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

(Stock Code: 00323)

CONNECTED TRANSACTIONS CAPITAL INCREASE AGREEMENT

The Board is pleased to announce that on 25 April 2019, the Company, Investment Company, Mining Company, Engineering Group and International Trade Company entered into the Capital Increase Agreement, pursuant to which the parties have agreed to increase the capital of Factoring Company by RMB300 million in proportion to their respective current shareholding percentages. Upon completion of such capital increase, the shareholding percentage of each shareholder shall remain unchanged, and the registered capital of Factoring Company will be increased from RMB300 million to RMB600 million. As the Company holds 25% equity interest of Factoring Company, it shall increase its capital contribution by RMB75 million.

As at the date of this announcement, Magang Group is interested in approximately 45.54% of the Company's issued share capital and is the controlling shareholder of the Company. Investment Company, Mining Company, Engineering Group and International Trade Company are all wholly-owned subsidiaries of Magang Group, and they are all connected parties of the Company under Chapter 14A of the Listing Rules. Therefore, the entering into of the Capital Increase Agreement by the Company constitutes a connected transaction of the Company. As the applicable percentage ratios of the transaction exceed 0.1% but fall below 5%, such connected transaction is only subject to the reporting and announcement requirements under the Listing Rules but is exempt from independent shareholders' approval requirement under the Listing Rules.

PRINCIPAL TERMS OF THE CAPITAL INCREASE AGREEMENT

Date:

25 April 2019

Parties:

- (i) the Company;
- (ii) Investment Company;
- (iii) Mining Company;
- (iv) Engineering Group; and
- (v) International Trade Company.

Capital increase:

The registered capital of Factoring Company is RMB300 million currently. It is held by Investment Company as to 45%, the Company as to 25%, Mining Company as to 10%, Engineering Group as to 10% and International Trade Company as to 10%, respectively. The shareholders intend to increase the capital by RMB300 million by cash in proportion to their respective current shareholding percentages. Upon completion of such capital increase, the shareholding percentage of each shareholder shall remain unchanged, and the registered capital of Factoring Company will be increased from RMB300 million to RMB600 million. As the Company holds 25% equity interest of Factoring Company, it shall increase its capital contribution by RMB75 million, which will be funded by the internal resources of the Company.

The aforesaid amount of capital increase is determined after negotiation among the parties on an arm's length basis, by reference to various factors including the business development potential, business expansion plan and funding needs of Factoring Company.

Timing of the capital increase:

All shareholders shall remit their respective amounts in relation to the capital increase to the account designated by Factoring Company within 20 working days after the conditions precedent of the agreement are satisfied.

Conditions precedent of the agreement:

- (1) Each shareholder has agreed to the capital increase after its board of directors and/or shareholders' meeting (or shareholders' general meeting) made relevant decision in accordance with the provisions of its articles of association.
- (2) The agreement has been signed and sealed by the parties thereto.

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 INVESTMENT COMPANY

Investment Company is principally engaged in equity investment, investment consulting and financial advisory (excluding securities business).

INFORMATION ON MINING COMPANY

Mining Company is principally engaged in domestic and overseas geological exploration, mine exploration, exploitation and selection of mines, and processing of mine products (the above are only operated by branches); sales of mine products (excluding coal); manufacture, installation and repair of electrical and mechanical equipment; manufacture of construction materials, equipment leasing; storage services (excluding hazardous articles); sales of parts and components and materials; property management; planting and cultivation; mining technical consultancy and services.

INFORMATION ON ENGINEERING GROUP

Engineering Group is principally engaged in the metallurgical industry design, construction industry design, municipal industry design, power industry design, environmental project design, landscape project design (qualified to engage in the corresponding general contracting business of construction projects and project management and corresponding technical and management services within the scope of qualification certificate); project consultation (steel, construction, ecological construction and environmental projects, municipal public utilities, thermal power), project costs consultation, urban and rural planning, project supervision, geotechnical mapping, mineral resources as well as R&D, consultation and application of the technology for comprehensive utilization of secondary resources; metallurgical projects, mechanical and electrical projects, construction projects, electric power projects, hydraulic and hydropower projects, etc.

INFORMATION ON INTERNATIONAL TRADE COMPANY

International Trade Company is principally engaged in wholesale of coal, cargo insurance, vehicle insurance, injury insurance agency; proprietary trading and agency business for import and export of various products and technologies (excluding import and export of products and technologies that are restricted or forbidden by the country); wholesale and retail of pre-packaging food, coke, iron ore, ferroalloy, non-ferrous metal materials and products, scrap steel (excluding recycling), pig iron, metal products, steel products, mechanical equipment and accessories, electrical apparatus, refractory materials, organic fertilisers, construction materials, lubricants, fuel oil, power wire and cable, rubber products and chemical products (excluding hazardous chemicals and precursor chemicals), consumer goods, agricultural produce; economic and business information consulting service; storage service (excluding hazardous articles).

REASONS FOR AND BENEFITS OF THE AGREEMENT

Factoring Company is positioned in serving the Company's supply chain. The capital increase will enhance the competitiveness of the Company's supply chain. In view of the rapid development of the factoring industry at present, the capital increase will help Factoring Company expand its business scale and improve its profitability, and will also increase the Company's opportunities to secure investment returns. The capital increase is on normal commercial terms without any adverse impact to the Company or any damage to the interests of the Shareholders of the Company.

Listing Rules Implication

As at the date of this announcement, Magang Group is interested in approximately 45.54% of the Company's issued share capital and is the controlling shareholder of the Company. Investment Company, Mining Company, Engineering Group and International Trade Company are all wholly-owned subsidiaries of Magang Group, and they are all connected parties of the Company under Chapter 14A of the Listing Rules. Therefore, the entering into of the Capital Increase Agreement by the Company constitutes a connected transaction of the Company. As the applicable percentage ratios of the transaction exceed 0.1% but fall below 5%, such connected transaction is only subject to the reporting and announcement requirements under the Listing Rules but is exempt from independent shareholders' approval requirement under the Listing Rules.

General Information

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no Director has a material interest in the transaction under the Capital Increase Agreement except the connected Directors, namely Mr. Ding Yi, Mr. Qian Haifan and Mr. Ren Tianbao. The other Directors, including independent non-executive Directors, have unanimously approved the transactions under the Capital Increase Agreement (the connected Directors, namely Mr. Ding Yi, Mr. Qian Haifan and Mr. Ren Tianbao have abstained from voting), and are of the view that the terms of transactions are normal commercial terms, fair and reasonable and in the interests 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 of the Company
“Capital Increase Agreement”	The capital increase agreement dated 25 April 2019 and entered into by the Company, Investment Company, Mining Company, Engineering Group and International Trade Company, pursuant to which the parties agreed to

“Company”	increase the capital of Factoring 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
“Engineering Group”	Magang Group Engineering Technology Company Limited, a limited company incorporated in the PRC
“Factoring Company”	Ma Steel (Shanghai) Commercial Factoring Company Ltd., a limited company incorporated in the PRC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“International Trade Company”	Ma Steel International Trade & Economic Company Limited, a limited company incorporated in the PRC
“Investment Company”	Magang Group Investment Company Limited, a limited company incorporated in the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Magang Group”	Magang (Group) Holding Company Limited, a wholly state-owned enterprise and a controlling shareholder of the Company as defined under the Listing Rules
“Mining Company”	Magang Group Mining Company Limited, a limited company incorporated in the PRC
“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
“%”	per cent

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

25 April 2019

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