

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



馬 鞍 山 鋼 鐵 股 份 有 限 公 司

**Maanshan Iron & Steel Company Limited**

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

**(Stock Code: 00323)**

**OVERSEAS REGULATORY ANNOUNCEMENT  
RESPONSE OF  
CHINA BAOWU STEEL GROUP CORPORATION LIMITED  
ON THE NOTICE REGARDING CHINA SECURITIES  
REGULATORY COMMISSION'S FIRST  
FEEDBACK ON THE REVIEW OF ADMINISTRATIVE  
PERMISSION ITEMS**

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

Reference is made to the “Response of China Baowu Steel Group Corporation Limited on the Notice Regarding China Securities Regulatory Commission’s First Feedback on the Review of Administrative Permission Items” (the “**Response**”) published by Maanshan Iron & Steel Company Limited (the “**Company**”) on the website of the Shanghai Stock Exchange at [www.sse.com.cn](http://www.sse.com.cn). The Response was prepared in Chinese and the English version is for reference only.

Reference is made to the acquisition offer report summary of overseas regulatory announcement of the Company dated 2 June 2019 (the “**Announcement**”), pursuant to Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Unless otherwise defined, capitalized terms used in the Response shall have the same meanings as those defined in the Announcement.

The board of directors of  
**Maanshan Iron & Steel Company Limited**

26 August 2019  
Maanshan City, Anhui Province, the PRC

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

*Executive Directors: Ding Yi, Qian Haifan, Zhang Wenyang*

*Non-executive Director: Ren Tianbao*

*Independent Non-executive Directors: Zhang Chunxia, Zhu Shaofang, Wang Xianzhu*

**Response of China Baowu Steel Group  
Corporation Limited on the Notice  
Regarding China Securities Regulatory  
Commission's  
First Feedback on the Review  
of Administrative Permission Items**

**August 2019**

## **To China Securities Regulatory Commission:**

Pursuant to the Notice Regarding China Securities Regulatory Commission’s (hereinafter referred to as “CSRC”) First Feedback on the Review of Administrative Permission Items (No. 191931) (hereinafter referred to as the “Feedback”) on the application document of China Baowu Steel Group Corporation Limited (hereinafter referred to as “China Baowu” or the “Acquirer”) for a waiver from the obligation of making an offer to acquire Maanshan Iron & Steel Company Limited (hereinafter referred to as “Maanshan Iron & Steel” or the “Listco”), China Baowu and its financial advisor China International Capital Corporation Limited (hereinafter referred to as “CICC”), its legal counsel King & Wood Mallesons have jointly and seriously considered the questions set forth in the Feedback one by one. Our response is as follows for your review.

Definitions used in the Chinese version of the Response to the Feedback shall be the same as those used in the Acquisition Report of Maanshan Iron & Steel (hereinafter referred to as the “Acquisition Report”). Contents relating to supplemental disclosure in the Chinese version of the Response to the Feedback are highlighted in Kaiti (楷體) Bold font in the Acquisition Report.

Any discrepancy between the total number and the sum of bottom-line items herein is due to rounding.

The table below sets forth the fonts used for related contents in the Response to the Feedback:

<b>Questions set forth in the Feedback</b>	<b>Times New Roman Bold font</b>
Response	Times New Roman

## Contents

Question 1.....	5
Question 2.....	17
Question 3.....	26
Question 4.....	31

**Question 1: According to the application document, upon completion of the Acquisition, there will be no horizontal competition between Maanshan Iron & Steel Company Limited (hereinafter referred to as “Maanshan Iron & Steel”) and China Baowu Steel Group Corporation Limited (hereinafter referred to as “China Baowu”) and companies held by China Baowu. China Baowu is advised to: 1) conduct a thorough review on and disclose actual and potential horizontal competition between all enterprises under the direct or indirect control of China Baowu and the Listco from the aspects of major products, customers, usage of products, technical features, etc.; 2) review the basis for the determination of no horizontal competition between the Listco and China Baowu and the enterprises under its control upon completion of the Acquisition and whether such basis is adequate and reasonable; and 3) where there is horizontal competition between the Listco and China Baowu and the enterprises under its control upon completion of the Acquisition, improve and supplement disclosure of related undertakings and urge and supervision measures as required by the Regulatory Guidance for Listed Companies No. 4: Undertakings of and Performance Thereof by De facto Controllers, Shareholders, Related Parties, Acquirers of Listed Companies, and Listed Companies (《上市公司監管指引第4號-上市公司實際控制人、股東、關聯方、收購人以及上市公司承諾及履行》). Financial advisor and legal counsel shall review and express explicit opinions.**

Response:

- I. Conduct a thorough review on and disclose actual and latent horizontal competition between all enterprises under the direct or indirect control of China Baowu and the Listco from the aspects of major products, customers, usage of products, technical features, etc.**

Major businesses of the Listco are production and sales of iron and steel products; major products are steel products, including three segments: plate products, long products and axle products. Plate products mainly include hot and cold-rolled thin plates, galvanized plates and coil coating plates, which are widely applied in automobile, household electrical appliance, construction industry, etc.; long products mainly include wire rod and section steel, which are applied in construction, petrochemical, railway construction industry, etc.; axle products mainly include train wheels, axles and rings, which are widely applied in railway

transport, port machinery, petrochemical industries, aerospace industry, etc. Technical features of aforesaid major products of Maanshan Iron & Steel are as set out below:

<b>Product category</b>	<b>Technical features</b>
Plate products	<p>Plate products of the Listco are mainly thin plate products. Details of major products are as follows:</p> <ol style="list-style-type: none"> <li>1. Main specifications of hot-rolled thin plates: thickness: &lt;3.0mm; width: 800-2,130mm.</li> <li>2. Main specifications of cold-rolled thin plates: thickness: 0.2-2.5mm; width: 700-2,000mm.</li> <li>3. Main specifications of galvanized plates: thickness: 0.3-3.0mm; width: 900-1,600mm.</li> <li>4. Main specifications of coil-coating plates: thickness: 0.3-2.0mm; width: 900-1,575mm.</li> </ol>
Long products	<p>In long products of the Listco, wire rods are mainly screw threaded steel and wire rods for construction; section steels are mainly H beams. Specifications of such products are as follows:</p> <ol style="list-style-type: none"> <li>1. Specifications of screw threaded steel: diameter: 12-40mm; specification of wire rods for construction: diameter: 6-12mm.</li> <li>2. Specifications of H beams: web height: 100-800mm.</li> </ol>
Axle products	<p>Axle products of the Listco are mainly wheels. Current product specifications meet various requirements of domestic and foreign rail transit customers. Several specifications of wheels have passed the certification of the Technical Specification for Interoperability (TSI). High-speed wheel products have been successfully approved by Deutsche Bahn. The Listco became the first domestic company exporting high-speed wheels.</p>

Overall performance, production quality and technological level of the products of the Listco are leading among national iron and steel enterprises. In addition, subject to the optimum sales radius, steel product has a significant radius of sales area. Sales areas of the products of Maanshan Iron & Steel within China are mainly Anhui, Shanghai, Jiangsu, Zhejiang, etc. in East China; and sales areas in overseas markets are mainly Vietnam, Hong Kong, Pakistan, Philippines, etc. In terms of 2018 annual revenue, the aforesaid areas are the main sales areas of iron and steel products of Maanshan Iron & Steel, accounting for more than 82% of sales revenue of Maanshan Iron & Steel, while the sales revenue from each of the other areas accounted for less than 5%.

Baoshan Iron & Steel Co., Ltd (hereinafter referred to as “Baoshan Iron & Steel”), an enterprise controlled by China Baowu, is mainly engaged in iron and steel business. Products of Baoshan Iron & Steel are mainly plates; Baoshan Iron & Steel also specializes in production of highly technologically advanced and high added-value quality steel products including thin and thick carbon steel plates, and steel tubes. Major products are cold-rolled carbon steel coil, hot-rolled carbon steel coil and steel tubes. Main sales areas of Baoshan Iron & Steel are also in East China, which overlap with those of Maanshan Iron & Steel in the field of plates to some extent. In respect of specific products, although products of Baoshan Iron & Steel are mainly high-end products and there are certain differences in product grade between Baoshan Iron & Steel and Maanshan Iron & Steel, sales markets of plate products of the two companies overlap to some extent. Therefore, iron and steel products of the two companies overlap to some extent.

As of the signature date of the Response to the Feedback, except for Baoshan Iron & Steel, details of other enterprises engaging in iron and steel business under the direct or indirect control of China Baowu in respect of major products, customers, usage of products, technical features, etc. are as set out below, and details of actual or latent horizontal competition between such enterprises and the Listco are also as set out below:

Company name	Major iron and steel business	Major products	Customers/sales areas	Usage of products	Technical features	Horizontal competition against the Listco
Baosteel Group Guangdong Shaoguan Iron and Steel Co., Ltd. (寶武集團廣東韶關鋼鐵有限公司) ("Shaoguan Iron and Steel")	Straight carbon steel	Major products include straight screw-thread steel bar, wire and medium plate.	Customers of Shaoguan Iron and Steel are mainly based in Guangdong Province. In 2018, sales volume in Guangdong Province accounted for 91.8%. Therefore, Guangdong Province is its main sales area.	<ol style="list-style-type: none"> <li>Bars including screw-thread steel bars are mainly applied in construction of high-rise buildings, bridges, expressways, subways, etc.</li> <li>Wires are mainly applied in instruments and apparatus, wristwatch parts, machine tools and other parts.</li> <li>Medium plates are mainly applied in ship plates, bridges, boilers, pressure vessels, etc.</li> </ol>	<ol style="list-style-type: none"> <li>Specifications of screw-thread steel bars: diameter: 12-40mm; length can be customized according to customer's demand. Overall performance and stability of products are leading in South China market.</li> <li>Specifications of high-speed wires: diameter: 5.5-50mm; cracking rate of cold heading steel, machinability of free-cutting steel, fatigue performance of spring steel can reach industry leading level.</li> <li>Specifications of medium plates: thickness: 10-120mm; width: 1,500-3,100mm; length: 6,000-24,000mm. Medium plates are mainly mid-low-end narrow thick plates; overall performance including strength and rigidity is at industry mid-low level.</li> </ol>	There is no substantial horizontal competition against Maanshan Iron & Steel as there is significant difference in main sales areas between Shaoguan Iron and Steel and Maanshan Iron & Steel that the sales volume of Shaoguan Iron and Steel in Guangdong Province exceeds 90%.



Company name	Major iron and steel business	Major products	Customers/sales areas	Usage of products	Technical features	Horizontal competition against the Listco
Baosteel Group Xinjiang Bayi Iron & Steel Co. Ltd. (寶鋼集團新疆八一鋼鐵有限公司) (“Bayi Iron & Steel”)	Straight carbon steel	Major products include screw-thread steel bar, hot-rolled steel coil, medium plate and high-speed wire.	Customers of Bayi Iron & Steel are mainly based in Northwest China including Xinjiang and Shaanxi. In 2018, sales volume of Bayi Iron & Steel in Northwest China accounted for 93.3%.	<ol style="list-style-type: none"> <li>Screw-thread steel bars are applied in industrial and civil buildings, railways, bridges, highways, water and power industry, etc.</li> <li>Medium plates are applied in energy and chemical industry and construction machinery.</li> <li>Hot-rolled steel coils are applied in long-distance transport pipes of petroleum and natural gas, automotive frame, etc.</li> <li>High-speed wires are mainly applied in industrial and civil buildings, railways, bridges, highways, water and power industry, etc.</li> </ol>	<ol style="list-style-type: none"> <li>Overall performance of screw-thread steel bar, including tensile strength, yield strength and elongation, reaches industry average level; specification: diameter: 10-40mm.</li> <li>Wire products are mainly high-speed wires; overall performance including tensile strength, yield strength, elongation and yield ratio reaches industry average level; specification of high-speed wire: diameter: 5.5-16mm.</li> <li>Specifications of medium plates: thickness: 8-80mm, width: up to 2,600mm; length: up to above 15,000mm.</li> <li>Specifications of hot-rolled steel coil: thickness: 2-16mm; width: up to 1,600mm.</li> </ol>	There is no substantial horizontal competition against Maanshan Iron & Steel as there is significant difference in main sales areas between Bayi Iron & Steel and Maanshan Iron & Steel that the sales volume of Bayi Iron & Steel in Northwest China exceeds 90%.

Company name	Major iron and steel business	Major products	Customers/sales areas	Usage of products	Technical features	Horizontal competition against the Listco
Wuhan Iron and Steel Group Echeng Iron and Steel Co., Ltd. (武漢鋼鐵集團鄂城鋼鐵有限公司) (“Echeng Iron and Steel”)	Straight carbon steel	Major products include medium plate products, construction materials, and long products such as strip steel.	<ol style="list-style-type: none"> <li>1. Customers of Echeng Iron and Steel are centered in Hubei, and spread around.</li> <li>2. Main sales areas of long products of Echeng Iron and Steel are Central China and Southwest China including Hubei, Chongqing and Hunan. In 2018, sales volume of long products in above areas accounted for approximately 80%; therefore, above areas are main sales areas of its long products. In 2018, sales volume of long products of Echeng Iron and Steel in East China was approximately 0.56 million tonnes, among which, sales volume of steel rods and narrow strips was approximately 0.53 million tonnes.</li> </ol>	<ol style="list-style-type: none"> <li>1. Medium plates are mainly applied in infrastructure, energy and chemical industry, machinery equipment industry, etc.</li> <li>2. Construction materials are mainly applied in large construction projects, property industry, etc.</li> <li>3. Strip steels are mainly applied in welded pipe materials, cold-rolled materials, hardware, punching steel, mechanical manufacturing, etc.</li> </ol>	<ol style="list-style-type: none"> <li>1. Specifications of medium plate: thickness: 6-150mm; width: up to 4,100mm; length: up to above 15,000mm.</li> <li>2. Specifications of screw-thread steel bar, the major product among construction materials: diameter: 12-40mm; length can be customized according to customer's demand. Specifications of high-speed wire: diameter: 5.5-16mm; overall performance and stability of products are leading in Central China.</li> <li>3. Specifications of straight high-quality and special steels: radius: 16-110mm; materials: plain round steel, carbon round steel, and chromium round steel; specification of steel wire rod: diameter: 5.5-16mm; materials: carbon structural wire and composite structural wire.</li> <li>4. Specification of strip steel: width: 143mm-274mm; narrow strips.</li> </ol>	In respect of plate products, plate products of Maanshan Iron & Steel are mainly thin plates including hot-and cold-rolled thin plates (thickness: less than 3mm), which are greatly different from the medium plate products of Echeng Iron and Steel; in respect of long products, steel rods and narrow strips are major products of Echeng Iron and Steel marketed in East China, which are different from those of Maanshan Iron & Steel marketed in East China, namely, screw-thread steel bar and section steel. Therefore, there is no substantial horizontal competition between Echeng Iron and Steel and Maanshan Iron & Steel.

Company name	Major iron and steel business	Major products	Customers/sales areas	Usage of products	Technical features	Horizontal competition against the Listco
Baosteel Special Metals Co., Ltd. (寶特鋼有限公司) (“Baosteel Special Metals”)	Special steel	Major products include high-temperature alloy, corrosion-resistant alloy, precision alloy, titanium alloy, tool & die steel, special structural steel, and special stainless steel.	Customers for tool & die steel of Baosteel Special Metals are mainly based in East China and South China. Customers for energy machinery and rail steel are mainly based on Jiangsu and Zhejiang. Customers for aviation materials and military products are mainly based on Shenyang, Xi’an, Guizhou, etc.	Special steel refers to the steel that has special chemical composition, special structure and properties and that is produced using special process and is capable of satisfying special purpose. Special steel is mainly applied in the fields with special requirements for high temperature resistance and high pressure resistance, including aviation and aerospace, national defense and military industry, nuclear power and energy, special purpose vessel and high-speed rail.	Special steel products of Baosteel Special Metals are subject to special smelting, have special chemical composition, special structure and properties, and are produced using special process and capable of satisfying the requirements of special application environment.	There is no horizontal competition between Baosteel Special Metals and Maanshan Iron & Steel, as special steel products and the straight carbon steel products of Baosteel Special Metals and Maanshan Iron & Steel are applied in different fields.
Ningbo Baoxin Stainless Steel Co., Ltd. (寧波寶新不銹鋼有限公司) (“Ningbo Baoxin”)	Stainless steel	Major products include Chromium stainless steel, Chromium-Nickel stainless steel and Chromium-Manganese-Nitrogen stainless steel.	Customers of Ningbo Baoxin are mainly based in Zhejiang, Shanghai, Jiangsu, Guangdong, etc. Products are mainly applied in high-end markets including automobile manufacturing, household electrical appliances, rail transit, lift, container, solar power industry.	The most important property of stainless steel is erosion resistance, in addition to mechanical and physical properties. Stainless steel is mainly applied in fields with requirement for higher erosion resistance in industrial structure, machinery equipment and communications and transportation industry.	Carbon content $\leq 0.12\%$ , chromium content $> 12\%$ ; meanwhile, stainless steel also contains the following elements according to different usage: Ni, Ti, Mn, N, Nb, Mo, Si and Cu, etc.	There is no horizontal competition between Ningbo Baoxin as well as Desheng Stainless Steel and Maanshan Iron & Steel, as stainless steel products and the straight carbon steel products of Maanshan Iron & Steel are applied in different fields.

Company name	Major iron and steel business	Major products	Customers/sales areas	Usage of products	Technical features	Horizontal competition against the Listco
Baosteel Desheng Stainless Steel Co., Ltd. (寶德盛不銹鋼有限公司) (“Desheng Stainless Steel”)	Stainless steel	Major products include Austenitic Chromium-Manganese stainless steel, Austenitic Chromium-Nickel stainless steel, and Ferrite Chromium stainless steel.	Customers are mainly based in Foshan, Jieyang, Wuxi, etc. Customers include those who have requirement for higher erosion resistance such as products, tabulation, surface decoration, building hardware, tableware and auto vent-pipe.	The most important property of stainless steel is erosion resistance, in addition to mechanical and physical properties. Stainless steel is mainly applied in fields with requirement for higher erosion resistance in industrial structure, machinery equipment and communications and transportation industry.	<ol style="list-style-type: none"> <li data-bbox="284 452 406 889">1. Austenitic stainless steel is nonmagnetic with good toughness and plasticity, and a low strength.</li> <li data-bbox="448 452 651 889">2. Ferrite stainless steel contains no Nickel (Ni is a precious metal), and has a high heat conductivity coefficient, low expansion coefficient, good antioxidation and good stress corrosion resistance.</li> </ol>	

In view of the above, in respect of product category, application fields, main sales areas, etc., there is certain overlap and market competition between Maanshan Iron & Steel and Baoshan Iron & Steel in respect of iron and steel business. Except for Baoshan Iron & Steel, there is no substantial horizontal competition between other enterprises mainly engaging in iron and steel business under the control of China Baowu and Maanshan Iron & Steel as there are differences in main sales areas, product categories, properties, application fields, etc.

**II. Review the basis for the determination of no horizontal competition between the Listco and China Baowu and the enterprises under its control upon completion of the Acquisition and whether such basis is adequate and reasonable.**

The Listco is mainly engaged in production and sales of steel products, and main sales areas within China are Anhui, Shanghai, Jiangsu, Zhejiang, etc. in East China, and sales areas in overseas market are Vietnam, Hong Kong, Pakistan, Philippines, etc.

As analysed in Part I, in respect of product category, application fields, main sales areas, etc., there is certain overlap and market competition between Maanshan Iron & Steel and Baoshan Iron & Steel in respect of iron and steel business. Except for Baoshan Iron & Steel, there is no substantial horizontal competition between other enterprises mainly engaging in iron and steel business under the control of China Baowu and Maanshan Iron & Steel as there are differences in main sales areas, product categories, properties, application fields, etc.

**III. Where there is horizontal competition between the Listco and China Baowu and the enterprises under its control upon completion of the Acquisition, improve and supplement disclosure of related undertakings and urge and supervision measures as required by the Regulatory Guidance for Listed Companies No. 4: Undertakings of and Performance Thereof by De facto Controllers, Shareholders, Related Parties, Acquirers of Listed Companies, and Listed Companies (《上市公司監管指引第4號-上市公司實際控制人、股東、關聯方、收購人以及上市公司承諾及履行》) (hereinafter referred to as “Guidance No. 4”)**

**(i) Provisions of Guidance No. 4**

As stipulated by Guidance No. 4, undertakings made by de facto controllers, shareholders, related parties and acquirers of listed companies and listed companies for addressing horizontal competition, assets injection, stock option incentive, property defects, etc., in the process of IPO, refinancing, share reform, acquisition and reorganization and special events for corporate governance shall explicitly specify the time limit for performance, and shall not use ambiguous words including “as soon as possible” and “in due time”; where performance of undertaking involves restrictions of industry policy, the time limit for performance shall be specified as permitted by the policy; listed companies shall make full disclosure of information in respect of specific contents of undertakings, method and time of performance, analysis of contractual capacity, risks relating to performance and countermeasures, control measures in response to failure of performance, etc.

**(ii) Undertakings on Non-Competition**

In order to avoid horizontal competition, China Baowu has issued the Letter of Undertaking on Non-Competition, pursuant to which, China Baowu undertakes that:

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

The aforesaid solutions include but are not limited to:

- 1) Asset restructuring: China Baowu will progressively complete review and reorganisation of assets falling within overlapped business of Baoshan Iron & Steel and Maanshan Iron & Steel through feasible restructuring forms including acquisition of assets, assets swap and assets transfer by various means permitted by applicable laws and regulations such as cash consideration or issuance of consideration shares, to eliminate overlap of certain businesses;

- 2) Business adjustment: China Baowu will review the business boundary between Baoshan Iron & Steel and Maanshan Iron & Steel, and try its best to achieve differentiated operations between such two listed companies through, for example, business differentiation by various means including asset transaction and business division, including but not limited to differentiation in respect of business composition, product grade, application field and customer group;
- 3) Entrusted management: By entering into trust agreement, either party will entrust the decision-making and management rights as to the operations of certain assets in overlapped business to the other party for unified management;
- 4) Other feasible solutions within the scope permitted by laws and regulations and related policies.

Implementation of above solutions is subject to performance of necessary deliberation procedures of listed companies, and approval procedures of securities regulatory authority and relevant competent authority according to applicable laws and regulations.

- (2) Currently China Baowu has not developed specific implementation plan and schedule for addressing the issue of overlap of certain businesses between Baoshan Iron & Steel and Maanshan Iron & Steel, and China Baowu will perform the obligation of information disclosure as required by applicable laws and regulations upon the development of practicable specific plans in a timely fashion;
- (3) Save as disclosed above, upon acquisition of business opportunity by China Baowu or its other subsidiaries to compete against Maanshan Iron & Steel, China Baowu will try its best to provide Maanshan Iron & Steel with the priority of development of such business opportunity and right of first refusal of projects, cause the price of related transaction to be fair and reasonable, and will take the business practice followed in normal business transactions with independent third party as the basis for pricing;
- (4) China Baowu guarantees, in strict accordance with the provisions of laws, regulations, the articles of association of the Listco and its related administrative rules, not to seek unjustified interest by leveraging its status as the indirect controlling shareholder of the Listco, and thus impair the interest of other shareholders of the Listco;



- (5) Above undertakings made by China Baowu will remain in force during the period when China Baowu maintains its control over Maanshan Iron & Steel. In case of impairment caused to equity interests of Maanshan Iron & Steel as a result of violation of above undertakings, China Baowu will undertake corresponding liability for compensation.”

### **III. Supplemental Disclosure**

China Baowu has made supplemental disclosure of actual and potential horizontal competition between all enterprises under the direct or indirect control of China Baowu and the Listco, related undertakings and supervision measures as described above in Kaiti (楷體) Bold font in “(iii) Horizontal Competition between the Acquirer and Maanshan Iron & Steel” under “II. Horizontal Competition between the Acquirer and the Listco” in “Section VII Analysis of Impact on the Listco” in the Acquisition Report.

### **IV. Review Opinions of Intermediary**

Upon review, the financial advisor and the legal counsel are of the view that:

- (1) In respect of product category, main sales areas, etc., there is horizontal competition between Maanshan Iron & Steel and Baoshan Iron & Steel as there is certain overlap in iron and steel business between the two; except for Baoshan Iron & Steel, there is no substantial horizontal competition between other enterprises mainly engaging in iron and steel business under the control of China Baowu and Maanshan Iron & Steel as there are differences in main sales areas, product categories, properties, application fields, etc.;
- (2) The basis for the determination of horizontal competition between the Listco and China Baowu and the enterprises under its control upon completion of the Acquisition is adequate and reasonable;
- (3) In the light of overlap of business, China Baowu has issued the Letter of Undertaking on Non-Competition as required by the Regulatory Guidance for Listed Companies No. 4: Undertakings of and Performance Thereof by De facto Controllers, Shareholders, Related Parties, Acquirers of Listed Companies, and Listed Companies;
- (4) China Baowu has made supplemental disclosure of related contents in the Acquisition Report.



**Question 2: According to application document, upon completion of the Acquisition, business between China Baowu and its related parties and Maanshan Iron & Steel will constitute related party transactions. The Acquisition will result in additional related party transactions of the Listco. The Company is advised to: 1) make a quantitative analysis and disclosure of additional related party transactions of the Listco upon completion of the Acquisition; 2) make a supplemental disclosure of the necessity and fairness of aforesaid related party transactions; and 3) describe the specific measures for reducing related party transactions and safeguarding the independence of the Listco upon completion of the Acquisition. Financial advisor and legal counsel shall review and express explicit opinions.**

Response:

**I. Make a quantitative analysis and disclosure of additional related party transactions of the Listco upon completion of the Acquisition.**

***(i) Related party transactions of Maanshan Iron & Steel before the Acquisition***

Before the Acquisition, material related party transactions relating to daily operations of Maanshan Iron & Steel for the years 2017 and 2018 under related provisions including the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, the Guidelines of Shanghai Stock Exchange for Related Party Transactions of Listed Companies, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, are as set out below:

***1. Sales of goods/services***

Unit: RMB'0,000

<b>Company name</b>	<b>Content of transaction</b>	<b>Amount in the year 2018</b>	<b>Amount in the year 2017</b>
Masteel Group and its subsidiaries (excluding Maanshan Iron & Steel)	Sales of goods/services	72,016.40	52,156.40

2. *Procurement of goods/services*

Unit: RMB'0,000

<b>Company name</b>	<b>Content of transaction</b>	<b>Amount in the year 2018</b>	<b>Amount in the year 2017</b>
Masteel Group and its subsidiaries (excluding Maanshan Iron & Steel)	Procurement of goods/ services	949,106.80	844,665.60

3. *Provision of deposit and loan services*

Unit: RMB'0,000

<b>Company name</b>	<b>Content of transaction</b>	<b>Amount in the year 2018</b>	<b>Amount in the year 2017</b>
Masteel Group and its subsidiaries (excluding Maanshan Iron & Steel)	Deposit interest expense	3,691.70	3,494.00
	Loan interest income	2,170.50	2,156.00
	Net fees and commission income	44.5	145.3
	Discount interest income	4,155.70	3,519.20

(ii) *Transactions between Maanshan Iron & Steel and China Baowu*

Before the Acquisition, there was no related party transaction between Maanshan Iron & Steel and China Baowu, as there was no related party relationship between the two. Upon completion of the Acquisition, China Baowu will become an indirect Controlling Shareholder of Maanshan Iron & Steel, by indirectly holding 45.54% of the Shares of Maanshan Iron & Steel. As a result, business interactions between Maanshan Iron & Steel and China Baowu and its related parties upon completion of the Acquisition will constitute additional related party transactions of Maanshan Iron & Steel.

For the years 2017 and 2018, transactions between Maanshan Iron & Steel and China Baowu are as set out below:

1. *Sales of goods/services*

With respect to the transactions relating to sales of goods/services, Maanshan Iron & Steel principally sold related iron and steel products to Shanghai Iron and Steel Trade Center Co., Ltd. (上海鋼鐵交易中心有限公司) (hereinafter referred to as “Shanghai Iron and Steel Trade Center”). Specific transaction amounts are as set out below:

Unit: RMB’0,000

<b>Company name</b>	<b>Content of transaction</b>	<b>Amount in the year 2018</b>	<b>Amount in the year 2017</b>
Enterprise within the scope of consolidation of China Baowu	Sales of goods/ services	277,140.23	313,791.97

2. *Procurement of goods/services*

With respect to the transactions relating to procurement of goods/ services, Maanshan Iron & Steel principally procured cold roll products from Baosteel Roll Science & Technology Co., Ltd. (寶鋼軋輥科技有限公司) (hereinafter referred to as “Baosteel Roll”), and Anhui Changjiang Steel Co., Ltd. (安徽長江鋼鐵股份有限公司) (hereinafter referred to as “Changjiang Steel”), a subsidiary of Maanshan Iron & Steel, procured silicomangan and iron ore products from Baosteel Resource Holding (Shanghai) Co., Ltd. (寶鋼資源控股(上海)有限公司) (hereinafter referred to as “Baosteel Resource”). Specific transaction amounts are as set out below:

Unit: RMB’0,000

<b>Company name</b>	<b>Content of transaction</b>	<b>Amount in the year 2018</b>	<b>Amount in the year 2017</b>
Enterprise within the scope of consolidation of China Baowu	Procurement of goods/ services	30,881.18	31,587.13

### 3. *Purchase of Wealth Management Products*

With respect to the transactions in relation to purchase of wealth management products, Magang Group Finance Co. Ltd. (馬鋼集團財務有限公司) (hereinafter referred to as “MaSteel Finance”), a subsidiary of Maanshan Iron & Steel principally purchased related fund products from Hwabao WP Fund Management Co., Ltd. (華寶基金管理有限公司) (hereinafter referred to as “Hwabao WP Fund”). Specific transaction amounts are as set out below:

Unit: RMB’0,000

<b>Company name</b>	<b>Content of transaction</b>	<b>Amount in the year 2018</b>	<b>Amount in the year 2017</b>
Enterprise within the scope of consolidation of China Baowu	Purchase of wealth management products	187,000.00	–

## II. **Disclose the necessity and fairness of aforesaid transactions between Maanshan Iron & Steel and China Baowu**

Aforesaid related transactions between Maanshan Iron & Steel and China Baowu and its related parties are based on the normal production and operation requirements of Maanshan Iron & Steel and its subsidiaries. Pricing of such transactions follows market-oriented pricing principle, and such transactions are necessary and fair. Specific analysis is as set out below:

### *(i) Sales of goods/services*

Maanshan Iron & Steel sells unplanned products of cold-rolled, galvanized, acid pickled, coil-coating, silicon steel and full hard series (hereinafter referred to as “cold-rolled series unplanned products”) through Ouyeel e-commerce platform established and managed by Shanghai Iron and Steel Trade Center. Ouyeel, as an iron and steel e-commerce platform under China Baowu, and a leading B2B iron and steel e-commerce transaction platform in China, serves large iron and steel enterprises across the country with the development concept of openness and win-win progress, and provides whole-process services covering iron and steel circulation areas. With a large number of users and active transactions, Ouyeel has developed into the most important sales platform for domestic iron and steel enterprises, and mainly provides online matchmaking transaction service for iron and steel enterprises and downstream users. In 2018, total transaction volume on Ouyeel e-commerce platform reached 120 million tonnes. By the end of 2018, registered users of the platform reached 150,000, including more than

250 partner steel plants. As a leading iron and steel e-commerce platform in China, Ouyeel is an important sales channel of unplanned products of cold-rolled series of Maanshan Iron & Steel.

For sales of cold-rolled series unplanned products of Maanshan Iron & Steel on Ouyeel, launching price of product is principally determined according to related cold roll price index on the website of “My Steel” and then sales price is finalised through bidding process after launching. Transactions will be conducted by Shanghai Iron and Steel Trade Center and downstream customers after sales settlement has been done with Shanghai Iron and Steel Trade Center at the sales price. Actual target customers of the products of Maanshan Iron & Steel are various downstream customers on Shanghai Iron and Steel Trade Center. Pricing is on the basis of market-oriented bidding process, and transaction price is fair.

**(ii) Procurement of goods/services**

Iron ores and silicomangan are important raw and auxiliary materials for the production and operation of Changjiang Steel. In order to safeguard stable production and avoid the risk of supply interruption, Changjiang Steel implemented regional procurement strategy to silicomangan and iron ores, and established long-term cooperation relationship with suppliers with significant resource advantage and stable supply in China and certain regions. Baosteel Resource has the resource advantage by establishing long-term and stable strategic cooperation with major domestic and foreign metallurgical raw material suppliers and crude fuel suppliers. With high quality of silicomangan and iron ore products and stable supply capacity, Baosteel Resource is a major supplier of Changjiang Steel. In addition, supplies of iron ores of Baosteel Resource are principally in ports along Yangtze River and ports around Yangtze Estuary, which is in line with the procurement strategy of Changjiang Steel. Procurement price of silicomangan is determined by Changjiang Steel through bid invitation and discussion with suppliers in the way of enquiry and taking account of the procurement prices of surrounding large steel plants under the market-oriented principle. Spot procurement price of iron ores is determined by enquiry comparison under the market-oriented principle. Transaction prices are fair.

Cold roll is one of the core parts for the production of cold-rolled plate products of Maanshan Iron & Steel. Baosteel Roll is a leading enterprise in domestic cold roll manufacturing and a major supplier for large domestic steel enterprises. With high quality of products and stable supply capacity, Baosteel Roll is a major supplier of cold rolls for Maanshan Iron & Steel. Maanshan Iron & Steel executes procurement of cold rolls by way of tendering, and determines procurement price according to tendering result. Transaction prices are fair.

***(iii) Purchase of wealth management products***

With respect to the transactions between MaSteel Finance and Hwabao WP Fund, MaSteel Finance principally subscribes the monetary fund and bond fund products offered by Hwabao WP Fund in open market. Hwabao WP Fund, as a fund management company of China Baowu, offers equity fund, monetary fund, bond fund products, etc., in open market in accordance with related regulations. Related products issued by Hwabao WP Fund subscribed by Maanshan Iron & Steel fall within the normal capital allocation behavior of MaSteel Finance as a non-bank financial institution for improving its capital efficiency. All related transactions are conducted through open market and could generate stable income. Transaction prices are fair.

**III. Describe the specific measures for reducing related party transactions and safeguarding the independence of the Listco upon completion of the Acquisition.**

***(i) The Listco developed sound decision-making process in relation to related party transactions***

Upon completion of the transaction, China Baowu and its subsidiaries will become related parties to Maanshan Iron & Steel and the transactions between China Baowu and its subsidiaries and Maanshan Iron & Steel will be executed in accordance with the decision-making process in relation to related party transactions of the Listco. The Board of Directors of Maanshan Iron & Steel has developed related rules and regulations including the Articles of Association, the Rules of Procedures for General Meeting, the Rules of Procedures for the Board of Directors, the Working System for Independent Directors, and the Measures for the Administration of Internal Control on Related Party Transactions, in accordance with the provisions of related laws, rules and regulations, including the Company Law and the Guidelines on the Articles of Association for Listed Companies. Such rules and regulations stipulated decision-making authority and decision-making process in relation to related party transactions, and the rules for related directors and related Shareholders abstaining from voting in detail, for the purpose of securing the fairness of the decisions of the Board of Directors and the General Meeting of the Listco on related party transactions to the interest of other Shareholders. The aforesaid rules governing related party transactions are enforceable.

***(ii) A Letter of Undertaking on reducing related party transactions and safeguarding the independence of the Listco was issued.***

In order to regulate and reduce the related party transactions between China Baowu and Maanshan Iron & Steel, China Baowu has issued the Letter of Undertaking on Regulating and Reducing Related Party Transactions, pursuant to which, China Baowu undertakes that:

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



In order to consistently maintain the independence of Maanshan Iron & Steel, China Baowu has issued the Letter of Undertaking on Securing the Independence of the Listco, pursuant to which, China Baowu undertakes that:

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

#### **IV. Supplemental Disclosure**

China Baowu has made supplemental disclosure of above related party transactions and undertakings in Kaiti (楷體) Bold font in “I. Impact on the Independence of the Listco” and “III. Related Party Transactions between the Acquirer and the Listco” in “Section VII Analysis of Impact on the Listco” in the Acquisition Report.



## V. Review Opinions of Intermediary

Upon review, the financial advisor and the legal counsel are of the view that:

- (1) Upon completion of the Acquisition, China Baowu will become an indirect Controlling Shareholder of Maanshan Iron & Steel, by indirectly holding 45.54% of the Shares of Maanshan Iron & Steel; business interactions between Maanshan Iron & Steel and China Baowu will constitute related party transactions, which will result in additional related party transactions of Maanshan Iron & Steel. Aforesaid transactions between Maanshan Iron & Steel and China Baowu fall within the transaction activities required for the routine operations of Maanshan Iron & Steel, and related pricings have followed market-oriented pricing principle, therefore, such transactions are necessary and fair;
- (2) The Board of Directors of Maanshan Iron & Steel has developed related rules and regulations including the Articles of Association, and the Measures for the Administration of Internal Control on Related Party Transactions, in accordance with the provisions of related laws, rules and regulations, including the Company Law and the Guidelines on the Articles of Association for Listed Companies. Such rules and regulations stipulated decision-making authority and decision-making process in relation to related party transactions, and the rules for related directors and related Shareholders abstaining from voting in detail. Meanwhile, China Baowu has issued the Letter of Undertaking on Regulating and Reducing Related Party Transactions and the Letter of Undertaking on Securing the Independence of the Listco, which could secure the fairness of the decisions of the Board of Directors and the General Meeting of the related party transactions to the interest of other Shareholders;
- (3) China Baowu has made supplemental disclosure of related contents in the Acquisition Report.

**Question 3: According to application document, the Transfer at nil consideration has been approved by the Reply and Approval in relation to the Transfer at Nil Consideration of State-owned Shares in Magang (Group) Holding Company Limited (Guo Zi Chan Quan [2019] No. 301) issued by the State-owned Assets Supervision and Administration Commission of the State Council on 19 June 2019. China Baowu is advised to, in the light of the time when the approval was obtained and the time when the Transfer was reported to CSRC, make a full disclosure of whether the application of China Baowu to CSRC for a waiver from the obligation of making a general offer meets the related provisions set out in Article 96 of the Securities Law, Article 56 of the Measures for Administration of the Acquisition of Listed Companies, etc. Financial advisor and legal counsel shall review and express explicit opinions.**

Response:

**I. China Baowu is advised to, in the light of the time when the approval was obtained and the time when the the Transfer was reported to CSRC, make a full disclosure of whether the application of China Baowu to CSRC for a waiver from the obligation of making a general offer meets the related provisions set out in Article 96 of the Securities Law, Article 56 of the Measures for Administration of the Acquisition of Listed Companies, etc.**

***(i) Related provisions set out in the Securities Law and the Measures for Administration of the Acquisition of Listed Companies***

Article 96 of the Securities Law provides that “In the event of an acquisition by agreement, where an acquirer has purchased, or has purchased with any other person 30% of the shares as issued by a listed company through agreement or any other arrangement and if the acquisition is continued, the acquirer shall make an offer to all of the shareholders of the target listed company for purchasing all of or part of the company’s shares, unless the obligation of making an offer has been waived by the securities regulatory authority under the State Council.”

Paragraph 2 of Article 56 of the Measures for Administration of the Acquisition of Listed Companies provides that “Where the acquirer holds more than 30% of the shares in issue of a listed company, the acquirer shall make a general offer to all shareholders of the listed company to acquire all of the shares they hold; where the acquirer expects that it will be unable to make a general offer within 30 days since the date of occurrence of the fact, the acquirer shall, within aforesaid 30 days, urge the shareholders under its control to reduce their shareholdings to 30% or below, and make an announcement within 2 business days since the date of reduction; where the acquirer or the shareholders under its control subsequently propose to increase their shareholdings, they shall make an offer; application for a waiver according to the provisions set out in Chapter Six of the Measures shall be executed in accordance with the provisions set out in Article 48 of the Measures.”

Article 48 of the Measures for Administration of the Acquisition of Listed Companies provides that “In case of acquisition of more than 30% of the shares of a listed company by agreement, where the acquirer proposes to apply for a waiver according to the provisions set out in Chapter Six of the Measures, the acquirer shall, within 3 days since the date when the agreement on acquisition is reached with the shareholders of the listed company, prepare the acquisition report of the listed company, submit an application for a waiver, engage the financial advisor to submit a written report to the CSRC and the stock exchange, inform the acquiree and make an announcement of the summary of the acquisition report of the listed company. The acquirer shall, within 3 days since receipt of the waiver from the CSRC, make an announcement of its acquisition report, professional advice of the financial advisor and the legal opinions of the legal counsel; where the acquirer fails to obtain a waiver, the acquirer shall make an announcement within 3 days since receipt of the decision of the CSRC, and execute in accordance with the provisions set out in Paragraph 2 of Article 61 of the Measures.”

Paragraph 1 of Article 63 of the Measures for Administration of the Acquisition of Listed Companies provides that “In case of any of the following circumstances, an investor may apply to the CSRC for a waiver from making an offer. Where the CSRC raises no objection within 10 business days since receipt of qualified application document, related investor may apply to the stock exchange and securities registration and clearing institution for executing registration of transfer of shares and transfer of ownership; where the CSRC disapproves its application, related investor shall execute in accordance with the provisions set out in Article 61 of the Measures: (i) an investor holds more than 30% of the shares in issue of a listed company as a result of transfer, change and merger of state-owned assets at nil consideration approved by the government or state-owned assets administration agency……”

Article 13 of the Standards for the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 19 - Application Document for A Waiver from Making an Offer provides that “where the shares held by state authorized institution are involved or approval of relevant competent authority is required, relevant approval document shall be submitted in accordance with the relevant provisions of the State Council and relevant authority.”

Based on the above provisions, information of the Acquisition is described as below:

- (1) As a result of the Acquisition, China Baowu will hold more than 30% of the shares of Maanshan Iron & Steel. Pursuant to the provisions set out in Article 96 of the Securities Law and Article 56 of the Measures for Administration of the Acquisition of Listed Companies, China Baowu is obliged to make an offer to all shareholders of Maanshan Iron & Steel to acquire all the shares they hold according to law; (2) pursuant to the Acquisition, 51% of the equity interest of Magang Group is to be transferred to China Baowu at nil consideration, and therefore China Baowu will, through Magang Group,

obtain indirect control of 45.54% of the shares in issue of Maanshan Iron & Steel. According to the provisions set out in Article 63 of the Measures for Administration of the Acquisition of Listed Companies as described above, as China Baowu obtains indirect control of more than 30% of the shares in issue of Maanshan Iron & Steel as a result of transfer of state-owned assets at nil consideration approved by the government or state-owned assets administration agency, the Acquisition falls under the circumstance for applying for a waiver from making an offer, therefore, China Baowu may apply to the CSRC for a waiver from making an offer to all shareholders of Maanshan Iron & Steel to acquire all the shares they hold according to law. The application shall be executed in accordance with the provisions set out in Article 48 of the Measures for Administration of the Acquisition of Listed Companies.

***(ii) Details of application of China Baowu for a waiver from making an offer***

In order to actively implement the decisions and arrangements of the CPC Central Committee and the State Council for promoting the sound development of domestic iron and steel industry, further advance national economic layout restructuring, implement supply-side structural reform and accelerate merging and reorganization in industries with overcapacity, Anhui SASAC and China Baowu entered into the Agreement on the Transfer of Equity Interests in Magang Group at Nil Consideration on 31 May 2019.

On 3 June 2019, Maanshan Iron & Steel issued the Indicative Announcement on Proposed Transfer of 51% Equity Interests in Magang Group at Nil Consideration by Anhui SASAC to China Baowu and Change in De facto Controller of the Listco and the Summary of the Acquisition Report of Maanshan Iron & Steel Company Limited (hereinafter referred to as the “Summary of Acquisition Report”) and other announcements, which disclosed the basic information of the Acquisition and necessary approval procedures to be performed.

The Transfer at nil consideration was approved by the Reply and Approval in relation to the Transfer at Nil Consideration of State-owned Shares in Magang (Group) Holding Company Limited (Guo Zi Chan Quan [2019] No. 301) issued by the State-owned Assets Supervision and Administration Commission of the State Council on 19 June 2019.

On 8 July 2019, China Baowu submitted application document for a waiver from making an offer to the CSRC, and the application was accepted on 11 July 2019.

As of the signature date of the Response to the Feedback, as not all completion conditions for the Transfer have been satisfied, Magang Group has not completed the industrial and commercial registration of changes relating to the Transfer at nil consideration.

Based on the above provisions, information of the Acquisition is described as below:

- (1) Pursuant to the provisions set out in Article 48 of the Measures for Administration of the Acquisition of Listed Companies, acquirer shall, within 3 days since the date when the agreement on acquisition is reached with shareholders of the Listco, prepare the acquisition report of the Listco, submit an application for a waiver, and make an announcement of the summary of the acquisition report of the Listco. China Baowu has performed the obligation for reporting and announcement on time as to its control of more than 30% of the shares of the Listco through Magang Group as a result of the Transfer at nil consideration. However, as the transaction is material and a number of approvals are involved, parties to the transaction need to comprehensively coordinate matters in a number of aspects. Application document for a waiver from making an offer fails to be submitted to the CSRC within the required time limit in a timely fashion for some objective reasons. In response, Anhui Bureau of China Securities Regulatory Commission issued a Supervision Concern Letter on 20 August 2019, concerning that the acquirer and the financial advisor fail to submit the application document for a waiver from making an offer in respect of the acquisition of Maanshan Iron & Steel to the CSRC within the aforesaid time limit in a timely fashion. Thus, it requires to attach great importance to it, strengthen the study and training of the relevant laws and regulations of securities market, intensify the implementation of the regulatory requirements on the acquisition management of listed companies, and continue to improve the consciousness and ability of standardized operation;
- (2) As of the signature date of the Response to the Feedback, the Transfer at nil consideration has not been implemented. China Baowu also disclosed the procedures to be performed for the Transfer at nil consideration in the Summary of Acquisition Report, including the approval of the CSRC for waiving China Baowu from the obligation of making an offer and approval of other authority, and that no substantial damage is caused to the interest of Listco and other shareholders and public shareholders.

## **II. Supplemental Disclosure**

China Baowu has made supplemental disclosure of above contents in Kaiti (楷體) Bold font in “IV. Whether the Acquisition Meets the Related Provisions set out in Article 96 of the Securities Law, Article 56 of the Measures for Administration of the Acquisition of Listed Companies, etc.” in “Section III Purpose and Decision of the Acquisition” in the Acquisition Report.



### III. Review Opinions of Intermediary

Upon review, the financial advisor and the legal counsel are of the view that:

- (1) China Baowu holds more than 30% of the shares of Maanshan Iron & Steel as a result of the Transfer. Pursuant to the provisions set out in Article 96 of the Securities Law and Article 56 of the Measures for Administration of the Acquisition of Listed Companies as described above, China Baowu is obliged to make an offer to all shareholders of Maanshan Iron & Steel to acquire all the shares they hold according to law.
- (2) As China Baowu obtains indirect control of more than 30% of the shares in issue of Maanshan Iron & Steel as a result of transfer of state-owned assets at nil consideration approved by the government or state-owned assets administration agency, the Acquisition falls under the circumstance for applying to the CSRC for a waiver from making an offer under Article 63 of the Measures for Administration of the Acquisition of Listed Companies;
- (3) Pursuant to the above provisions, the acquirer shall, within 3 days since the date when the agreement on acquisition is reached with the shareholders of the listed company, prepare the acquisition report of the listed company, submit an application for a waiver, engage the financial advisor to submit a written report to the CSRC and the stock exchange, inform the acquiree and make an announcement of the summary of the acquisition report of the listed company. China Baowu has performed the obligation for reporting and announcement on time as to its control of more than 30% of the shares of the Listco through Magang Group as a result of the Transfer at nil consideration. However, application document for a waiver from making an offer fails to be submitted to the CSRC within the aforesaid time limit in a timely fashion for some objective reasons. In response, Anhui Bureau of China Securities Regulatory Commission issued a Supervision Concern Letter on 20 August 2019, concerning that the acquirer and the financial advisor fail to submit the application document for a waiver from making an offer in respect of the acquisition of Maanshan Iron & Steel to the CSRC within the aforesaid time limit in a timely fashion. Thus, it requires to attach great importance to it, strengthen the study and training of the relevant laws and regulations of securities market, intensify the implementation of the regulatory requirements on the acquisition management of listed companies, and continue to improve the consciousness and ability of standardized operation;
- (4) As of the signature date of the Response to the Feedback, the Transfer at nil consideration has not been implemented. China Baowu also disclosed the procedures to be performed for the Transfer at nil consideration in the Summary of Acquisition Report, including the approval of the CSRC for waiving China Baowu from the obligation of making an offer and approval

of other authority, and that no substantial damage is caused to the interest of Listco and other shareholders and public shareholders. According to the analysis of (1) to (4), the aforesaid defect does not constitute a substantial legal impediment to the application for a waiver;

- (5) China Baowu has made supplemental disclosure of related contents in the Acquisition Report.

**Question 4: According to application document, the Acquisition is subject to necessary antitrust review and China Baowu to receive a waiver from executives of the Hong Kong SFC from the obligation of making a general offer. China Baowu is advised to make a full disclosure of the progress of aforesaid approvals. Financial advisor and legal counsel shall review and express explicit opinions.**

Response:

**I. China Baowu is advised to make a full disclosure of the progress of aforesaid approvals.**

***(i) Progress of necessary antitrust review***

As of the signature date of the Response to the Feedback, progress of the necessary domestic antitrust approval and overseas antitrust approval for the transaction is as follows:

***1. Domestic antitrust approval***

China Baowu has submitted the merger notification to the State Administration for Market Regulation, and the review for approval is in progress.

***2. Overseas antitrust approval***

With respect to the German merger review (i.e., German antitrust review) involved in the Transfer, German Bundeskartellamt has issued the clearance to China Baowu on 29 July 2019, confirming that the Transfer could be implemented. With respect to the South Korean merger review (i.e., South Korean antitrust review) involved in the Transfer, the Korean Fair Trade Commission has issued the clearance to China Baowu on 26 July 2019, affirming that the Transfer does not violate the provisions set out in Paragraph 1 of Article 7 of the Monopoly Regulation and Fair Trade Act; however, in case of material changes in the matter reported before the closing of the Transfer, China Baowu is required to report such material changes to the Korean Fair Trade Commission.

***(ii) Progress of granting of a waiver by executives of the Hong Kong SFC to China Baowu from the obligation of making a general offer***

With respect to the application submitted by China Baowu for a waiver from the obligation of making a general offer for the H Shares of Maanshan Iron & Steel, the Takeovers and Mergers Panel of the Hong Kong SFC published its final ruling on 22 July 2019, stating that the obligation for making a general offer triggered upon completion of the Transfer will not be waived.

In view of the above, China Baowu procures Baosteel Hong Kong Investment Company Limited (hereinafter referred to as “Baosteel Hong Kong Investment”), a wholly-owned subsidiary of China Baowu, to extend a possible mandatory conditional cash offer for all the outstanding H Shares of Maanshan Iron & Steel (other than those already owned or agreed to be acquired by Baosteel Hong Kong Investment and parties acting in concert with it). Directors of Maanshan Iron & Steel have approved Maanshan Iron & Steel and Baosteel Hong Kong Investment to issue a joint announcement. Upon completion of the Transfer at nil consideration, possible H Share offer will be made by Baosteel Hong Kong Investment to the offer shareholders. For details of the joint announcement, please refer to the A share and H share announcements published by Maanshan Iron & Steel respectively.

China Baowu has applied to the National Development and Reform Commission for the record of overseas investment in respect to the possible H Share offer, which has not yet been filed.

## **II. Supplemental Disclosure**

China Baowu has made a supplemental disclosure of the progress of antitrust review in Kaiti (楷體) Bold font in “III. Related Procedures to be Performed for the Acquisition and Timeline” in “Section III Purpose and Decision of the Acquisition” in the Acquisition Report, and updated related procedures to be performed according to the latest progress of granting of a waiver by executives of the Hong Kong SFC to China Baowu from the obligation of making a general offer.

## **III. Review Opinions of Intermediary**

Upon review, the financial advisor and the legal counsel are of the view that: as of the signature date of the Response to the Feedback, in respect of domestic antitrust review, China Baowu has submitted the merger notification to the State Administration for Market Regulation, and the review for approval is in progress. In respect of overseas antitrust review, the German Bundeskartellamt has issued the clearance, confirming that the Transfer could be implemented; the Korean Fair Trade Commission has issued the clearance, affirming that the Transfer does not violate the relevant law and regulations of the Monopoly Regulation and Fair



Trade Act; however, in case of material changes in the matter reported before the closing of the Transfer, China Baowu is required to report such material changes to the Korean Fair Trade Commission.

As of the signature date of the Response to the Feedback, with respect to the application submitted by China Baowu for a waiver from the obligation of making a general offer for all the outstanding H Shares of Maanshan Iron & Steel, the Takeovers and Mergers Panel of the Hong Kong SFC published its final ruling, stating that the obligation for making a general offer triggered upon completion of the Transfer will not be waived. Maanshan Iron & Steel and Baoshan Iron & Steel Hong Kong Investment have issued a joint announcement on the possible mandatory conditional cash offer for all the outstanding H Shares in Maanshan Iron & Steel.

(This page, which has no text, is the seal page for the Response of China Baowu Steel Group Corporation Limited on the Notice Regarding China Securities Regulatory Commission's First Feedback on the Review of Administrative Permission Items)

China Baowu Steel Group Corporation Limited (official seal)

26 August 2019