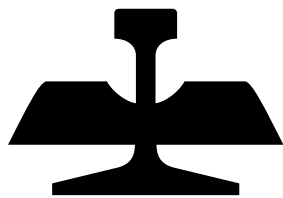


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**鞍 鋼 股 份 有 限 公 司**

**ANGANG STEEL COMPANY LIMITED\***

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

(Stock Code: 0347)

## **CONTINUING CONNECTED TRANSACTIONS**

### **Mineral Ore Purchase and Agency Service Agreement and Pellet Distribution Agreement**

The Board is pleased to announce that on 11 August 2014, the Company has entered into (i) the Mineral Ore Purchase and Agency Service Agreement with Angang Trading and (ii) the Pellet Distribution Agreement with Angang Group Company. Pursuant to the Mineral Ore Purchase and Agency Service Agreement, the Company will purchase magnetite from Angang Trading as a raw material in order to satisfy its production needs and pursuant to the Pellet Distribution Agreement, Angang Group Company will purchase iron ore pellet from the Company for resale and distribution.

Angang Group Company indirectly holds, through Angang Holding, an approximate 67.80% 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 wholly-owned subsidiary of Angang Holding, Angang Trading is a connected person of the Company as defined under the Listing Rules. As such, the transactions contemplated under the Mineral Ore Purchase and Agency Service Agreement and Pellet Distribution Agreement 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 cap on the transaction contemplated under the Mineral Ore Purchase and Agency Service Agreement constitute non-exempt continuing connected transaction of the Company that is subject to the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As all the relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the proposed monetary cap on the transaction contemplated under the Pellet Distribution Agreement are less than 5%, while one or more applicable percentage ratios exceed 0.1%, the transaction contemplated thereunder constitute continuing connected transaction of the Company that is subject to the reporting and announcement requirements, but is exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

However, pursuant to Chapter 10 of the Listing Rules of Shenzhen Stock Exchange (Revised 2012), the Pellet Distribution Agreement is required to be considered and approved by the Independent Shareholders, as the total amount of connected transactions (including continuing connected transactions) between the Company and the Angang Group (including Angang Trading) in the year of 2014 has exceeded RMB30 million, and in percentage terms, exceeded 5% of the most recent audited net assets value of the Company.

The Board has approved to submit the Mineral Ore Purchase and Agency Service Agreement and Pellet Distribution Agreement to the Shareholders at a general meeting to consider and, if thought fit, approve the transactions (including the proposed annual monetary caps) contemplated thereunder. Angang Group Company and its associates will abstain from voting on the resolutions to be proposed at the Shareholders' general meeting in relation to the Mineral Ore Purchase and Agency Service Agreement and Pellet Distribution Agreement.

An Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the Mineral Ore Purchase and Agency Service Agreement and Pellet Distribution Agreement and the transactions (including the proposed annual monetary caps) contemplated thereunder.

A circular containing, among other things, (i) further details of the Mineral Ore Purchase and Agency Service Agreement and Pellet Distribution Agreement and the proposed annual monetary caps contemplated thereunder; (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 on or before 1 September 2014.

## **(I) THE MINERAL ORE PURCHASE AND AGENCY SERVICE AGREEMENT**

In order to satisfy its production needs, the Company has entered into the Mineral Ore Purchase and Agency Service Agreement with Angang Trading on 11 August 2014 pursuant to which the Company will purchase magnetite from Angang Trading as a raw material.

The principal terms of the Mineral Ore Purchase and Agency Service Agreement are set out below:

**Date:** 11 August 2014

**Parties:** (i) The Company (as purchaser); and  
(ii) Angang Trading (as seller).

**Subject matter:** The Company shall purchase, and Angang Trading shall supply, magnetite to be produced by Karara Mining Limited.

**Term:** The Mineral Ore Purchase and Agency Service Agreement shall be effective upon:

- (i) signing and sealing by the contracting parties;
- (ii) approval by the Board; and
- (iii) approval by the Independent Shareholders at a general meeting.

The agreement shall expire on 31 December 2015.

**Payment:** Payment for purchase price due and payable shall be made on a monthly basis on the last working day of each calendar month.

The payment for the transaction contemplated under the Mineral Ore Purchase and Agency Service Agreement will be funded from internal resources of the Company.

**Agency service fee:** Angang Trading will be entitled to charge an import agency commission of not more than 1.5% based on the volume of magnetite purchased by the Company pursuant to the Mineral Ore Purchase and Agency Service Agreement.

**Other:** The agreement between the Company and Angang Trading shall be non-exclusive, the Company is at liberty to unilaterally determine the amount of magnetite to be purchased from Angang Trading.

### **The Pricing Standard and Proposed Monetary Cap of Transactions under the Mineral Ore Purchase and Agency Service Agreement**

Pursuant to the Mineral Ore Purchase and Agency Service Agreement, the Company will purchase three types of magnetite from Angang Trading, including premium grade mineral (iron grade  $Fe \geq 67.2\%$ ), standard grade mineral (iron grade  $67.2\% > Fe \geq 65\%$ ) and low grade mineral (iron grade  $65\% > Fe \geq 59\%$ ).

#### ***(a) Premium Grade Mineral***

The purchase price for premium grade mineral will be based on, and not higher than, the average monthly price (i.e. in the month in which freight was loaded at the port of origin) of such mineral to be sold by Karara Mining Limited to independent third parties in the PRC. The volume of premium grade mineral to be sold by Karara Mining Limited to independent third parties in the PRC shall not be lower than 30% of the total volume of premium grade mineral sold by Karara Mining Limited in a given period.

**(b) *Standard Grade Mineral***

The purchase price for standard grade mineral will be based on the sum of (i) the reference price and (ii) the port freight differential, which will be determined as follows:

**Reference Price:** The monthly average value of the medium price of Platts 65% iron (CFR) for Northern China (Qingdao port) as published daily by the SBB Steel Markets Daily Briefing for the month in which the freight was loaded at the port of origin, divided by 65 (based on USD cents per dry metric ton).

**Port Freight Differential:** The applicable product shipping freight costs differential for each dry metric ton, in particular the shipping freight costs differential for each dry metric ton of mineral from Qingdao port to Bayuquan in Liaoning and divided by 65.

**(c) *Low Grade Mineral***

The purchase price for low grade mineral will be based on the sum of (i) the reference price and (ii) the port freight differential, which will be determined as follows:

**Reference Price:** The monthly average value of the medium price of Platts 62% iron (CFR) for Northern China (Qingdao port) as published daily by the SBB Steel Markets Daily Briefing for the month in which the freight was loaded at the port of origin, divided by 62 (based on USD cents per dry metric ton).

**Port Freight Differential:** The applicable product shipping freight costs differential for each dry metric ton, in particular the shipping freight costs differential for each dry metric ton of mineral from Qingdao port to Bayuquan in Liaoning and divided by 62.

Angang Trading will be entitled to charge an import agency service commission of not more than 1.5% based on the volume of magnetite purchased by the Company, such percentage is not higher than the commission charged by other domestic import companies in China for iron ore importation.

The proposed monetary cap for transactions (including any import agency service commission) under the Mineral Ore Purchase and Agency Service Agreement are RMB1,500 million for the period commencing on the date which the agreement comes into effect until 31 December 2014, and RMB3,000 million for the year of 2015.

### **Historical Amount of Transactions Under the Previous Mineral Ore Purchase Agreement**

Pursuant to the Previous Mineral Ore Purchase Agreement, the monetary cap for purchase of magnetite (including any import agency service commission) by the Company from Angang Trading for the eight months ending 31 August 2014 is RMB580 million. During the seven-month period ended 31 July 2014, the actual transaction amount under the Previous Mineral Ore Purchase Agreement was RMB411 million, representing an utilization rate of 70.9% of the monetary cap. For details of the Previous Mineral Ore Purchase Agreement, please refer to the announcement of the Company dated 30 April 2014.

### **Basis of the Monetary Cap of Transactions Contemplated under the Mineral Ore Purchase and Agency Service Agreement**

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 Mineral Ore Purchase and Agency Service Agreement. The Directors have determined the proposed monetary cap of the transactions contemplated thereunder on the basis of the following factors:

- (1) the expected production needs of the Bayuquan Branch Steel Company\* (鮫魚圈鋼鐵分公司) for magnetite;
- (2) the volume of historical transactions for the purchase of magnetite by the Company under the Previous Mineral Ore Purchase Agreement; and
- (3) the forecasted market price of magnetite for the remaining period of 2014 and the year of 2015.

## (II) PELLET DISTRIBUTION AGREEMENT

In order to better utilize the Group's iron ore pellet production capacity and broaden the Company's sources of revenue, the Company has entered into the Pellet Distribution Agreement with Angang Group Company on 11 August 2014 pursuant to which Angang Group Company will purchase iron ore pellet from the Company for resale and distribution.

The principal terms of the Pellet Distribution Agreement are set out below:

**Date:** 11 August 2014

**Parties:** (i) The Company (as supplier); and  
(ii) Angang Group Company (as purchaser).

**Subject matter:** Angang Group Company shall purchase, and the Company shall supply, iron ore pellet to be produced by the Bayuquan Branch Steel Company for the purpose of resale and distribution.

**Term:** The Pellet Distribution Agreement shall be effective upon:  
(i) signing and sealing by the contracting parties;  
(ii) approval by the Board; and  
(iii) approval by the Independent Shareholders at a general meeting.

The agreement shall expire on 31 December 2015.

**Payment:** Payment for purchase price due and payable shall be made on a monthly basis on the last working day of each calendar month.

## **The Pricing Standard and Proposed Monetary Cap of Transactions under the Pellet Distribution Agreement**

The price payable by the Angang Group Company to the Company for iron ore pellet is based on the price paid by third party purchasers to Angang Group Company minus a distribution commission of not more than 1.5%.

The proposed monetary cap for transactions under the Pellet Distribution Agreement are RMB100 million for the period commencing on the date which the agreement comes into effect until 31 December 2014, and RMB400 million for the year of 2015.

## **Basis of the Monetary Cap of Transactions Contemplated under the Pellet Distribution Agreement**

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 Pellet Distribution Agreement. The Directors have determined the proposed monetary cap of the transactions contemplated thereunder on the basis of the following factors:

- (1) iron ore pellet production capability of the Bayuquan Branch Steel Company for the years of 2014 and 2015;
- (2) the sale and distribution volume of the distribution network of Angang Group Company; and
- (3) the forecasted market price of iron ore pellet for the remaining period of 2014 and the year of 2015.



### **(III) REASONS FOR AND BENEFIT OF THE AGREEMENTS**

In recent years, the magnetite mineral production volume of the Company's current supplier Angang Group Mining Company\* (鞍鋼集團礦業公司) has decreased, thus the Company has been experiencing supply shortage for magnetite which is required as a raw material in the production of iron ore pellet. The shortage situation gradually exacerbated following the Bayuquan Branch Steel Company commenced its production of iron ore pellet upon the Company's acquisition of the pellet production facilities in March 2014. The magnetite to be purchased by the Company under the Mineral Ore Purchase and Agency Service Agreement will be produced by Karara Mining Limited based in Western Australia. In comparison with ordinary iron ore, the magnetite of Karara Mining Limited offers good assimilability, good fluidity in liquid phase, high intensity in binding phase, and good crystal stock, such characteristics render it particularly suitable for iron ore pellet production. The magnetite will primarily be used for production at the Bayuquan Branch Steel Company. The import agency service commission of not more than 1.5% payable by the Company is not higher than such commission charged by other domestic import companies in China for iron ore importation.

The Pellet Distribution Agreement will enable the Company to better utilize its iron ore pellet production capacity and broaden the Company's sources of revenue, and by leveraging upon Angang Group Company's extensive distribution network for iron ore pellet, the Company will stand to benefit from the stability of the additional revenue stream. Further, the distribution commission of not more than 1.5% to be deducted by Angang Group Company from the sale price of iron ore pellet is determined based on market standards.

The terms of the Mineral Ore Purchase and Agency Service Agreement and Pellet Distribution Agreement have been agreed upon arm's length negotiations between the Company and each of Angang Trading and Angang Group Company, respectively.

The Directors (including the independent non-executive Directors) are of the view that (i) the continuing connected transactions contemplated under the Mineral Ore Purchase and Agency Service Agreement and Pellet Distribution Agreement will be carried out in the ordinary and usual course of business of the Company; (ii) the terms of the Mineral Ore Purchase and Agency Service Agreement and Pellet Distribution Agreement are entered into on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole; and (iii) the proposed annual monetary caps of the transactions contemplated under the Mineral Ore Purchase and Agency Service Agreement and Pellet Distribution Agreement 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 these continuing connected transactions.

#### **(IV) LISTING RULES IMPLICATIONS**

Angang Group Company indirectly holds, through Angang Holding, an approximate 67.80% 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 wholly-owned subsidiary of Angang Holding, Angang Trading is a connected person of the Company as defined under the Listing Rules. As such, the transactions contemplated under the Mineral Ore Purchase and Agency Service Agreement and Pellet Distribution Agreement 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 cap on the transaction contemplated under the Mineral Ore Purchase and Agency Service Agreement constitute non-exempt continuing connected transaction of the Company that is subject to the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As all the relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the proposed monetary cap on the transaction contemplated under the Pellet Distribution Agreement are less than 5%, while one or more applicable percentage ratios exceed 0.1%, the transaction contemplated thereunder constitute continuing connected transaction of the Company that is subject to the reporting and announcement requirements, but is exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

However, pursuant to Chapter 10 of the Listing Rules of Shenzhen Stock Exchange (Revised 2012), the Pellet Distribution Agreement is required to be considered and approved by the Independent Shareholders, as the total amount of connected transactions (including continuing connected transactions) between the Company and the Angang Group (including Angang Trading) in the year of 2014 has exceeded RMB30 million, and in percentage terms, exceeded 5% of the most recent audited net assets value of the Company.

Mr. Zhang Xiaogang, as a director and the general manager of Angang Group Company, and Mr. Tang Fuping, as the vice-general manager of Angang Group Company, each being a Director, are considered to have a conflict of interest in the transactions under the Mineral Ore Purchase and Agency Service Agreement and Pellet Distribution Agreement due to their senior management positions in Angang Group Company. They abstained from voting at the resolutions in relation to the Mineral Ore Purchase and Agency Service Agreement and Pellet Distribution Agreement proposed to the Board. Save as disclosed above, none of the Directors attended the Board meeting has a material interest in the aforementioned agreements.

#### **(V) SHAREHOLDERS' GENERAL MEETING AND APPROVAL**

The Board has approved to submit the Mineral Ore Purchase and Agency Service Agreement and Pellet Distribution Agreement to the Shareholders at a general meeting to consider and, if thought fit, approve the transactions (including the proposed annual monetary caps) contemplated thereunder. Angang Group Company and its associates will abstain from voting on the resolutions to be proposed at the Shareholders' general meeting in relation to the Mineral Ore Purchase and Agency Service Agreement and Pellet Distribution Agreement.

An Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the Mineral Ore Purchase and Agency Service Agreement and Pellet Distribution Agreement and the transactions (including the proposed annual monetary caps) contemplated thereunder.

A circular containing, among other things, (i) further details of the Mineral Ore Purchase and Agency Service Agreement and Pellet Distribution Agreement and the proposed annual monetary caps contemplated thereunder; (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 on or before 1 September 2014.

## **(VI) GENERAL INFORMATION ABOUT THE PARTIES**

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 of the PRC) 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 67.80% 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 steel sheets, cold-rolled steel sheets, galvanized steel sheets, colour coating plates, silicon steel, medium and thick plates, wire rods, large steel products and seamless steel pipes.

Angang Trading is a wholly-owned subsidiary of Angang Holding. It is primarily engaged in importing and exporting all kinds of merchandise and technologies, excluding merchandise that are restricted or prohibited for importation and exportation by the government. As of the date of this announcement, the registered capital of Angang Trading is RMB1,195.4 million.

## (VII) 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 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 67.80% equity interest in the Company and a major enterprise in the iron and steel industry of the PRC
- “Angang Trading”                      Angang Group International Economic and Trading Corporation\*(鞍鋼集團國際經濟貿易公司), a wholly-owned subsidiary of Angang Holding established in the PRC in 1981
- “associate”                              has the meaning ascribed thereto under Chapter 14A of 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 Chapter 14A of the Listing Rules

“controlling shareholder”	has the meaning ascribed thereto under Chapter 1 of the Listing Rules
“Director(s)”	the director(s) of the Company
“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
“Mineral Ore Purchase and Agency Service Agreement”	the agreement entered into between the Company and Angang Trading on 11 August 2014, pursuant to which the Company has agreed to purchase, and Angang Trading has agreed to supply, magnetite in accordance with the terms thereunder for the remaining period of 2014 and the year of 2015
“Pellet Distribution Agreement”	the agreement entered into between the Company and Angang Group Company on 11 August 2014, pursuant to which Angang Group Company has agreed to purchase, and the Company has agreed to supply, iron ore pellet in accordance with the terms thereunder for the remaining period of 2014 and the year of 2015
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong and Macau Special Administrative Regions)

“Previous Mineral Ore Purchase Agreement”	the agreement entered into between the Company and Angang Trading on 30 April 2014 in respect of the supply of magnetite by Angang Trading to the Company which will expire on 31 August 2014
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“USD”	United States dollars, the lawful currency of the United States
“%”	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  
11 August 2014

*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:*

*Chen Fangzheng*

*Qu Xuanhui*

*Liu Zhengdong*

*Chau Chi Wai, Wilton*

\* *For identification purpose only*