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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
INTEGRATED SUPPORT SERVICES AGREEMENT

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The integrated support services agreement for the Year of 2017 entered into on 29 December 2016 between the Company and Magang Group will expire on 31 December 2017. On 27 December 2017, the Company and Magang Group entered into the Integrated Support Services Agreement in connection with transactions of sales/provision of services and goods, etc. from the Company to Magang Group and purchase of and receiving goods, services, engineering projects, etc. by the Company from Magang Group for the Year of 2018.

LISTING RULES IMPLICATON

Magang Group is the controlling shareholder of the Company. Magang Group holds, as at the date of this announcement, approximately 45.54% 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 Integrated Support Services 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 Integrated Support Services 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 Chapter 14A of the Listing Rules but are exempted from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Integrated Support Services Agreement

The integrated support services agreement for the Year of 2017 entered into on 29 December 2016 between the Company and Magang Group will expire on 31 December 2017. On 27 December 2017, the Company and Magang Group entered into the Integrated Support Services Agreement in connection with transactions of sales/provision of services and goods, etc. from the Company to Magang Group and purchase of and receiving goods, services, engineering projects, etc. by the Company from Magang Group for the Year of 2018.

Major terms of the New Agreement are set out below:

Date

27 December 2017

Parties

- (i) The Company; and
- (ii) Magang Group

Term

The Integrated Support Services Agreement shall be for a term from 1 January 2018 to 31 December 2018.

Sales of finished goods and related commodities

The Company will sell finished goods and related products, which include steel, energy, raw materials and the related finished products / commodities, to Magang Group with an annual cap (tax exclusive) of RMB90,000,000.

Provision of services

The Company will provide services, which include metering services, technical services and related services, to Magang Group with an annual cap (tax exclusive) of RMB9,000,000.

Purchase of raw materials and related goods

The Company will purchase raw materials and related goods, which include raw materials, scrap steel and related goods from Magang Group with an annual cap (tax exclusive) of RMB70,000,000.

Receipt of services for fixed assets and construction and integrated services, etc.

The Company will receive services for fixed assets and construction and integrated services, etc. to be provided by Magang Group, including services in connection with infrastructure construction projects, water transport, communications, loading and unloading, training, surveying, printing, filing, newspapers, TV features production, office tower leasing, staff

quarters and related services with an annual cap (tax exclusive) of RMB239,000,000.

The proposed annual cap for the above transactions under the Integrated Support Services Agreement for the year ending 31 December 2018 is RMB408,000,000 (tax exclusive) and is determined based on the production and operation of the Company in 2018, the expected possible connected transactions between both parties and prices determined by applicable rates between both parties.

Price

The basis of determining the prices for the transactions contemplated under the Integrated Support Services Agreement will be in accordance with: (1) the principle of fairness and impartiality and that the agreement is entered into with appropriate, reasonable and fair pricing methods; (2) the state guidance shall be used whenever available; or if no state guidance can be taken as a reference, market price shall be used by agreement between both parties on an arm's length basis, and the price adopted shall be established on general commercial terms and taking reference to comparable market transaction price.

The prices of services and products under sales of finished goods and related commodities and provision of services shall not be lower than those of the same category of services and products sold or provided by the Company and its subsidiaries to independent third parties.

The prices of services, products and services for fixed assets and construction under purchase of raw materials and related goods, and receipt of services for fixed assets and construction and integrated services, etc. shall not exceed those of the same category of services, products and construction project provided by independent third parties to the Company and its subsidiaries.

Except that the prices of electricity, domestic water and industrial treated water are determined by state-prescribed price, the pricing determination of other transactions shall be based on market price.

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

INTERNAL CONTROL

According to the existing Internal Control Management Measures of Connected Transactions of the Company formulated in 2013, market price shall be agreed between the Company and Magang Group through fair negotiations by reference to comparable market price and under

normal commercial terms. Market prices can be obtained through quotations from public market, price of independent third party, price determined through bidding and other negotiated price through market mechanism. According to the relevant requirement on bid invitation and bidding of the Company, there should be at least 3 bidders participating in bidding.

The Company has set up the Continuing Connected Transaction Management Committee since 2013 which is responsible for the monitoring of all the connected transactions of the Company, including the Integrated Support Services Agreement. The chairman of the committee is the chairman of the Company.

The Continuing Connected Transaction Management Committee is responsible for the management and monitoring of connected transactions, including the reporting of connected transaction under requisite procedures, arranging information disclosure for connected transactions, constant managing of the operation of connected transaction agreements, strict execution of various connected transaction agreements, strict control of the annual cap of various connected transactions, and monitoring and examining pricing management and execution process.

The basis of the proposed annual cap for the transactions under the New Agreement are as follows:

- (a) The historical amounts of similar transactions of sale/provision of services and goods, etc. from the Company to Magang Group and purchase of and receiving goods, services, engineering projects, etc. by the Company from Magang Group;
- (b) The anticipated production and expected needs of the Company and Magang Group for goods, services and engineering projects under the Integrated Support Services Agreement;
- (c) The expected prices for the relevant goods, services and engineering projects by reference to the historical prices and applicable rates.

REASONS FOR AND BENEFITS OF THE NEW AGREEMENT

Such connected transactions are carried out in the ordinary and usual course of business of the Company with Magang Group according to its needs and are carried out on normal commercial terms and reasonably priced. They will have no adverse effect on the Company and will not impair the interests of the Shareholders of the Company. The pricing policy and pricing of the Company's connected transactions are based on open, fair and impartial rates and are agreed upon the negotiation of the parties. They do not differ markedly from the purchase and selling prices in the market, with no damage to the Company's benefits. The relevant transactions are protected by laws, 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 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.

LISTING RULES IMPLICATON

As it is expected that the relevant percentage ratios calculated in accordance with the Listing Rules in respect of the transactions under the Integrated Support Services 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 Chapter 14A of the Listing Rules but exempted from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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 Integrated Support Services Agreement except Mr. Ding Yi, Mr. Qian Haifan and Mr Ren Tianbao. The remaining Directors (including the independent non-executive Directors) are of the view that the terms of the transactions contemplated under the Integrated Support Services Agreement are on normal commercial terms, 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:

“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
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“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
“Board”	the board of Directors of the Company
“Director(s)”	the directors of the Company
“Shareholder(s)”	holders of shares of the Company
“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
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“RMB”	Renminbi, the lawful currency of the PRC
“Integrated Support Services Agreement for the Year of 2017”	the integrated support services agreement entered into between the Company and Magang Group on 29 December 2016
“Integrated Support Services Agreement for the Year of 2018”/ “New Agreement”	the integrated support services agreement entered into between the Company and Magang Group on 27 December 2017
“Year”	1 January to 31 December
“%”	per cent

By order of the Board
Maanshan Iron & Steel Company Limited

Ding Yi
Chairman

Maanshan City, Anhui Province, the PRC

27 December 2017

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

Executive Directors: Ding Yi, Qian Haifan, Zhang Wenyang

Non-executive Directors: Ren Tianbao

Independent Non-executive Directors: Zhang Chunxia, Zhu Shaofang, Wang Xianzhu