

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



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

(Stock Code: 00323)

CONTINUING CONNECTED TRANSACTIONS AMENDMENTS TO TERMS OF CCT AGREEMENTS

I. OUYE LIANJIN SUPPLEMENTAL AGREEMENT

On 15 August 2018, the Company entered into the Existing Ouye Lianjin CCT Agreement with Ouye Lianjin, agreeing that, from 1 January 2019 to 31 December 2021, the Group would continue to sell or provide products and services to Ouye Lianjin, and Ouye Lianjin would continue to sell or provide products and services to the Group.

Due to the impact of the increase in demand and price rise, the caps under the Existing Ouye Lianjin CCT Agreement could not meet the expectation. As such, the Company entered into the Ouye Lianjin Supplemental Agreement with Ouye Lianjin, proposing to, as for the products to be sold by Ouye Lianjin to the Group, (i) increase the annual cap for the year 2020 by RMB3,711.7 million from RMB3,796.8 million, with an adjusted annual cap for the year 2020 of RMB7,508.5 million; and (ii) increase the annual cap for the year 2021 by RMB5,070.0 million from RMB4,522.5 million, with an adjusted annual cap for the year 2021 of RMB9,592.5 million. All other existing principal terms and conditions under the Existing Ouye Lianjin CCT Agreement remain unchanged.

The Company has confirmed that as of the date of this announcement, the transaction amount under the Existing Ouye Lianjin CCT Agreement has not exceeded the existing annual caps.

As of the date of this announcement, the Parent Company holds approximately 46.19% of the issued share capital of the Company and is the controlling shareholder of the Company. It also holds 55% equity interests of Ouye Lianjin, meaning that Ouye Lianjin is a subsidiary of the Parent Company and a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the transactions under the Ouye Lianjin Supplemental Agreement would constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios under the Listing Rules in respect of the Proposed Annual Caps for the transactions contemplated under the Ouye Lianjin Supplemental Agreement are more than 5%, such continuing connected transactions and Proposed Annual Caps are subject to requirements including reporting, announcement, annual review and Independent Shareholder' approval under Rule 14A of the Listing Rules.

II. MAGANG GROUP SUPPLEMENTAL AGREEMENT

On 15 August 2018, the Company entered into the Existing Magang Group CCT Agreement with the Parent Company, agreeing that, from 1 January 2019 to 31 December 2021, the Group would continue to sell or provide products and services to the Parent Group, and the Parent Group would continue to sell or provide products and services to the Group.

Due to the impact of the postponement of construction period of certain projects and the addition of projects, the caps in relation to the infrastructure technical and renovation engineering services provided by the Parent Group under the Existing Magang Group CCT Agreement could not meet the expectation. As such, the Company entered into the Magang Group Supplemental Agreement with the Parent Company, proposing to, as for the infrastructure technical and renovation engineering services provided by the Parent Group, (i) increase the annual cap for the year 2020 by RMB1,600 million from RMB1,100 million, with an adjusted annual cap for the year 2020 of RMB2,700 million; and (ii) increase the annual cap for the year 2021 by RMB900 million from RMB1,000 million, with an adjusted annual cap for the year 2021 of RMB1,900 million. All other existing principal terms and conditions under the Existing Magang Group CCT Agreement remain unchanged.

The Company has confirmed that as of the date of this announcement, the transaction amount under the Existing Magang Group CCT Agreement has not exceeded the existing annual caps.

As at the date of this announcement, the Parent Company is interested in approximately 46.19% of the Company's share capital and is the controlling shareholder and connected person of the Company. The transactions under the Magang Group Supplemental Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios under the Listing Rules in respect of the respective Proposed Annual Caps for the transactions contemplated under the Magang Group Supplemental Agreement on an annual basis, are expected to be more than 5%, such continuing connected transactions are subject to requirements including reporting, announcement, annual review and Independent Shareholders' approval under Rule 14A of the Listing Rules.

III. CHINA BAOWU SUPPLEMENTAL AGREEMENT

On 30 December 2019, the Company entered into the Existing Ordinary Related Transactions Agreement with China Baowu, agreeing that, from 1 January 2020 to 31 December 2020, the Group would continue to sell or provide products and services to China Baowu Group, and China Baowu Group would continue to sell or provide products and services to the Group.

Due to the increase in demand and price rise, the caps under the Existing Ordinary Related Transactions Agreement and the term thereof could not meet the expectation. As such, the Company entered into the China Baowu Supplemental Agreement with China Baowu, proposing to (i) increase the annual cap for the year 2020 by RMB10,334.7 million from RMB787 million, with an adjusted annual cap for the year 2020 of RMB11,121.7 million; and (ii) newly set the annual cap of the products and services for the year 2021 of RMB19,893.09 million. All other existing principal terms and conditions under the Existing Ordinary Related Transactions Agreement remain unchanged.

The Company has confirmed that as of the date of this announcement, the transaction amount under the Existing Ordinary Related Transactions Agreement has not exceeded the existing annual caps.

As of the date of the announcement, China Baowu is the controlling shareholder of the Parent Company, and holds 46.19% equity interests of the Company through the Parent Company. Meanwhile, Baosteel Hong Kong Investment Company Limited, a wholly-owned subsidiary of China Baowu, holds 11.64% equity interests of the Company. China Baowu holds a total of 57.83% equity interests of the Company. According to Rule 14A of the Listing Rules, China Baowu is a connected person of the Company, and therefore, the transactions under the China Baowu Supplemental Agreement are continuing connected transactions under Chapter 14A of the Listing Rules.

As the applicable percentage ratios under the Listing Rules in respect of the Proposed Annual Caps for the transactions contemplated under the China Baowu Supplemental Agreement are more than 5%, such continuing connected transactions and Proposed Annual Caps are subject to requirements including reporting, announcement, annual review and Independent Shareholder' approval under Rule 14A of the Listing Rules.

GENERAL INFORMATION

The Independent Board Committee will advise the Independent Shareholders as to the relevant terms of the continuing connected transactions contemplated under the CCT Supplemental Agreements, including the respective Proposed Annual Caps. Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to this respect thereof.

A circular containing (i) the details of the CCT Supplemental Agreements, including the respective Proposed Annual Caps, (ii) the letter from the Independent Board Committee to the Independent Shareholders, (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders as to the relevant terms of the CCT Supplemental Agreements and the respective Proposed Annual Caps, (iv) and the notice of the AGM, will be despatched to the Shareholders on or before 28 May 2020.

I. OUYE LIANJIN SUPPLEMENTAL AGREEMENT

Background

On 15 August 2018, the Company entered into the Existing Ouye Lianjin CCT Agreement with Ouye Lianjin, agreeing that, from 1 January 2019 to 31 December 2021, the Group would continue to sell or provide products and services to Ouye Lianjin, and Ouye Lianjin would continue to sell or provide products and services to the Group.

Due to the impact of the increase in demand and price rise, the caps under the Existing Ouye Lianjin CCT Agreement could not meet the expectation. As such, the Company entered into the Ouye Lianjin Supplemental Agreement with Ouye Lianjin, proposing to, as for the products to be sold by Ouye Lianjin to the Group, (i) increase the annual cap for the year 2020 by RMB3,711.7 million from RMB3,796.8 million, with an adjusted annual cap for the year 2020 of RMB7,508.5 million; and (ii) increase the annual cap for the year 2021 by RMB5,070.0 million from RMB4,522.5 million, with an adjusted annual cap for the year 2021 of RMB9,592.5 million. All other existing principal terms and conditions under the Existing Ouye Lianjin CCT Agreement remain unchanged.

The Company has confirmed that as of the date of this announcement, the transaction amount under the Existing Ouye Lianjin CCT Agreement has not exceeded the existing annual caps.

Date

7 May 2020

Parties

- (1) The Company; and
- (2) Ouye Lianjin

Subject matter

Ouye Lianjin agreed to, inter alia, sell or provide products to the Group, including steel scrap products.

Both parties agreed to adopt an appropriate, reasonable and fair pricing method in accordance with the principle of fairness in formulating the transactions under the Ouye Lianjin Supplemental Agreement. The terms of the products and services (including but not limited to pricing and payment) to be provided by Ouye Lianjin to the Group shall not be less favourable than those provided by the independent third parties to the Group for similar categories of products and services.

During the term of the Ouye Lianjin Supplemental Agreement, the Company has the right to decide whether to enter into transactions with any independent third parties in respect of the transactions contemplated under the Ouye Lianjin Supplemental Agreement.

Consideration

Based on the current pricing standards, the sales of products from Ouye Lianjin to the Group shall be based on the pricing of market price, which shall be determined through open tenders, price comparison, arm's length negotiations between the parties, based on normal commercial terms and comparable market.

The pricing regarding the services and products to be provided by Ouye Lianjin to the Group shall not be higher than the pricing of the same categories of products and services provided by the independent third parties to the Group.

Payment

For the payment of products sold or services provided by Ouye Lianjin to the Group, the Group shall pay for such products or services within 10 business days after the Group shall have received such products or services and completed the procedures of financial settlement.

Condition precedent

The Ouye Lianjin Supplemental Agreement is conditional upon the Independent Shareholders approving the Ouye Lianjin Supplemental Agreement and the relevant Proposed Annual Caps at the AGM.

Duration

The agreement shall be effective subject to approval of Independent Shareholders at the AGM to be convened and expire on 31 December 2021.

Existing annual caps and actual transaction amounts

The existing annual caps (tax exclusive) and the actual transaction amount (tax exclusive) in respect of products provided by Ouye Lianjin to the Group under the Existing Ouye Lianjin CCT Agreement for the year ended 31 December 2019, for the year ending 31 December 2020, for the year ending 2021 and for the first three months ended 31 March 2020 are set out below:

RMB

	For the year ended 31 December 2019	For the year ending 31 December 2020	For the first three months ended 31 March 2020	For the year ending 31 December 2021
Existing annual caps	3,282,400,000	3,796,800,000	N/A	4,522,500,000
Actual transaction amounts	3,075,590,000	N/A	837,780,000	N/A

Proposed Annual Caps

The Proposed Annual Caps (tax exclusive) in respect of the products provided by Ouye Lianjin to the Group under the Ouye Lianjin Supplemental Agreement for the two years ending 31 December 2021 are set out below:

RMB

	For the year ending 31 December 2020	For the year ending 31 December 2021
Proposed Annual Caps of the products	7,508,500,000	9,592,500,000

Hence, the total Proposed Annual Caps for sales or provision of products and services by the Group to Ouye Lianjin and sales or provision of products and services by Ouye Lianjin to the Group for the year ending 31 December 2020 and for the year ending 31 December 2021 will be RMB7,582,880,400 and RMB9,678,262,300 respectively.

The Proposed Annual Caps in respect of the Ouye Lianjin Supplemental Agreement for the year 2020 and 2021 are determined by reference to (i) the state-prescribed price or the market price for the continuing connected transactions; (ii) the Group's anticipated demand for Ouye Lianjin's products and services to meet its production plan; and (iii) Ouye Lianjin's anticipated capacity to provide the products and services to the Group.

Reasons for and benefits of the Ouye Lianjin Supplemental Agreement

Obtaining reliable products and services from Ouye Lianjin with unique techniques ensures that the Group is able to sustain stable and sustainable production and is in the interests of the Group. The terms and pricing of the Ouye Lianjin's CCT Supplemental Agreement are fair and reasonable, and are in the interests of the Company and its shareholders as a whole.

Listing Rules Implications

As of the date of this announcement, the Parent Company holds approximately 46.19% of the issued share capital of the Company and is the controlling shareholder of the Company. It also holds 55% equity interests of Ouye Lianjin, meaning that Ouye Lianjin is a subsidiary of the Parent Company and a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the transactions under the Ouye Lianjin Supplemental Agreement would constitute the continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios under the Listing Rules in respect of the Proposed Annual Caps for the transactions contemplated under the Ouye Lianjin Supplemental Agreement are more than 5%, such continuing connected transactions and Proposed Annual Caps are subject to requirements including reporting, announcement, annual review and Independent Shareholder' approval under Rule 14A of the Listing Rules.

II. MAGANG GROUP SUPPLEMENTAL AGREEMENT

Background

On 15 August 2018, the Company entered into the Existing Magang Group CCT Agreement with the Parent Company, agreeing that, from 1 January 2019 to 31 December 2021, the Group would continue to sell or provide products and services to the Parent Group, and the Parent Group would continue to sell or provide products and services to the Group.

Due to the impact of the postponement of construction period of certain projects and the addition of projects, the caps in relation to the infrastructure technical and renovation engineering services provided by the Parent Group under the Existing Magang Group CCT Agreement could not meet the expectation. As such, the Company entered into the Magang Group Supplemental Agreement with the Parent Company, proposing to, as for the infrastructure technical and renovation engineering services provided by the Parent Group, (i) increase the annual cap for the year 2020 by RMB1,600 million from RMB1,100 million, with an adjusted annual cap for the year 2020 of RMB2,700 million; and (ii) increase the annual cap for the year 2021 by RMB900 million from RMB1,000 million, with an adjusted annual cap for the year 2021 of RMB1,900 million. All other existing principal terms and conditions under the Existing Magang Group CCT Agreement remain unchanged.

The Company has confirmed that as of the date of this announcement, the transaction amount under the Existing Magang Group CCT Agreement has not exceeded the existing annual caps.

Date

7 May 2020

Parties

- (3) The Company; and
- (4) The Parent Company

Subject matter

The Parent Company through itself or the Parent Group agreed to sell or provide services to the Group, including infrastructure technical and renovation engineering services.

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

During the term of the Magang Group Supplemental Agreement, the Company has the right to decide whether to enter into transactions with any independent third parties in respect of the transactions contemplated under the Magang Group Supplemental Agreement.

Consideration

Based on the current pricing standards, the price adopted for infrastructure technical and renovation engineering shall be market price, which shall be determined through open tenders, price comparison, arm's length negotiations between the parties, and based on normal commercial terms.

The pricing regarding the services and products to be provided by the Parent Group to the Group shall not be higher than the pricing of the same categories of products and services provided by the independent third parties to the Group.

Payment

The payment of infrastructure technical and renovation engineering services shall be made by the Group to the Parent Group within 30 business days in accordance with the construction progress after confirmation by the Company's management department.

Condition precedent

The Magang Group Supplemental Agreement is conditional upon the Independent Shareholders approving the Magang Group Supplemental Agreement and the relevant Proposed Annual Caps at the AGM.

Duration

Subject to the fulfillment of the aforementioned condition precedent, the agreement shall be effective subject to approval of Independent Shareholders at the AGM to be convened and expire on 31 December 2021.

Existing annual caps and actual transaction amounts

The existing annual caps (tax exclusive) and the actual transaction amount (tax exclusive) in respect of the infrastructure technical and renovation engineering services of the Parent Company received by the Company provided by Ouye Lianjin to the Group under the Existing Magang Group CCT Agreement for the year ended 31 December 2019, for the year ending 31 December 2020, for the year ending 31 December 2021 and for the first three months ended 31 March 2020 are set out below:

	<i>RMB</i>			
	For the year ended 31 December 2019	For the year ending 31 December 2020	For the first three months ended 31 March 2020	For the year ending 31 December 2021
Existing annual caps	1,350,000,000	1,100,000,000	N/A	1,000,000,000
Actual transaction amounts	1,302,490,000	N/A	492,530,000	N/A

Proposed Annual Caps

The Proposed Annual Caps (tax exclusive) in respect of the infrastructure technical and renovation services of the Parent Group received by the Group under the Magang Group Supplemental Agreement for the two years ending 31 December 2021 are set out below:

	<i>RMB</i>	
	For the year ending 31 December 2020	For the year ending 31 December 2021
Receipt of infrastructure technical and renovation engineering service from the Parent Company	2,700,000,000	1,900,000,000

Hence, the total Proposed Annual Caps for the sales or provision of products and services by the Group to the Parent Group and sales or provision of products and services by the Parent Group to the Group for the year ending 31 December 2020 and for the year ending 31 December 2021 will be RMB8,853,394,700 and RMB8,285,208,300 respectively.

The Proposed Annual Caps in respect of the Magang Group Supplemental Agreement for the year 2020 and 2021 are determined by reference to (i) the historical transaction amounts; (ii) the state-prescribed price or the market price for the continuing connected transactions; (iii) the Group's anticipated capacity to provide the services and products to the Parent Group and the Group's anticipated demand for the Parent Group's services and products to meet its production plan; and (iv) the Parent Group's anticipated demand for the Group's services and products and the Parent Group's anticipated capacity to provide the services and products to the Group.

Reasons for and benefits of the Magang Group Supplemental Agreement

It will be in the interest of the Group to obtain a reliable and uniquely skilled supply of products and services from the Parent Group to ensure the Group's stable and continuous production. The terms and pricing of the Magang Group Supplemental Agreement are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

Listing Rules Implications

As at the date of this announcement, the Parent Company is interested in approximately 46.19% of the Company's share capital and is the controlling shareholder and connected person of the Company. The transactions under the Magang Group Supplemental Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios under the Listing Rules in respect of the respective Proposed Annual Caps for the transactions contemplated under the Magang Group Supplemental Agreement on an annual basis, are expected to be more than 5%, such continuing connected transactions are subject to requirements including reporting, announcement, annual review and Independent Shareholders' approval under Rule 14A of the Listing Rules.

III. CHINA BAOWU SUPPLEMENTAL AGREEMENT

Background

On 30 December 2019, the Company entered into the Existing Ordinary Related Transaction Agreement with China Baowu, agreeing that, from 1 January 2020 to 31 December 2020, the Group would continue to sell or provide products and services to China Baowu Group, and China Baowu Group would continue to sell or provide products and services to the Group.

Due to the increase in demand and price rise, the caps under the Existing Ordinary Related Transactions Agreement and the term thereof could not meet the expectation. As such, the Company entered into the China Baowu Supplemental Agreement with China Baowu, proposing to (i) increase the annual cap for the year 2020 by RMB10,334.7 million from RMB787 million, with an adjusted annual cap for the year 2020 of RMB11,121.7 million; and (ii) newly set the annual cap of the products and services for the year 2021 of RMB19,893.09 million. All other existing principal terms and conditions under the Existing Ordinary Related Transactions Agreement remain unchanged.

The Company has confirmed that as of the date of this announcement, the transaction amount under the Existing Ordinary Related Transactions Agreement has not exceeded the existing annual caps.

Date

7 May 2020

Parties

- (1) the Company; and
- (2) China Baowu

Subject matter

- (1) The Group agrees to sell or provide the following products and services to China Baowu Group:
 - (i) products including steel products, billet, energy, spare parts and related products, etc.; and
 - (ii) services including technical services, inspection services, etc.
- (2) China Baowu Group agrees to sell or provide the following products and services to the Group:
 - (i) products including iron ores, limestones, scraps, spare parts, auxiliary materials, etc.; and
 - (ii) services including infrastructure technical and renovation engineering services, agency, transportation, maintenance, commissioned processing, transportation loading and unloading, training, communication, printing, files, newspapers, TV feature film production, office rental, single apartment rental and other related services, etc.

The parties agree to adopt an appropriate, reasonable and fair pricing method in accordance with the principle of fairness in formulating the transactions under the China Baowu Supplemental Agreement. The terms of products and services (including but not limited to pricing and payment) to be provided by the Group to China Baowu Group shall not be more favourable than those to independent third parties provided by the Group for similar categories of products and services. The terms of the products and services (including but not limited to pricing and payment) to be provided by China Baowu Group to the Group shall not be less favourable than those provided by independent third parties to the Group for similar categories of products and services.

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

Pricing

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

Meanwhile, the price regarding the products and services to be provided by the Group to China Baowu Group shall not be lower than the price of the same categories of products and services provided by the Group to independent third parties.

The price regarding the products and services to be provided by China Baowu Group to the Group shall not be higher than the price of the same type of products and services provided by the independent third parties to the Group.

In accordance with the current pricing standards, the pricing principle for each of the transactions under the China Baowu Supplemental Agreement are as follows:

Category	Pricing principle	Items
Products sold by the Group to China Baowu Group	Market pricing	Steel products, billet, energy, spare parts and related products, etc.
Services provided by the Group to China Baowu Group	Market pricing	Technical services, inspection services, etc.
Products purchased by the Group from China Baowu Group	Market pricing	Iron ores, limestones, scraps, spare parts, auxiliary materials, etc.
Services received by the Group from China Baowu Group	Market pricing	Infrastructure technical and renovation engineering services, agency, transportation, maintenance, commissioned processing, transportation loading and unloading, training, communication, printing, files, newspapers, TV feature film production, office rental, single apartment rental and other related services, etc.

Payment

The payment and settlement will be based on two-party or three-party agreements executed by different parties of the transactions; control of the procedures and settlement of finances will be conducted in accordance with the respective agreements.

Existing annual caps and actual transaction amounts

The existing annual caps (tax exclusive) and the actual transaction amount (tax exclusive) in respect of products and services provided by the Group to China Baowu Group under the Existing Ordinary Related Transactions Agreement for the period from 1 January 2020 to 31 December 2020 and under the Previous Ordinary Related Transactions Agreement from 19 September 2019 to 31 December 2019 are set out below:

<i>RMB</i>				
	Existing Ordinary Related Transactions Agreement	Previous Ordinary Related Transactions Agreement		
	Existing annual caps	Actual transaction amounts from January to March 2020	Caps	Actual transaction amounts from 19 September 2019 to 31 December 2019
1. Products, including steel products, billet, energy, spare parts and related products, etc.	40,000,000	20,564,600	30,000,000	12,158,000
2. Services, including technical services, inspection services, etc	20,000,000	1,705,400	5,000,000	683,000
Total	<u>60,000,000</u>	<u>22,270,000</u>	<u>35,000,000</u>	<u>12,841,000</u>

The existing annual caps (tax exclusive) and the actual transaction amount (tax exclusive) in respect of products and services provided by China Baowu Group to the Group under the Existing Ordinary Related Transactions Agreement for the period from 1 January 2020 to 31 December 2020 and under the Previous Ordinary Related Transactions Agreement from 19 September 2019 to 31 December 2019 are set out below:

	Existing Ordinary Related Transactions Agreement	Actual transaction amounts from January to March 2020	Previous Ordinary Related Transactions Agreement	Actual transaction amounts from 19 September 2019 to 31 December 2019
	Existing annual caps		Caps	
1. Products, including iron ores, limestones, scraps, spare parts, auxiliary materials, etc.	147,000,000	114,815,900	220,000,000	142,473,000
2. Services, including infrastructure technical and renovation engineering services, agency, transportation, maintenance, commissioned processing, transportation loading and unloading, training, communication, printing, files, newspapers, TV feature film production, office rental, single apartment rental and other related services, etc.	580,000,000	68,584,100 (among which infrastructure technical and renovation engineering services accounted for RMB11,433,000, and other services accounted for RMB57,151,100)	75,000,000	39,861,000
Total	<u>727,000,000</u>	<u>183,400,000</u>	<u>295,000,000</u>	<u>182,334,000</u>

Proposed Annual Caps

The Proposed Annual Caps (tax exclusive) in respect of products and services provided by the Group to China Baowu Group under the China Baowu Supplemental Agreement for the two years ending 31 December 2021 are set out below:

	<i>RMB</i>	
	For the year ending 31 December 2020	For the year ending 31 December 2021
1. Products, including steel products, billet, energy, spare parts and related products, etc.	448,120,000	232,920,000
2. Services, including technical services, inspection services, etc	<u>81,810,000</u>	<u>122,160,000</u>
Total	<u><u>529,930,000</u></u>	<u><u>355,080,000</u></u>

The Proposed Annual Caps (tax exclusive) in respect of products and services provided by China Baowu Group to the Group under the China Baowu Supplemental Agreement for the two years ending 31 December 2021 are set out below:

	<i>RMB</i>	
	For the year ending 31 December 2020	For the year ending 31 December 2021
1. Products, including iron ores, limestones, scraps, spare parts, auxiliary materials, etc.	7,241,650,000	14,784,450,000
2. Proposed caps in respect of services, including infrastructure technical and renovation engineering services, agency, transportation, maintenance, commissioned processing, transportation loading and unloading, training, communication, printing, files, newspapers, TV feature film production, office rental, single apartment rental and other related services, etc.	3,350,120,000 (among which infrastructure technical and renovation engineering services account for RMB2,343,550,000, and other services account for RMB1,006,570,000)	4,753,560,000 (among which infrastructure technical and renovation engineering services account for RMB3,600,880,000, and other services account for RMB1,152,680,000)
Total	<u><u>10,591,770,000</u></u>	<u><u>19,538,010,000</u></u>

Hence, the total Proposed Annual Caps in respect of the products and services provided by the Group to China Baowu Group and the products and services provided by China Baowu Group to the Group for the year ending 31 December 2020 and the year ending 31 December 2021 will be RMB11,121,700,000 and RMB19,893,090,000, respectively.

The Proposed Annual Caps in respect of the China Baowu Supplemental Agreement for the year 2020 and 2021 are determined by reference to (i) the state-prescribed price or the market price regarding the continuing connected transactions; (ii) the Group's anticipated capacity in providing products and services to China Baowu Group, and the Group's anticipated demand for China Baowu Group's products and services to meet its production plans; and (iii) China Baowu Group's anticipated demand for the Group's products and services, and anticipated capacity in providing products and services to the Group.

Reasons for and benefits of the China Baowu Supplemental Agreement

Through the China Baowu Supplemental Agreement, the Group obtains products and services that are reliable and produced or provided with unique skills, ensuring that the Group is able to conduct production stably and continuously and are in the interests of the Group. The Group's sales and provision of products and services to China Baowu Group is not only profitable, but also ensures the stable and smooth production of the Group. The terms and pricing of the China Baowu Supplemental Agreement are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

Listing Rules Implications

As of the date of the announcement, China Baowu is the controlling shareholder of the Parent Company, and holds 46.19% equity interests of the Company through the Parent Company. Meanwhile, Baosteel Hong Kong Investment Company Limited, a wholly-owned subsidiary of China Baowu, holds 11.64% equity interests of the Company. China Baowu holds a total of 57.83% equity interests of the Company. According to Rule 14A of the Listing Rules, China Baowu is a connected person of the Company, and therefore, the transactions under the China Baowu Supplemental Agreement are continuing connected transactions under Chapter 14A of the Listing Rules.

As the applicable percentage ratios under the Listing Rules in respect of the Proposed Annual Caps for the transactions contemplated under the China Baowu Supplemental Agreement are more than 5%, such continuing connected transactions and Proposed Annual Caps are subject to requirements including reporting, announcement, annual review and Independent Shareholder' approval under Rule 14A of the Listing Rules.

Information on the Company, the Parent Company, Ouye Lianjin and China Baowu

The Company is one of the largest iron and steel producers and marketers in the PRC and is principally engaged in the manufacture and sale of iron and steel products.

The Parent Company is a state-owned holding enterprise with limited liability and the controlling shareholder of the Company. It is mainly engaged in mining and sorting of mineral products, construction, manufacturing of construction materials, trading, storage and property management, as well as agriculture and forestry.

Ouye Lianjin is mainly engaged in recycling, processing and sales of scrap metal; sales and storage of raw iron; domestic trade agency services.

China Baowu is a state-owned capital investment company wholly owned by the State-owned Assets Supervision and Administration Commission of the State Council. Its business scope includes operating state-owned assets within the scope authorized by the State Council, as well as carrying out relevant state-owned capital investment and operation.

Internal Management of the Agreement

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

Approval by the Board

In the 33rd meeting of the ninth session of the Board on 7 May 2020, the Board approved the CCT Supplemental Agreements.

The Directors attending the Board meeting on 7 May 2020 regarding the CCT Supplemental Agreements consider the CCT Supplemental Agreements and the Proposed Annual Caps in respect thereof have been negotiated on an arm’s length basis and on normal commercial terms and they are of the view that the terms thereof and the Proposed Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole and the agreements are entered into during the ordinary and usual course of business of the Group.

Among the Directors attending the Board meeting, Mr. Ding Yi, Mr. Wang Qiangmin and Mr. Qian Haifan were considered to have material interests under the CCT Supplemental Agreements by virtue of being employed by the Parent Company or due to other reasons and had thus abstained from voting on the Board resolutions in respect of such agreements and the Proposed Annual Caps. Save as disclosed above, none of the Directors attended the Board meeting has a material interest in the CCT Supplemental Agreements.

GENERAL

The Company will convene AGM to consider and approve the CCT Supplemental Agreements and the transactions contemplated thereunder, including the respective Proposed Annual Caps. In accordance with the Listing Rules, the vote of the Independent Shareholders taken at the AGM to approve the CCT Supplemental Agreements and the transactions contemplated thereunder, including the Proposed Annual Caps will be taken by poll. Any Shareholder with a material interest in the continuing connected transactions contemplated under the agreements and his/her associates will abstain from voting at the AGM. Accordingly, China Baowu, the Parent Company and its associates will abstain from voting at the AGM. The result of the vote will be announced after the AGM.

The Independent Board Committee will, among other things, advise the Independent Shareholders as to the terms of the CCT Supplemental Agreements and the transactions contemplated thereunder, including the respective Proposed Annual Caps. Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to this respect thereof.

A circular containing (i) the details of the CCT Supplemental Agreements, including the respective Proposed Annual Caps, (ii) the letter from the Independent Board Committee to the Independent Shareholders, (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders as to the relevant terms of the CCT Supplemental Agreements and the respective Proposed Annual Caps, (iv) and the notice of the AGM, will be despatched to the Shareholders on or before 28 May 2020.

DEFINITIONS

In this announcement, the following expressions have the following meaning unless the context otherwise requires:

“AGM”	means	the annual general meeting of the Company to be convened to approve, among other things, the CCT Supplemental Agreements and the respective Proposed Annual Caps
“Board”	means	the board of Directors of the Company
“CCT Agreements”	means	the Existing Ouye Lianjin CCT Agreement, the Existing Magang Group CCT Agreement and the Existing Ordinary Related Transactions Agreement
“CCT Supplemental Agreements”	means	the Ouye Lianjin Supplemental Agreement, the Magang Group Supplemental Agreement and the China Baowu Supplemental Agreement
“China Baowu”	means	China Baowu Steel Group Corporation Limited, a limited company incorporated in the PRC and a pilot enterprise of state-owned capital investment company wholly owned by the State-owned Assets Supervision and Administration Commission of the State Council
“China Baowu Group”	means	China Baowu and its subsidiaries (excluding the Group)
“China Baowu Supplemental Agreement”	means	the ordinary related transactions supplemental agreement entered into between the Company and China Baowu in 7 May 2020
“connected person(s)”	means	has the meaning ascribed to it under the Listing Rules
“Company”	means	Maanshan Iron & Steel Company Limited, a joint stock limited company incorporated in the PRC, which shares are listed on the Stock Exchange
“Directors”	means	the directors of the Company

“Existing Magang Group CCT Agreement”	means	the continuing connected transactions agreement entered into between the Company and the Parent Company in 15 August 2020
“Existing Ordinary Related Transactions Agreement”	means	the ordinary related transactions agreement entered into between the Company and China Baowu in 30 December 2019
“Existing Ouye Lianjin CCT Agreement”	means	the continuing connected transactions agreement entered into between the Company and Ouye Lianjin in 15 August 2020
“Group”	means	the Company and its subsidiaries
“Hong Kong”	means	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	means	a board committee comprising all the Independent Non-executive Directors, which will, among others, consider and advise the Independent Shareholders in relation to the CCT Supplemental Agreements and the transactions contemplated thereunder (including the Proposed Annual Caps)
“Independent Financial Adviser”	means	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 Capital Limited, being the independent financial adviser, advises the Independent Board Committee and the Independent Shareholders in relation to the CCT Supplemental Agreements, the transactions contemplated thereunder, and the respective Proposed Annual Caps
“Independent Non-executive Directors”	means	independent non-executive Directors of the Company
“Independent Shareholders”	means	shareholders of the Company other than the Parent Company and its Associates
“Listing Rules”	means	the Rules Governing the Listing of Securities on the Stock Exchange

“Magang Group Supplemental Announcement”	means	the continuing connected transactions supplemental agreement entered into between the Company and the Parent Company in 7 May 2020
“Ouye Lianjin”	means	Ouye Lianjin Renewable Resources Co., Ltd. (formerly known as Maanshan Masteel Scrap Steel Co., Ltd. with its name changed on 19 February 2020), a limited company established in the PRC
“Ouye Lianjin Supplemental Agreement”	means	the CCT supplemental agreement entered into between the Company and Ouye Lianjin in 7 May 2020
“Parent Company” or “Magang Group”	means	Magang (Group) Holding Company Limited, a state-owned holding enterprise with limited liability, formerly known as Maanshan Magang Holding Company, and was approved by the government to restructure into Magang (Group) Holding Company Limited in September 1998
“Parent Group”	means	the Parent Company, its subsidiaries and connected companies (excluding the Group)
“PRC”	means	the People’s Republic of China
“Previous Ordinary Related Transaction Agreement”	means	the ordinary related transactions agreement entered into between the Company and China Baowu in 19 September 2019
“Proposed Annual Caps”	means	the maximum cumulative annual amount connected with the transactions during the period from 1 January 2020 to 31 December 2021 under the CCT Supplemental Agreements

“RMB”	means	Renminbi, the lawful currency of the PRC
“SFO”	means	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	means	Holders of shares of the Company
“Stock Exchange”	means	the Stock Exchange of Hong Kong Limited
“%”	means	percentage

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

7 May 2020

Maanshan City, Anhui Province, the PRC

As at the date of this announcement, the directors of the Company include: Executive directors: Ding Yi, Wang Qiangmin, Ren Tianbao and Zhang Wenyang Non-executive director: Qian Haifan Independent non-executive directors: Zhang Chunxia, Zhu Shaofang and Wang Xianzhu.