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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)

**CONNECTED TRANSACTION –
ACQUISITION OF LAND USE RIGHT OF
FOUR PARCELS OF LAND IN ANSHAN CITY**

BACKGROUND

On 10 August 2021, Angang Chemical entered into the Transfer Agreement with Angang Holding, pursuant to which Angang Chemical has agreed to purchase and Angang Holding has agreed to sell the land use right of four parcels of land in Anshan City for a cash consideration of RMB277,936,300 which will be funded by the internal resources of Angang Chemical.

IMPLICATIONS OF THE LISTING RULES

Since Angang Holding is the controlling Shareholder, and thus a connected person of the Company, the Acquisition constitutes connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceeds 0.1% but are less than 5%, the Acquisition is subject to the reporting and announcement requirements, but is exempt from the circular independent financial advice and the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND

On 10 August 2021, Angang Chemical entered into the Transfer Agreement with Angang Holding, pursuant to which Angang Chemical has agreed to purchase and Angang Holding has agreed to sell the land use right of four parcels of land in Anshan City for a cash consideration of RMB277,936,300 which will be funded by the internal resources of Angang Chemical.

THE TRANSFER AGREEMENT AND THE LAND

Set out below is a summary of the principal terms of the Transfer Agreement:

Date: 10 August 2021

Parties: (i) Angang Chemical; and
(ii) Angang Holding

Particulars of the four parcels of land (collectively, the “ Land ”):	Parcel 1	the west district fine production system parcel, with a total site area of approximately 399,000.82 square metre.
	Parcel 2	the west district gas purification plant equipment No. 1 parcel, with a total site area of approximately 15,946.04 square metre.
	Parcel 3	the west district gas purification plant equipment No. 2 parcel, with a total site area of approximately 72,573.03 square metre.
	Parcel 4	the office building parcel, with a total site area of approximately 5,725.44 square metre.

Each of the above parcels of land is located in the main production zone of the Company in Anshan City.

Based on the information provided by Angang Holding, the net profit before and after tax and extraordinary items attributable to the Land for the two financial years ended 31 December 2019 and 31 December 2020 are as follows:

	Year ended 31 December	
	2019	2020
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Profit/(Loss) (before tax and extraordinary items)	1,396.6	1,396.6
Net Profit/(Loss) (after tax and extraordinary items)	<u>1,047.4</u>	<u>1,047.4</u>

Payment

The Consideration shall be paid by Angang Chemical to Angang Holding in one lump sum within 20 working days after the date of the Transfer Agreement.

The Consideration was arrived at after arm's length negotiations between Angang Chemical and Angang Holding. The Company has considered (i) the valuation as stated in the Valuation Report. According to the Valuation Report, the total value of the land use right of the Land was valued at RMB277,936,300 as at 28 February 2021 based on the market comparison approach and land datum value method and the assumption of the intended use as industrial land with 45.9 years of the remaining term of the right of use as of 28 February 2021; and (ii) the net book value of the Land of RMB272,744,000, as recorded in Angang Holding's management accounts as at 28 February 2021, based on the original book value of RMB297,299,300 and the depreciation of RMB24,555,300.

Angang Chemical intends to settle the Consideration with its internal resources.

Termination of lease

Upon settlement of the Consideration, the lease agreement entered into between Angang Chemical and Angang Holding on 31 December 2019 in respect of the leasing of certain parcels of the Land for a period from 1 January 2020 to 31 December 2021 shall be terminated automatically.

REASONS AND BENEFITS OF THE ACQUISITION

The Directors believe that the Acquisition will bring various benefits to the Group. In particular, it is conducive to standardizing assets management, facilitates the reduction of land use costs for Angang Chemical, and lays a solid foundation for the continuing growth and expansion of the Group's chemical production segment.

Having reviewed and considered the terms of the Transfer Agreement, in particular the Consideration which is a fair of the valuation and net book value of the Land, the Directors (including the independent non-executive Directors) are of the view that:

- (i) the terms of the Transfer Agreement are fair and reasonable;
- (ii) the entering into of the Transfer Agreement is on normal commercial terms or better and in the ordinary and usual course of business of the Company; and
- (iii) the entering into of the Transfer Agreement is in the interest of the Company and its Shareholders as a whole.

GENERAL INFORMATION OF THE PARTIES

The Company

The Company is a major steel manufacturing enterprise in the PRC. It is principally engaged in ferrous metal smelting and steel pressing and processing.

Angang Chemical

Angang Chemical is a limited liability company established in the PRC which is principally engaged in coking gas purification and production of coal-based chemical products. It is a wholly-owned subsidiary of the Company.

Angang Holding

Angang Holding, a wholly-owned subsidiary of Angang Group Company, is a major enterprise in the iron and steel industry in the PRC and engaged in a wide range of iron and steel-related business activities including steel products, metal wares (exclusive of franchised products), cast iron pipes, metal structure materials, iron wire ropes and relevant products, coking and coking products, cement, electricity generation, metallurgical appliance and equipment and related spare parts and components, electrical machinery, equipment, instruments and apparatus for power transmission, distribution and control, mining and beneficiation of iron ore and manganese ore as well as quarrying of refractory pebble, etc. As at the date of this announcement, it directly holds approximately 53.33% equity interest in the Company.

Angang Group Company is the ultimate controlling Shareholder. As at the date of this announcement, it indirectly holds approximately 53.33% equity interest of the Company through Angang Holding. Angang Group Company is a company incorporated in the PRC. It was established and is wholly owned 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) as at the date of this announcement.

IMPLICATIONS OF THE LISTING RULES

Since Angang Holding is the controlling Shareholder, and thus a connected person of the Company, the Acquisition constitutes connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceeds 0.1% but are less than 5%, the Acquisition is subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. Wang Yidong, the chairman of the Company, and Mr. Li Zhen, an executive Director, who are also the deputy general manager of Angang Group Company and a director of Angang Holding, respectively, are considered to have a material interest in the Acquisition due to their senior management and director positions in Angang Group Company and its subsidiaries. Therefore, Mr. Wang Yidong and Mr. Li Zhen have abstained from voting on the resolutions in relation to the Acquisition proposed to the Board.

Save as disclosed above, none of the Directors is deemed to have a material interest in the Acquisition and none of them had to abstain from voting in respect of the Acquisition at the Board meeting.

DEFINITIONS

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

“Acquisition”	the proposed acquisition of the land use right of the Land pursuant to the Transfer Agreement
“Angang Chemical”	Angang Chemical Technology Co., Ltd.* (鞍钢化学科技有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Angang Group Company”	Angang Group Company* (鞍钢集团有限公司), a company incorporated in the PRC with limited liability and the ultimate controlling Shareholder
“Angang Holding”	Anshan Iron & Steel Group Co., Ltd.* (鞍山钢铁集团有限公司), a wholly-owned subsidiary of Angang Group Company and the immediate holding Shareholder which holds 53.33% of equity interest in the Company as at the date of this announcement

“Anshan City”	Anshan city, Liaoning province, the PRC
“Board”	the board of Directors
“Consideration”	the aggregate cash consideration of RMB277,936,300 payable by Angang Chemical to Angang Holding for the acquisition of the land use right of the Land pursuant to the Transfer Agreement
“Company”	Angang Steel Company Limited* (鞍鋼股份有限公司), a joint stock limited company incorporated in Anshan city, Liaoning Province, the PRC, the H shares of which are listed on the Hong Kong Stock Exchange (Stock code: 347) and the A shares of which are listed on the Shenzhen Stock Exchange (Stock code: 898)
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Land”	has the meaning ascribed to it under the “The Transfer Agreement and the Land” section in this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC” or “China”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Transfer Agreement”	the land use right transfer agreement entered into between the Angang Chemical and Angang Holding on 10 August 2021 to transfer the land use right of the Land from Angang Holding to Angang Chemical

“Valuation Report” the valuation report on the land use right of the Land prepared by an independent valuer dated 28 February 2021

“%” percent

In addition, the terms “associate”, “connected person”, “connected transaction”, “continuing connected transaction”, “controlling shareholder”, “percentage ratio(s)” and “subsidiary(ies)” shall have the meanings ascribed to them under the Listing Rules.

By Order of the Board
ANGANG STEEL COMPANY LIMITED*
Wang Yidong
Executive Director and Chairman of the Board

Anshan City, Liaoning Province, the PRC
10 August 2021

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

Executive Directors:

Wang Yidong
Li Zhen
Li Zhongwu
Wang Baojun

Independent Non-executive Directors:

Feng Changli
Wang Jianhua
Wang Wanglin
Zhu Keshi

* *For identification purpose only*