

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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

Reference is made to the announcement of the Company dated 22 August 2013 with regard to the Disposal of Equity Interests and Assets Agreement entered into between the Company and the Parent Company on 22 August 2013. As certain equity interests and non-iron and steel related assets of the Company will be transferred to the Parent Company under the Disposal of Equity Interests and Assets Agreement, it is anticipated that the Group and Parent Group will enter into the Continuing Connected Transactions to ensure the Group's stable and continuous production after the Disposal. On 22 August 2013, the Company and the Parent Company conditionally agreed to enter into the CCT Agreement for sale or provision of Services and Products by the Group to the Parent Group and sale or provision of Services, Products and Construction Engineering by the Parent Group to the Group for a term commencing on 1 November 2013 and ending 31 December 2015.

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 one or more of the applicable percentage ratio in respect of the proposed Annual Caps for the Continuing Connected Transactions, on an annual basis, is more than 5%, such transactions constitute continuing connected transactions that are subject to reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

A circular containing, among others, (i) further details of the CCT Agreement, including the 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 CCT Agreement and the proposed Annual Caps, and (iv) the notice of the EGM will be despatched to the Shareholders on or before 12 September 2013.

INTRODUCTION

Reference is made to the announcement of the Company dated 22 August 2013 with regard to the Disposal of Equity Interests and Assets Agreement entered into between the Company and the Parent Company on 22 August 2013. As certain equity interests and non-iron and steel related assets of the Company will be transferred to the Parent Company under the Disposal of Equity

Interests and Assets Agreement, it is anticipated that the Group and the Parent Group will enter into the Continuing Connected Transactions to ensure the Group's stable and continuous production after the Disposal. On 22 August 2013 the Company and the Parent Company conditionally agreed to enter into the CCT Agreement for sale or provision of Services and Products by the Group to the Parent Group and sale or provision of Services, Products and Construction Engineering by the Parent Group to the Group for a term commencing on 1 November 2013 and ending 31 December 2015.

THE CCT AGREEMENT

Date :

22 August 2013

Parties:

- (1) Company; and
- (2) Parent Company

Subject Matter:

- (1) The Company agreed by itself and the Group to sell or provide the following Services and Products to the Parent Group:
 - (i) Water, Electricity and Gas;
 - (ii) Finished Products and Related Commodities; and
 - (iii) Services.
- (2) The Parent Company agreed by itself and the Parent Group to sell or provide the following Services, Products and Construction Engineering to the Group:
 - (i) Spare-parts, Fittings and Related Products;
 - (ii) Infrastructure Technical Transformation Engineering; and
 - (iii) Water and Land Transportation and Related Services.

The Company agreed and guaranteed that the terms of the Services and Products to be provided by the Group to the Parent Group and the relevant terms of arrangements for payment shall not be more favourable than those to the independent third parties and the Parent Company agreed and guaranteed that the terms of the Services, Products and Construction Engineering to be provided by the Parent Group to the Group and the relevant terms of arrangements for payment shall not be less favourable than those to the independent third parties.

During the term of the CCT Agreement, the Company has rights to decide whether to enter into transactions with any independent third parties at its own option.

Pricing

The Company and the Parent Company agreed to adopt appropriate, reasonable and fair pricing method in accordance with the principle of fairness in formulating the CCT Agreement. The pricing shall be based on state-prescribed price and in the absence of the state-prescribed price, the pricing shall be based on market price, agreed under arm's length basis by reference to comparable market price and under normal commercial terms.

The pricing regarding the Services and Products to be provided by the Group to the Parent Group shall not be lower than the price of the same type of services and products provided by the Group to the independent third parties. The pricing regarding the Services, Products and Construction Engineering to be provided by the Parent Group to the Group shall not be higher than the pricing of the same type of Services, Products and Construction Engineering provided by the Parent Group to the independent third parties.

Historical Transaction Amounts

The historical transaction amounts of the Services and Products for the two years ended 31 December 2011 and 2012 and the six months from 1 January to 30 June 2013 (tax not included) are as follows:

	Year ended 31 December 2011	Year ended 31 December 2012	<i>RMB'000</i> Six months from 1 January to 30 June 2013
Water, Electricity and Gas	137,610	123,430	75,876
Finished Products and Related Commodities	1,064,530	862,580	644,100
Services	2,510	1,700	900

The historical transaction amounts of the Services, Products and Construction Engineering for the two years ended 31 December 2011 and 2012 and the six months from 1 January to 30 June 2013 (tax not included) are as follows:

	Year ended 31 December 2011	Year ended 31 December 2012	<i>RMB'000</i> Six months from 1 January to 30 June 2013
Spare-parts, Fittings and Related Products	1,078,890	1,344,380	712,930
Infrastructure Technical and Renovation Engineering	851,510	422,150	233,580
Water and Land Transportation and Related Services	1,288,550	1,308,000	610,270

Proposed Annual Caps

The proposed Annual Caps for the Services and Products by the Group to the Parent Group under the CCT Agreement for the two months from 1 November to 31 December 2013 and two years ending 31 December 2014 and 2015 (tax not included) are as follows:

	<i>RMB'000</i>		
	2 months from 1 November to 31 December 2013	Year ending 31 December 2014	Year ending 31 December 2015
Water, Electricity and Gas	29,220	197,300	241,510
Finished Products and Related Commodities	173,650	1,200,580	1,164,840
Services	4,910	47,320	47,300

The proposed Annual Caps for the Services, Products and Construction Engineering by the Parent Group to the Group under the CCT Agreement for the two months from 1 November to 31 December 2013 and two years ending 31 December 2014 and 2015 (tax not included) are as follows:

	<i>RMB'000</i>		
	2 months from 1 November to 31 December 2013	Year ending 31 December 2014	Year ending 31 December 2015
Spare-parts, Fittings and Related Products	285,270	1,324,660	1,261,580
Infrastructure Technical and Renovation Engineering	150,330	643,600	576,000
Water and Land Transportation and Related Services	353,860	1,633,400	1,722,170

The total amounts of the proposed Annual Caps in respect of the Continuing Connected Transactions for the two months from 1 November to 31 December 2013 and two years ending 31 December 2014 and 2015 (tax not included) are in the sums of RMB997,240,000, RMB5,046,860,000 and RMB5,013,400,000.

The proposed Annual Caps in respect of the CCT Agreement for the term commencing on 1 November 2013 and ending 31 December 2015 are determined by reference to (i) the historical transaction amounts; (ii) the state-prescribed price or the market price of the Continuing Connected Transactions; (iii) the Group's anticipated capacity to provide the Services and Products to the Parent Group and the Group's anticipated demand for the Parent Group's Services, Products and Construction Engineering to meet its production plan; and (iv) the Parent Group's anticipated demand for the Group's Services and Products and the Parent Group's anticipated capacity to provide the Services, Products and Construction Engineering to the Group.

Condition Precedents

The CCT Agreement is conditional upon the following:

- (1) the Disposal of Equity Interests and Assets Agreement becomes effective and the completion thereof has been effected; and
- (2) the CCT Agreement is approved by the Independent Shareholders at the EGM.

Duration

The duration of the CCT Agreement shall be commencing on 1 November 2013 and ending 31 December 2015.

REASONS AND BENEFITS

As certain equity interests and non-iron and steel related assets of the Company will be transferred to the Parent Company under the Disposal of Equity Interests and Assets Agreement, it will be in the interest of the Group to obtain a reliable and uniquely skilled supply of Services, Products and Construction Engineering from the Parent Group to ensure the Group's stable and continuous production after the Disposal. The terms and pricing of the Connected Continuing Transactions are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

In order to implement an effective control and management of the Continuing Connected Transactions, the Company intends to establish a connected transaction management committee.

INFORMATION ON THE COMPANY AND THE PARENT 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.

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.

BOARD APPROVAL

By the 32nd meeting of the 7th session of the Board dated 22 August 2013, the Board approved the CCT Agreement.

The Directors attending the Board meeting on 22 August 2013 regarding the CCT Agreement consider the CCT Agreement 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 terms of the Continuing Connected Transactions and the proposed Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole and the CCT Agreement was entered into during the ordinary and usual course of business of the Group. Of the Directors attending the Board meeting, the Abstained Directors were considered to have material

interests by virtue of being employed by the Parent Company and had thus abstained from voting on the Board resolution(s) in respect of the CCT Agreement and the proposed Annual Caps. Save as disclosed above, none of the Directors attended the Board meeting has a material interest in the CCT Agreement.

LISTING RULES IMPLICATION

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 one or more of the applicable percentage ratio in respect of the proposed Annual Caps for the Continuing Connected Transactions, on an annual basis, is more than 5%, such transactions constitute continuing connected transactions that are subject to reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL INFORMATION

An EGM will be convened to consider and, if thought fit, to approve the CCT Agreement and the transactions contemplated thereunder, including the proposed Annual Caps. In accordance with the Listing Rules, the vote of the Independent Shareholders taken at the EGM to approve the CCT Agreement and the transactions contemplated thereunder, including the 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 CCT Agreement, including the 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 CCT Agreement, including the 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 CCT Agreement and the proposed Annual Caps, and (iv) the notice of the EGM will be despatched to the Shareholders on or before 12 September 2013.

DEFINITIONS

The following defined terms are used in this announcement:

“Abstained Directors”	Mr. Ding Yi, Mr. Su Shihuai and Mr. Qian Haifan, who had abstained from voting as Directors on the relevant Board resolution(s) relating to the subject transactions
-----------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------

“associates”	has the meaning as ascribed thereto in the Listing Rules
“Annual Caps”	the maximum aggregate annual purchase and/or sale amounts in respect of transactions under the CCT Agreement commencing on 1 November 2013 and ending 31 December 2015
“Board”	the board of the Directors
“CCT Agreement”	the continuing connected transactions agreement entered into between the Company and the Parent Company dated 22 August 2013
“Continuing Connected Transactions”	Services and Products and Services, Products and Construction Engineering
“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
“Directors”	the directors of the Company
“Disposal”	certain equity interests and non-iron and steel related assets of the Company, which will be transferred to the Parent Company under the Disposal of Equity Interests and Assets Agreement
“Disposal of Equity Interests and Assets Agreement”	the agreement entered into between the Company and the Parent Company dated 22 August 2013 regarding the Disposal
“EGM”	the extraordinary general meeting of the Company to be convened to approve, among other things, the CCT Agreement, the transactions contemplated thereunder and the proposed Annual Caps
“Finished Products and Related Commodities”	finished products and related commodities including steel, steel ingots, continuous casting billets, liquid iron, liquid steel, scrap steel, fuels and related finished products or commodities, etc. to be sold by the Group to the Parent Group under the CCT Agreement
“Group”	the Company and its subsidiaries
“Infrastructure Technical and Renovation Engineering”	infrastructure technical and renovation engineering services to be provided by the Parent Group to the Group under the CCT Agreement

“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 CCT Agreement and the transactions contemplated thereunder, including the 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 CCT Agreement, the transactions contemplated thereunder and the 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
“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 PRC government to restructure into Magang (Group) Holding Company Limited in September 1998
“Parent Group”	the Parent Company and its subsidiaries and associated companies (excluding the Group)
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Spare-parts, Fittings and Related Products”	spare-parts, fittings and related products including refractory materials, spare-parts and complete equipment, nonstandard spare-parts and related products to be sold by the Parent Group to the Group and recycling of scrap steel under the CCT Agreement
“Services”	services including bloom machining consignment services, metering services and related services to be provided by the Group to the Parent Group under the CCT Agreement

“Services and Products”	Water, Electricity and Gas, Finished Products and Related Commodities and Services
“Services, Products and Construction Engineering”	Spare-parts, Fittings and Related Products, Infrastructure Technical and Renovation Engineering and Water and Land Transportation and Related Services
“Shareholder(s)”	holder(s) of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Water and Land Transportation and Related Services”	surface transport and related services including transport for production support, freight, waterway transport and logistics, integrated port services, equipment (facility) maintenance services for production support, overhaul and medium maintenance equipment, operation and maintenance for automation and informatisation, project and maintenance services for electrical, motor and transformer, lifting logistics services, import and export agency services and related services to be provided by the Parent Group to the Group under the CCT Agreement
“Water, Electricity and Gas”	water, electricity and gas including electricity, water, industrial treated water, blast furnace gas, coke oven gas, converter gas, vapor, compressed air and other gases to be sold by the Group to the Parent Group under the CCT Agreement
“%”	per cent

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

22 August 2013
Maanshan City, Anhui Province, the PRC

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

Executive Directors: Ding Yi, Qian Haifan, Ren Tianbao

Non-executive Directors: Su Shihuai

Independent Non-executive Directors: Qin Tongzhou, Yang Yada, Liu Fangduan