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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)

CONNECTED TRANSACTION

FORMATION OF FINANCE COMPANY

On 24 December 2010, the Board resolved to invest RMB490 million (inclusive of US\$5 million) in relation to the formation of Finance Company with Holding and the Company entered into Agreement for Capital Contribution in relation to the formation of Finance Company with Holding.

As Holding is interested in approximately 50.47% of the issued share capital of the Company, the entering into the Agreement constitutes a connected transaction for the Company under Chapter 14A of the Hong Kong Listing Rules.

As the relevant percentage ratios in respect of the Agreement are less than 5% and the total consideration is however more than HK\$1,000,000, the transaction contemplated under the Agreement is exempted from the independent Shareholders' approval requirements but subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

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AGREEMENT FOR CAPITAL CONTRIBUTION IN RELATION TO THE FORMATION OF FINANCE COMPANY

Date

24 December 2010

Parties

- (1) The Company; and
- (2) Holding.

Finance Company

The proposed name of Finance Company is 馬鋼集團財務有限公司 (Magang Group Finance Company Limited), a limited liability company to be established under the laws of the PRC.

The formation of Finance Company is subject to the approval from the relevant department of China Banking Regulatory Commission.

Registered Capital of the Finance Company

RMB1,000 million (inclusive of US\$5 million)

The Company will contribute RMB490 million (inclusive of US\$5 million) as capital injection to Finance Company and will hold a total of 49% equity interest in the Finance Company. Holding will contribute RMB510 million as capital injection to Finance Company and will hold a total of 51% equity interest in Finance Company. Save for the capital contribution mentioned above, the Company is not obliged to provide any guarantee to Finance Company.

The capital contribution by the Company into Finance Company will be funded by internal cash.

INFORMATION ON FINANCE COMPANY AND REASONS FOR THE TRANSACTION

The Finance Company will be a limited liability company established under the laws of the PRC. The formation of Finance Company is subject to the approval from the relevant department of the China Banking Regulatory Commission.

The Directors believe that Finance Company will be able to promote the centralised capital management of the Company and the relevant companies of Holding, combining financial resources to provide better support to the development of the core steel and iron business. Through the provision of inter-group settlement services to the member companies, Finance Company will speed up capital turnover rate and increase the efficiency of capital utilisation, thereby achieving rationalised and effective internal capital deployment. Finance Company will be able to borrow funds from other financial institutions through inter-bank arrangements, which will strengthen liquidity position and reduce financial expenses. The Board (including the independent non-executive Directors) is of the view that the terms of the Agreement are fair and reasonable, the Agreement is entered into on normal commercial terms and is in the best interest of the Company and its Shareholders as a whole.

INFORMATION ON THE COMPANY AND HOLDING

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.

Holding is principally engaged in sourcing of minerals and construction materials, construction services, warehousing and property management.

THE LISTING RULES IMPLICATIONS

As Holding is interested in approximately 50.47% of the issued share capital of the Company, the entering into the Agreement constitutes a connected transaction for the Company under Chapter 14A of the Hong Kong Listing Rules.

As the relevant percentage ratios in respect of the Agreement are less than 5% and the total consideration is however more than HK\$1,000,000, the transaction contemplated under the Agreement is exempted from the independent Shareholders' approval requirements but subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules. The investment in forming the Finance Company was approved by the nineteenth meeting of the sixth session of the Board convened by the Company on 24 December 2010. Save the Directors with connected relationship, namely, Mr. Gu Jianguo, Mr. Su Jianguang and Mr. Zhao Jianming have abstained from voting, the other Directors (including the independent non-executive Directors) have unanimously approved the investment under the Agreement. None of the Directors have material interest in the transaction.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Agreement” or “Agreement for Capital Contribution in relation to the formation of Finance Company”	the Agreement for Capital Contribution in relation to the formation of Finance Company dated 24 December 2010 entered into between the Company and Holding
“Board”	the board of Directors

“Company”	Maanshan Iron & Steel Company Limited, a joint stock limited company incorporated in the PRC and the shares of which are listed on Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the directors of the Company
“Finance Company”	馬鋼集團財務有限公司(Magang Group Finance Company Limited), a limited liability company to be established under the laws of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Holding”	Magang (Group) Holding Company Limited, a wholly state-owned enterprise with limited liability, is interested in approximately 50.47% of the Company’s share capital as at the date of this announcement and a controlling shareholder of the Company as defined under the Listing Rules
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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

“US\$” United States dollars, the lawful currency of the United States of America

“%” per cent

By order of the Board
Maanshan Iron and Steel Company Limited
Gao Haijin
Secretary to the Board

24 December 2010

Maanshan City, Anhui Province, the PRC

As at the date of this announcement, the directors of the Company include:

Executive Directors: Gu Jianguo, Su Jiangang, Gao Haijian, Hui Zhigang

Non-executive Director: Zhao Jianming

Independent Non-executive Directors: Wong Chun Wa, Su Yong, Hui Leung Wah, Han Yi