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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: 00323)

ANNOUNCEMENT ON CONNECTED TRANSACTION

The Company and members of the board of directors (the “Board”) warrant that there are no false representations or misleading statements contained in, or material omissions from, this announcement, and severally and jointly accept full responsibility for the truthfulness, accuracy and completeness of the content of this announcement.

- **Connected Transaction:** The acquisition of a 42% shareholding in Magang Group Finance Company Limited (“Finance Company”) from Magang (Group) Holding Company Limited (“Group Company”).
- **Abstaining from voting:** As the investment constitutes a connected transaction, connected directors Mr. Su Jiangang and Mr. Zhao Jianming abstained from voting.
- **Opinions of the independent directors:** Mr. Qin Tongzhou and Ms. Yang Yada, independent directors in attendance at the meeting, agreed with the decision to make the investment and announced their independent opinions.

1. Details of the Connected Transaction

Maanshan Iron & Steel Company Limited (the “Company”) intends to acquire a 42% shareholding in the Finance Company from Magang Group. In accordance with the listing rules of the Shanghai Stock Exchange, Magang Group, as the controlling shareholder of the Company, is a connected party of the Company. The investment therefore constitutes a connected transaction of the Company.

At the eighth meeting of the seventh session of the Board of the Company held on 9 February 2012, directors of the Company underwent conscientious discussion on the matter. Connected directors Mr. Su Jiangang and Mr. Zhao Jianming abstained from voting as required. Four non-connected directors, including two independent directors, voted in favour of the resolution. The connected transaction does not constitute major asset restructuring as defined by Measures on Restructuring.

2. Details of the Connected Party

- i. Company name: Magang (Group) Holding Company Limited
- ii. Registered address: No. 8, Jiu Hua Xi Road, Maanshan City, Anhui Province
- iii. Statutory representative: Gu Jianguo
- iv. Registered business license no.: 340500000042211
- v. Registered capital: RMB6,298.29 million
- vi. Nature of the business: wholly state-owned company with limited liability
- vii. Scope of Operations: the extraction and sorting of mineral products; construction, construction materials, and the manufacture, maintenance, and design of machines; external trading; domestic trading (excluding items restricted by the State); the distribution and storage of materials; property management consulting; rental services; agriculture and forestry.
- viii. Connected nature: the Group Company, which holds 50.47% of the Company's shareholding, is the controlling shareholder of the Company and the Company is its controlled subsidiary.

3. Basic Information on the Connected Transaction

The Finance Company has registered capital of RMB1 billion, of which the Company holds a 49% shareholding and the Group Company holds a 51% shareholding.

4. Major Content and Basis of Pricing of the Connected Transaction

- i. Parties to the Agreement: Maanshan Iron & Steel Company Limited and Magang (Group) Holding Company Limited
- ii. Signing Date of the Agreement: 9 February 2012

- iii. Main Content: The Company has acquired a 42% shareholding in the Finance Company from the Group Company. The relevant Agreement on the Shares Transfer was approved and a director was authorised to sign on behalf of the Company. Based on the net assets of the Finance Company valued as at the valuation date, the Company will acquire a 42% shareholding in the Finance Company through a cash transaction. The net assets of the Finance Company as at the valuation date amounts to RMB1,022.12 million and the total consideration paid to the Group Company by the Company for the acquisition of the 42% shareholding amounts to approximately RMB429.29 million. Upon the completion of the acquisition, the Company will hold a 91% shareholding in the Finance Company, while the Group Company will hold a 9% shareholding. The Articles of Association of Magang Group Finance Company Limited was amended, and a director was authorised to sign the agreement on behalf of the Company.
- iv. Conditions of Validation: Approval by relevant regulatory authority after signed and sealed by both contributors.

5. Influence of the Connected Transaction on the Company

The centralisation of the Company's capital management can be enhanced and its financial resources can be combined to provide better support to the development of its core business of steel and iron business. Through the provision of inter-group settlement services to the member companies, the Finance Company will speed up the capital turnover rate and improve the efficiency of capital utilisation, which would thereby achieve the rationalised and effective deployment of internal capital. The Finance Company will be able to borrow funds from other financial institutions through inter-bank arrangements, which will strengthen its financing ability and reduce its financial expenses.

6. Approval from Independent Directors and Opinions of the Independent Directors

The connected transaction was approved by independent directors in advance. Independent directors of the Company Mr. Qin Tongzhou and Ms. Yang Yada agreed to submit the matter to the eighth meeting of the seventh session of the Board of the Company for consideration, and believe the voting procedures for the relevant investment and related resolutions to be lawful and valid, and that the transaction would cause no harm to the interests of the Company and its shareholders as a whole.

7. Documents for Inspection

1. Resolutions on the Board.

The Board
Maanshan Iron & Steel Company Limited

9 February 2012

Maanshan City, Anhui Province, the PRC

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

Executive Directors: Su Jiangang, Qian Haifan, Ren Tianbao

Non-executive Director: Zhao Jianming

Independent Non-executive Directors: Qin Tongzhou, Yang Yada, Wu Tat Man Damon Albert