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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)

CONNECTED TRANSACTION

**ACQUISITION OF THE 42% EQUITY INTERESTS OF MAGANG GROUP FINANCE
COMPANY**

On 9 February 2012, the Company entered into the Equity Transfer Agreement with Magang Group under which Magang Group has agreed to transfer 42% of the equity interest in the Magang Group Finance Company for a consideration of RMB429,290,000 which shall be payable by cash. Prior to the Equity Transfer Agreement, the Company and Magang Group held 49 % and 51% of the equity interest in Magang Group Finance Company respectively. After the completion of the Equity Transfer Agreement, the Company and Magang Group will hold 91% and 9% of Magang Group Finance Company respectively.

Magang Group is interested in approximately 50.47% of the issued share capital of the Company as at the date of this announcement. Magang Group is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the entering into the Agreement by the Company constitutes a connected transaction of the Company. Since the applicable percentage ratios calculated with reference to the transaction exceeds 0.1% but less than 5%, the connected transaction is subject to the reporting and announcement requirements, but is exempted from the independent Shareholders' approval requirements under the Listing Rules.

PRINCIPAL TERMS OF THE EQUITY TRANSFER AGREEMENT

Date of the Agreement

9 February 2012

Parties

- (i) Transferor – Magang Group; and
- (ii) Transferee - the Company

Assets to be acquired

42% equity interests in Magang Group Finance Company

Prior to the Equity Transfer Agreement, the Company and Magang Group held 49 % and 51% of the equity interest in Magang Group Finance Company respectively. After the completion of the Equity Transfer Agreement, the Company and Magang Group will hold 91% and 9% of Magang Group Finance Company respectively.

Consideration

The consideration in sum of RMB429,290,000 will be paid by the Company to the Magang Group by cash within 10 days after the signing of the Agreement. The transaction will be funded by cash of the Company. The consideration for the Agreement was arrived at based on normal commercial terms after arm's length negotiations between the parties to the Agreement with reference to the appraised net asset value of Magang Group Finance Company as at 31 December 2011, of RMB1,022,120,000 as per the valuation report prepared by the independent Valuer, Anhui Guoxin Asset Appraisal Company Limited*(安徽國信資產評估有限責任公司) based on the asset-based approach. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiry, the Valuer and its ultimate beneficial owners are independent of the Company and its connected persons.

The consideration for the Agreement is considered by the Directors as fair and reasonable and in the interests of the Group and of the Shareholders as a whole.

INFORMATION OF THE COMPANY AND MAGANG GROUP

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.

Magang Group, together with its subsidiaries, are engaged in a wide variety of businesses, including sourcing of minerals and construction materials, construction services, warehousing and property management.

INFORMATION AND FINANCIAL INFORMATION OF MAGANG GROUP FINANCE COMPANY

Magang Group Finance Company is a non-banking institution established under PRC laws in October 2011 with the approval of the CBRC and is subject to the supervision of CBRC. Its total registered and paid-up capital is RMB1 billion, which is contributed and owned by Magang Group and the Company under the proportion of 51% and 49%. It is mainly engaged in providing financial services including but not limited to depository services, loan and entrusted loan services, discounting services, settlement services.

For the period ended 31 December 2011, the audited net profit of Magang Group Finance Company was RMB14,977,548. In particular, the profit before taxation and profit after taxation and extraordinary items were approximately RMB19,998,257 and RMB14,977,548 respectively.

Immediately after the completion of the acquisition, the Company's percentage equity interests in Magang Group Finance Company will be increased from 49% to 91%.

Following completion of the acquisition, Magang Group Finance Company will be accounted for as a 91%-owned subsidiary of the Company and its accounts will be consolidated into the Group's accounts.

REASONS FOR AND BENEFITS FOR THE TRANSACTION

The Directors of the Company believe that Magang Group Finance Company can enhance the centralisation of the Company's capital management and combine its financial resources 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, Magang Group 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. Magang Group Finance Company will be able to borrow funds from other financial institutions through inter-bank arrangements, which will strengthen its financing ability.

The Directors (including the independent non-executive Directors) are of the view that the terms of the transaction are normal commercial terms and are fair and reasonable and the transaction under the Agreement is in the interest of the Company and the Shareholders as a whole. The Directors (including the independent non-executive Directors who attended the Meeting) have unanimously approved (Directors with connected relationship Mr. Su Jiangang and Mr. Zhao Jianming have abstained from voting) the transaction under the Agreement. None of the Directors have material interests in the transaction.

LISTING RULES IMPLICATIONS

Magang Group is interested in approximately 50.47% of the issued share capital of the Company as at the date of this announcement. Magang Group is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the entering into the transaction by the Company constitutes a connected transaction of the Company. Given the applicable percentage ratios calculated with reference to the transaction exceeds 0.1% but less than 5%, the connected transaction is subject to the reporting and announcement requirements, but is exempted from the independent Shareholders' approval requirements under the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

"Agreement" or "Equity Transfer Agreement"	the Agreement entered into between the Company and Magang Group on 9 February 2012 pursuant to which the Magang Group will transfer the 42 % equity interests in Magang Group Finance Company to the Company under the terms and conditions thereof
"CBRC"	China Banking Regulatory Commission
"Company"	Maanshan Iron & Steel Company Limited, a company incorporated in PRC with limited liability and the shares of which are listed on Stock Exchange
"connected person"	has the meaning ascribed to it under the Listing Rules
"Directors"	the directors of the Company
"Group"	the Company and its subsidiaries
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Magang Group"	Magang (Group) Holding Company Limited, a state-owned limited liability company established in PRC and the controlling shareholder (as the term is defined in the Listing Rules) of the Company
"Magang Group Finance Company"	Magang Group Finance Company Limited, a limited liability company established in the PRC
"PRC"	the People's Republic of China, which, for the purposes of this announcement, does not include Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"Shareholders"	shareholders of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Valuer"

Anhui Guoxin Asset Appraisal Company Limited*(安徽國信資產評估有限責任公司) an independent assets valuer with its qualification approved in the PRC

By order of the Board
Maanshan Iron & Steel Company Limited
Su Jiangang
Chairman

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

* For Identification purposes only