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

**(Stock Code: 00323)**

**OVERSEAS REGULATORY ANNOUNCEMENT  
ANNOUNCEMENT  
ON DEVELOPMENT OF FUTURES  
HEDGING BUSINESS FOR 2024**

This announcement is made pursuant to Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

On 28 February 2024, Maanshan Iron & Steel Company Limited (the “**Company**”) convened the 19<sup>th</sup> meeting of the tenth session of the board of directors to consider and approve the Company’s 2023 hedging work summary and 2024 hedging plan, agreeing that the Company shall develop futures hedging business in respect of raw materials and products relating to production and operation. The details are hereby announced as follows:

**I. PURPOSE**

Due to impact of futures prices on the spot market, the Company plans to conduct futures trading based on the hedging principle, with the purpose of hedging the risk of price fluctuations in the spot market, to provide risk management solutions and hedging services for the purchase and sales of spot business, while strictly prohibiting speculative transaction.

## II. BASIC INFORMATION ABOUT THE BUSINESS

The Company plans to hedge the major futures commodities involved in the production and operation of the Company. The scale of standing futures hedging funds will be RMB100 million, within which day-to-day hedging activities will be carried out, with 40% of the total funds (i.e. RMB40 million) as the stop-loss limit for day-to-day hedging activities in 2024. The scale of specific hedging are as follows:

*Unit: 0'000 tonnes*

Transaction Category	Exchange Venue	Hedging Trading Strategy	2024 Hedging Limit	Maximum Net Position Scale at Time Point
Screw threaded steel	Shanghai Futures Exchange	Short hedge	60	20
Hot-rolled coil	Shanghai Futures Exchange	Short hedge	60	20
Iron ore	Dalian Commodity Exchange	Long hedge	240	80
Coking coal	Dalian Commodity Exchange	Long hedge	60	20
Coke	Dalian Commodity Exchange	Long hedge	48	12
Thermal coal	Zhengzhou Commodity Exchange	Long hedge	20	5
Silicon Manganese	Zhengzhou Commodity Exchange	Long hedge	6	2
Ferro silicon	Zhengzhou Commodity Exchange	Long hedge	4	1

### **III. RISK ANALYSIS**

1. Basis risk. When the volatility of futures price is higher than the spot price, there will be a deviation of futures price from spot price in the market, making it difficult to achieve the hedging goal or even worse, causing losses on both futures and spot at the same time when there are adverse changes in basis.
2. Liquidity risk. The limited trading volume of part of the hedged species, particularly as liquidity drops significantly before the delivery month, exposes the Company to the risk of failure to settle transactions or the volume not meeting the requirements of the hedging programme if the Company needs to hedge its recent steel inventories or procurement needs.
3. Completion risk. The steel sold for hedging shall ensure that the steel to be delivered meets the requirements of the futures exchange for warehouse receipt registration. Physical delivery of purchased raw materials and fuels is subject to a risk that the delivered goods will fall so far below the requirement of coal blending and ore proportioning that they cannot be fed into furnaces.
4. Internal control and operation risk. Due to the rapid and fast volatility of futures prices, there is a risk that futures operations may not be opened and closed in a timely manner as required by the programme or instructions, and that there may be deficiencies in internal controls which may result in losses from futures hedging.

### **IV. RISK CONTROL MEASURES**

The Company carries out the futures business without speculative purposes and strictly adheres to the hedging principle, and effectively prevents, detects and resolves risks in terms of organisation, systems and processes and risk control measures.

1. The Company has formulated and further improved its Administrative Measures for Futures Hedging Business, and established a comprehensive organisational structure for hedging, with a clear division of function among the decision-making, operation, risk control and financial settlement, to ensure that the futures business process is carried out in an orderly manner under the management and supervision of the Company's leadership and relevant departments.
2. The Company has established an efficient hedging operation system, which, by keeping track of and forecasting the market, enables the Company to coordinate the needs of its procurement and sales operations and inventory targets, and make use of physical delivery or liquidation means to minimise the basis risk exposed in the hedging process.

3. The Company has built a strict trading management system, whereby the total opening amount of trading shall not exceed the limit set in the hedging programme, the total amount of margin used for trading shall not exceed two-thirds of the trading account equity, and the annual stop-loss limit shall be set for hedging operations as required.
4. The Company has established a hedging evaluation system, whereby the audit and finance departments shall evaluate the process and results of hedging work respectively and report to the board of directors on a half-yearly basis. The audit and evaluation system plays an important role in process control and operational regulation.

## **V. INDEPENDENT DIRECTORS SPECIAL MEETING'S OPINION**

On 28 February 2024, the Company convened the 2024 first special meeting of independent directors, discussing the Company's 2023 hedging work summary and 2024 hedging plan, and considering that:

It is necessary and feasible for the Company to develop futures hedging business in accordance with the actual situation and market changes to reasonably avoid part of the operational risks arising from significant price fluctuations, under the premise of ensuring normal production and operation. The Company's corresponding business approval process and risk control system have been established to effectively prevent and control the risks of the hedging business. There are no circumstances which are detrimental to the interests of the Company and its shareholders. Therefore, it is agreed that the Company shall develop the hedging business in accordance with such plan.

## **VI. SUPERVISORY COMMITTEE'S OPINION**

The supervisory committee of the Company has the following opinions regarding the development of futures hedging business for 2024:

1. The Company develops futures hedging business in accordance with the actual needs of production and operation and market changes, which helps to avoid the risk of fluctuations in raw material prices and ensure normal production and operation.
2. The Company has developed and effectively implemented an internal control and risk management system in relation to hedging, which enables the Company to effectively control the risks associated with its hedging business.
3. Development of such business by the Company is not detrimental to the interests of the Company and its shareholders, and the consideration procedures are lawful and compliant.

Based on the above, the supervisory committee has agreed that the Company shall develop the hedging business.

By Order of the Board  
**Maanshan Iron & Steel Company Limited**  
**Ding Yi**  
*Chairman*

28 February 2024  
Maanshan City, Anhui Province, the PRC

*As at the date of this announcement, the directors of the Company include executive directors Ding Yi, Mao Zhanhong and Ren Tianbao; and independent non-executive directors Guan Bingchun, He Anrui, Liao Weiquan and Qiu Shengtao.*