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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 12 June 2019, the Company and Magang Group entered into the Capital Increase Agreement, pursuant to which the parties have agreed to increase the capital of Scrap Steel 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 Scrap Steel Company will be increased from RMB100 million to RMB400 million. As the Company holds 45% equity interest of Scrap Steel Company, it shall increase its capital contribution by RMB135 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. Under Chapter 14A of the Listing Rules, Magang Group is a connected person of the Company. 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:**

12 June 2019

**Parties:**

- (i) the Company; and
- (ii) Magang Group.

**Capital increase:**

The registered capital of Scrap Steel Company is RMB100 million currently. It is held by the Company as to 45% and Magang Group as to 55%, 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 Scrap Steel Company will be increased from RMB100 million to RMB400 million. As the Company holds 45% equity interest of Scrap Steel Company, it shall increase its capital contribution by RMB135 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 Scrap Steel Company.

**Conditions precedent of the agreement:**

- (1) Each party 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 MAGANG GROUP**

Magang Group 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.

**REASONS FOR AND BENEFITS OF THE AGREEMENT**

The capital increase to Scrap Steel Company will further enhance the quality of the scrap steel of the Company and further stabilize the supply of scrap steel, which will provide more security to the production of the Company and increase investment returns to the Company at the same time. 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. Under Chapter 14A of the Listing Rules, Magang Group is a connected person of the Company. 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 12 June 2019 and entered into by the Company and Magang Group, pursuant to which the parties agreed to increase the capital of Scrap Steel Company
“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
“Hong Kong”	the Hong Kong Special Administrative Region of 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
“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
“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
“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

12 June 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*