

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.



(A joint stock limited company incorporated in the People's Republic of China)

(Stock code: 00323)

(1) Connected Transactions – Disposal and Deemed Disposal of Interest in Subsidiaries

and

(2) Continuing Connected Transactions

(1) Disposal and Deemed disposal of Interest in Subsidiaries

(I) Scrap Steel Company Share Transfer Agreement

On 15 August 2018, the Company entered into the Scrap Steel Company Share Transfer Agreement with the Parent Company. According to this agreement, the Company agrees to sell and the Parent Company agrees to purchase 55% shareholding of Scrap Steel Company at the consideration of RMB 178,381,853.68.

(II) K. Wah Company Capital Increase Agreement

On 15 August, 2018, the Company entered into the K. Wah Company Capital Increase Agreement with the Parent Company, Leader Investments and K. Wah Company. According to this agreement, K. Wah Company agrees to allot and issue and the Parent Company and Leader Investments agree to subscribe for new share capital of K. Wah Company in the sum of US\$ 11,185,333.

As K. Wah Company allots and issues shares to the Parent Company and Leader Investments, the Group's interests in K. Wah Company will be diluted from 70% to 30% after completion. According to Article 14.29 of the Listing Rules, the relevant dilution is considered to be deemed disposal of the Company's interest in a subsidiary.

(III) Chemical Energy Company Capital Increase Agreement

On 15 August 2018, the Company entered into the Chemical Energy Company Capital Increase Agreement with the Parent Company and Chemical Energy Company. According to this agreement, Chemical Energy Company agrees to allot and issue and the Parent Company agrees to subscribe for new share capital of Chemical Energy Company in the sum of RMB 733,333,333.33.

As Chemical Energy Company allots and issues shares to the Parent Company, the Group's interests in Chemical Energy Company will be diluted from 100% to 45%. According to Rule 14.29 of the Listing Rules, the relevant dilution is considered to be deemed disposal of the Company's interest in a subsidiary.

As of the date of this announcement, the Parent Company holds about 45.54% of the Company's issued share capital and is the controlling shareholder of the Company, while Leader Investments is the major shareholder of K. Wah Company, the Company's subsidiary, hence according to Rule 14A of the Listing Rules, the Parent Company and Leader Investments are connected parties of the Company. Therefore, the Company's entering into of the Scrap Steel Company Share Transfer Agreement, the K. Wah Company Capital Increase Agreement and the Chemical Energy Company Capital Increase Agreement constitute connected transactions of the Company. According to Rule 14.22 of the Listing Rules, in relation to determining the applicable percentage ratios, the Disposal and the Deemed Disposal shall be aggregated. As the applicable percentage ratio for the relevant Disposal and Deemed Disposal is higher than 5%, the relevant Disposal and Deemed Disposal are subject to requirements including reporting, announcement, annual review and Independent Shareholders' approval under Rule 14A of the Listing Rules.

(2) Continuing Connected Transactions

(I) Scrap Steel Company Continuing Connected Transaction Agreement

On 15 August 2018, the Company entered into the Scrap Steel Company Continuing Connected Transaction Agreement with Scrap Steel Company. According to this agreement, the parties agree that, from 2019 to 2021, the Group will sell or provide products and services to Scrap Steel Company, and Scrap Steel Company will sell or provide products and services to the Group.

(II) K. Wah Company Continuing Connected Transaction Agreement

On 15 August 2018, the Company entered into the K. Wah Company Continuing Connected Transaction Agreement with K. Wah Company. According to this agreement, the parties agree that, from 2019 to 2021, the Group will sell or provide products to K. Wah Company.

(III) Chemical Energy Company Continuing Connected Transaction Agreement

On 15 August 2018, the Company entered into the Chemical Energy Company Continuing Connected Transaction Agreement with Chemical Energy Company. According to this agreement, the parties agree that, from 2019 to 2021, the Group will sell or provide products to Chemical Energy Company, and Chemical Energy Company will sell or provide products and services to the Group.

As of the date of this announcement, the Parent Company holds about 45.54% of the Company's issued share capital and is the Company's controlling shareholder, so according to Rule 14A of the Listing Rules, the Parent Company is a connected party of the Company. After completion of the Disposal and the Deemed Disposal, the Parent Company will hold 55%, 40% and 55% share capital of Scrap Steel Company, K. Wah Company and Chemical Energy Company respectively, meaning that they would become subsidiaries of the Parent Company and the Company's connected persons according to Rule 14A of the Listing Rules. Therefore, transactions under the Continuing Connected Transaction Agreements would constitute the Company's continuing connected transactions as defined in Rule 14A of the Listing Rules.

As the applicable percentage ratios under the Listing Rules in respect of the respective Proposed Annual Caps for the transactions contemplated under the Continuing Connected Transaction Agreements are more than 5%, such continuing connected transactions and Proposed Annual Caps are subject to requirements including reporting, announcement, annual review and Independent Shareholder' approval under Rule 14A of the Listing Rules.

General Information

The Independent Board Committee will advise the Independent Shareholders in relation to the terms of the Scrap Steel Company Share Transfer Agreement, the K. Wah Company Capital Increase Agreement, the Chemical Energy Company Capital Increase Agreement, as well as the continuing connected transactions contemplated under the Continuing Connected Transaction Agreements, including the Proposed Annual Caps. Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among others, (i) further details of the Scrap Steel Company Share Transfer Agreement, the K. Wah Company Capital Increase Agreement, the Chemical Energy Company Capital Increase Agreement, (ii) details of the Continuing Connected Transaction Agreements including the Proposed Annual Caps, (iii) the letter from the Independent Board Committee to the Independent Shareholders, (iv) the letter of advice from the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Scrap Steel Company Share Transfer Agreement, the K. Wah Company Capital Increase Agreement, the Chemical Energy Company Capital Increase Agreement as well as the Continuing Connected Transaction Agreements and the Proposed Annual Caps, and (v) the notice of the EGM will be delivered to the Shareholders on or before 5 September 2018.

(1) Disposal and Deemed Disposal of Interest in Subsidiaries

(I) Scrap Steel Company Share Transfer Agreement

On 15 August 2018, the Company entered into the Scrap Steel Company Share Transfer Agreement with the Parent Company. According to this agreement, the Company agrees to sell and the Parent Company agrees to purchase 55% shareholding of Scrap Steel Company at a consideration of RMB 194,598,400. The key terms of the Scrap Steel Company Share Transfer Agreement are set forth below:

Date:

15 August 2018

Parties:

The Company (as the transferor)

Parent Company (as the transferee)

Target assets:

55% shares of Scrap Steel Company

Prior to the Scrap Steel Company Share Transfer Agreement, the Company holds 100% shares of Scrap Steel Company. After completion of the Scrap Steel Company Share Transfer Agreement, the Parent Company and the Company hold 55% and 45% shareholding of Scrap Steel Company respectively, and Scrap Steel Company will no longer be a subsidiary of the Company.

Consideration:

The consideration was agreed by both parties after negotiation based on the principle of fairness and with reference to the valuation report of Pan-China Assets Appraisal Co., Ltd. With 28 February 2018 as the valuation reference date, the book value of net assets of Scrap Steel Company is RMB 310,384,494.49; the assessed value under asset-based approach is RMB 324,330,643.06, and the added value is RMB 13,946,148.57, with an added value rate of 4.49%. The consideration corresponding to the shareholding is RMB 178,381,853.68. The final price of this share transfer shall be subject to the amount filed with the competent state-owned assets supervision authority.

The Parent Company shall, within twenty working days after satisfaction of all precondition, make one-off payment of the consideration in cash to the Company's designated account.

Preconditions:

- (i) The agreement has taken effect;
- (ii) Both the Company and the Parent Company have agreed to this share transfer with relevant decisions made by the Board and/or general meeting in accordance with the provisions of respective articles of association;

Completion:

The parties agree to entrust the current management of Scrap Steel Company to handle all governmental formalities in relation to this share transfer within three working days from the date of receipt of the

transaction consideration, including but not limited to filing/registration of shareholders' changes, and these formalities shall be handled after satisfaction of all the precondition mentioned above.

Impact of the Disposal on the finance of the Company

The accountant of the Company estimated that the Disposal is expected to generate unaudited profits of approximately RMB 224 million. Such profits are calculated by deducting the book value of the Company's long-term equity investment from the assessed fair value of Scrap Steel Company as at 28 February 2018. The Company intends to use proceeds therefrom for the project construction of the Company's main steel business. Based on the unaudited consolidated accounts of the Group as of 31 December 2017, it is expected that the share transfer of Scrap Steel Company will cause little impact to the Group.

Information about Scrap Steel Company

Scrap Steel Company mainly engages in recycling, processing and sale of scrap steel; sale and warehousing of pig iron; domestic trade agency service.

For the period ended 31 December 2016, audited net assets of Scrap Steel Company were RMB 159,686,002.55, while audited pre-tax profits and after-tax profits were RMB 26,005,470.87 and RMB 19,813,339.12 respectively.

For the period ended 31 December 2017, audited net assets of Scrap Steel Company were RMB 227,466,598.56, while audited pre-tax profits and after-tax profits were RMB 90,416,533.78 and RMB 67,780,596.01 respectively.

Reason for this transaction and its benefits

After the control of Scrap Steel Company is transferred to the Parent Company, the Parent Company can fully utilize its own advantages in terms of resource and management to accelerate the development of the scrap steel business of Maanshan Iron & Steel Company Limited. At the same time, scrap steel is one of the raw materials for steelmaking. After the professional operation and management of Scrap Steel Company, the resource channels will be further expanded, the quality will be more stable and reliable, and the Company's production will be more secure.

After the transfer of control of Scrap Steel Company, the Company will still hold a part of equity of Scrap Steel Company, and will continue to enjoy the investment income brought by the subsequent rapid development of Scrap Steel Company. In addition, the transfer of control of Scrap Steel Company is achieved by equity transfer. The equity transfer price obtained by the Company will also provide necessary financial guarantee for the subsequent development of the main steel business of Maanshan Iron & Steel Company Limited.

(II) K. Wah Company Capital Increase Agreement

On 15 August 2018, the Company entered into the K. Wah Company Capital Increase Agreement with the Parent Company, Leader Investments and K. Wah Company. According to this agreement, K. Wah Company agrees to allot and issue and the Parent Company and Leader Investments agree to subscribe for new share capital of K. Wah Company in the sum of US\$ 11,185,333. The key terms of the K. Wah Company Capital Increase Agreement are set forth below.

Date:

15 August 2018

Parties:

The Company;

The Parent Company;

Leader Investments;

K. Wah Company.

Subscription matter:

The current registered capital of K. Wah Company is US\$ 8,389,000, with a proposed capital increase of US\$ 11,185,333. After such capital increase, the registered capital will be US\$ 19,574,333; Leader Investments intends to subscribe for US\$ 3,355,600 among K. Wah Company's increased registered capital, such that it will hold 30% share capital of K. Wah Company after the capital increase; the Parent Company intends to subscribe for US\$ 7,829,733 among K. Wah Company's increased registered capital, such that it will hold 40% share capital of K. Wah Company after the capital increase; the Company waives the preemptive right to subscribe for such capital increase.

As K. Wah Company allots and issues shares to the Parent Company and Leader Investments, the Group's interests in K. Wah Company will be diluted from 70% to 30% after completion.

Consideration:

The consideration was agreed by the parties after negotiation based on the principle of fairness and by reference to the valuation report of Pan-China Assets Appraisal Co., Ltd. With 31 December 2017 as the valuation reference date, the book value of the net assets of K. Wah Company is RMB 210,075,881.70, the assessed value under asset-based approach is RMB 213,883,634.74, and the added value is RMB 3,807,753.04, with an added value rate of 1.81%. The balance of RMB 115,883,634.74, which is calculated by deducting the dividend amount of RMB 98,000,000 decided by the board of directors of K. Wah Company during the period of the reference date and the completion date from the assessed value of RMB 213,883,634.74 as listed in the valuation report, shall be the pricing basis for this capital increase. The parties agree that the above amounts are calculated based on the central parity of RMB against US dollar ("Agreed Exchange Rate") announced by the PBOC on the completion date. The total amount

payable by Leader Investments for this capital increase is RMB 46,353,453.90 ("Increased Capital A"), of which US\$3,355,600.00 after conversion at the agreed exchange rate shall become the registered capital of K. Wah Company, and the remaining Increased Capital A shall be recorded in the capital reserves of K. Wah Company. The total amount payable by Parent Company for this capital increase is RMB108,158,059.09 ("Increased Capital B", with "Increased Capital A" collectively referred to as "Increased Capital Price"), of which US\$7,829,733.00 after conversion at the agreed exchange rate shall become the registered capital of K. Wah Company, and the remaining Increased Capital B shall be recorded in capital reserves of K. Wah Company. The final price of this capital increase shall be subject to the amount filed with the competent state-owned assets supervision authority).

The Parent Company and Leader Investments shall, within twenty working days after satisfaction of all preconditions, make one-off payment of the consideration in cash to the account designated by K. Wah Company.

Precondition:

- (i) The agreement has taken effect;
- (ii) The parties to the agreement have agreed to this capital increase with relevant decisions made by the Board and/or general meeting in accordance with the provisions of respective articles of association;

Completion:

The parties agree to entrust the current management of K. Wah Company to handle formalities in relation to this capital increase, such as filing/registration of shareholders' changes or registered capital changes, and these formalities shall be completed within ten working days after satisfaction of all the preconditions mentioned above.

Impact of the Deemed Disposal on the finance of the Company

The accountant of the Company estimated that the Deemed Disposal is expected to generate unaudited profits of approximately RMB 105 million. Such profits are calculated by deducting the book value of the Company's long-term equity investment from the fair value of K. Wah Company's net assets after the capital increase of the Parent Company and Leader Investments, and adding the investment income from dividends before the capital increase. Based on the unaudited consolidated accounts of the Group as of 30 June 2018, it is expected that the profits generated from the Deemed Disposal will have less impact on the Group's net assets, and the Deemed Disposal has no significant impact on the Group.

Information about K. Wah Company

K. Wah Company mainly engages in recycling of scrap metal recovery, processing and sale; pig iron sale and warehousing; domestic trade agency service.

For the period ended 31 December 2016, the audited net assets of K. Wah Company were RMB 128,355,291.85, while audited pre-tax profits and after-tax profits were RMB 21,786,543.37 and RMB

18,802,033.92 respectively.

For the period ended 31 December 2017, the audited net assets of K. Wah Company were RMB 210,075,881.70, while audited pre-tax profits and after-tax profits were RMB 120,914,887.51 and RMB 90,801,689.85 respectively.

Reason for this transaction and its benefits

As a subsidiary of the Company, K. Wah Company is a third-level subsidiary of the Parent Company, and its expansion of business layout by means of foreign investment is limited. At this stage, the state has put stricter environmental protection supervision in the downstream cement industry of mineral fines. In order to maintain market competitiveness and make use of national policies and development opportunities, K. Wah Company needs to upgrade its technological level while actively expanding its business layout by means of industrial investment. Meanwhile, the transfer of control of K. Wah Company is achieved by capital increase from the Parent Company. After obtaining the capital increase from the Parent Company, K. Wah Company can also use it to expand production capacity, improve the technological level, enhance product quality, so as to further enhance the market competitiveness of K. Wah Company. In addition, after the capital increase, K. Wah Company will benefit from the Parent Company's advantages in terms of resources and management. After the transfer of control of K. Wah Company, the Company will still hold part of the shares of K. Wah Company and will continue to enjoy the investment profit brought about by the subsequent rapid development of K. Wah Company.

(III) Chemical Energy Company Capital Increase Agreement

On 15 August 2018, the Company entered into a Chemical Energy Company Capital Increase Agreement with the Parent Company and Chemical Energy Company. According to this agreement, Chemical Energy Company agrees to allot and issue and the Parent Company agrees to subscribe for the new share capital of Chemical Energy Company in the sum of RMB 733,333,333.33. Key terms of the Chemical Energy Company Capital Increase Agreement are set forth below:

Date:

15 August 2018

Parties:

The Company;

Parent Company;

Chemical Energy Company.

Subscription matter:

The current registered capital of Chemical Energy Company is RMB 600,000,000, with a proposed capital increase of RMB 733,333,333.33. After such capital increase, the registered capital will be RMB

1,333,333,333.33; the Parent Company intends to subscribe for RMB 733,333,333.33 among Chemical Energy Company's increased registered capital, such that it will hold 55% share capital of Chemical Energy Company after the capital increase; the Company waives the preemptive right to subscribe for such capital increase.

As Chemical Energy Company allots and issues shares to the Parent Company, the Group's interests in Chemical Energy Company will be diluted from 100% to 45% after completion.

Consideration:

The consideration is agreed after negotiation based on the principle of fairness and by reference to the valuation report of ZhongMing (Beijing) Assets Appraisal International Co., Ltd. With 30 June 2018 as the valuation reference date, the book value of the net assets of Chemical Energy Company under asset-based approach is RMB 600,000,000.00, the assessed value is RMB 598,593,860.00, the added value is RMB -1,406,140.00, with an added value rate of -0.23%. Before the capital increase, the Company will supplement the capital contribution of RMB 1,406,140.00, so that the fair value of Chemical Energy Company will be restored to RMB 600,000,000.00. Thereafter, the Parent Company will subscribe for new capital of RMB 733,333,333.33 and will hold 55% share capital of Chemical Energy Company.

The Parent Company shall, within twenty working days after satisfaction of all preconditions, make one-off payment of the consideration in cash to the account designated by Chemical Energy Company.

Preconditions:

- (i) The agreement has taken effect;
- (ii) Both the Company and the Parent Company have agreed to this capital increase with relevant decisions made by the Board and/or general meeting in accordance with the provisions of respective articles of association.

Completion:

The parties agree to entrust the existing management of Chemical Energy Company to handle formalities in relation to this share transfer, such as filing/registration of shareholders' changes or registered capital changes, and these formalities shall be completed within ten working days after satisfaction of all the precondition mentioned above.

Impact of the Deemed Disposal on the finance of the Company

The accountant of the Company estimated that the Deemed Disposal is expected to generate unaudited disposal losses of approximately RMB 1,406,140.00. Such losses are calculated by the deducting the book value of the Company's long-term equity investment from the fair value of the net asset value of Chemical Energy Company. Based on the unaudited consolidated accounts of the Group as of 31 December 2017, it is expected that the Deemed Disposal will have little impact on the Group's net assets.

Information about Chemical Energy Company

Chemical Energy Company mainly engages in the research & development, production and sale of chemical products (excluding hazardous chemicals and precursor chemicals)

Chemical Energy Company was established in 2018 so there is no historical financial data for the past 2 financial years.

Reason for this transaction and its benefits

Chemical Energy Company is a newly established wholly-owned subsidiary of Parent Company, which is a third-level subsidiary of the Parent Company. The expansion of the business layout in chemical energy industry by means of external investment is limited. After the control of Chemical Energy Company is transferred to the Parent Company, it will help Chemical Energy Company accelerate industrial development and optimize business by means of industrial investment, which will help Chemical Energy Company achieve rapid, stable and sustainable development. Meanwhile, Chemical Energy Company is a newly established subsidiary of Maanshan Iron & Steel Company Limited (established in March 2018), so it is currently in the early stage of development and has relatively greater demand for funds. The control transfer of Chemical Energy Company is achieved by capital increase of Ma Steel Group. It will also provide financial support for the development of Chemical Energy Company. After the transfer of the control of Chemical Energy Company, the Company will still hold a part of shares of Chemical Energy Company, and will continue to enjoy the investment income brought by the rapid development of Chemical Energy Company.

Information about the Company

The Company is one of China's largest steel producers and distributors, mainly engaging in the production and sale of iron and steel products.

Information about the Parent Company

The Parent Company is a wholly state-owned limited liability company and the controlling shareholder of the Company, mainly engaging in mineral product development and screening, construction, building material production, trade, warehousing and property management, as well as agriculture and forestry.

Information about Leader Investments

Leader Investments is an investment holding company.

Board approval

At the tenth meeting of the ninth session of the Board held on 15 August 2018, the Board approved the Scrap Steel Company Share Transfer Agreement, the K. Wah Company Capital Increase Agreement and the Chemical Energy Company Capital Increase Agreement . .

Among the Directors present at the aforesaid board meeting, Mr. Ding Yi, Mr. Qian Haifan and Mr. Ren Tianbao are considered having a vital interest as they are employed by the Parent Company. They had to waive their right to vote on the board resolution for the Scrap Steel Company Share Transfer Agreement, the K. Wah Company Capital Increase Agreement and the Chemical Energy Company Capital Increase Agreement. Other than the foregoing disclosure, none of Directors present at the aforesaid board meeting has a vital interest in the Chemical Energy Company Capital Increase Agreement.

Implications of the Listing Rules

As of the date of this announcement, the Parent Company holds about 45.54% of the Company's issued share capital and is the controlling shareholder of the Company, while Leader Investments is the major shareholder of K. Wah Company, the Company's subsidiary, hence according to Rule 14A of the Listing Rules, the Parent Company and Leader Investments are connected parties of the Company. Therefore, the Company's entering into of the Scrap Steel Company Share Transfer Agreement, the K. Wah Company Capital Increase Agreement and the Chemical Energy Company capital increase would constitute connected transactions of the Company. According to Rule 14.22 of the Listing Rules, in relation to determining the applicable percentage ratios, the Disposal and Deemed Disposal shall be aggregated. As the applicable percentage for connected transactions is higher than 5%, the relevant Disposal and Deemed Disposal are subject to requirements including reporting, announcement, annual review and Independent Shareholders' approval under Rule 14A of the Listing Rules

(2) Continuing Connected Transaction Agreements

(I) Scrap Steel Company Continuing Connected Transaction Agreement

Background

After completion of the Disposal, Scrap Steel Company will become a connected person of the Company. On 15 August 2018, the Company entered into a Scrap Steel Company Continuing Connected Transaction Agreement with Scrap Steel Company. According to this agreement, the parties agree that, from 2019 to 2021, the Group will sell or provide products and services to Scrap Steel Company, and Scrap Steel Company will sell or provide products and services to the Group.

Date

15 August 2018

Parties

- (i) The Company
- (ii) Scrap Steel Company

Purpose

(1) The Company, with consent of itself and the Group, agrees to sell or provide the following products and services to Scrap Steel Company:

- (i) Products, i.e. water, electricity and gas (including sale of electricity, living water, industrial clean water, steam and other gases), finished goods and other products (including scrap steel and spare parts); and
- (ii) Services, i.e. scrap steel processing.

(2) Scrap Steel Company agrees to sell or provide the following products and services to the Group:

- (i) Products, i.e. spare parts and other products (including scrap steel); and
- (ii) Services, including scrap steel agency purchase.

The parties agree to, based on the principle of equality, and taking an appropriate, reasonable and fair valuation method, enter into the transaction under the Scrap Steel Company Continuing Connected Transaction Agreement. The terms of transaction for products and services that the Group provides to Scrap Steel Company (including but not limited to price and payment) shall not be more favourable to the terms of transaction for similar products and services that the Group sells or provides to any independent third party; and the terms of transaction for products and services that Scrap Steel Company sells or provides to the Group (including but not limited to price and payment) shall not be less favourable than the terms of transaction for similar products and services that any independent third party sells or provides to the Group.

During the performance of the Scrap Steel Company Continuing Connected Transaction Agreement, the Company has the discretion to decide whether to enter into the transaction under the Scrap Steel Company Continuing Connected Transaction Agreement with any independent third party.

Pricing

The pricing shall be based on state-prescribed price, if any. In the absence of the state-prescribed price, the pricing shall be based on the market price, determined through open tender, price comparison and arm's length negotiation under normal commercial terms. and with reference to comparable market transaction prices.

The price of products and services that the Group sells or provides to Scrap Steel Company shall not be lower than the price of similar products and services that the Group sells to any independent third party.

The price of products and services that Scrap Steel Company sells or provides to the Group shall not be higher than the price of similar products and services that any independent third party provides to the Group.

According to current pricing standards, except that electricity the Group sells or provides to Scrap Steel Company is priced as per the latest national regulations set by Anhui Price Bureau, living water is priced as per the latest national regulations set by Maanshan Development and Reform Commission and Price Bureau, industrial treated water is priced as per the latest national regulations set by Maanshan Municipal People's Government, other transactions under the Scrap Steel Company Continuing Connected Transaction Agreement are priced based on market price.

Payment

In regard to payment for energy medium that the Group sells to Scrap Steel Company, , Scrap Steel Company shall pay the sale prices of the previous month to the Group in the first ten days of each month.

In regard to payment of products other than energy medium that the Group sells to Scrap Steel Company, Scrap Steel Company shall pay the purchase price of the products within 10 working days after Scrap Steel Company receives the relevant products and completes the financial settlement procedures.

In regard to products or services that Scrap Steel Company sells or provides to the Group, the Group shall make payment for the relevant products or services within 10 working days after the Group receives the relevant products or services and completes the financial settlement procedures.

Precondition

The Scrap Steel Company Continuing Connected Transaction Agreement and relevant Proposed Annual Caps shall be approved by Independent Shareholders at EGMs before taking effect.

Duration

On the premise of satisfying the aforesaid precondition, the duration of the Scrap Steel Company Continuing Connected Transaction Agreement shall commence on 1 January 2019 and end on 31 December 2021.

Proposed Annual Caps

Under the Scrap Steel Company Continuing Connected Transaction Agreement, for years ending 31 December 2019, 31 December 2020 and 31 December 2021 respectively, Proposed Annual Caps (exclusive of tax) for products and services that the Group provides to Scrap Steel Company according to the Scrap Steel Company Continuing Connected Transaction Agreement are listed below:

RMB

| For the year ending | For the year ending | For the year ending |
|------------------------|------------------------|------------------------|
|------------------------|------------------------|------------------------|

| | 31 December 2019 | 31 December 2020 | 31 December 2021 |
|--------------------------------------|---------------------|---------------------|---------------------|
| 1. Proposed Annual Caps for products | 28,599,800 | 30,699,800 | 32,259,800 |
| 2. Proposed Annual Caps for services | 9,763,600 | 10,080,600 | 10,302,500 |
| Total | 38,363,400 | 40,780,400 | 42,562,300 |

Under the Scrap Steel Company Continuing Connected Transaction Agreement, for years ending 31 December 2019, 31 December 2020 and 31 December 2021 respectively, Proposed Annual Caps (exclusive of tax) for products and services that Scrap Steel Company provides to the Group according to the Scrap Steel Company Continuing Connected Transaction Agreement are listed below:

| | <i>RMB</i> | | |
|--------------------------------------|--|--|---|
| | For the year ending 31 December 2019 | For the year ending 31 December 2020 | For the year ending 31 December 2021 |
| 1. Proposed Annual Caps for products | 3,282,400,000 | 3,796,800,000 | 4,522,500,000 |
| 2. Proposed Annual Caps for services | 26,400,000 | 33,600,000 | 43,200,000 |
| Total | 3,308,800,000 | 3,830,400,000 | 4,565,700,000 |

For the period from 1 January 2019 to 31 December 2021, Proposed Annual Caps under the Scrap Steel Company Continuing Connected Transaction Agreement will make reference to (i) the state-prescribed price or market price for continuing connected transactions; (ii) the Group's expected capacity to provide products and services to Scrap Steel Company and the Group's expected demand for products and services of Scrap Steel Company to satisfy its production plan; and (iii) Scrap Steel Company's expected demand for products and services of the Group and expected capacity to provide products and services to the Group.

Reason for the Scrap Steel Company Continuing Connected Transaction Agreement and its benefits

The Group's obtaining products and services that are reliable and with unique skills from Scrap Steel Company can ensure the Group's stable and continuous production. In addition to realizing profits, the Group's selling its products to Scrap Steel Company can ensure smooth and stable production of the Group. The terms of the Scrap Steel Company Continuing Connected Transaction Agreement and the pricing made thereby are fair and reasonable, and are in the interests of the Company and shareholders as a whole.

(II) K. Wah Company Continuing Connected Transaction Agreement

Background

After completion of the Deemed Disposal, K. Wah Company will become a connected party of the Company. On 15 August 2018, the Company entered into the K. Wah Company Continuing Connected Transaction Agreement with K. Wah Company. According to this agreement, the parties agree that, from 2019 to 2021, the Group will sell or provide products to K. Wah Company.

Date

15 August 2018

Parties

- (i) The Company; and
- (ii) K. Wah Company

Purpose

The Company, with consent of itself and the Group, agrees to sell or provide the following products to K. Wah Company, i.e. electricity and water slag.

The parties agree to, on the principle of equality, and taking an appropriate, reasonable and fair valuation method, enter into the transaction under the K. Wah Company Continuing Connected Transaction Agreement. The terms of transaction for products that the Group provides to K. Wah Company (including but not limited to price and payment) shall not be more favourable to the terms of transaction for similar products that the Group sells or provides to any independent third party.

During the performance of the K. Wah Company Continuing Connected Transaction Agreement, the Company has the discretion to decide whether to enter into the transaction under the K. Wah Company Continuing Connected Transaction Agreement with any independent third party.

Pricing

The pricing shall be based on state-prescribed price, if any. In the absence of the state-prescribed price, the pricing shall be based on market price, determined through open tender, price comparison and arm's length negotiation under normal commercial terms.

The price of products and services that the Group sells or provides to K. Wah Company shall not be lower than the price of similar products and services that the Group sells to any independent third party.

According to current pricing standards, electricity that the Group sells or provides to K. Wah Company is priced as per the latest national regulations set by Anhui Price Bureau, while water slag is priced based on market price.

Payment

In regard to payment for electricity and water slag that the Group sells to K. Wah Company, K. Wah Company shall pay the sale price of previous month to the Group within the first ten days of each month.

Precondition

The K. Wah Company Continuing Connected Transaction Agreement and relevant Proposed Annual Caps shall be approved by Independent Shareholders at EGMs before taking effect.

Duration

On the premise of satisfying the aforesaid precondition, the duration of the K. Wah Company Continuing Connected Transaction Agreement shall commence on 1 January 2019 and end on 31 December 2021.

Proposed Annual Caps

Under the K. Wah Company Continuing Connected Transaction Agreement, for years ending on 31 December 2019, 31 December 2020 and 31 December 2021 respectively, Proposed Annual Caps (exclusive of tax) for products that the Group provides to K. Wah Company according to the K. Wah Company Continuing Connected Transaction Agreement are listed below:

| | <i>RMB</i> | | |
|-----------------------------------|---|---|---|
| | For the year ending 31 December 2019 | For the year ending 31 December 2020 | For the year ending 31 December 2021 |
| Proposed Annual Caps for products | 738,012,600 | 921,384,600 | 921,384,600 |
| Total | 738,012,600 | 921,384,600 | 921,384,600 |

For the period from 1 January 2019 to 31 December 2021, Proposed Annual Caps under the K. Wah Company Continuing Connected Transaction Agreement will make reference to (i) the state-prescribed price or market price for continuing connected transactions; and (ii) the Group's expected capacity to provide products to K. Wah Company and the Group's expected demand for products of K. Wah Company.

Reason for the K. Wah Company Continuing Connected Transaction Agreement and its benefits

The Group's providing products to K. Wah Company can ensure the Group's stable and continuous production and is in line with the interests of the Group. The Company can achieve a certain profit from the sales of electricity produced by the Group's own power plant with the existing network and with a reference to sale price of the third party. The terms of the K. Wah Company Continuing Connected Transaction Agreement and the pricing made thereby are fair and reasonable, and are in the interests of the Company and shareholders as a whole.

(III) Chemical Energy Company Continuing Connected Transaction Agreement

Background

After completion of the Deemed Disposal, Chemical Energy Company will become a connected person of the Company. On 15 August 2018, the Company entered into a Chemical Energy Company Continuing Connected Transaction Agreement with Chemical Energy Company. According to this agreement, the parties agree that, from 2019 to 2021, the Group will sell or provide products to Chemical Energy Company, and Chemical Energy Company will sell or provide products and services to the Group.

Date

15 August 2018

Parties

- (i) The Company; and
- (ii) Chemical Energy Company

Purpose

- (1) The Company, with consent of itself and the Group, agrees to sell or provide products to Chemical Energy Company, including electricity, industrial treated water, coke oven gas, steam, compressed air, raw coke oven gas, other gases, scrubbing oil, spare parts and materials).
- (2) Chemical Energy Company agrees to sell products (including clean gas and oil tar) and provide services (including wastewater treatment service) to the Group.

The parties agree to, on the principle of equality, and taking an appropriate, reasonable and fair valuation method, enter into the transaction under the Chemical Energy Company Continuing Connected Transaction Agreement. The terms of transaction for products that the Group provides to Chemical Energy Company (including but not limited to, price and payment) shall not be more favourable to the

terms of transaction for similar products that the Group sells or provides to any independent third party; and the terms of transaction for products and services that Chemical Energy Company sells or provides to the Group (including but not limited to price and payment) shall not be less favourable to the terms of transaction for similar products and services that any independent third party sells or provides to the Group.

During the term of the Chemical Energy Company Continuing Connected Transaction Agreement, the Company has the discretion to decide whether to enter into the transaction under the Chemical Energy Company Continuing Connected Transaction Agreement with any independent third party.

Pricing

The pricing shall be based on state-prescribed price. In the absence of the state-prescribed price, the pricing shall be based on market price, determined through open tender, price comparison and arm's length negotiation under normal commercial terms.

The price of products that the Group sells or provides to Chemical Energy Company shall not be lower than the price of similar products that the Group sells to any independent third party.

The price of products that Chemical Energy Company sells or provides to the Group shall not be higher than the price of similar products that any independent third party provides to the Group.

According to current pricing standards, except that electricity the Group sells or provides to Chemical Energy Company is priced as per the latest national regulations set by Anhui Price Bureau, industrial treated water is priced as per the latest national regulations set by Maanshan Municipal People's Government, other transactions under the Chemical Energy Company Continuing Connected Transaction Agreement are priced based on market price.

Payment

In regard to payment for electricity, industrial treated water, coke oven gas, steam, compressed air, raw coke oven gas, other gases, washing oil, spare parts, materials that the Group sells to Chemical Energy Company, Chemical Energy Company shall pay sale prices of the previous month to the Group within the first ten days of each month.

In regard to products that Chemical Energy Company sells or provides to the Group, the Group shall make payment for the relevant products and services within the first ten days of each month after receipt of the relevant products and services.

Precondition

The Chemical Energy Company Continuing Connected Transaction Agreement and relevant Proposed Annual Caps shall be approved by Independent Shareholders at EGMs before taking effect.

Duration

On the premise of satisfying the aforesaid precondition, the duration of the Chemical Energy Company Continuing Connected Transaction Agreement shall commence on 1 January, 2019 and end on 31 December 2021.

Proposed Annual Caps

Under the Chemical Energy Company Continuing Connected Transaction Agreement, for years ending 31 December 2019, 31 December 2020 and 31 December 2021 respectively, Proposed Annual Caps (exclusive of tax) for products that the Group provides to Chemical Energy Company according to the Chemical Energy Company Continuing Connected Transaction Agreement are listed below:

| | <i>RMB</i> | | |
|-----------------------------------|---|---|---|
| | For the year ending 31 December 2019 | For the year ending 31 December 2020 | For the year ending 31 December 2021 |
| Proposed Annual Caps for products | 1,788,762,800 | 1,788,762,800 | 1,788,762,800 |
| Total | 1,788,762,800 | 1,788,762,800 | 1,788,762,800 |

Under the Chemical Energy Company Continuing Connected Transaction Agreement, for years ending 31 December 2019, 31 December 2020 and 31 December 2021 respectively, Proposed Annual Caps (exclusive of tax) for products that Chemical Energy Company provides to the Group according to the Chemical Energy Company Continuing Connected Transaction Agreement are listed below:

| | <i>RMB</i> | | |
|-----------------------------------|---|---|---|
| | For the year ending 31 December 2019 | For the year ending 31 December 2020 | For the year ending 31 December 2021 |
| Proposed Annual Caps for products | 1,962,750,000 | 1,962,750,000 | 1,962,750,000 |
| Proposed Annual Caps for services | 7,190,000 | 8,320,000 | 8,910,000 |
| Total | 1,969,940,000 | 1,999,290,000 | 2,028,650,000 |

For the period from 1 January 2019 to 31 December 2021, the Proposed Annual Caps under the Chemical Energy Company Continuing Connected Transaction Agreement will make reference to (i) the state-prescribed price or market price for continuing connected transactions; (ii) the Group's expected capacity to provide products to Chemical Energy Company and the Group's expected demand for products of Chemical Energy Company to satisfy its production plan; and (iii) Chemical Energy Company's expected demand for products of the Group and expected capacity to provide products to the Group.

Reason for the Chemical Energy Company Continuing Connected Transaction Agreement and its benefits

The Group purchases part of natural gas to replace the power medium of internal production, in an effort to stabilize product quality and enhance the market competitiveness of the Group's strip products. As a result, the Group's power medium of internal production has a surplus. Under the premise of ensuring the internal production of the Group, the sale of surplus power medium to related units not only improves the sales profit of the shares, but also reduces the product costs of the Group. The Group's obtaining a reliable and uniquely skilled supply of products from Chemical Energy Company can also ensure the Group's stable and continuous production. The terms and pricing of Chemical Energy Company Continuing Connected Transaction Agreement are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

Information about the Company, the Parent Company, Scrap Steel Company, K. Wah Company and Chemical Energy Company

Please refer to section (1) of this announcement.

Internal management of Continuing Connected Transaction Agreements

To ensure effective execution and implementation of the pricing of the transactions under the Agreements, the Company has established "Internal Control Management Measures for Connected Transactions" to regulate the pricing management of relevant connected transactions.

Board Approval

At the tenth meeting of the ninth session of the Board held on 15 August 2018, the Board approves the Continuing Connected Transaction Agreements.

Directors present at the board meeting for Continuing Connected Transaction Agreements held on 15 August 2018 believe that, the Continuing Connected Transaction Agreement and its Proposed Annual Caps have been discussed on the principle of equity and in accordance with normal commercial terms, terms and Proposed Annual Caps under these agreements are fair, reasonable and in line with the interests

of the Company and shareholders as a whole, and each continuing connected transaction is executed in the course of daily and routine business of the Group.

Among the Directors attending the Board meeting as mentioned above, Mr. Ding Yi, Mr. Qian Haifan and Mr. Ren Tianbao are considered to have material interests by virtue of being employed by the Parent Company and had thus abstained from voting on the Board resolution(s) in respect of the Continuing Connected Transaction Agreements as well as the Proposed Annual Caps thereof. Save as disclosed above, none of the Directors attended the Board meeting has a material interest in the Continuing Connected Transaction Agreements.

Implication of the Listing Rules

As of the date of this announcement, the Parent Company holds about 45.54% of the Company's issued share capital and is the controlling shareholder of the Company, so according to Rule 14A of the Listing Rules, the Parent Company is a connected party of the Company. After completion of the Disposal and Deemed Disposal, the Parent Company will hold 55%, 40% and 55% share capital of Scrap Steel Company, K. Wah Company and Chemical Energy Company respectively, meaning that they would become subsidiaries of the Parent Company and connected persons of the Company according to Rule 14A of the Listing Rules. Therefore, transactions under the Continuing Connected Transaction Agreements would constitute the Company's continuing connected transactions as defined in Rule 14A of the Listing Rules.

As the applicable percentage ratios under the Listing Rules in respect of the respective Proposed Annual Caps for the transactions contemplated under the Continuing Connected Transaction Agreements will be more than 5%, such continuing connected transactions and Proposed Annual Caps are subject to requirements including reporting, announcement, annual review and Independent Shareholder' approval under Rule 14A of the Listing Rules.

General Information

An EGM will be convened to consider and, if thought fit, to approve Scrap Steel Company Share Transfer Agreement, K. Wah Company Capital Increase Agreement, Chemical Energy Company Capital Increase Agreement and the Continuing Connected Transaction Agreements and the transactions contemplated thereunder, including the respective Proposed Annual Caps. In accordance with the Listing Rules, the vote of the Independent Shareholders taken at the EGM to approve the Scrap Steel Company Share Transfer Agreement, the K. Wah Company Capital Increase Agreement, the Chemical Energy Company Capital Increase Agreement and the Continuing Connected Transaction Agreement and the transactions contemplated thereunder, including the respective Proposed Annual Caps, will be taken by poll. Any Shareholder with a material interest in the continuing connected transactions contemplated under the agreements and his/her Associates will abstain from voting at the EGM. Accordingly, the

Parent Company and its Associates will abstain from voting at the EGM. The result of the vote will be announced after the EGM.

The Independent Board Committee, will among others, consider and advise the Independent Shareholders in relation to the terms of the Scrap Steel Company Share Transfer Agreement, the K. Wah Company Capital Increase Agreement, the Chemical Energy Company Capital Increase Agreement, as well as the continuing connected transactions contemplated under the Continuing Connected Transaction Agreements the transactions contemplated thereunder, including the respective Proposed Annual Caps. Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among others, (i) further details of Scrap Steel Company Share Transfer Agreement, K. Wah Company Capital Increase Agreement, Chemical Energy Company Capital Increase Agreement, Each Continuing Connected Transaction Agreement, (ii) details of the Continuing Connected Transaction Agreements including the Proposed Annual Caps, (iii) the letter from the Independent Board Committee to the Independent Shareholders, (iiiiv) the letter of advice from the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Scrap Steel Company Share Transfer Agreement, the K. Wah Company Capital Increase Agreement, the Chemical Energy Company Capital Increase Agreement as well as the Continuing Connected Transaction Agreements and the Proposed Annual Caps, and (iv) the notice of the EGM will be delivered to the Shareholders on or before 5 September, 2018. 5 September

Definitions

In this announcement, the following expressions shall have the meanings set out below:

| | |
|--|--|
| “Associates” | has the meaning as ascribed thereto in the Listing Rules |
| “Board” | the board of the Directors of the Company |
| “Chemical Energy Company” | Anhui Ma Steel Chemical Energy Technology Co., Ltd.(安徽馬鋼化工能源科技有限公司), a limited company incorporated in the PRC |
| “Chemical Energy Company Capital Increase Agreement” | The capital increase agreement dated 15 August 2018 executed by the Company, the Parent Company and Chemical Energy Company; according to this agreement, the parties agree that the Parent Company subscribes for the capital increase of Chemical Energy Company |
| “Chemical Energy Company Continuing | The Continuing Connected Transaction Agreement dated 15 August 2018 executed by the Company and Chemical Energy |

| | |
|---|---|
| Connected Transaction Agreement” | Company; according to this agreement, the parties agree, from 2019 to 2021, the Group will sell or provide products to Chemical Energy Company, and Chemical Energy Company will sell or provide products to the Group |
| “Company” | Maanshan Iron & Steel Company Limited, a joint stock limited company incorporated in the PRC, the shares of which are listed on the Stock Exchange |
| “Continuing Connected Transaction Agreements” | The Scrap Steel Company Continuing Connected Transaction Agreement, the K. Wah Company Continuing Connected Transaction Agreement and the Chemical Energy Company Continuing Connected Transaction Agreement |
| “Directors” | the directors of the Company |
| “Disposal” | The disposal of 55% shareholding of Scrap Steel Company by the Company to the Parent Company according to the Scrap Steel Company Share Transfer Agreement |
| “Deemed Disposal” | According to the K. Wah Company Capital Increase Agreement and the Chemical Energy Company Capital Increase Agreement, the share capital of K. Wah Company and Chemical Energy Company shall be increased, and the shareholding held by the Company will be diluted accordingly |
| “EGM” | the extraordinary general meeting of the Company to be convened to approve, among other things, the Scrap Steel Company Share Transfer Agreement, the K. Wah Company Capital Increase Agreement, the Chemical Energy Company Capital Increase Agreement as well as the Continuing Connected Transaction Agreements, the transactions contemplated thereunder, and the respective Proposed Annual Caps |
| “Group” | the Company and its subsidiaries |
| “K. Wah Company” | Anhui Ma Steel K. Wah New Building Materials Co., Ltd.(安徽馬鋼嘉華新型建材有限公司), a limited company incorporated in China |
| “K. Wah Company Capital Increase Agreement” | The capital increase agreement dated 15 August 2018 executed by the Company, the Parent Company, Leader Investments and K. Wah Company; according to which, the parties agreed that the Parent Company and Leader Investments shall subscribe for the increased share capital of K. Wah Company |

| | |
|---|--|
| “K. Wah Company Continuing Connected Transaction Agreement” | The Continuing Connected Transaction Agreement dated 15 August 2018 executed by the Company and K. Wah Company; according to which, the parties agreed that, from 2019 to 2021, the Group will sell or provide products to K. Wah Company |
| “Independent Board Committee” | a board committee comprising all the Independent Non-executive Directors, which will, among others, consider and advise the Independent Shareholders in relation to the Scrap Steel Company Share Transfer Agreement, the K. Wah Company Capital Increase Agreement, the Chemical Energy Company Capital Increase Agreement as well as the Continuing Connected Transaction Agreements, and the transactions contemplated thereunder, including the respective Proposed Annual Caps |
| “Independent Financial Adviser” | Somerville Capital Limited is a licensed company to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO. As the independent financial adviser, Somerville Capital Limited advises to the Independent Board Committee and the Independent Shareholders in relation to the Scrap Steel Company Share Transfer Agreement, the K. Wah Company Capital Increase Agreement, the Chemical Energy Company Capital Increase Agreement as well as the Continuing Connected Transaction Agreements, the transactions contemplated thereunder, and the respective Proposed Annual Caps. |
| “Independent Non-executive Directors” | Independent non-executive Directors of the Company |
| “Independent Shareholders” | shareholders of the Company other than the Parent Company and any of its associates |
| “Leader Investments” | Leader Investments Company Limited (利達投資有限公司), a company incorporated in British Virgin Islands |
| “Listing Rules” | The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited |
| “Parent Company” | Magang (Group) Holding Company Limited, a wholly state-owned enterprise with limited liability, formerly known as Maanshan Magang Holding Company, and was approved by the government to restructure into Magang (Group) Holding Company Limited in September 1998 |

| | |
|--|---|
| “PRC” | the People’s Republic of China |
| “Proposed Annual Caps” | The maximum cumulative annual amount in connection with the transaction involved in Each Continuing Connected Transaction Agreement for the period from January 1, 2016 to December 31, 2018 |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “SFO” | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Shareholder(s)” | holder(s) of shares of the Company |
| “Scrap Steel Company” | Ma Steel Scrap Steel Co., Ltd.(馬鞍山馬鋼廢鋼有限責任公司), a limited company incorporated in the PRC |
| “Scrap Steel Company Continuing Connected Transaction Agreement” | The Continuing Connected Transaction Agreement dated 15 August 2018 executed by the Company and Scrap Steel Company; according to which, the parties agreed that, from 2019 to 2021, the Group will sell or provide products and services to Scrap Steel Company, and Scrap Steel Company will sell or provide products and services to the Group |
| “Scrap Steel Company Share Transfer Agreement” | The share transfer agreement dated 15 August 2018 executed by the Company and the Parent Company; according to which, the Company shall sell 55% shareholding of Scrap Steel Company to the Parent Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |

By order of the Board
Maanshan Iron & Steel Company Limited
He Hongyun
Company Secretary

15 August 2018
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, Zhang wenyang*

Non-executive Directors: Ren Tianbao

Independent Non-executive Directors: Zhang Chunxia, Zhu Shaofang, Wang Xianzhu