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)

OVERSEAS REGULATORY ANNOUNCEMENT

ANNOUNCEMENT ON CHANGES IN ACCOUNTING POLICIES

This announcement is made pursuant to Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

I. Overview of the Changes in Accounting Policies

In 2017, the Ministry of Finance has promulgated the revised "Accounting Standard for Business Enterprises No. 14 – Revenue" ("New Revenue Standard"), "Accounting Standard for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments", "Accounting Standard for Business Enterprises No. 23 - Transfer of Financial Assets", "Accounting Standard for Business Enterprises No. 24 - Hedging" and "Accounting Standard for Business Enterprises No. 37 - Presentation of Financial Instruments" (collectively as " New Financial Instruments Standards"). Maanshan Iron & Steel Company Limited (hereinafter referred to as "the Company") and its subsidiaries (hereinafter referred to as "the Group") has adopted the above revised accounting standards from 1 January 2018, and according to the transitional requirements, the comparative information is not restated. The difference generated from the initial adoption would retrospectively adjust the opening balance of retained earnings or other comprehensive income as at 1 January 2018.

In 2018, the Ministry of Finance promulgated the *Circular of the Ministry of Finance on Revising and Issuing the Format of the Financial Statements of General Enterprises for 2018* (Caikuai [2018] No. 15). The Group and the Company complied the financial statements by following the requirements of the circular, and retrospectively represented comparative financial statements.

On 29 August 2018, the Company held the eleventh meeting of the ninth session of the board of directors, which reviewed and approved the *Resolution on Changes in Accounting Policies* and agreed to change the Company's accounting policies according to the above revised *Accounting Standards for Business Enterprises*. The change of accounting policies need not be submitted to the shareholders meeting for approval.

II . Impact of the Changes of Accounting Policies on the Group

1. New Revenue Standard

Modification: The New Revenue Standard establishes a new model to account for revenue arising from contracts with customers. The revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgment and estimation, taking into consideration of the contract costs, performance obligations, variable considerations, principal versus agent.

Impact on the Group: The adoption of the New Revenue Standard did not have significant impact on the Group's revenue, net profit or shareholders' equity. Therefore, the Group did not adjust the financial statements.

2. New Financial Instruments Standards

Modification: When initially recognised, financial assets of the Group shall be classified on the basis of the business model of the financial assets managed by business enterprise and the contractual cash flow characteristics of the financial assets as: financial assets measured at amortized cost, financial assets measured at fair value through profit or loss in the period, and financial assets measured at fair value through other comprehensive income. The financial assets are initially measured at fair value. The Group chose to irrevocably designate the non-tradable equity investments as the financial assets measured at fair value through other comprehensive income.

The financial liabilities of the Group were initially recognised as financial liabilities measured at fair value through profit or loss and other financial liabilities. For the financial liabilities measured at fair value through profit or loss, the relevant transaction costs were charged to profit or loss; whereas for other financial liabilities, the relevant transaction costs were recognised at initial cost.

The adoption of the New Financial Instruments Standards required the change from "incurred loss approach" to a "forward-looking expected credit loss ("ECL") approach" for the measurement of impairment of financial assets. The Group has treated the impairment and accrued the loss provision for the financial assets measured at amortised cost, debt instrument investment measured at fair value through other comprehensive income, and loan commitment, based on the ECL approach.

Impact on the Group: the change of accounting policy has resulted in an increase of RMB 13,521,768 in total assets and an increase of RMB 4,154,774 in net assets at the opening balance of the consolidated financial statements of the Group (including an increase of RMB 32,360,498 in other comprehensive income attributable to owners of the parent, and a decrease of RMB 20,317,968 in retained earnings attributable to owners of the parent). The Company's total assets increased by RMB 36,653,752, and its net assets increased by RMB 27,490,314 at the opening balance of the financial statements of the Company (including an increase in the other comprehensive income by RMB 27,490,314). The adoption of the New Financial Instruments Standards did not have significant impact on the Group's and the Company's net profit and shareholders' equity in current period.

3. Format of Financial Statements

Modification: The Group combined "notes receivable" and "trade receivable" as "notes and trade receivable", and combined "interest receivable", "dividends receivable" and "other receivables" as "other receivables", combined "fixed assets" and "disposal on fixed assets" as "fixed assets", combined "notes payable" and "trade payable" as "notes and trade payable", combined "interest payable", "dividends payable" and "other payables" as "other payables", and combined "long-term payables" and "special payables" as "long-term payables". The Group inserted "Research and Development expenses" above the item of "financial expenses" in the income statement which accounts for expensed expenditure occurred during the course of research and development. The Group retrospectively represented the comparative balance sheet and the income statement.

Impact on the Group: the change of accounting policy did not have impact on the Group's and the Company's net profit and shareholders' equity.

III. Opinions of Independent Director and Supervisory Committee

Opinion of the independent director: The changes of accounting policies are reasonable changes and adjustment in accordance with the latest accounting standard revised and promulgated by the Ministry of Finance and in line with the provisions of laws and regulations. The changes of the accounting policies and decision-making procedures comply with the relevant laws and regulations and the provisions of the *Articles of Association*, conform to the overall interests of the Company and shareholders, and do not damage the interests of the Company and shareholders, so the changes of the accounting policies are agreed.

Opinions of the supervisory committee: The changes of accounting policies are reasonable changes made by the Company and adjustment in accordance with the latest accounting standard revised and promulgated by the Ministry of Finance and in line with the provisions of laws and regulations. The decision-making process is legal and compliant, does not damage the interests of the Company and shareholders, so the changes of the accounting policies are agreed.

Maanshan Iron & Steel Company Limited
Board of Directors

29 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