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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)

CONTINUING CONNECTED TRANSACTIONS FINANCIAL SERVICES AGREEMENT

FINANCIAL SERVICES AGREEMENT

The financial services agreement for the Year of 2015 between the Finance Company and Magang Group signed on 16 December 2014 will expire on 31 December 2015. On 22 December 2015, the Finance Company and Magang Group entered into the Financial Services Agreement for the Year of 2016, pursuant to which, the Finance Company agreed to provide Magang Group and its subsidiaries with deposit services, loan services and financial services subject to the terms and conditions provided therein.

LISTING RULES IMPLICATION

Magang Group is the controlling shareholder of the Company. Magang Group holds, as at the date of this announcement, approximately 45.53% of the issued share capital of the Company. The Finance Company is a 91% owned subsidiary of the Company. Both Magang Group and its subsidiaries are connected persons of the Company under the Listing Rules. Therefore, the transactions under the Financial Services Agreement constitute continuing connected transactions of the Company.

The continuing connected transactions under the Financial Services Agreement were entered on normal commercial terms. In respect of deposit services provided by the Finance Company to Magang Group and its subsidiaries, as the deposit with the Finance Company is for the benefit of the Group where no security over assets of the Group is granted, the Company is exempted from reporting, announcement and Independent Shareholders' approval requirement under Rule 14A of the Listing Rules.

In respect of the loan services and the service charge of the other financial services, the applicable ratios are more than 0.1% but less than 5%, which constitute exempt continuing connected transactions of the Company under Rules 14A of the Listing Rules in which approval from Independent Shareholders is exempted and are only subject to the reporting and announcement requirements set out in Rule 14A of the Listing Rules.

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The principal terms of the Financial Services Agreement are set out below:

Date

22 December 2015

Parties

- (i) The Finance Company; and
- (ii) Magang Group

Term

The Financial Services Agreement shall be for a term commencing from 1 January 2016 to 31 December 2016.

Deposit services

When the Finance Company provides deposit services to Magang Group and its subsidiaries, the interest rates for deposits paid must not be higher than the benchmark interest rates and the floating ranges set by the PBOC for deposit of a similar nature and under similar terms, and not higher than the interest rates for deposits of a similar nature and under similar terms provided to Magang Group and its subsidiaries by other independent commercial banks in the PRC.

Magang Group and its subsidiaries open saving accounts with the Finance Company, and deposit funds into the saving accounts opened at the Finance Company under the principle of free access to these accounts. Deposits can be in the form of demand deposits, time deposits and agreement savings, etc. Such services are financial assistance to be provided by Magang Group and its subsidiaries at normal commercial terms (or better terms for the Company (including its subsidiaries)) for the interests of the Company (including its subsidiaries), and are not secured by the assets of the Company (including its subsidiaries).

Regarding the interest under the deposit service, the interest is calculated monthly according to the benchmark interest rates for deposits and the floating range set by PBOC and is payable quarterly. The calculation of interest and the interest rate are consistent with that of independent merchant bank.

Loan services

When the Finance Company provides loan services to Magang Group and its subsidiaries, the loan interests charged must not be lower than the range of interest rates set by the PBOC for loans of similar nature and under similar terms, and lower than interest rates for loans of similar nature and under similar terms charging Magang Group and its subsidiaries by other independent commercial banks in the PRC. Magang Group and its subsidiaries shall provide security and guarantee for the loan services as required by the Finance Company.

Magang Group and its subsidiaries can apply for the provision of loan services from the Finance Company anytime when necessary, and the Finance Company shall provide Magang Group with loan services according to the terms and amounts of the applications and in accordance with law. During the term of the Agreement, the daily cap of the loans to be provided by the Finance Company to Magang Group and its subsidiaries shall be RMB500,000,000. Magang Group and its subsidiaries shall provide security and guarantee for the loan services as required by the Finance Company.

The balance of the total amount of loans provided by the Finance Company to Magang Group and its subsidiaries at the end of each month shall not be higher than the total amount of deposits and accrued interests of Magang Group and its subsidiaries with the Finance Company.

Regarding the loan services, the interest is calculated according to the benchmark interest rates for loans and the floating range set by PBOC.

Other financial services

When the Finance Company provides other financial services (including acceptance of bills, letter of guarantee, securities underwriting, financial advisory, insurance brokerage and sale and purchase of foreign exchange) to Magang Group and its subsidiaries, the charge must not be lower than the benchmark charging rates (if applicable) set by the PBOC for services of similar nature and under similar terms; and not lower than the fees for other financial services of similar nature and under similar terms charging Magang Group and its subsidiaries by other independent commercial banks in the PRC. In terms of other financial services as aforesaid, Magang Group and its subsidiaries shall pay the Finance Company interests and service charges for services including acceptance of bills, letter of guarantee, securities underwriting, financial advisory, insurance brokerage and sale and purchase of foreign exchange at fair and reasonable market rates, which should not be higher than RMB50,000,000 for the Year of 2016.

The other financial services provided by the Finance Company are mainly bills acceptance, entrusted loans. The charges of bills acceptance are determined at 0.5‰ of the bills by reference to the “Price Management Measures of Services of Merchant Bank” jointly issued by China Banking Regulatory Commission and the National Development and Reform Commission, which is consistent with merchant banks. For entrusted loan service, loans will be charged at 0.1% of the loan contract amount. All

above-mentioned charges are not lower than the minimum charges for similar services of merchant banks.

INTERNAL CONTROL

According to the Internal Control Management Measures of Connected Transactions, market price shall be agreed between the Company and Magang Group through fair negotiations by reference to comparable market price and under normal commercial terms. Market prices can be obtained through quotations from public market, price of independent third party, price determined through bidding and other negotiated price through market mechanism.

The continuing connected transaction management committee is responsible for the monitoring of all the connected transactions of the Company, including the Financial Services Agreement. The chairman of the committee is the chairman of the Company.

The continuing connected transaction management committee is responsible for the management and monitoring of connected transactions, including the reporting of connected transaction under requisite procedures, arranging information disclosure for connected transactions, constant managing of the operation of connected transaction agreements, strict execution of various connected transaction agreements, strict control of the annual cap of various connected transactions, and monitoring and examining pricing management and execution process.

REASONS FOR AND BENEFITS OF THE FINANCIAL SERVICES AGREEMENT

Through the provision of financial services by the Finance Company to Magang Group and its subsidiaries, the Company can utilise part of its available funds to enhance its capital utilization efficiency and benefit from net interests and service fees received by the Finance Company. Meanwhile, according to the above transaction principles and the risk control system in relation to the connected transactions between the Finance Company and Magang Group, such connected transactions will not cause any adverse impact to the Company. In light of the aforesaid, it will benefit the Company and its Shareholders as a whole.

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 enterprise with limited liability and a controlling shareholder of the Company as defined under the Listing Rules. It is mainly engaged in mining and sorting of mineral products; construction; manufacturing of construction materials; trading; storage and property management; agriculture and forestry.

INFORMATION ON THE FINANCE COMPANY

The Finance Company is a non-banking institution established under the PRC laws in October 2011 with the approval of the CBRC and is subject to the supervision of the CBRC. It is mainly engaged in providing financial services including but not limited to deposit services, loan and entrusted loan services, discounting services and settlement services to Magang Group and its subsidiaries and the members of the Group.

LISTING RULES IMPLICATION

Magang Group is the controlling shareholder of the Company. Magang Group holds, as at the date of this announcement, approximately 45.53% of the issued share capital of the Company. The Finance Company is a 91% owned subsidiary of the Company. Both of Magang Group and its subsidiaries are connected persons of the Company under the Listing Rules. Therefore, the transactions under the Financial Services Agreement constitute continuing connected transactions of the Company.

The continuing connected transactions under the Financial Services Agreement were entered into on normal commercial terms. In respect of deposit services provided by the Finance Company to Magang Group and its subsidiaries, as the deposit with the Finance Company is for the benefit of the Group where no security over assets of the Group is granted, the Company is exempted from reporting, announcement and Independent Shareholders' approval requirement under Rule 14A of the Listing Rules.

In respect of the loan services and the service charges of the other financial services, as the applicable ratios are more than 0.1% but less than 5%, they constitute exempt continuing connected transactions of the Company under Rules 14A of the Listing Rules and are exempted from the approval of Independent Shareholders and are only subject to the reporting and announcement requirements set out in Rules 14A of the Listing Rules.

The annual cap aforesaid is determined with reference to the expected funding and operational needs of Magang Group and its subsidiaries for the same period.

GENERAL

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no Director has a material interest in the transactions under the Financial Services Agreement except Mr. Ding Yi, Mr. Qian Haifan, Mr. Su Shihuai and Mr Ren Tianbao. The remaining Directors (including the independent non-executive Directors) are of the view that the terms of the transactions contemplated under the Financial Services Agreement are on normal commercial terms and fair and reasonable and in the interest 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
“CBRC”	China Banking Regulatory Commission
“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
“Finance Company”	Magang Group Finance Company Limited, a limited company incorporated in the PRC
“Financial Services Agreement” or “Agreement”	The financial services agreement entered into between the Finance Company and Magang Group on 22 December 2015
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	any shareholder of the Company that is not required to abstain from voting at a general meeting to approve a connected transaction pursuant to the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Magang Group”	Magang (Group) Holding Company Limited, a wholly state-owned enterprise with limited liability and a controlling shareholder of the Company as defined under the Listing Rules

“PBOC”	People’s Bank of China
“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
“Year”	1 January to 31 December
“%”	per cent

By order of the Board
Maanshan Iron & Steel Company Limited
Hu Shunliang
Company Secretary

Maanshan City, Anhui Province, the PRC
22 December 2015

As at the date of this announcement, the directors of the Company include:
Executive Directors: Ding Yi, Qian Haifan
Non-executive Directors: Su Shihuai, Ren Tianbao
Independent Non-executive Directors: Qin Tongzhou, Yang Yada, Liu Fangduan