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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**

#### **THE SERVICES, SUPPLIES AND ENGINEERING CONSTRUCTIONS AGREEMENT**

On 12 December 2012, the Company and Magang Group entered into the Services, Supplies and Engineering Constructions 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, Magang Group and their 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 under the Services, Supplies and Engineering Constructions 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 Services, Supplies and Engineering Constructions Agreement are more than 0.1% but less than 5% on an annual basis, such transactions and services 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 SERVICES, SUPPLIES AND ENGINEERING CONSTRUCTIONS AGREEMENT**

The principal terms of the Services, Supplies and Engineering Constructions Agreement are set out below:

### **Date**

12 December 2012

### **Parties**

The Company; and  
Magang Group

### **Term**

The Services, Supplies and Engineering Constructions Agreement shall be for a term commencing from 1 January 2013 to 31 December 2013.

### **Purchase of goods**

The Company and its subsidiaries will from time to time purchase raw materials and fuels, spare parts and components, auxiliary materials, power expenses, scrap steel, cutting gas including acetylene, plants and flowers and summer cooling products, etc. from Magang Group and its subsidiaries pursuant to the Services, Supplies and Engineering Constructions Agreement.

The proposed annual cap for the above transactions under the Services, Supplies and Engineering Constructions Agreement for the year ending 31 December 2013 is RMB162.775 million (excluding tax) and is determined based on the production and operation of the Company in 2013, 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 and its subsidiaries will from time to time sell raw materials and fuels, spare parts and components, steel products, auxiliary materials, energy, power expenses, telephones and network communication products, etc. to Magang Group and its subsidiaries pursuant to the Services, Supplies and Engineering Constructions Agreement.

The proposed annual cap for the above transactions under the Services, Supplies and

Engineering Constructions Agreement for the year ending 31 December 2013 is RMB34.753 million (excluding tax) and is determined based on the production and operation of the Company in 2013, 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 and its subsidiaries will from time to time receive and provide infrastructure projects, technology upgrade projects, maintenance projects and green projects to Magang Group and its subsidiaries pursuant to the Services, Supplies and Engineering Constructions Agreement.

The proposed annual cap for the above transactions under the Services, Supplies and Engineering Constructions Agreement for the year ending 31 December 2013 is RMB132.426 million (excluding tax) and is determined based on the production and operation of the Company in 2013, 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 and its subsidiaries will from time to time receive 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, catering and hygiene services, etc. from Magang Group and its subsidiaries pursuant to the Services, Supplies and Engineering Constructions Agreement.

The proposed annual cap for the above transactions under the Services, Supplies and Engineering Constructions Agreement for the year ending 31 December 2013 is RMB165.1 million (excluding tax) and is determined based on the production and operation of the Company in 2013, 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 and its subsidiaries will from time to time receive and provide urgent repairs, maintenance expenses, printing expenses, recycling services and processing services, etc. to Magang Group and its subsidiaries pursuant to the Services, Supplies and Engineering Constructions Agreement.

The proposed annual cap for the above transactions under the Services, Supplies and Engineering Constructions Agreement for the year ending 31 December 2013 is RMB104.083 million (excluding tax) and is determined based on the production and operation of the Company in 2013, 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 Services, Supplies and Engineering Constructions 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 SERVICES, SUPPLIES AND ENGINEERING CONSTRUCTIONS 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.

## **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 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 under the Services, Supplies and Engineering Constructions Agreement save and except Mr. Su Jiangang, Mr. Zhao Jianming, and Mr. Qian Haifan, who are also the directors of Magang Group and are required to abstain from voting at the Board meeting approving the Agreement, with Mr. Zhao Jianming not attending the Board meeting. The remaining Directors (including the independent non-executive directors) are of the view that the terms of the transactions under the Services, Supplies and Engineering Constructions Agreement 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”	the Services, Supplies and Engineering Constructions Agreement
“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 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
“Services, Supplies and Engineering Constructions Agreement”	the Services, Supplies and Engineering Constructions Agreement entered into between the Company and Magang Group on 12 December 2012
“Shareholder(s)”	holders of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By Order of the Board  
**Ren Tianbao**  
Secretary to the Board

Maanshan City, Anhui Province, the PRC  
12 December 2012

*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, Liu Fangduan*