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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**

### **SUPPLY OF MATERIALS AND SERVICES AGREEMENT AND SUPPLY OF RAW MATERIALS AGREEMENT**

Reference is made to the announcement of the Company dated 11 March 2013 and circular dispatched to the Shareholders on 15 April 2013 in relation to certain continuing connected transactions between the Group and each of Angang Group and Pangang Vanadium & Titanium Group under the Supply of Materials and Services Agreement (2014–2015) and the Supply of Materials Agreement (2014–2015), respectively. These agreements will expire on 31 December 2015.

The Board is pleased to announce that on 7 August 2015, in order to continue the ongoing cross-provision of materials, products and services with Angang Group and Pangang Vanadium & Titanium Group under the 2014 Agreements, and to facilitate the Group's production and operations upon the expiration of the 2014 Agreements, the Company entered into (i) the Supply of Materials and Services Agreement with Angang Group Company and (ii) the Supply of Raw Materials Agreement with Pangang Vanadium & Titanium, respectively, to set out the terms of the continuing connected transactions and the annual monetary caps of the transactions contemplated thereunder for the three years ending 31 December 2018.

Angang Group Company indirectly holds, through Angang Holding, an approximate 67.29% 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 Chapter 14A of the Listing Rules. As an ultimate subsidiary of Angang Group Company, Pangang Vanadium & Titanium is a connected person of the Company as defined under Chapter 14A of Listing Rules. As such, the transactions contemplated under the Supply of Materials and Services Agreement and the Supply of Raw Materials Agreement constitute continuing connected transactions of the Company.

As the proposed transactions under the Supply of Raw Materials Agreement concern the supply of raw materials, it is similar in nature with certain transactions under the Supply of Materials and Services Agreement, and therefore they are aggregated pursuant to Rule 14A.81 of the Listing Rules. Based on the applicable percentage ratios, the proposed annual monetary caps for transactions contemplated under the Supply of Materials and Services Agreement and the Supply of Raw Materials Agreement (as aggregated with the Supply of Materials and Services Agreement) constitute non-exempt continuing connected transactions 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 Supply of Materials and Services Agreement and the Supply of Raw Materials Agreement to the Shareholders at the EGM 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 EGM in relation to the Supply of Materials and Services Agreement and the Supply of Raw Materials Agreement.

An Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Shareholders on the Supply of Materials and Services Agreement and the Supply of Raw Materials Agreement and the transactions (including the respective proposed annual monetary caps) contemplated thereunder. TC Capital Asia Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Shareholders in this respect.

A circular containing, among other things, (i) further details of the Supply of Materials and Services Agreement and the Supply of Raw Materials Agreement and the respective 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 Shareholders, together with the notice to convene the EGM, will be despatched to the Shareholders as soon as practicable on or before 28 August 2015.

## **I. BACKGROUND INFORMATION**

Reference is made to the announcement of the Company dated 11 March 2013 and circular dispatched to the Shareholders on 15 April 2013 in relation to certain continuing connected transactions between the Group and each of Angang Group and Pangang Vanadium & Titanium Group under the Supply of Materials and Services Agreement (2014–2015) and the Supply of Materials Agreement (2014–2015), respectively. These agreements will expire on 31 December 2015.

Further reference is made to the announcement of the Company dated 6 January 2014 and circular dispatched to the Shareholders on 14 February 2014 in relation to the Supplemental Agreement pursuant to which the annual monetary cap and pricing standard for the supply of steel products under the Supply of Materials and Services Agreement (2014–2015) were amended and supplemented.

Reference is also made to the announcement of the Company dated 11 August 2014 and circular dispatched to the Shareholders on 22 September 2014 in relation to the continuing connected transactions contemplated under (i) the Mineral Ore Purchase and Agency Service Agreement and (ii) the Pellet Distribution Agreement. Pursuant to the Mineral Ore Purchase and Agency Service Agreement, the Company has agreed to purchase, and Angang Group International Economic and Trading Corporation\* (鞍鋼集團國際經濟貿易公司), has agreed to supply, magnetite produced by Karara Mining Limited. Pursuant to the Pellet Distribution Agreement, Angang Group Company has agreed to purchase, and the Company has agreed to supply, iron ore pellets. These agreements will also expire on 31 December 2015.

The Board is pleased to announce that on 7 August 2015, in order to continue the ongoing cross-provision of materials, products and services with Angang Group and Pangang Vanadium & Titanium Group under the 2014 Agreements, and to facilitate the Group's production and operations upon the expiration of the 2014 Agreements, the Company entered into (i) the Supply of Materials and Services Agreement with Angang Group Company and (ii) the Supply of Raw Materials Agreement with Pangang Vanadium & Titanium, respectively, to set out the terms of the continuing connected transactions and the annual monetary caps of the transactions contemplated thereunder for the three years ending 31 December 2018.

## II. SUPPLY OF MATERIALS AND SERVICES AGREEMENT

The Company and Angang Group Company have entered into the Supply of Materials and Services Agreement to govern the ongoing cross-provision of materials, products and services for the three years ending 31 December 2018. The principal terms of the Supply of Materials and Services Agreement are summarized below:

*Date:* 7 August 2015

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

*Subject matter:* (i) Supply of raw materials, steel products, ancillary materials and spare parts, energy and power from Angang Group to the Group;  
(ii) Supply of finished products, scrap steel, abandoned material and other materials from the Group to Angang Group;  
(iii) Provision of support services from Angang Group to the Group; and  
(iv) Provision of comprehensive services from the Group to Angang Group.

*Term:* Subject to approval by the Independent Shareholders, the agreement shall be effective from 1 January 2016 to 31 December 2018.

*Payment:* In lump sums or by installments. The time of the payments is to be agreed with reference to customary business practices. The payment method varies with different types of services, materials and products. 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 Supply of Materials and Services Agreement will be made through internal resources of the Group.

## Historical Figures under the Supply of Materials and Services Agreement (2014–2015)

The following tables set out certain information regarding the amount of historical transactions under the Supply of Materials and Services Agreement (2014–2015) for the year of 2014 and the six months ended 30 June 2015:

	2014		2015	
	Annual monetary cap (RMB' million)	Actual transaction amount (RMB' million)	Annual monetary cap (RMB' million)	Actual transaction amount as of 30 June 2015 (RMB' million)
<i>From Angang Group to the Group</i>				
<b>Principal Raw Materials</b>				
(i) Iron ore concentrate				
(ii) Pellet				
(iii) Sinter ore				
(iv) Scrap steel				
(v) Billets				
(vi) Alloy and non-ferrous metal				
Total	17,466	13,583	19,212	4,933
<b>Steel Products</b>				
Steel products <sup>(Note)</sup>				
	3,600	300	3,600	11

*Note:*

Annual monetary caps as amended by the Supplemental Agreement.

	2014		2015	
	Annual monetary cap (RMB' million)	Actual transaction amount (RMB' million)	Annual monetary cap (RMB' million)	Actual transaction amount as of 30 June 2015 (RMB' million)
<b>Ancillary Materials</b>				
(i) Lime stone				
(ii) Lime powder				
(iii) Refractory material				
(iv) Spare parts				
(v) Coke				
(vi) Other ancillary materials				
Total	2,326	2,326	2,712	1,206
<b>Electricity and Water</b>				
(i) Electricity				
(ii) Water				
(iii) Steam				
Total	2,287	1,826	2,516	941

	2014		2015	
	Annual monetary cap (RMB' million)	Actual transaction amount (RMB' million)	Annual monetary cap (RMB' million)	Actual transaction amount as of 30 June 2015 (RMB' million)
<b>Support Services</b>				
(i) Railway transportation & road transportation				
(ii) Agency services for:				
— import of raw materials, equipment, spare parts, and ancillary materials;				
— export of products;				
(iii) Equipment examination, repair and maintenance				
(iv) Design and engineering				
(v) Educational facilities, occupational technical education, on-job training and translation				
(vi) Newspaper and other publications				
(vii) Telecommunication business, telecommunication services and information systems				
(viii) Production assistance and maintenance				
(ix) Welfare assistance and maintenance				
(x) Employee transportation				
(xi) Environmental protection and security monitoring				
(xii) Business reception and meeting				
(xiii) Supply of heating				
(xiv) Landscaping services				
(xv) Security				
(xvi) Material processing				
<b>Total</b>	<b>6,526</b>	<b>5,104</b>	<b>7,179</b>	<b>2,170</b>

	2014		2015	
	Annual monetary cap (RMB' million)	Actual transaction amount (RMB' million)	Annual monetary cap (RMB' million)	Actual transaction amount as of 30 June 2015 (RMB' million)
<i>From the Group to Angang Group</i>				
<b>Finished Products</b>				
(i) Steel products				
(ii) Molten iron				
(iii) Billet				
(iv) Coke				
(v) Chemical by-products				
Total	18,372	3,884	20,209	1,059
<b>Scrap Steel and Other Materials</b>				
(i) Scrap steel				
(ii) Abandoned materials				
(iii) Minus sieve powder				
(iv) Obsolete or idle assets				
Total	186	177	205	117



	2014		2015	
	Annual monetary cap (RMB' million)	Actual transaction amount (RMB' million)	Annual monetary cap (RMB' million)	Actual transaction amount as of 30 June 2015 (RMB' million)
<b>Comprehensive Services</b>				
(i) Power				
(ii) Fresh water				
(iii) Recycled water				
(iv) Soft water				
(v) Gas				
(vi) Blast furnace gas				
(vii) Steam				
(viii) Nitrogen				
(ix) Oxygen				
(x) Argon				
(xi) Compressed air				
(xii) Hydrogen				
(xiii) Residual heat water				
(xiv) Product testing service				
(xv) Transportation service				
(xvi) Lease of production lines				
(xvii) Agency service				
Total	785	750	823	369

### Historical Figures under the Mineral Ore Purchase and Agency Service Agreement

The following table sets out certain information regarding the amount of historical transactions under the Mineral Ore Purchase and Agency Service Agreement for the year of 2014 and the six months ended 30 June 2015:

	2014		2015	
	Annual monetary cap (RMB' million)	Actual transaction amount (RMB' million)	Annual monetary cap (RMB' million)	Actual transaction amount as of June 2015 (RMB' million)
Mineral ore from Karara Mining Limited (including any import agency service commission)	1,500	551	3,000	285

## Proposed Annual Caps under the Supply of Materials and Services Agreement

The following tables set out the category of raw materials, products and services, pricing standards and the proposed annual monetary caps of the continuing connected transactions contemplated under the Supply of Materials and Services Agreement for the three years ending 31 December 2018:

Item	Pricing Standard	Monetary Cap		
		For the year ending 31 December		
		2016	2017	2018
		(RMB' million)	(RMB' million)	(RMB' million)
<i>From Angang Group to the Group</i>				
<b>Principal Raw Materials</b>				
(i) Iron ore concentrate <sup>(1)(2)</sup>	Not higher than the monthly average value of the medium price of Platts Fe 65% (CFR) for Northern China (Qingdao port) as published daily by the SBB Steel Markets Daily Briefing for the preceding month (T-1) plus the freight cost from Bayuquan port to the Company. Price adjustments for mineral grades shall be made to the price in accordance with iron content calculated based on the average value of Platts Fe 65% index for the preceding month (T-1). Using this as the basis, a further discount equal to 3% of the average value of Platts Fe 65% index for the preceding month (T-1) shall be applied.			
(ii) Pellets <sup>(3)</sup>	Market price			
(iii) Sinter ores <sup>(1)</sup>	The price of iron concentrate plus the processing costs for the preceding month (T-1) (in particular such processing costs shall not be higher than the processing costs of the products of the same category produced by the Company).			
(iv) Mineral ore from Karara Mining Limited <sup>(2)(3)</sup>	Premium products (iron grade $\geq$ 67.2%): Not higher than the average monthly price of such product sold to independent third parties in Mainland China for the corresponding period (i.e. the month in which freight was loaded at the port of origin). The sales volume of premium products made by Karara Mining Limited to independent third parties in Mainland China shall not be less than 30% of the total sales volume of premium products of Karara Mining Limited for a given period.			

Item	Pricing Standard	Monetary Cap		
		For the year ending 31 December		
		2016	2017	2018
		(RMB' million)	(RMB' million)	(RMB' million)
	Standard grade products (67.2%>iron grade≥65%): The price is calculated based on the monthly average value of the medium price of Platts Fe 65% (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 plus the freight cost differential for each dry metric tonne from Qingdao port to Bayuquan port, Liaoning, divided by 65 and multiplied by the actual product grade.			
	Low grade products (65%>iron grade≥59%): The price is calculated based on the monthly average value of the medium price of Platts Fe 62% (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 plus the freight cost differential for each dry metric tonne from Qingdao port to Bayuquan port, Liaoning, divided by 62 and multiplied by the actual product grade.			
(v) Scrap steel <sup>(3)</sup>	Market price			
(vi) Steel billets <sup>(3)</sup>	Market price			
(vii) Alloy and non-ferrous metal <sup>(3)</sup>	Market price			
Total		18,300	19,800	21,200

*Notes:*

- (1) “T” refers to the relevant month in which the transactions take place.
- (2) The grade (品位) refers to the quality of the iron concentrate and mineral ore, which is usually denoted by percentage point. A higher percentage point of the iron concentrate and mineral ore represents a better quality as such iron concentrate and mineral ore contains a higher amount of iron. Difference in the grade of the iron concentrate and mineral ore will in turn affect their pricing.
- (3) Market price is determined on the basis of price of commodities as quoted on the open market and recognized by the parties following negotiation. Steel industry associations (e.g. China Iron and Steel Association) will periodically publish price quotations for steel and related commodities on the open market.

**Steel Products**

Steel products

The price is determined based on the selling price of the Company to third parties after deducting a consignment fee of RMB20–35 per tonne.

500550600**Ancillary Materials**

- (i) Limestone Not higher than the selling price quoted by the relevant member company of Angang Group to independent third parties
- (ii) Lime powders Not higher than the selling price quoted by the relevant member company of Angang Group to independent third parties
- (iii) Refractory materials Not higher than the selling price quoted by the relevant member company of Angang Group to independent third parties
- (iv) Spare parts Not higher than the selling price quoted by the relevant member company of Angang Group to independent third parties
- (v) Coke Not higher than the selling price quoted by the relevant member company of Angang Group to independent third parties
- (vi) Other ancillary materials Not higher than the selling price quoted by the relevant member company of Angang Group to independent third parties
- (vii) Renewable resources Not higher than the selling price quoted by the relevant member company of Angang Group to independent third parties

Total

2,8152,9153,015**Energy and Power**

- (i) Electricity State Prices
- (ii) Water State Prices
- (iii) Steam<sup>(1)</sup> Production costs plus a gross profit margin of 5%
- (iv) Gas products<sup>(2)</sup> Market price

Total

2,5002,8052,855**Notes:**

- (1) In the absence of an active market, the price of steam cannot be determined by reference to market price. Therefore, the price is determined on the basis of cost of production plus reasonable profit. A 5% profit margin has been mutually deemed as reasonable by the Company and Angang Group Company.
- (2) Market price is determined on the basis of prices of gas products as quoted on the open market and recognized by the parties following negotiation.



Item	Pricing Standard	Monetary Cap		
		For the year ending 31 December		
		2016	2017	2018
		(RMB' million)	(RMB' million)	(RMB' million)
<i>From the Group to Angang Group</i>				
<b>Finished Products</b>				
(i) Steel products	The selling price of the Group to independent third parties; where the finished products are supplied for counterparties to develop new products, the pricing will be based on the market price; in the absence of the market price, the cost plus a reasonable profit margin, provided, however, that such profit margin shall not exceed the average gross profit margin of the supplier of the relevant finished product.			
(ii) Molten iron				
(iii) Iron billets				
(iv) Coke				
(v) Chemical by-products				
(vi) Pellets	The price is determined based on the selling price of the Group to third parties after deducting a consignment fee at a rate of no higher than 1.5%.			
(vii) Gas products <sup>(Note)</sup>	Market price			
Total		4,810	5,050	5,310

*Note:*

Market price is determined on the basis of prices of gas products as quoted on the open market and recognized by the parties following negotiation.

**Minus Sieve Powders, Scrap Steel and Abandoned Materials**

(i) Scrap steel <sup>(Note)</sup>	Market price			
(ii) Abandoned materials <sup>(Note)</sup>	Market price			
(iii) Minus sieve powders	The base price of sinter ore for the current period minus the sintering costs of Angang Group.			
(iv) Obsolete or idle assets <sup>(Note)</sup>	Market price or appraised price			
Total		280	305	330

*Note:*

Market price is determined on the basis of price of commodities as quoted on the open market and recognized by the parties following negotiation. Steel industry associations (e.g. China Iron and Steel Association) will periodically publish price quotations for steel and related commodities on the open market.



### III. SUPPLY OF RAW MATERIALS AGREEMENT

The Company and Pangang Vanadium & Titanium have entered into the Supply of Raw Materials Agreement to govern the supply of raw materials for the three years ending 31 December 2018. The principal terms of the Supply of Raw Materials Agreement are summarized below:

<i>Date:</i>	7 August 2015
<i>Parties:</i>	(i) The Company; and (ii) Pangang Vanadium & Titanium
<i>Subject matter:</i>	Supply of iron ore concentrate and alloys by Pangang Vanadium & Titanium and its subsidiaries (including Anqian Mining) to the Group.
<i>Term:</i>	Subject to approval by the Independent Shareholders of the Company and Pangang Vanadium & Titanium, the agreement shall be effective from 1 January 2016 to 31 December 2018.
<i>Payment:</i>	By monthly installments payable on the last day of each calendar month.  The payments for the transactions contemplated under the Supply of Raw Materials Agreement will be made through internal resources of the Group.

#### Historical Figures under the Supply of Materials Agreement (2014–2015)

The following table sets out certain information regarding the amount of historical transactions under the Supply of Materials Agreement (2014–2015) for the year of 2014 and the six months ended 30 June 2015:

	2014		2015	
	Annual monetary cap (RMB' million)	Actual transaction amount (RMB' million)	Annual monetary cap (RMB' million)	Actual transaction amount as of 30 June 2015 (RMB' million)
<b>Raw Materials</b>				
(i) Iron ore concentrate				
(ii) Alloys				
Total	2,437	1,490	3,002	767



## Proposed Annual Caps under the Supply of Raw Materials Agreement

The following table sets out the category of raw materials, pricing standards and the proposed annual monetary caps of the continuing connected transactions contemplated under the Supply of Raw Materials Agreement for the three years ending 31 December 2018:

Item	Pricing Standard	Monetary Cap		
		For the year ending 31 December		
		2016	2017	2018
		(RMB' million)	(RMB' million)	(RMB' million)
<i>From Pangang Vanadium &amp; Titanium Group to the Group</i>				
<b>Raw Materials</b>				
(i) Iron ore concentrate <sup>(1)(2)</sup>	No higher than the monthly average value of the medium price of Platts Fe 65% (CFR) for Northern China (Qingdao port) as published daily by the SBB Steel Markets Daily Briefing for the preceding month (T-1) plus the transportation cost from Bayuquan port to the Company. Price adjustments for the mineral grades shall be made to the price in accordance with iron content calculated based on the average value of Platts Fe 65% index for the preceding month (T-1). Using this as the basis, a further discount equal to 3% of the average value of Platts Fe 65% index for the preceding month (T-1) shall be applied.			
(ii) Alloys <sup>(3)</sup>	Market price			
Total		1,780	1,890	2,100

### Notes:

- (1) "T" refers to the relevant month in which the transactions take place.
- (2) The grade (品位) refers to the quality of the iron concentrate, which is usually denoted by percentage point. A higher percentage point of the iron concentrate represents a better quality as such iron concentrate contains a higher amount of iron. Difference in the grade of the iron concentrate will in turn affect their pricing.
- (3) Market price is determined on the basis of price of commodities as quoted on the open market and recognized by the parties following negotiation. Steel industry associations (e.g. China Iron and Steel Association) will periodically publish price quotations for steel and related commodities on the open market.

#### **IV. BASIS FOR THE MONETARY CAPS OF THE TRANSACTIONS CONTEMPLATED UNDER THE SUPPLY OF MATERIALS AND SERVICES AGREEMENT AND SUPPLY OF RAW MATERIALS 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 Supply of Materials and Services Agreement and Supply of Raw Materials Agreement. The Directors have determined the proposed annual monetary caps of the transactions contemplated thereunder for the three years ending 31 December 2018 on the basis of the following factors:

- (i) the volume of historical transactions for the supply of materials and products, provision of services under the 2014 Agreements and previous transactions, and
- (ii) the recent changes in the demand and/or prices of certain materials and/or products, in particular, the price fluctuations in iron ore concentrate, steel products and related materials.

The proposed annual monetary caps have also take into account the estimated inflation, applicable pricing guidelines of the PRC government, and comparable market prices. The State Prices are determined with reference to guidelines set by the relevant government authorities of the PRC for electricity and water, and the relevant services. In case where the pricing is determined based on cost price plus an agreed profit margin, the margin was determined with reference to margins set by independent providers for similar materials, products and services on a comparable scale and on similar terms.

#### **V. INTERNAL CONTROL MEASURES FOR THE CONTINUING CONNECTED TRANSACTIONS**

In order to ensure that the pricing standards under the Supply of Materials and Services Agreement and the Supply of Raw Materials Agreement 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 framework agreements for continuing connected transactions (including the Supply of Materials and Services Agreement and the Supply of Raw Materials Agreement) by the various operating divisions of the Group, the price for the services, materials or products thereunder must be determined based on the pricing standards stipulated under such framework agreements.

In order to ensure that specific contracts are effectively executed by the various operating divisions in accordance with the Procedures and the framework agreements for continuing connected transactions, 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 prices, State Prices and selling prices to independent third parties for the various materials, services and products, thereby enabling the Company to accurately assess the price payable or receivable by the Company under the Supply of Materials and Services Agreement and the Supply of Raw Materials Agreement. If the price offered by Angang Group is inconsistent with the pricing standards stipulated under the agreements, the relevant departments will inform the management of the Company and actively negotiate with Angang Group.

## **VI. REASONS FOR AND BENEFITS OF THE AGREEMENTS**

The Group has been carrying out transactions with Angang Group Company and its subsidiaries to facilitate its production and operations under the 2014 Agreements and other previous supply agreements since 1997. The terms of the Supply of Materials and Services Agreement and Supply of Raw Materials Agreement have been agreed upon arm's-length negotiations between the Company and each of Angang Group Company and Pangang Vanadium & Titanium, respectively.

In view of (i) the long-established relationship between the Group, Pangang Vanadium & Titanium and Angang Group Company; (ii) the stability and reliability of (a) the supply of raw materials and provision of products and services by Angang Group and (b) the supply of raw materials by Pangang Vanadium & Titanium Group; (iii) the extensive domestic sales and distribution network of the Company for steel products; (iv) the operational integration and the geographical convenience (as the units of Angang Group which provide materials and services to the Group are located in close proximity to the Group's operational facilities); and (v) that the Company's business operations would be adversely affected if the cross-provision of these materials, products and services were to be terminated, the Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice of the independent financial adviser to the Independent Board Committee and the Shareholders) are of the view that (i) the continuing connected transactions contemplated under the Supply of Materials and Services Agreement and Supply of Raw Materials Agreement will be carried out in the ordinary and usual course of business of the Group; (ii) the terms of the Supply of Materials and Services Agreement and Supply of Raw Materials Agreement are 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 Supply of Materials and Services Agreement and Supply of Raw Materials 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 the Supply of Materials and Services Agreement and Supply of Raw Materials Agreement.

## **VII. LISTING RULES IMPLICATIONS**

Angang Group Company indirectly holds, through Angang Holding, an approximate 67.29% 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 Chapter 14A of the Listing Rules. As an ultimate subsidiary of Angang Group Company, Pangang Vanadium & Titanium is a connected person of the Company as defined under Chapter 14A of Listing Rules. As such, the transactions contemplated under the Supply of Materials and Services Agreement and the Supply of Raw Materials Agreement constitute continuing connected transactions of the Company.

As the proposed transactions under the Supply of Raw Materials Agreement concern the supply of raw materials, it is similar in nature with certain transactions under the Supply of Materials and Services Agreement, and therefore they are aggregated pursuant to Rule 14A.81 of the Listing Rules. Based on the applicable percentage ratios, the proposed annual monetary caps for transactions contemplated under the Supply of Materials and Services Agreement and the Supply of Raw Materials Agreement (as aggregated with the Supply of Materials and Services Agreement) constitute non-exempt continuing connected transactions that are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Yao Lin, a Director of the Company who also holds the position of vice-general manager of Angang Group Company, is considered to have a material interest in the transactions under the Supply of Materials and Services Agreement and the Supply of Raw Materials Agreement due to his senior management position in Angang Group Company. He has abstained from voting on the resolutions in relation to the Supply of Materials and Services Agreement and the Supply of Raw Materials 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.

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

The Board has approved to submit the Supply of Materials and Services Agreement and the Supply of Raw Materials Agreement to the Shareholders at the EGM 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 EGM in relation to the Supply of Materials and Services Agreement and the Supply of Raw Materials Agreement.

An Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Shareholders on the Supply of Materials and Services Agreement and the Supply of Raw Materials Agreement and the transactions (including the respective proposed annual monetary caps) contemplated thereunder. TC Capital Asia Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Shareholders in this respect.

A circular containing, among other things, (i) further details of the Supply of Materials and Services Agreement and the Supply of Raw Materials Agreement and the respective 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 Shareholders, together with the notice to convene the EGM, will be despatched to the Shareholders as soon as practicable on or before 28 August 2015.

## **IX. GENERAL INFORMATION OF 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 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 directly holds an approximate 67.29% 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.

Pangang Group Company is a wholly-owned subsidiary of Angang Group Company. It is also a major enterprise in the iron and steel industry of the PRC engaged in a wide range of iron and steel-related business activities. It is the controlling shareholder of Pangang Vanadium & Titanium, directly and indirectly, holding an approximate 47.87% equity interest in Pangang Vanadium & Titanium.

Pangang Vanadium & Titanium is a company controlled by Pangang Group Company and ultimately by Angang Group Company. It is incorporated in the PRC and its shares are listed on the Shenzhen Stock Exchange. It is primarily engaged in the extraction and dressing of iron ore and the smelting and production of iron, steel, vanadium and titanium products. It directly holds the entire equity interest of Anqian Mining.

Anqian Mining is a wholly-owned subsidiary of Pangang Vanadium & Titanium incorporated in Liaoning province, the PRC. It is primarily engaged in iron ore extraction and dressing and is a major supplier of iron ore concentrate to the Group.

## X. 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 67.29% equity interest in the Company and a major enterprise in the iron and steel industry of the PRC
“Anqian Mining”	Angang Group Anqian Mining Company Limited* (鞍鋼集團鞍千礦業有限責任公司), a company incorporated in the PRC and a wholly-owned subsidiary of Pangang Vanadium & Titanium
“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
“EGM”	the extraordinary general meeting of the Company to be held for considering and, if thought fit, approving, among other things, the Supply of Materials and Services Agreement and the Supply of Raw Materials Agreement and the proposed annual caps thereunder
“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
“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 Group International Economic and Trading Corporation* (鞍鋼集團國際經濟貿易公司) on 11 August 2014, pursuant to which the Company has agreed to purchase, and Angang Group International Economic and Trading Corporation has agreed to supply, magnetite for (i) the period commencing from the effective date of the agreement until the end of 2014 and (ii) the year of 2015

“Pangang Group Company”	Pangang Group Company Limited* (攀鋼集團有限公司), a company incorporated in the PRC with limited liabilities, a major enterprise in the iron and steel industry of the PRC and a wholly-owned subsidiary of Angang Group Company
“Pangang Vanadium & Titanium”	Pangang Group Vanadium & Titanium Resources Co., Ltd.* (攀鋼集團鈮鈦資源股份有限公司), a company incorporated in the PRC with shares listed on the Shenzhen Stock Exchange, owned as to approximately 10.81% (through direct equity interest) by Angang Holding and approximately 47.87% (through direct and indirect equity interest) by Pangang Group Company
“Pangang Vanadium & Titanium Group”	Pangang Vanadium & Titanium and its subsidiaries from time to time
“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 pellets for (i) the period commencing from the effective date of the agreement until the end of 2014 and (ii) 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)
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“State Prices”	the prices as mandatorily stipulated by the National Development and Reform Commission of the PRC and the State Pricing Bureau at provincial and municipal level which are applicable to certain support services, comprehensive services and electricity and water to be provided to the Group/Angang Group (as the case may be)



“Supplemental Agreement”	the supplemental agreement to the Supply of Materials and Services Agreement (2014–2015) dated 6 January 2014 entered into between the Company and Angang Group Company in respect of the supply of steel products by the Angang Group to the Group for the two years ending 31 December 2015
“Supply of Materials Agreement (2014–2015)”	the supply of materials agreement dated 11 March 2013 entered into between the Company and Pangang Vanadium & Titanium in respect of the supply of raw materials by Pangang Vanadium & Titanium Group to the Group for the two years ending 31 December 2015
“Supply of Materials and Services Agreement”	the supply of materials and services agreement dated 7 August 2015 entered into between the Company and Angang Group Company in respect of the cross-provision of materials, products and services between the Group and Angang Group for the three years ending 31 December 2018
“Supply of Materials and Services Agreement (2014–2015)”	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-provision of materials, products and services between the Group and Angang Group for the two years ending 31 December 2015
“Supply of Raw Materials Agreement”	the supply of raw materials agreement dated 7 August 2015 entered into between the Company and Pangang Vanadium & Titanium in respect of the supply of raw materials by Pangang Vanadium & Titanium Group to the Group for the three years ending 31 December 2018

“2014 Agreements”

the Supply of Materials Agreement (2014–2015), the Supply of Materials and Services Agreement (2014-2015), the Mineral Ore Purchase and Agency Service Agreement and the Pellet Distribution Agreement, collectively

“%”

per cent.

By Order of the Board

**ANGANG STEEL COMPANY LIMITED**

**Yao Lin**

*Executive Director and Chairman of the Board*

Anshan City, Liaoning Province, the PRC

7 August 2015

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

*Executive Directors:*

Yao Lin

Wang Yidong

Zhang Lifan

*Independent Non-executive Directors:*

Chen Fangzheng

Qu Xuanhui

Liu Zhengdong

Chau Chi Wai, Wilton

\* *For identification purpose only*