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馬 鞍 山 鋼 鐵 股 份 有 限 公 司

Maanshan Iron & Steel Company Limited

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

(Stock Code: 323)

ANNOUNCEMENT

CONTINUING CONNECTED TRANSACTIONS

The Existing Sale and Purchase of Ore Agreement entered into between the Company and Holding on 18 October 2006 will expire on 31 December 2009. In order to ensure the continuous supply of ore to the Group, the Company has entered into the New Sale and Purchase of Ore Agreement on 15 October 2009.

As at the date of this announcement, Holding is interested in approximately 50.47% of the Company's share capital and is a controlling shareholder of the Company within the meaning of the Listing Rules. Accordingly, Holding is a connected person of the Company and transactions under the New Sale and Purchase of Ore Agreement constitute continuing connected transactions for the Company under the Listing Rules. As the applicable percentage ratios for the Proposed Annual Caps are expected to be higher than 2.5% on an annual basis, the Transactions and the Proposed Annual Caps are subject to reporting, announcement and approval by the Independent Shareholders under the requirements of Chapter 14A of the Listing Rules.

An Independent Board Committee has been established to advise the Independent Shareholders in relation to the terms of the New Sale and Purchase of Ore Agreement and the respective Proposed Annual Caps. Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this respect.

A circular containing details of the New Sale and Purchase of Ore Agreement, a letter from the Independent Board Committee to the Independent Shareholders, a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent

Shareholders and, a notice convening the EGM will be dispatched to the Shareholders as soon as practicable.

Holding and any of its Associates will abstain from voting on the resolution(s) approving the New Sale and Purchase of Ore Agreement, the transactions contemplated thereto and the respective Proposed Annual Caps at the EGM. The votes of the Independent Shareholders at the EGM will be taken by poll.

BACKGROUND

Holding has been providing iron ore, limestone and/or dolomite to the Company since the initial listing of the Company's shares on the Stock Exchange in 1993 subject to the Waivers and the relevant annual caps. Under the Existing Sale and Purchase of Ore Agreement, the annual caps for each of the three financial years ending 31 December 2007, 31 December 2008 and 31 December 2009 will not exceed RMB1,971,659,300, RMB2,587,371,400 and RMB3,827,363,500 respectively.

The amounts incurred under the Existing Sale and Purchase of Ore Agreement for the purchase of iron ore and limestone in the years ended 31 December 2007, 31 December 2008 and the first six months ended 30 June 2009, respectively, are as follows:

| | Financial year commencing 1 January 2007 ended 31 December 2007 | Financial year commencing 1 January 2008 ended 31 December 2008 | The first six months commencing 1 January 2009 ended 30 June 2009 |
|--|--|--|--|
| Total amount (tax exclusive) of iron ore and limestone purchased under the Existing Sale and Purchase of Ore Agreement | RMB1,848,362,000 | RMB1,897,182,000 | RMB1,265,854,000 |

Due to the expiration of the Existing Sale and Purchase of Ore Agreement, the Company has entered into the New Sale and Purchase of Ore Agreement as detailed herein below to secure the continuous supply of ore from Holding, which is essential for the operation and growth of the business of the Group.

NEW SALE AND PURCHASE OF ORE AGREEMENT

Date:

15 October 2009

Parties:

The Company as the purchaser; and
Holding as the supplier

Subject:

Ore produced by Holding must first be offered to the Company for purchase

Consideration:

- (i) Price for the iron ore will be determined after arm's length negotiations between the Company and Holding on half year basis, the price of a particular half year will first be arrived with reference to the weighted average price for each percentage point of iron content in a tonne of similar type of iron ore supplied by the three largest independent suppliers to the Group for iron ore (hereinafter referred to as the **"Three Largest Independent Suppliers' Weighted Average Price for Each Percentage Point of Iron Content in a Tonne"**) in the preceding half year and the price shall be further adjusted retrospectively at the end of that particular half year and shall not be higher than the Three Largest Independent Suppliers' Weighted Average Price for Each Percentage Point of Iron Content in a Tonne for that half year.
- (ii) Price for the limestone and dolomite will be determined after arm's length negotiations between the Company and Holding on half year basis, the price of a particular half year will first be arrived with reference to the weighted average price of the respective limestone and dolomite supplied by the three largest independent suppliers to the Group for limestone and dolomite respectively (hereinafter referred to as the **"Three Largest Independent Suppliers' Weighted Average Price"**) in the preceding half year and the price shall be further adjusted retrospectively at the end of that particular half year and shall not be higher than the Three Largest Independent Suppliers' Weighted Average Price for that half year.

Payment:

The invoice value and all prices shall be denominated and paid in RMB. The price of iron ore purchased shall be paid by the Company within 30 days and the price of limestone and dolomite shall be paid by the Company within 50 days after the respective iron ore, limestone and/or dolomite has been delivered to and inspected and confirmed by the Company as being in good quality.

Condition precedent:

The New Sale and Purchase of Ore Agreement is conditional upon the approval of Independent Shareholders of (i) the New Sale and Purchase of Ore Agreement and the transactions contemplated thereto; and (ii) the respective Proposed Annual Caps at an EGM to be held in accordance with the requirements of the Listing Rules.

Duration:

Subject to the satisfaction of the condition precedent mentioned above, the New Sale and Purchase of Ore Agreement shall be for a term of three years commencing 1 January 2010 ending 31 December 2012.

Proposed Annual Caps:

The Proposed Annual Caps under the New Sale and Purchase of Ore Agreement (is tax exclusive) for each of the three financial years ending 31 December 2010, 31 December 2011 and 31 December 2012 will not exceed RMB2,486,410,000, RMB2,573,320,000 and RMB3,075,220,000 respectively.

Basis of determining the Proposed Annual Caps:

The Proposed Annual Caps are determined by reference to (i) historical transaction amounts and quantity of ore required for production; (ii) the forecasted market price of ore; (iii) the Group's anticipated demand for ore based on its production requirements and capacity; and (iv) the ability of Holding's production of ore to meet the requirements of the Company for its production scale.

The increase in the Proposed Annual Caps for the New Sale and Purchase of Ore Agreement reflects Holding's expected increase in ability in supplying the ore; the Company's increasing demand for Holding's ore and the forecasted market price of ore for each of the three financial years ending 31 December 2012.

INFORMATION ON THE COMPANY AND HOLDING

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.

Holding is principally engaged in sourcing of minerals and construction materials, construction services, warehousing and property management.

REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW SALE AND PURCHASE OF ORE AGREEMENT

It is beneficial for the Company to enter into the New Sale and Purchase of Ore Agreement so as to take advantage of Holding's ore reserves which are in close proximity to the off loading port adjacent to the production facilities of the Company within the Anhui Province, the PRC. Furthermore, it is of strategic importance to secure a stable and reliable supply of good grade and quality ore from Holding at a reasonable price to ensure the Company's continuous production.

The Directors (after considering the letter of advice from the Independent Financial Advisor, the Independent Non-executive Directors will express further opinion in the circular) consider the New Sale and Purchase of Ore Agreement 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 Transactions and the respective Proposed Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Holding is interested in approximately 50.47% of the Company's share capital and is a controlling shareholder of the Company. Accordingly, Holding is a connected person of the Company within the meaning of the Listing Rules. The Transactions, which are to be carried out in the ordinary and usual course of business of the Group, will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios for the respective Proposed Annual Caps are expected to be higher than 2.5% on an annual basis, the Transactions and the Proposed Annual Caps will be subject to reporting, announcement and approval by the Independent Shareholders, voting by poll, at the EGM under the requirements of the Listing Rules. Holding and any of its Associates will abstain from voting in relation to the resolution(s) approving the New Sale and Purchase of Ore Agreement, the transactions contemplated thereto and the respective Proposed Annual Caps at the EGM.

An Independent Board Committee has been established to advise the Independent Shareholders in relation to the terms of the New Sale and Purchase of Ore Agreement and the respective Proposed Annual Caps. Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this respect.

A circular containing details on (i) the terms of the New Sale and Purchase of Ore Agreement, the transactions contemplated thereto; and 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; and (iv) a notice convening the EGM will be dispatched to the Shareholders as soon as practicable.

DEFINITIONS

The following defined terms are used in this announcement:

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| “Associates” | has the meaning as ascribed thereto in the Listing Rules |
| “Board” | the board of Directors of the Company |

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| “Company” | Maanshan Iron & Steel Company Limited, a joint stock limited company incorporated in PRC, the H shares of which are listed on the Stock Exchange on 3 November 1993 |
| “Directors” | the directors of the Company |
| “EGM” | the extraordinary general meeting of the Company to be convened to approve, among other things, the New Sale and Purchase of Ore Agreement, the transactions contemplated thereto and the respective Proposed Annual Caps |
| “Existing Sale and Purchase of Ore Agreement” | Sale and Purchase of Ore Agreement entered into between the Company and Holding on 18 October 2006 for the term of three years commencing 1 January 2007 to 31 December 2009 |
| “Group” | the Company and its subsidiaries |
| “Holding” | Magang (Group) Holding Company Limited, a wholly state-owned enterprise with limited liability, formerly known as Maanshan Magang Holding Company, and was approved by the government to restructure into Magang (Group) Holding Company Limited in September 1998, is interested in approximately 50.47% of the Company’s share capital as at the date of this announcement and a controlling shareholder of the Company as defined under the Listing Rules |
| “Independent Board Committee” | a board committee comprising Mr. Wong Chun Wa, Mr. Su Yong, Mr. Hui Leung Wah and Mr. Han Yi, the Independent Non-executive Directors of the Company to make recommendations to the Independent Shareholders in respect of the New Sale and Purchase of Ore Agreement, the transactions contemplated thereto and the respective Proposed Annual Caps |

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| “Independent Financial Adviser” | Somerley Limited, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the New Sale and Purchase of Ore Agreement, the transactions contemplated thereto and each of the Proposed Annual Caps, a licensed corporation for type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Independent Non-executive Directors” | independent non-executive directors of the Company |
| “Independent Shareholders” | Shareholders other than Holding and any of its Associates |
| “Listing Rules” | The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “New Sale and Purchase of Ore Agreement” | the Sale and Purchase of Ore Agreement entered into between the Company and Holding on 15 October 2009 |
| “Ore/ore” | iron ore, limestone and/or dolomite |
| “PRC” | The People’s Republic of China |
| “Proposed Annual Caps” | the maximum annual consideration to be paid by the Company under the New Sale and Purchase of Ore Agreement for each of the three financial years ending 31 December 2010, 31 December 2011 and 31 December 2012 |
| “RMB” | Renminbi, the lawful currency of PRC which, for the purpose of this announcement, does not include The Hong Kong Special Administrative Region |
| “Shareholders” | holder(s) of shares of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Transactions” | the transactions contemplated under the New Sale and Purchase of Ore Agreement |

“Waivers”

(i) the waiver dated 27 October 1993 granted by the Stock Exchange to the Company in respect of the sale and purchase of ore agreement entered into between the Company and Holding on 14 October 1993, pursuant to which the Company was exempted from strict compliance with the requirements under the Listing Rules; and (ii) the waiver granted by the Stock Exchange to the Company in respect of the sale and purchase of ore agreement entered into between the Company and Holding on 9 October 2003, pursuant to which the annual aggregate amount of transactions under such agreement shall not exceed 8.74% of the Group’s audited costs of sale

Unless otherwise specified in this announcement, translation of RMB into HK\$ are at the rate of HK\$1.00 to RMB0.88. No representation is made that any amounts in RMB or HK\$ could have been or could be converted at that rate or at any other rate or at all.

By Order of the Board
Maanshan Iron & Steel Company Limited
Gao Haijian
Secretary to the Board

15 October 2009
Maanshan City, Anhui Province, the PRC

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

Executive Directors: Gu Jianguo, Su Jiangang, Gao Haijian, Hui Zhigang

Non-executive Director: Zhao Jianming

Independent Non-executive Directors: Wong Chun Wa, Su Yong, Hui Leung Wah, Han Yi