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

(Stock code: 00323)

## **Continuing Connected Transactions**

### **Revision of the Annual Caps for the Existing Energy Saving and Environmental Protection Agreement and the Existing CCT Agreement**

Reference is made to an announcement of the Company dated 10 September 2015 and a circular of the Company dated 19 October 2015 in which the Company announced, *inter alia*, the transactions between the Group and Anhui Xinchuang under the Existing Energy Saving and Environmental Protection Agreement as well as the continuing connected transactions between the Group and the Parent Group under the Existing CCT Agreement.

#### **Supplementary Energy Saving and Environmental Protection Agreement**

On 10 September 2015, the Company and Anhui Xinchuang entered into the Existing Energy Saving and Environmental Protection Agreement for the continuous provision of Energy Saving and Environmental Protection Construction and Services by Anhui Xinchuang to the Group and the sale of Waste Materials generated from iron and steel production by the Group to Anhui Xinchuang during the period from 1 January 2016 to December 31 2018.

As the PRC government implements more stringent requirements, the Company needs to renovate its existing equipment to comply with national regulations, in addition to the increase in labour and material costs, resulting in cost increase, the caps for the Existing Energy Saving and Environmental Protection Agreement cannot satisfy the expected needs, therefore, the Company and Anhui Xinchuang entered into the Supplementary Energy Saving and Environmental Protection Agreement, which is designated to increase the Proposed Annual Caps for Energy Saving and Environmental Protection Construction and Services by Anhui Xinchuang to the Group

from RMB 619,500,000 by RMB 217,500,000 to RMB 837,000,000 in 2018. All existing key terms and conditions under the Existing Energy Saving and Environmental Protection Agreement remain unchanged.

The Company confirms, as of the date of this announcement, the transaction amounts under the Existing Energy Saving and Environmental Protection Agreement has not exceeded the Existing Annual Caps.

### **Supplementary CCT Agreement**

On 10 September 2015, the Company and the Parent Company entered into the Existing CCT Agreement for the continuous 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 during the period from 1 January 2016 to 31 December, 2018.

As affected by the increased costs due to the increase in labour and material costs, the caps for the Existing CCT Agreement cannot satisfy the expected needs, therefore, the Company and the Parent Company entered into the Supplementary CCT Agreement, which is designated to increase the Annual Caps for Services and Products from RMB 4,954,414,100 by RMB 1,447,421,000 to RMB 6,401,835,100 in 2018. All existing key terms and conditions under the Existing CCT Agreement remain unchanged.

The Company confirms, as of the date of this announcement, the transaction amounts under the Existing CCT Agreement has not exceeded the Existing Annual Caps.

As at the date of this announcement, the Parent Company is interested in approximately 45.54% 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 interested in 16.34% of Anhui Xinchuang's share capital. As an associate of the Parent Company, Anhui Xinchuang is a connected person of the Company. Accordingly, the transactions contemplated under the Supplementary Energy Saving and Environmental Protection Agreement and the Supplementary CCT Agreement constitute continuing connected transactions of the Company under Rule 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 Supplementary Energy Saving and Environmental Protection Agreement and the Supplementary CCT Agreement, on an annual basis, are more than 5%, such continuing connected transactions and Proposed Annual Caps are subject to requirements including reporting, announcement, annual review and Independent Shareholder' approval under Rule 14A of the Listing Rules.

The Independent Board Committee will advise the Independent Shareholders in relation to the terms of the continuing connected transactions contemplated under the Supplementary Energy Saving and Environmental Protection Agreement and the Supplementary CCT Agreement,

including the Proposed Annual Caps. Somerley Capital 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 Supplementary Energy Saving and Environmental Protection Agreement and the Supplementary 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 Supplementary Energy Saving and Environmental Protection Agreement, the Supplementary CCT Agreement and the Proposed Annual Caps, and (iv) the notice of the EGM will be delivered to the Shareholders on or before 5 September 2018.

## **Supplementary Energy Saving and Environmental Protection Agreement**

### **Background**

On 10 September 2015, the Company and Anhui Xinchuang entered into the Existing Energy Saving and Environmental Protection Agreement for the continuous provision of Energy Saving and Environmental Protection Construction and Services by Anhui Xinchuang to the Group and the sale of Waste Materials generated from iron and steel production by the Group to Anhui Xinchuang during the period from 1 January 2016 to 31 December 2018.

As the PRC government implements more stringent requirements, the Company needs to renovate its existing equipment to comply with national regulations, in addition to the increase in labour and material costs, resulting in cost increase, the caps for the Existing Energy Saving and Environmental Protection Agreement cannot satisfy the expected needs, therefore, the Company and the Parent Company entered into the Supplementary Energy Saving and Environmental Protection Agreement, which is designated to increase the Proposed Annual Caps for Energy Saving and Environmental Protection Construction and Services by Anhui Xinchuang to the Group from RMB 619,500,000 by RMB 217,500,000 to RMB 837,000,000 in 2018. All existing key terms and conditions under the Existing Energy Saving and Environmental Protection Agreement remain unchanged.

The Company confirms, as of the date of this announcement, the transaction amounts under the Existing Energy Saving and Environmental Protection Agreement have not exceeded the Existing Annual Caps.

### **Date**

15 August 2018

## **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. The terms (including but not limited to pricing and payment) of the Energy Saving and Environmental Protection Construction and Services are agreed under arm's length negotiations and under normal commercial terms between the parties and the terms (including but not limited to pricing and payment) shall be no less favourable than those provided by independent third parties to the Group for similar environmental protection construction and services.

The Group shall sell the Waste Materials generated from iron and steel production to Anhui Xinchuang for utilization. The terms (including but not limited to pricing and payment) of sales of Waste Materials generated from iron and steel production are agreed under arm's length negotiations 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 terms offered by the Group to independent third parties for the sales of similar waste materials generated from the iron and steel production.

## **Pricing**

The parties agreed to adopt an appropriate, reasonable and fair pricing method in accordance with the principle of fairness in formulating the transactions under the Supplementary Energy Saving and Environmental Protection Agreement. The pricing shall be based on state-prescribed price. In the absence of the state-prescribed price, the pricing shall be based on the market price, agreed through open tender, price comparison and arm's length negotiation under normal commercial terms. At the same time, the price regarding Energy Saving and Environmental Protection Construction and Services shall not be higher than the price of the same categories of energy saving and environmental protection construction and services provided by independent third parties to the Group. The price regarding the Waste Materials shall not be lower than the price of same categories of waste materials sold by the Group to independent third parties.

In accordance with the current pricing standards, except for the sintering waste heat power generation services in the Energy Saving and Environmental Protection Construction and Services that are priced based on the latest state-prescribed price determined by the National Development and Reform Commission, the transactions under the Supplementary Energy Saving and Environmental Protection Agreement shall be priced based on the market price.

## Payment

The payment of Energy Saving and Environmental Protection Construction and Services shall be made by the Company to Anhui Xinchuang according to the construction progress as verified by the Company's management department. For the sales of Waste Materials to Anhui Xinchuang, at the end of each month, the Company shall receive an estimated sum from Anhui Xinchuang in advance for the sales with respect to the following month.

## Preconditions

The Supplementary Energy Saving and Environmental Protection Agreement is conditional upon the Independent Shareholders approving the Supplementary Energy Saving and Environmental Protection Agreement and the Proposed Annual Caps at the EGM.

## Duration

The term shall take effect from the approval of the Independent Shareholders at the upcoming EGM and expire on 31 December 2018.

## Existing Annual Caps and actual transaction amounts

The Existing Annual Caps (tax exclusive) in respect of Energy Saving and Environmental Protection Construction and Services provided by Anhui Xinchuang to the Group under the Existing Energy Saving and Environmental Protection Agreement for the three years ended/ending 31 December 2016, 31 December 2017, and 31 December 2018 and the actual transaction amounts (tax exclusive) for the two years ended 31 December 2016 and 31 December 2017, and the first five months ended May 31 2018 are set out below:

	<i>RMB</i>			
	For the year ended 31 December 2016	For the year ended 31 December 2017	For the year ending 31 December 2018	For the first five months ended 31 May 2018
Existing Annual Caps	658,500,000	639,500,000	619,500,000	N/A
Actual transaction amounts	597,743,000	567,360,000	N/A	291,763,900

The Existing Annual Caps (tax exclusive) in respect of the sale of Waste Materials generated from iron and steel production by the Group to Anhui Xinchuang under the Existing Energy Saving and Environmental Protection Agreement for the three years ended/ending 31 December 2016, 31 December 2017, and 31 December 2018 and the actual transaction amounts (tax exclusive) for the two

years ended December 31 2016 and 31 December 2017, and the first five months ended May 31 2018 are set out below:

	<i>RMB</i>			
	For the year ended 31 December 2016	For the year ended 31 December 2017	For the year ending 31 December 2018	For the first five months ended 31 May 2018
Existing Annual Caps	25,000,000	25,000,000	25,000,000	N/A
Actual transaction amounts	4,577,000	15,912,000	N/A	4,332,800

### **Proposed Annual Caps**

The Proposed Annual Caps for the transactions contemplated under the Supplementary Energy Saving and Environmental Protection Agreement for the year ending 31 December 2018 are set out below:

	<i>RMB</i>
	For the year ending 31 December 2018
Proposed Annual Caps in respect of Energy Saving and Environmental Protection Construction and Services provided by Anhui Xinchuang to the Group	837,000,000
Proposed Annual Caps in respect of sale of Waste Materials generated from iron and steel production by the Group to Anhui Xinchuang	25,000,000
Total	862,000,000

The Proposed Annual Caps in respect of the Supplementary Energy Saving and Environmental Protection Agreement for the year of 2018 are determined by reference to (i) the state-prescribed price and/or the market price regarding the Energy Saving and Environmental Protection Construction and Services and Waste Materials from the iron and steel production; (ii) the Group's anticipated demand for Energy Saving and Environmental Protection Construction and Services; (iii) Anhui Xinchuang's

anticipated capacity in providing the Energy Saving and Environmental Protection Construction and Services; and (iv) the anticipated production of Waste Materials from the Group's iron and steel production and Anhui Xinchuang's anticipated demand for such Waste Materials.

### **Reasons for, and benefits of, the Supplementary Energy Saving and Environmental Protection Agreement**

In light of the stringent governmental requirements on energy saving and environmental protection in the PRC, in particular in the iron and steel industry, it is in the interest of the Company to engage the construction and services provided by Anhui Xinchuang, which is in close proximity of the Company and is in possession of advanced supporting hardware facilities for energy saving and environmental protection, and to focus on its main operation and business of iron and steel production. The terms and pricing of the Supplementary Energy Saving and Environmental Protection Agreement are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

### **Supplementary CCT Agreement**

#### **Background**

On 10 September 2015, the Company and the Parent Company entered into the Existing CCT Agreement for the continuous 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 during the period from 1 January 2016 to 31 December 2018.

Under the influence of the increased costs due to the increase in labour and material costs, the caps for the Existing CCT Agreement cannot satisfy the expected needs, and therefore the Company and the Parent Company entered into the Supplementary CCT Agreement, which is designated to increase the annual caps for Services and Products from RMB 4,954,414,100 by RMB 1,447,421,000 to RMB 6,401,835,100 in 2018. All existing key terms and conditions under the Existing CCT Agreement remain unchanged.

The Company confirms, as of the date of this announcement, the transaction amounts under the Existing CCT Agreement have not exceeded the Existing Annual Caps.

#### **Date**

15 August 2018

#### **Parties**

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

## **Subject matter**

(1) The Company itself and the Group agreed 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 itself and the Parent Group agreed to sell or provide the following Services, Products and Construction Engineering to the Group:

- (i) Spare-parts, Fittings and Related Products;
- (ii) Infrastructure Technical and Renovation Engineering Services; and
- (iii) Water and Land Transportation and Related Services.

The parties agreed to adopt an appropriate, reasonable and fair pricing method in accordance with the principle of fairness in formulating the transactions under the Supplementary CCT Agreement. The terms of the Services and Products (including but not limited to pricing and payment) to be provided by the Group to the Parent Group shall not be more favourable than those to the independent third parties provided by the Group for similar categories of services and products. The terms of the Services, Products and Construction Engineering (including but not limited to pricing and payment) to be provided by the Parent Group to the Group shall not be less favourable than those provided by the independent third parties to the Group for similar categories of services, products and construction engineering.

During the term of the Supplementary CCT Agreement, the Company may decide, at its discretion, whether to enter into transactions with any independent third parties in respect of the transactions contemplated under the Supplementary CCT Agreement.

## **Pricing**

The pricing shall be based on the state-prescribed price. In the absence of the state-prescribed price, the pricing shall be based on the market price, agreed through open tender, price comparison and arm's length negotiations under normal commercial terms.

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



In accordance with the current pricing standards, except for the electricity provided by the Group to the Parent Company which shall be priced based on the latest state-prescribed price determined by the National Development and Reform Commission and the domestic water and industrial treated water which shall be priced based on the latest state-prescribed price determined by the People's Government of Maanshan City in the PRC, all the other transactions under the Supplementary CCT Agreement shall be priced based on the market price.

## **Payment**

Regarding the payment of Water, Electricity and Gas under Services and Products, at the beginning of each month, the Parent Company shall pay to the Company the sum for the sales with respect to the last month and settlement will be done on a monthly basis. For the payment of steel, steel ingots and iron scales under Finished Products and Related Commodities, at the end of each month, the Parent Company shall pay to the Company the estimated sum in advance for the sales with respect to the following month and settlement will be done on a monthly basis. As for the payment of accessories, materials and other products, the Parent Company shall pay to the Company the sum for the sales with respect to the last month and settlement will be done on a monthly basis. As for the payment of further processing of steel billets, metering services, inspection services and related services under Services, the Parent Company shall pay to the Company the sum for the sales with respect to the last month and settlement will be done on a monthly basis.

For the payment of Spare-parts, Fittings and Related Products under Services, Products and Construction Engineering, the Company shall pay for the relevant Spare-parts, Fittings and Related Products within 30 business days after the Company shall have received and verified the quality of the goods. The payment of Infrastructure Technical and Renovation Engineering Services shall be made by the Company to the Parent Company within 30 business days according to the construction progress after being verified by Company's management department. As for the payment of Water and Land Transportation and Related Services, the Company shall pay the Parent Company within 30 business days in accordance with the service progress after the Company shall have verified the quality.

## **Preconditions**

The Supplementary CCT Agreement is conditional upon the Independent Shareholders approving the Supplementary CCT Agreement and respective Proposed Annual Caps at the EGM.

## **Duration**

The term shall take effect from the approval of the Independent Shareholders at the upcoming EGM and expire on 31 December 2018.

## **Existing Annual Caps and actual transaction amounts**

The Existing Annual Caps (tax exclusive) in respect of Services and Products under the Existing CCT Agreement for the three years ended/ending 31 December 2016, 31 December 2017, and 31 December 2018 and the actual transaction amounts (tax exclusive) for the two years ended 31 December 2016 and 31 December 2017, and the first five months ended 31 May 2018 are set out below:

		<i>RMB</i>			
		For the year ended 31 December, 2016	For the year ended 31 December, 2017	For the year ending 31 December, 2018	For the first five months ended 31 May, 2018
1. Water, Electricity and Gas	Existing Annual Caps	141,019,800	142,837,800	142,665,800	N/A
	Actual transaction amounts	80,231,300	90,800,700	N/A	39,508,800
2. Finished Products and Related Commodities	Existing Annual Caps	570,688,000	570,688,000	570,688,000	N/A
	Actual transaction amounts	154,715,800	372,982,100	N/A	253,682,400
3. Services	Existing Annual Caps	9,340,400	8,334,000	7,342,400	N/A
	Actual transaction amounts	3,065,400	360,000	N/A	540,000

The Existing Annual Caps (tax exclusive) in respect of Services, Products and Construction Engineering under the Existing CCT Agreement for the three years ended/ending 31 December 2016, 31 December 2017, and 31 December 2018 and the actual transaction amounts (tax exclusive) for the two years ended December 31 2016 and 31 December 2017, and the first five months ended 31 May 2018 are set out below:

		<i>RMB</i>			
		For the year ended 31 December 2016	For the year ended 31 December 2017	For the year ending 31 December 2018	For the first five months ended 31 May 2018
1. Spare-parts, Fittings and	Existing Annual Caps	1,460,810,000	1,470,170,000	1,475,170,000	N/A

Related Products	Actual transaction amounts	1,075,434,500	1,419,553,600	N/A	985,574,000
2. Infrastructure and Renovation Engineering Services	Existing Annual Caps	730,000,000	730,000,000	730,000,000	N/A
	Actual transaction amounts	422,916,600	669,481,500	N/A	283,099,000
3. Water and Land Transportation and Related Services	Existing Annual Caps	1,934,869,700	2,001,808,000	2,028,547,900	N/A
	Actual transaction amounts	902,244,200	1,854,430,700	N/A	880,739,300

### Proposed Annual Caps

The Proposed Annual Caps (tax exclusive) for Services and Products provided by the Group to the Parent Group under the Supplementary CCT Agreement for the year ending 31 December 2018 are set as below:

	<i>RMB</i>
	For the year ending 31 December 2018
1. Proposed Annual Caps for Water, Electricity and Gas	160,000,000
2. Proposed Annual Caps for Finished Products and Related Commodities	707,403,800
3. Proposed Annual Caps for Services	19,569,000
Total	886,972,800

The Proposed Annual Caps (tax exclusive) for Services, Products and Construction Engineering provided by the Group to the Parent Group under the Supplementary CCT Agreement for the year ending 31 December 2018 are set as below:

*RMB*

For the year  
ending  
31 December  
2018

1. Proposed Annual Caps for Spare-parts, Fittings and Related Products	1,666,945,500
2. Proposed Annual Caps for Infrastructure Technical and Renovation Engineering Services	1,350,000,000
3. Proposed Annual Caps for Water and Land Transportation and Related Services	2,497,916,800
Total	5,514,862,300

The Proposed Annual Caps in respect of the Supplementary CCT Agreement for the year of 2018 are determined by reference to (i) the historical transaction amounts; (ii) the state-prescribed price or the market price for the continuing connected transactions; (iii) the Group's anticipated capacity in providing 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 in providing the Services, Products and Construction Engineering to the Group.

### **Reasons for, and benefits of, the Supplementary CCT 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. The terms and pricing of the Supplementary CCT Agreement are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

### **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.

### **Internal Management of the Agreements**

To ensure effective execution and implementation of the pricing of the transactions under the Agreements, the Company has established “Internal Control Management Measures for Connected Transactions” to regulate the pricing management of related connected transactions.

### **Board Approval**

In the 10<sup>th</sup> meeting of the ninth session of the Board on 15 August 2018, the Board approved the Supplementary Energy Saving and Environment Protection Agreement and the Supplementary CCT Agreement.

The Directors attending the Board meeting on 15 August 2018 regarding the Supplementary Energy Saving and Environment Protection Agreement and the Supplementary CCT Agreement consider the Supplementary Energy Saving and Environment Protection Agreement and the Supplementary CCT Agreement and the Proposed Annual Caps in respect thereof have been negotiated on an arm’s length basis and under normal commercial terms and they are of the view that the terms thereof and the Proposed Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole and the Agreements are entered into during the ordinary and usual course of business of the Group.

Among the Directors attending the Board meeting as mentioned above, Mr. Ding Yi, Mr. Qian Haifan and Mr. Ren Tianbao are 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 Supplementary Energy Saving and Environment Protection Agreement and the Supplementary CCT Agreement as well as the Proposed Annual Caps thereof. Save as disclosed above, none of the Directors attended the Board meeting has a material interest in the Supplementary Energy Saving and Environment Protection Agreement and the Supplementary CCT Agreement.

### **Listing Rules Implications**

As at the date of this announcement, the Parent Company is interested in approximately 45.54% 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 interested in 16.34% of Anhui Xinchuang’s share capital. As an associate of the Parent Company, Anhui Xinchuang is a connected person of the Company. Accordingly, the transactions contemplated under the Supplementary Energy Saving and Environmental Protection Agreement and the Supplementary CCT Agreement constitute continuing connected transactions of the Company under Rule 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 Supplementary Energy Saving and Environmental Protection Agreement and the Supplementary CCT Agreement, on an annual basis, are more than 5%, such continuing connected transactions and Proposed Annual Caps are subject to requirements including reporting, announcement, annual review and Independent Shareholder' approval under Rule 14A of the Listing Rules.

## **General Information**

An EGM will be convened to consider and, if thought fit, to approve the Supplementary Energy Saving and Environmental Protection Agreement, the Supplementary CCT 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 Supplementary New Energy Saving and Environmental Protection Agreement, the Supplementary CCT 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 contemplated under the Agreements and his/her 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 Supplementary Energy Saving and Environmental Protection Agreement, the Supplementary CCT Agreement, and the transactions contemplated thereunder, including the respective Proposed Annual Caps. Somerley Capital 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 Supplementary Energy Saving and Environmental Protection Agreement and the Supplementary 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 Supplementary Energy Saving and Environmental Protection Agreement, the Supplementary CCT Agreement and the Proposed Annual Caps, and (iv) the notice of the EGM, will be delivered to the Shareholders on or before 5 September 2018.

## **Definitions**

In this announcement, the following expressions shall have the meanings set out below:

“Abstained Directors”	Mr. Ding Yi, Mr. Qian Haifan, and Mr. Ren Tianbao, who abstained from voting as Directors on the relevant Board resolution(s) relating to the Agreements
“Agreements”	the Supplementary Energy Saving and Environmental Protection Agreement and the Supplementary CCT Agreement
“Anhui Xinchuang”	Anhui Xinchuang Energy Saving and Environmental Protection Science & Technology Co., Ltd., a joint stock limited company incorporated in the PRC
“Associates”	has the meaning as ascribed thereto in the Listing Rules
“Board”	the board of the Directors of the Company
“Company”	Maanshan Iron & Steel Company Limited, a joint stock limited company incorporated in the PRC, the shares of which are listed on the Stock Exchange
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to approve, among other things, the Supplementary Energy Saving and Environmental Protection Agreement, the Supplementary CCT Agreement, the transactions contemplated thereunder, and the respective Proposed Annual Caps
“Energy Saving and Environmental Protection Construction and Services”	the environmental protection construction, maintenance services, the procurement of spare parts and dust removal bags & dust removal bag cages, contract energy services, operation and management of environmental protection facilities, sintering waste heat power generation services and operation and management of water quality, etc. that will be provided by Anhui Xinchuang to the Group according to the Supplementary Energy Saving and Environmental Protection Agreement
“Existing Annual Caps”	the maximum cumulative annual amount connected with the transactions during the period from 1 January 2016 to 31 December 2018 under the Existing Energy Saving and Environmental Protection Agreement and during the period from 1 January 2016 to 31 December 2018 under the Existing CCT Agreement.
“Existing CCT Agreement”	the continuing connected transactions agreement entered into between the Company and the Parent Company on 10 September 2015

“Existing Energy Saving and Environmental Protection Agreement”	the energy saving and environmental protection agreement entered into between the Company and Anhui Xinchuang on 10 September 2015
“Finished Products and Related Commodities”	the finished products and related commodities, including steel, steel ingots, continuous casting billets, accessories, materials (cables and tools, etc.), iron oxide red and iron scales, and other commodities (labour protection and office supplies, etc.) that will be sold by the Group to the Parent Group according to the Supplementary CCT Agreement
“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 Supplementary Energy Saving and Environmental Protection Agreement, the Supplementary CCT Agreement, and the transactions contemplated thereunder, including the respective Proposed Annual Caps
“Independent Financial Adviser”	Somerville Capital Limited is a licensed company to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO. As the independent financial adviser, Somerville Capital Limited advises to the Independent Board Committee and the Independent Shareholders in relation to the Supplementary Energy Saving and Environmental Protection Agreement, the Supplementary CCT Agreement, the transactions contemplated thereunder, and the respective Proposed Annual Caps.
“Independent Non-executive Directors”	Independent non-executive Directors of the Company
“Independent Shareholders”	shareholders of the Company other than the Parent Company and any of its associates
“Infrastructure Technical and Renovation Engineering Services”	the infrastructure technical and renovation engineering services to be provided by the Parent Group to the Group under the Supplementary CCT Agreement
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Supplementary CCT Agreement”	the continuing connected transactions agreement entered into between the Company and the Parent Company on 15 August 2018



“Supplementary Energy Saving and Environmental Protection Agreement”	the energy saving and environmental protection agreement entered into between the Company and Anhui Xinchuang on 15 August 2018
“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
“Parent Group”	the Parent Company and its subsidiaries and associated companies (excluding the Group)
“PRC”	the People’s Republic of China
“Proposed Annual Caps”	the maximum cumulative annual amount connected with the transactions involved in the Supplementary Energy Saving and Environmental Protection Agreement and the Supplementary CCT Agreement for the year of 2018.
“RMB”	Renminbi, the lawful currency of the PRC
“Services”	the services, including the further processing of steel billets, metering services and related services (railway transportation, inspection, etc.) that will be provided by the Group to the Parent Group according to the Supplementary CCT Agreement
“Services and Products”	Water, Electricity and Gas, Finished Products and Related Commodities and Services to be provided by the Group to the Parent Group under the Supplementary CCT Agreement
“Services, Products and Construction Engineering”	the Spare-parts, Fittings and Related Products, Infrastructure Technical and Renovation Engineering Services, Water and Land Transportation and Related Services that will be sold or provided by the Parent Group to the Group according to the Supplementary CCT Agreement
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of shares of the Company
“Spare-parts, Fittings and Related Products”	the spare-parts, fittings and related products, including refractory materials, spare-parts and complete equipment, nonstandard spare-parts, recycled steel scraps and related products (cokes, pig irons and coals, etc.) that will be sold by the Parent Group to the Group according to the Supplementary CCT Agreement

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Waste Materials”	the waste materials generated from iron and steel production sold by the Group to Anhui Xinchuang according to the Supplementary Energy Saving and Environmental Protection Agreement
“Water and Land Transportation and Related Services”	water and land transportation and related services, including the transport for production support, road transportation, waterway transport and logistics, integrated port services (including cargo loading and unloading, storage, lump ore screening, transfer and short-distance handling, weighing, pickup and delivery, etc.), equipment (facility) maintenance services for production support, overhaul and medium maintenance of equipment, project and maintenance services for electrical, motor and transformer, operation and maintenance for automation and informatisation, lifting logistics services, import and export agency services and related services (automobile repair, monitoring and diagnostic services, etc.) that will be provided by the Parent Group to the Group according to the Supplementary CCT Agreement
“Water, Electricity and Gas”	water, electricity and gas including electricity, domestic 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 Supplementary CCT Agreement

By order of the Board  
**Maanshan Iron & Steel Company Limited**  
**He Hongyun**

*Company Secretary*

15 August 2018  
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, Zhang Wenyang*

*Non-executive Directors: Ren Tianbao*

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