

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)

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: Magang Group Finance Company Limited (the “Finance Company”) and Magang (Group) Holding Company Limited (the “Group Company”) entered into the Financial Services Agreement.
- Abstaining from voting: As the Agreement constitutes a connected transaction, connected directors Mr. Su Jiangang and Mr. Zhao Jianming abstained from voting.
- The Agreement is fair and reasonable in so far as the interests of the Company and its Shareholders as a whole.

1. Details of the Connected Transaction

On 6 April 2012, the Finance Company and the Group Company entered into the Financial Services Agreement at Maanshan City, Anhui Province, in respect of the provision of financial services by the Finance Company to the Group Company and its subsidiaries. As The Finance Company is a controlled subsidiary of Maanshan Iron & Steel Company Limited (the “Company”) and the Group Company is the controlling shareholder of the Company, in accordance with the Shanghai Stock Exchange Share Listing Rules and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the transaction contemplated under the Agreement constitutes a connected transaction.

At the tenth meeting of the seventh session of the Board of the Company held on 11 April 2012, directors of the Company underwent conscientious discussion on the Agreement. Connected directors Mr. Su Jiangang and Mr. Zhao Jianming abstained from voting as required. Four non-connected directors in attendance, including two independent directors, voted in favour of the Agreement. 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 services; 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. The Finance Company is a controlled subsidiary of the Company, in which the Company holds 91% of the Finance Company's shareholding and the Group Company holds 9% of the Finance Company's shareholding.

3. Major Content of the Connected Transaction

- i. Parties to the Agreement: The Finance Company and the Group Company
- ii. Signing Date of the Agreement: 6 April 2012
- iii. Terms of the Agreement: The Agreement came into effect from the date upon the consideration and approval at the tenth meeting of the seventh session of the Board of the Company and ended on 31 December 2012.

iv. Trading Principles:

- (1) When the Finance Company provides depository services to the Group Company and its subsidiaries, the interest rates for deposits paid must not be higher than the benchmark interest rates set by the PBOC for deposits of a similar nature and under similar terms, and not higher than the interest rates for deposits of a similar nature and under similar terms provided to the Group Company and its subsidiaries by other independent merchant banks in the PRC.
- (2) When the Finance Company provides loan services to the Group Company and its subsidiaries, the loan interests charged must not be not lower than the range of interest rates set by the PBOC for loan of a similar nature and under similar terms, and not lower than interest rates for loan of a similar nature and under similar terms charging the Group Company and its subsidiaries by other independent merchant banks in the PRC. The Group Company and its subsidiaries shall, according to the requirements of the Finance Company, provide security or guarantee for the loan services provided by the Finance Company.
- (3) When the Finance Company provides other financial services to the Group Company and its subsidiaries, the charges must not be lower than the benchmark charging rates (if applicable) set by the PBOC for service of a similar nature and under similar terms; and not lower than the fees for other financial services of a similar nature and under similar terms charging the Group Company and its subsidiaries by other independent merchant banks in the PRC.

v. During the terms of the Agreement, the maximum daily deposit balance together with interests placed at the Finance Company by the Group Company and its subsidiaries shall not be higher than RMB700 million. During the terms of the Agreement, the maximum daily loan balance provided by the Finance Company to the Group Company and its subsidiaries shall not be higher than RMB500 million. During the terms of the Agreement, the service fees charged by the Finance Company incurred due to the provision of other financial services to the Group Company and its subsidiaries shall not be higher than RMB50 million.

vi. The average daily loan balance provided by the Finance Company to the Group Company and its subsidiaries must not be higher than the deposits placed at the Finance Company by the Group Company and its subsidiaries together with the interests accrued thereon.

4. Influence of the Connected Transaction on the Company

On the one hand, the provision of financial services from the Finance Company to the Group Company and its subsidiaries enables the Company to use a portion of the financed funds, thereby enhancing the efficiency of fund use and enhancing effectiveness through the net interests and service fees received by the Finance Company. On the other hand, based on the afore-mentioned trading principles and the Risk Management System on Connected Transactions between the Finance Company and the Group Company, the connected transaction has no adverse effect to the Company and is generally favourable to the Company and its shareholders.

5. Opinions of the Independent Directors

Independent directors of the Company Mr. Qin Tongzhou and Ms. Yang Yada are of the view that: the transaction contemplated under the Agreement constitutes a connected transaction. During the course of consideration of the Agreement by the Board, all connected directors abstained from voting. The voting procedures were lawful and valid. The Agreement was signed upon commercial principles, with fair and reasonable terms, without any harm to the minority shareholders' interests, and was fair and reasonable to and generally favourable to the Company and its shareholders as a whole.

6. Documents for Inspection

- i. The Resolutions of the Board signed and confirmed by the directors in attendance;
- ii. The independent directors' opinion signed and confirmed by the independent directors in attendance;
- iii. The Resolutions of the Supervisory Committee signed and confirmed by the supervisors in attendance;
- iv. The Financial Service Agreement.

The Board

Maanshan Iron & Steel Company Limited

11 April 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