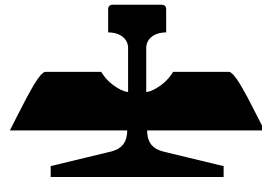


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**鞍鋼股份有限公司**

**ANGANG STEEL COMPANY LIMITED\***

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 0347)**

## **CONTINUING CONNECTED TRANSACTION ANNOUNCEMENT**

### **Financial Services Agreement (2014-2015)**

Reference is made to (i) the announcement of the Company dated 11 March 2013 and the circular dispatched to the Shareholders on 15 April 2013 in relation to, amongst other matters, the proposed continuing connected transactions under the 2014 Financial Services Agreement, and (ii) the announcement of the Company dated 31 May 2013 regarding, amongst other matters, the voting result of the resolution regarding the 2014 Financial Services Agreement at the 2012 AGM. The resolution in relation to the 2014 Financial Services Agreement was not approved by the Independent Shareholders at the 2012 AGM.

The Board is pleased to announce that on 17 October 2013, in order to facilitate the Group's business operation and satisfy its need for financial services upon the expiry of the Financial Services Agreement (2012-2013) on 31 December 2013, following further negotiations with Angang Group Financial Company, the Company has entered into the Financial Services Agreement (2014-2015) with Angang Group Financial Company, pursuant to which Angang Group Financial Company will continue to provide financial services to the Group for the two years ending 31 December 2014 and 2015.

Angang Group Company indirectly holds, through Angang Holding, an approximate 67.38% equity interest in the Company and hence, is the ultimate controlling Shareholder of the Company and a connected person of the Company as defined under the Listing Rules. As a subsidiary of Angang Group Company, Angang Group Financial Company is a connected person of the Company as defined under the Listing Rules. As such, the transactions contemplated under the Financial Services Agreement (2014-2015) constitute continuing connected transactions of the Company.

Based on the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules), the proposed annual monetary caps for the transactions contemplated under the Financial Services Agreement (2014-2015) constitute non-exempt continuing connected transactions of the Company that are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board has approved to submit the Financial Services Agreement (2014-2015) to the Independent Shareholders at a general meeting to consider and, if thought fit, approve the transactions contemplated thereunder and the proposed annual monetary caps of such transactions for the two years ending 31 December 2014 and 2015. Angang Group Company and its associates will abstain from voting on the resolution to be proposed at the Shareholders' general meeting in relation to the Financial Services Agreement (2014-2015).

An Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the Financial Services Agreement (2014-2015) and the transactions contemplated thereunder.

A circular containing, among other things, (i) further details of the Financial Services Agreement (2014-2015) and the annual monetary caps of the transactions contemplated thereunder for the two years ending 31 December 2014 and 2015; (ii) a letter from the Independent Board Committee; and (iii) a letter setting out the advice of the independent financial adviser to the Independent Board Committee and the Independent Shareholders, together with the notice to convene the Shareholders' general meeting, will be dispatched to the Shareholders as soon as practicable on or before 7 November 2013.

## I. BACKGROUND INFORMATION

Reference is made to (i) the announcement of the Company dated 11 March 2013 and the circular dispatched to Shareholders on 15 April 2013 in relation to, amongst other matters, the proposed continuing connected transactions under the 2014 Financial Services Agreement, and (ii) the announcement of the Company dated 31 May 2013 regarding, amongst other matters, the voting result of the resolution regarding the 2014 Financial Services Agreement at the 2012 AGM. The resolution in relation to the 2014 Financial Services Agreement was not approved by the Independent Shareholders at the 2012 AGM.

The Board is pleased to announce that on 17 October 2013, in order to facilitate the Group's business operation and satisfy its need for financial services upon the expiry of the Financial Services Agreement (2012-2013) on 31 December 2013, following further negotiations with Angang Group Financial Company, the Company has entered into a financial services agreement with Angang Group Financial Company (the "**Financial Services Agreement (2014-2015)**"), pursuant to which Angang Group Financial Company will continue to provide financial services to the Group for the two years ending 31 December 2014 and 2015.

## II. FINANCIAL SERVICES AGREEMENT (2014-2015)

The principal terms of the Financial Services Agreement (2014-2015) are summarized below:

**Date:** 17 October 2013

**Parties:** (i) the Company; and  
(ii) Angang Group Financial Company

**Subject matter:** Provision of financial services, including receipt of deposits, settlement of funds, provision of loans and entrustment loans, by Angang Group Financial Company to the Group.

**Term:** Subject to approval by the Independent Shareholders, the agreement shall be effective from 1 January 2014 to 31 December 2015.

**Payment of interests and services charges:** In lump sums or by installments. The time of the payments is to be agreed with reference to customary business practices. The payment terms shall not be less favourable than those available from or offered to independent third parties.

The payments for the transactions contemplated under the Financial Services Agreement (2014-2015) will be funded by internal resources of the Company.

### III. HISTORICAL FIGURES OF TRANSACTIONS UNDER THE FINANCIAL SERVICES AGREEMENT (2012-2013)

The following table sets out certain information regarding the transactions between the Group and Angang Group Financial Company under the Financial Services Agreement (2012-2013):

	Annual monetary cap for the year of 2012 (RMB' million)	Year ended 31 December 2012		Annual monetary cap for the year of 2013 (RMB' million)	Nine-months ended 30 September 2013	
		Actual amount (RMB' million)	Utilization rate		Actual amount (RMB' million)	Utilization rate
<b>Financial Services</b>						
(i) Interest payable on deposits Maximum daily balance of the deposits (including the accrued interest)	50  7,000	7 5,418	14% 77.40%	50 7,000	5.5 5,800	11% 82.86%
(ii) Amount of loans Interest payable on loans and discounted bills	12,000  600	4,900 314	40.83% 52.33%	12,000 600	2,011 138	16.76% 23%
(iii) Amount of entrustment loans Interest payable on entrustment loans	8,000  400	4,650 193	58.13% 48.25%	8,000 400	0 31	0% 7.75%

#### **IV. THE PRICING STANDARDS AND PROPOSED ANNUAL CAPS OF TRANSACTIONS UNDER THE FINANCIAL SERVICES AGREEMENT (2014-2015)**

In order to ensure that the pricing standards under the Financial Services Agreement (2014-2015) are effectively implemented from time to time, the transactions will be executed with reference to the Procedures for Administration of Continuing Connected Transactions (公司持續關聯交易管理辦法) of the Company (the “**Procedures**”). In accordance with the Procedures, when specific contracts are entered into pursuant to the framework agreement under the Financial Services Agreement (2014-2015) by the various operating divisions of the Group, the price for the relevant financial services must be determined based on the pricing standards stipulated under the Financial Services Agreement (2014-2015). In order to ensure that specific contracts are effectively executed by the various operating divisions in accordance with the Procedures and the Financial Services Agreement (2014-2015), the Company has designated department responsible for monitoring the Group’s continuing connected transactions. There are also designated teams within the relevant departments to continuously monitor the market and benchmark prices for the relevant financial services.

The following table sets out the scope of services, pricing standards and the proposed annual monetary caps of the transactions contemplated under the Financial Services Agreement (2014-2015) for the two years ending 31 December 2014 and 2015.

**Monetary Cap**  
**For the year ending 31**  
**December**

<b>Financial Services</b>	<b>Pricing Standard</b>	<b>2014</b>	<b>2015</b>
		<i>(RMB' million)</i>	<i>(RMB' million)</i>
(i) Interest payable on deposits	Interest rate shall not be lower than (i) the benchmark interest rate promulgated by the People's Bank of China for similar deposits of similar term; (ii) the interest rate offered by major commercial banks for similar deposits; and (iii) the interest rate offered by Angang Group Financial Company to members of Angang Group for deposit services. <i>(Note)</i>	50	50
Maximum daily balance of the deposits (including the accrued interest)		7,000	7,000
(ii) Amount of loans	Based on prevailing market interest rate, and not higher than the interest rate payable by the Company for similar loans or discounted bills of similar term to other financial institutions.	7,500	7,500
Interest payable on loans and discounted bills		450	450
(iii) Amount of entrustment loans	Based on prevailing market interest rate, and not higher than the interest rate payable by the Company for similar loans of similar term to other financial institutions.	4,000	4,000
Interest payable on entrustment loan		250	250

*Note:* Such commercial banks include, but are not limited to, Industrial and Commercial Bank of China Limited, China Construction Bank Corporation, Agricultural Bank of China Limited and Industrial Bank Co., Ltd..

## **Basis for the Monetary Caps of the Transactions Contemplated under the Financial Services Agreement (2014-2015)**

The Directors (including all the independent non-executive Directors) consider that it is in the interests of the Company to enter into the transactions under the terms and conditions set out in the Financial Services Agreement (2014-2015). The Directors have determined the proposed annual monetary caps of the transactions contemplated thereunder for the two years ending 31 December 2014 and 2015 on the basis of the following factors:

- (i) the volume of historical transactions for financial services under the Financial Services Agreement (2012-2013) and previous transactions; and
- (ii) the production and operation plan of the Group for the years of 2014 and 2015.

## **V. REASONS FOR AND BENEFITS OF THE AGREEMENT**

Pursuant to Memorandum No. 37 on Information Disclosure — Disclosure of Information Concerning Related Parties Loans and Deposits and other Financial Services of Financial Companies (《信息披露業務備忘錄第37號 — 涉及財務公司關聯存貸款等金融業務的信息披露》) prescribed by the Shenzhen Stock Exchange, the Company is required to enter into the Financial Services Agreement (2014-2015) with Angang Group Financial Company to specify the scope and terms of the financial services to be provided by Angang Group Financial Company to the Group as stipulated under the 2014 Supply of Materials and Services Agreement. For details of the 2014 Supply of Materials and Services Agreement, please refer to the announcement and circular of the Company dated 11 March 2013 and 15 April 2013, respectively.

The terms of the Financial Services Agreement (2014-2015) have been agreed upon arm's length negotiations between the Company and Angang Group Financial Company. Angang Group Financial Company will provide an advanced fund settlement platform for the Company and the fund settlement service is provided free of charge. Through the online fund settlement system of Angang Group Financial Company, the Company is able to settle all financial transactions between members of the Group and Angang Group. Therefore, the Company can avoid any fee charged by third party commercial banks for such service. As a result, the overall settlement and banking costs of the Group will be reduced.

The interest rate payable by the Company for loans provided by Angang Group Financial Company will be based on the prevailing market interest rate and it will not be higher than the interest rate charged by commercial banks for similar loans of similar term. As Angang Group Financial Company possesses a better understanding of the Group's business operations than third party commercial banks, the review and approval process of loans will be more expedient. For discounted bill services, the interest rate payable by the Company will not be higher than the interest rate charged by commercial banks.

The fees and interest payable by the Company under the Financial Services Agreement (2014-2015) will contribute to the overall revenue of Angang Group Financial Company. As the Company currently holds 20% equity interest in Angang Group Financial Company, by sourcing the various financial services from Angang Group Financial Company, the Company may increase its investment income through its equity interest in Angang Group Financial Company.

Through the transactions with Angang Group Financial Company, the Company will benefit from its reliable services and stable source of financing. The financing costs of the Group will also be reduced which will improve its financing efficiency. The Directors believe that the Financial Services Agreement (2014-2015) will generate positive impacts on the operation and development of the Group's businesses.



In view of (i) the long-established relationship between the Group and Angang Group; (ii) the stability and reliability of the financial services provided by Angang Group Financial Company under the Financial Services Agreement (2012-2013); and (iii) on the basis that the Company's business operations would be adversely affected if the provision of the financial services were to be terminated, the Directors are of the view that (i) the continuing connected transactions contemplated under the Financial Services Agreement (2014-2015) will be carried out in the ordinary and usual course of business and are in the interests of the Company and the Shareholders as a whole; (ii) the terms of the Financial Services Agreement (2014-2015) are on normal commercial terms or terms not less favourable than those of similar transactions with independent third parties, and are therefore fair and reasonable; and (iii) the annual monetary caps of the transactions contemplated under the Financial Services Agreement (2014-2015) for the two years ending 31 December 2014 and 2015 are fair and reasonable, and in the interests of the Company and the Shareholders as a whole. To the best knowledge of the Directors, the Directors are not aware of any reason not to enter into the Financial Services Agreement (2014-2015).

## **VI. LISTING RULES IMPLICATIONS**

Angang Group Company indirectly holds, through Angang Holding, an approximate 67.38% equity interest in the Company and hence, is the ultimate controlling Shareholder of the Company and a connected person of the Company as defined under the Listing Rules. As a subsidiary of Angang Group Company, Angang Group Financial Company is a connected person of the Company as defined under the Listing Rules. As such, the transactions contemplated under the Financial Services Agreement (2014-2015) constitute continuing connected transactions of the Company.

Based on the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules), the proposed annual monetary caps for the transactions contemplated under the Financial Services Agreement (2014-2015) constitute non-exempt continuing connected transactions of the Company that are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Each of Mr. Zhang Xiaogang and Mr. Tang Fuping being a Director, are considered to have a conflict of interest in the transactions under the Financial Services Agreement (2014-2015) due to their senior management positions in Angang Group Company. They abstained from voting at the resolution in relation to the Financial Services Agreement (2014-2015) proposed to the Board. Save as disclosed above, none of the Directors attended the board meeting has a material interest in the aforementioned agreement.

## **VII.SHAREHOLDERS' GENERAL MEETING AND APPROVAL**

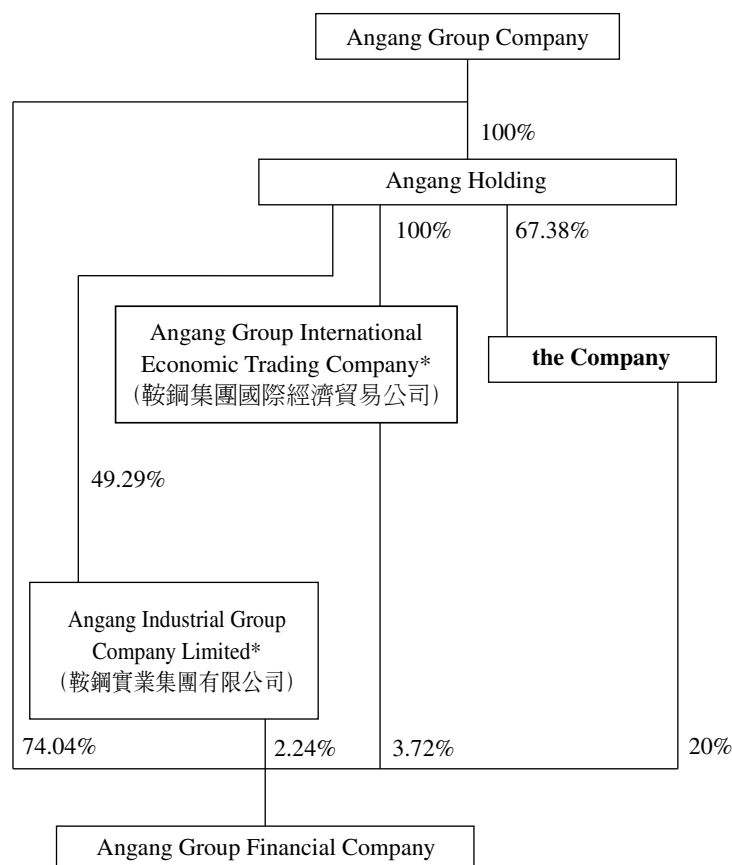
The Board has approved to submit the Financial Services Agreement (2014-2015) to the Independent Shareholders at a general meeting to consider and, if thought fit, approve the transactions contemplated thereunder and the proposed annual monetary caps of such transactions for the two years ending 31 December 2014 and 2015. Angang Group Company and its associates will abstain from voting on the resolution to be proposed at the Shareholders' general meeting in relation to the Financial Services Agreement (2014-2015).

An Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the Financial Services Agreement (2014-2015) and the transactions contemplated thereunder.

A circular containing, among other things, (i) further details of the Financial Services Agreement (2014-2015) and the annual monetary caps of the transactions contemplated thereunder for the two years ending 31 December 2014 and 2015; (ii) a letter from the Independent Board Committee; and (iii) a letter setting out the advice of the independent financial adviser to the Independent Board Committee and the Independent Shareholders, together with the notice to convene the Shareholders' general meeting, will be dispatched to the Shareholders as soon as practicable on or before 7 November 2013.

## VIII. GENERAL INFORMATION OF THE PARTIES

The following diagram sets out the current shareholding relationship among Angang Group Company, Angang Holding, the Company and Angang Group Financial Company:



Angang Group Company is a company incorporated in the PRC. It was established by the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會) (as the representative of the State Council) on 28 July 2010 as a holding company to hold the entire equity interest in Angang Holding and Pangang Group Company Limited\* (攀鋼集團有限公司) pursuant to the joint restructuring of the two companies.

Angang Holding is a wholly-owned subsidiary of Angang Group Company. It is a major enterprise in the iron and steel industry of the PRC engaged in a wide range of iron and steel-related business activities including mining, iron manufacturing, machinery manufacturing, metallurgical construction project, research and development, trading in iron and steel products and providing relevant transportation, construction, utilities and other support services. It holds an approximate 67.38% equity interest in the Company.

The Company is a major steel manufacturing enterprise in the PRC. It is principally engaged in the production and sale of hot rolled sheets, cold rolled sheets, galvanized steel sheets, colour coating plates, silicon steel, medium and thick plates, wire rods, large steel products and seamless steel pipes.

Angang Group Financial Company is a subsidiary of Angang Group Company. It is primarily engaged in, amongst other things, the provision of intra-group financial services to Angang Group.

## **IX. DEFINITIONS**

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

“Angang Group”	Angang Group Company and its subsidiaries from time to time;
“Angang Group Company”	Angang Group Company* (鞍鋼集團公司), a company incorporated in the PRC with limited liabilities, the ultimate controlling shareholder of the Company;
“Angang Group Financial Company”	Angang Group Financial Company Limited* (鞍鋼集團財務有限責任公司), a company incorporated in the PRC and a subsidiary of Angang Group Company, and in which the Company holds 20% equity interest;

“Angang Holding”	Anshan Iron & Steel Group Complex* (鞍山鋼鐵集團公司), a wholly-owned subsidiary of Angang Group Company and the immediate holding company of the Company, which currently holds approximately 67.38% equity interest in the Company and a major enterprise in the iron and steel industry of the PRC;
“associate”	has the meaning ascribed thereto under the Listing Rules;
“Board”	the board of Directors of the Company;
“Company”	Angang Steel Company Limited* (鞍鋼股份有限公司), a joint stock limited company incorporated in Anshan, Liaoning Province, the PRC, the H shares of which are listed on the Hong Kong Stock Exchange and the A shares of which are listed on the Shenzhen Stock Exchange;
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“control”	has the meaning ascribed thereto under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Financial Services Agreement (2012-2013)”	the financial services agreement dated 16 April 2012 entered into between the Company and Angang Group Financial Company in respect of provision of financial services by Angang Group Financial Company to the Group for the years of 2012 and 2013;
“Group”	the Company and its subsidiaries from time to time;

“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Independent Board Committee”	an independent committee of the Board comprising all of the independent non-executive Directors of the Company;
“Independent Shareholders”	the Shareholders other than Angang Group Company and any of its associates (including Angang Holding);
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	the shareholder(s) of the Company;
“2012 AGM”	the annual general meeting of the Company for the year of 2012 held on 31 May 2013, for the purposes of considering and, if thought fit, approving, among other things, the 2014 Supply of Materials and Services Agreement and the 2014 Financial Services Agreement, and the annual monetary caps contemplated thereunder for the two years ending 31 December 2014 and 2015;
“2014 Financial Services Agreement”	the financial services agreement dated 11 March 2013 entered into between the Company and Angang Group Financial Company in respect of provision of financial services by Angang Group Financial Company to the Group for the two years ending 31 December 2014 and 2015;

“2014 Supply of Materials and Services Agreement” the supply of materials and services agreement dated 11 March 2013 entered into between the Company and Angang Group Company in respect of the cross-supply of materials, products and services between the Group and Angang Group for the two years ending 31 December 2014 and 2015; and

“%” per cent.

By Order of the Board  
**ANGANG STEEL COMPANY LIMITED\***  
**Ma Lianyong**  
*Executive Director and Secretary to the Board*

Anshan City, Liaoning Province, the PRC  
17 October 2013

As at the date of this announcement, the Board comprises the following Directors:

*Executive Directors:*

Zhang Xiaogang  
Tang Fuping  
Yang Hua  
Wang Yidong  
Ma Lianyong

*Independent Non-executive Directors:*

Li Shijun  
Chen Fangzheng  
Qu Xuanhui  
Kwong Chi Kit, Victor

\* *For identification purposes only*