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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)

CONTINUING CONNECTED TRANSACTIONS FINANCIAL SERVICES AGREEMENT

FINANCIAL SERVICES AGREEMENT

The financial services agreement for the Year of 2014 between the Finance Company and Magang Group signed on 27 December 2013 will expire on 31 December 2014. On 16 December 2014, the Finance Company and Magang Group entered into the Financial Services Agreement for the Year of 2015, pursuant to which, the Finance Company agreed to provide Magang Group and its subsidiaries with deposit services, loan services and financial services subject to the terms and conditions provided therein.

LISTING RULES IMPLICATION

Magang Group is the controlling shareholder of the Company. Magang Group holds, as at the date of this announcement, approximately 50.47% of the issued share capital of the Company. The Finance Company is a 91% owned subsidiary of the Company. Both Magang Group and its subsidiaries are connected persons of the Company under the Listing Rules. Therefore, the transactions under the Financial Services Agreement constitute continuing connected transactions of the Company.

The continuing connected transactions under the Financial Services Agreement were entered on normal commercial terms. In respect of deposit services provided by the Finance Company to Magang Group and its subsidiaries, as the deposit with the Finance Company is for the benefit of the Group where no security over assets of the Group is granted, the Company is exempted from reporting, announcement and Independent Shareholders' approval requirement under Rule 14A.65(4) of the Listing Rules.

In respect of the loan services and the service charge of the other financial services, the applicable ratios (as set out in the Listing Rules) are more than 0.1% but less than 5% (except for the profits ratio), which constitute exempt continuing connected transactions of the Company under Rules 14A.34 and 14A.66 of the Listing Rules in which approval from Independent Shareholders is exempted and are only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules.

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The principal terms of the Financial Services Agreement are set out below:

Date :

16 December 2014

Parties :

The Finance Company; and
Magang Group

Term :

The Financial Services Agreement shall be for a term commencing from 1 January 2015 to 31 December 2015.

Deposit services

When the Finance Company provides deposit services to the Magang Group and its subsidiaries, the interest rates for deposits paid must not be higher than the benchmark interest rates and the floating range set by the PBOC for deposit 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 Magang Group and its subsidiaries by other independent merchant banks in the PRC.

The deposit services are continuous in nature and have been entered on normal commercial terms. In respect of the deposit with the Finance Company is for the benefit of Magang Group where no security over assets of the Group is granted, the Company is exempted from reporting, announcement and Independent Shareholders' approval requirement under Rule 14A.65(4) of the Listing Rules. In view of the fact that the provision of the deposit services is exempted under Rule 14A.65(4) of the Listing Rules, the interests to be payable by the Finance Company for the provision of deposit services to Magang Group and its subsidiaries will also be exempted under Rule 14A.65(4) of the Listing Rules.

Loan service

When the Finance Company provides loan services to Magang Group and its subsidiaries, the loan interests charged must not be 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 Magang Group and its subsidiaries by other independent merchant banks in the PRC. The maximum amount of daily balance of outstanding loans will be no more than RMB600 million. The loan services provided by the Finance Company to Magang Group and its subsidiaries, which are continuous in nature, were entered on normal commercial terms. The Group members and their respective subsidiaries shall provide security and guarantee for the loan services as required by the Finance Company.

The balance of total loans provided by the Finance Company to Magang Group and its subsidiaries at the end of each month shall not be higher than the then total deposit and accrued interest in the accounts of Magang Group and its subsidiaries in the Finance Company.

Other financial services

When the Finance Company provides other financial services (including acceptance of bills, letter of guarantee, securities underwriting, financial advisory, insurance brokerage and sale and purchase of foreign exchange) to Magang Group and its subsidiaries, the charge 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 Magang Group and its subsidiaries by other independent merchant banks in the PRC. The other financial services, which are continuous in nature, were entered on normal commercial terms. The total estimated service charge will not exceed RMB60 million per annum.

The applicable percentage ratios pursuant to the Listing Rules in respect of the loan services and the service charge of the other financial services are more than 0.1% but less than 5% (except for the profits ratio), which constitute exempt continuing connected transactions of the Company under Rules 14A.34 and 14A.66 of the Listing Rules in which approval from Independent Shareholders is exempted and are only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules.

The annual caps were determined on the basis of the anticipated capital and operation needs of Magang Group and its subsidiaries for the corresponding period.

REASONS FOR AND BENEFITS OF THE FINANCIAL SERVICES AGREEMENT

Through the provision of financial services by the Finance Company to the Magang Group and its subsidiaries, the operation scale of the Finance Company will be enhanced, which will subsequently increase the income from net interests and service charges. The Company can also benefit through holding the shares of the Finance Company. Meanwhile, the Finance Company can utilise part of the capital facilities of the Magang Group and its subsidiaries in order to enhance the efficiency of capital utilisation. The location of the Magang Group and its subsidiaries is relatively close to the Finance Company and therefore the Finance Company has a better understanding of their production, operation and credit standing. According to the terms of the Financial Services Agreement and the risk control system in relation to the connected transactions between the Finance Company and Magang Group, such connected transactions will not cause any adverse impact to the

Company. In light of the aforesaid, the Financial Services Agreement and the transactions thereunder will benefit the Company and its Shareholders as a whole.

CONNECTION BETWEEN THE PARTIES UNDER THE FINANCIAL SERVICES AGREEMENT

Magang Group is the controlling shareholder of the Company. Magang Group holds, as at the date of this announcement, approximately 50.47% of the issued share capital of the Company. The Finance Company is a 91% owned subsidiary of the Company. Both Magang Group and its subsidiaries are connected persons of the Company under the Listing Rules. Therefore, the transactions contemplated under the Financial Services Agreement constitute continuing connected transactions of the Company.

INFORMATION ON THE COMPANY

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.

INFORMATION ON MAGANG GROUP

Magang Group is a wholly State-owned enterprise with limited liability and a controlling shareholder of the Company as defined under the Listing Rules. It is mainly engaged in mining and sorting of mineral products; construction; manufacturing of construction materials; trading; storage and property management; agriculture and forestry.

INFORMATION ON THE FINANCE COMPANY

The 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. It is mainly engaged in providing financial services including but not limited to deposit services, loan and entrusted loan services, discounting services and settlement services to Magang Group and its subsidiaries and the members of the Group.

GENERAL

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no Director has a material interest in the transactions save and except Mr. Ding Yi and Mr. Qian Haifan, who are also the directors of Magang Group and Mr. Su Shihuai, who is the deputy general manager and chief engineer of Magang Group, are required to abstain from voting at the Board meeting approving the Financial Services Agreement. The remaining Directors (including the independent non-executive directors) are of the view that the terms of the transactions contemplated under the Financial Services Agreement and the relevant annual caps are on normal commercial terms and fair and reasonable and in the interest of the Company and its Shareholders as a whole.

DEFINITIONS

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

“Board”	the board of Directors
“CBRC”	China Banking Regulatory Commission
“Company”	Maanshan Iron & Steel Company Limited, a joint stock limited company incorporated in the PRC and the shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the directors of the Company
“Finance Company”	Magang Group Finance Company Limited, a limited company incorporated in the PRC
“Financial Services Agreement” or “Agreement”	The Financial Services Agreement entered into between the Finance Company and Magang Group on 16 December 2014
“Group”	The Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Any shareholder of the Company that is not required to abstain from voting at a general meeting to approve a connected transaction pursuant to the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Magang Group”	Magang (Group) Holding Company Limited, a wholly State-owned enterprise with limited liability and a controlling shareholder of the Company as defined under the Listing Rules

“PBOC”	People’s Bank of China
“PRC”	the People’s Republic of China, which, for the purposes of this announcement, does not include Hong Kong, Macao Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holders of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Year”	1 January to 31 December
“%”	per cent

By order of the Board
Maanshan Iron & Steel Company Limited
Ren Tianbao
Company Secretary

Maanshan City, Anhui Province, the PRC
16 December 2014

As at the date of this announcement, the directors of the Company include:
Executive Directors: Ding Yi, Qian Haifan, Ren Tianbao
Non-executive Director: Su Shihuai
Independent Non-executive Directors: Qin Tongzhou, Yang Yada, Liu Fangduan