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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
SERVICES, SUPPLIES AND
ENGINEERING CONSTRUCTIONS AGREEMENT FOR 2012**

THE AGREEMENT

On 30 December 2011, the Company and Magang Group entered into the Agreement in respect of transactions relating to the purchase of goods, sales of goods, construction of infrastructure and technology upgrade projects, professional services and integrated services between the Company, and Magang Group and its subsidiaries.

LISTING RULES IMPLICATIONS

Magang Group is the controlling shareholder of the Company. Magang Group holds, as at the date of this announcement, approximately 50.47% of the issued share capital of the Company. Both Magang Group and its subsidiaries are connected persons of the Company under the Listing Rules. Therefore, the transactions contemplated under the Agreement constitute continuing connected transactions of the Company.

As it is expected that the relevant percentage ratios calculated in accordance with the Listing Rules in respect of the transactions under the Agreement are more than 0.1% but less than 5% on an annual basis, such transactions are subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules but exempted from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE AGREEMENT

On 30 December 2011, the Company and Magang Group entered into the Agreement, the principal terms of which are set out below:

Date :

30 December 2011

Parties :

The Company; and
Magang Group

Term :

The Agreement shall be for a term commencing from 1 January 2012 to 31 December 2012.

Purchase of goods

The Company will from time to time purchase raw materials and fuels, spare parts and components, auxiliary materials, cutting gas including acetylene, plants and flowers and summer cooling products from Magang Group and its subsidiaries pursuant to the Agreement.

The proposed annual cap for the above transactions under the Agreement for the year ending 31 December 2012 is RMB166.625 million and is determined based on the production and operation of the Company in 2012, the expected possible connected transactions between the parties and prices determined by relevant applicable State guidance and/or market rates and/or agreement between the parties on an arm's length basis.

Sales of goods

The Company will from time to time sell steel products, auxiliary materials, raw materials and fuels, spare parts and components, energy, telephones and network communication products to Magang Group and its subsidiaries pursuant to the Agreement.

The proposed annual cap for the above transactions under the Agreement for the year ending 31 December 2012 is RMB44.738 million and is determined based on the production and operation of the Company in 2012, the expected possible connected transactions between the parties and prices determined by relevant applicable State guidance and/or market rates and/or agreement between the parties on an arm's length basis.

Construction of infrastructure and technology upgrade projects

The Company will from time to time receive and provide infrastructure projects, technology upgrade projects, environmental protection projects, maintenance projects and green projects between the Company, and Magang Group and its subsidiaries pursuant to the Agreement.

The proposed annual cap for the above transactions under the Agreement for the year ending 31 December 2012 is RMB188.1118 million and is determined based on the production and operation of the Company in 2012, the expected possible connected transactions between the parties and prices determined by relevant applicable State guidance and/or market rates and/or agreement between the parties on an arm's length basis.

Professional services

The Company will from time to time receive catering and hygiene services, filing services, newspapers services, production of TV feature films, office rental, staff housing services, environmental hygiene and road maintenance, factory greening and voluntary tree-planting from Magang Group and its subsidiaries pursuant to the Agreement.

The proposed annual cap for the above transactions under the Agreement for the year ending 31 December 2012 is RMB163.1 million and is determined based on the production and operation of the Company in 2012, the expected possible connected transactions between the parties and prices determined by relevant applicable State guidance and/or market rates and/or agreement between the parties on an arm's length basis.

Integrated services

The Company will from time to time receive and provide environmental protection services, recycling services and processing services between the Company, and Magang Group and its subsidiaries pursuant to the Agreement.

The proposed annual cap for the above transactions under the Agreement for the year ending 31 December 2012 is RMB186.477 million and is determined based on the production and operation of the Company in 2012, the expected possible connected transactions between the parties and prices determined by relevant applicable State guidance and/or market rates and/or agreement between the parties on an arm's length basis.

Price

The basis of determining the prices for the transactions contemplated under the Agreement will be in accordance with: (1) State guidance, if the State guidance is available; or (2) if no State guidance can be taken as a reference, by market rates, if the market rates is available; or (3) if no market rates can be taken as a reference, by agreement between the parties on an arm's length basis.

Both parties undertake to provide the other party and its subsidiaries with services, goods and projects with standards and conditions not less favourable than those provided to independent third parties of similar services, goods and projects.

REASONS FOR AND BENEFITS OF THE AGREEMENT

Magang Group has long been engaged in services relating to iron and steel production and has certain advantages in both technology and personnel in the field. Through the relevant ongoing connected transactions, the Company has raised the efficiency in using resources, prevented repetitive investments, reduced costs and strictly controlled product quality, thereby effectively satisfying the Company's operation needs.

Magang Group and its subsidiaries are located relatively close to the Company and it can enable a reduction in purchasing, sales and transportation costs. Furthermore, the Company has relatively good knowledge of the production and operation and credit status of the connected parties.

The pricing policy and pricing of the Company's connected transactions are based on open, fair and just market rates and are agreed by parties upon negotiation. They do not differ markedly from the purchase and selling prices on the market prices, with no damage to the Company's benefits. The relevant transactions are protected by laws and regulations and policies and will not affect the independence of the Company. The Company's principal business will not have reliance on the connected parties because of the connected transactions.

LISTING RULES IMPLICATIONS

Magang Group is the controlling shareholder of the Company. Magang Group holds, as at the date of this announcement, approximately 50.47% of the issued share capital of the Company. Both Magang Group and its subsidiaries are connected persons of the Company under the Listing Rules. Therefore, the transactions contemplated under the Agreement constitute continuing connected transactions of the Company.

As it is expected that the relevant percentage ratios calculated in accordance with the Listing Rules in respect of the transactions under the Agreement are more than 0.1% but less than 5% on an annual basis, such transactions are subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules but exempted from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INFORMATION ON THE COMPANY

The Company is one of the largest iron and steel producers and marketers in the PRC and is principally engaged in the manufacture and sale of iron and steel products.

INFORMATION ON MAGANG GROUP

Magang Group is a wholly State-owned enterprise with limited liability and a controlling shareholder of the Company as defined under the Listing Rules. It is mainly engaged in mining and sorting of mineral products; construction; manufacturing of construction materials; trading; storage and property management; agriculture and forestry.

GENERAL

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no Director has a material interest in the transactions save and except Mr. Su Jiangang and Mr. Zhao Jianming, who are also the directors of Magang Group and are required to abstain from voting at the Board meeting approving the Agreement. The remaining Directors (including the independent non-executive directors) are of the view that the terms of the transactions contemplated under the Agreement and the relevant annual caps are on normal commercial terms and fair and reasonable and in the interest of the Company and its Shareholders as a whole.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Agreement”	Services, Supplies and Engineering Constructions Agreement for 2012 entered into between the Company and Magang Group on 30 December 2011 for a term commencing from 1 January 2012 to 31 December 2012
“Board”	the board of Directors
“Company”	Maanshan Iron & Steel Company Limited, a joint stock limited company incorporated in the PRC and the shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the directors of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Magang Group”	Magang (Group) Holding Company Limited, a wholly State-owned enterprise with limited liability and a controlling shareholder of the Company as defined under the Listing Rules
“PRC”	the People’s Republic of China, which, for the purposes of this announcement, does not include Hong Kong, Macao Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holders of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“%”

per cent

By order of the Board
Maanshan Iron & Steel Company Limited

Su Jiangang

Chairman

4 January 2012

Maanshan City, Anhui Province, the PRC

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

Executive Directors: Su Jiangang, Qian Haifan, Ren Tianbao

Non-executive Director: Zhao Jianming

Independent Non-executive Directors: Qin Tongzhou, Yang Yada, Wu Tat Man Damon Albert