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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)

PROPOSED ISSUANCE OF SHORT-TERM FINANCING BONDS

AND

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

LETTER FROM THE BOARD



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)

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Qin Tongzhou
Yang Yada
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6 July 2012

To the Shareholders

Dear Sir/Madam,

PROPOSED ISSUANCE OF SHORT-TERM FINANCING BONDS

AND

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

1. INTRODUCTION

The purpose of this circular is to provide you with details relating to (1) the proposed issuance of short-term financing bonds by Maanshan Iron & Steel Company Limited (the "Company") and (2) the proposed amendments to the articles of association of the Company (the "Articles of Association").

2. PROPOSED ISSUANCE OF SHORT-TERM FINANCING BONDS

To improve the debt structure and reduce financing costs, the Company intends to issue not more than RMB10 billion short-term financing bonds on the interbank market, subject to the compliance with laws, regulations, rules, normative documents and the requirements of regulators.

To improve the efficiency of the issuance of short-term financing bonds, the board of the Company (the "**Board**") has made a request to the general meeting of shareholders to authorize the Board and its authorized persons to determine the specific terms and conditions for the issuance of the short-term financing bonds and other related matters in line with the Company's needs, including but not limited to

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the determination of the issuance of short-term financing bonds in one tranche or several tranches; the determination of the actual amount, interest rate, terms, ratings, purpose of proceeds raised and other matters with respect to the short-term financing bonds to be issued; the handling of examination and approval matters; the determination of intermediaries; the submission of application documents to and the obtaining of approval thereof from the regulators; the execution of all necessary documents during the issuance process of short-term financing bonds; and the making of relevant information disclosure.

The resolution made on the issuance of the short-term financing bonds at the general meeting shall be valid for 24 months from the date of approval at the general meeting to the date of the expiry of the “Registration Acceptance Notice” issued by the National Association of Financial Market Institutional Investors.

3. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Company proposes to amend its Articles of Association in accordance with the requirements of the China Securities Regulatory Commission and the Anhui Regulatory Bureau, and in line with the actual situations of the Company.

The proposed amendments are as follows:

- a. A new article is proposed to be added after Article 80 of the original Articles of Association as Article 81:

“Article 81: When a matter regarding the profits distribution, especially cash dividends distribution, or a matter regarding the adjustment of an established profit distribution policy, especially a cash dividend distribution policy, is being considered at a general meeting, the Board shall report a resolution first, fully listen to the views of the minority shareholders, then vote on the resolution.”

Article numbers are renumbered hereafter.

- b. Article 85 of the original Articles of Association:

“The following matters shall be passed by way of special resolutions in shareholders’ general meetings:

- (1) Increase or reduction of share capital and issuance of shares of any class; warrants, and other similar securities of the Company;
- (2) Issuance of debentures of the Company;
- (3) Division, merger, dissolution, liquidation and alteration of the nature of the Company;
- (4) Amendment to the Articles of Association;

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- (5) If the amount of the Company's purchases, sales or significant assets or guarantees exceeds 30% of the Company's latest audited total assets within a year;
- (6) Stock options incentive scheme;
- (7) Contracts entered into between the Company and a party (other than a director, supervisor, the general manager and other senior management officers) in relation to vesting responsibility for the administration of all businesses or the important businesses of the Company to that party;
- (8) Other matters which, as stipulated by the laws, administrative regulations or the Articles of Association and according to an ordinary resolution of the shareholders' general meeting, may have significant impact on the Company and require adoption by way of special resolution."

A new item is proposed to be added after item 7 as item 8. This article is amended as: "The following matters shall be passed by way of special resolutions in shareholders' general meetings:

- (1) Increase or reduction of share capital and issuance of shares of any class; warrants, and other similar securities of the Company;
- (2) Issuance of debentures of the Company;
- (3) Division, merger, dissolution, liquidation and alteration of the nature of the Company;
- (4) Amendment to the Articles of Association;
- (5) If the amount of the Company's purchases, sales or significant assets or guarantees exceeds 30% of the Company's latest audited total assets within a year;
- (6) Stock options incentive scheme;
- (7) Contracts entered into between the Company and a party (other than a director, supervisor, the general manager and other senior management officers) in relation to vesting responsibility for the administration of all businesses or the important businesses of the Company to that party;
- (8) Adjust profit distribution policy, especially cash dividend distribution policy;
- (9) Other matters which, as stipulated by the laws, administrative regulations or the Articles of Association and according to an ordinary resolution of the shareholders' general meeting, may have significant impact on the Company and require adoption by way of special resolution."

Item numbers are renumbered hereafter.

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- c. A new article is proposed to be added after Article 105 of the original Articles of Association as Article 107:

“Article 107: In considering a matter regarding the profits distribution, especially cash dividends, the Board shall fully safeguard the legitimate rights of shareholders to returns on assets and other rights as a priority. A proposal shall be formed following special discussions on the returns of shareholders by the relevant departments, and be first submitted for consideration by the Board’s Audit Committee composed of all independent directors. After the Audit Committee fully listens to views of independent directors and approves the matter by voting, it shall then submit the matter to the Board for consideration.

If a profit distribution policy, especially a cash dividend distribution policy, must be adjusted due to the Company’s production and operation conditions and its needs for long-term development, such adjustment shall be made with priority given to the interests of shareholders. The adjusted profit distribution policy shall not be in violation of relevant laws and regulations, normative documents as well as the relevant stipulations of these Articles of Association. A proposal on the adjustment of the profit distribution policy, especially a cash dividend policy, shall be formed following special discussions by the relevant departments, and be first submitted for consideration by the Board’s Audit Committee composed of all independent directors. After the Audit Committee fully listens to views of the independent directors and approves the proposal by voting, it shall then submit the proposal to the Board for consideration.”

Article numbers are renumbered hereafter.

- d. Article 126 of the original Articles of Association: “Independent directors should provide independent opinions or submit written reports to the board of directors or the shareholders’ general meeting on the following matters:
- (1) nomination, appointment and removal of directors;
 - (2) appointment or dismissal of senior management officers;
 - (3) remuneration for Company’s director and senior management officers;
 - (4) loans made by or other monetary transactions with shareholders or de factor controllers of the Company and their associated corporations which could be deemed as material connected transactions, and whether the Company is adopting effective measures to re-collect the debts;
 - (5) the Company’s external guarantees;
 - (6) revising the Company’s accounting policy or accounting evaluation or rectifying significant accounting discrepancy;

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- (7) matters which in the opinion of the independent directors might impair the interests of minority shareholders;
- (8) other matters relating to laws, administrative regulations or orders of regulatory documents.

Independent directors shall express their opinions on the above-mentioned matters in this Article by indicating any of the following: agreement; reservation (with reasons); objection (with reasons); or inability to give an opinion and the limitations they are subject to.

If the matter concerned constitutes a discloseable event, the Company shall make announcements on the opinions of the independent directors. In case the independent directors fail to reach a consensus among themselves, the board of directors shall separately disclose the opinions of each of the independent directors.”

A new item is proposed to be added after item 6 as item 7. This article is amended as: “Independent directors should provide independent opinions or submit written reports to the board of directors or the shareholders’ general meeting on the following matters:

- (1) nomination, appointment and removal of directors;
- (2) appointment or dismissal of senior management officers;
- (3) remuneration for Company’s director and senior management officers;
- (4) loans made by or other monetary transactions with shareholders or de factor controllers of the Company and their associated corporations which could be deemed as material connected transactions, and whether the Company is adopting effective measures to re-collect the debts;
- (5) the Company’s external guarantees;
- (6) revising the Company’s accounting policy or accounting evaluation or rectifying significant accounting discrepancy;
- (7) Dividend distribution of the Company and the adjustment of profit distribution policy, especially cash dividend distribution policy;
- (8) matters which in the opinion of the independent directors might impair the interests of minority shareholders;
- (9) other matters relating to laws, administrative regulations or orders of regulatory documents.

Independent directors shall express their opinions on the above-mentioned matters in this Article by indicating any of the following: agreement; reservation (with reasons); objection (with reasons); or inability to give an opinion and the limitations they are subject to.

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If the matter concerned constitutes a discloseable event, the Company shall make announcements on the opinions of the independent directors. In case the independent directors fail to reach a consensus among themselves, the board of directors shall separately disclose the opinions of each of the independent directors.”

Item numbers are renumbered hereafter.

- e. Article 184 of the original Articles of Association: “In the distribution of after-tax profits of a financial year, 10% of the profits shall be allocated to the statutory common reserve. No further allocation to the statutory common reserve is required where such reserve exceeds 50% of the registered capital of the Company.

Where the statutory common reserve is insufficient to make up losses of the previous financial year, the profits of a financial year shall be applied to make up such losses before allocation to the statutory common reserve shall be made in accordance with the preceding clause.

Upon the approval of the shareholders’ general meeting, where the Company has made allocation to the statutory common reserve from the profits after tax, the Company may make allocation to the discretionary common reserve.

Subject to the principle of giving proper regard to both the need to generate reasonable investment return for shareholders and the need to fulfill reasonable funding requirements of the Company, any surplus of profits after the Company has made up losses and made allocations to the statutory common reserve will be distributed as dividends to shareholders in proportion to their shareholdings. Cash dividend distribution policy should be maintained on a continuous and stable basis.

Where the Company or the board of directors distributes, in breach of the above clauses, dividends to shareholders before the Company has made up losses and made allocations to the statutory common reserve, such dividends distributed in breach of the above clauses shall be returned to the Company.”

Clause 4 is proposed to be amended. This article is amended as: “In the distribution of after-tax profits of a financial year, 10% of the profits shall be allocated to the statutory common reserve. No further allocation to the statutory common reserve is required where such reserve exceeds 50% of the registered capital of the Company.

Where the statutory common reserve is insufficient to make up losses of the previous financial year, the profits of a financial year shall be applied to make up such losses before allocation to the statutory common reserve shall be made in accordance with the preceding clause.

Upon the approval of the shareholders’ general meeting, where the Company has made allocation to the statutory common reserve from the profits after tax, the Company may make allocation to the discretionary common reserve.

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Any surplus of profits after the Company has made up losses and made allocations to the statutory common reserve will be distributed as dividends to shareholders in proportion to their shareholdings.

Where the Company or the board of directors distributes, in breach of the above clauses, dividends to shareholders before the Company has made up losses and made allocations to the statutory common reserve, such dividends distributed in breach of the above clauses shall be returned to the Company.”

- f. Article 188 of the original Articles of Associate “The Company may distribute its dividend in the following forms: (1) cash; (2) shares.”

is proposed to be amended as: “Profit Distribution and Cash Dividends Distribution policies of the Company:

- (1) The profit distribution of the Company shall be in accordance with the principles of focusing on the reasonable investment return for the shareholders as well as the reasonable requirement for funds of the Company.
- (2) The Company may distribute dividends in cash or in share, of which priority shall be given to the distribution of dividends in cash.
- (3) The Company shall maintain the continuity and stability of the policy on cash dividends. In case of having made profits for a year, it shall pay annual cash dividends once every year. If it is not able to pay cash dividends due to special reasons, the Board shall disclose such reasons in the annual report and explain at the general meeting.
- (4) As for the annual profit distribution, the profits to be distributed in cash shall not be less than 30 per cent of the realized distributable profits available for that year. If such percentage cannot be reached, the Board shall disclose reasons in the annual report and explain at the general meeting.
- (5) According to the actual situation and under the premises to ensure the share capital and shareholding structure is reasonable, the Company may distribute dividends in shares.”

- g. A new Article 43 is proposed to be added after Article 42 of the Appendices of the original Articles of Association of the Order of Meeting for Shareholders’ General Meeting of Maanshan Iron & Steel Company Limited:

“Article 43: When a matter regarding the distribution of profits, especially cash dividends, or a matter regarding the adjustment of an established profit distribution policy, especially a cash dividend policy, is being considered at a general meeting of shareholders, the Board shall report a resolution first, fully listen to the views of the minority shareholders, then vote on the resolution.”

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Item numbers are renumbered hereafter.

- h. Article 3 of the Appendices of the original Articles of Association of the Order of Meeting:
“The chairman of the board of directors shall exercise the following duties and powers:
- (1) To preside at the general meeting, and to convene and preside at the meeting of the board of directors;
 - (2) To examine the implementation of resolution passed in the board of directors’ meeting;
 - (3) To sign on the securities issued by the Company and other important documents;
 - (4) To exercise other duties designated by the Articles of Association and the board of directors;
 - (5) To exercise the functions and powers of a legal representative.

The board of directors authorises the chairman to exercise the following duties and powers:

- (1) To convene the shareholders’ general meeting;
- (2) To provide guidance to significant business activities of the Company during the intervals of board of directors’ meetings;
- (3) To exercise special powers of discretion and disposal in respect of corporate matters, in cases of emergency such as wars, natural calamities in massive scale or other force majeure, provided that such discretion and disposal must be conducive to the interests of the Company and that a written report shall be furnished to the board of directors as soon as it is practicable after exercising such powers.

When the chairman of the board of directors is unable to perform his/her duties and powers, these duties and powers shall be performed by the vice-chairman of the board of directors designated by the chairman.”

The second paragraph of item 3 of Clause 2 is proposed to be amended. This article is amended as: “The chairman of the board of directors shall exercise the following duties and powers:

- (1) To preside at the general meeting, and to convene and preside at the meeting of the board of directors;
- (2) To examine the implementation of resolution passed in the board of directors’ meeting;

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- (3) To sign on the securities issued by the Company and other important documents;
- (4) To exercise other duties designated by the Articles of Association and the board of directors;
- (5) To exercise the functions and powers of a legal representative.

The board of directors authorises the chairman to exercise the following duties and powers:

- (1) To convene the shareholders' general meeting;
- (2) To provide guidance to significant business activities of the Company during the intervals of board of directors' meetings;
- (3) To exercise special powers of discretion and disposal in respect of corporate matters, in cases of emergency such as wars, natural calamities in massive scale or other force majeure, provided that such discretion and disposal must be conducive to the interests of the Company and that a written report shall be furnished to the board of directors as soon as it is practicable after exercising such powers.

When the chairman of the board of directors is unable to perform his/her duties and powers, these duties and powers shall be performed by a director designated by the chairman.

- i. Article 6 of the Appendices of the original Articles of Association of the Order of Meeting: "The board of directors may convene an extraordinary board of directors' meeting under any of the following circumstances:

- (1) When deemed necessary by the chairman of the board of directors;
- (2) Upon jointly proposed by more than one-third of the directors;
- (3) When proposed by the general manager;
- (4) Upon jointly proposal by more than half of the independent directors;
- (5) When proposed by the supervisory committee.

On occurrence of any of the events set out in the preceding sub-clauses (2), (3), (4) and (5) where the chairman is unable to perform his/her duties, he/she should designate a vice-chairman or a director to convene the extraordinary board of directors' meeting on his/her behalf. Where the chairman fails to perform his/her duties with no reason and does not designate a specific person to act on his/her behalf, the vice-chairman or a director recommended by more than half of the directors shall be responsible for convening the meeting."

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Clause 2 is proposed to be amended. This article is amended as: “The board of directors may convene an extraordinary board of directors’ meeting under any of the following circumstances:

- (1) When deemed necessary by the chairman of the board of directors;
- (2) Upon jointly proposed by more than one-third of the directors;
- (3) When proposed by the general manager;
- (4) Upon jointly proposal by more than half of the independent directors;
- (5) When proposed by the supervisory committee.

On occurrence of any of the events set out in the preceding sub-clauses (2), (3), (4) and (5) where the chairman is unable to perform his/her duties, he/she should designate a director to convene the extraordinary board of directors’ meeting on his/her behalf. Where the chairman fails to perform his/her duties with no reason and does not designate a specific person to act on his/her behalf, a director recommended by more than half of the directors shall be responsible for convening the meeting.”

4. EXTRAORDINARY GENERAL MEETING

Pursuant to the Articles of Association and applicable laws, the proposed issuance of short-term financing bonds by the Company and the proposed amendments to the Articles of Association are subject to the approval of the shareholders of the Company by way of special resolution at the 2012 first extraordinary general meeting (“EGM”) to be held at the Magang Office Building, No.8 Jiu Hua Xi Road, Maanshan City, Anhui Province, the PRC, at 8:30 a.m. on Thursday, 23 August 2012.

5. RECOMMENDATION

The Board considers that (1) the proposed issuance of short-term financing bonds by the Company and (2) the proposed amendments to the Articles of Association are in the interest of the Company and the shareholders of the Company as a whole. Accordingly, the Board recommends that the shareholders in favour of the special resolutions, as detailed in the EGM notice.

Yours faithfully,
By Order of the Board
Maanshan Iron & Steel Company Limited
Ren Tianbao
Company Secretary