
THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect about this Composite Document, the Offer or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Maanshan Iron & Steel Company Limited, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or transfer was effected for onward transmission to the purchaser(s) or the transferee(s).

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Composite Document and the accompanying Form of Acceptance, make no representation as to their 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 Composite Document and the accompanying Form of Acceptance.

This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms and conditions of the Offer.

**BAOSTEEL HONG KONG INVESTMENT
COMPANY LIMITED**
寶鋼香港投資有限公司
(a company incorporated in Hong Kong
with limited liability)

 **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)

COMPOSITE DOCUMENT

**MANDATORY CONDITIONAL CASH OFFER BY
CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED
ON BEHALF OF
BAOSTEEL HONG KONG INVESTMENT COMPANY LIMITED
寶鋼香港投資有限公司
TO ACQUIRE ALL THE ISSUED H SHARES IN
MAANSHAN IRON & STEEL COMPANY LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY
BAOSTEEL HONG KONG INVESTMENT COMPANY LIMITED
寶鋼香港投資有限公司
AND PARTIES ACTING IN CONCERT WITH IT)**

Financial Adviser to the Offeror



Independent Financial Adviser to the Independent Board Committee

 **SOMERLEY CAPITAL LIMITED**

Financial Adviser to the Company



Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from CICC containing, among other things, principal terms of the Offer is set out on pages 13 to 27 of this Composite Document. A letter from the Board is set out on pages 28 to 37 of this Composite Document. A letter from the Independent Board Committee to the Offer Shareholders containing its recommendation in respect of the Offer is set out on pages 38 to 40 of this Composite Document. A letter from the Independent Financial Adviser containing its recommendation to the Independent Board Committee in respect of the Offer and the principal factors considered by it in arriving at its recommendation is set out on pages 41 to 69 of this Composite Document.

The procedures for acceptance and settlement and other related information in respect of the Offer are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance.

Acceptance of the Offer should be received by the Registrar as soon as possible and in any event by not later than 4:00 p.m. on 29 October 2019 (or such later time and/or date as the Offeror may determine and the Offeror and the Company may jointly announce, with the consent of the Executive, in accordance with the Takeovers Code).

Persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Acceptance to any jurisdiction outside Hong Kong, should read the details in this regard which are contained in the section headed "Overseas H Shareholders" in the "Letter from CICC" of and Appendix I to this Composite Document before taking any action. It is the sole responsibility of the Overseas H Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental, exchange control or other consents which may be required or the compliance with other necessary formalities or legal requirement and the payment of any transfer or other taxes due in respect of such jurisdictions). Overseas H Shareholders should consult their professional advisers if in doubt.

The Composite Document will remain on the website of the Stock Exchange at <http://www.hkex.com.hk> and on the website of the Company at <http://www.magang.com.hk/> as long as the Offer remains open.

30 September 2019

CONTENTS

	<i>Page</i>
Expected Timetable	2
Important Notice	5
Definitions	6
Letter from CICC	13
Letter from the Board	28
Letter from the Independent Board Committee	38
Letter from the Independent Financial Adviser	41
Appendix I – Further Terms of Acceptance of the Offer	70
Appendix II – Financial Information of the Company	82
Appendix III – General Information of the Offeror	89
Appendix IV – General Information of the Company	98
Accompanying document – Form of Acceptance	

EXPECTED TIMETABLE

The timetable set out below is indicative only and may be subject to change. Further announcement(s) will be made in the event of any changes to the timetable as and when appropriate. Unless otherwise specified, all time and date references contained in this Composite Document and the accompanying Form of Acceptance refer to Hong Kong time and dates.

Despatch date of this Composite Document and
the accompanying Form of Acceptance and
commencement date of the Offer (*Note 1*) Monday, 30 September 2019

Latest time and date for acceptance of the Offer
on the first Closing Date (*Note 2, 4*) By 4:00 p.m.
on Tuesday, 29 October 2019

First Closing Date (*Note 2*) Tuesday, 29 October 2019

Announcement of the results of the Offer as at the first Closing Date,
to be posted on the website of the Stock Exchange (*Note 2*) No later than 7:00 p.m.
on Tuesday, 29 October 2019

Latest date for posting of remittances in respect of
valid acceptances under the Offer received on
or before 4:00 p.m. on the first Closing Date
(assuming the Offer becomes or is declared
unconditional on the first Closing Date) (*Note 3, 4*) Thursday, 7 November 2019

Latest time and date for the acceptance of the Offer
on the final Closing Date (assuming the Offer becomes or
is declared unconditional on the first Closing Date) (*Note 4, 5*) By 4:00 p.m.
on Tuesday, 12 November 2019

Final Closing Date (assuming the Offer becomes or
is declared unconditional on the first Closing Date) (*Note 5*) Tuesday, 12 November 2019

Announcement of the results of the Offer as at the final Closing Date
(assuming the Offer becomes or is declared unconditional on
the first Closing Date), to be posted on the website of
the Stock Exchange No later than 7:00 p.m.
on Tuesday, 12 November 2019

EXPECTED TIMETABLE

Latest date for posting of remittances in respect of
valid acceptances received under the Offer after
the first Closing Date but before 4:00 p.m.
on Tuesday, 12 November 2019 (assuming the Offer
becomes or is declared unconditional
on the first Closing Date) (*Note 3, 4, 5*) Thursday, 21 November 2019

Latest time and date by which the Offer can
become or be declared unconditional
as to acceptances (*Note 6*) No later than 7:00 p.m. on Friday, 29 November 2019

Notes:

1. The Offer, which is conditional, is made on the date of posting of this Composite Document, and is capable of acceptance on and from that date until 4.00 p.m. on the first Closing Date, unless the Offer becomes or is declared unconditional.
2. The latest time and date for acceptance of the Offer will be at 4:00 p.m. on Tuesday, 29 October 2019 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. In accordance with the Takeovers Code, an announcement must be issued on the website of the Stock Exchange no later than 7:00 p.m. on Tuesday, 29 October 2019 stating whether the Offer has been revised or extended, has expired or has become or been declared unconditional. Assuming the Offer becomes or is declared unconditional on the first Closing Date, the Offer will remain open for acceptance for not less than 14 days thereafter in accordance with the Takeovers Code. If the Offer does not become unconditional on or before Tuesday, 29 October 2019, the Offer will lapse unless the Offer is extended in accordance with the Takeovers Code. In the event that the Offeror decides to revise or extend the Offer, at least 14 days' notice by way of an announcement will be given before the Offer is closed to those Offer Shareholders who have not accepted the Offer.
3. Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty) payable for the Offer Shares tendered under the Offer will be despatched to Offer Shareholders accepting the Offer by ordinary post at their own risk as soon as possible, but in any event within 7 Business Days following the later of the date on which the Offer becomes, or is declared, unconditional and the date of receipt by the Registrar of all relevant documents (receipt of which renders such acceptance complete and valid), in accordance with the Takeovers Code. Acceptance of the Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code. Please refer to the section headed "5. Right of withdrawal" in Appendix I to this Composite Document for further information on the circumstances where acceptances may be withdrawn.

EXPECTED TIMETABLE

4. If there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning:
 - (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offer and the latest date for despatch of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer and the despatch of remittances will remain at 4:00 p.m. on the same Business Day; or
 - (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer and the latest date for despatch of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer and the despatch of remittances will be rescheduled to 4: 00 p.m. on the following Business Day.
5. Assuming the Offer becomes or is declared unconditional on the first Closing Date, the Offer should remain open for acceptance for not less than 14 days thereafter in accordance with the Takeovers Code. In such case, at least 14 days' notice in writing must be given before the Offer is closed. The Offeror has the right, subject to the Takeovers Code, to extend the Offer until such date as the Offeror may determine or as permitted by the Executive, in accordance with the Takeovers Code. If such right to extend the Offer is exercised, the Offeror will issue an announcement in relation to any such extension, which will state the next closing date or, if the Offer is unconditional as to acceptances, a statement may be made that the Offer will remain open until further notice. In the latter case, at least 14 days' notice will be given before the Offer is closed, to those shareholders who have not accepted the Offer and an announcement will be published.
6. In accordance with the Takeovers Code, except with the consent of the Executive, the Offer may not become or be declared unconditional as to acceptances after 7:00 p.m. on the 60th day after posting of this Composite Document. Where a period laid down by the Takeovers Code ends on a day which is not a Business Day, the period is extended until the next Business Day. Accordingly, unless the Offer has previously become or is declared unconditional as to acceptances, the Offer will lapse after 7:00 p.m. on Friday, 29 November 2019, unless extended with the consent of the Executive.

Save as mentioned above, if the latest time for the acceptance of the Offer and the despatch of remittances do not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and the Company will notify the Offer Shareholders by way of announcement(s) of any change in the expected timetable as soon as possible.

IMPORTANT NOTICE

NOTICE TO SHAREHOLDERS OUTSIDE HONG KONG

The making of the Offer to persons with an address in jurisdictions outside Hong Kong may be prohibited or affected by the laws and regulations of the relevant jurisdictions. Overseas H Shareholders should inform themselves about the implications of the Offer in the relevant jurisdictions, observe any applicable regulatory or legal requirements and, where necessary, seek independent legal advice. It is the responsibility of any such person who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant jurisdictions in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required or the compliance with other necessary formalities or legal requirements and the payment of any transfer or other taxes or other required payments due by such person in respect of such jurisdiction. The Offeror and the parties acting in concert with it, the Company, CICC, CLSA, Somerley, the Registrar, and their respective ultimate beneficial owners, directors, officers, agents, advisers and associates and any other person involved in the Offer shall be entitled to be fully indemnified and held harmless by such person for any taxes as such person may be required to pay. Please see the sub-paragraph headed “Taxation advice” under the paragraph headed “Procedures for acceptance and settlement” set out in the “Letter from CICC” in this Composite Document.

DEFINITIONS

In this Composite Document, the following expressions have the meanings set out below unless the context requires otherwise:

“A Share(s)”	A share(s) of RMB1.00 each in the capital of the Company which is/are listed and traded on the Shanghai Stock Exchange
“Acceptance Condition”	has the meaning ascribed to such expression in the section headed “Acceptance Condition to the Offer” in the Letter from the Board, being the condition to which the Offer is subject
“acting in concert”	has the meaning as ascribed to such expression under the Takeovers Code
“Anhui SASAC”	State-owned Assets Supervision and Administration Commission of the Government of the Anhui Province
“associate(s)”	has the meaning ascribed to such expression under the Takeovers Code
“Baoshan”	Baoshan Iron & Steel Co., Ltd.* (寶山鋼鐵股份有限公司), a limited company incorporated in the PRC and a subsidiary of China Baowu
“Board”	the board of Directors
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“China Baowu”	China Baowu Steel Group Corporation Limited* (中國寶武鋼鐵集團有限公司), a limited company incorporated in the PRC, a pilot enterprise of a state-owned capital investment company wholly owned by the SASAC
“China Baowu Group”	China Baowu and its subsidiaries

* *For identification purpose only*

DEFINITIONS

“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“CICC”	China International Capital Corporation Hong Kong Securities Limited, the financial adviser to Baosteel in relation to the Offer, being a licensed corporation under the SFO to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on future contracts) and Type 6 (advising on corporate finance) regulated activities
“CLSA”	CLSA Capital Markets Limited, the financial adviser to the Company in relation to the Offer, being a licensed corporation under the SFO to carry on Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities
“Closing Date”	29 October 2019, being the first closing date of the Offer (or such other date as revised or extended in accordance with the Takeovers Code)
“Company”	Maanshan Iron & Steel Company Limited* (馬鞍山鋼鐵股份有限公司), a joint stock limited company incorporated in the PRC, the H Shares of which are listed on the Stock Exchange and the A Shares of which are listed on the Shanghai Stock Exchange
“Completion”	completion of the Equity Transfer under the Equity Transfer Agreement

DEFINITIONS

“Completion Announcement”	the joint announcement issued by Baosteel and the Company dated 19 September 2019, in respect of, among others, the completion of the Equity Transfer
“Composite Document”	this composite offer and response document issued jointly by Baosteel and the Company to the H Shareholders in accordance with the Takeovers Code in relation to the Offer
“CSRC”	China Securities Regulatory Commission
“Director(s)”	director(s) of the Company
“Equity Transfer”	the transfer of 51 per cent. of the equity interest in Magang Group at nil consideration by Anhui SASAC to China Baowu pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement”	the agreement dated 31 May 2019 regarding the transfer of 51 per cent. of the equity interests in Magang Group at nil consideration between Anhui SASAC and China Baowu
“Equity Transfer Condition”	any condition precedent to the Completion as set out in the section headed “Equity Transfer Conditions” set out in the “Letter from CICC” in the Composite Document
“Encumbrances”	any encumbrances including any mortgage, pledge, charge, lien, deposit or assignment by way of security, bill of sale, right to acquire, option or right of pre-emption, beneficial ownership (including usufruct or similar entitlements), any provision or executorial attachment and any other interest of right of any nature held, or claim that could be raised, by a third party, and any agreement, commitment or right to give, create or enforce any of the foregoing
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director

DEFINITIONS

“Form of Acceptance”	the form of acceptance and transfer of H Shares in respect of the Offer accompanying the Composite Document
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“H Share(s)”	H share(s) of RMB1.00 each in the capital of the Company which is/are listed and traded on the Stock Exchange
“H Shareholder(s)”	holder(s) of H Shares
“Hwabao Fund Management”	Hwabao WP Fund Management Co., Ltd.* (華寶基金管理有限公司), a limited liability company incorporated under the laws of the PRC, and an indirect non-wholly owned subsidiary of China Baowu
“Hwabao Securities”	Hwabao Securities Co., Ltd.* (華寶證券有限責任公司), a limited liability company incorporated under the laws of the PRC, and an indirect non-wholly owned subsidiary of China Baowu
“Independent Board Committee”	an independent committee of the Board established pursuant to the Takeovers Code to give recommendations to the Offer Shareholders in respect of the Offer

DEFINITIONS

“Independent Financial Adviser” or “Somerley”	Somerley Capital Limited, the independent financial adviser appointed by the Company (with approval from the Independent Board Committee) to advise the Independent Board Committee in relation to the Offer, being a licensed corporation under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
“Joint Announcement”	the announcement dated 22 July 2019 jointly issued by the Offeror and the Company in relation to the Equity Transfer Agreement and the Offer pursuant to Rule 3.5 of the Takeovers Code
“Last Trading Day”	19 July 2019, being the last trading day prior to the date of the Joint Announcement
“Latest Practicable Date”	27 September 2019, being the latest practicable date prior to printing of this Composite Document for ascertaining certain information for inclusion in this Composite Document
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Magang Group”	Magang (Group) Holding Company Limited* (馬鋼(集團)控股有限公司), a wholly state-owned enterprise (which, as at the Latest Practicable Date, held approximately 45.54% of the Company’s total issued share capital, being a controlling shareholder of the Company as defined under the Listing Rules)
“NDRC”	the National Development and Reform Commission of the PRC
“Offer”	the mandatory conditional cash offer made by CICC for and on behalf of the Offeror to acquire all the issued H Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it in accordance with the Takeovers Code

DEFINITIONS

“Offeror” or “Baosteel”	Baosteel Hong Kong Investment Company Limited (寶鋼香港投資有限公司), a public company limited by shares incorporated in Hong Kong and wholly owned by China Baowu
“Offer Period”	has the meaning ascribed thereto in the Takeovers Code, being the period commencing from the date of the Rule 3.7 Announcement and ending on the Closing Date
“Offer Price”	HK\$2.97 per H Share
“Offer Share(s)”	any and all of the issued H Share(s), other than those H Share(s) already owned or agreed to be acquired by the Offeror and parties acting in concert with it
“Offer Shareholder(s)”	H Shareholder(s)
“Overseas H Shareholder(s)”	H Shareholder(s) whose address(es), as shown on the register of members of the Company, is/are outside Hong Kong
“Panel Decision”	the decision of the Takeovers Panel dated 19 July 2019 in relation to, amongst others, (i) the application by China Baowu for a waiver from strict compliance with the obligation to make a mandatory general offer under Rule 26.1 of the Takeovers Code in relation to the Equity Transfer Agreement and (ii) the applicable offer price for the Offer
“PRC”	the People’s Republic of China, which, for the purpose of the Composite Document, does not include Hong Kong, Macau Special Administrative Region and Taiwan

DEFINITIONS

“Registrar”	Hong Kong Registrars Limited of Rooms 1712–1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, being the branch share registrar of the Company in Hong Kong for receiving and processing acceptances of the Offer in respect of the Offer Shares which are listed on the Stock Exchange
“Relevant Period”	the period commencing from 2 December 2018, being the date falling six months prior to the commencement date of the Offer Period and ending on the Latest Practicable Date
“Rule 3.7 Announcement”	the announcement of the Company dated 2 June 2019 made pursuant to Rule 3.7 of the Takeovers Code, in relation to the entering into of the Equity Transfer Agreement
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share(s)”	ordinary share(s) of RMB1.00 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to such expression in the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC
“Takeovers Panel”	the Takeover and Mergers Panel of Hong Kong

* *For identification purpose only*



30 September 2019

To the Offer Shareholders

Dear Sir or Madam,

**MANDATORY CONDITIONAL CASH OFFER BY
CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG
SECURITIES LIMITED ON BEHALF OF
BAOSTEEL HONG KONG INVESTMENT COMPANY LIMITED
寶鋼香港投資有限公司
TO ACQUIRE ALL THE ISSUED H SHARES IN
MAANSHAN IRON & STEEL COMPANY LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY
BAOSTEEL HONG KONG INVESTMENT COMPANY LIMITED
寶鋼香港投資有限公司
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

On 2 June 2019 and 22 July 2019, Baosteel and the Company jointly issued the Rule 3.7 Announcement and the Joint Announcement respectively, in relation to the entering into of the Equity Transfer Agreement on 31 May 2019, pursuant to which Anhui SASAC agreed to transfer 51 per cent. of the equity interest held by it in Magang Group to China Baowu at nil consideration, the completion of which was subject to the satisfaction of the Equity Transfer Conditions. As at the date of the Rule 3.7 Announcement and the Joint Announcement, Magang Group held 3,506,467,456 A Shares, representing approximately 45.54 per cent. of the total issued share capital of the Company.

LETTER FROM CICC

On 19 September 2019, Baosteel and the Company jointly issued the Completion Announcement in relation to, among other things, the completion of the Equity Transfer, which took place on 19 September 2019. Immediately after Completion and as at the Latest Practicable Date, China Baowu held 51 per cent. of the equity interest in Magang Group, and had, through Magang Group, obtained indirect control of the A Shares held by Magang Group, representing approximately 45.54 per cent. of the total issued shares of the Company, whereas Anhui SASAC continued to hold 49 per cent. of the equity interest in Magang Group.

In accordance with Rule 26.1 of the Takeovers Code, upon Completion, China Baowu is required to make a mandatory conditional general offer in cash for all the issued H Shares (other than those already owned or agreed to be acquired by China Baowu and parties acting in concert with it).

As disclosed in the Joint Announcement, China Baowu had applied to the Executive for a waiver in respect of its obligation to make a mandatory general offer for all the H Shares in the Company pursuant to Rule 26.1 of the Takeovers Code as a result of the Equity Transfer, and pursuant to the Panel Decision, the Takeovers Panel had ruled that such waiver will not be granted. Notwithstanding the unavailability of such waiver, China Baowu had decided to proceed with the Equity Transfer, and had accordingly procured its direct wholly owned subsidiary, Baosteel, to extend the Offer to the Offer Shareholders.

This letter forms part of the Composite Document and sets out the details of the Offer, certain background information in relation to Baosteel, and the intentions of Baosteel in relation to the Company. Unless otherwise defined in this letter, terms used in this letter have the same meanings as those defined in the Composite Document.

The terms of the Offer are set out in this letter, Appendix I to this Composite Document and the accompanying Form of Acceptance.

Your attention is also drawn to the “Letter from the Board” on pages 28 to 37, the “Letter from the Independent Board Committee” on pages 38 to 40 and the “Letter from the Independent Financial Adviser” on pages 41 to 69 of this Composite Document.

LETTER FROM CICC

EQUITY TRANSFER CONDITIONS

The completion of the Equity Transfer, and consequently, the making of the Offer, was subject to the satisfaction (or waiver, where applicable) of the Equity Transfer Conditions.

As disclosed in the announcement dated 4 September 2019 jointly issued by Baosteel and the Company, all the Equity Transfer Conditions had been satisfied. Completion took place on 19 September 2019.

ACCEPTANCE CONDITION TO THE OFFER

The Offer is subject to the valid acceptances of the Offer having been received (and not, where permissible, withdrawn) by 4:00 p.m. on or prior to the Closing Date (or such later time and/or date as Baosteel may determine and the Executive may approve) in respect of a minimum of 343,873,138 H Shares which, together with the Shares already owned by Baosteel and parties acting in concert with it (except Hwabao Fund Management) and acquired or agreed to be acquired before or during the Offer Period, will result in Baosteel and parties acting in concert with it (except Hwabao Fund Management) holding in aggregate more than 50 per cent. of the voting rights of the Company.

As the Completion has taken place and the Equity Transfer has become effective, the approximately 45.54 per cent. of the voting rights of the Company held by Magang Group (51 per cent. of the equity interest of which is in turn held by China Baowu) will be taken into account for determining the voting rights of the Company to be held by Baosteel or its concert parties for the purposes of the Acceptance Condition.

The interest of Hwabao Fund Management in voting rights of the Company will be excluded when determining the voting rights of the Company to be held by Baosteel or its concert parties for the purposes of the Acceptance Condition. Please refer to the section headed “3. Shareholdings in the Company” in Appendix III to this Composite Document for further details.

If the Acceptance Condition is not satisfied on or before the Closing Date, the Offer will lapse unless the Offer Period is extended by Baosteel with the consent of the Executive.

Further announcement will be issued by Baosteel in relation to the revision, extension or lapse of the Offer or fulfillment of the Acceptance Condition, in accordance with the Takeovers Code and the Listing Rules.

LETTER FROM CICC

Closing of the Offer is subject to the Acceptance Condition being satisfied. Accordingly, the Offer may or may not become unconditional, and the transactions contemplated by the Offer may or may not proceed. H Shareholders, holders of other Shares, and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company and if they are in any doubt about their position, they should consult their professional advisers.

THE OFFER

On behalf of Baosteel, we hereby conditionally extend the Offer to acquire all the issued H Shares (other than those already owned or agreed to be acquired by Baosteel and parties acting in concert with it) to the Offer Shareholders, on the following basis:

Offer Price

For each H Share HK\$2.97 in cash

Pursuant to the Panel Decision, the Takeovers Panel had ruled that the offer price for the Offer shall be set at the volume weighted average price of the H Shares in the Company on the last trading day prior to the publication of the Rule 3.7 Announcement. In arriving at the offer price for the Offer, adjustment was made to such volume weighted average price by deducting therefrom a sum equal to the final dividend declared by the Company for the financial year ended 31 December 2018. The Offer Price had therefore been set at HK\$2.97 per H Share, equal to the volume weighted average price of the H Shares of the Company on the Stock Exchange on 31 May 2019, being the last trading day prior to the issuance of the Rule 3.7 Announcement, and deducted by HK\$0.35278 (including tax), being the final dividend per H Share as declared by the Company for the financial year ended 31 December 2018. The Offer Price has been rounded up to two decimal places (to the nearest cent).

The Offer is extended to the Offer Shareholders on terms set out in this letter, Appendix I to this Composite Document and the accompanying Form of Acceptance.

Comparisons of Value

The Offer Price of HK\$2.97 per H Share represents:

- (1) a discount of approximately 28.95 per cent. to the audited net asset value attributable to shareholders as at 31 December 2018 of approximately HK\$4.18 per Share, calculated based on 7,700,681,186 Shares in issue as at the Latest Practicable Date and the exchange rate of RMB0.87620 to HK\$1 (being the exchange rate as quoted by the People's Bank of China on the last working day before 31 December 2018);

LETTER FROM CICC

- (2) a discount of approximately 25.38 per cent. to the unaudited net asset value attributable to shareholders as at 30 June 2019 of approximately HK\$3.98 per Share, calculated based on 7,700,681,186 Shares in issue as at the Latest Practicable Date and the exchange rate of RMB0.87966 to HK\$1 (being the exchange rate as quoted by the People's Bank of China on the last working day before 30 June 2019);
- (3) a discount of approximately 11.08 per cent. to the closing price as quoted on the Stock Exchange on the last trading date prior to the issuance of the Rule 3.7 Announcement (being HK\$3.34 per H Share);
- (4) a discount of approximately 17.04 per cent. to the average closing price as quoted on the Stock Exchange for the last 120 trading days up to and including the Last Trading Day (being approximately HK\$3.58 per H Share);
- (5) a discount of approximately 15.86 per cent. to the average closing price as quoted on the Stock Exchange for the last 90 trading days up to and including the Last Trading Day (being approximately HK\$3.53 per H Share);
- (6) a discount of approximately 10.27 per cent. to the average closing price as quoted on the Stock Exchange for the last 60 trading days up to and including the Last Trading Day (being approximately HK\$3.31 per H Share);
- (7) a discount of approximately 4.50 per cent. to the average closing price as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day (being approximately HK\$3.11 per H Share);
- (8) a premium of approximately 1.02 per cent. to the average closing price as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day (being approximately HK\$2.94 per H Share);
- (9) a premium of approximately 1.71 per cent. to the average closing price as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day (being approximately HK\$2.92 per H Share);
- (10) a premium of approximately 1.37 per cent. to the closing price as quoted on the Stock Exchange on the Last Trading Day (being HK\$2.93 per H Share); and

LETTER FROM CICC

(11) a premium of approximately 1.37 per cent. to the closing price as quoted on the Stock Exchange on the Latest Practicable Date (being HK\$2.93 per H Share).

Please refer to the section headed “2. Market Prices of the H Shares” in Appendix III to this Composite Document for further information on the market prices of the H Shares.

Highest and lowest H Share prices

During the Relevant Period, the highest closing price of the H Shares as quoted on the Stock Exchange was HK\$4.20 on 10 April 2019, and the lowest closing price of the H Shares as quoted on the Stock Exchange was HK\$2.89 on 16 July 2019.

Aggregate value of the Offer

As at the Latest Practicable Date, the Company had 1,732,930,000 H Shares in issue, all of which were subject to the Offer. On the basis of such number of H Shares in issue and the Offer Price of HK\$2.97 per H Share, the Offer is valued at HK\$5,146,802,100.

CONFIRMATION OF FINANCIAL RESOURCES TO THE OFFER

On the basis of the Offer Price of HK\$2.97 per H Share and 1,732,930,000 H Shares in issue as at the Latest Practicable Date, the Offer is valued at HK\$5,146,802,100. Assuming the Offer becomes unconditional and accepted in full, the financial resources required by Baosteel to satisfy the consideration payable under the Offer will amount to approximately HK\$5,146,802,100. The Offer will be financed by external debt financing pursuant to a facility agreement between Baosteel as borrower and China Construction Bank Corporation as lender. There is no arrangement in relation to such facilities under which the payment of interest of, repayment of or security for any liability, contingent or otherwise, will depend, to any significant extent, on the business of the Company.

CICC, as the financial adviser to Baosteel in respect of the Offer, is satisfied that Baosteel has sufficient financial resources available for the payment in full of the cash required to satisfy full acceptance of the Offer.

LETTER FROM CICC

INFORMATION ON BAOSTEEL AND CHINA BAOWU

Baosteel is a public company limited by shares incorporated in Hong Kong and is a direct wholly owned subsidiary of China Baowu. Baosteel is an offshore investment platform of China Baowu, and the principal business activities of Baosteel are offshore equity investments in the industrial sector for China Baowu's group companies and other related businesses. In the past, Baosteel issued exchangeable bonds and participated as a cornerstone investor at the time of the initial public offering of companies applying for listing on the Stock Exchange.

China Baowu is a company incorporated in the PRC with limited liability. China Baowu is a pilot enterprise of a state-owned capital investment company and is wholly owned by the SASAC. China Baowu and its group companies have the largest steel production capacity in the PRC and the second largest steel production capacity worldwide. The principal activities of China Baowu and its group companies are manufacturing, production and sales of iron and steel products. China Baowu is the direct holding company of Baoshan Iron & Steel Co., Ltd., a listed company on the Shanghai Stock Exchange (stock code: 600019.SH), and the indirect holding company of various listed companies in the PRC including SGIS Songshan Co., Ltd., a listed company on the Shenzhen Stock Exchange (stock code: 000717.SZ), Xinjiang Bayi Iron & Steel Co., Ltd., a listed company on the Shanghai Stock Exchange (stock code: 600581.SH), Shanghai Baosight Software Co., Ltd., a listed company on the Shanghai Stock Exchange (stock code: 600845.SH) and Shanghai Baosteel Packaging Co., Ltd., a listed company on the Shanghai Stock Exchange (stock code: 601968.SH).

REASONS OF THE OFFER AND CHINA BAOWU'S AND BAOSTEEL'S INTENTION IN RELATION TO THE COMPANY

As disclosed in the Joint Announcement, the Equity Transfer represented part of the initiative consistent with the policy of the PRC government to promote the development of the iron and steel industry and to implement a structural reform of the industry, by way of consolidating and reorganising iron and steel producers to create globally competitive conglomerates. Further, pursuant to a guiding opinion issued by the State Council of the PRC in September 2016, the top ten enterprises in the iron and steel industry of the PRC should achieve a total concentrated production capacity of over 60 per cent. of the overall production capacity among the whole iron and steel industry in the PRC by 2025, and the top ten enterprises should include at least three to four conglomerates in the iron and steel industry of the PRC, each with a production capacity of at least 80 million tonnes.

LETTER FROM CICC

The Offer, together with the Equity Transfer, will allow China Baowu and Baosteel to consolidate the existing iron and steel operations of the Company with that of the China Baowu group, and thereby allowing the enlarged China Baowu group to optimize its operations and to achieve the required target of at least 80 million tonnes of production capacity. Further, the consolidation of business operations between China Baowu and the Company, as two of the leading market participants in the iron and steel industry of the PRC, will increase the degree of market concentration within the iron and steel industry in the PRC. In light of the above, Baosteel believes that the Offer will increase the overall level of competitiveness of the enlarged China Baowu group in the PRC and the global markets.

In addition, after the completion of the reorganisation, China Baowu has become the indirect controlling shareholder of the Company. As the most modernized and competitive iron and steel enterprise in China, China Baowu will provide strong shareholder's support for the strategic development of the Company. Through optimizing regional layout and enhancing resource sharing, scale effects and synergies will be fully achieved. After the completion of this reorganisation, with the synergy effect on research and development innovation, intelligence manufacturing, professional management, quality improvement and efficiency enhancement, it will be beneficial to the long-term strategic development of the Company.

As disclosed in the Company's announcement dated 26 August 2019, in order for China Baowu to obtain the waiver by CSRC in respect of China Baowu's obligation to make a general offer for the A Shares of the Company, China Baowu has provided certain undertakings to CSRC as elaborated below. The undertakings to the CSRC were provided in Chinese and the English translation of such undertakings as set out below are for reference only.

The Company's principal business activities are the production and sales of iron and steel products and its main products are steel products which include three categories, namely plate products, long products and axle products. Baoshan, a subsidiary of China Baowu, is also principally engaged in the iron and steel business. Baoshan's products are mainly plates and it specializes in the production of highly technologically advanced and high added-value quality steel products, including thin and thick carbon steel plates and steel tubes. Baoshan's main products are cold-rolled carbon steel coil, hot-rolled carbon steel coil and steel tubes. The main sales area of Baoshan is in East China area, and there is a degree of market overlap with that of the Company in the field of plates. In respect of specific products, while the products of Baoshan are mainly high-end products and there are certain differences in the product grade between the products of Baoshan and of the Company, there is a degree of overlap in the sales markets of plate products due to similar sales territory of the plate products of the two entities. Considering the different product grades and hence different target customers between the Company and Baoshan, and that the Company and Baoshan being two separate listed entities will maintain independent management and operation, it is currently expected that the said market overlap will not have a material impact on the Company.

LETTER FROM CICC

In order to avoid horizontal competition between Baoshan and the Company, China Baowu has issued the Letter of Undertaking on Non-Competition, pursuant to which, China Baowu has undertaken to the CSRC that:

“(1) In the light of overlapping of certain businesses between Baoshan and the Company upon completion of the Equity Transfer, and as required by current laws and regulations and related policies, China Baowu will, within 5 years since the date of the Letter of Undertaking on Non-Competition and a shorter time period with its best effort, properly advance the integration of related businesses to address the issue of horizontal competition by diversified means including asset restructuring, business adjustment and entrusted management, etc., following the principle of benefiting the development of the Company and protecting the interest of the shareholders, in particular minority shareholders, on the premises of complying with applicable laws and regulations and related regulatory rules in due time and as required by competent securities regulatory authorities.

The aforesaid solutions include but are not limited to:

- 1) Asset restructuring: China Baowu will progressively complete review and reorganisation of assets falling within overlapped business of Baoshan and the Company through feasible restructuring forms including acquisition of assets, assets swap and assets transfer by various means permitted by applicable laws and regulations such as cash consideration or issuance of consideration shares, to eliminate overlap of certain businesses;
- 2) Business adjustment: China Baowu will review the business boundary between Baoshan and the Company, and try its best to achieve differentiated operations between such two listed companies through, for example, business differentiation by various means including asset transaction and business division, including but not limited to differentiation in respect of business composition, product grade, application field and customer group;
- 3) Entrusted management: By entering into trust agreement, either party will entrust the decision-making and management rights as to the operations of certain assets in overlapped business to the other party for unified management;

LETTER FROM CICC

- 4) Other feasible solutions within the scope permitted by laws and regulations and related policies. Implementation of above solutions is subject to performance of necessary deliberation procedures of listed companies, and approval procedures of securities regulatory authority and relevant competent authority according to applicable laws and regulations.
- (2) Currently China Baowu has not developed specific implementation plan and schedule for addressing the issue of overlap of certain businesses between Baoshan and the Company, and China Baowu will perform the obligation of information disclosure as required by applicable laws and regulations upon the development of practicable specific plans in a timely fashion;
- (3) Save as disclosed above, upon acquisition of business opportunity by China Baowu or its other subsidiaries to compete against the Company, China Baowu will use its best endeavours to provide the Company with the priority of development of such business opportunity and right of first refusal of projects, cause the price of related transaction to be fair and reasonable, and will take the business practice followed in normal business transactions with independent third party as the basis for pricing;
- (4) China Baowu guarantees, in strict accordance with the provisions of laws, regulations, the articles of association of the Listco and its related administrative rules, not to seek unjustified interest by leveraging its status as the indirect controlling shareholder of the Company, and thus impair the interest of other shareholders of the Company;
- (5) Above undertakings made by China Baowu will remain in force during the period when China Baowu maintains its control over the Company. In case of impairment caused to equity interests of the Company as a result of violation of above undertakings, China Baowu will undertake corresponding liability for compensation.”

In order to regulate and reduce the related party transactions between China Baowu and the Company, China Baowu has issued the Letter of Undertaking on Regulating and Reducing Related Party Transactions, pursuant to which, China Baowu has undertaken to the CSRC that:

- “(1) China Baowu will secure the business independence and asset integrity of the Company, as well as independent and integral production, supply and marketing system and other auxiliary and supporting systems.

LETTER FROM CICC

- (2) China Baowu and other enterprises under its control will not seek the priority to conclude transactions with the Company and its subsidiaries by utilizing its control over the Company.
- (3) China Baowu and other enterprises under its control will avoid and reduce unnecessary transactions with the Company and its subsidiaries. In the case of indeed necessary and unavoidable transactions, China Baowu and other enterprises under its control and the Company and its subsidiaries shall enter into agreement by following the principles of justice, fairness, valuable consideration, etc., according to law, perform legal procedures, and in accordance with the requirements of laws, regulations and regulatory documents and the provisions of the Articles of Association of the Company, perform the obligation of information disclosure according to law and related procedures for internal decision-making and reporting for approval, and undertake to neither conduct transactions with the Company and its subsidiaries on unfair terms as compared with market prices, nor engage in activities impairing the legitimate interest of the Company and its shareholders by utilizing such transactions.
- (4) In case of violation of any of the above undertakings, China Baowu will undertake the liability according to law and compensate the Company for loss caused thereby.”

There are currently continuing transactions between China Baowu Group and the Group for (a) purchasing trust products from China Baowu Group by the Group amounting to RMB200 million; and (b) accepting services, procuring spare parts and procuring raw materials from China Baowu Group by the Group and selling products to China Baowu Group by the Group on a recurring basis. Upon Completion, as China Baowu has become a connected person of the Company under Chapter 14A of the Listing Rules, the above transactions have become continuing connected transactions. The Company has complied with the relevant requirements under Chapter 14A of the Listing Rules (including the requirements under Rule 14A.60 of the Listing Rules, where applicable) in relation to the said purchase of trust products from China Baowu Group and the other continuing transactions between the Group and the China Baowu Group. The Company has also entered into a new agreement for continuing connected transactions with China Baowu in relation to other continuing or new transactions (including accepting or providing services and purchasing or selling products) with China Baowu Group. For details, please refer to the announcements of the Company dated 19 September 2019.

LETTER FROM CICC

In order to consistently maintain the independence of the Company, China Baowu has issued the Letter of Undertaking on Securing the Independence of the Company, pursuant to which, China Baowu has undertaken to the CSRC that:

- “(1) China Baowu will secure the independence between China Baowu and the Company in terms of assets, personnel, finance, organization and business, strictly observe the provisions of the CSRC on the independence of listed companies, and will not violate the standard operation procedures of the Company, not interfere with operation decisions of the Company and not impair the legitimate interest of the Company and other shareholders by utilizing its controlling status. China Baowu and other subsidiaries under its control undertake not to occupy the capital of the Company and subsidiaries under its control by any means.
- (2) Above undertakings will remain in force during the period when China Baowu maintains its control over the Company. In case of loss caused to the Company due to the failure of China Baowu to perform above undertakings, China Baowu will undertake corresponding liability for compensation.”

Save as disclosed above, following and within 12 months after the close of the Offer, Baosteel intends to continue the existing business of the Company, and has no intention to introduce any material change to the business of the Company, including undertaking any redeployment of fixed assets or conducting any reployment or reorganisation of business of the Company. Further, Baosteel has no intention to terminate any employment of the employees of the Company and its subsidiaries, nor to introduce any change to the Board composition, during the Offer Period. Any changes to the Board composition (if any) will be made in compliance with the relevant requirements of the Takeovers Code, the Listing Rules, the constitutional documents of the Company and other applicable laws and regulations.

Public Float and maintaining the listing status of the Company

The Stock Exchange has stated that, if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company are held by the public, being 25% of all the issued shares of the Company, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading in the H Shares; or (ii) there are insufficient H Shares in public hands to maintain an orderly market, the Stock Exchange will consider exercising its discretion to suspend dealings in the H Shares until a level of sufficient public float is attained.

Baosteel intends the H Shares of the Company to remain listed on the Stock Exchange after the close of the Offer. The Directors and the directors of Baosteel will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the shares of the Company following the close of the Offer.

LETTER FROM CICC

Exercise of compulsory acquisition rights

Baosteel does not intend to exercise any right which may be available to it to compulsorily acquire any outstanding H Shares not acquired under the Offer after the close of the Offer.

OVERSEAS H SHAREHOLDERS

The Composite Document will not be filed under any laws or rules of any jurisdiction other than Hong Kong. The availability of the Offer to any persons not resident in Hong Kong may be affected by the applicable laws of the relevant overseas jurisdiction. The making of the Offer to the Offer Shareholders whose registered addresses are in jurisdictions outside Hong Kong may be prohibited or affected by the laws or regulations of the relevant jurisdictions. Such Overseas H Shareholders who are citizens, residents or nationals of a jurisdiction outside of Hong Kong and who wish to accept the Offer should inform themselves about and observe any applicable requirements in their own jurisdictions and, where necessary, seek legal advice. It is the responsibility of the Overseas H Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions) and, where necessary, consult their own professional advisers.

Acceptance of the Offer by any Overseas H Shareholder will constitute a warranty by any such person that such person (i) is permitted under all applicable laws to receive and accept the Offer, and any revision thereof; (ii) has observed all the applicable laws and regulations of the relevant jurisdiction in connection with such acceptance, and (iii) has complied with any other necessary formality or legal requirement and has paid any issue, transfer or other taxes due in such jurisdiction, and that such acceptance shall be valid and binding in accordance with all applicable laws.

LETTER FROM CICC

PROCEDURES FOR ACCEPTANCE AND SETTLEMENT

Procedures and effect of acceptance of the Offer

Please refer to Appendix I to this Composite Document for information in relation to further terms and procedures for acceptance of the Offer.

The H Shares to be acquired under the Offer shall be fully paid and free from all Encumbrances and together with all rights attaching to them as at the date of the Joint Announcement, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date of the Joint Announcement.

Hong Kong stamp duty

Seller's ad valorem stamp duty under the Offer at the rate of 0.1 per cent. of the market value of H Shares or consideration payable by Baosteel in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the amount payable to an Offer Shareholder electing to accept the Offer. Baosteel will bear its own portion of buyer's ad valorem stamp duty under the Offer at a rate of 0.1 per cent. of the market value of H Shares or consideration payable by Baosteel in respect of the relevant acceptances of the Offer, whichever is higher. Baosteel will arrange for payment of the seller's ad valorem stamp duty on behalf of the Offer Shareholders electing to accept the Offer and the buyer's ad valorem stamp duty, in each case, in connection with the acceptance of the Offer and the transfer of H Shares.

Taxation advice

Offer Shareholders are recommended to consult their own professional advisers if they are in any doubt to the taxation implications of accepting or rejecting the Offer. None of Baosteel and parties acting in concert with it, the Company, CICC, CLSA, Somerley and the Registrar, and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer accepts any responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

LETTER FROM CICC

FURTHER TERMS OF THE OFFER

Further terms of the Offer are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

RECOMMENDATION AND ADDITIONAL INFORMATION

Your attention is drawn to the “Letter of the Board” on pages 28 to 37, the “Letter from the Independent Board Committee” on pages 38 to 40, and the “Letter from the Independent Financial Adviser” on pages 41 to 69, all of which are set out in this Composite Document, in relation to the recommendations and/or advice regarding the Offer.

Your attention is also drawn to the additional information set out in the appendices which form part of this Composite Document.

Yours faithfully,

For and on behalf of

China International Capital Corporation Hong Kong Securities Limited

CHEN Yongren

Managing Director

HU Xiaojun

Vice President

LETTER FROM THE BOARD



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

(Stock Code: 00323)

Executive Directors:

Ding Yi (*Chairman*)

Qian Haifan

Zhang Wenyang

Registered office:

No. 8 Jiu Hua Xi Road

Maanshan City

Anhui Province

the PRC

Non-executive Director:

Ren Tianbao

Office address:

No. 8 Jiu Hua Xi Road

Maanshan City

Anhui Province

the PRC

Independent Non-executive Directors:

Zhang Chunxia

Zhu Shaofang

Wang Xianzhu

30 September 2019

Dear Sir or Madam,

**MANDATORY CONDITIONAL CASH OFFER BY
CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG
SECURITIES LIMITED ON BEHALF OF
BAOSTEEL HONG KONG INVESTMENT COMPANY LIMITED
寶鋼香港投資有限公司
TO ACQUIRE ALL THE ISSUED H SHARES IN
MAANSHAN IRON & STEEL COMPANY LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY
BAOSTEEL HONG KONG INVESTMENT COMPANY LIMITED
寶鋼香港投資有限公司
AND PARTIES ACTING IN CONCERT WITH IT)**

LETTER FROM THE BOARD

INTRODUCTION

Reference is made to the Joint Announcement.

On 31 May 2019, Anhui SASAC and China Baowu have entered into the Equity Transfer Agreement, pursuant to which Anhui SASAC agreed to transfer 51% of the equity interest held by it in Magang Group to China Baowu at nil consideration.

Completion of the Equity Transfer was subject to the satisfaction (or waiver, where applicable) of the Equity Transfer Conditions.

As disclosed in the announcement dated 4 September 2019 jointly issued by Baosteel and the Company, all the Equity Transfer Conditions had been satisfied. Completion took place on 19 September 2019.

As at the date of the Joint Announcement, Anhui SASAC was the owner of 100% of the equity interest in Magang Group, and Magang Group held 3,506,467,456 A Shares, representing approximately 45.54% of the total issued share capital of the Company. Immediately after Completion and as at the Latest Practicable Date, China Baowu had become the owner of 51% of the equity interest in Magang Group, and had, through Magang Group, obtained indirect control of the A Shares representing approximately 45.54% of the total issued shares of the Company. Anhui SASAC continued to hold 49% of the equity interest in Magang Group immediately following Completion.

In accordance with Rule 26.1 of the Takeovers Code, upon Completion, China Baowu is required to make a mandatory conditional general offer in cash for all the issued H Shares (other than those already owned or agreed to be acquired by China Baowu and parties acting in concert with it).

As disclosed in the Joint Announcement, China Baowu had applied to the Executive for a waiver in respect of its obligation to make a mandatory general offer for all the H Shares in the Company pursuant to Rule 26.1 of the Takeovers Code as a result of the Equity Transfer, and pursuant to the Panel Decision the Takeovers Panel had ruled that such waiver would not be granted. Notwithstanding the unavailability of such waiver, China Baowu had decided to proceed with the Equity Transfer, and had accordingly procured its direct wholly owned subsidiary, Baosteel, to extend the Offer to the Offer Shareholders.

LETTER FROM THE BOARD

In accordance with Rule 2.1 of the Takeovers Code, the Independent Board Committee comprising Mr. Ren Tianbao, the non-executive Director of the Company, and all three of the independent non-executive directors of the Company, none of whom has direct or indirect interest in the Offer, has been established to advise the Offer Shareholders in respect of the Offer. All members of the Independent Board Committee are independent in respect of the Offer. As stated in the announcement of the Company dated 24 July 2019, Somerley has been appointed by the Board as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer. The appointment of Somerley as the Independent Financial Adviser has been approved by the Independent Board Committee.

The purpose of this Composite Document is to provide you with, amongst other things, (i) the details of the Offer (including the expected timetable and the terms and conditions of the Offer); (ii) a letter of recommendation from the Independent Board Committee to the Offer Shareholders in respect of the Offer; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee in respect of the Offer; and (iv) information relating to Baosteel and information relating to the Group, together with the Form of Acceptance.

THE OFFER

As at the Latest Practicable Date, there were 1,732,930,000 H Shares in issue, representing approximately 22.50% of the total issued share capital of the Company. There were no options, warrants or derivatives or other securities convertible into Shares as at the Latest Practicable Date and the Company had not entered into any agreement for the issue of any Shares or options, warrants, derivatives or other securities which may confer to the holder(s) thereof any right to subscribe for, convert or exchange into Shares.

Principal Terms of the Offer

CICC, for and on behalf of Baosteel, is making a conditional mandatory cash offer to acquire all the issued H Shares (other than those H Shares which are already owned or agreed to be acquired by Baosteel and parties acting in concert with it) on the terms set out in this Composite Document in accordance with the Takeovers Code on the following basis:

LETTER FROM THE BOARD

For each H Share. HK\$2.97 in cash

Pursuant to the Panel Decision, the Takeovers Panel has also ruled that the offer price for the Offer shall be set at the volume weighted average price of the H Shares in the Company on the last trading day prior to the publication of the Rule 3.7 Announcement. In arriving at the offer price for the Offer, adjustment is made to such volume weighted average price by deducting therefrom a sum equal to the final dividend declared by the Company for the financial year ended 31 December 2018. The Offer Price has therefore been set at HK\$2.97 per H Share, equal to the volume weighted average price of the H Shares of the Company on the Stock Exchange on 31 May 2019, being the last trading day prior to the issuance of the Rule 3.7 Announcement, and deducted by HK\$0.35278 (including tax), being the final dividend per H Share as declared by the Company for the financial year ended 31 December 2018. The Offer Price has been rounded up to two decimal places (to the nearest cent).

The H Shares to be acquired under the Offer shall be fully paid and free from all Encumbrances and together with all rights attaching to them as at the date of the Joint Announcement, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date of the Joint Announcement.

Comparison of value

The Offer Price of HK\$2.97 per H Share represents:

- (a) a discount of approximately 28.95 per cent. to the audited net asset value attributable to shareholders as at 31 December 2018 of approximately HK\$4.18 per Share, based on 7,700,681,186 Shares in issue as at the Latest Practicable Date and the exchange rate of RMB0.87620 to HK\$1 (being the exchange rate as quoted by the People's Bank of China on the last working day before 31 December 2018);
- (b) a discount of approximately 25.38 per cent. to the unaudited net asset value attributable to shareholders as at 30 June 2019 of approximately HK\$3.98 per Share, calculated based on 7,700,681,186 Shares in issue as at the Latest Practicable Date and the exchange rate of RMB0.87966 to HK\$1 (being the exchange rate as quoted by the People's Bank of China on the last working day before 30 June 2019);
- (c) a discount of approximately 11.08 per cent. to the closing price as quoted on the Stock Exchange on the last trading date prior to the issuance of the Rule 3.7 Announcement (being HK\$3.34 per H Share);

LETTER FROM THE BOARD

- (d) a discount of approximately 17.04 per cent. to the average closing price as quoted on the Stock Exchange for the last 120 trading days up to and including the Last Trading Day (being approximately HK\$3.58 per H Share);
- (e) a discount of approximately 15.86 per cent. to the average closing price as quoted on the Stock Exchange for the last 90 trading days up to and including the Last Trading Day (being approximately HK\$3.53 per H Share);
- (f) a discount of approximately 10.27 per cent. to the average closing price as quoted on the Stock Exchange for the last 60 trading days up to and including the Last Trading Day (being approximately HK\$3.31 per H Share);
- (g) a discount of approximately 4.50 per cent. to the average closing price as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day (being approximately HK\$3.11 per H Share);
- (h) a premium of approximately 1.02 per cent. to the average closing price as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day (being approximately HK\$2.94 per H Share);
- (i) a premium of approximately 1.71 per cent. to the average closing price as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day (being approximately HK\$2.92 per H Share);
- (j) a premium of approximately 1.37 per cent. to the closing price as quoted on the Stock Exchange on the Last Trading Day (being HK\$2.93 per H Share); and
- (k) a premium of approximately 1.37 per cent. to the closing price as quoted on the Stock Exchange on the Latest Practicable Date (being HK\$2.93 per H Share).

Acceptance Condition to the Offer

The Offer is conditional on valid acceptances of the Offer having been received (and not, where permissible, withdrawn) in respect of a minimum of 343,873,138 H Shares, which, together with the Shares already owned by Baosteel and parties acting in concert with it (except Hwabao Fund Management) and acquired or agreed to be acquired before or during the Offer Period, will result

LETTER FROM THE BOARD

in Baosteel and parties acting in concert with it (except Hwabao Fund Management) holding in aggregate more than 50% of the voting rights of the Company, by 4:00 p.m. on the Closing Date (or such later time or date as Baosteel may, subject to the Takeovers Code, determine) (the “**Acceptance Condition**”).

As the Completion has taken place and the Equity Transfer has become effective, the approximately 45.54% of the voting rights of the Company held by Magang Group (51% of the equity interest of which is held by China Baowu) will be taken into account for determining the voting rights of the Company to be held by Baosteel or its concert parties for the purposes of the Acceptance Condition.

The interest of Hwabao Fund Management in voting rights of the Company will be excluded when determining the voting rights of the Company to be held by Baosteel or parties acting in concert with it for the purposes of the Acceptance Condition. Please refer to the section headed “3. Shareholdings in the Company” in Appendix III to this Composite Document for further details.

Baosteel will issue a further announcement in relation to the revision, extension or lapse of the Offer or the fulfilment of the Acceptance Condition in accordance with the Takeovers Code.

Closing of the Offer is subject to the Acceptance Condition being satisfied. Accordingly, the Offer may or may not become unconditional, and the transactions contemplated by the Offer may or may not proceed. H Shareholders, holders of other Shares, and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company and if they are in any doubt about their position, they should consult their professional advisers.

Further details regarding the Offer, including the terms and procedures for acceptance of the Offer are set out in the “Letter from CICC” as set out on pages 13 to 27 of this Composite Document and “Further Terms and Procedures for Acceptance of the Offer” as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

Highest and lowest H Share prices

During the Relevant Period, the highest and lowest closing prices of the H Shares quoted on the Stock Exchange were HK\$4.20 on 10 April 2019 and HK\$2.89 on 16 July 2019 respectively.

Aggregate value of the Offer

As at the Latest Practicable Date, the Company had 1,732,930,000 H Shares in issue, all of which were subject to the Offer. On the basis of such number of H Shares in issue and the Offer Price of HK\$2.97 per H Share, the Offer is valued at HK\$5,146,802,100.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) as at the date of the Joint Announcement; and (ii) immediately upon Completion and as at the Latest Practicable Date:

Name of Shareholder	As at the date of the Joint Announcement			Immediately upon Completion and as at the Latest Practicable Date		
	<i>Shareholding percentage of the entire issued</i>			<i>Shareholding percentage of the entire issued</i>		
	<i>Number of A Shares</i>	<i>Number of H Shares</i>	<i>share capital (approximately)</i>	<i>Number of A Shares</i>	<i>Number of H Shares</i>	<i>share capital (approximately)</i>
Magang Group	3,506,467,456 ⁽¹⁾	0	45.54%	3,506,467,456 ⁽¹⁾	0	45.54%
	<i>(with China Baowu holding no equity interest in Magang Group, and Anhui SASAC holding 100% of the equity interest in Magang Group)</i>			<i>(with China Baowu holding 51% of the equity interest in Magang Group, and Anhui SASAC holding 49% of the equity interest in Magang Group)</i>		
Baosteel	0	0	0	0	0	0
HKSCC Nominees Limited	0	1,716,396,800 ⁽²⁾	22.29%	0	1,716,365,050 ⁽³⁾	22.29%
Other public holders of A Shares	2,461,283,730	0	31.96%	2,461,283,730	0	31.96%
Other public holders of H Shares	0	16,533,200 ⁽²⁾	0.21%	0	16,564,950 ⁽³⁾	0.21%
Total	<u>7,700,681,186</u>		<u>100%</u>	<u>7,700,681,186</u>		<u>100%</u>

Note (1): As at the date of the Joint Announcement, Anhui SASAC held 100 per cent. of the equity interests in Magang Group and was regarded as being indirectly interested in the 3,506,467,456 A Shares held by Magang Group. Upon Completion, China Baowu held 51 per cent. of the equity interests in Magang Group, and was regarded as being indirectly interested in the 3,506,467,456 A Shares held by Magang Group.

Note (2): The figures appearing on the register of H Shareholders as of 17 July 2019 were adopted.

Note (3): The figures appearing on the register of H Shareholders as of 25 September 2019 were adopted.

LETTER FROM THE BOARD

INFORMATION OF BAOSTEEL, CHINA BAOWU AND THE COMPANY

Reasons for the Equity Transfer and Intentions of China Baowu Regarding the Company

Your attention is drawn to the section headed “Reasons of the Offer and Baosteel’s intention in relation to the Company” in the “Letter from CICC” as set out on pages 13 to 27 of this Composite Document.

The Board is pleased to note Baosteel’s intention to continue with the existing business of the Company following and within 12 months after the close of the Offer, and China Baowu’s intentions to consolidate and optimize the iron and steel production operations between China Baowu and the Company, and that save for certain undertakings provided to CSRC as set out in the section headed “Reasons of the Offer and Baosteel’s intention in relation to the Company” in the “Letter from CICC”, Baosteel has no intention to introduce any material change to the business of the Company, including undertaking any redeployment of fixed assets or conducting any reployment or reorganisation of business of the Company. Further, it is noted that Baosteel has no intention to terminate any employment of the employees of the Company and its subsidiaries, nor to introduce any change to the Board composition, during the Offer Period. Any changes to the Board composition (if any) will be made in compliance with the relevant requirements of the Takeovers Code, the Listing Rules, the constitutional documents of the Company and other applicable laws and regulations.

Information on Baosteel and China Baowu

Your attention is drawn to the section headed “Information on Baosteel and China Baowu” in the “Letter from CICC” as set out on page 19 of this Composite Document.

Information on the Company

The principal activities of the Company involve manufacturing and sale of iron and steel products with its main business operation in the PRC. The Company is one of the largest iron and steel manufacturers in the PRC in terms of steel production capacity.

LETTER FROM THE BOARD

PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

Your attention is drawn to the section headed “Public float and maintaining the listing status of the Company” in the “Letter from CICC” as set out on page 24 of this Composite Document.

INDEPENDENT BOARD COMMITTEE OF THE COMPANY

The Independent Board Committee, comprising Mr. Ren Tianbao, the non-executive Director of the Company, and all three of the independent non-executive directors of the Company, none of whom has direct or indirect interest in the Offer, has been established to advise the Offer Shareholders as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer.

As stated in the announcement of the Company dated 24 July 2019, Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer and, in particular, as to whether the Offer is fair and reasonable and as to acceptance. The appointment of Somerley as the Independent Financial Adviser has been approved by the Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code.

RECOMMENDATION

Your attention is drawn to the “Letter from the Independent Board Committee” as set out on pages 38 to 40 of this Composite Document and the “Letter from the Independent Financial Adviser” as set out on pages 41 to 69 of this Composite Document, which contain, among other things, their advice in relation to the Offer and the principal factors considered by them in arriving at their recommendations. The Offer Shareholders are urged to read those letters carefully before taking any action in respect of the Offer.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this Composite Document. You are also recommended to read carefully the “Further Terms of Acceptance of the Offer” as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance for further details in respect of the procedures for acceptance of the Offer.

LETTER FROM THE BOARD

In considering what action to take in connection with the Offer, you should also consider your own tax positions, if any, and in case of any doubt, consult your professional advisers.

Yours faithfully,

On behalf of the board

Maanshan Iron & Steel Company Limited

Ding Yi

Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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

(Stock Code: 00323)

30 September 2019

To the Offer Shareholders,

Dear Sir or Madam,

**MANDATORY CONDITIONAL CASH OFFER BY
CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG
SECURITIES LIMITED ON BEHALF OF
BAOSTEEL HONG KONG INVESTMENT COMPANY LIMITED
寶鋼香港投資有限公司
TO ACQUIRE ALL THE ISSUED H SHARES IN
MAANSHAN IRON & STEEL COMPANY LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY
BAOSTEEL HONG KONG INVESTMENT COMPANY LIMITED
寶鋼香港投資有限公司
AND PARTIES ACTING IN CONCERT WITH IT)**

We refer to the Composite Document dated 30 September 2019 jointly issued by Baosteel and the Company, of which this letter forms part. Unless specified otherwise, terms used herein shall have the same meanings as those defined in the Composite Document.

We have been appointed by the Board to form the Independent Board Committee to consider the terms of the Offer and to advise you as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as the Offer Shareholders are concerned and to make a recommendation as to acceptance of the Offer.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise us in respect of the terms of the Offer and as to acceptance of the Offer. Your attention is drawn to the “Letter from the Independent Financial Adviser” as set out in the Composite Document containing its advice to us and the principal factors and reasons taken into account by it in arriving at such advice.

We also wish to draw your attention to the “Letter from CICC” and “Letter from the Board” as set out in the Composite Document as well as the additional information set out in the appendices to the Composite Document.

RECOMMENDATION

Having considered the terms of the Offer, the information contained in the Composite Document and the principal factors and reasons considered by, and the independent advice of Somerley Capital Limited, as set out in its letter of advice, we consider that the terms of the Offer are fair and reasonable so far as the Offer Shareholders are concerned. Accordingly, we recommend the Offer Shareholders to accept the Offer.

As at the Latest Practicable Date and up to and including the Latest Practicable Date, the H Shares closed at HK\$2.93, representing a slight discount of approximately 1.3% to the Offer Price. Since the publication of the Joint Announcement, the H Shares closed at a price ranging from HK\$2.92 to HK\$3.03 (which is higher than the Offer Price). The Offer Shareholders who are unsure of the future prospects of the Company may consider taking the opportunity to dispose of some or all of their H Shares. Such Offer Shareholders should monitor the market price and the trading liquidity of the H Shares closely during the Offer Period; if the proceeds of selling in the market (net of costs) would be higher than the net proceeds receivable under the Offer, the Offer Shareholders should sell their H Shares in the open market instead of accepting the Offer.

The Offer Shareholders who are attracted to the future of the Company may consider retaining some or all of their H Shares. Such Offer Shareholders should be aware that there is a possibility of a suspension in trading in the H Shares following the close of the Offer if the minimum prescribed public float percentage applicable to the Company is not met. The Directors and the directors of Baosteel have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the shares of the Company.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Notwithstanding our recommendation, the Offer Shareholders should consider carefully the terms of the Offer and then decide whether to accept or not to accept the Offer. You are strongly recommended to read the full text of the “Letter from the Independent Financial Adviser” as set out in the Composite Document.

Yours faithfully,

For and on behalf of the

Independent Board Committee of

Maanshan Iron & Steel Company Limited

Mr. Ren Tianbao

Ms. Zhang Chunxia

Ms. Zhu Shaofang

Mr. Wang Xianzhu

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the letter of advice from Somerley Capital Limited, the Independent Financial Adviser, to the Independent Board Committee, which has been prepared for the purpose of inclusion in this Composite Document.



SOMERLEY CAPITAL LIMITED

20th Floor

China Building

29 Queen's Road Central

Hong Kong

30 September 2019

To: the Independent Board Committee

Dear Sirs,

**MANDATORY CONDITIONAL CASH OFFER BY
CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG
SECURITIES LIMITED ON BEHALF OF
BAOSTEEL HONG KONG INVESTMENT COMPANY LIMITED
寶鋼香港投資有限公司 TO ACQUIRE ALL THE ISSUED H SHARES IN
MAANSHAN IRON & STEEL COMPANY LIMITED
(OTHER THAN THOSE ALREADY OWNED
OR AGREED TO BE ACQUIRED BY
BAOSTEEL HONG KONG INVESTMENT COMPANY LIMITED
寶鋼香港投資有限公司 AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in relation to the mandatory conditional cash offer by CICC on behalf of Baosteel to acquire all the issued H Shares, other than those already owned or agreed to be acquired by Baosteel and parties acting in concert with it. Details of the Offer are set out in the Composite Document dated 30 September 2019, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the Joint Announcement, on 31 May 2019, Anhui SASAC and China Baowu have entered into the Equity Transfer Agreement, pursuant to which Anhui SASAC agreed to transfer 51% of the equity interest held by it in Magang Group to China Baowu at nil consideration. Further details of the Equity Transfer Agreement are set out in the Joint Announcement. Completion of the Equity Transfer Agreement took place on 19 September 2019. Immediately after Completion and as at the Latest Practicable Date, China Baowu held 51% of the equity interest in Magang Group, and had, through Magang Group, obtained indirect control of the A Shares held by Magang Group, representing approximately 45.54% of the total issued shares of the Company. Pursuant to Rule 26.1 of the Takeovers Code, China Baowu is required to extend a mandatory conditional cash offer for all the outstanding H Shares (other than those H Shares which are already owned or agreed to be acquired by Baosteel and parties acting in concert with it). Accordingly, China Baowu had procured its direct wholly-owned subsidiary, Baosteel, to extend the Offer to the Offer Shareholders.

The Independent Board Committee comprising Mr. Ren Tianbao, non-executive Director, and all three independent non-executive Directors, namely Ms. Zhang Chunxia, Ms. Zhu Shaofang and Mr. Wang Xianzhu has been established to advise the Offer Shareholders on whether the terms of the Offer are fair and reasonable and as to their acceptance of the Offer. The Independent Board Committee has approved our appointment as the Independent Financial Adviser to advise the Independent Board Committee in relation to the Offer.

During the past two years, Somerley Capital Limited has acted as the independent financial adviser to the independent board committee and the independent shareholders of the Company in relation to continuing connected transactions and connected transactions as detailed in the Company's circular dated 23 October 2018. The aforesaid past engagement was limited to providing independent advisory service to the independent board committee and the independent shareholders of the Company pursuant to the Listing Rules, for which Somerley Capital Limited received normal professional fees. Accordingly, we do not consider the past engagement gives rise to any conflict of interest for Somerley Capital Limited in acting as the Independent Financial Adviser.

We are not associated with the Company, China Baowu, Baosteel or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Offer. Apart from normal professional fees payable to us in connection with this appointment, and except as disclosed above, no arrangement exists whereby we will receive any fees or benefits from the Company, China Baowu, Baosteel or any party acting, or presumed to be acting, in concert with any of them.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion, we have reviewed, among other things, (i) the Composite Document; (ii) the annual report of the Company for the year ended 31 December 2018, the first quarterly report of the Company for the three months ended 31 March 2019 and the interim report of the Company for the six months ended 30 June 2019; (iii) the announcements published by the Company on the website of the Stock Exchange since 1 January 2017; and (iv) the material change statement set out in Appendix II to the Composite Document. We have sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed by them. We consider that the information we have received is sufficient for us to reach our opinion and recommendation as set out in this letter. We have no reason to doubt the truth and accuracy of the information provided to us or to believe that any material facts have been omitted or withheld. We have, however, not conducted any independent investigation into the business and affairs of the Group, China Baowu or Baosteel, nor have we carried out any independent verification of the information supplied. We have also assumed that all representations contained or referred to in the Composite Document are true as at the Latest Practicable Date, and that the Offer Shareholders will be notified of any material changes to the Composite Document as soon as reasonably practicable during the Offer Period.

We have not considered the tax and regulatory implications on the Offer Shareholders of acceptance or non-acceptance of the Offer since these depend on their individual circumstances. In particular, the Offer Shareholders who are resident overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, consult their own professional advisers.

PRINCIPAL TERMS OF THE OFFER

CICC are making the Offer for and on behalf of Baosteel on the following basis:

For each H Share HK\$2.97 in cash

Pursuant to the Panel Decision, the Takeovers Panel had ruled that the offer price for the Offer shall be set at the volume weighted average price of the H Shares in the Company on the last trading day prior to the publication of the Rule 3.7 Announcement (i.e. 31 May 2019). In arriving at the offer price for the Offer, an “ex-dividend” adjustment was made by deducting a sum equal to the final dividend of the Company for the financial year ended 31 December 2018 (i.e. HK\$0.35278 (including tax)), which was paid to the Company’s shareholders on 12 July 2019. The H Shares are being acquired under the terms of the Offer “ex” such dividend. The Offer Price has been rounded up to the nearest cent.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the issued share capital of the Company as at the Latest Practicable Date, there are 1,732,930,000 H Shares subject to the Offer, representing approximately 22.5% of the total issued share capital of the Company.

Magang Group currently controls approximately 45.54% of the voting rights of the Company. The Offer is conditional on valid acceptances of the Offer having been received (and not, where permissible, withdrawn) and acquisitions of Shares having been made or agreed to be made by Baosteel and parties acting in concert with it in respect of a minimum of 343,873,138 H Shares. Such Shares, together with the Shares already owned by Baosteel and parties acting in concert with it (except Hwabao Fund Management) and acquired or agreed to be acquired before or during the Offer Period, will result in Baosteel and parties acting in concert with it (except Hwabao Fund Management) holding in aggregate more than 50% of the voting rights of the Company, by 4:00 p.m. on or prior to the Closing Date (or such later time and/or date as Baosteel may determine and the Executive may approve).

Offer Shareholders should note that the Offer will be subject to the satisfaction of the Acceptance Condition. Accordingly, the Offer may or may not become unconditional.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations with regard to the Offer, we have taken into account the following principal factors and reasons:

1. Background of the Offer

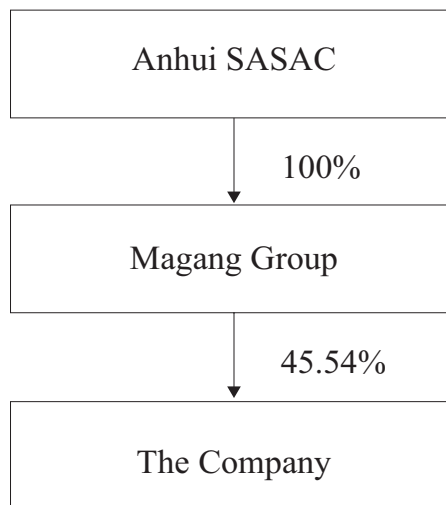
On 31 May 2019, Anhui SASAC and China Baowu have entered into the Equity Transfer Agreement, pursuant to which Anhui SASAC agreed to transfer 51% of the equity interest held by it in Magang Group to China Baowu at nil consideration. As set out in the section headed “Reasons of the Offer and China Baowu’s and Baosteel’s intention in relation to the Company” in the “Letter from CICC” of the Composite Document, the Equity Transfer represented part of the initiative consistent with the policy of the PRC government to promote the development of the iron and steel industry and to implement a structural reform of the industry, by way of consolidating and reorganising iron and steel producers to create globally competitive conglomerates. The consolidation of business operations between China Baowu and the Company, as two of the leading market participants in the iron and steel industry of the PRC, will increase the degree of market concentration within the iron and steel industry in the PRC. Further details with respect to the reasons and background of the Offer are set out in the same section of the Composite Document as mentioned above.

On 19 September 2019, Baosteel and the Company jointly announced that Completion took place on the same day. Immediately after Completion and as at the Latest Practicable Date, China Baowu held 51% of the equity interest in Magang Group, while Anhui SASAC held the remaining 49% of the equity interest in Magang Group. China Baowu is wholly-owned by SASAC, and Baosteel

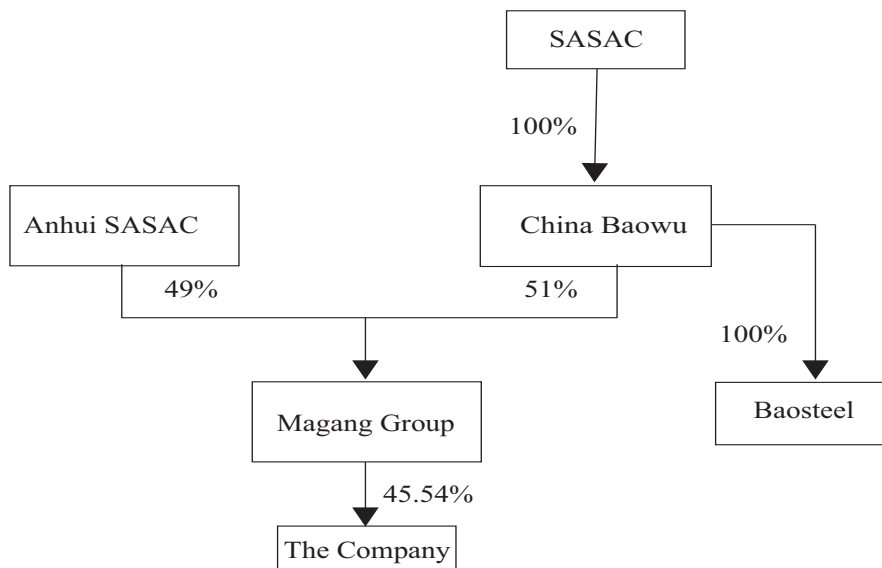
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

is wholly- owned by China Baowu. Immediately upon the Completion of the Equity Transfer, as Magang Group continues to hold 3,506,467,456 A Shares (representing approximately 45.54% of the total issued share capital of the Company), China Baowu indirectly holds a controlling interest in the A Shares representing approximately 45.54% of the total issued share capital of the Company through Magang Group. The shareholding and control between the Company, Magang Group, China Baowu, Anhui SASAC, Baosteel and SASAC as at the date of the Joint Announcement and immediately upon Completion is illustrated as follows:

(i) As at the date of the Joint Announcement



(ii) Immediately upon Completion



It should be noted that the equity interest held by Anhui SASAC in Magang Group decreased from 100% to 49%. The direct controlling shareholder of the Company remained unchanged (being Magang Group).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Information and prospects of the Group

(a) Background and financial information of the Group

The Company is a joint stock limited company incorporated in the PRC. The H Shares of the Company are listed on the Stock Exchange and the A Shares of the Company are listed on the Shanghai Stock Exchange. The Group is principally engaged in the manufacture and sale of iron and steel products and related by-products, with main business operations in the PRC.

(i) Financial performance

The steel industry is in general subject to cyclical factors, such as sales demand and raw materials supply. In particular, the supply of iron ore of the required quantity has been restricted by weather conditions in Australia and the failure of a tailings dam in Brazil. This has contributed to high iron ore prices in 2019, which have not been fully passed through to sales of the Group's finished products. Meanwhile, the industry requirement for fixed assets is high, which may make production adjustments difficult. These factors are likely to result in earnings volatility as evidenced by good 2018 results but declining 2019 first half results period-to-period, as set out further below.

The following is an extract of the financial results of the Group for (a) the two years ended 31 December 2017 and 2018 (both the 2017 and 2018 annual results having been extracted from the Company's 2018 annual report); and (b) the six months ended 30 June 2018 and 2019 (both of 2018 and 2019 interim results having been extracted from the Company's 2019 interim report).

	For the six months ended 30 June		For the year ended 31 December	
	2019	2018	2018	2017
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	37,026,693,821	40,063,041,443	81,951,813,488	73,228,029,624
Less: Cost of sales	33,672,424,605	34,002,350,727	69,794,982,119	63,556,258,449
Taxes and surcharges	281,198,990	399,818,296	810,322,306	741,194,307
Selling expenses	431,513,432	465,095,326	959,718,246	865,396,451
General and administrative expenses	711,335,104	698,585,993	1,379,991,907	1,164,112,101
R&D expenses	354,535,705	381,791,868	801,240,784	255,023,306
Financial expenses	390,006,931	574,785,327	960,457,412	998,780,259
including: interest expense	415,505,618	476,375,706	879,897,330	920,767,866
interest income	51,850,462	17,490,196	54,228,185	34,412,987

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	For the six months ended 30 June		For the year ended 31 December	
	2019	2018	2018	2017
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	(unaudited)	(unaudited)	(audited)	(audited)
Impairment losses	241,775,610	57,950,358	754,443,431	746,374,994
Credit impairment losses	43,977,242	22,658,394	41,876,945	–
Add: Other income	48,434,334	44,152,109	185,350,836	238,868,248
Investment income	410,893,019	560,777,607	1,090,099,779	676,516,349
including: share of				
profits of				
associates				
and joint				
ventures	311,705,507	298,820,874	657,410,287	490,410,552
(Loss)/gain on the				
changes in fair value	26,280,702	(8,960,465)	(10,213,369)	10,145,756
Gain/(loss) from disposal				
of non-current assets	<u>(936,915)</u>	<u>52,603,426</u>	<u>371,280,264</u>	<u>(176,952,368)</u>
Operating profit	1,384,597,342	4,108,577,831	8,085,297,848	5,649,467,742
Add: Non-operating income	274,306,453	96,622,262	160,098,567	176,123,978
Less: Non-operating expenses	<u>1,610,123</u>	<u>2,915,034</u>	<u>6,472,487</u>	<u>16,625,157</u>
Profit before tax	1,657,293,672	4,202,285,059	8,238,923,928	5,808,966,563
Less: Income tax expense	<u>239,613,971</u>	<u>346,039,776</u>	<u>1,180,935,234</u>	<u>736,728,434</u>
Net profit	<u><u>1,417,679,701</u></u>	<u><u>3,856,245,283</u></u>	<u><u>7,057,988,694</u></u>	<u><u>5,072,238,129</u></u>
Categorized by operation continuity:				
Net profit from continuing				
operations	<u><u>1,417,679,701</u></u>	<u><u>3,856,245,283</u></u>	<u><u>7,057,988,694</u></u>	<u><u>5,072,238,129</u></u>
Categorized by ownership:				
Net profit attribute to owners of the				
parent	<u><u>1,144,660,011</u></u>	<u><u>3,428,518,933</u></u>	<u><u>5,943,286,585</u></u>	<u><u>4,128,939,861</u></u>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	For the six months ended 30 June		For the year ended 31 December	
	2019	2018	2018	2017
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	(unaudited)	(unaudited)	(audited)	(audited)
Net profit attribute to non-controlling interests	<u>273,019,690</u>	<u>427,726,350</u>	<u>1,114,702,109</u>	<u>943,298,268</u>
EARNINGS PER SHARE				
Basic earnings per share (<i>cent/share</i>)	<u>14.86 cents</u>	<u>44.52 cents</u>	<u>77.18 cents</u>	<u>53.62 cents</u>
Diluted earnings per share (<i>cent/share</i>)	<u>14.86 cents</u>	<u>44.52 cents</u>	<u>77.18 cents</u>	<u>53.62 cents</u>

(1) Revenue

Revenue of the Group increased from approximately RMB73 billion in 2017 to approximately RMB82 billion in 2018, representing a growth of approximately 12%. As disclosed in the Company's 2018 annual report, the Group's key finished products include long products, steel plates, wheels and axles, and over 90% of the revenue was generated in the PRC. The increase in revenue in 2018 was mainly driven by an increase in sales price and sales volume of steel during the year. According to China Iron and Steel Association, the monthly average value of consolidated price index for domestic steel products in 2018 was 114.75 with a year-on-year increase of approximately 6.5% as compared to that of 2017. As advised by the executive Directors, the increase in sales volume of steel was mainly driven by both increase in demand for the Group's finished products and its production volume (other than steel plates) in 2018.

The Group recorded revenue of approximately RMB37 billion for the six months ended 30 June 2019, representing a drop of approximately 8% as compared to approximately RMB40 billion in the same period of 2018. As disclosed in the Company's 2019 interim report, the decrease was mainly driven by the decrease in steel sales price and sales volume in the first six months of 2019. As advised by the executive Directors, according to the data sourced from China Iron and Steel Association, the monthly average value of consolidated price index for domestic steel products in the first half of 2019 was approximately 109.61, representing a decrease of approximately 4.4% as

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

compared with that in the same period of 2018. The decrease in steel sales price and sales volume was attributable to, among other things, general increase in production and supply in the industry, as well as a decrease in the Group's production capacity of pig iron and crude steel as set out in the Company's 2019 interim report.

(2) Net profit attributable to owners of the parent

As disclosed in the Company's 2018 annual report, the Group recorded net profit attributable to owners of the parent of approximately RMB5,943 million in 2018. Excluding non-recurring items (mainly comprised of gain from disposal of non-current assets/subsidiaries and government grants) of approximately RMB851 million, the Group recorded net profit excluding non-recurring gains or losses attributable to owners of the parent of approximately RMB5,092 million in 2018, representing an increase of approximately 28% compared to approximately RMB3,969 million (on the same basis) in 2017. Such increase was mainly driven by the increase of gross margin of the Group's steel products in 2018. Iron ore is the key raw materials used in the production of steel of the Group. According to the data extracted from "SBB Steel Markets Daily" published by S&P Global Platts (a leading provider of information, benchmark prices and analytics for the energy and commodities markets) provided by the Company, in 2018, the average Platts iron ore index, which is commonly used in the industry and internationally for the determination of iron ore prices, was approximately US\$69.5 per tonne in 2018, representing a slight decline of approximately 3% from an average of US\$71.3 per tonne in 2017. On the other hand, the monthly average value of consolidated price index for domestic steel products increased in 2018 as mentioned in the paragraph headed "Revenue" of this letter above.

For the six months ended 30 June 2019, the Group recorded net profit attributable to owners of the parent of approximately RMB1,145 million, representing a drop of approximately 67% as compared to approximately RMB3,429 million in the same period of 2018. As disclosed in the Company's 2019 interim report, the decrease was mainly driven by the decrease in gross margin of the Group's steel products resulted from the decrease in steel sales volume and price and increase in procurement price of certain raw materials and fuels during the period. As mentioned above, iron ore is the key raw materials used in the production of steel of the Group. According to the data extracted from "SBB Steel Markets Daily" published by S&P Global Platts provided by the Company, the average Platts iron ore index in the first half of

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2019 was approximately US\$91.4 per tonne, representing a notable increase of approximately 32% from an average of approximately US\$69.5 per tonne in 2018. In addition, the monthly average value of consolidated price index for domestic steel products has declined in the first half of 2019 as mentioned in the paragraph headed “Revenue” of this letter above.

(3) Earnings per Share

Basic and diluted earnings per Share for the year ended 31 December 2017, 2018 and the six months ended 30 June 2019 was approximately RMB53.62 cents, RMB77.18 cents and RMB14.86 cents respectively. The movements in the earning per Share generally followed the movements of the Group’s financial results.

(4) Dividends

As disclosed in the Company’s 2017 annual report, the Group recorded net profit excluding non-recurring gains or losses attributable to owners of the parent of approximately RMB3,969 million in 2017, representing an increase of approximately 181% comparing to approximately RMB1,410 million in 2016. The Group did not declare dividend in 2016. Total dividend per H Share for the financial year ended 31 December 2017 amounted to RMB0.165 (equivalent to HK\$0.19908 as extracted from the website of the Stock Exchange). As mentioned above, in 2018, net profit excluding non-recurring gains or losses attributable to owners of the parent increased by approximately 28% to approximately RMB5,092 million from approximately RMB3,969 million in 2017. For the financial year ended 31 December 2018, total dividend per H Share amounted to RMB0.36, which includes interim dividend of RMB0.05 (equivalent to HK\$0.05647 as extracted from the website of the Stock Exchange) and final dividend of RMB0.31 (equivalent to HK\$0.35278 as extracted from the website of the Stock Exchange). This translates to an implied dividend yield (based on the Offer Price of HK\$2.97 per H Share) of approximately 13.8%. For the six months ended 30 June 2019, the Group recorded net profit attributable to owners of the parent of approximately RMB1,145 million, representing a drop of approximately 67% as compared to approximately RMB3,429 million in the same period of 2018. The Group did not declare interim dividend for the six months ended 30 June 2019.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) *Financial position*

Set out below is an extract of the financial position of the Group (a) as at 31 December 2017 and 2018 (both 2017 and 2018 financial position having been extracted from the Company's 2018 annual report); and (b) as at 30 June 2019 (having been extracted from the Company's 2019 interim report).

	As at 30 June	As at 31 December	
	2019	2018	2017
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	(unaudited)	(audited)	(audited)
ASSETS			
Current assets			
Cash and bank balances	9,045,908,246	9,762,844,718	4,978,352,093
Financial assets held for trading	2,013,174,319	2,084,414,075	–
Financial assets at fair value through profit or loss	–	–	1,546,139,404
Notes and trade receivables	11,234,218,005	6,091,882,823	9,341,614,275
Prepayments	649,466,090	712,340,548	750,818,831
Other receivables	252,101,927	147,965,534	285,228,074
Inventories	11,515,468,174	11,053,918,748	11,445,747,808
Financial assets purchased under agreements to resell	199,454,377	2,432,279,109	1,204,603,000
Loans and advances to customers	5,703,566,034	2,845,298,103	1,251,315,253
Assets classified as held for sale	–	–	73,454,334
Held-to-maturity investments	–	–	305,228,376
Non-current assets due within one year	51,302,205	101,201,184	–
Other current assets	<u>2,887,172,154</u>	<u>3,173,122,975</u>	<u>916,037,331</u>
Total current assets	<u>43,551,831,531</u>	<u>38,405,267,817</u>	<u>32,098,538,779</u>
Non-current assets			
Available-for-sale financial assets	–	–	1,111,168,160
Held-to-maturity investments	–	–	100,854,230
Long-term equity investments	3,007,031,216	2,809,063,381	1,525,225,202
Other equity instruments investments	264,667,164	263,122,364	–
Investment properties	65,617,636	55,804,755	57,508,684

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at 30 June		As at 31 December	
	2019		2018	
	<i>RMB</i>		<i>RMB</i>	
	(unaudited)	(unaudited)	(audited)	(audited)
Property, plant and equipment	30,696,182,408	31,545,176,835	33,130,499,862	
Construction in progress	1,829,563,471	1,662,672,077	1,805,955,609	
Right-of-use asset	431,128,508	–	–	
Intangible assets	1,860,731,274	1,855,265,330	1,883,604,173	
Deferred tax assets	256,801,026	275,626,734	478,235,280	
	<u>38,411,722,703</u>	<u>38,466,731,476</u>	<u>40,093,051,200</u>	
Total non-current assets	38,411,722,703	38,466,731,476	40,093,051,200	
TOTAL ASSETS	<u>81,963,554,234</u>	<u>76,871,999,293</u>	<u>72,191,589,979</u>	
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Deposits and balances from banks and other financial institutions	500,213,889	900,366,111	200,000,000	
Customer deposits	7,746,869,667	4,915,309,311	2,947,639,610	
Repurchase agreements	1,285,032,037	1,133,772,377	308,100,956	
Short-term loans	10,986,627,110	10,917,293,181	4,630,303,694	
Financial liabilities held for trading	–	8,012,670	–	
Financial liabilities at fair value through profit or loss	–	–	10,498,810	
Notes and trade payables	14,443,837,895	10,342,007,979	11,778,382,830	
Advances from customers	3,676,458,851	3,572,594,400	3,842,903,332	
Payroll and employee benefits payable	390,845,491	563,642,908	654,822,505	
Taxes payable	609,957,899	1,325,517,987	1,342,836,597	
Other payables	5,306,673,942	3,530,746,914	2,354,327,866	
Non-current liabilities due within one year	1,636,709,676	1,470,868,462	4,928,758,378	
Provision	30,290,993	29,997,521	38,537,369	
Other current liabilities	–	1,026,897,260	3,081,026,301	
	<u>46,613,517,450</u>	<u>39,737,027,081</u>	<u>36,118,138,248</u>	
Total current liabilities	46,613,517,450	39,737,027,081	36,118,138,248	

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at 30 June	As at 31 December	
	2019	2018	2017
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	(unaudited)	(audited)	(audited)
Non-current liabilities			
Long-term loans	2,890,868,796	3,596,387,552	6,975,958,634
Lease liabilities	419,478,118	–	–
Long-term payables	–	–	210,000,000
Long-term employee benefits payable	143,217,190	157,371,474	160,896,586
Deferred revenue	1,368,917,400	1,364,795,555	1,462,490,533
Deferred tax liabilities	22,783,318	24,066,311	26,841,665
	<u>4,845,264,822</u>	<u>5,142,620,892</u>	<u>8,836,187,418</u>
Total non-current liabilities			
	<u>4,845,264,822</u>	<u>5,142,620,892</u>	<u>8,836,187,418</u>
Total liabilities	<u>51,458,782,272</u>	<u>44,879,647,973</u>	<u>44,954,325,666</u>
Shareholders' equity			
Share capital	7,700,681,186	7,700,681,186	7,700,681,186
Capital reserve	8,352,287,192	8,352,287,192	8,352,287,192
Other comprehensive income	(114,881,624)	(112,702,163)	(124,156,060)
Special reserve	47,230,430	31,037,123	31,929,722
Surplus reserve	4,571,901,256	4,571,901,256	4,100,007,341
General reserve	224,841,404	224,841,404	191,546,668
Retained earnings	6,163,026,117	7,405,577,274	3,643,443,763
	<u>26,945,085,961</u>	<u>28,173,623,272</u>	<u>23,895,739,812</u>
Equity attributable to owners of the parent			
	<u>26,945,085,961</u>	<u>28,173,623,272</u>	<u>23,895,739,812</u>
Non-controlling interests	3,559,686,001	3,818,728,048	3,341,524,501
	<u>3,559,686,001</u>	<u>3,818,728,048</u>	<u>3,341,524,501</u>
Total shareholders' equity	<u>30,504,771,962</u>	<u>31,992,351,320</u>	<u>27,237,264,313</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>81,963,554,234</u>	<u>76,871,999,293</u>	<u>72,191,589,979</u>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at 30 June 2019, the Group's total assets were approximately RMB82 billion. Assets of the Group mainly included (a) property, plant and equipment of approximately RMB31 billion; (b) inventories of approximately RMB12 billion; (c) cash and bank balances of approximately RMB9 billion; and (d) notes and trade receivables of approximately RMB11 billion. As at 30 June 2019, the Group recorded total liabilities amounted to approximately RMB51 billion, which mainly consisted of (a) short-term loans of approximately RMB11 billion; and (b) notes and trade payables of approximately RMB14 billion.

As at 30 June 2019, the Group had total borrowings (represented by the sum of short-term and long-term loans) of approximately RMB15.4 billion. Taking into account the cash and bank balances of approximately RMB9.0 billion, the Group had a net debt of approximately RMB6.4 billion as at 30 June 2019. Gearing ratio (calculated as total borrowings divided by total equity) of the Group was approximately 50% as at 30 June 2019.

Net asset value attributable to owners of the parent amounted to approximately RMB28 billion and RMB27 billion respectively as at 31 December 2018 and 30 June 2019, with a value per ordinary share of approximately HK\$4.18 and HK\$3.98 respectively (calculated based on 7,700,681,186 Shares in issue as disclosed in latest monthly return published on the website of the Stock Exchange immediately prior to the Latest Practicable Date and the exchange rate of RMB 0.87620 to HK\$1 and RMB 0.87966 to HK\$1 respectively, being the exchange rate as quoted by the People's Bank of China on the last working day before 31 December 2018 and 30 June 2019). The Offer Price of HK\$2.97 per H Share represents a discount of approximately 29.0% and 25.4% to the net asset value per Share attributable to owners of the parent as at 31 December 2018 and 30 June 2019 respectively. Further analysis on the comparison of the historical price to book (P/B) ratio of the Comparable Companies (as defined below) and implied P/B represented by the Offer Price are set out in the sub-section headed "Analysis of the Offer Price" of this letter below.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) Prospects of the Group

As discussed in the paragraph headed “Background and financial information of the Group” of this letter above, the steel industry is in general subject to cyclical factors. The Group recorded net profit attributable to owners of the parent (excluding non-recurring gains or losses) of approximately RMB5,092 million in 2018, representing an increase of approximately 28% as compared to that of 2017. Such increase was mainly driven by the increase of gross margin of the Group’s steel products in 2018. For the six months ended 30 June 2019, the Group recorded net profit attributable to owners of the parent of approximately RMB1,145 million, representing a decrease of approximately 67% as compared to the same period in 2018. Such decrease was mainly attributable to the decrease in gross margin of the Group’s steel products resulted from a decrease in steel sales volume and price and an increase in procurement price of certain raw materials and fuels in the period. As advised by the executive Directors, the cost pressure caused by the rising prices of raw materials, high fuel costs and the surge in environmental protection operating costs is increasing.

As one of the leading iron and steel companies in the PRC, the Company’s financial performance and hence its share price, is bound to be affected by cyclical market factors. The executive Directors are of the view that at present, steel prices remain under pressure and the prices of iron ore are at a high level, thus the Group continues to face pressure in production and operations. Other potential challenges of the Group include slowing down in national demand for steel and increasing supply in the industry. In response to this situation, the Group continues to adapt production to sales, to adopt a flexible production plan and increase the production flexibility. The Group will respond to fluctuating market factors through, among others, strengthening market research, expanding sales channels and enhancing client management. As set out in the section headed “Reasons of the Offer and China Baowu’s and Baosteel’s intention in relation to the Company” in the “Letter from CICC” of the Composite Document, upon completion of the reorganisation, China Baowu will be able to offer strong shareholder’s support to promote the strategic development of the Company. After completion of the reorganisation, synergies between China Baowu and the Company can be achieved in the areas relating to research and innovation, intelligence manufacturing, professional management, quality improvement and efficiency enhancement. The executive Directors consider that synergies and collaboration may be achieved with China Baowu in these areas which in turn is expected to benefit the Group’s development strategically in the long-term. The executive Directors consider, and we concur, that the long-term prospects of the Group remain generally positive, however, its near-term profitability and prospects will be dependent on market factors including future steel sales prices, iron ore purchase prices as well as demand and supply of steel products in the market.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Information on China Baowu, Baosteel and intentions of China Baowu and Baosteel regarding the Company

As set out in the section headed “Information on Baosteel and China Baowu” in the “Letter from CICC” of the Composite Document, Baosteel is a public company limited by shares incorporated in Hong Kong and is a direct wholly-owned subsidiary of China Baowu. Its principal business activities are offshore equity investments in the industrial sector for China Baowu’s group companies and other related businesses. China Baowu and its group companies have the largest steel production capacity in the PRC and the second largest steel production capacity worldwide. The principal activities of China Baowu and its group companies are manufacturing, production and sales of iron and steel products. Further details with respect to Baosteel and China Baowu are set out in the same section.

Save as disclosed in the section headed “Reasons of the Offer and China Baowu’s and Baosteel’s intention in relation to the Company” in the “Letter from CICC” of the Composite Document which includes, among others, certain undertakings provided by China Baowu to CSRC to address the overlapping of certain businesses between Baoshan and the Company upon Completion, following and within 12 months after the close of the Offer, Baosteel intends to continue the existing business of the Company, and has no intention to introduce any material change to the business of the Company, including undertaking any redeployment of fixed assets or conducting any reployment or reorganisation business of the Company. Further, Baosteel has no intention to terminate any employment of the employees of the Company and its subsidiaries, nor to introduce any change to the Board composition, during the Offer Period.

4. Maintenance of the listing status of the Company

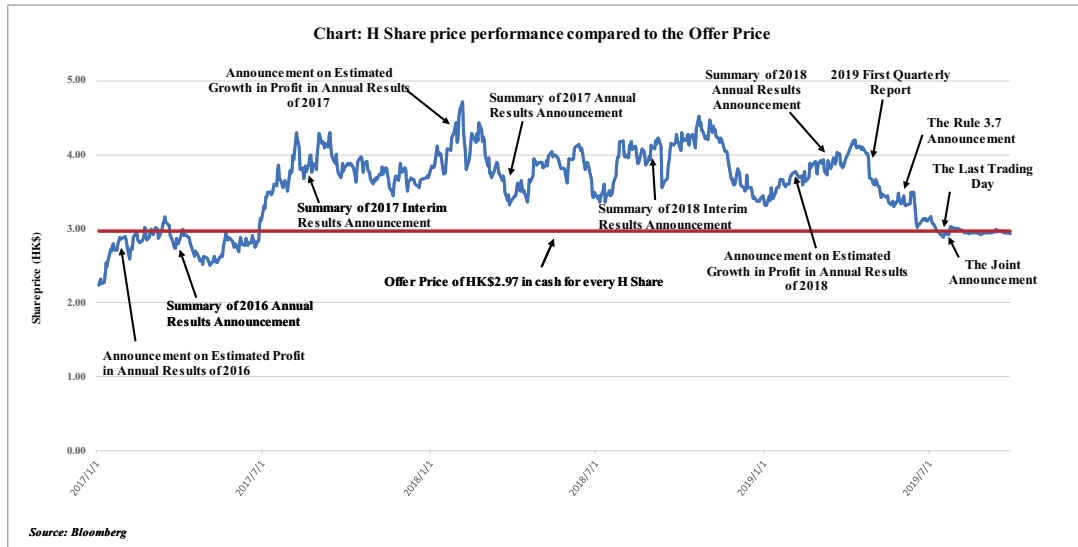
As set out in the section headed “Reasons of the Offer and China Baowu’s and Baosteel’s intention in relation to the Company” in the “Letter from CICC” of the Composite Document, Baosteel intends to maintain the listing status of the H Shares of the Company on the Stock Exchange after the close of the Offer. If, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company is held by the public, being 25% of all the issued shares of the Company, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading in the H Shares; or (ii) there are insufficient H Shares in public hands to maintain an orderly market, the Stock Exchange will consider exercising its discretion to suspend dealings in the H Shares until a level of sufficient public float is attained. The Directors and the directors of Baosteel will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that the sufficient public float exists in the shares of the Company following the close of the Offer.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5. Analysis of the Offer Price

(a) *Historical price performance of the H Shares*

The chart below illustrates the daily closing price per H Share from 1 January 2017 up to and including the Latest Practicable Date.



Note: The chart above has been prepared based on figures from Bloomberg where the H Share prices were not stated on the same “ex dividend” basis as mentioned in sub-section (b) below.

The H Shares traded below the Offer Price for over 85% of the trading days in the first half of 2017. The H Share price trended upwards since late June 2017 and reached HK\$4.30 on 7 August 2017. Since then the H Share price fluctuated in the range of HK\$3.45 to HK\$4.30 per H Share for the period from 8 August 2017 to 26 January 2018. As advised by the executive Directors, according to China Iron and Steel Association, the monthly average value of consolidated price index for domestic steel products increased by over 20% in the second half of 2017. On 29 January 2018, the Company published an announcement on estimated growth in profit in annual results of 2017, stating that, among other things, the net profit excluding non-recurring gains or losses attributable to shareholders of the Company is estimated to increase by approximately 180%, compared with the same period in 2016. Subsequently the H Shares reached a high of HK\$4.72 on 5 February 2018. During the rest of 2018, the H Share price fluctuated between HK\$3.32 to HK\$4.52.

The H Share price saw an increasing trend in the first few months of 2019 and closed at HK\$4.20 on 10 April 2019. During this period, the Company published an announcement on the estimated growth in profit in annual results of 2018 on 31 January 2019 before trading hours and a summary of 2018 annual results announcement, including the proposed final dividend for the year ended 31 December 2018, on 22 March 2019 before trading hours.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The H Share price was generally in a downward trend afterwards and closed at HK\$3.34 on 31 May 2019, being the last trading day prior to the issuance of the Rule 3.7 Announcement. The Company announced its 2019 first quarterly report on 26 April 2019 before trading hours. As set out in the report, for the three months ended 31 March 2019, net profit attributable to equity holders of the Company decreased by approximately 94% compared to the corresponding period of 2018. This may have contributed to the decrease in H Share price as discussed above.

On 2 June 2019, the Company published the Rule 3.7 Announcement in relation to the Equity Transfer. The H Share price closed at HK\$3.44 on 3 June 2019, the first trading day after the publication of the Rule 3.7 Announcement, representing a slight increase of approximately 3% comparing to the H Share closing price on the previous trading day, i.e. 31 May 2019. On the first day of dealings in the H Shares on an “ex dividend” basis in respect of the 2018 final dividends (i.e. 17 June 2019), the H Share price dropped from HK\$3.50 on 14 June 2019 to HK\$3.06. The drop of HK\$0.44 per H Share is somewhat higher than the amount of 2018 final dividend (i.e. HK\$0.35278 (including tax)).

The Company and the Offeror jointly announced the Offer on 23 July 2019 before trading hours. On the same day, the H Share price closed at HK\$3.00, representing a slight increase of approximately 3% over the closing price of HK\$2.92 on 22 July 2019. Since the publication of the Joint Announcement and up to and including the Latest Practicable Date, the H Shares closed at a price ranging from HK\$2.92 to HK\$3.03. The H Shares closed at HK\$2.93 as at the Latest Practicable Date, representing a slight discount of approximately 1.3% to the Offer Price.

(b) Offer price comparisons

On 22 March 2019, before trading hours of the H Shares on the Stock Exchange, the Company announced the summary of the annual results for the year ended 31 December 2018 and a final dividend of RMB0.31 per H Share (including tax) (equivalent to HK\$0.35278 (including tax) as extracted from the website of the Stock Exchange). The ex-entitlement date in respect of the final dividend was 17 June 2019. The prices of the H shares during the period between the announcement of final dividend and up to 14 June 2019 (the last trading day of the H Shares on a “cum dividend” basis), as quoted on the Stock Exchange, represented the “cum dividend” prices of the H Shares.

Since the H Shares are being acquired “ex dividend” under the Offer and the amount of final dividend is not immaterial, for the purposes of comparing “like with like”, we have compared the Offer Price with the prices of the H Shares on an “ex dividend” basis by deducting the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

final dividend of RMB0.31 per H Share (including tax) (equivalent to HK\$0.35278 (including tax) as extracted from the website of the Stock Exchange) from the closing H Share price as quoted on the Stock Exchange for the period from 22 March 2019 (the first trading day after the announcement of the final dividend by the Company) to 14 June 2019 (the last trading day of the H Shares on a “cum dividend” basis). On this basis, the Offer Price of HK\$2.97 per H Share represents:

- (i) a discount of approximately 13.16% to the average closing price of approximately HK\$3.42 per H Share for the last 120 trading days on an ex dividend basis up to and including the Last Trading Day;
- (ii) a discount of approximately 10.27% to the average closing price of approximately HK\$3.31 per H Share for the last 90 trading days on an ex dividend basis up to and including the Last Trading Day;
- (iii) a discount of approximately 4.19% to the average closing price of approximately HK\$3.10 per H Share for the last 60 trading days on an ex dividend basis up to and including the Last Trading Day;
- (iv) a discount of approximately 2.30% to the average closing price of approximately HK\$3.04 per H Share for the last 30 trading days on an ex dividend basis up to and including the Last Trading Day;
- (v) a premium of approximately 1.02% over the average closing price of approximately HK\$2.94 per H Share for the last 10 trading days up to and including the Last Trading Day;
- (vi) a premium of approximately 1.71% over the average closing price of approximately HK\$2.92 per H Share for the last 5 trading days up to and including the Last Trading Day;
- (vii) a premium of approximately 1.37% over the closing price of approximately HK\$2.93 per H Share as quoted on the Stock Exchange as at the Last Trading Day; and
- (viii) a premium of approximately 1.37% over the closing price of HK\$2.93 per H Share as quoted on the Stock Exchange as at the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(c) *Trading liquidity*

Set out in the table below are the monthly total trading volumes of the Company's H Shares and the percentages of such monthly total trading volumes to the total issued H Shares (which are all in public hands) during the period from 1 January 2017 up to and including the Latest Practicable Date:

	Monthly total trading volume of the Company's H Shares (Note 1)	Percentage of the monthly total trading volume of the Company's H Shares to the total issued H Shares of the Company (Note 2)
2017		
January	427,767,860	24.7%
February	521,626,166	30.1%
March	497,792,211	28.7%
April	310,310,483	17.9%
May	433,406,509	25.0%
June	476,362,102	27.5%
July	678,275,178	39.1%
August	1,192,522,016	68.8%
September	692,070,590	39.9%
October	441,385,145	25.5%
November	612,278,739	35.3%
December	296,181,604	17.1%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	Monthly total trading volume of the Company's H Shares (Note 1)	Percentage of the monthly total trading volume of the Company's H Shares to the total issued H Shares of the Company (Note 2)
2018		
January	989,067,523	57.1%
February	630,097,986	36.4%
March	659,503,900	38.1%
April	491,543,317	28.4%
May	356,718,712	20.6%
June	405,353,907	23.4%
July	550,785,824	31.8%
August	499,194,943	28.8%
September	593,503,538	34.2%
October	646,613,614	37.3%
November	768,422,590	44.3%
December	377,413,981	21.8%
2019		
January	440,246,518	25.4%
February	415,883,690	24.0%
March	380,525,106	22.0%
April	406,615,399	23.5%
May	321,985,441	18.6%
June	369,393,565	21.3%
July	311,720,545	18.0%
August	362,457,207	20.9%
From 1 September 2019 to the Latest Practicable Date	293,396,745	16.9%

Notes:

1. Source: Bloomberg
2. The calculation is based on the monthly total trading volume of the Company's H Shares divided by the total issued H Shares of the Company at the end of each month (or at the Latest Practicable Date for September 2019).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

From January 2017 to August 2019 (except for August 2017 and January 2018), the percentages of the monthly total trading volume of the H Shares to the total issued H Shares of the Company were within the range of approximately 17% to 44%, which we regard as generally high. The percentages of the monthly total trading volume of the H Shares to the total issued H Shares of the Company for August 2017 and January 2018 were approximately 69% and 57% respectively. The management of the Company advised us that they are not aware of any reasons for the higher trading volume in those months.

With trading volume of the H Shares exceeding 20% of the total issued H Shares of the Company during most of the period from January 2017 up to the Latest Practicable Date, we regard the H Shares are relatively actively traded, even before the publication of the Joint Announcement. However, if the Offer Shareholders were to sell a significant number of H Shares within a short period, it is possible that a downward pressure would be exerted on the market price of the H Shares.

(d) Peer comparison

As mentioned in the sub-section headed “Information and prospects of the Group” of this letter, the Group is principally engaged in the manufacture and sale of iron and steel products and related by-products. The market capitalisation of the Company was approximately HK\$23 billion as at the date immediately prior to the Latest Practicable Date. Accordingly, we have conducted a search on Bloomberg for companies (the “Comparable Companies”) listed on the Main Board of the Stock Exchange with closing market capitalisation as at the date immediately prior to the Latest Practicable Date over HK\$10 billion, which, based on their latest published annual reports available as at the date immediately prior to the Latest Practicable Date, are principally engaged in the iron and steel industry. We consider such criteria of market capitalisation to be reasonable for this purpose and the selection of the Comparable Companies in the table below based on the abovementioned criteria (similarity in terms of principal activities, as well as market capitalisation) is fair and representative while allowing a sufficient number of Comparable Companies to be obtained for the purpose of this analysis.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Comparable Companies set out in the table below represent an exhaustive list of companies comparable to the Company based on the above criteria.

Comparable Companies	Closing market capitalisation as at the date immediately prior to the Latest Practicable Date	Historical P/E (based on annual results for the year ended 31 December 2018)	Historical P/E (based on trailing twelve months earnings)	Historical P/B (Approximate times)
	<i>(HK\$' million)</i> <i>(Note 1)</i>	<i>(Approximate times)</i> <i>(Note 2)</i>	<i>(Approximate times)</i> <i>(Note 3)</i>	<i>(Approximate times)</i> <i>(Note 4)</i>
Angang Steel Company Limited (“ Angang ”) (stock code: 347)	30,969	2.87	4.64	0.44
Chongqing Iron & Steel Company Limited (“ Chongqing Iron ”) (stock code: 1053)	17,480	4.33	4.73	0.41
China Oriental Group Company Limited (“ China Oriental ”) (stock code: 581)	10,349	1.90	2.61	0.49
Mean (simple average)		3.03	3.99	0.45
Median		2.87	4.64	0.44
Maximum		4.33	4.73	0.49
Minimum		1.90	2.61	0.41
The Offer	22,738	3.37 <i>(Note 5)</i>	5.50 <i>(Note 6)</i>	0.75 <i>(Note 7)</i>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. Closing market capitalisations of the Comparable Companies and the Company are sourced from Bloomberg as at the date immediately prior to the Latest Practicable Date.
2. The historical P/Es of the Comparable Companies (based on annual results for the year ended 31 December 2018) are calculated based on their respective profit attributable to the shareholders of the Comparable Company (for the year ended 31 December 2018) as set out in their respective latest annual report available as at the date immediately prior to the Latest Practicable Date, their respective closing share price as at the date immediately prior to the Latest Practicable Date, and their respective total issued share capital as disclosed in the latest monthly return published on the website of the Stock Exchange immediately prior to the Latest Practicable Date.
3. The historical P/Es of the Comparable Companies (based on trailing twelve months earnings) are calculated based on their respective deduced profit attributable to the shareholders of the Comparable Company for the period from 1 July 2018 to 30 June 2019 by subtracting 2018 interim results from 2018 annual results and adding 2019 interim results as set out in their respective latest annual report and interim report/results announcement available as at the date immediately prior to the Latest Practicable Date, their respective closing share price as at the date immediately prior to the Latest Practicable Date, and their respective total issued share capital as disclosed in the latest monthly return published on the website of the Stock Exchange immediately prior to the Latest Practicable Date.
4. The historical P/Bs of the Comparable Companies are calculated based on their respective net asset value attributable to the shareholders of the Comparable Company as set out in their respective latest interim report/results announcement available as at the date immediately prior to the Latest Practicable Date, their respective closing share price as at the date immediately prior to the Latest Practicable Date, and their respective total issued share capital as disclosed in the latest monthly return published on the website of the Stock Exchange immediately prior to the Latest Practicable Date.
5. The implied P/E of the Company (based on the Group's 2018 annual results) is calculated based on the Offer Price of HK\$2.97 per H Share, the issued share capital of the Company of 7,700,681,186 as disclosed in the latest monthly return published on the website of the Stock Exchange immediately prior to the Latest Practicable Date, and the net profit attributable to owners of the parent of approximately RMB5,943,286,585 for the year ended 31 December 2018, which is translated to HK\$ at a rate of RMB0.87620 to HK\$1 (being the exchange rate as quoted by the People's Bank of China on the last working day before 31 December 2018).
6. The implied P/E of the Company (based on trailing twelve months earnings) is calculated based on the Offer Price of HK\$2.97 per H Share, the issued share capital of the Company of 7,700,681,186 as disclosed in the latest monthly return published on the website of the Stock Exchange immediately prior to the Latest Practicable Date, and the deduced net profit attributable to owners of the parent for the period from 1 July 2018 to 30 June 2019 by subtracting 2018 interim results from 2018 annual results and adding 2019 interim results.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

7. The implied P/B of the Company is calculated based on the Offer Price of HK\$2.97 per H Share, the issued share capital of the Company of 7,700,681,186, and the equity attributable to owners of the parent of approximately RMB26,945,085,961 as at 30 June 2019, which is translated to HK\$ at a rate of RMB0.87966 to HK\$1 (being the exchange rate as quoted by the People's Bank of China on the last working day before 30 June 2019).

(i) P/E ratio

As set out in the table above, based on annual results for the year ended 31 December 2018, the historical P/Es of the Comparable Companies range from approximately 1.9 time to 4.3 times, with a mean and median of approximately 3.0 times and 2.9 times respectively. The implied P/E of the Offer of approximately 3.4 times is higher than the mean and median of the historical P/Es of the Comparable Companies. As set out in the sub-section "Information and prospects of the Group" of this letter above, the Group recorded net profit excluding non-recurring gains or losses attributable to owners of the parent of approximately RMB5,092 million in 2018. On this basis, the implied P/E (on an adjusted basis) of the Offer is approximately 3.9 times. Based on the net profit excluding non-recurring gains or losses attributable to owners of the parent of Angang and Chongqing Iron as extracted directly from their respective latest annual report available as at the date immediately prior to the Latest Practicable Date (such adjusted figure are not shown in China Oriental's latest annual report), the historical P/Es of Angang and Chongqing Iron (on an adjusted basis) are approximately 3.4 times and 4.6 times respectively. The adjusted implied P/E of the Offer of approximately 3.9 times ranks between the adjusted historical P/Es of Angang and Chongqing Iron. Based on trailing twelve months earnings, the historical P/Es of the Comparable Companies range from approximately 2.6 time to 4.7 times, with a mean and median of approximately 4.0 times and 4.6 times respectively. On the same basis, the implied P/E of the Offer of approximately 5.5 times is higher than the range of the historical P/Es of the Comparable Companies, which we consider favourable to the Offer Shareholders.

(ii) P/B ratio

As set out in the table above, the historical P/Bs of the Comparable Companies range from approximately 0.4 time to 0.5 times, with a mean and median of approximately 0.45 times and 0.44 times respectively. The implied P/B of the Offer of approximately 0.75 times is above the range of the historical P/Bs of the Comparable Companies, which we consider favourable to the Offer Shareholders. Considering the above, we consider that the Offer Price, based on P/E and P/B analysis set out above, is fair to the Offer Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

DISCUSSION

(i) Circumstances giving rise to the Offer

As a result of the Equity Transfer which supports the PRC Government's overall policy and strategies in relation to the long-term development of the iron and steel industry, China Baowu has become the indirect holder of a controlling interest in A Shares representing approximately 45.54% of the total issued share capital and voting rights of the Company through Magang Group. This represents a change of control and consequently China Baowu (through its wholly-owned subsidiary, Baosteel) has been required under the terms of the Takeovers Code to make the Offer. The Offer is being made to all Offer Shareholders at an Offer Price of HK\$2.97 per H Share, which is equal to the volume weighted average price of the H Shares of the Company on the Stock Exchange on 31 May 2019, being the last trading day prior to the issuance of the Rule 3.7 Announcement, and deducted therefrom the final dividend declared and paid by the Company for the financial year ended 31 December 2018. The Offer is still conditional on the Offeror and parties acting in concert with it (except Hwabao Fund Management) achieving over 50% control of the voting rights of the Company so Offer Shareholders should be aware that it may not become unconditional.

(ii) Business of the Group

The principal activities of the Group involve manufacturing and sale of iron and steel products in the PRC. Consequently, the Group is exposed to factors including changes in iron ore supply and prices, demand and supply of steel products and their prices and overall market sentiment.

(iii) Profitability and prospects

The Group's net profit attributable to owners of the parent (excluding non-recurring gains or losses) increased by approximately 28% in 2018 as compared to 2017, mainly attributable to increase in gross margin of the Group's steel products. In the first half of 2019, the Group's results were affected mainly as a result of decrease in gross margin of the Group's steel products resulted from a decrease in steel sales volume and price and an increase in procurement price of certain raw materials and fuels. Going forward, while the executive Directors consider the long-term prospects of the Group remain generally positive, the Group continues to face uncertainties with respect to cyclical market factors such as cost pressures caused by rising prices of raw materials, risk of uncertain demand for steel products in certain industries and possibility of increase in supply in the industry.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(iv) Offer Price compared to market prices

The Offer Price is set at the volume weighted average price of the H Shares on the date of entering into the Equity Transfer Agreement. The Offer Price of HK\$2.97, on an “ex dividend” basis as discussed in the sub-section headed “Analysis of the Offer Price” of this letter above, represents a premium ranging from 1.02% to 1.71% for more recent periods up to and including the Last Trading Day, and a discount ranging from 2.30% to 13.16% over longer periods up to and including the Last Trading Day (with ex-dividend adjustment). As set out in the abovementioned sub-section, since around mid April 2019, the H Share price has generally shown a downward trend. The H Shares went further down after the publication of the Company’s 2019 first quarterly report and closed at HK\$3.34 on 31 May 2019, being the last trading day prior to the publication of the Rule 3.7 Announcement. Since the publication of the Joint Announcement and up to and including the Latest Practicable Date, the H Shares closed at a price ranging from HK\$2.92 to HK\$3.03. As at the Latest Practicable Date, the H Shares closed at HK\$2.93, representing a slight discount of approximately 1.3% to the Offer Price.

(v) Listing and liquidity of the H Shares

Baosteel has stated that it intends to maintain the listing status of the H Shares of the Company after the close of the Offer. Based on the table set out in this letter above, the trading volume of the H Shares has exceeded 20% of the H Shares in issue during most of the period from January 2017 up to the Latest Practicable Date, we regard as a relatively high level of liquidity, i.e. the “H” Shares are actively traded.

(vi) P/E, P/B and comparison with Comparable Companies

Based on annual results for the year ended 31 December 2018, the implied P/E of the Company at the Offer Price is higher than the mean and median of the historical P/Es of the Comparable Companies. On an adjusted basis, the implied P/E of the Company (based on annual results for the year ended 31 December 2018) at the Offer Price ranks between the historical P/Es of Angang and Chongqing Iron. On a trailing twelve months basis, the implied P/E of the Offer is higher than the range of the historical P/Es of the Comparable Companies, which we consider favourable to the Offer Shareholders. The implied P/B at the Offer Price of approximately 0.75 times (equivalent to a discount of approximately 25% to the net asset value per Share attributable to owners of the parent as at 30 June 2019) is above the range of the historical P/Bs of the Comparable Companies, which we consider favourable to the Offer Shareholders. Considering the above, we consider that the Offer Price, based on P/E and P/B analysis set out above, is fair to the Offer Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(vii) Dividend

Net profit excluding non-recurring gains or losses attributable to owners of the parent in 2016, 2017 and 2018 was approximately RMB1,410 million, RMB3,969 million and RMB5,092 million respectively. The Group did not declare dividend in 2016. Total dividend per H Share of the Company for the financial year ended 2017 and 2018 was RMB0.165 and RMB0.36 respectively. For the six months ended 30 June 2019, the Group recorded net profit attributable to owners of the parent of approximately RMB1,145 million, representing a drop of approximately 67% as compared with approximately RMB3,429 million in the same period of 2018. The Group did not declare interim dividend for the six months ended 30 June 2019.

(viii) Appropriate basis

This case is unusual. Normally, when an offer is triggered under Rule 26.1 of the Takeovers Code, the offer price is set by the terms of the acquisition of shares which triggers the offer. In this case, there was no consideration for the Equity Transfer so the offer price has been set by reference to the average share price (ex dividend) on 31 May 2019, the last trading day before the publication of the Rule 3.7 Announcement. In the circumstances we consider this an appropriate basis, and in assessing the fairness and reasonableness of the Offer, we have also taken particular account of: (i) the premiums over the closing Share prices for more recent periods as set out above before the Last Trading Day; (ii) the financial performance of the Group in the first half of 2019 and the uncertain market factors which affect the Group's prospects in the near-term; and (iii) the peer comparisons of the implied P/E and P/B of the Company at the Offer Price as summarised above.

OPINION AND RECOMMENDATION

Based on the above principal factors and reasons and as summarised in the section headed "Discussion" and the sub-paragraph headed "Appropriate basis" above, we consider the terms of the Offer are fair and reasonable so far as the Offer Shareholders are concerned and advise the Independent Board Committee to recommend the Offer Shareholders to accept the Offer, with the provisos set out below.

Offer Shareholders should note that the H Shares closed at a price ranging from HK\$2.92 to HK\$3.03 since the publication of the Joint Announcement and up to and including the Latest Practicable Date. As at the Latest Practicable Date, the H Shares closed at HK\$2.93, representing a slight discount of approximately 1.3% to the Offer Price. If the market price of the H Shares exceed the Offer Price, Offer Shareholders who are inclined to accept the Offer should instead sell their H Shares in the market if the sales proceeds, net of transaction costs, exceed HK\$2.97 per H Share. We regard the liquidity of the H Shares as relatively strong, so Offer Shareholders should be able to follow this strategy if they so wish.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Offer Shareholders who are attracted to the prospects of the Group and the iron and steel industry may consider retaining their H Shares. Such Offer Shareholders should bear in mind possibility of a temporary suspension in trading of the H Shares following the close of the Offer if the public float requirement is not met. The Directors and the directors of Baosteel will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that the sufficient public float exists in the shares of the Company following the close of the Offer.

Offer Shareholders are reminded to monitor carefully the market price and liquidity of the H Shares during the Offer Period.

The procedures for acceptance of the Offer are set out in Appendix I to the Composite Document. Offer Shareholders are urged to read carefully the Composite Document and appendices and act according to the timetable if they wish to accept the Offer.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Stephanie Chow
Director

Ms. Stephanie Chow is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. She has over ten years' experience in the corporate finance industry.

1. GENERAL PROCEDURES FOR ACCEPTANCE OF THE OFFER

- (a) To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Offer.
- (b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your H Share(s) is/are in your name, and you wish to accept the Offer, you must send the duly completed and signed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), by post or by hand, to the Registrar at Rooms 1712–1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong in an envelope marked “**Maanshan Iron & Steel Company Limited – General Offer**” to be received by the Registrar no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and the Offeror and the Company may jointly announce with the consent of the Executive in accordance with the Takeovers Code.
- (c) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your H Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your H Shares, you must either:
 - (i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the duly completed and signed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

- (ii) arrange for the H Shares to be registered in your name by the Company through the Registrar, and send the duly completed and signed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
 - (iii) if your H Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited (which is normally one Business Day before the latest date on which acceptances of the Offer must be received by the Registrar). In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
 - (iv) if your H Shares have been lodged with your investor participant's account maintained with CCASS, give your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited (which is normally one Business Day before the latest date on which acceptances of the Offer must be received by the Registrar).
- (d) If the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your H Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Offer in respect of your H Shares, the accompanying Form of Acceptance should nevertheless be completed, signed and delivered to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and/or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share

certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar. The Offeror shall have absolute discretion to decide whether any Shares in respect of which the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title is/are not readily available and/or is/are lost will be taken up by the Offeror.

- (e) If you have lodged transfer(s) of any of your H Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Offer in respect of your H Shares, you should nevertheless complete and sign the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable instruction and authority to CICC and/or the Offeror or their respective agent(s) to collect from the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s) to the Registrar as if it was/they were delivered to the Registrar with the accompanying Form of Acceptance.
- (f) Acceptance of the Offer will be treated as valid only if the duly completed and signed Form of Acceptance is received by the Registrar by no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce with the consent of the Executive in accordance with the Takeovers Code and the Registrar has recorded that the acceptance and the relevant documents as required under this paragraph have been so received, and is:
 - (i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if the Share certificate(s) is/are not in your name, such other documents (for example a duly stamped transfer of the relevant Share(s) in blank or in your favour executed by the registered holder) in order to establish your right to become the registered holder of the relevant H Shares; or
 - (ii) from a registered Offer Shareholder or his/her/its personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to H Shares which are not taken into account under another sub-paragraph of this paragraph (f)); or
 - (iii) certified by the Registrar or the Stock Exchange.

- (g) If the Form of Acceptance is executed by a person other than the registered Offer Shareholder, appropriate documentary evidence of authority (for example grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.
- (h) No acknowledgement of receipt of any Form(s) of Acceptance, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.
- (i) If the Offer does not become, or is not declared, unconditional as to acceptances on the Closing Date, the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) received by the Registrar will be returned to the Offer Shareholders who have accepted the Offer by ordinary post at the Offer Shareholders' own risk as soon as possible but in any event within 10 days after the Offer has lapsed.

2. ACCEPTANCE PERIOD AND REVISIONS

- (a) Unless the Offer has become or been declared unconditional, or has previously been revised or extended, with the consent of the Executive, in accordance with the Takeovers Code, the Form of Acceptance must be received by 4:00 p.m. on the Closing Date in accordance with the instructions printed on the relevant Form of Acceptance, and the Offer will be closed on the Closing Date. The Offer is conditional upon the Offeror having received acceptances in respect of the H Shares which, together with the Shares already owned by the Offeror and parties acting in concert with it (except Hwabao Fund Management) and acquired or agreed to be acquired before or during the Offer Period, will result in the Offeror and parties acting in concert with it (except Hwabao Fund Management) holding in aggregate more than 50 per cent. of the voting rights of the Company.
- (b) The Offeror and the Company will jointly issue an announcement in accordance with the Takeovers Code through the websites of the Stock Exchange and the Company by no later than 7:00 p.m. on the Closing Date stating whether the Offer has been extended, revised or has expired or has become or been declared unconditional.
- (c) In the event that the Offeror decides to extend the Offer, at least 14 days' notice by way of announcement will be given, before the latest time and date for acceptance of the Offer, to those Offer Shareholders who have not accepted the Offer.

- (d) If the Offeror revises the terms of the Offer, all Offer Shareholders, whether or not they have already accepted the revised Offer will be entitled to the revised terms. The revised Offer must be kept open for at least 14 days following the date on which the revised offer document is posted and shall not be closed earlier than the Closing Date.
- (e) If the Closing Date of the Offer is extended, any reference in this Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Offer so extended.

3. ANNOUNCEMENT

- (a) As required under Rule 19 of the Takeovers Code, by 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension, expiry unconditionality of the Offer. The Offeror must publish an announcement in accordance with the requirements of the Takeovers Code by 7:00 p.m. on the Closing Date stating whether the Offer has been extended, revised or has expired or has become or been declared unconditional.

Such announcement must state the following:

- (i) the total number of H Shares for which acceptances of the Offer have been received;
- (ii) the total number of A Shares and H Shares held, controlled or directed by the Offeror and parties acting in concert with it (except Hwabao Fund Management) before the Offer Period;
- (iii) the total number of A Shares and H Shares acquired or agreed to be acquired by the Offeror and parties acting in concert with it (except Hwabao Fund Management) during the Offer Period;
- (iv) details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror and parties acting in concert with it (except Hwabao Fund Management) have borrowed or lent, save for any borrowed securities which have been either on-lent or sold; and

- (v) the percentages of the relevant classes of issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers.
- (b) In computing the total number of H Shares represented by acceptances, only valid acceptances in complete and good order and which have been received by the Registrar no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offer, shall be included.
- (c) As required under the Takeovers Code and the Listing Rules, any announcement in relation to the Offer will be published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (<http://www.magang.com.hk>) and made in accordance with the Listing Rules.

4. NOMINEE REGISTRATION

To ensure equality of treatment to all Offer Shareholders, those registered Offer Shareholders who hold the H Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the H Shares whose investments are registered in the names of nominees (including those whose H Shares are held through CCASS) to provide instructions to their nominees of their intentions with regard to the Offer.

5. RIGHT OF WITHDRAWAL

- (a) Acceptance of the Offer tendered by the Offer Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in subparagraph (b) below or in compliance with Rule 17 of the Takeovers Code, which provides that an acceptor shall be entitled to withdraw his acceptance of the Offer after twenty one (21) days from the first Closing Date if the Offer has not by then become unconditional as to acceptances. An acceptor may withdraw his acceptance of the Offer by lodging a notice in writing signed by the acceptor (or his agent duly appointed in writing and evidence of whose appointment is produced together with the notice) to the Registrar or the company secretary of the Company, as the case may be.

- (b) If the Offeror is unable to comply with the requirements set out in paragraph 3 of this Appendix I headed “Announcement” above, the Executive may require pursuant to Rule 19.2 of the Takeovers Code that the Offer Shareholders who have tendered acceptances of the Offer, be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements of Rule 19 of the Takeovers Code are met. In such case, when the Offer Shareholders withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form(s) of Acceptance to the relevant Offer Shareholder(s).

6. SETTLEMENT OF THE OFFER

- (a) Provided that the accompanying Form of Acceptance for the H Shares, together with the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are valid, complete and in good order and have been received by the Registrar no later than 4:00 p.m. on the Closing Date, a cheque for the amount due to each of the accepting Offer Shareholders in respect of the H Shares tendered under the Offer (less seller’s ad valorem stamp duty payable by him/her/it) will be despatched to the accepting Offer Shareholders by ordinary post at his/her/its own risk as soon as possible but in any event within seven Business Days following the date on which the Offer becomes, or is declared, unconditional and the date of receipt of all relevant documents to render such acceptance complete and valid by the Registrar in accordance with the Takeovers Code, whichever is the later.
- (b) Settlement of the consideration to which any accepting Offer Shareholder is entitled under the Offer will be paid by the Offeror in full in accordance with the terms of the Offer (save in respect of the payment of seller’s ad valorem stamp duty, as the case may be) set out in this Composite Document (including this Appendix I) and the accompanying Form of Acceptance, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Offer Shareholder.

- (c) No fraction of a cent will be payable and the amount of consideration payable to an Offer Shareholder who accepts the Offer will be rounded up to the nearest cent.
- (d) Cheque(s) not presented for payment within six months from the date of issue of the relevant cheque will not be honoured and will be of no further effect, and in such circumstances cheque holders should contact the Offeror for payment.

7. OVERSEAS H SHAREHOLDERS

The Composite Document will not be filed under any laws or rules of any jurisdiction other than Hong Kong. The availability of the Offer to any persons not resident in Hong Kong may be affected by the applicable laws of the relevant overseas jurisdiction. The making of the Offer to the Offer Shareholders whose registered addresses are in jurisdictions outside Hong Kong may be prohibited or affected by the laws or regulations of the relevant jurisdictions. Such Overseas H Shareholders who are citizens, residents or nationals of a jurisdiction outside of Hong Kong and who wish to accept the Offer should inform themselves about and observe any applicable requirements in their own jurisdictions and, where necessary, seek legal advice. It is the responsibility of the Overseas H Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions) and, where necessary, consult their own professional advisers.

Acceptance of the Offer by any Overseas H Shareholder will constitute a warranty by any such person that such person (i) is permitted under all applicable laws to receive and accept the Offer, and any revision thereof; (ii) has observed all the applicable laws and regulations of the relevant jurisdiction in connection with such acceptance, and (iii) has complied with any other necessary formality or legal requirement and has paid any issue, transfer or other taxes due in such jurisdiction, and that such acceptance shall be valid and binding in accordance with all applicable laws.

8. HONG KONG STAMP DUTY AND TAX IMPLICATIONS

- (a) Seller's ad valorem stamp duty at a rate of 0.1% of the market value of the H Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the amount payable to the relevant Shareholder on acceptance of the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of accepting Offer Shareholders and pay the buyer's ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the H Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).
- (b) Offer Shareholders are recommended to consult their own professional advisers if they are in any doubt to the taxation implications of accepting or rejecting the Offer. None of the Offeror and parties acting in concert with it, the Company, CICC, CLSA, Somerley and the Registrar, and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer accepts any responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.
- (c) Any Offer Shareholder accepting the Offer will be responsible for payment of any transfer or cancellation or other taxes or duties payable in respect of the relevant jurisdiction due by such persons.
- (d) This Composite Document does not include any information in respect of overseas taxation. Offer Shareholders who may be subject to overseas tax are recommended to consult their own tax advisers regarding the implications in the relevant jurisdictions of owning and disposing H Shares.

9. GENERAL

- (a) All communications, notices, Form of Acceptance, certificates, transfer receipts and other documents of title and/or of indemnity and/or of any other nature to be sent to the Offer Shareholders will be sent to them, or their designated agents, by ordinary post to the Offer Shareholders' addresses as they appear in the register of members of the Company, or in the case of joint Offer Shareholders, to the Offer Shareholder whose name appears first in the register of members, at their own risk. None of the Offeror and parties acting in concert with it, the Company, CICC, CLSA, Somerley and the Registrar, and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer accepts any liability for any loss or any other liabilities whatsoever which may arise as a result thereof.
- (b) Acceptance of the Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror and CICC that the H Shares tendered under the Offer (together with all rights attaching to them as at the date on which the Offer is made or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid by the Company on or after the date on which the Offer is made, i.e., the date of this Composite Document), are sold by such person or persons free from all Encumbrances whatsoever and any other third party rights of any nature.
- (c) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of H Shares in respect of which it is indicated in the Form of Acceptance is the aggregate number of H Shares held by such nominee for such beneficial owners who accept the Offer.
- (d) The provisions set out in the accompanying Form of Acceptance form part of the terms of the Offer.
- (e) The accidental omission to despatch this Composite Document and/or the accompanying Form of Acceptance or either of them to any person to whom the Offer is made shall not invalidate the Offer in any way.

- (f) The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong. Execution of a Form of Acceptance by and on behalf of an Offer Shareholder will constitute such Offer Shareholder's agreement that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute which may arise in connection with the Offer.
- (g) Due execution of the Form of Acceptance will constitute an authority to the Offeror and/or CICC and/or such person or persons as any of them may direct to complete and execute any document on behalf of the person accepting the Offer, and to do any other act that may be necessary or expedient for the purpose of vesting in the Offeror, or such person or persons as it may direct the H Shares in respect of which such person has accepted the Offer.
- (h) The Offer is made in accordance with the Takeovers Code. The Composite Document and the accompanying Form of Acceptance have been prepared for the purposes of compliance with the legislative and regulatory requirements applicable in respect of the Offer in Hong Kong and the operating rules of the Stock Exchange.

10. INTERPRETATION

- (a) The English texts of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese texts in the case of inconsistency.
- (b) A reference in this Composite Document to an Offer Shareholder includes a reference to a person(s) who, by reason of an acquisition or transfer of H Shares, is entitled to execute a Form of Acceptance and in the event of more than one person executing a Form of Acceptance, the provisions of this Composite Document apply to them jointly and severally.
- (c) A reference in this Composite Document and the accompanying Form of Acceptance to the Offer includes any extension and/or revision thereof.

- (d) A reference in this Composite Document and the accompanying Form of Acceptance to the masculine gender includes the feminine and neuter genders, and a reference to the singular includes the plural, and vice versa.
- (e) The English transliteration of the Chinese name(s) in this Composite Document, where indicated by an asterisk (*), is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).
- (f) A reference to any Appendix, paragraphs and any sub-paragraphs of them is a reference to the Appendices to, and paragraphs of, this Composite Document and any sub-paragraphs of them, respectively.
- (g) A reference to time of the day is to Hong Kong time.
- (h) A reference to any statute or statutory provision include a statute or statutory provision which amends, consolidates or replaces the same whether before or after the date of this Composite Document.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2016, 2017 AND 2018 AND FOR THE SIX MONTHS ENDED 30 JUNE 2019

The following is a summary of the financial results of the Group for each of the three years ended 31 December 2016, 2017 and 2018 (as extracted from the annual reports of the Company for the relevant years) and for the six months ended 30 June 2019 (as extracted from the 2019 interim report of the Company).

Unit: RMB

	For the six months		For the year ended 31 December	
	ended 30 June 2019 (unaudited)	2018 (audited)	2017 (audited)	2016 (audited)
Revenue	37,026,693,821	81,951,813,488	73,228,029,624	48,275,100,310
Profit before taxation	1,657,293,672	8,238,923,928	5,808,966,563	1,368,575,540
Income tax (expense)	(239,613,971)	(1,180,935,234)	(736,728,434)	(111,880,234)
Profit/(Loss) attributable to				
– Owners of the Company	1,144,660,011	5,943,286,585	4,128,939,861	1,228,892,407
– Non-controlling interests	273,019,690	1,114,702,109	943,298,268	27,802,899
Comprehensive income for the period attributable to				
– Owners of the Company	1,142,480,550	5,922,379,984	4,124,047,255	1,275,079,504
– Non-controlling interests	273,019,690	1,114,702,109	941,670,480	28,715,208
Earnings per share				
Basic and diluted	14.86 cents	77.18 cents	53.62 cents	15.96 cents
Total dividends	Nil	2,772,245,227	1,270,612,396	Nil
Dividends per share	Nil	0.36	0.165	Nil

The Group had no exceptional items because of size, nature or incidence for each of the financial years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019.

The auditors of the Company for the three years ended 31 December 2016, 2017 and 2018 were Ernst & Young Hua Ming LLP (Special General Partnership). Their opinions on the consolidated financial statements of the Group for each of the three years ended 31 December 2016, 2017 and 2018 were unqualified.

2. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2016, 2017 AND 2018

The Company is required to set out or refer to in this Composite Document the consolidated statements of profit or loss, the consolidated statements of financial position, the consolidated statements of cash flows, and any other primary statements as shown in the (i) audited consolidated financial statements of the Group for the year ended 31 December 2016, together with significant accounting policies and any points from the notes to the relevant published accounts which are of major relevance to an appreciation of the above financial information (the “**2016 Financial Statements**”); (ii) audited consolidated financial statements of the Group for the year ended 31 December 2017, together with significant accounting policies and any points from the notes to the relevant published accounts which are of major relevance to an appreciation of the above financial information (the “**2017 Financial Statements**”); and (iii) audited consolidated financial statements of the Group for the year ended 31 December 2018, together with significant accounting policies and any points from the notes to the relevant published accounts which are of major relevance to an appreciation of the above financial information (the “**2018 Financial Statements**”).

The 2016 Financial Statements are set out from page 86 to 295 in the 2016 Annual Report which was published on 27 April 2017. The 2016 Annual Report is available on the websites of the Stock Exchange (<http://www.hkexnews.com>) and the Company (<http://www.magang.com.hk>) and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0427/ltn201704272084.pdf>

The 2017 Financial Statements are set out from page 97 to 307 in the 2017 Annual Report which was published on 26 April 2018. The 2017 Annual Report is available on the websites of the Stock Exchange (<http://www.hkexnews.com>) and the Company (<http://www.magang.com.hk>) and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0426/ltn20180426091.pdf>

The 2018 Financial Statements are set out from page 106 to 375 in the 2018 Annual Report which was published on 26 April 2019. The 2018 Annual Report is available on the websites of the Stock Exchange (<http://www.hkexnews.com>) and the Company (<http://www.magang.com.hk>) and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0426/ltn20190426177.pdf>

The 2016 Financial Statements, 2017 Financial Statements and 2018 Financial Statements (but not any other parts of the 2016 Annual Report, 2017 Annual Report and 2018 Annual Report, in which they respectively appear) are incorporated by reference into this Composite Document and form part of this Composite Document.

3. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2019

The Company is required to set out or refer to in this Composite Document the consolidated statement of profit or loss and the consolidated statement of financial position as shown in the unaudited financial results of the Group for the six months ended 30 June 2019, and significant accounting policies together with any points from the notes to the relevant published accounts which are of major relevance to an appreciation of the above financial information (“**2019 Interim Financial Statements**”).

The 2019 Interim Financial Statements are set out from page 60 to 283 in the 2019 Interim Report which was published on 24 September 2019. The 2019 Interim Report is available on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.magang.com.hk>), and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0924/ltn20190924215.pdf>

The 2019 Interim Financial Statements (but not any other parts of the 2019 Interim Report) are incorporated by reference into this Composite Document and form part of this Composite Document.

4. INDEBTEDNESS OF THE GROUP

Borrowings

As at 30 June 2019, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this Composite Document, the Group had total borrowings (represented by the sum of short-term and long-term loans) of approximately RMB15,367,178,698. Details of the total borrowings are summarised below:

Short-term loans

	30 June 2019
	Unaudited
Pledged loans (<i>Note 1</i>)	3,510,090
Guaranteed loans (<i>Note 2</i>)	1,050,000,000
Unsecured loans	6,501,896,883
Inward documentary notes and letters of credit	<u>3,431,220,137</u>
	<u><u>10,986,627,110</u></u>

Note 1: The Group obtained the bank loan of RMB3,510,090 on 30 June 2019 by pledging bank acceptance notes.

Note 2: The guaranteed loans were provided by Magang Group for free.

As of 30 June 2019, the annual interest rates of the above short-term loans ranged from 2.830% to 5.050%.

As of 30 June 2019, the Group has no overdue short-term loans.

Long-term loans

	30 June 2019
	Unaudited
Guaranteed loans (<i>Note</i>)	1,336,396,688
Unsecured loans	<u>3,044,154,900</u>
	4,380,551,588
Less: long-term loans due within one year	<u>1,489,682,792</u>
	<u><u>2,890,868,796</u></u>

Note: The guaranteed loans provided by Magang Group for free.

As at 30 June 2019, the annual interest rates of the above long-term loans ranged from 1.20% to 5.94%.

Analysis on the due date of long-term loans is as follows:

	30 June 2019
	Unaudited
*Within one year or on demand	1,489,682,792
One to two years (inclusive)	2,242,168,796
Two to three years (inclusive)	550,000,000
Three to five years (inclusive)	85,500,000
Over five years	<u>13,200,000</u>
	<u><u>4,380,551,588</u></u>

As of 30 June 2019, the Group had no long-term loans due within one year of the pledge of the notes.

Restricted Assets

	30 June 2019	
	Unaudited	
Cash and bank balances	2,034,340,961	<i>Note 1</i>
Financing receivables	<u>3,939,274,809</u>	<i>Note 2</i>
	<u><u>5,973,615,770</u></u>	

Note 1: As of 30 June 2019, the Group's restricted cash and bank balances including cash deposits as collateral amounting to RMB1,059,571,401 pledged as security for trade facilities and performance for bank acceptance notes and guarantees, and mandatory reserves of finance company with the central bank of RMB974,769,560.

Note 2: As of 30 June 2019, there was bank acceptance notes amounting to RMB3,935,764,719 pledged for receiving bank acceptance notes, and amounting to RMB3,510,090 pledged for receiving short-term loans.

Disclaimer

Save as disclosed above and apart from intra-group liabilities and normal trade payables in the ordinary course of business of the Group, as at 30 June 2019, the Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowings including bank overdrafts or loans, or other similar indebtedness, mortgages, charges, or guarantees or other material contingent liabilities.

5. MATERIAL CHANGE

Save as disclosed below, the Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

(1) **Decrease in unaudited consolidated net profit attributable to owners of the parent for the six months ended 30 June 2019**

As disclosed in the Company's 2019 interim report (the "**Interim Report**"), for the six months ended 30 June 2019, the Group recorded (i) revenue amounted to approximately RMB37.027 billion, representing a decrease of approximately 7.6% compared with the same period last year mainly due to the decrease in steel sales price and sales volume during the period; and (ii) net profit attributable to owners of the parent of approximately RMB1.145 billion, representing a decrease of approximately 66.6% compared with the same period last year. The decrease in net profit was mainly due to a decrease in the gross margin of the steel products of the Group resulted from a decrease in steel sales volume and price, and an increase in procurement price of certain raw materials and fuels in the six months ended 30 June 2019. Further details are set out in the Interim Report.

(2) **The Equity Transfer and Offer**

As set out in the Completion Announcement, Completion took place on 19 September 2019. Immediately after Completion and as at the Latest Practicable Date, China Baowu held 51% of the equity interest in Magang Group, and had, through Magang Group, obtained indirect control of the A Shares held by Magang Group, representing approximately 45.54% of the total issued shares of the Company, whereas Anhui SASAC continued to hold 49% of the equity interest in Magang Group. Pursuant to the Takeovers Code, China Baowu is required to make a mandatory conditional general offer in cash for all the issued H Shares (other than those already owned or agreed to be acquired by Baosteel and parties acting in concert with it). Further details regarding the Equity Transfer and the Offer are set out in the Joint Announcement, Completion Announcement and the "Letter from CICC" contained in this Composite Document.

1. RESPONSIBILITY STATEMENT

The directors of China Baowu and Baosteel jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than any information relating to the Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the directors of the Company) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. MARKET PRICES OF THE H SHARES

The closing price of the H Shares as quoted on the Stock Exchange on (i) the Latest Practicable Date; (ii) the Last Trading Day; (iii) the last business day immediately preceding the Rule 3.7 Announcement; and (iv) at the end of each calendar month during the Relevant Period, are set out as follows:

Date	Closing price per H Share HK\$
31 December 2018	3.45
31 January 2019	3.74
28 February 2019	3.74
29 March 2019	3.84
30 April 2019	3.61
31 May 2019 (being the last business day immediately preceding the Rule 3.7 Announcement)	3.34
28 June 2019	3.10
19 July 2019 (being the Last Trading Day)	2.93
31 July 2019	3.00
30 August 2019	2.94
27 September 2019 (being the Latest Practicable Date)	2.93

Highest and lowest H Share prices

During the Relevant Period, the highest closing price of the H Shares as quoted on the Stock Exchange was HK\$4.20 on 10 April 2019, and the lowest closing price of the H Shares as quoted on the Stock Exchange was HK\$2.89 on 16 July 2019.

3. SHAREHOLDINGS IN THE COMPANY

As at the Latest Practicable Date, Baosteel did not own or control any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

Baosteel is a direct wholly owned subsidiary of China Baowu. As at the Latest Practicable Date, China Baowu held 51 per cent. of the equity interest in Magang Group, and Magang Group in turn held 3,506,467,456 A Shares, representing approximately 45.54 per cent. of the total issued share capital of the Company.

Hwabao Fund Management is an indirect non-wholly owned subsidiary of China Baowu and is presumed to be acting in concert with the Offeror. Hwabao Fund Management principally engages in, amongst others, fund management activities. In particular, Hwabao Fund Management acts as a fund manager in its ordinary course of business in relation to certain retail index tracker funds which make investment either in accordance with, or based upon a quantitative model pre-determined based on, amongst others, the underlying constituent stocks of the relevant indices (which include the A Shares and the H Shares). Under such circumstances, during the Relevant Period, Hwabao Fund Management (as the fund manager of the relevant retail index tracker funds managed by it) has dealt in the A Shares and the H Shares, with no discretion involved and acting in a passive role, in the ordinary and usual course of its business (i) when there was a change in the composition or proportion of the constituent stocks of any of the relevant underlying indices (or, in the case of one of those funds, when there was a change in other underlying stock determined in accordance with the aforementioned pre-determined quantitative model) or (ii) when investors redeemed any fund units held or purchased any new fund units. Such dealings in the A Shares and the H Shares might be at a price above or below the Offer Price.

It is expected that Hwabao Fund Management would continue with dealings of a similar nature in the A Shares and/or the H Shares during the remaining part of the Offer Period. Pursuant to applicable PRC laws and regulations, public disclosure by Hwabao Fund Management of such dealings in the A Shares and the H Shares is prohibited. The disclosures under the Takeovers Code in relation to such dealings during the Relevant Period and in the remaining part of the Offer Period will be by private disclosure to the Executive. Further, Hwabao Fund Management will apply to the Executive for its consent and waiver in respect of the requirements under Rule 21.2 of the Takeovers Code in relation to the relevant dealings to permit disposals by Hwabao Fund Management of securities in the Company during the Offer Period. The Executive has indicated that it is minded to grant such consent and waiver.

As at the Latest Practicable Date, Hwabao Fund Management (as the fund manager of the relevant retail index tracker funds managed by it) was interested in certain number of A Shares and H Shares.

In view of the nature of the interest and dealings in the Shares by Hwabao Fund Management, the interest of Hwabao Fund Management in the voting rights of the Company will be excluded when determining the voting rights of the Company held or to be held by Baosteel or parties acting in concert with it for the purposes of the Acceptance Condition, and that such dealings in the Shares by Hwabao Fund Management do not affect the offer price for the H Share Offer.

4. DEALINGS IN SHARES

- (a) As at the Latest Practicable Date, none of the directors of Baosteel were interested within the meaning of Part XV of the SFO in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;

- (b) During the Relevant Period, save for (i) the Equity Transfer Agreement; (ii) the dealings by Hwabao Securities (being an indirect non-wholly-owned subsidiary of China Baowu, which is presumed to be acting in concert with Baosteel) as set out below; (iii) the dealings by Hwabao Fund Management (being an indirect non-wholly-owned subsidiary of China Baowu, which is presumed to be acting in concert with Baosteel) as mentioned under the section headed “3. Shareholdings in the Company” above; (iv) the dealings in Shares by CICC group on behalf of non-discretionary investment clients, none of Baosteel, the directors of Baosteel or parties acting in concert with Baosteel had dealt for value in any Shares or any other convertible securities, warrants, options or derivatives in respect of any Shares:

Set out below are the dealings in A Shares by Hwabao Securities during the Relevant Period:

Trading Date (yyyy/mm/dd)	Purchase/Sale	Number of A Shares bought /sold	Transfer price per A Share <i>(RMB)</i>
2018/12/07	Purchase	12,800	3.644
2018/12/07	Sale	17,700	3.732
2018/12/14	Purchase	3,500	3.601
2018/12/14	Sale	1,400	3.644
2018/12/21	Purchase	284,200	3.474
2018/12/21	Sale	41,300	3.612
2018/12/28	Purchase	33,000	3.457
2018/12/28	Sale	32,900	3.446
2019/01/04	Purchase	500	3.310
2019/01/04	Sale	147,200	3.300
2019/01/11	Purchase	164,700	3.456
2019/01/11	Sale	68,600	3.415
2019/01/18	Purchase	42,500	3.564
2019/01/18	Sale	10,300	3.562
2019/01/25	Purchase	437,500	3.601
2019/01/25	Sale	569,000	3.639
2019/02/01	Purchase	54,200	3.590

Trading Date (yyyy/mm/dd)	Purchase/Sale	Number of A Shares bought /sold	Transfer price per A Share (RMB)
2019/02/01	Sale	31,700	3.599
2019/02/15	Purchase	51,700	3.684
2019/02/22	Purchase	23,100	3.696
2019/02/22	Sale	125,000	3.677
2019/03/01	Purchase	9,800	3.961
2019/03/01	Sale	118,000	3.922
2019/03/04	Purchase	199,900	4.013
2019/03/05	Sale	20,900	4.010
2019/03/06	Sale	275,600	4.147
2019/03/07	Purchase	900	4.120
2019/03/07	Sale	3,300	4.090
2019/03/08	Purchase	9,200	4.010
2019/03/08	Sale	800	4.020
2019/03/11	Purchase	17,600	3.920
2019/03/11	Sale	1,400	3.890
2019/03/13	Purchase	9,500	3.960
2019/03/14	Purchase	1,800	3.950
2019/03/14	Sale	34,500	3.970
2019/03/15	Sale	7,100	3.970
2019/03/18	Sale	100,500	3.981
2019/03/19	Sale	5,300	4.070
2019/03/20	Purchase	14,000	4.013
2019/03/21	Sale	2,100	4.020
2019/03/22	Sale	324,400	4.039

- (c) As at the Latest Practicable Date, save and except (i) the 3,406,467,456 A Shares indirectly controlled by China Baowu held through Magang Group; (ii) certain number of A Shares and H Shares in which Hwabao Fund Management was interested as mentioned in the section headed “3. Shareholdings in the Company” above; (iii) Shares held by CICC group on behalf of non-discretionary investment clients, none of Baosteel and the parties acting in concert with it owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;

- (d) As at the Latest Practicable Date, no person who owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares had, prior to the date of despatch of this Composite Document, irrevocably committed themselves to accept or reject the H Share Offer;
- (e) As at the Latest Practicable Date, no person with whom Baosteel and any person acting in concert with Baosteel has any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (f) As at the Latest Practicable Date, no arrangement of any kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code exists between Baosteel and parties acting in concert with it on one hand and any other person on the other hand; and
- (g) As at the Latest Practicable Date, none of Baosteel and parties acting in concert with it had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in respect of any Shares.

5. OTHER ARRANGEMENTS IN RELATION TO THE OFFER

As at the Latest Practicable Date:

- (a) there was no agreement, arrangement or understanding that any securities acquired pursuant to the Offer will be transferred, charged, or pledged to any other persons;
- (b) no benefit (other than any statutory compensation required under applicable laws) will be given to any directors of the Company as compensation for loss of office or otherwise in connection with the Offer;
- (c) there was no agreement, arrangement or understanding (including any compensation arrangement) existing between Baosteel or any person acting in concert with it and any of the Directors, recent directors, shareholders or recent shareholders of the Company having any connection with or dependence upon the Offer;

- (d) there was no agreement or arrangement to which Baosteel is a party which relate to the circumstances in which Baosteel may or may not invoke or seek to invoke a condition the Offer;
- (e) there was no consideration, compensation or benefit in whatever form paid or to be paid by Baosteel or any person acting in concert with Baosteel to any of Anhui SASAC or any person acting in concert with Anhui SASAC in connection with the Equity Transfer;
- (f) there was no understanding, arrangement or agreement which would constitute a special deal under Rule 25 of the Takeovers Code between Baosteel and any person acting in concert with Baosteel on the one hand and Anhui SASAC and any person acting in concert with Anhui SASAC on the other hand; and
- (g) there was no understanding, arrangement or agreement or special deal under Rule 25 of the Takeovers Code between (i) any shareholder of the Company and (ii) (a) Baosteel and any person acting in concert with it or (b) the Company, its subsidiaries or associated companies.

6. EXPERT QUALIFICATIONS AND CONSENTS

The qualifications of the expert who has given opinion and advice contained in this Composite Document are set out below:

Name	Qualifications
CICC	a licensed corporation under the SFO to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on future contracts) and Type 6 (advising on corporate finance) regulated activities.

CICC has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion in this Composite Document of the text of its letter titled “Letter from CICC” and the relevant written consent and references to its name, logo and qualifications in the form and context in which they respectively appear.

7. MISCELLANEOUS

- (a) The principal members of Baosteel's concert group are Baosteel and China Baowu.
- (b) Baosteel is a direct wholly owned subsidiary of China Baowu, and China Baowu is in turn wholly owned by SASAC. As at the Latest Practicable Date, the directors of Baosteel were Cai Donghui, Liu Wenxin and Yan Yao. The directors of China Baowu were Chen Derong, Hu Wangming, Fu Zhongzhe, Bei Kewei, Li Guoan, Shen Xiaowu, Lin Jianqing, Luo Jianchuan and Fu Lianchun.
- (c) The registered office address of Baosteel is Room 2901, 29/F., Office Tower, Convention Plaza, No.1 Harbour Road, Wanchai, Hong Kong.
- (d) The registered office address of China Baowu is Building No.1, 1859 Shibo Avenue, Baowu Tower, Pudong New Area, Shanghai, the PRC.
- (e) The registered office address of CICC is 29/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) on the website of SFC at <http://www.sfc.hk>; (ii) on the website of the Company at <http://www.magang.com.hk>; and (iii) during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at Clifford Chance, 27/F, Jardine House, One Connaught Place, Hong Kong, from the date of this Composite Document up to the Closing Date:

- (a) the articles of association of Baosteel;
- (b) the audited financial statements of Baosteel for the financial years ended 31 December 2017 and 31 December 2018;

- (c) the Equity Transfer Agreement;
- (d) the letter from CICC, the text of which is set out on pages 13 to 27 of this Composite Document;
- (e) the written consents referred to in the section headed “6. Expert Qualifications and Consents” in Appendix III to this Composite Document; and
- (f) this Composite Document and the accompanying Form of Acceptance.

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to Baosteel, China Baowu, and their directors, associates and parties acting in concert with any of them, terms and conditions of the Offer and the intention of Baosteel regarding the Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than opinions expressed by the directors of Baosteel and China Baowu) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date:

- (a) the registered capital of the Company was RMB7,700,681,186;
- (b) among which, there were 1,732,930,000 H Shares of RMB1.00 each and 5,967,751,186 A Shares of RMB1.00 each in issue.

All the issued Shares rank *pari passu* in all respects including the rights to dividends, voting rights and return of capital.

No Shares had been issued since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up, and up to the Latest Practicable Date.

As at the Latest Practicable Date, the Company had no outstanding options, warrants or conversion rights affecting any Shares.

3. DISCLOSURE OF INTERESTS**(i) Interests and short positions in the securities of the Company and its associated corporations of the Directors and chief executive**

As at the Latest Practicable Date, none of the Directors, supervisors and chief executive of the Company have any interests and short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company or any of its associated corporations (within the meaning of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director, chief executive or supervisor is taken or deemed to have under such provisions of the SFO) or which was required to be entered into the register required to be kept by the Company under section 352 of the SFO or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules. Further, as at the Latest Practicable Date, none of the Company and the Directors was interested in any shares of Baosteel, or any securities, convertible securities, warrants, options or derivatives in respect of the shares and securities of Baosteel.

(ii) Interests and short positions of substantial shareholders

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (other than a director or chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

H Shares

Name of shareholder	Identity held or deemed to be interested	Number of shares held or deemed to be in equity of the Company's issued H Shares	Percentage of the Company's issued H Shares
Citigroup Inc.	The interests of the corporation controlled by the major shareholder	220,045,587 (Long position)	12.69
		64,899,819 (Short position)	3.74
	Approval of Lending Agent	155,005,679 (Shares available for lending)	8.94
Credit Suisse Group AG	The interests of the corporation controlled by the major shareholder	151,340,999 (Long position)	8.73
		110,096,999 (Short position)	6.35
	Investment Manager	3,392,000 (Long position)	0.20
BlackRock, Inc.	The interests of the corporation controlled by the major shareholder	117,841,434 (Long position)	6.80
		7,946,000 (Short position)	0.46
JP Morgan Chase & Co.	The interests of the corporation controlled by the major shareholder	35,554,427 (Long position)	2.05
		39,580,250 (Short position)	2.28
	Investment Manager	1,020,500 (Long position)	0.06
		Person having a security interest in shares	9,256,013 (Long position)
	Approval of Lending Agent	55,352,899 (Shares available for lending)	3.19

Name of shareholder	Identity held or deemed to be interested	Number of shares held or deemed to be in equity of the Company's issued H Shares	
			Percentage of the Company's issued H Shares
Morgan Stanley	The interests of the corporation controlled by the major shareholder	100,563,702	5.80
		(Long position)	
UBS Group AG	Person having a security interest in shares	86,813,115	5.00
		(short position)	
	The interests of the corporation controlled by the major shareholder	3,351,244	0.19
		(Long position)	
		95,556,804	5.51
		(Long position)	
		62,656,816	3.62
		(Short position)	

A Shares

Name of shareholder	Identity held or deemed to be interested	Number of shares held or deemed to be in equity of the Company's issued A Shares	
			Percentage of the Company's issued A Shares
State-owned Assets Supervision and Administration Commission of the State Council	The interests of the corporation controlled by the major shareholder	3,506,467,456	58.76
		(Long position)	
China Baowu	The interests of the corporation controlled by the major shareholder	3,506,467,456	58.76
		(Long position)	
Anhui SASAC	The interests of the corporation controlled by the major shareholder	3,506,467,456	58.76
		(Long position)	

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified of any interests or short positions in the Shares and underlying Shares which are required to be recorded in the register required to be kept by the Company under section 336 of the SFO.

As at the Latest Practicable Date, none of the Directors and the supervisors of the Company had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to the Company or are proposed to be acquired or disposed of by or leased to the Company since 31 December 2018, being the date to which the latest published audited accounts of the Company were made up.

None of the Directors and the supervisors of the Company was materially interested in any contract or arrangement entered into by the Company subsisting at the Latest Practicable Date and which is significant in relation to the business of the Company.

4. SHAREHOLDING AND DEALINGS IN SECURITIES OF THE COMPANY

- (a) None of the Directors had dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company during the Relevant Period;
- (b) None of the Company or the Directors had dealt for value in the shares of Baosteel, or any securities, convertible securities, warrants, options or derivatives in respect of any shares or securities of Baosteel during the Relevant Period;

- (c) From 22 July 2019 (being the date when CLSA has been formally engaged as the financial adviser of the Company in connection with the Offer) up to the Latest Practicable Date, CLSA and persons controlling, controlled by or under the same control as CLSA (each being an associate of the Company under class (2) of the definition of “associate ” of the Takeovers Code) had dealt for value in Shares or securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company, the particulars of which are as follows:

Dealings in Shares

Entity	Trade date	Description of transaction	Number and description of relevant securities	Price
CSI Capital Management Limited ^(Note 1)	22 July 2019	Sold (hedging of equity related products)	25,600 A Shares	RMB2.97
	23 July 2019	Bought (hedging of equity related products)	51,400 A Shares	RMB2.97
	24 July 2019	Sold (hedging of equity related products)	25,800 A Shares	RMB2.97
	15 August 2019	Bought (principal trade)	1,582,000 H Shares	HK\$2.97
	15 August 2019	Unwinding of borrowing transaction	1,582,000 H Shares	N/A
CITIC Securities Company Limited ^(Note 1)	24 July 2019	Sold (principal trade)	1,600 A Shares	RMB2.97
	24 July 2019	Sold (principal trade)	1,500 A Shares	RMB2.97
	24 July 2019	Sold (principal trade)	1,500 A Shares	RMB2.97
	24 July 2019	Sold (principal trade)	1,500 A Shares	RMB2.97
	24 July 2019	Sold (principal trade)	800 A Shares	RMB2.97
	24 July 2019	Sold (principal trade)	800 A Shares	RMB2.96
	24 July 2019	Sold (principal trade)	800 A Shares	RMB2.97
	24 July 2019	Sold (principal trade)	800 A Shares	RMB2.97
	24 July 2019	Sold (principal trade)	800 A Shares	RMB2.97
	24 July 2019	Sold (principal trade)	800 A Shares	RMB2.96
	24 July 2019	Sold (principal trade)	800 A Shares	RMB2.96
	24 July 2019	Sold (principal trade)	800 A Shares	RMB2.96
	24 July 2019	Sold (principal trade)	800 A Shares	RMB2.96
	24 July 2019	Sold (principal trade)	800 A Shares	RMB2.96
	24 July 2019	Sold (principal trade)	800 A Shares	RMB2.96
	24 July 2019	Sold (principal trade)	800 A Shares	RMB2.96

Entity	Trade date	Description of transaction	Number and description of relevant securities	Price
	24 July 2019	Sold (principal trade)	800 A Shares	RMB2.96
	24 July 2019	Sold (principal trade)	700 A Shares	RMB2.97
	24 July 2019	Sold (principal trade)	700 A Shares	RMB2.96
	24 July 2019	Sold (principal trade)	700 A Shares	RMB2.96
	24 July 2019	Sold (principal trade)	700 A Shares	RMB2.96
	24 July 2019	Bought (principal trade)	700 A Shares	RMB2.99
	24 July 2019	Bought (principal trade)	700 A Shares	RMB2.99
	24 July 2019	Bought (principal trade)	700 A Shares	RMB2.98
	24 July 2019	Bought (principal trade)	700 A Shares	RMB2.99
	24 July 2019	Bought (principal trade)	800 A Shares	RMB2.99
	24 July 2019	Bought (principal trade)	800 A Shares	RMB2.99
	24 July 2019	Bought (principal trade)	800 A Shares	RMB2.99
	24 July 2019	Bought (principal trade)	800 A Shares	RMB2.99
	24 July 2019	Bought (principal trade)	800 A Shares	RMB2.99
	24 July 2019	Bought (principal trade)	800 A Shares	RMB2.99
	24 July 2019	Bought (principal trade)	800 A Shares	RMB2.99
	24 July 2019	Bought (principal trade)	800 A Shares	RMB2.99
	24 July 2019	Bought (principal trade)	800 A Shares	RMB2.99
	24 July 2019	Bought (principal trade)	800 A Shares	RMB2.99
	24 July 2019	Bought (principal trade)	800 A Shares	RMB2.99
	24 July 2019	Bought (principal trade)	800 A Shares	RMB2.99
	24 July 2019	Bought (principal trade)	800 A Shares	RMB2.99
	24 July 2019	Bought (principal trade)	800 A Shares	RMB2.99
	24 July 2019	Bought (principal trade)	800 A Shares	RMB2.99
	24 July 2019	Bought (principal trade)	800 A Shares	RMB2.99
	24 July 2019	Bought (principal trade)	800 A Shares	RMB2.99
	24 July 2019	Bought (principal trade)	1,500 A Shares	RMB2.99
	24 July 2019	Bought (principal trade)	1,500 A Shares	RMB2.99
	24 July 2019	Bought (principal trade)	1,600 A Shares	RMB2.99
	24 July 2019	Bought (principal trade)	1,600 A Shares	RMB2.99
	26 July 2019	Bought (principal trade)	700 A Shares	RMB2.96
	26 July 2019	Bought (principal trade)	800 A Shares	RMB2.96
	30 July 2019	Sold (principal trade)	300 A Shares	RMB2.93
	30 July 2019	Sold (principal trade)	200 A Shares	RMB2.91
	30 July 2019	Sold (principal trade)	200 A Shares	RMB2.91
	30 July 2019	Sold (principal trade)	200 A Shares	RMB2.91
	30 July 2019	Sold (principal trade)	200 A Shares	RMB2.91
	30 July 2019	Sold (principal trade)	200 A Shares	RMB2.91
	30 July 2019	Sold (principal trade)	200 A Shares	RMB2.94
	30 July 2019	Sold (principal trade)	200 A Shares	RMB2.90
	30 July 2019	Sold (principal trade)	200 A Shares	RMB2.90
	30 July 2019	Sold (principal trade)	200 A Shares	RMB2.94
	30 July 2019	Sold (principal trade)	100 A Shares	RMB2.91
	30 July 2019	Sold (principal trade)	100 A Shares	RMB2.94
	30 July 2019	Sold (principal trade)	100 A Shares	RMB2.94

Entity	Trade date	Description of transaction	Number and description of relevant securities	Price
	30 July 2019	Sold (principal trade)	100 A Shares	RMB2.91
	30 July 2019	Sold (principal trade)	100 A Shares	RMB2.94
	30 July 2019	Sold (principal trade)	100 A Shares	RMB2.91
	30 July 2019	Sold (principal trade)	100 A Shares	RMB2.91
	30 July 2019	Sold (principal trade)	100 A Shares	RMB2.91
	30 July 2019	Sold (principal trade)	100 A Shares	RMB2.94
	30 July 2019	Sold (principal trade)	100 A Shares	RMB2.91
	30 July 2019	Sold (principal trade)	100 A Shares	RMB2.94
	30 July 2019	Sold (principal trade)	100 A Shares	RMB2.94
	30 July 2019	Sold (principal trade)	100 A Shares	RMB2.94
	30 July 2019	Sold (principal trade)	100 A Shares	RMB2.91
	30 July 2019	Sold (principal trade)	100 A Shares	RMB2.91
	30 July 2019	Sold (principal trade)	100 A Shares	RMB2.91
	30 July 2019	Sold (principal trade)	100 A Shares	RMB2.94
	30 July 2019	Sold (principal trade)	100 A Shares	RMB2.94
	30 July 2019	Sold (principal trade)	100 A Shares	RMB2.91
	30 July 2019	Sold (principal trade)	100 A Shares	RMB2.91
	30 July 2019	Sold (principal trade)	100 A Shares	RMB2.91
	30 July 2019	Sold (principal trade)	100 A Shares	RMB2.94
	30 July 2019	Sold (principal trade)	100 A Shares	RMB2.94
	30 July 2019	Sold (principal trade)	100 A Shares	RMB2.94
	30 July 2019	Sold (principal trade)	100 A Shares	RMB2.90
	30 July 2019	Sold (principal trade)	100 A Shares	RMB2.94
	30 July 2019	Sold (principal trade)	100 A Shares	RMB2.90
	30 July 2019	Sold (principal trade)	100 A Shares	RMB2.91
	30 July 2019	Sold (principal trade)	100 A Shares	RMB2.93
	30 July 2019	Sold (principal trade)	100 A Shares	RMB2.91
	30 July 2019	Sold (principal trade)	100 A Shares	RMB2.94
	30 July 2019	Sold (principal trade)	100 A Shares	RMB2.94
	30 July 2019	Sold (principal trade)	100 A Shares	RMB2.91
	30 July 2019	Sold (principal trade)	100 A Shares	RMB2.94
	30 July 2019	Sold (principal trade)	100 A Shares	RMB2.90
	30 July 2019	Sold (principal trade)	100 A Shares	RMB2.90
	30 July 2019	Sold (principal trade)	100 A Shares	RMB2.94
	30 July 2019	Sold (principal trade)	100 A Shares	RMB2.91

Entity	Trade date	Description of transaction	Number and description of relevant securities	Price
	30 July 2019	Sold (principal trade)	100 A Shares	RMB2.93
	30 July 2019	Sold (principal trade)	100 A Shares	RMB2.94
	30 July 2019	Sold (principal trade)	100 A Shares	RMB2.93
	30 July 2019	Sold (principal trade)	100 A Shares	RMB2.94
	30 July 2019	Sold (principal trade)	100 A Shares	RMB2.93
	30 July 2019	Sold (principal trade)	100 A Shares	RMB2.93
	30 July 2019	Sold (principal trade)	100 A Shares	RMB2.93
	30 July 2019	Sold (principal trade)	100 A Shares	RMB2.90
	30 July 2019	Bought (principal trade)	700 A Shares	RMB2.95
	30 July 2019	Bought (principal trade)	700 A Shares	RMB2.95
	30 July 2019	Bought (principal trade)	700 A Shares	RMB2.95
	30 July 2019	Bought (principal trade)	800 A Shares	RMB2.95
	30 July 2019	Bought (principal trade)	800 A Shares	RMB2.95
	30 July 2019	Bought (principal trade)	800 A Shares	RMB2.95
	30 July 2019	Bought (principal trade)	800 A Shares	RMB2.95
	30 July 2019	Bought (principal trade)	800 A Shares	RMB2.95
	30 July 2019	Bought (principal trade)	800 A Shares	RMB2.95
	30 July 2019	Bought (principal trade)	800 A Shares	RMB2.95
	30 July 2019	Bought (principal trade)	800 A Shares	RMB2.95
	30 July 2019	Bought (principal trade)	800 A Shares	RMB2.95
	30 July 2019	Bought (principal trade)	800 A Shares	RMB2.95
	30 July 2019	Bought (principal trade)	800 A Shares	RMB2.95
	30 July 2019	Bought (principal trade)	800 A Shares	RMB2.95
	30 July 2019	Bought (principal trade)	800 A Shares	RMB2.95
	30 July 2019	Bought (principal trade)	800 A Shares	RMB2.95
	30 July 2019	Bought (principal trade)	800 A Shares	RMB2.95
	30 July 2019	Bought (principal trade)	800 A Shares	RMB2.95
	30 July 2019	Bought (principal trade)	800 A Shares	RMB2.95
	30 July 2019	Bought (principal trade)	26,400 A Shares	RMB2.95
	31 July 2019	Bought (principal trade)	700 A Shares	RMB2.96
	31 July 2019	Bought (principal trade)	700 A Shares	RMB2.96
	31 July 2019	Bought (principal trade)	700 A Shares	RMB2.95
	31 July 2019	Bought (principal trade)	700 A Shares	RMB2.94
	31 July 2019	Bought (principal trade)	700 A Shares	RMB2.96
	31 July 2019	Bought (principal trade)	700 A Shares	RMB2.94
	31 July 2019	Bought (principal trade)	700 A Shares	RMB2.94
	31 July 2019	Bought (principal trade)	700 A Shares	RMB2.94
	31 July 2019	Bought (principal trade)	700 A Shares	RMB2.96
	31 July 2019	Bought (principal trade)	700 A Shares	RMB2.96
	31 July 2019	Bought (principal trade)	700 A Shares	RMB2.96
	31 July 2019	Bought (principal trade)	700 A Shares	RMB2.95
	31 July 2019	Bought (principal trade)	700 A Shares	RMB2.95
	31 July 2019	Bought (principal trade)	700 A Shares	RMB2.94
	31 July 2019	Bought (principal trade)	700 A Shares	RMB2.96
	31 July 2019	Bought (principal trade)	700 A Shares	RMB2.96
	31 July 2019	Bought (principal trade)	700 A Shares	RMB2.96

Entity	Trade date	Description of transaction	Number and description of relevant securities	Price
	31 July 2019	Bought (principal trade)	700 A Shares	RMB2.95
	31 July 2019	Bought (principal trade)	700 A Shares	RMB2.96
	31 July 2019	Bought (principal trade)	700 A Shares	RMB2.94
	31 July 2019	Bought (principal trade)	700 A Shares	RMB2.96
	31 July 2019	Bought (principal trade)	700 A Shares	RMB2.94
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.96
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.94
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.94
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.96
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.96
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.95
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.96
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.95
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.96
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.95
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.96
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.94
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.94
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.96
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.96
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.96
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.94
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.96
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.94
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.94
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.95
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.96
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.94
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.96
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.95
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.96
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.94
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.96
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.94
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.94
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.96
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.96
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.94
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.94

Entity	Trade date	Description of transaction	Number and description of relevant securities	Price
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.94
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.94
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.96
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.94
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.94
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.94
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.96
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.96
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.94
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.94
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.96
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.96
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.94
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.94
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.96
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.95
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.96
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.94
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.94
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.96
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.95
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.96
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.96
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.96
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.94
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.94
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.96
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.96
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.96
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.96
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.96
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.96
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.94
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.95
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.96
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.94
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.94
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.94
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.95
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.96
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.96
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.96
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.96
	31 July 2019	Bought (principal trade)	800 A Shares	RMB2.96
	1 August 2019	Bought (principal trade)	1,500 A Shares	RMB2.94

Entity	Trade date	Description of transaction	Number and description of relevant securities	Price
	1 August 2019	Bought (principal trade)	1,500 A Shares	RMB2.94
	1 August 2019	Bought (principal trade)	1,500 A Shares	RMB2.94
	1 August 2019	Bought (principal trade)	1,500 A Shares	RMB2.94
	1 August 2019	Bought (principal trade)	1,500 A Shares	RMB2.94
	2 August 2019	Sold (principal trade)	1,500 A Shares	RMB2.88
	6 August 2019	Bought (principal trade)	1,500 A Shares	RMB2.80
	6 August 2019	Bought (principal trade)	1,500 A Shares	RMB2.80
	6 August 2019	Bought (principal trade)	1,500 A Shares	RMB2.80
	6 August 2019	Bought (principal trade)	1,500 A Shares	RMB2.80
	6 August 2019	Bought (principal trade)	1,500 A Shares	RMB2.80
	6 August 2019	Bought (principal trade)	1,500 A Shares	RMB2.80
	6 August 2019	Bought (principal trade)	1,500 A Shares	RMB2.80
	6 August 2019	Bought (principal trade)	1,500 A Shares	RMB2.80
	6 August 2019	Bought (principal trade)	3,100 A Shares	RMB2.80
	6 August 2019	Bought (principal trade)	3,100 A Shares	RMB2.80
	6 August 2019	Bought (principal trade)	3,100 A Shares	RMB2.80
	6 August 2019	Bought (principal trade)	3,100 A Shares	RMB2.80
	6 August 2019	Bought (principal trade)	3,100 A Shares	RMB2.80
	7 August 2019	Sold (principal trade)	3,100 A Shares	RMB2.73
	7 August 2019	Sold (principal trade)	3,100 A Shares	RMB2.72
	7 August 2019	Sold (principal trade)	1,500 A Shares	RMB2.75
	7 August 2019	Sold (principal trade)	1,500 A Shares	RMB2.75
	7 August 2019	Sold (principal trade)	1,500 A Shares	RMB2.74
	7 August 2019	Sold (principal trade)	1,500 A Shares	RMB2.73
	7 August 2019	Sold (principal trade)	1,500 A Shares	RMB2.73
	7 August 2019	Sold (principal trade)	1,500 A Shares	RMB2.74
	7 August 2019	Sold (principal trade)	1,500 A Shares	RMB2.74
	7 August 2019	Sold (principal trade)	1,200 A Shares	RMB2.73
	7 August 2019	Sold (principal trade)	1,200 A Shares	RMB2.73
	7 August 2019	Sold (principal trade)	1,100 A Shares	RMB2.73
	7 August 2019	Sold (principal trade)	1,100 A Shares	RMB2.73
	7 August 2019	Sold (principal trade)	1,100 A Shares	RMB2.73
	7 August 2019	Sold (principal trade)	1,100 A Shares	RMB2.73
	7 August 2019	Sold (principal trade)	1,100 A Shares	RMB2.73
	7 August 2019	Sold (principal trade)	1,100 A Shares	RMB2.73
	7 August 2019	Sold (principal trade)	1,100 A Shares	RMB2.73
	7 August 2019	Sold (principal trade)	1,100 A Shares	RMB2.73
	7 August 2019	Sold (principal trade)	1,100 A Shares	RMB2.73
	7 August 2019	Sold (principal trade)	1,100 A Shares	RMB2.73
	7 August 2019	Sold (principal trade)	1,100 A Shares	RMB2.73
	7 August 2019	Sold (principal trade)	1,100 A Shares	RMB2.73

Entity	Trade date	Description of transaction	Number and description of relevant securities	Price
	13 August 2019	Bought	1,200 A Shares	RMB2.745
	14 August 2019	Bought	19,500 A Shares	RMB2.75
	15 August 2019	Bought	1,700 A Shares	RMB2.6971
	15 August 2019	Bought	4,200 A Shares	RMB2.69
	16 August 2019	Bought	1,400 A Shares	RMB2.68
	20 August 2019	Bought	1,200 A Shares	RMB2.73
	20 August 2019	Sold	9,521,500 A Shares	RMB2.6991
	21 August 2019	Bought	52,300 A Shares	RMB2.70
	21 August 2019	Sold	200 A Shares	RMB2.695
	23 August 2019	Sold	2,600 A Shares	RMB2.68
	28 August 2019	Bought	6,000 A Shares	RMB2.70
	28 August 2019	Sold	1,200 A Shares	RMB2.68
	29 August 2019	Bought	13,500 A Shares	RMB2.707
	2 September 2019	Bought	3,000 A Shares	RMB2.72
	2 September 2019	Sold	300 A Shares	RMB2.71
	3 September 2019	Bought	12,000 A Shares	RMB2.71
	4 September 2019	Bought	1,100 A Shares	RMB2.73
	4 September 2019	Sold	9,700 A Shares	RMB2.7203
	4 September 2019	Sold	700 A Shares	RMB2.72
	5 September 2019	Sold	1,300 A Shares	RMB2.76
	6 September 2019	Bought	4,800 A Shares	RMB2.77
	9 September 2019	Bought	14,500 A Shares	RMB2.80
	10 September 2019	Bought	99,800 A Shares	RMB2.7803
	12 September 2019	Bought	26,500 A Shares	RMB2.7998
	12 September 2019	Bought	1,500 A Shares	RMB2.80
	17 September 2019	Bought	11,900 A Shares	RMB2.75
	17 September 2019	Sold	99,800 A Shares	RMB2.7645
	17 September 2019	Sold	700 A Shares	RMB2.78
	18 September 2019	Sold	700 A Shares	RMB2.72
	19 September 2019	Bought	9,000 A Shares	RMB2.8226
	20 September 2019	Bought	1,500 A Shares	RMB2.78
	23 September 2019	Sold	700 A Shares	RMB2.72
	25 September 2019	Bought	2,200 A Shares	RMB2.6982
	26 September 2019	Bought	4,500 A Shares	RMB2.69
	26 September 2019	Sold	700 A Shares	RMB2.68
	27 September 2019	Bought	3,000 A Shares	RMB2.70
China Capital Management Co., Ltd. <small>(Note 2) (Note 3)</small>	21 August 2019	Bought	500 A Shares	RMB2.70
	4 September 2019	Sold	800 A Shares	RMB2.72
China Asset Management (Hong Kong) Limited <small>(Note 2) (Note 3)</small>	6 September 2019	Bought	10,000 H Shares	HK\$2.96

Note 1: CSI Capital Management Limited is under the same control as CLSA, both being ultimately owned by CITIC Securities Company Limited.

Note 2: China Capital Management Co., Ltd. And China Asset Management (Hong Kong) Limited are wholly-owned subsidiaries of China Asset Management Co. Limited, and China Asset Management Co. Limited is a non-wholly owned subsidiary of CITIC Securities Company Limited.

Note 3: These dealings have not been publicly disclosed pursuant to Rule 22 of the Takeovers Code as CLSA was not aware of the dealings until the Latest Practicable Date. H Shareholders, holders of other Shares, and potential investors of the Company are reminded to refer to this Composite Document for the details of the relevant dealings.

Dealings in securities, convertible securities, warrants, options or derivatives in respect of the Shares

Entity	Trade date	Nature of transaction	Number and description of reference securities	Reference price	Maturity date
CSI Capital Management Limited	22 July 2019	Entering into swap contract with client	25,600 A Shares	RMB2.97	31 December 2021
	23 July 2019	Entering into swap contract with client	51,400 A Shares	RMB2.97	31 December 2021
	24 July 2019	Entering into swap contract with client	25,800 A Shares	RMB2.97	31 December 2021
	31 July 2019	Entering into swap contract with client	25,600 A Shares	RMB2.93	31 December 2021
	15 August 2019	Closing out of a derivative contract ^(Note 1)	1,582,000 H Shares	HK\$2.97	15 August 2019

Note 1: This was a transaction in respect of unwinding of existing swap contracts by a client.

As at the Latest Practicable Date, CLSA and persons controlling, controlled by or under the same control as CLSA (each being an associate of the Company under class (2) of the definition of “associate” of the Takeovers Code) held 169,100 H Shares, 5,076,865 A Shares and had existing swap contracts with a client, the particulars of which are as follows:

Entity	Nature of transaction	Number and description of reference securities	Reference price	Maturity date
CSI Capital Management Limited	Swap contracts entered into with a client	49,056,000 H Shares	HK\$3.85 <i>(Note 1)</i>	2 years from the trade date(s) of the swap contracts

Note 1: This is the average price in respect of the swap contracts entered into with the client.

Save as disclosed above, as at the Latest Practicable Date, none of the pension funds of the Company or of its subsidiaries, any member of the Group, any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert”, or any person (other than CLSA and persons controlling, controlled by or under the same control as CLSA) who is specified in class (2) of the definition of “associate” under the Takeovers Code but excluding exempt principal traders (as defined under the Takeovers Code), owned or controlled any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company, and no such person had dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company during the Offer Period and up to the Latest Practicable Date;

- (d) As at the Latest Practicable Date, there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code, and no such person had owned, controlled or dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company;

- (e) As at the Latest Practicable Date, no Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company and no such person had dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company during the Offer Period and up to the Latest Practicable Date;
- (f) As at the Latest Practicable Date, no person had irrevocably committed himself/herself to accept or reject the Offer; and
- (g) As at the Latest Practicable Date, none of the Company nor any of the Directors had borrowed or lent any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company.

5. ARRANGEMENTS AFFECTING AND RELATING TO DIRECTORS

- (a) As at the Latest Practicable Date, no benefit (other than statutory compensation required under applicable laws) had been or would be given to any Director as compensation for loss of office or otherwise in connection with the Offer.
- (b) As at the Latest Practicable Date, there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer.
- (c) As at the Latest Practicable Date, there were no material contract entered into by Baosteel in which any Director had a material interest.

6. SERVICE CONTRACTS OF DIRECTORS

As at the Latest Practicable Date, the Company had entered into the following service agreements with the Directors:

- (a) The service contract entered into between the Company and Mr. Ding Yi, executive Director, pursuant to which Mr. Ding Yi was appointed as a Director for a period of three years from 30 November 2017 to 30 November 2020 and he would not receive remuneration from the Company.

- (b) The service contracts entered into between the Company and each of Mr. Qian Haifan and Mr. Zhang Wenyang, executive Directors, pursuant to which they were appointed as Directors for a period of three years from 30 November 2017 to 30 November 2020 and entitled to receive remuneration from the Company, which would be determined according to the performance of the Company and individual contributions, and are subject to the Board's approval after taking into account the opinions of the remuneration committee (which will be subject to the Board's approval as authorised by the shareholders' general meeting and within the range of annual aggregate remuneration approved at the shareholders' general meeting).
- (c) The service contract entered into between the Company and Mr. Ren Tianbao, non-executive Director, pursuant to which Mr. Ren Tianbao was appointed as a Director for a period of three years from 30 November 2017 to 30 November 2020 and he would not receive remuneration from the Company.
- (d) The service contracts entered into between the Company and each of Ms. Zhang Chunxia, Ms. Zhu Shaofang and Mr. Wang Xianzhu, independent non-executive Directors, pursuant to which they were appointed as Directors for a period of three years from 30 November 2017 to 30 November 2020 and entitled to receive remuneration from the Company of RMB80,000 (tax exclusive) per year.

As approved by the 2017 first extraordinary general meeting of the Company, the annual aggregate remuneration of the five Directors of the ninth session of the Board who will receive remuneration from the Company (including two executive Directors and three independent non-executive Directors) shall not exceed RMB2.8 million (tax inclusive) during their term of office.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had entered into, or proposed to enter into, any service contract (including both continuous and fixed term contracts) with the Company or any of its subsidiaries or associated company which:

- (a) had been entered into or amended within six months before the commencement of the Offer Period;
- (b) were continuous contract with a notice period of 12 months or more; and
- (c) were fixed term contracts with more than 12 months to run irrespective of the notice period.

7. MATERIAL CONTRACTS

The following contracts, not being a contract entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries, was entered into by the Company during the period commencing on the date which is two years before the commencement of the Offer Period up to and including the Latest Practicable Date; and is or may be material:

- (a) the share transfer agreement dated 15 August 2018 executed by the Company and Magang Group; according to which, the Company shall sell 55% shareholding of Ma Steel Scrap Steel Co., Ltd. to Magang Group at the consideration of RMB178,381,853.68;
- (b) the capital increase agreement dated 15 August 2018 executed by the Company, Magang Group, Leader Investments Company Limited (“**Leader Investment**”) and Anhui Ma Steel K. Wah New Building Materials Co., Ltd. (“**K. Wah Company**”); according to which, the parties agreed that Magang Group and Leader Investments shall subscribe for the increased share capital of K. Wah Company in the sum of US\$11,185,333, whereby the Group’s interests in K. Wah Company shall be diluted from 70% to 30% after completion;
- (c) the capital increase agreement dated 15 August 2018 executed by the Company, Magang Group and Anhui Ma Steel Chemical Energy Technology Co., Ltd. (“**Chemical Energy Company**”); according to which, the parties agree that Magang Group shall subscribe for the increased share capital of Chemical Energy Company in the sum of RMB733,333,333.33, whereby the Group’s interests in Chemical Energy Company shall be diluted from 100% to 45% after completion.

8. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration or claim of material importance and, so far as the Directors are aware, no litigation or claims of material importance is pending or threatened by or against the Company and any of its subsidiaries.

9. PROFESSIONAL ADVISERS AND CONSENTS

The following is the qualification of the expert who has given opinion or advice which are contained in this Composite Document.

Name	Qualification
Somerley Capital Limited	a licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Somerley has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of its letter, report and/or opinions and/or the references to its name in the form and context in which it respectively appears.

CLSA has given and has not withdrawn its written consent to the issue of this Composite Document with the references to its name in the form and context in which it respectively appears.

10. MISCELLANEOUS

- (a) The registered address and the office address of the Company is at No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province, the PRC.
- (b) The share registrar and transfer office of the Company in Hong Kong is Hong Kong Registrars Limited of Rooms 1712–1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
- (c) The registered office of Somerley Capital Limited, the independent financial adviser to the Independent Board Committee in relation to the Offer, is at 20/F, China Building, 29 Queen’s Road Central, Hong Kong.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at 1202, 1204–06, 12th Floor, The Chinese Bank Building, 61 Des Voeux Road Central, Hong Kong; (ii) on the website of the SFC (www.sfc.hk); and (iii) on the website of the Company (<http://www.magang.com.hk/>) during the period from the date of this Composite Document onwards for as long as the Offer remain open for acceptance:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual report of the Group for each of the three financial years ended 31 December 2016, 2017 and 2018;
- (c) a copy of this Composite Document and the accompanying Form of Acceptance;
- (d) the summary of 2019 interim results announcement of the Group for the six months ended 30 June 2019;
- (e) the letter dated 30 September 2019 from the Board as set out on pages 28 to 37 of this Composite Document;
- (f) the letter dated 30 September 2019 from the Independent Board Committee to the Offer Shareholders as set out on pages 38 to 40 of this Composite Document;
- (g) the letter dated 30 September 2019 from the Independent Financial Adviser to the Independent Board Committee as set out on pages 41 to 69 of this Composite Document;
- (h) the service contracts referred to in the section headed “6. Service Contracts of Directors” in this Appendix;
- (i) the material contracts referred to in the section headed “7. Material Contracts” in this Appendix; and
- (j) the written consents referred to in the section headed “9. Professional Advisers and Consents” in this Appendix.