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*(A joint stock limited company incorporated in the People's Republic of China)  
(Stock code: 00323)*

## **Announcement on Capital Increase and External Investment in a Wholly-owned Subsidiary**

This announcement is made by Maanshan Iron & Steel Company Limited (the “**Company**”) 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 External Investment**

MG-Valdunes S.A.S. (“Valdunes”) is a wholly-owned subsidiary of the Company. Established in 2014, it acquired SAS Valdunes in France in the same year. Since the acquisition in 2014, due to the influence of market conditions, management and other factors, Valdunes has been suffering loss. Since 2017, the synergy and coordination between Valdunes and the Company have been shown. Considering that wheels and axles are the most globally competitive products of the Company and considering the Company's international business strategy, the Company developed a revitalization plan for in-depth reform and continuous improvement of Valdunes, including reorganizing its management team, adjusting its organizational structure, optimizing the strategic positioning of its production lines and products, dispatching personnel to expand its work team, and strengthening business synergy. To achieve the revitalization plan, the ninth session of the Board of the Company held its eleventh meeting on 29 August 2018 and agreed to authorize the chairman of the Board to increase the capital of Valdunes by stages within a total cap of EUR70 million according to the progress of the revitalization plan.

### **II. Basic Information of Valdunes**

1. Company name: MG-Valdunes S.A.S.
2. Registered capital: EUR80.2 million
3. Place of registration: Usine De Valenciennes, Rue Gustave Delory, Trith Saint Leger
4. Legal representative: Li Xiang

5. Business scope: Designing, manufacturing, processing, putting into production, repairing and maintaining all kinds of products and equipment used in railway transportation, urban transportation and mechanical industry; sales, import and export of steel products of various shapes.
6. Audited major financial information (currency unit: EUR'0,000):

No.	Financial indicator	As at the end of 2017 or for the year of 2017
1	Total assets	9213.3
2	Net assets	3691.5
3	Operating revenue	5687.9
4	Net profit	-1781.6

### **III. Major terms of the External Investment**

It is agreed that the chairman of the Board of the Company shall be authorized to increase the capital of Valdunes by stages within a total cap of EUR70 million according to the progress of the revitalization plan.

### **IV. Implications of the External Investment on the Company**

Wheels and axles are the most globally competitive products of the Company and carry out the Company's great mission of international operations, and hence promoting the development of the wheel and axle segment is a key task of the Company in the long term. As an important part of the Company's wheel and axle segment, Valdunes serves as a bridge for the Company to expand into Europe and other overseas markets and thus is of great strategic significance for the Company.

### **V. Risk Analysis of the External Investment**

The main risks of the capital increase lie in the uncertainties of the external market and the progress of internal reform of Valdunes. Presently, the international traditional rail transit industry is still in a slump, with some steel mills and wheel factories in Europe being mired in difficulties. Valdunes needs to improve its own operations management and address the challenges from the external market while absorbing the Company's advanced experience and solving cultural differences. As of now, the favourable condition is that China has invested heavily in the rail transit industry during the "13th Five-Year Plan" period, driving robust demand for wheel products, especially high-speed wheels and urban rail transit wheel products. The Chinese market is one of the main targets of Valdunes. Currently, it is accelerating CRCC Certification for wheel products, and some products have entered the trial use process.

### **VI. Documents Available for Inspection**

Resolutions of the Board.

*The Board*

**Maanshan Iron & Steel Company Limited**

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*