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馬 鞍 山 鋼 鐵 股 份 有 限 公 司
Maanshan Iron & Steel Company Limited

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

(Stock Code: 00323)

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO NEW SALE AND PURCHASE OF ORE AGREEMENT AND ENERGY SAVING AND ENVIRONMENTAL PROTECTION AGREEMENT

On 12 October 2012, the Company and the Parent Company conditionally agreed to enter into the New Sale and Purchase of Ore Agreement for sale and purchase of Ore for a period of three years with effect from 1 January 2013 subject to the approval of the Independent Shareholders. On 12 October 2012, the Company and Anhui Xinchuang conditionally agreed to enter into the Energy Saving and Environmental Protection Agreement for provision of energy saving and environmental protection construction and services by Anhui Xinchuang to the Group and sale of disposal from iron and steel production by the Group to Anhui Xinchuang for a period of three years with effect from 1 January 2013 subject to the approval of the Independent Shareholders.

As at the date of this announcement, the Parent Company is interested in approximately 50.47% of the Company's share capital and is a controlling shareholder and connected person of the Company. As at the date of this announcement, Anhui Xinchuang is a company controlled by the Parent Company and the Company is also directly and indirectly interested in 35% of Anhui Xinchuang's share capital. As the Parent Company is a connected person of the Company, Anhui Xinchuang is an associate of the Parent Company and thereby a connected person of the Company. Accordingly, the transactions contemplated under the New Sale and Purchase of Ore Agreement and the Energy Saving and Environmental Protection Agreement constitute 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 respective proposed annual caps for the transactions contemplated under the New Sale and Purchase of Ore Agreement and the Energy Saving and Environmental Protection Agreement, on an annual basis, are more than 5%, such continuing connected transactions are subject to

reporting, announcement, annual review and Independent Shareholders' approval requirements under Rule 14A.35 of the Listing Rules.

The Independent Board Committee, will among others, consider and advise the Independent Shareholders in relation to the terms of the continuing connected transactions contemplated under the New Sale and Purchase of Ore Agreement and the Energy Saving and Environmental Protection Agreement, including the respective proposed annual caps. Somerley Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among others, further details of (i) the New Sale and Purchase of Ore Agreement and the Energy Saving and Environmental Protection Agreement, including the respective proposed annual caps, (ii) the letter from the Independent Board Committee to the Independent Shareholders, (iii) the letter of advice from the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the New Sale and Purchase of Ore Agreement, the Energy Saving and Environmental Protection Agreement and the respective proposed annual caps, and (iv) the notice of the EGM is expected to be despatched to the Shareholders on 2 November 2012.

INTRODUCTION

The Board announced that on 12 October 2012, the Company and the Parent Company conditionally agreed to enter into the New Sale and Purchase of Ore Agreement for sale and purchase of Ore for a period of three years with effect from 1 January 2013 subject to the approval of the Independent Shareholders. The Board also announced that the Company and Anhui Xinchuang conditionally agreed to enter into the Energy Saving and Environmental Protection Agreement for provision of energy saving and environmental protection construction and services by Anhui Xinchuang to the Group and sale of disposal from iron and steel production by the Group to Anhui Xinchuang for a period of three years with effect from 1 January 2013 subject to the approval of the Independent Shareholders. The principal terms of the New Sale and Purchase of Ore Agreement and the Energy Saving and Environmental Protection Agreement, together with the respective proposed annual caps, are set out below.

THE NEW SALE AND PURCHASE OF ORE AGREEMENT

Background

The Existing Sale and Purchase of Ore Agreement entered into between the Company and the

Parent Company on 15 October 2009 will expire on 31 December 2012. In order to ensure the continuous supply of Ore to the Group, the Company and the Parent Company conditionally agreed to enter into the New Sale and Purchase of Ore Agreement.

Date

12 October 2012

Parties

- (1) The Company as the purchaser; and
- (2) The Parent Company as the supplier

Subject Matter

Ore including the iron ore, limestone and/or dolomite produced by the Parent Company must first be offered to the Group for purchase.

Consideration

Price for iron ore in a tonne, limestone and/or dolomite will be determined after arm's length negotiation between the Company and the Parent Company under normal commercial terms with reference to the market price and shall not be higher than the market price of the similar iron ore, limestone and/or dolomite provided by the independent third parties to the vicinity of the Company in Maanshan City, Anhui Province, the PRC.

Payment

The invoice value and all prices shall be denominated and paid in RMB. The price of iron ore purchased shall be paid by the Company within 30 days and the price of the limestone and dolomite shall be paid by the Company within 50 days after the respective iron ore, limestone and dolomite have been delivered to and inspected and confirmed by the Company as being in good quality.

Condition precedent

The New Sale and Purchase of Ore Agreement is conditional upon the Independent Shareholders approving the same and the respective proposed annual caps at the EGM.

Duration

Subject to the approval of the Independent Shareholders, the New Sale and Purchase of Ore Agreement shall be for a term of three years commencing 1 January 2013 and ending 31 December 2015.

Existing Annual Caps and Historical Transaction Amounts

The existing annual caps for transactions under the Existing Sale and Purchase of Ore Agreement for the three years ended 31 December 2010, 2011 and 2012 and the actual transaction amounts for the two years ended 31 December 2010 and 2011, and the first six months ended 30 June 2012 are set out below:

	Year ended/ending 31 December		
	<u>2010</u>	<u>2011</u>	<u>2012</u>
Annual cap for the year (tax exclusive)	RMB2,486,410,000	RMB2,573,320,000	RMB3,075,220,000
Actual transaction amounts for the year ended 31 December (tax exclusive)	RMB2,202,372,627	RMB2,397,160,506	n.a.
Actual transaction amounts for the first six months ended 30 June 2012 (tax exclusive)	n.a.	n.a.	RMB1,642,947,290

Proposed Annual Caps

The proposed annual caps for the transactions contemplated under the New Sale and Purchase of Ore Agreement for the three years ending 31 December 2015 are set out below:

	Year ending 31 December		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
Proposed annual cap for the year (tax exclusive)	RMB5,658,268,620	RMB6,607,763,526	RMB8,469,690,805

The proposed annual caps in respect of the New Sale and Purchase of Ore Agreement for the three years ending 31 December 2015 are determined by reference to (i) the historical price of the Ore; (ii) the forecasted market price of the Ore; (iii) the Group's anticipated demand for Ore to meet its production requirements and capacity; and (iv) the Parent Company's anticipated production capacity.

Reasons for, and benefits of, the New Sale and Purchase of Ore Agreement

It is beneficial for the Company to enter into the New Sale and Purchase of Ore Agreement so as to take advantage of the Parent Company's ore reserves which are in close proximity to the off-loading port adjacent to the production facilities of the Company within Anhui Province, the PRC. Furthermore, it is of strategic importance to secure a stable and reliable supply of good grade and quality ore from the Parent Company at a reasonable price to ensure the Company's continuous production.

ENERGY SAVING AND ENVIRONMENTAL PROTECTION AGREEMENT

Background

Due to the stringent governmental requirements for environmental protection on domestic enterprises in the PRC, in particular to the iron and steel production industry, the Company and Anhui Xinchuang conditionally agreed to enter into the Energy Saving and Environmental Protection Agreement on 12 October 2012 for provision of energy saving and environmental protection construction and services by Anhui Xinchuang to the Group and sale of disposal from iron and steel production by the Group to Anhui Xinchuang for a period of three years with effect from 1 January 2013 subject to the approval of the Independent Shareholders.

Date

12 October 2012

Parties

- (1) The Company; and
- (2) Anhui Xinchuang

Subject Matter

Anhui Xinchuang shall provide energy saving and environmental protection construction and

services to the Group including environmental facilities maintenance and sintering desulfurization custody project, saturated steam power generation, dust removal facilities, energy saving, custody of water operation and processing of spare parts etc. The terms of the energy saving and environmental protection construction and services are agreed under arm's length basis and under normal commercial terms between the parties and the terms (including but not limited to pricing and payment) shall be no less favourable to those similar environmental protection construction and services provided by the independent third parties to the Group.

The Group shall sell the disposal from iron and steel production to Anhui Xinchuang for utilization. The sale terms of disposal from iron and steel production are agreed under arm's length basis and under normal commercial terms between the parties and the terms (including but not limited to pricing and payment) shall not be more favourable than the sale terms by the Group of similar disposals produced from the iron and steel production to the independent third parties.

Consideration

The pricing shall be based on state-prescribed price. In the absence of the state-prescribed price, the pricing shall be based on market price, agreed under arm's length basis under normal commercial terms. The pricing regarding energy saving and environmental protection construction and services shall not be higher than the market price of the similar energy saving and environmental protection construction and services provided by the independent third parties to the Group. The pricing regarding the disposal from iron and steel production shall not be lower than the sale pricing of similar disposal from iron and steel production by the Group to the independent third parties.

Payment

The payment for energy saving and environmental protection construction and services shall be paid by the Company to Anhui Xinchuang in accordance with the construction progress as verified by the Company's management department. The payment for sale of disposal from iron and steel production shall be paid by Anhui Xinchuang to the Company on monthly basis by the end of each month in advance.

Condition precedent

The Energy Saving and Environmental Protection Agreement is conditional upon the Independent Shareholders approving the same and the respective proposed annual caps at the

EGM.

Duration

Subject to the approval of the Independent Shareholders, the Energy Saving and Environmental Protection Agreement shall be for a term of three years commencing 1 January 2013 and ending 31 December 2015.

Proposed Annual Caps

The proposed annual caps (in terms of the aggregate value of the contracts being entered into within the same financial year) for the transactions contemplated under the Energy Saving and Environmental Protection Agreement for the three years ending 31 December 2015 are set out below:

	Year ending 31 December		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
Proposed annual cap (in terms of the aggregate value of the contracts being entered into within the same financial year) in respect of energy saving and environmental protection construction and services provided by Auhui Xinchuang to the Group for the year (tax exclusive)	RMB450 million	RMB435 million	RMB550 million
Proposed annual cap (in terms of the aggregate value of the contracts being entered into within the same financial year) in respect of sale of disposal from iron and steel production by the Group to Anhui Xinchuang for the year	RMB20 million	RMB45 million	RMB45 million
Total	RMB470 million	RMB480 million	RMB595 million

The proposed annual caps in respect of the Energy Saving and Environmental Protection Agreement for the three years ending 31 December 2015 are determined by reference to (i) the state-prescribed price and/or market price regarding the construction and services and disposal from the iron and steel production; (ii) the Group's anticipated demand for energy

saving and environmental protection construction and services and its production scale; (iii) Anhui Xinchuang's anticipated capacity in providing the energy saving and environmental protection construction and services; and (iv) the anticipated volume of disposals produced from the Group's iron and steel production and Anhui Xinchuang's anticipated demand for such disposals.

Reasons for, and benefits of, the Energy Saving And Environmental Protection Agreement

In light of the stringent governmental requirements on energy saving and environmental protection in PRC and in particular to the iron and steel industry, it is at the interest of the Company to engage the construction and services provided by Anhui Xinchuang to equip itself with the supporting hardware facilities for energy saving and environmental protection at lower cost and to focus on its main operation and business of iron and steel production.

INFORMATION ON THE COMPANY, THE PARENT COMPANY AND ANHUI XINCHUANG

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; agriculture and forestry.

Anhui Xinchuang is principally engaged in energy saving and environmental protection engineering and operation, industrial water treatment and operation, production of energy saving and environmental protection equipment, energy management under contract, environmental monitoring and comprehensive utilization of solid waste resources.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Parent Company is interested in approximately 50.47% of the Company's share capital and is a controlling shareholder and connected person of the Company. As at the date of this announcement, Anhui Xinchuang is a company controlled by the Parent Company and the Company is also directly and indirectly interested in 35% of Anhui Xinchuang's share capital. As the Parent Company is a connected person of the Company, Anhui Xinchuang is an associate of the Parent Company and thereby a

connected person of the Company. Accordingly, the transactions contemplated under the New Sale and Purchase of Ore Agreement and the Energy Saving and Environmental Protection Agreement constitute 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 respective proposed annual caps for the transactions contemplated under the New Sale and Purchase of Ore Agreement and the Energy Saving and Environmental Protection Agreement, on an annual basis, are more than 5%, such continuing connected transactions are subject to reporting, announcement, annual review and Independent Shareholders' approval requirements under Rule 14A.35 of the Listing Rules.

Mr. Su Jiangang, Mr. Zhao Jianming and Mr. Qian Haifan, who are also directors of the Parent Company, have abstained from voting on the relevant resolution(s) of the Board in respect of the New Sale and Purchase of Ore Agreement and the Energy Saving and Environmental Protection Agreement. Save as disclosed, none of the Directors has a material interest in the New Sale and Purchase of Ore Agreement and the Energy Saving and Environmental Protection Agreement and the transactions contemplated thereunder and therefore, no other Directors has abstained from voting on the relevant resolution(s) of the Board in respect of the Agreements.

GENERAL INFORMATION

An EGM will be convened to consider and, if thought fit, to approve the New Sale and Purchase of Ore Agreement, the Energy Saving and Environmental Protection Agreement and the transactions contemplated thereunder, including the respective proposed annual caps. In accordance with the Listing Rules, the vote of the Independent Shareholders taken at the EGM to approve the New Sale and Purchase of Ore Agreement, the Energy Saving and Environmental Protection Agreement and the transactions contemplated thereunder, including the respective proposed annual caps will be taken by poll. Any Shareholder with a material interest in the continuing connected transactions and its associates will abstain from voting at the EGM. Accordingly, the Parent Company and its associates will abstain from voting at the EGM. The result of the vote will be announced after the EGM.

The Independent Board Committee, will among others, consider and advise the Independent Shareholders in relation to the terms of the continuing connected transactions contemplated under the New Sale and Purchase of Ore Agreement and the Energy Saving and Environmental Protection Agreement, including the respective proposed annual caps. Somerley Limited has been appointed as the Independent Financial Adviser to advise the

Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among others, (i) further details of the New Sale and Purchase of Ore Agreement and the Energy Saving and Environmental Protection Agreement, including the respective proposed annual caps, (ii) the letter from the Independent Board Committee to the Independent Shareholders, (iii) the letter of advice from the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the New Sale and Purchase of Ore Agreement and the Energy Saving and Environmental Protection Agreement, and the respective proposed annual caps, and (iv) the notice of the EGM is expected to be despatched to the Shareholders on 2 November 2012.

The Directors attending the Board meeting on 12 October 2012 regarding the New Sale and Purchase of Ore Agreement and Energy Saving and Environmental Protection Agreement consider the Agreements and the proposed annual caps in respect thereof have been negotiated on an arm's length basis and on normal commercial terms and they are of the view that the transactions and respective proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole and the Agreements were entered into during the ordinary and usual course of business of the Group.

DEFINITIONS

The following defined terms are used in this announcement:

“Agreements”	the New Sale and Purchase of Ore Agreement and the Energy Saving and Environmental Protection Agreement
“Anhui Xinchuang”	Anhui Xinchuang Energy Saving and Environmental Protection Technology Company Limited, a limited liability company incorporated in the PRC
“associates”	has the meaning as ascribed thereto in the Listing Rules
“Board”	the board of the Directors
“Company”	Maanshan Iron & Steel Company Limited, a joint stock limited company incorporated in the PRC, the H shares of which are listed on the Stock Exchange on 3 November 1993
“Directors”	the directors of the Company

“EGM”	the extraordinary general meeting of the Company to be convened to approve, among other things, the New Sale and Purchase of Ore Agreement, the Energy Saving and Environmental Protection Agreement, the transactions contemplated thereunder and the respective proposed annual caps
“Energy Saving and Environmental Protection Agreement”	Energy Saving and Environmental Protection Agreement entered into between the Company and Anhui Xinchuang dated 12 October 2012
“Existing Sale and Purchase of Ore Agreement”	the Sale and Purchase of Ore Agreement entered into between the Company and the Parent Company dated 15 October 2009
“Group”	the Company and its subsidiaries
“Independent Board Committee”	a board committee comprising all the Independent Non-executive Directors, which will, among others, consider and advise the Independent Shareholders in relation to the Agreements and the transactions contemplated thereunder, including the respective proposed annual caps
“Independent Financial Adviser”	Somerley Limited, a corporation licensed to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Agreements, the transactions contemplated thereunder and the respective proposed annual caps
“Independent Non-executive Directors”	Independent non-executive Directors
“Independent Shareholders”	Shareholders other than the Parent Company and any of its associates
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock

	Exchange
“New Sale and Purchase of Ore Agreement”	the Sale and Purchase of Ore Agreement entered into between the Company and the Parent Company on 12 October 2012
“Ore/ore”	iron ore, limestone and/ or dolomite
“Parent Company”	Magang (Group) Holding Company Limited, a wholly state-owned enterprise with limited liability, formerly known as Maanshan Magang Holding Company, and was approved by the government to restructure into Magang (Group) Holding Company Limited in September 1998
“PRC”	The People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	holder(s) of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Maanshan City, Anhui Province, the PRC
12 October 2012

As at the date of this announcement, the Directors of the Company include:

Executive Directors: Su Jiangang, Qian Haifan, RenTianbao

Non-executive Director: Zhao Jianming

Independent Non-executive Directors: Qin Tongzhou, Yang Yada