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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)

VOLUNTARY ANNOUNCEMENT
CAPITAL INJECTION TO MAGANG GROUP FINANCE COMPANY LIMITED

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.

- Maanshan Iron & Steel Company Limited (the "Company") and Magang (Group) Holding Company Limited (the "Group Company") increased the registered capital of Magang Group Finance Company Limited (the "Finance Company") by RMB1,000 million in cash by synchronised one-off payment in proportion to the original proportion of capital contribution, to which the Company and the Group Company contributed RMB910 million and RMB90 million, respectively.
- Abstention of connected persons: The Company and the Group Company entered into an agreement regarding the capital injection on 27 October 2016. As the transaction under the agreement constitutes a connected transaction, connected directors, namely Mr. Ding Yi, Mr. Qian Haifan, Mr. Su Shihuai and Mr. Ren Tianbao abstained from voting.
- The capital injection is fair and reasonable with respect to the interests of the Company and its shareholders as a whole.
- The Group Company is a controlling shareholder of the Company, holding approximately 45.54% of the issued share capital of the Company as at the date of this announcement. Pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Group Company is a connected person of the Company. As such, the Group Company's capital injection to the Finance Company constitutes connection transaction of the Company but is exempt from announcement, reporting and shareholders' approval requirement according to Rule 14A.92(1) of the Listing Rule. This announcement is made voluntarily by the Company.

I. Summary of the connected transaction

The Company and the Group Company increased the registered capital of the Finance Company by RMB1,000 million in cash by synchronised one-off payment in proportion to the original proportion of capital contribution, to which the Company contributed RMB910 million and the Group Company contributed RMB90 million. The Finance Company is a subsidiary of the Company and the Group Company is a controlling shareholder of the Company, holding 45.54% of the issued share capital of the Company as at the date of this announcement. Pursuant to the Listing Rules, the Group Company is a connected person of the Company. As such, the Group Company's capital injection to the Finance Company constitutes connection transaction of the Company but is exempt from announcement, reporting and shareholders' approval requirement according to Rule 14A.92(1) of the Listing Rule.

The Company and the Group Company entered into an agreement regarding the capital injection on 27 October 2016. At the 23rd meeting of the eighth session of the board of directors of the Company convened on 27 October 2016, directors of the Company have discussed the capital injection carefully, and the connected directors, namely Mr. Ding Yi, Mr. Qian Haifan, Mr. Su Shihuai and Mr. Ren Tianbao, have abstained from voting according to relevant requirements, while the three non-connected directors, meaning the three independent directors, have duly passed the transaction under the agreement. This connected transaction does not constitute a significant asset restructuring as defined in the Administrative Measures on Significant Asset Restructuring of Listed Companies.

II. Profile of connected persons

1. Company name: Magang (Group) Holding Company Limited
2. Registered address: No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province
3. Legal representative: Gao Haijian
4. Registered business license No.: 91340500150509144U
5. Registered capital: RMB6,298,290,000
6. Nature of the business: wholly state-owned company with limited liability
7. 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.
8. Key financial data for 2015 (Unit: RMB)

Total assets:	RMB82,276 million
Equity attributable to owners of parent company:	RMB14,082 million
Revenue:	RMB50,371 million
Net profit attributable to owners of parent company:	RMB-3,020 million

III. Subject of the connected transaction

Magang Group Finance Company Limited:

1. Registered address: Level 8, Main Building of Magang Control Center, No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province
2. Legal representative: Ding Yi
3. Registered business license No.: 913405005830451030
4. Registered capital: RMB1,000 million
5. Nature of the business: other company with limited liability
6. Scope of Operations: arrangement of financial and financing advice, credit authentication and relevant consulting and agency services for member companies; collection and payment of transaction money for member companies; approved insurance agency business; provision of guarantees for member companies; trust loan services among member companies; acceptance of bills and discounted notes for member companies; money transfer and settlement and relevant settlement and clearance arrangement among member companies; acceptance of money deposit from member companies; arrangement of lending and finance lease for member companies; interbank market; underwriting corporate bonds for member companies; investment of marketable securities (limited to products issued on the interbank market, money market funds, securities investment funds, local government bonds, corporate bonds, wealth management products of banks, and wealth management products issued by trust institutions and other financial institutions); and buyer credit for products of member companies .
7. Key financial data for 2015 (Unit: RMB)

Total assets:	RMB7,300 million
Equity attributable to owners of parent company:	RMB1,478 million
Revenue:	RMB164 million
Gross profit:	RMB143 million
Net profit attributable to owners of parent company:	RMB107 million

IV. Major content of the connected transaction

The Finance Company was jointly established by the Company and the Group Company with the registered capital of RMB1 billion (inclusive of US\$5 million) and contributions thereto attributable to the Company and the Group Company were 91% and 9%, respectively. The Finance Company was approved by the China Banking Regulatory Commission for operation in September 2011. The Company and the Group Company will increase of the registered capital of the Finance Company by RMB1,000 million to further increase its capital strength, enhance its risk resistance ability and improve its financial service capability.

The capital injection was made by the Company and the Group Company in cash by

synchronised one-off payment in proportion to the original proportion of capital contribution, to which the Company and the Group Company contributed RMB910 million and RMB90 million, respectively.

Upon completion of the capital injection, the registered capital of the Finance Company is RMB2,000 million (inclusive of US\$5 million), and contributions thereto attributable to the Company and the Group Company amount to RMB1.82 billion (inclusive of US\$5 million) and RMB180 million, respectively, representing 91% and 9% of the registered capital of the Finance Company, respectively.

V. Impact of the connected transaction on the Company

(1) The capital injection will increase the capital strength of the Finance Company and enhance its risk resistance ability

According to the industry rating results for 2015 released by the China National Association of Finance Companies, among the 222 finance companies affiliated to enterprise groups participated in the rating, 68 were recognized as A-class, while the Finance Company was rated as a A-class (Innovation) company and ranked 37th in the industry, indicating that the Finance Company is in line with its functional positioning, has strong operating and service ability and possesses relatively strong risk management capability. According to the statistics for 2015 of the China National Association of Finance Companies, equity attributable to owners of the Finance Company was RMB1,478 million, ranking 101st in the industry, and its capital adequacy ratio was 19.03%, ranking 164th in the industry, which showed a mismatch between the operating and service ability of the Finance Company and its capital strength, therefore, it is necessary to increase the registered capital of the Finance Company to increase its capital strength and capital adequacy ratio, enhance its risk resistance ability, and support its business expansion.

(2) The capital injection will expand the scale of business of the Finance Company and improve its standard of financial service

With the expansion of the scope of its approved business, the mismatch between the capital strength of the Finance Company and its financial service capability gradually appeared, which constrained the Finance Company to raise its standard of financial service and weakened its effect in cost reduction in cutting excessive production capacity and promoting transformation of the Company and impacted its function as a financial service platform. Under the current industry regulatory rules, affected by the relatively small amount of total capital, the existing scale of business of the Finance Company cannot fully meet client's demand for its financial service. On the other hand, borrowing from external financial institutions also cannot fully meet its business needs, and the capital gains cannot be

improved as well. Therefore, it is necessary for the Company and the Group Company to increase the registered capital of the Finance Company to expand the scale of its business and improve its financial service capability.

VI. The Procedure for considering the connected transaction

At the 23rd meeting of the eighth session of the board of directors of the Company convened on 27 October 2016, the three non-connected directors, meaning the three independent directors, unanimously agreed and approved the transaction under the agreement.

VII. Opinion from independent directors

Independent directors of the Company, namely Mr. Qin Tongzhou, Ms. Yang Yada and Mr. Liu Fangduan, opine that: As the capital injection constitutes a connected transaction, all connected directors have abstained from voting during the consideration of relevant resolution at the meeting of the board of directors, and the voting procedures are legal and valid. Furthermore, the capital injection is based on normal commercial principles, will not prejudice the interests of the minority shareholders, and is fair and reasonable for the Company and its shareholders as a whole. The capital injection was duly approved.

VIII. Documents available for inspection

1. The resolution of the board of directors signed by all directors of the Company;
2. The independent directors' opinion signed by independent directors of the Company; and
3. The resolution of the supervisory committee signed by all supervisors of the Company.

The Board

Maanshan Iron & Steel Company Limited

27 October 2016

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,

Non-executive Directors: Su Shihuai, Ren Tianbao

Independent Non-executive Directors: Qin Tongzhou, Yang Yada, Liu Fangduan