NFRA. Baowu Finance has confirmed that it has been in compliance with all the requirements and regulatory indicators set forth by the NFRA in the past three years.

We have obtained and reviewed the latest available audited annual report of Baowu Finance for FY2023 and noted that (i) the total assets and total equity of Baowu Finance amounted to approximately RMB87.0 billion and RMB10.2 billion respectively as at 31 December 2023, among which cash and deposits amounted to approximately RMB3.1 billion and deposits from peers amounted to approximately RMB29.5 billion; and (ii) the revenue and net profit of Baowu Finance amounted to approximately RMB609.7 million and RMB432.2

million respectively for FY2023. The total assets and total equity of Baowu Finance as at 31 December 2023 are higher than each of the proposed annual caps for the deposit services to be provided to the Group for the three years ending 31 December 2027, which indicated that Baowu Finance is likely to be able to perform payment obligations. We have also obtained and reviewed the major regulatory financial ratios of Baowu Finance as at 31 December 2022, 31 December 2023 and 30 September 2024, such as capital adequacy ratio and liquidity ratio, and noted that they were all in compliance with the Measures.

**B. Reasons for and benefits of the Non-exempt Continuing Connected Transactions**

As advised by the representatives of the Company, the sales of products and services by the China Baowu Group to the Group is conducive to the Group's use of China Baowu's brand, channels and resources advantages to ensure the stable and reliable supply of products and services at a reasonable price, which is crucial to the Group's production stability, cost reduction and benefit increase. The sales of products and services by the Group to the China Baowu Group can enhance the business opportunities of the Group and broaden the revenue base of the Group. Besides, Baowu Finance has been providing financial services to the Group for several years and has better understanding in the industry characteristics, capital structures, business operations, financing needs, capital flow patterns and the financial management system of the Group through its previous cooperation with the Group. The Directors considered that entering into the New Sale and Purchase of Products Agreement, the New Provision and Acceptance of Services Agreement and the New Financial Services Agreement will have a positive impact on the Group.

Besides, the Non-exempt Continuing Connected Transactions do not restrict the Group to sell/procure products/services to/from the corresponding contractual parties only. The Non-exempt Continuing Connected Transactions also do not prevent the Group from using deposit services and other financial services provided by other commercial banks or independent financial institutions in the PRC. The Group retains discretion to make its selection according to its business needs as well as the fees and quality of the goods and services and therefore the Non-exempt Continuing Connected Transactions offer additional options to the Group.

In light of the above, we concur with the Directors that the Non-exempt Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole.

**C. Principal terms of the Non-exempt Continuing Connected Transactions and the Non-exempt Proposed Annual Caps**

***1.1 The New Sale and Purchase of Products Agreement***

*1.1.1 Principal terms of the New Sale and Purchase of Products Agreement*

The Existing Sale and Purchase of Products Agreement entered into between the Company and China Baowu will expire on 31 December 2024. On 30 October 2024, the Company and China Baowu entered into the New Sale and Purchase of Products Agreement, pursuant to which the Group has agreed to continue to sell products to the China Baowu Group and the China Baowu Group has agreed to continue to sell products to the Group during the period from 1 January 2025 to 31 December 2027.

The price shall be based on state-prescribed price, if any. In the absence of state-prescribed price, the price shall be based on the market price, which shall be determined through open tenders, price comparison, arm's length negotiations between the parties, and shall be based on normal commercial terms.

Meanwhile, the price of the products to be sold by the Group to the China Baowu Group shall not be lower than the price of products of the same categories sold by the Group to independent third parties.

The price of the products to be sold by the China Baowu Group to the Group shall not be higher than the price of products of the same categories sold by independent third parties to the Group.

Further details of the terms of the New Sale and Purchase of Products Agreement are stated in the Letter from the Board.

*Products sold by the Group to the China Baowu Group*

The representatives of the Company advised us that the products sold by the Group to the China Baowu Group mainly comprise steel products, chemical products and power and energy medium. Therefore, we have requested, on a random basis, for the record (i.e. contracts and invoices) of a selected transaction for each of the aforementioned products for each quarter of FY2023 and the six months ended 30 June 2024 ("1H2024"). We consider the samples to be fair and representative for the purpose of assessing the pricing policies of the sales of products by the Group to the China Baowu Group, in particular, (i) the selected transactions covered major categories of products sold by the Group to the China Baowu Group; and (ii) we have selected the samples on a random basis for each quarter of FY2023 and 1H2024 and the samples covered the whole period of FY2023 and 1H2024.



For the steel products, we have obtained the contracts and invoices of each selected transaction and checked the unit prices of steel products sold to the China Baowu Group against the then unit prices of steel products sold to independent third parties. We noted that the unit prices of steel products sold to the China Baowu Group were not less favourable than those sold to independent third parties.

For the chemical products, we have obtained the contracts and invoices of each selected transaction, which involved the sales of coal tar and ammonium sulphate. For the coal tar, we have compared the unit prices of coal tar sold to the China Baowu Group against the then unit prices of coal tar as quoted from independent third parties. We noted that the unit prices of coal tar sold to the China Baowu Group were within the range of unit prices of coal tar quoted from the independent third parties. For the ammonium sulphate, we have compared the unit price of ammonium sulphate sold to the China Baowu Group against the price of ammonium sulphate disclosed on [www.baiinfo.com](http://www.baiinfo.com), a widely used commodity information website and the data base of which is included in the Wind Financial Terminal. We noted that the unit price of ammonium sulphate sold to the China Baowu Group was within the range of prices of ammonium sulphate disclosed on [www.baiinfo.com](http://www.baiinfo.com) during the corresponding month.

For the power and energy medium, we have obtained the contracts and invoices of each selected transaction, which involved the sales of electricity and gas products. For the electricity, we have compared the unit prices of electricity sold to the China Baowu Group against the state prices of electricity of the corresponding month published on the website of the Development and Reform Commission of Anhui Province. We noted that the unit prices of electricity sold to the China Baowu Group were not less favourable than the state prices. For the gas products, we noted that the unit prices of gas products sold to the China Baowu Group were not less favourable than those sold to the independent third parties.

*Products sold by the China Baowu Group to the Group*

The representatives of the Company advised us that the products sold by the China Baowu Group to the Group mainly comprise imported iron ores, domestic iron ores, scrap steel and spare parts. Therefore, we have requested, on a random basis, for the record (i.e. contracts and invoices) of a selected transaction for each of the aforementioned products for each quarter of FY2023 and 1H2024. We consider the samples to be fair and representative for the purpose of assessing the pricing policies of the sales of products by the China Baowu Group to the Group, in particular, (i) the selected transactions covered major categories of products sold by the China Baowu Group to the Group; and (ii) we have selected the samples on a random basis for each quarter of FY2023 and 1H2024 and the samples covered the whole period of FY2023 and 1H2024.

For the imported iron ores, we have obtained the contracts and invoices of each selected transaction and checked the unit prices of imported iron ores sold by the China Baowu Group to the Group against the then unit prices of imported iron ores quoted from independent third parties. We noted that the unit prices of imported iron ores sold by the China Baowu Group to the Group were not less favourable than those quoted from the independent third parties.

For the domestic iron ores, we have compared the unit prices of domestic iron ores sold by the China Baowu Group to the Group against the then prices of similar domestic iron ores disclosed on [www.mysteel.com](http://www.mysteel.com), a widely used commodity information website set up by Shanghai Ganglian E-Commerce Holdings Co., Ltd., a company listed on the Shenzhen stock exchange. We noted that the unit prices of domestic iron ores sold by the China Baowu Group to the Group were not less favourable than the then prices of similar domestic iron ores disclosed on [www.mysteel.com](http://www.mysteel.com).

For the scrap steel, the representatives of the Company advised us that the Group maintains a monthly internal price guide for the scrap steel to be purchased from all relevant suppliers (including the China Baowu Group and other independent third parties). The prices in the internal price guide are derived from the average monthly prices of benchmark scrap materials in the proximate area of the Group's operations extracted from [www.steelhome.cn](http://www.steelhome.cn) and [mysteelhome.cn](http://mysteelhome.cn) and adjusted by the estimated transportation fees and storage fees. [www.steelhome.cn](http://www.steelhome.cn) is a widely used steel industry information website and the industrial data provider of Bloomberg, Refinitiv and Dow Jones. We have obtained the contracts and invoices of each selected transaction and noted that the unit prices of scrap steel sold by the China Baowu Group to the Group and the unit prices of scrap steel sold to the Group by the independent third parties were based on the internal price guide.

For the spare parts, we have obtained the contracts and invoices of each selected transaction and checked the unit prices of spare parts sold by the China Baowu Group to the Group against the then unit prices of spare parts quoted from independent third parties. We noted that the unit prices of spare parts sold by the China Baowu Group to the Group were not less favourable than those quoted from the independent third parties.

Therefore, we are of the view that the pricing principles stipulated in the New Sale and Purchase of Products Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

*1.1.2 Proposed annual caps for the New Sale and Purchase of Products Agreement*

The following table sets out the historical transaction amounts of the mutual supply of products between the Group and the China Baowu Group for the two years ended 31 December 2023 and the six months ended 30 June 2024, and the proposed annual caps for the three years ending 31 December 2027 (“FY2025”, “FY2026” and “FY2027” respectively):

	Historical transaction amounts			Proposed annual caps		
	For the year ended		For the	For the year ending		
	31 December		six months	31 December		
	2022	2023	ended	2025	2026	2027
		30 June				
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Sales of products by the Group	6,413	8,773	4,720	10,416	10,835	11,075
Purchases of products by the Group	29,104	27,770	13,121	38,301	39,332	39,994

The proposed annual caps for the sales of products by the Group

The proposed annual caps for the products sold by the Group to the China Baowu Group mainly comprise (i) steel products; and (ii) power and energy medium, the aggregate amount of which accounted for approximately 87% of the proposed annual caps for the products sold by the Group to the China Baowu Group for each of the three years ending 31 December 2027.

*Steel products*

The expected transaction amounts of the sales of steel products by the Group to the China Baowu Group for the three years ending 31 December 2027 were approximately RMB7,018 million, RMB7,374 million and RMB7,586 million respectively. The expected price of steel products was determined based on the average sales price of the steel products for the five months ended 31 May 2024.

The expected sales volumes of steel products to the China Baowu Group for the three years ending 31 December 2027 were approximately 2.0 million tonnes, 2.1 million tonnes and 2.1 million tonnes respectively, which were determined based on the China Baowu Group's estimated demand for steel products for the three years ending 31 December 2027 and the historical or expected sales volumes of steel products to the China Baowu Group for FY2022, FY2023 and the year ending 31 December 2024 ("FY2024") of approximately 0.2 million tonnes, 1.1 million tonnes and 1.36 million tonnes, indicating the sharp increase in demand for the steel products from the China Baowu Group. The China Baowu Group proposed to enhance the synergistic effect among all the members of the China Baowu Group and between the China Baowu Group and its strategic cooperative partners, which is expected to lead to the increase in the China Baowu Group's estimated demand for steel products from the Group after considering the quality of steel products and the steel production advantages of the Group.

*Power and energy medium*

The expected transaction amount of the sales of power and energy medium by the Group to the China Baowu Group for each of the three years ending 31 December 2027 was approximately RMB2,032 million, which was close to the annualised transaction amount for FY2024 of approximately RMB2,100 million. The expected price of power and energy medium was determined based on the historical price of power and energy medium for 3Q2024. The expected sales volumes of power and energy medium to the China Baowu Group for each of the three years ending 31 December 2027 were determined based on the historical volume of power and energy medium sold by the Group to the China Baowu Group for FY2023.

The proposed annual caps for the purchases of products by the Group

The proposed annual caps for the products sold by the China Baowu Group to the Group mainly comprise (i) scrap steel; (ii) imported iron ores and domestic iron ores; and (iii) coal and coke, the aggregate amount of which accounted for approximately 85% of the proposed annual caps for the products sold by the China Baowu Group to the Group for each of the three years ending 31 December 2027.

*Scrap steel*

The expected transaction amounts of the sales of scrap steel by the China Baowu Group to the Group for the three years ending 31 December 2027 were approximately RMB7,507 million, RMB8,228 million and RMB8,588 million respectively. The expected price of scrap steel was determined based on the average purchase price of scrap steel for 3Q2024.

The expected transaction volumes of scrap steel purchased by the Group from the China Baowu Group for the three years ending 31 December 2027 were approximately 2.9 million tonnes, 3.2 million tonnes and 3.2 million tonnes respectively, which were determined based on the historical purchase volume for FY2023 of approximately 2.8 million tonnes and the estimated demand for scrap steel for the three years ending 31 December 2027. As advised by the representatives of the Company, the Group's production volume of steel products for FY2023 was relatively low as compared to that for FY2022 and was below the production capacity of the Group. The steel industry is expected to improve in FY2025 and the production volume of the steel products of the Group is expected to increase accordingly. Besides, both iron ores and scrap steel are the raw materials for production of steel products. When the cost of iron ores for steel production is higher than the cost of scrap steel for steel production, the Group may consider to increase the purchase volume of scrap steel.

*Imported iron ores*

The expected transaction amounts of the sales of imported iron ores by the China Baowu Group to the Group for the three years ending 31 December 2027 were approximately RMB15,516 million, RMB15,731 million and RMB15,951 million respectively. The expected price of imported iron ores was determined with reference to the average price of Platts Fe 62% Iron Ore Index and Platts Fe 65% Iron Ore Index for each of FY2022, FY2023 and the nine months ended 30 September 2024 and the historical proportion of the purchase volume of standard grade iron ores which were comparable to 65% iron ore and the purchase volume of low grade iron ores which were comparable to 62% iron ore. The Platts Iron Ore Index is a benchmark assessment of the spot price of physical iron ores issued by S&P Global Platts.

The expected transaction volumes of imported iron ores purchased by the Group from the China Baowu Group for the three years ending 31 December 2027 were approximately 19.7 million tonnes, 19.9 million tonnes and 20.1 million tonnes respectively, which were determined based on the historical transaction volume of imported iron ores purchased by the Group from or via the China Baowu Group for FY2023 of approximately 21.0 million tonnes.

The representatives of the Company advised us that the Group is expected to change the procurement policies of imported iron ores with a member of the China Baowu Group. As a result, the role of this member of the China Baowu Group will be changed from the sourcing agent to the seller since FY2025, and the Group will purchase the imported iron ores from this subsidiary of China Baowu. The representatives of the Company also advised us that the procurement policies of imported iron ores with the rest of the members of the China Baowu Group will remain unchanged.

*Domestic iron ores*

The expected transaction amount of the sales of domestic iron ores by the China Baowu Group to the Group for each of the three years ending 31 December 2027 was approximately RMB5,800 million. The expected price of domestic iron ores was determined with reference to the average price of Platts Fe 65% Iron Ore Index for each of FY2022, FY2023 and the nine months ended 30 September 2024. The expected purchase volume of domestic iron ores from the China Baowu Group for each of the three years ending 31 December 2027 was approximately 5.8 million tonnes, which was determined based on the average of the historical transaction volume of domestic iron ores purchased by the Group from the China Baowu Group for FY2023 and the annualised transaction volume of domestic iron ores purchased by the Group from the China Baowu Group for FY2024.

*Coal and coke*

The expected transaction amounts of the sales of coal and coke by the China Baowu Group to the Group for the three years ending 31 December 2027 were approximately RMB3,681 million, RMB3,741 million and RMB3,802 million respectively. The expected price of coal and coke was determined with reference to the average coal and coke price for the six months ended 30 June 2024 as disclosed on [www.mysteel.com](http://www.mysteel.com) and adjusted by the estimated transportation fees and moisture content.

The expected purchase volume of coal and coke of the Group for each of the three years ending 31 December 2027 was approximately 2.3 million tonnes, which was determined based on the historical transaction volume of coal and coke purchased by the Group from or via the China Baowu Group for FY2023 of approximately 2.0 million tonnes and the estimated demand for coal and coke for the three years ending 31 December 2027. As advised by the representatives of the Company, the Group's production volume of steel products for FY2023 was relatively low as compared to that for FY2022 and was below the production capacity of the Group. The steel industry is expected to improve in FY2025 and the production volume of the steel products of the Group is expected to increase accordingly.

The representatives of the Company advised us that the Group is expected to change the procurement policies of coal and coke with a member of the China Baowu Group. As a result, the role of this member of the China Baowu Group will be changed from the sourcing agent to the seller since FY2025, and the Group will purchase the coal and coke from this subsidiary of China Baowu. The representatives of the Company also advised us that the procurement policies of coal and coke with the rest of the members of the China Baowu Group will remain unchanged.

Therefore, we are of the view that the proposed annual caps for the New Sale and Purchase of Products Agreement are determined based on reasonable estimation and after due and careful consideration and are fair and reasonable so far as the Independent Shareholders are concerned.

## **1.2 The New Provision and Acceptance of Services Agreement**

### *1.2.1 Principal terms of the New Provision and Acceptance of Services Agreement*

The Existing Provision and Acceptance of Services Agreement entered into between the Company and China Baowu will expire on 31 December 2024. On 30 October 2024, the Company and China Baowu entered into the New Provision and Acceptance of Services Agreement, pursuant to which the Group has agreed to continue to provide services to the China Baowu Group and the China Baowu Group has agreed to continue to provide services to the Group during the period from 1 January 2025 to 31 December 2027.

The price shall be based on state-prescribed price, if any. In the absence of state-prescribed price, the price shall be based on the market price, which shall be determined through open tenders, price comparison, arm's length negotiations between the parties, and shall be based on normal commercial terms.

Meanwhile, the price of the services to be provided by the Group to the China Baowu Group shall not be lower than the price of services of the same categories provided by the Group to independent third parties.

The price of the services to be provided by the China Baowu Group to the Group shall not be higher than the price of services of the same categories provided by the independent third parties to the Group.

Further details of the terms of the New Provision and Acceptance of Services Agreement are stated in the Letter from the Board.

*Services provided by the Group to the China Baowu Group*

The representatives of the Company advised us that the services provided by the Group to the China Baowu Group mainly comprise the rental services and the other services. The Group does not enter into rental service agreements with the China Baowu Group every quarter. Therefore, we have requested, on a random basis, for (i) the record (i.e. contracts and invoices) of a selected transaction for the rental services for properties and lands for each half-year period of FY2023 and 1H2024, and have obtained and reviewed three contracts and related invoices; and (ii) the record (i.e. contracts and invoices) of a selected transaction for the other services for each quarter of FY2023 and 1H2024, and have obtained and reviewed six contracts and related invoices, which involved metering and inspection services and industrial sewage treatment. We consider the samples to be fair and representative for the purpose of assessing the pricing policies of the provision of services by the Group to the China Baowu Group, in particular, (i) the total amount of the samples represented approximately 25% and 14% of the total amount of the services provided by the Group to the China Baowu Group for FY2023 and 1H2024 respectively; and (ii) we have selected the samples on a random basis for each quarter (or half-year for the rental services) of FY2023 and 1H2024 and the samples covered the whole period of FY2023 and 1H2024.

For the rental services of properties and lands, we have obtained and reviewed three contracts and related invoices. In relation to the rental service of properties, we have obtained a valuation report issued by an independent valuer and noted that the rental price of property leased to the China Baowu Group was determined based on the fair rental value stated in the valuation report and the market approach was adopted for the valuation. In relation to the rental service of lands, we have checked the rental unit prices of lands leased to the China Baowu Group against the then rental unit prices of lands in the proximate area which were owned by independent third parties. We noted that the rental unit prices of lands leased to the China Baowu Group were not less favourable than the rental unit prices of lands in the proximate area which were owned by independent third parties.

For the metering and inspection services, we have obtained and reviewed five contracts and related invoices. In relation to the metering services, we have checked the unit prices of metering service provided by the Group to the China Baowu Group against the metallurgical system metering and control, automation, information equipment internal accounting and charging standard\* (冶金系統計控、自動化、信息化設備內部核算收費規範) (the “Standard”) prepared by the Metallurgy Branch of China Metrology Association, which is a national industrial association approved by the Ministry of Civil Affairs of the PRC. We noted that the unit prices of metering service provided by the Group to the China Baowu Group were not less favourable than the



unit prices in the Standard. In relation to the inspection services, we have checked the unit prices and fee rates for inspection services provided by the Group to the China Baowu Group against the then unit prices and fee rates quoted from independent third parties. We noted that the unit prices and fee rates for inspection services provided by the Group to the China Baowu Group were not less favourable than those quoted from the independent third parties.

For the industrial sewage treatment service, we have obtained and reviewed one contract and related invoices and checked the unit prices of industrial sewage treatment service provided to the China Baowu Group against the then unit prices of industrial sewage treatment service quoted from independent third parties. We noted that the unit prices of industrial sewage treatment service provided to the China Baowu Group were not less favourable than those quoted from the independent third parties.

*Services provided by the China Baowu Group to the Group*

The representatives of the Company advised us that the services provided by the China Baowu Group to the Group mainly comprise the transportation services, the infrastructural and technological renovation projects and major/medium maintenance of equipment, and the energy conservation and environmental protection projects. Therefore, we have requested, on a random basis, for the record (i.e. contracts and invoices) of a selected transaction for each of the aforementioned services for each quarter of FY2023 and 1H2024, and have obtained and reviewed six contracts and related invoices for each of the aforementioned services. We consider the samples to be fair and representative for the purpose of assessing the pricing policies of the provision of services by the China Baowu Group to the Group, in particular, (i) the selected transactions covered major categories of services provided by the China Baowu Group to the Group; and (ii) we have selected the samples on a random basis for each quarter of FY2023 and 1H2024 and the samples covered the whole period of FY2023 and 1H2024.

For the transportation services, we have obtained and reviewed six contracts and related invoices, which were the transportation for purchases of raw materials and the transportation for sales of products. In relation to the transportation for purchases of raw materials, we noted that the unit prices of the purchase transportation service provided by the China Baowu Group to the Group were determined based on the monthly unit prices of similar transportation service in the nearby area published on the website of Shanghai Shipping Exchange with adjustments for the distance. Shanghai Shipping Exchange is a widely used shipping information platform which was set up by the Ministry of Transport of the PRC and the People Government of

Shanghai. In relation to the transportation for sales of products, we have checked the unit prices of the sales transportation service provided by the China Baowu Group to the Group against the then unit prices of transportation service quoted from independent third parties. We noted that the unit prices of the sales transportation service provided by the China Baowu Group were not less favourable than those quoted from the independent third parties.

For the infrastructural and technological renovation projects and major/medium maintenance of equipment, we have obtained and reviewed six contracts and invoices. We were advised that the Group selects the service providers through tender. We have obtained the tender offer assessment reports of each selected transaction and noted that the prices quoted by the China Baowu Group were not less favourable than those offered by independent third parties.

For the energy conservation and environmental protection projects, we have obtained and reviewed six contracts and invoices, and noted that the management fees comprise of (i) the power and energy medium costs; (ii) the labour costs; (iii) the maintenance fees; and (iv) the fees of byproducts disposal. For the power and energy medium costs, the representatives of the Company advised us that the power and energy medium consumed in the energy conservation and environmental protection projects was sold by the Group, and the power and energy medium costs of the energy conservation and environmental protection projects provided by the China Baowu Group were charged on the reimbursement basis. We have checked and noted that the unit prices of the power and energy medium consumed in the energy conservation and environmental protection projects were equal to the unit cost prices of the power and energy medium of the China Baowu Group. The labour costs were determined with reference to the average annual salary of the urban employees in the non-private sectors in Anhui Province published by the Bureau of Statistics of Anhui Province. We have compared and noted that the unit prices of the labour offered by the China Baowu Group to the Group were not less favourable than the unit prices of the labour published by the Bureau of Statistics of Anhui Province. For the maintenance fees, we have compared and noted that the maintenance fee rates provided by the China Baowu Group to the Group were not less favourable than those provided by the China Baowu Group to independent third parties. For the fees of byproducts disposal, we have compared and noted that the fee rates of byproducts disposal adopted by the China Baowu Group were not less favourable than the fee rates of byproducts disposal provided by independent third parties to the China Baowu Group and the fee rates of byproducts disposal quoted from independent third parties to the Group.

Therefore, we are of the view that the pricing principles stipulated in the New Provision and Acceptance of Services Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

### 1.2.2 Proposed annual caps for the New Provision and Acceptance of Services Agreement

The following table sets out the historical transaction amounts of the mutual supply of services between the Group and the China Baowu Group for the two years ended 31 December 2023 and the six months ended 30 June 2024, and the proposed annual caps for the three years ending 31 December 2027:

	Historical transaction amounts			Proposed annual caps		
	For the year ended		For the	For the year ending		
	31 December		six months	31 December		
	2022	2023	ended	2025	2026	2027
		30 June				
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Provision of services by						
the Group	49	51	2	170	170	170
Acceptance of services by						
the Group	7,445	8,905	2,908	8,525	8,354	8,429

#### The proposed annual caps for the provision of services by the Group

The proposed annual caps for the services provided by the Group to the China Baowu Group for the three years ending 31 December 2027 mainly comprise (i) steel billet processing services; (ii) metering and inspection services; and (iii) rental services, the aggregate amount of which accounted for approximately 94% of the proposed annual caps for the services provided by the Group to the China Baowu Group for each of the three years ending 31 December 2027.

#### *Steel billet processing services*

The expected transaction amount of the provision of steel billet processing services by the Group to the China Baowu Group for each of the three years ending 31 December 2027 was approximately RMB90 million. The expected price of steel billet processing services was determined based on the historical average price of the steel billet processing services for FY2023. The expected volumes of steel billet processing services provided to the China Baowu Group for each of the three years ending 31 December 2027 was approximately 50,000 tonnes of steel billets, which

was determined based on the (i) historical transaction amount of approximately 270,000 tonnes for FY2023; (ii) the China Baowu Group's estimated demand for steel billet processing services for the three years ending 31 December 2027; and (iii) the remaining capacity of the Group for steel processing.

*Metering and inspection services*

The expected transaction amount of the provision of metering and inspection services by the Group to the China Baowu Group for each of the three years ending 31 December 2027 was approximately RMB53 million, which was mainly determined based on the average historical amount of the metering and inspection services provided by the Group to an independent third party client of the Group in the last three years of approximately RMB50 million. As advised by the representatives of the Company, this client of the Group is expected to become a connected person of the Company since FY2025.

*Rental services*

The expected transaction amount of properties and lands leased by the Group to the China Baowu Group for each of the three years ending 31 December 2027 was approximately RMB17 million, which was determined based on the signed rental contracts for 2024 of approximately RMB16 million and a buffer of approximately RMB1 million for the possible increase in rental price of properties and lands leased by the Group to the China Baowu Group.

The proposed annual caps for the acceptance of services by the Group

The proposed annual caps for the services provided by the China Baowu Group to the Group for the three years ending 31 December 2027 mainly comprise (i) construction services; (ii) transportation services; (iii) environmental protection services; and (iv) repair and maintenance services, the aggregate amount of which accounted for approximately 91%, 92% and 92% of the proposed annual caps for the services provided by the China Baowu Group to the Group for the three years ending 31 December 2027, respectively.

*Construction services*

The construction services are related to the upgrade and modification of the Group's infrastructural and technological renovation projects. The expected transaction amounts of the acceptance of construction services by the Group from the China Baowu Group for the three years ending 31 December 2027 were approximately RMB2,073 million, RMB1,893 million and RMB1,889 million respectively. The aforesaid transaction amounts were determined based on (i) the signed contracts together with the respective estimated progress of the contracts in the three years ending 31 December 2027; (ii) the proposed construction projects of the Group which will be available for the bidding submission of the China Baowu Group together with the respective estimated progress of the contracts in the three years ending 31 December 2027; and (iii) the expected miscellaneous work, the expected transaction amounts of which for the three years ending 31 December 2027 were determined based on the historical transaction amounts for FY2023. We have obtained a project list for the signed contracts and the proposed construction projects of the Group which will be available for the bidding submission of the China Baowu Group and noted that the expected transaction amounts of the acceptance of construction services by the Group from the China Baowu Group for the three years ending 31 December 2027 were determined based on the project list.

*Transportation services*

The expected transaction amounts of the acceptance of transportation services by the Group from the China Baowu Group for the three years ending 31 December 2027 were approximately RMB1,821 million, RMB1,836 million and RMB1,854 million respectively. As advised by the representatives of the Company, the transportation services provided by the China Baowu Group to the Group mainly comprise (i) the transportation for sales of steel products (the "**Sales Transportation**"); (ii) the transportation for purchases of raw materials (the "**Purchase Transportation**"); and (iii) the internal transportation among the production units and the warehouses (the "**Internal Transportation**").

The expected transaction amounts of the Sales Transportation for the three years ending 31 December 2027 were determined based on the expected production capacity of the steel products of the Group for the three years ending 31 December 2027 and the average price of the Sales Transportation for the nine months ended 30 September 2024. The expected transaction amounts of the Purchase Transportation for the three years ending 31 December 2027 were determined based on (i) the annualised transportation volume for FY2024 and the expected growth rate of 5% in FY2025; (ii) the expected increase in purchase volume of scrap steel as the Group planned to increase the scrap steel processing capacity; and (iii) the average price of the

Purchase Transportation for the nine months ended 30 September 2024. The expected transaction amounts of the Internal Transportation for the three years ending 31 December 2027 were determined based on the expected order volumes from clients for the three years ending 31 December 2027 and the average price of the Internal Transportation for the nine months ended 30 September 2024.

*Environmental protection services*

The environmental protection services are related to the management of the Group's environmental system in the energy conservation and environmental protection projects to meet the requirement of waste emissions of the PRC. The expected transaction amounts of the acceptance of environmental protection services by the Group from the China Baowu Group for the three years ending 31 December 2027 were approximately RMB1,218 million, RMB1,250 million and RMB1,283 million respectively. The aforesaid transaction amounts were determined based on (i) the signed contracts of the energy conservation and environmental protection projects; (ii) the proposed energy conservation and environmental protection projects of the Group which are available for the bidding submission of the China Baowu Group for the three years ending 31 December 2027. We have obtained a project list for the signed contracts and the proposed energy conservation and environmental protection projects of the Group which will be available for the bidding submission of the China Baowu Group, and noted that the expected transaction amounts of the acceptance of environmental protection services by the Group from the China Baowu Group for the three years ending 31 December 2027 were determined based on the project list.

*Repair and maintenance services*

The expected transaction amounts of the acceptance of repair and maintenance services by the Group from the China Baowu Group for the three years ending 31 December 2027 were approximately RMB2,644 million, RMB2,688 million and RMB2,697 million respectively. The aforesaid transaction amounts were determined based on the historical transaction amount of the repair and maintenance services provided by the China Baowu Group to the Group for FY2023 of approximately RMB2,560 million and the expected transaction amount of the repair and maintenance services provided by the China Baowu Group to the Group for FY2024 of approximately RMB2,500 million taking into account the historical transaction amount for 3Q2024 of approximately RMB1,700 million and the centralised settlement of expenses in the fourth quarter of FY2024 of approximately RMB800 million. The Company expects an improvement in the steel industry in FY2025 and therefore the production volume of the steel products of the Group and the amount of repair and maintenance services accepted by the Group will increase accordingly.

Therefore, we are of the view that the proposed annual caps for the New Provision and Acceptance of Services Agreement are determined based on reasonable estimation and after due and careful consideration and are fair and reasonable so far as the Independent Shareholders are concerned.

### **1.3 The New Financial Services Agreement**

#### *1.3.1 Principal terms of the New Financial Services Agreement in relation to the provision of deposit services by Baowu Finance*

The Existing Financial Services Agreement for the years from 2022 to 2024 entered into between the Company and Baowu Finance on 15 November 2022 will expire on 31 December 2024. On 30 October 2024, the Company and Baowu Finance entered into the New Financial Services Agreement for the years from 2025 to 2027, pursuant to which Baowu Finance has agreed to provide the Group with relevant financial services within its business scope approved by the NFRA in accordance with the law.

Baowu Finance provides deposit services to the Group at the deposit interest rate determined in accordance with that of the same type and under the same terms promulgated by the PBOC, in principle, not lower than the deposit interest rate of the same type and under the same terms of the independent major commercial banks in the PRC.

We have obtained sample documents for deposit agreements and current deposits covering each quarter from May 2023 (i.e. the month of shifting the deposit of the Group from Magang Group Finance Company Limited (“**Masteel Finance**”) to Baowu Finance) to June 2024 and noted that the deposit interest rates offered by Baowu Finance to the Group were determined with reference to the deposit rates promulgated by the PBOC. Besides, we have compared the interest rates offered by Baowu Finance to the Group for deposit agreements and current deposits for each quarter from May 2023 to June 2024 against the deposit rates offered by the independent major commercial banks in the PRC and noted that they were no less favourable than the deposit rates offered by the independent major commercial banks in the PRC.

As such, we are of the view that the pricing principle of the provision of deposit services by Baowu Finance is fair and reasonable so far as the Independent Shareholders are concerned.

1.3.2 Proposed annual caps for the provision of deposit services by Baowu Finance

The following table sets out the historical amounts of the interest on deposits and maximum daily deposit balance (accrued interest inclusive) (tax exclusive) placed by the Group with Baowu Finance for the two years ended 31 December 2023 and the six months ended 30 June 2024, and the proposed annual caps for the three years ending 31 December 2027:

	Historical amounts		Proposed annual caps		
	For the year ended 31 December 2023	For the six months ended 30 June 2024	For the year ending 31 December		
	RMB million	RMB million	2025 RMB million	2026 RMB million	2027 RMB million
Maximum daily					
deposit balance	4,273	4,357	9,500	9,500	9,500
Interest	27	18	190	190	190

The representatives of the Company advised us that the proposed annual caps for the provision of deposit services by Baowu Finance to the Group for the three years ending 31 December 2027 were determined with reference to the cash and bank balances (excluding foreign currency deposits), notes receivable, trade receivables within one year and financing receivables of the Group as at 30 June 2024.

According to the interim report of the Company for 1H2024 and the data provided by the representatives of the Company, the cash and bank balances (excluding foreign currency deposits), notes receivable, trade receivables within one year and financing receivables of the Group as at 30 June 2024 were approximately RMB5,425 million, RMB1,180 million, RMB1,841 million and RMB1,436 million respectively. The sum of the aforesaid current assets of the Group were approximately RMB9,882 million, which represented approximately 104% of the proposed annual caps for the deposit services to be provided to the Group. The representatives of the Company have advised us that it is assumed that all of the trade receivables within one year will be collected from clients, and the payment from the clients and the fund from the discount on notes receivable and financing receivables will be placed with Baowu Finance.



As advised by the representatives of the Company, the maximum daily balance of the deposits placed with Masteel Finance by the Group was recorded at approximately RMB9,687 million, RMB8,965 million and RMB8,653 million for FY2021, FY2022 and the four months ended 30 April 2023 respectively, which represented approximately 101.97%, 94.37% and 91.08% of the proposed annual caps for the deposit services to be provided to the Group. On 30 April 2023, a merger was settled where the Company transferred 91% equity interest in Masteel Finance to Baowu Finance in exchange for 29.68% equity interest in Baowu Finance. Baowu Finance was the absorbing party and the surviving party of the merger while Masteel Finance was the absorbed party and the non-surviving party. The Group shifted its deposits from Masteel Finance to Baowu Finance since May 2023. Despite the change of deposit service provider to Baowu Finance, the Group's demand and expected demand for deposit services are similar to those in the past. Accordingly, the Group has made reference to the historical maximum daily deposit balance placed by the Group with Masteel Finance.

The proposed annual caps for the interest on deposits for the three years ending 31 December 2027 were determined mainly based on the quotation of the longest term deposit rate provided by Baowu Finance to the Group and the proposed annual caps for the maximum daily deposit balance for the three years ending 31 December 2027.

Therefore, we are of the view that the proposed annual caps for the deposit services to be provided to the Group are determined based on reasonable estimation and after due and careful consideration and are fair and reasonable so far as the Independent Shareholders are concerned.

#### **D. Internal control measures**

The representatives of the Company advised us that the continuing connected transactions of the Group will be executed in accordance with the Internal Control Management Measures of Related Transactions (the "**Measures**") to monitor and ensure that the pricing policies and annual caps of the continuing connected transactions are complied with. We have obtained the Measures and noted that the connected transaction management committee of the Company, which directly reports to the Board on quarterly basis, is responsible for the on-going monitoring of all the continuing connected transactions of the Company. The responsibilities of the connected transaction management committee include, among other things, managing and monitoring of continuing connected transactions including but not limited to the relevant annual caps and the pricing management aspect, and gathering information for disclosure of continuing connected transactions. The relevant functional departments, units and companies of the Group will provide actual trading situation to the operation and accounting department of the Company quarterly. The operation and accounting

department of the Company and the relevant functional departments will report on a quarterly basis to the connected transaction management committee regarding the transaction amounts of the continuing connected transactions conducted during the previous quarter. Hence, we have obtained and reviewed the quarterly reports for FY2023 and 1H2024 and noted that both transaction amounts and annual caps for the continuing connected transactions for the corresponding year were recorded in the quarterly reports.

According to the Letter from the Board, the marketing department of the Company will be responsible for the pricing management and will guide various departments and units to establish the procedures and mechanism of professional price management, so as to ensure that the pricing standard is fair and reasonable, and conform with the market principle. Market prices will be obtained through, among other things, open tenders/quotations from independent third party suppliers and service providers, recent transaction prices of the Group with independent third parties, pricing information obtained through subscription service and researches on industry websites. The market price information will be circulated by the department to other departments and companies of the Group to enable them to determine the prices for the continuing connected transactions.

Further details of the internal control measures of the Group are set out in the Letter from the Board.

As stated in the 2023 Annual Report, all Directors of the Board (including the Independent Non-executive Directors) who are not associated with China Baowu and Baowu Finance considered that the continuing connected transactions were carried out in the daily course of business under normal commercial terms and in accordance with the terms of the Existing Sale and Purchase of Products Agreement, the Existing Provision and Acceptance of Services Agreement and the Existing Financial Services Agreement. The terms were fair and were in the best interest of the shareholders of the Company as a whole. During FY2023, each transaction amount was under the annual caps for FY2023 for those agreements.

In addition, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, that the Non-exempt Continuing Connected Transactions contemplated under the New Sale and Purchase of Products Agreement, the New Provision and Acceptance of Services Agreement and the New Financial Services Agreement are carried out in accordance with the pricing policies of the Group, and the Non-exempt Proposed Annual Caps are not being exceeded. In the event that the total amounts of the Non-exempt Continuing Connected Transactions exceed the Non-exempt Proposed Annual Caps, or that there is any material amendment to the terms of the New Sale and Purchase of Products Agreement, the New Provision and Acceptance of Services Agreement and the New Financial Services Agreement, the Company, as confirmed by the Directors, shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

Taking into account of the internal control measures as stated above, we concur with the Directors that there are adequate measures in place to monitor the Non-exempt Continuing Connected Transactions (including the Non-exempt Proposed Annual Caps) and hence the interest of the Independent Shareholders would be safeguarded.

**RECOMMENDATION**

Having considered the above principal factors and reasons, we are of the view that the terms of the Non-exempt Continuing Connected Transactions (including the Non-exempt Proposed Annual Caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the Non-exempt Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Non-exempt Continuing Connected Transactions.

Yours faithfully,

For and on behalf of

**TC Capital International Limited**

**Edward Wu**

**Edith Lee**

*Chairman*

*Managing Director*

*Note:* Mr. Edward Wu has been a responsible officer of type 6 (advising on corporate finance) regulated activities under the SFO since 2005. Ms. Edith Lee has been a responsible officer of type 6 (advising on corporate finance) regulated activities under the SFO since 2015. Both Mr. Wu and Ms. Lee have participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong.

\* *For identification purposes only*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. INTERESTS OF DIRECTORS

As at the Latest Practicable Date, the interests or short positions of the Directors, chief executive, supervisors and senior management members of the Company, or their respective associates (as defined in the Listing Rules) in the shares or underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix C3 to the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name	Capacity	Nature of interest	Total number of shares	Class of shares	Percentage in the total share capital of the Company
Mao Zhanhong	Director	Beneficial interest	402,100	A	0.0052%
Fu Ming	Deputy General Manager	Beneficial interest	187,600	A	0.0024%

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, none of the Directors, chief executive, supervisors and senior management members of the Company, nor their respective associates (as defined in the Listing Rules) had any interests or short positions in the shares or underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix C3 to the Listing Rules, to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, so far as was known to the Directors, the following Directors are also directors or employees of a company which has an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Director	Name of company	Position
Jiang Yuxiang	China Baowu	General Counsel and Chief Compliance Officer, Head of Legal Affairs and Compliance Department, Director of Bidding Office, and General Representative of Maanshan headquarter
	Magang Group	Chairman
	Shanghai Baosight Software Co., Ltd.*	Chairman of the Supervisory Committee
	Xinjiang Tianshan Iron and Steel United Co., Ltd.*	Director
Mao Zhanhong	Magang Group	General Manager

Save as disclosed above, as the Latest Practicable Date, so far as was known to the Directors, none of the other Directors is also a director or employee of a company which has an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

### 3. DIRECTORS' AND SUPERVISORS' INTERESTS IN ASSETS AND/OR CONTRACTS

As at the Latest Practicable Date, none of the Directors and the supervisors of the Company had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to any member of the Group, since 31 December 2023, being the date to which the latest published audited accounts of the Company were made up.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which was significant in relation to the business of the Group.

**4. SERVICE CONTRACT**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which do not expire or are not terminable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

**5. COMPETING INTEREST**

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors and their respective associates were interested in any business, which competes or is likely to compete, either directly or indirectly, with that of the Group.

**6. LITIGATION**

As at the Latest Practicable Date, neither the Company nor any other members of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

**7. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors confirmed that there was no material adverse change in the financial or trading position of the Group since 31 December 2023, being the date to which the latest published audited consolidated accounts of the Group were made up.

**8. EXPERT'S QUALIFICATION AND CONSENT**

The qualification of the expert who has provided its advice which is contained in this circular is set out as follows:

<b>Name</b>	<b>Qualification</b>
TC Capital International Limited	A licensed corporation to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO (Chapter 571 of the Laws of Hong Kong)

TC Capital International Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, report and/or opinions and/or the references to its name in the form and context in which it respectively appears.

As at the Latest Practicable Date, (i) TC Capital International Limited did not have any interest, either direct or indirect, in any assets which had been, since 31 December 2023, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to any member of the Group; and (ii) TC Capital International Limited did not have any shareholding interests, direct or indirect, in any member of the Group and it did not have any right, whether legally enforceable or not, to subscribe for or nominate persons to subscribe for securities of any members of the Group.

The letter given by TC Capital International Limited is given as of the date of this circular for incorporation herein.

## 9. MATERIAL CONTRACTS

In the two years immediately preceding the date of this circular and up to the Latest Practicable Date, the following contracts were entered into by the Group not in the ordinary course of business of the Group, which is or may be material:

- (a) The equity transfer agreement dated 15 November 2022 entered into between the Company and Magang Group, pursuant to which, the Company shall transfer 75% equity interests in Ma Steel (Jinhua) Processing and Distribution Co., Ltd. to Magang Group at a total consideration of RMB168,189,000. For details, please refer to the announcement of the Company dated 15 November 2022.
- (b) The absorption and merger agreement dated 5 December 2022 entered into between the Company (as one of the existing shareholders of Masteel Group Finance Co., Ltd.\* (“**Masteel Finance**”)), together with Masteel Finance and its existing shareholders (namely, Magang Group) and Baowu Finance and its existing shareholders (namely, China Baowu, Baoshan Iron & Steel Co., Ltd.\* (寶山鋼鐵股份有限公司) and Wuhan Iron & Steel Company Limited\* (武漢鋼鐵有限公司)), pursuant to which, all parties agree that Baowu Finance shall absorb and merge Masteel Finance by issuing shares to the existing shareholders of Masteel Finance. Upon completion of the absorption and merger, the Company will become a shareholder of Baowu Finance. For details, please refer to the announcement of the Company dated 15 November 2022 and circular of the Company dated 9 December 2022.
- (c) The equity transfer agreement dated 5 December 2022 entered into between the Company and Magang Group, pursuant to which, the Company shall transfer 71% equity interests in Holly Industrial Co., Ltd. to Magang Group at a total consideration of RMB239,484,500. For details, please refer to the announcement of the Company dated 5 December 2022 and circular of the Company dated 9 December 2022.

- (d) The equity transfer agreement dated 9 February 2023 entered into between the Company and Shanghai Ouyeel Financial Information Service Co., Ltd.\* (上海歐冶金融信息服務股份有限公司) (“**Ouyeel Financial Service**”), pursuant to which, the Company shall transfer 16.14% of the equity interests in Ouyeel Commercial Factoring Company Limited\* (歐冶商業保理有限責任公司) to Ouyeel Financial Service at a total consideration of RMB161,607,300. For details, please refer to the announcement of the Company dated 9 February 2023 and circular of the Company dated 16 February 2023.
- (e) The assets transfer agreement dated 9 February 2023 entered into between the Company and Maanshan Baozhichun Calcium and Magnesium Technology Co., Ltd.\* (馬鞍山寶至純鈣鎂科技有限公司) (“**Calcium and Magnesium Technology**”), pursuant to which, the Company shall transfer the assets related to the lime business of the Company to Calcium and Magnesium Technology at a total consideration of RMB191,350,500. For details, please refer to the announcement of the Company dated 9 February 2023 and circular of the Company dated 16 February 2023.
- (f) The capital increase agreement dated 6 September 2023 entered into between the Company, Baowu Group Magang Rail Transit Material Technology Co., Ltd.\* (“**Magang Transportation Material**”), a wholly-owned subsidiary of the Company, Eight Strategic Investors (hereinafter defined), and Four Employee Shareholding Platforms (hereinafter defined), pursuant to which, the registered capital of Magang Transportation Material will be increased to RMB2,117,237,941. Baowu Green Carbon Private Investment Fund (Shanghai) Partnership (Limited Partnership)\* (寶武綠碳私募投資基金(上海)合夥企業(有限合夥)), Beijing CARS New Material Technology Co., Ltd.\* (北京中鐵科新材料技術有限公司), Anhui Jiangdong Industrial Investment Group Company Limited\* (安徽江東產業投資集團有限公司), Hubei Zhongjin Ruiwei Equity Investment Fund Partnership (Limited Partnership)\* (湖北中金瑞為股權投資基金合夥企業(有限合夥)), Dongrong Yihao (Zhuhai Hengqin) Equity Investment Partnership (Limited Partnership)\* (東融壹號(珠海橫琴)股權投資合夥企業(有限合夥)), Dahui Zhisheng (Qingdao) Private Equity Investment Fund Partnership (Limited Partnership)\* (大慧智盛(青島)私募股權投資基金合夥企業(有限合夥)), Anhui Guokong Shiyue Emerging Industries Equity Investment Partnership (Limited Partnership)\* (安徽國控十月新興產業股權投資合夥企業(有限合夥)), and Advanced Manufacturing Industry Investment Fund Phase II (Limited Partnership)\* (先進製造產業投資基金二期(有限合夥)) (“**Eight Strategic Investors**”) made a total cash contribution of RMB786 million, subscribed for the new registered capital of RMB529,246,803, whereas the Hangzhou Feilianlun Enterprise Management Partnership (Limited Partnership)\* (杭州飛廉輪企業管理合夥企業(有限合夥)), Hangzhou Shenzhou Enterprise Management Partnership (Limited Partnership)\* (杭州神州輪企業管理合夥企業(有限合夥)), Hangzhou Yaolun Enterprise Management Partnership (Limited Partnership)\* (杭州瑤輪企業管理合夥企業(有限合夥)), and Hangzhou Wulun Enterprise Management Partnership (Limited Partnership)\* (杭州烏輪企業管理合夥企業(有限合夥)) (“**Four Employee Shareholding Platforms**”) made a total cash contribution of RMB151,470,040, subscribed for the new registered capital of RMB101,991,138. For details, please refer to the announcement of the Company dated 6 September 2023.



**10. MISCELLANEOUS**

- (i) The registered office and the principal place of business in the PRC of the Company are at No.8 Jiu Hua Xi Road, Maanshan City, Anhui Province, the PRC.
- (ii) The Company's H Share Registrars and transfer office in Hong Kong is Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (iii) The joint company secretaries of the Company are Ms. He Hongyun and Ms. Chiu Hoi Shan.
- (iv) Unless stated otherwise, in the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.

**11. DOCUMENTS AVAILABLE ON DISPLAY**

Copies of the following documents will be available on the HKEXnews website ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.magang.com.hk](http://www.magang.com.hk)) for a period of 14 days commencing from the date of this circular:

- (i) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in page 35 of this circular;
- (ii) the written consent from TC Capital International Limited referred to in the paragraph headed "Expert's qualification and consent" in this Appendix III;
- (iii) the letter from TC Capital International Limited to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 36 to 61 of this circular;
- (iv) the New Sale and Purchase of Products Agreement;
- (v) the New Provision and Acceptance of Services Agreement; and
- (vi) the New Financial Services Agreement.

\* *For identification purposes only*



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

**(Stock Code: 00323)**

## NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2024 sixth extraordinary general meeting (the “EGM”) of Maanshan Iron & Steel Company Limited (the “Company”) will be held at the Magang Office Building, No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province, the People’s Republic of China (the “PRC”) at 1:30 p.m. on Friday, 20 December 2024.

The following resolutions will be considered at the EGM:

### ORDINARY RESOLUTIONS

1. To approve the 2025–2027 Sale and Purchase of Products Agreement entered into between the Company and China Baowu Steel Group Corporation Limited and the transactions contemplated thereunder, and the proposed annual caps;
2. To approve the 2025–2027 Provision and Acceptance of Services Agreement entered into between the Company and China Baowu Steel Group Corporation Limited and the transactions contemplated thereunder, and the proposed annual caps; and
3. To approve the 2025–2027 Financial Services Agreement entered into between the Company and Baowu Group Finance Co., Ltd. and the transactions contemplated thereunder, and the proposed annual caps.

By Order of the Board

**Maanshan Iron & Steel Company Limited**

**Jiang Yuxiang**

*Chairman*

2 December 2024

Maanshan City, Anhui Province, the PRC

*As at the date of this circular, the directors of the Company include executive directors Jiang Yuxiang, Mao Zhanhong and Zhang Wenyang; and independent non-executive directors Guan Bingchun, He Anrui, Qiu Shengtao and Zeng Xiangfei.*

*Notes:*

#### **I. ELIGIBILITY FOR ATTENDING THE EGM**

The Company's register of members for H shares will be closed from Monday, 16 December 2024 to Friday, 20 December 2024 (both days inclusive), during which period no transfer of H shares will be registered. Holders of H shares who wish to be entitled to attend the EGM must deliver their transfer documents together with the relevant share certificates to the H share registrar, Hong Kong Registrars Limited, by no later than 4:30 p.m. on Friday, 13 December 2024. The address of the H share registrar: Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Share registration date for holders of A shares will be announced separately.

#### **II. REGISTRATION PROCEDURES FOR ATTENDING THE EGM**

1. Holders of H shares shall deliver their copies of transfers for attending the EGM, share certificates or copies of receipts of share transfer and copies of their own identity cards to the Company by no later than Friday, 13 December 2024. If proxies are appointed by shareholders to attend the EGM, they shall, in addition to the aforementioned documents, deliver the proxy forms and copies of their own identity cards to the Company.
2. Shareholders can deliver the necessary documents for registration to the Company in one of the following ways: in person, by post or by facsimile. Upon receipt of such documents, the Company will complete the registration procedures for attending the EGM.

#### **III. APPOINTING PROXIES**

1. A shareholder who is entitled to attend and vote at the EGM is entitled to appoint in writing one or more proxies (whether being a shareholder or not) to attend the EGM and vote on his/her/its behalf.
2. The instrument of appointing a proxy must be signed in writing by the appointer or his attorney duly authorized in writing. If that instrument is signed by an attorney of the appointer, the power of attorney authorising that attorney to sign, or other documents of authorisation must be notarially certified. The notarially certified power of attorney or other documents of authorisation and proxy forms must be delivered to the registered office of the Company or the H share registrar by not less than 24 hours before the time appointed for the holding of the EGM in order for such documents to be valid.

#### **IV. SHAREHOLDERS OR THEIR PROXIES ATTENDING THE EGM SHALL BE RESPONSIBLE FOR THEIR OWN FOOD, ACCOMMODATION AND TRAVEL EXPENSES.**

#### **V. CONTACT METHODS OF THE COMPANY**

1. Registered address: No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province, the PRC
2. Postal code: 243003
3. Telephone: 86-555-2888158
4. Fax: 86-555-2887284
5. Contact person: Mr. Xu Yayan, Mr. Li Wei