
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer 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 circular together with the form of proxy and reply slip to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

CONTINUING CONNECTED TRANSACTIONS

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders



SOMERLEY LIMITED

A letter from the Board is set out on pages 4 to 9 of this circular. A letter from the Independent Board Committee is set out on page 10 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders on the New Sale and Purchase of Ore Agreement, the Transactions contemplated thereto and the respective Proposed Annual Caps is set out on pages 11 to 22 of this circular.

A notice convening the EGM of the Company to be held at Magang Guest House, No. 2 Xi Yuan Road, Maanshan City, Anhui Province, the PRC, at 9:00 a.m. on Tuesday, 15 December 2009 is set out on pages 26 to 27 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether you are able to attend the EGM in person or not, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to Hong Kong Registrars Limited, at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for such meeting. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM, if you so wish.

28 October 2009

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Associates”	has the meaning as ascribed thereto in the Listing Rules
“Board”	the board of Directors of the Company
“Company”	Maanshan Iron & Steel Company Limited, a joint stock limited company incorporated in the 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 the New Sale and Purchase of Ore Agreement, the Transactions contemplated thereto and the respective Proposed Annual Caps at 9:00 a.m. on Tuesday, 15 December 2009
“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 Latest Practicable Date 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

DEFINITIONS

“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 SFO
“Independent Non-executive Directors”	independent non-executive Directors of the Company
“Independent Shareholders”	Shareholders other than Holding and any of its Associates
“Latest Practicable Date”	27 October 2009, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“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 circular, does not include The Hong Kong Special Administrative Region
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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

DEFINITIONS

“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 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

For the purpose of this circular, the exchange rate of HK\$1.00 to RMB0.88 is used for reference only.

LETTER FROM THE BOARD



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)

Executive Directors:

Gu Jianguo
Su Jiangan
Gao Haijian
Hui Zhigang

Registered Address:

No. 8 Hong Qi Zhong Road,
Maanshan City,
Anhui Province,
The PRC.

Non-executive Director:

Zhao Jianming

Office Address:

No. 8 Jiu Hua Xi Road,
Maanshan City,
Anhui Province,
The PRC.

Independent Non-executive Directors:

Wong Chun Wa
Su Yong
Hui Leung Wah
Han Yi

28 October 2009

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

Reference is made on an announcement of the Company dated 15 October 2009 in which the Company announced that the New Sale and Purchase of Ore Agreement was entered into with Holding which constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The purpose of this circular is to provide you with further details of the New Sale and Purchase of Ore Agreement, the recommendations of the Independent Board Committee, the advice of Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, and a notice convening the EGM.

LETTER FROM THE BOARD

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

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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 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.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, 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 (held 3,886,427,813 shares of the Company as at the Latest Practicable Date) 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.

THE EGM

A notice convening the EGM to be held at Magang Guest House, No. 2 Xi Yuan Road, Maanshan City, Anhui Province, the PRC at 9:00 a.m. on Tuesday, 15 December 2009 is set out on pages 26 to 27 of this circular at which resolution(s) will be proposed for the Independent Shareholders to consider and if thought fit, approve the New Sale and Purchase of Ore Agreement, the Transactions contemplated thereto and the respective Proposed Annual Caps. Holding and any of its Associates will be required to abstain from voting on such resolution(s) at the EGM. The votes of the Independent Shareholders at the EGM will be taken by poll.

RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 10 of this circular, which contains its recommendations to the Independent Shareholders as to voting at the EGM and (ii) the letter from the Independent Financial Adviser set out on pages 11 to 22 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the New Sale and Purchase of Ore Agreement, the Transactions contemplated thereto and the respective Proposed Annual Caps.

LETTER FROM THE BOARD

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers the New Sale and Purchase of Ore Agreement, the Transactions contemplated thereto and the respective Proposed Annual Caps are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. None of the members of the Independent Board Committee has a material interest in the Transactions. Accordingly, it is recommended that the Independent Shareholders should vote in favour of the resolution(s) to be proposed at the EGM to approve the New Sale and Purchase of Ore Agreement, the Transactions contemplated thereto and the respective Proposed Annual Caps.

ADDITIONAL INFORMATION

Your attention is also drawn to the general information set out in Appendix to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

28 October 2009

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 28 October 2009 issued by the Company (the "Circular") of which this letter forms part. Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the New Sale and Purchase of Ore Agreement, the Transactions contemplated thereto and the respective Proposed Annual Caps and to advise the Independent Shareholders as to the fairness and reasonableness of the same. Somerley Limited, has been appointed as the Independent Financial Adviser, to advise the Independent Board Committee and the Independent Shareholders in this regard.

RECOMMENDATIONS

We wish to draw your attention to the "Letter from the Board", as set out on pages 4 to 9 of the Circular, and the letter from the Independent Financial Adviser which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the New Sale and Purchase of Ore Agreement, the Transactions contemplated thereto and the respective Proposed Annual Caps as set out on pages 11 to 22 of the Circular.

We have discussed with the management of the Company the reasons for the New Sale and Purchase of Ore Agreement, the Transactions contemplated thereto, the mechanism for the determination of price for the Transactions, the terms thereof, and the basis upon which the terms have been determined and the respective Proposed Annual Caps for the New Sale and Purchase of Ore Agreement. We have also considered the advice from the Independent Financial Adviser and we concur with the views of the Independent Financial Adviser and consider the New Sale and Purchase of Ore Agreement, the Transactions contemplated thereto and the respective Proposed Annual Caps to be in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM in respect of the New Sale and Purchase of Ore Agreement, the Transactions contemplated thereto and the respective Proposed Annual Caps.

Yours faithfully,
Independent Board Committee
Wong Chun Wa
Su Yong
Hui Leung Wah
Han Yi

Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the letter of advice from the Independent Financial Adviser, Somerley Limited, to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



SOMERLEY LIMITED

10th Floor
The Hong Kong Club Building
3A Chater Road
Central
Hong Kong

28 October 2009

*To: the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

We refer to our appointment as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the continuing connected transactions contemplated under the New Sale and Purchase of Ore Agreement entered into between the Company and Holding on 15 October 2009 and the Proposed Annual Caps, in respect of which the Independent Shareholders' approval is being sought. Details of the Transactions and the Proposed Annual Caps are set out in the "Letter from the Board" contained in the circular of the Company to the Shareholders dated 28 October 2009 (the "Circular"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

We are informed by the Company that Holding is interested in approximately 50.47% of the issued share capital of the Company as at the Latest Practicable Date and is a controlling shareholder of the Company. Accordingly, Holding is a connected person of the Company under the Listing Rules and the Transactions constitute continuing connected transactions for the Company under the Listing Rules. As the applicable percentage ratios (other than the profits ratio) on the Proposed Annual Caps contemplated under the New Sale and Purchase of Ore Agreement exceed 2.5% and the Proposed Annual Caps are more than HK\$10,000,000, the Company must comply with the Independent Shareholders' approval requirement in respect of the Transactions, in addition to the reporting and announcement requirements as stipulated under the Listing Rules. In this connection, the Company will seek the Independent Shareholders' approval for the New Sale and Purchase of Ore Agreement, the Transactions and the Proposed Annual Caps at the EGM.

The Independent Board Committee, comprising all of the four independent non-executive Directors, namely Mr. Wong Chun Wa, Mr. Su Yong, Mr. Hui Leung Wah and Mr. Han Yi, has been established to consider and make a recommendation to the Independent Shareholders on whether (1) the Transactions are in the Group's ordinary and usual course of business; (2) the terms of the New Sale and Purchase of Ore Agreement in relation to the Transactions are on normal commercial terms and are fair and reasonable;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

and (3) the Proposed Annual Caps for the three financial years ending 31 December 2010, 2011 and 2012 are fair and reasonable so far as the Independent Shareholders are concerned. We, Somerley Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the executive Directors and management of the Company and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects and will remain so up to the time of the EGM. We have also sought and received confirmation from the executive Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. We have no reason to believe that any material information has been withheld, nor doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group and Holding, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the Proposed Annual Caps and the terms of the New Sale and Purchase of Ore Agreement are fair and reasonable so far as the Independent Shareholders are concerned, we have taken into account the principal factors and reasons set out below:

1. Background to and reasons for the Transactions

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. Its principal steel product includes steel plates, section steel, wire rods, train wheels and wheel rims.

Holding (formerly known as Maanshan Magang Holding Company) is the controlling Shareholder of the Company. Prior to the reorganisation (the “Reorganisation”) carried out for the purpose of facilitating the listing of the Shares on the Stock Exchange in November 1993, the businesses of the Group were carried out by the Holding group. The Transactions were carried out between the Group and Holding prior to the Reorganisation. As part of the Reorganisation, Holding established the Company and transferred its iron and steel business to the Group. Holding retained, among other things, iron ore mining business.

Given the above delineation in businesses of the Group and Holding, Holding continued to supply iron ore to the Group. We consider this is a normal business practice. We note from the recent annual report of Angang Steel Company Limited (stock code: 347) (“Angang”), a H-share company listed on the Stock Exchange, that Angang purchased iron concentrate from Anshan Iron & Steel Group Complex, its controlling shareholder. This is also the case for Chongqing Iron & Steel Company (stock code: 1053) (“Chongqing Steel”), a H-share company listed on the Stock Exchange. As disclosed in its recent annual report, Chongqing Steel sourced iron ore from its controlling shareholder.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Iron ore is a primary raw material used by the Group in iron-making, where limestone and dolomite are used in the iron and steel production process as flux, being a binding agent and impurity remover and is finally disposed with other impurities and residuals. The executive Directors advise us that the production scale of iron ore in the PRC is insufficient to meet production requirement of the PRC iron and steel manufacturing industry. Accordingly, the Company sources the bulk of the Company's consumption of iron ore overseas from distant mines in Australia and Brazil. The shipment of iron ore from overseas mines is affected by, among other things, weather conditions and availability of vessels. Delay of shipment may pose a risk for the production process of the Company because production of process of steel making requires a continuous supply of iron ore. The bulky nature of iron ore limits the ability of the Company to stockpile large amount of iron ore. Moreover, the executive Directors consider that substantial amount of working capital of the Group will be tied up for purchase of iron ore if the Group stockpiles large amount of iron ore and this is not in the interests of the Shareholders. Accordingly, it is strategically beneficial for the Company to secure a domestic source of iron ore. As advised by the executive Directors, most of large domestic iron ore mines are owned and/or operated by domestic iron and steel producers or their related companies. The iron ores from these large iron ore mines are firstly supplied to their respective related domestic iron and steel producers with limited amount of iron ores sold in the domestic market. With limited resources, small iron ore mine producers are, in general, unable to guarantee a stable supply of good grade and quality iron ores to the Company.

Apart from its business in iron and steel production through the Company, Holding is principally engaged in sourcing of minerals and construction materials, construction services, warehousing and property management. The iron ore supplied by Holding are mined from its mines which are all located in Anhui Province. The mines are close to the off loading port adjacent to the production facilities of the Company in Maanshan City, Anhui Province. Production scale of Holding's iron ore mines is large and this allows Holding to have a stable supply of good grade and quality iron ore to the Company. Due to the close proximity of mines of Holding to the off loading port adjacent to the production facilities of the Company, and the Holding's ability to maintain a stable supply of good grade and quality of iron ore to the Company, the executive Directors are of the view that it is in the interests of the Company to source iron ore from Holding. As a result of good quality of limestones and dolomite of Holding, the Company also sources certain of limestones and dolomite from Holding.

The Existing Sale and Purchase of Ore Agreement as approved by Independent Shareholders on 14 December 2006 will expire on 31 December 2009. Accordingly, the executive Directors are of the view that it is in the interests of the Company and the Shareholders as a whole to continue the Transactions for coming three years ending 31 December 2010, 2011 and 2012.

The New Sale and Purchase of Ore Agreement was entered into with a view to regulating the relationship between the Group and Holding on the Transactions and to securing a stable and sufficient supply of Ore for the production of the Company. Pursuant to the procedure manual of the Company, the quality supervision division will inspect each batch of Ore purchased from suppliers (including Holding) to ensure that Ore purchased meets specification stipulated under the purchase contracts. We understand from the executive Directors that the Company is satisfied with the quality of Ore provided by Holding and Holding has in the past supplied Ore to the Company on an uninterrupted basis. Based on the above, we consider that the entering into of the New Sale and Purchase of Ore Agreement, which will enable the Company to secure a stable supply of Ore from a reliable supplier, is in the interests of the Company. In light of the principal activities of the Company, we also consider that the Transactions are entered into in the ordinary and usual course of business of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Principal terms of the Transactions

The New Sale and Purchase of Ore Agreement was entered into on 15 October 2009, whereby the Company has agreed to purchase and Holding has agreed to supply Ore for a term of three financial years ending 31 December 2010, 2011 and 2012.

(i) *First priority to meet the Company's demand of Ore*

Pursuant to the New Sale and Purchase of Ore Agreement, Holding shall supply all its Ore produced to the Company with first priority to meet the Company's demand subject to the Proposed Annual Caps. Such Ore is not allowed to be sold by Holding to any other party unless prior written consent is given by the Company. In addition, if Holding develops or acquires any new mines, whether in the PRC or overseas, during the term of the New Sale and Purchase of Ore Agreement, the first priority provision to supply Ore produced from the new mines to the Company and the restriction of selling the Ore produced from the new mines to any other party shall apply. We consider that these clauses, which enable the Company to secure a stable source of supply of the Ore, are in the interests of the Company.

(ii) *Terms as compared to independent third party*

Holding has provided an undertaking under the New Sale and Purchase of Ore Agreement that it shall supply Ore to the Company on terms equal or not less favourable than terms agreed between the Company with any independent third party.

(iii) *Pricing*

Pursuant to the New Sale and Purchase of Ore Agreement, prices for Ore will be arrived at after arm's length negotiations between the parties on half year basis.

For iron ore, 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 (the "Three Largest Independent Suppliers' Weighted Average Price for Each Percentage Point of Iron Content in a Tonne") in the preceding half year. 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.

The price of iron ore payable to Holding for the six months ending 30 June 2010 will be first determined by reference to the Three Largest Independent Suppliers' Weighted Average Price for Each Percentage Point of Iron Content in a Tonne for the six months ending 31 December 2009. Such price for the six months ending 30 June 2010 will be adjusted retrospectively when the Three Largest Independent Suppliers' Weighted Average Price for Each Percentage Point of Iron Content in a Tonne for such six months ending 30 June 2010 is calculated at the period end of 30 June 2010. If the adjusted price for such six months ending 30 June 2010 is lower than the Three Largest Independent Suppliers' Weighted Average Price for Each Percentage Point of Iron Content in a Tonne for the six months ending 31 December 2009, Holding has to refund the differences of the amount received to the Company. On the other hand, if the adjusted price for such six months ending 30 June 2010 is higher than the Three Largest Independent

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Suppliers' Weighted Average Price for Each Percentage Point of Iron Content in a Tonne for the six months ending 31 December 2009, the Company has to pay the differences to Holding. For the six months ending 31 December 2010, price of iron ore payable to Holding will be first determined by reference to the Three Largest Independent Suppliers' Weighted Average Price for Each Percentage Point of Iron Content in a Tonne for the six months ending 30 June 2010. A similar adjustment process will take place at the period end of 31 December 2010.

A similar pricing basis is adopted for limestone and dolomite. The price of limestone and dolomite 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 (the "Three Largest Independent Suppliers' Weighted Average Price") in the preceding half year. 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 limestone and dolomite respectively for that half year.

As a result of financial tsunami, mineral market (including iron ore) has become volatile. The executive Directors expect that the iron ore price will fluctuate for coming three years. If the Company continues to make reference to the price of its three largest independent iron ore suppliers paid in the preceding year to determine the price payable to Holding in a particular year, the fluctuation of iron ore price in a particular year will not be reflected in the Company's cost structure of that particular year but in the subsequent financial year. With the expectation to purchase more iron ore from Holding for coming three financial years, such impact will become greater. In order to minimise this undue impact of iron ore price volatility on the cost structure of the Company, the executive Directors propose to revise the pricing term by reference to the price of the three largest independent iron ore suppliers in that particular period. Moreover, with a shorter 6-month period as compared to the 12-month period, the cost structure of the Company in that particular period will be better tied in with iron ore price in such period under the revised pricing term. In August 2009, the China Iron and Steel Association reached an agreement with Fortescue Metals Group Limited ("FMG") for price of iron ore for second half of 2009. The Company's three largest iron ore suppliers were Vale SA ("Vale"), Rio Tinto Limited ("Rio Tinto") and BHP Billiton Limited ("BHP") in 2006, 2007 and 2008. The price paid by the Company to Vale and Rio Tinto was subject to revision once every year on 1 April, where such price was applicable throughout the period until 31 March of the following year. The price paid by the Company to BHP was subject to revision once every year on 1 January and such revised price was applicable throughout the whole year. The executive Directors expect that Vale, Rio Tinto and BHP will be the three largest iron ore suppliers of the Company for coming three years. The FMG deal breaks with the format of traditional annual iron ore pricing deals by only covering six months from 1 July. The executive Directors consider that there may be a chance that Vale, Rio Tinto and BHP will revise the price semi-annually for coming three years. Accordingly, the executive Directors propose that the iron ore price payable to Holding will be determined by reference to the Company's three largest independent iron ore suppliers during a particular half year. The executive Directors are of the view that the change of pricing basis is not expected to cause material adverse financial impact on the Company because there was no big differences for the amount of iron ore (in terms of tonnes) purchased from Holding between the first half and the second half historically. A similar pricing basis is also adopted for purchasing limestone and dolomite from Holding.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(iv) *Payment term*

It is stipulated under the New Sale and Purchase of Ore Agreement that the Company shall settle the payment for iron ore purchased within 30 days after iron ore has been delivered to, and inspected and confirmed by the Company as being in good quality. The Company do not receive credit terms from its major iron ore suppliers and has to make payment for iron ore upon receipt of the payment order, which is usually before iron ore is shipped to the designated off loading port of the Company. Accordingly, the credit term offered by Holding is more favourable than those offered by major iron ore suppliers. For purchases of limestone and dolomite, the credit term is extended to 50 days which is consistent with the credit term offered by major limestone and dolomite suppliers of the Company.

The amount of the Transactions for the year ended 31 December 2008 was disclosed in the 2008 annual report of the Company. It was further disclosed in the 2008 annual report of the Company that the Transactions between the Company and Holding under the Existing Sale and Purchase of Ore Agreement for the year ended 31 December 2008 had been approved by the Board, and were proceeded in compliance with terms of the Existing Sale and Purchase of Ore Agreement. The annual cap amounts had not yet been exceeded. The auditors of the Company had executed discussion processes of such financial information and issued reports regarding such execution.

On this basis, we consider that the Transactions are being conducted on normal commercial terms.

3. Proposed Annual Caps

The Transactions will be subject to the Proposed Annual Caps whereby for each of the three financial years ending 31 December 2010, 2011 and 2012, the amount of the Transactions will not exceed the applicable annual amounts stated in the “Letter from the Board” contained in the Circular. In assessing the reasonableness of the Proposed Annual Caps, we have discussed with the executive Directors and management of the Company the basis and underlying assumptions for the purpose of setting the Proposed Annual Caps.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Purchase of Ore by the Company from Holding

Set out below are the approximate aggregate amount (tax exclusive) of purchase of iron ore and limestone from Holding for each of the three financial years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009:

	Financial year ended			Six months
	31 December			ended
	2006	2007	2008	30 June
	<i>RMB ('000)</i>	<i>RMB ('000)</i>	<i>RMB ('000)</i>	<i>RMB ('000)</i>
Approximate aggregate amount (tax exclusive) of purchase of iron ore and limestone from Holding	1,631,201	1,848,362	1,897,182	1,265,854
Approximate increase as compared to the previous year (%)		13.31%	2.64%	

For the past three years of 2006, 2007 and 2008, and for the six months ended 30 June 2009, the Company sourced iron ore and limestone from Holding but not dolomite. Holding has recently expanded its production scale in respect of dolomite. Accordingly, the executive Directors are of the view, and we concur, that it is in the interests of Shareholders to diversify its dolomite supplier base so as to increasing its bargaining power with third party dolomite suppliers.

The amount of purchase of iron ore contributed significantly to the aggregate amount of purchase from Holding for the past three years of 2006, 2007 and 2008, and for the six months ended 30 June 2009 (2006: 100%, 2007: 88.9% and 2008: 98.6%, and 2009 first half: 98.8%). The Company purchased similar volume of iron ore from Holding in the past. The past fluctuation of aggregate amount of purchase of iron ore from Holding was mainly driven by movement of iron ore price.

Based on existing production plan, the executive Directors anticipate that the production scale of the Company for coming three years ending 31 December 2010, 2011 and 2012 will be close to current level. The Company sourced approximately 15.3% of its iron ore requirement from Holding in term of tonnes in 2008. The aggregate amount of iron ore supplied by Vale, Rio Tinto and BHP (being the three largest iron ore suppliers of the Company in 2008) met approximately 71.4% of iron ore requirement of the Company in term of tonnes in 2008. It is the strategic plan of the Company to purchase more iron ore from Holding in order to reduce reliance of overseas supply. As discussed in the paragraphed headed "Background to and reasons for the Transactions", the Company is satisfied with the quality of iron ore provided by Holding and Holding has in the past supplied iron ore to the Company on an uninterrupted basis. Coupled with Holding's undertaking to supply Ore to the Company on terms equal or not less favourable than terms agreed between the Company with any independent third party, we consider that the strategic plan of the Company is in the interests of the Company. Holding has acquired certain interests of new mines and expanded production scale of certain existing mines since the entering into of the Existing Sale and Purchase of Ore Agreement so as to accommodate to the strategic plan of the Company. After reviewing the existing production plan of the Company and discussing with management of Holding

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regarding the development plan of the mines, the executive Directors estimate that the Company will purchase not more than 3.2 million tonnes, 3.3 million tonnes and 3.9 million tonnes of iron ore from Holding in 2010, 2011 and 2012 respectively. Based on existing production plan of the Company, the executive Directors estimate that the 3.9 million tonnes of iron ore to be supplied by Holding in 2012 will constitute approximately 18.4% of the total amount of iron ore requirement (in term of tonnes) of the Company in 2012. It is expected that not exceeding 0.7 million tonnes for each of limestone and dolomite will be supplied to the Company for each of three years ending 31 December 2010, 2011 and 2012.

As the Company is one of the largest iron and steel producers and marketers in the PRC, the Company has to purchase massive amount of iron ore for its production. In order to secure a guaranteed and continuous supply of iron ore for its production process, the Company sourced most of iron ore by way of long term contracts in 2006, 2007 and 2008. For the three years ended 31 December 2006, 2007 and 2008, Vale, Rio Tinto and BHP supplied iron ore to the Company by way of long term contracts and were the three largest iron ore suppliers of the Company. Due to spread of financial tsunami, prices of minerals slumped and became volatile. The iron ore spot price was lower than the interim iron ore contract price in the first half of 2009. Accordingly, the Company purchased much more iron ore from the PRC spot market during the six months ended 30 June 2009. This explained why only one long term contract supplier was classified as the top three iron ore suppliers of the Company in the first half of 2009. The iron ore spot price has increased recently and the interim iron ore contract price becomes more attractive to the Company. As a result, the Company shifts to purchase more iron ore by way of long term contract during the second half of 2009.

The executive Directors believe that for coming three years ending 31 December 2010, 2011 and 2012, the Company will follow the past purchase pattern in 2006, 2007 and 2008 to purchase substantial amount of iron ore by way of long term contract to secure a guaranteed and continuous supply of iron ore for its production. Therefore, the executive Directors make reference to iron ore contract price forecast made by JPMorgan Chase & Co. (“JP Morgan”) and Goldman Sachs JBWere Pty Ltd (“Goldman Sachs”) in August 2009 and in June 2009 respectively to estimate future iron ore selling price with Holding for coming three years. JP Morgan estimates that the contract price for Hamersley fines to Asia will increase by 10% in 2010, remain the same in 2011 and drop by 5% in 2012. Goldman Sachs forecasts that Australian fines contract price will increase by 10% for the year ending 31 March 2011, drop by 10% for the year ending 31 March 2012 and remain the same for the year ending 31 March 2013.

When determining the annual movement rate for future iron ore selling price with Holding for coming three years ending 31 December 2010, 2011 and 2012, the executive Directors adopt the higher of the respective annual movement rate forecasted by JP Morgan and Goldman Sachs as mentioned above. Accordingly, the executive Directors estimate that iron ore selling price with Holding will increase by 10% in 2010, and there will be no movement in both 2011 and 2012.

The future iron ore price for coming three years is driven by a number of factors, including recovery progress of global economy which cannot be accurately forecasted. We consider that the use of higher of the respective annual movement rate forecasted by JP Morgan and Goldman Sachs in determining the annual movement rate for future iron ore selling price with Holding for coming three years would provide flexibility for the Company to source iron ore from Holding. It is stipulated under the New Sale and Purchase of Ore Agreement that terms for the supply of Ore from Holding will be equal or not less favourable than terms agreed between the Company with any independent third party. On this basis, we consider this to be acceptable.

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The average purchase price of limestone and dolomite of the Company increased by approximately 8.3% and 7.4% respectively in 2008 as compared to their respective average purchase price in 2007. During the six months ended 30 June 2009, the average purchase price of limestone and dolomite of the Company dropped by approximately 1.3% and 0.8% respectively as compared to their respective average purchase price in 2008. The Company sources limestone and dolomite from local suppliers. The executive Directors expect that prices of limestone and dolomite will remain the same in 2010. With the anticipation of continued PRC economic recovery and the increase of production costs of limestone and dolomite as a result of more stringent rules and regulations for environmental standards imposed by the PRC government, the executive Directors estimate that prices of limestone and dolomite will increase by 5% in each of 2011 and 2012.

Taking into account for the aforesaid factors, the Proposed Annual Caps (tax exclusive) for the purchase of Ore from Holding are set as follows:

	Financial year ending 31 December		
	2010	2011	2012
	RMB ('000)	RMB ('000)	RMB ('000)
Proposed Annual Caps (tax exclusive) for the purchase of Ore from Holding	2,486,410	2,573,320	3,075,220
Approximate increase as compared to the Proposed Annual Cap of previous year (%)		3.5%	19.5%

Having considered the basis on which the Proposed Annual Caps are determined as described above, we are of the view that the Proposed Annual Caps are fair and reasonable.

4. Conditions of the Transactions

In compliance with the Listing Rules, the conduct of the Transactions is subject to a number of conditions which include, among other things:

- (i) the Proposed Annual Caps for each of the three financial years ending 31 December 2010, 2011 and 2012 will not be exceeded;
- (ii) the independent non-executive Directors must, in accordance with Rule 14A.37 of the Listing Rules, review annually the Transactions and confirm in the Company's annual report and accounts that the Transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from independent third parties; and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iii) the auditors of the Company will, in accordance with Rule 14A.38 of the Listing Rules, review annually the Transactions and they will confirm in a letter to the Board (a copy of which letter will be provided to the Stock Exchange at least ten business days prior to the bulk printing of the annual report of the Company) whether the Transactions:
 - (a) have received the approval of the Board;
 - (b) have been entered into in accordance with the relevant agreements governing the Transactions; and
 - (c) have not exceeded the Proposed Annual Caps;
- (iv) the Company shall promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if it knows or has reason to believe that the independent non-executive Directors and/or the auditors will not be able to confirm the matters set out in the points (ii) and/or (iii) above respectively;
- (v) the Company will allow, and procure that Holding will allow, the auditors of the Company sufficient access to the relevant records of the Transactions for the purpose of the auditors' review as referred to in point (iii) above. The Board must state in the annual report whether its auditors have confirmed the matters stated in Rule 14A.38 of the Listing Rules; and
- (vi) the Company will comply with the applicable provisions of the Listing Rules governing connected transactions in the event that the total amount of the Transactions exceeds the Proposed Annual Caps, or that there is any material amendment to the terms of the New Sale and Purchase of Ore Agreement.

In light of the conditions attached to the Transactions, in particular, (1) the restriction of the amount of the Transactions by way of the Proposed Annual Caps; (2) the ongoing review by the independent non-executive Directors and auditors of the Company regarding the terms of the Transactions; and (3) the continuing review by the auditors of the Company confirming the Proposed Annual Caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Transactions and safeguard the interests of the Independent Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

DISCUSSION AND ANALYSIS

The Company's shares were listed on the Stock Exchange in November 1993. Prior to the Reorganisation to facilitate the listing, the Company's businesses were substantially integrated with those of Holding. Following the Reorganisation, the businesses, assets and contractual arrangements were separated as far as possible, but inevitably some connections of business remained. We consider this is the normal situation when a relatively integrated business is spun-off from its parent.

There are also transactions among members of the Company and Holding, which are common where each group subsidiary has its own business specialisation. This is also the case for Angang and Chongqing Steel. The production scale of iron ore in the PRC is insufficient to meet the production requirement of the PRC iron and steel manufacturing industry. Accordingly, the Company sources the bulk of the Company's consumption of iron ore overseas from distant mines in Australia and Brazil. The shipment of iron ore from overseas mines is affected by, among other things, weather conditions and availability of vessels. Delay of shipment may pose a risk for the production process of the Company because production of process of steel making requires a continuous supply of iron ore. The bulky nature of iron ore limits the ability of the Company to stockpile large amount of iron ore. Moreover, the executive Directors consider that substantial amount of working capital of the Group will be tied up for purchase of iron ore if the Group stockpiles large amount of iron ore and this is not in the interests of the Shareholders. Accordingly, it is strategically beneficial for the Company to secure a domestic source of iron ore. As advised by the executive Directors, most of large domestic iron ore mines are owned and/or operated by domestic iron and steel producers or their related companies. The iron ores from these large iron ore mines are firstly supplied to their respective related domestic iron and steel producers with limited amount of iron ores sold in the domestic market. With limited resources, small iron ore mine producers are, in general, unable to guarantee a stable supply of good grade and quality iron ores to the Company.

The Ore supplied by Holding are mined from its mines which are all located in Anhui Province and are close to the off loading port adjacent to the production facilities of the Company in Maanshan City, Anhui Province. Holding is able to maintain a stable supply of good grade and quality of Ore to the Company.

These factors result in the Transactions. We consider a fair and reasonable basis for the pricing principles and other terms of the New Sale and Purchase of Ore Agreement has been established, as discussed above. Whilst the approval of the Proposed Annual Caps gives the Company the flexibility to source Ore from Holding in order to secure a stable and sufficient supply of Ore for its production, the Company is not committed to do so. The Company will source Ore from Holding only if (a) the executive Directors consider that it is in the interests of the Company and the Shareholders as a whole; and (b) terms offered by Holding must be equal to or no less favourable than those offered by independent third party suppliers of the Company.

The Proposed Annual Caps have been established for the Transactions. We consider the transactions themselves will be conducted on normal commercial terms and for benefit of the Group. We concur with the executive Directors that the Proposed Annual Caps, which are in our opinion based on well-supported projections, allow the Company a degree of flexibility in managing its businesses.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OPINION

Having taken into account the above principal factors and reasons, we consider that (1) the Transactions are in the Group's ordinary and usual course of business; (2) the terms of the New Sale and Purchase of Ore Agreement in relation to the Transactions are on normal commercial terms and are fair and reasonable; and (3) the Proposed Annual Caps for the three financial years ending 31 December 2010, 2011 and 2012 are fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM.

Yours faithfully,
for and on behalf of
SOMERLEY LIMITED
Richard Leung
Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. INTERESTS OF DIRECTORS

(a) Interests in the Company

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required pursuant to (a) Divisions 7 and 8 of Part XV of the SFO; to be notified to the Company and the Stock Exchange; or (b) section 352 of the SFO, to be entered in the register referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange:

Name of Directors	Nature of interest and capacity	Total number of shares held as at the Latest Practicable Date	Approximate percentage of issued share capital of the Company as at the Latest Practicable Date
Gu Jianguo	Beneficial owner	3,886	0.00005%
Su Jiangan	Beneficial owner	3,886	0.00005%

All interests disclosed above present long positions in the shares.

Save as that Gu Jianguo is General Manager and Secretary of the Party Committee of Holding and Zhao Jianming is Deputy Secretary of the Party Committee and Secretary of the Discipline Committee of Holding, none of the Director(s) is also a director or employee of a company which has an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions of 2 and 3 of Part XV of the SFO.

(b) Interests in contracts and assets

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been, since 31 December 2008, being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement which is significant in relation to the business of the Group, other than those business in which such Directors have been appointed to represent the interests of the Company and/or other members of the Group.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter, into any service contract with any member of the Group which will not expire and is not terminable by the relevant member of the Group within one year without payment of any compensation, other than statutory compensation.

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective Associates were considered to have any interest in a business which competes or may compete with the business of the Group.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2008, being the date to which the latest published audited consolidated financial statements of the Company were prepared.

6. EXPERT AND CONSENT

- (a) The following is the qualification of the expert who has given its opinion or advice which is contained in this circular:

Name	Qualification
Somerley Limited	A licensed corporation to carry out 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 SFO

- (b) As at the Latest Practicable Date, the Independent Financial Adviser:
- (i) did not have any shareholding in the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Group;
 - (ii) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references, to its name in the form and context in which they appear;

- (iii) did not have any direct or indirect interests in any assets which since 31 December 2008 (being the date of which the latest published audited consolidated financial statements of the Company were made of) had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group.

7. MISCELLANEOUS

- (a) The secretary to the Board of the Company is Mr. Gao Haijian.
- (b) The registered office of the Company is at No. 8 Hong Qi Zhong Road, Maanshan City, Anhui Province, the PRC and the office address of the Company is at No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province, the PRC.
- (c) The share registrar and transfer office of the Company in Hong Kong is Hong Kong Registrars Limited at Rooms 1806-1807, 18/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office address of the Company at No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province, the PRC and the office of S. H. Leung & Co., Room 502, Aon China Building, No. 29 Queen's Road Central, Hong Kong during normal business hours on any business day from the date of this circular until 25 November 2009:

- (a) the New Sale and Purchase of Ore Agreement;
- (b) the letter from the Independent Board Committee dated 28 October 2009;
- (c) the letter from the Independent Financial Adviser dated 28 October 2009; and
- (d) the written consent from Independent Financial Adviser referred to in paragraph 6 headed "Expert and Consent" above.

NOTICE OF 2009 FIRST EGM

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this notice, 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 notice.



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)

NOTICE OF 2009 FIRST EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2009 first extraordinary general meeting (the “EGM”) of Maanshan Iron & Steel Company Limited (the “Company”) will be held at the Magang Guest House, No. 2 Xi Yuan Road, Maanshan City, Anhui Province, the People’s Republic of China (the “PRC”) at 9:00 a.m. on Tuesday, 15 December 2009.

The EGM will deal with the following matter:

Ordinary resolution:

To consider and approve the Sale and Purchase of Ore Agreement for 2010 to 2012 entered into between the Company and Magang (Group) Holding Company Limited on 15 October 2009, the transactions contemplated under the agreement and the annual caps (details of which are set out in the circular of the Company dated 28 October 2009).

By Order of the Board

Gao Haijian

Secretary to the Board

27 October 2009

Maanshan City, Anhui Province, the PRC

As at the date of this notice, 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

NOTICE OF 2009 FIRST EGM

Notes:

I. Persons entitled to attend the EGM

Persons who hold H shares of the Company and are registered as holders of H shares on the register of members maintained by The Hong Kong Registrars Limited on Friday, 13 November 2009 shall have the right to attend the EGM after completing the registration procedures for attending the meeting. (Holders of A shares will be notified separately.)

II. Registration procedures for attending the EGM

1. Holders of H shares shall deliver their written replies for attending the EGM, copies of transfers, share certificates or copies of receipts of share transfer and copies of their own identity cards to the Company by no later than Wednesday, 25 November 2009. If proxies are appointed by shareholders to attend the EGM, they shall, in addition to the aforementioned documents, deliver the forms of proxy and copies of their own identity cards to the Company.
2. Shareholders can deliver the necessary documents for registration to the Company in the following ways: either in person, by post or by facsimile. Upon receipt of such documents, the Company will complete the registration procedures for shareholders for attending the EGM.

III. Appointing proxies

1. Shareholders who have the right to attend and vote at the EGM are entitled to appoint in writing one or more proxies (whether a shareholder or not) to attend and vote on their behalf.
2. The instrument appointing a proxy must be in writing signed by the appointor or his attorney duly authorised in writing. If that instrument is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign or other documents of authorisation must be notarially certified. The notarially certified power of attorney or other documents of authorisation and forms of proxy must be delivered to the Company's office address by not less than 24 hours before the time appointed for the holding of the EGM in order for such documents to be valid.

IV. Shareholders or their proxies attending the EGM shall be responsible for their own accommodation and travel expenses.

V. The Company's register of members for H shares will be closed temporarily from Monday, 16 November 2009 to Tuesday, 15 December 2009 (both days inclusive), during which period no transfer of H shares will be registered. Holders of H shares who wish to attend the EGM must deliver their instruments of transfer together with the relevant share certificates to The Hong Kong Registrars Limited, the Registrar of H shares of the Company, by no later than 4:00 p.m. on Friday, 13 November 2009.

The address of the Registrar for the Company's H shares: Rooms 1806-1807, 18/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Share record date for holders of A shares will be announced separately.

- VI. Company's office address : No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province, the PRC.
Postal code: 243003
- Telephone : 86-555-2888158
- Fax : 86-555-2887284
- Contact persons : Ms. He Hongyun, Mr. Xu Yayan