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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)

**REVISION OF ANNUAL CAPS
IN RELATION TO THE SUPPLY OF MATERIALS AND SERVICES
AGREEMENT (2022 – 2024)**

Reference is made to the announcement of the Company dated 11 October 2021, the circular dated 9 November 2021 and the poll results announcement of the extraordinary general meeting of the Company dated 26 November 2021 in relation to, among others, the Supply of Materials and Services Agreement (2022 – 2024) entered into between Angang Group and the Group, and the transactions contemplated thereunder, including the proposed annual monetary caps of the steel products and Scrap Steel and Abandoned Materials for the years of 2023 and 2024.

To meet the requirements of the Group's business development, strengthen the Group's ability to control scrap steel resources and safeguard the steel industry chain, the Board expects that the Group will purchase more steel products from Angang Group and the Company will sell more Scrap Steel and Abandoned Materials to Angang Group and hence, the Current Annual Caps will not be sufficient for the Group's business operation for the years ending 31 December 2023 and 2024. The Company therefore proposes to revise the Current Annual Caps to the Proposed Revised Annual Caps and accordingly, the Company and Angang Group Company entered into the Supplemental Agreement on 23 August 2023.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Angang Group Company, as the ultimate controlling shareholder indirectly holding approximately 53.366% equity interest of the Company, is a connected person of the Company as defined under Chapter 14A of the Listing Rules. As a result, the Transactions constitute continuing connected transactions of the Company. Pursuant to Rule 14A.54(1) of the Listing Rules, if the Company proposes to revise the annual monetary caps of its continuing connected transactions, the Company is required to re-comply with the announcement and shareholders' approval requirements. As the transactions under the Supply of Raw Materials Agreement (2022–2024) which concern the supply of raw materials are similar in nature with certain transactions under the Supply of Materials and Services Agreement (2022–2024) (as revised by the Supplemental Agreement) and the relevant agreements were entered into by the Company with the same party, the transactions under the Supply of Raw Materials Agreement (2022–2024) and the Supply of Materials and Services Agreement (2022–2024) (as revised by the Supplemental Agreement) are aggregated pursuant to Rule 14A.81 of the Listing Rule. As the highest applicable percentage ratio in respect of the transactions under the Supply of Raw Materials Agreement (2022–2024) and the Supply of Materials and Services Agreement (2022–2024) (as revised by the Supplemental Agreement) on an annual basis exceeds 5%, the entering into of the Supplemental Agreement and the Proposed Revised Annual Caps is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the announcement of the Company dated 11 October 2021, the circular dated 9 November 2021 and the poll results announcement of the extraordinary general meeting of the Company dated 26 November 2021 in relation to, among others, the Supply of Materials and Services Agreement (2022-2024) entered into between Angang Group and the Group, and the transactions contemplated thereunder, including the proposed annual monetary caps of the steel products and Scrap Steel and Abandoned Materials for the years of 2023 and 2024.

To meet the requirements of the Group's business development, strengthen the Group's ability to control scrap steel resources and safeguard the steel industry chain, the Board expects that the Group will purchase more steel products from Angang Group and the Company will sell more Scrap Steel and Abandoned Materials to Angang Group and hence, the Current Annual Caps will not be sufficient for the Group's business operation for the years ending 31 December 2023 and 2024. The Company therefore proposes to revise the Current Annual Caps to the Proposed Revised Annual Caps and accordingly, the Company and Angang Group Company entered into the Supplemental Agreement on 23 August 2023.

REVISION OF THE CURRENT ANNUAL CAPS PURSUANT TO THE SUPPLEMENTAL AGREEMENT

The Supplemental Agreement will revise the Current Annual Caps to the Proposed Revised Annual Caps when it becomes effective upon the Independent Shareholders' approval. Save for the Current Annual Caps, the other terms and conditions in the Supply of Materials and Services Agreement (2022-2024) will remain unchanged and in full force and effect. For details of the Supply of Materials and Services Agreement (2022–2024), including without limitation the term, payment terms and pricing standard, please refer to the announcement of the Company dated 11 October 2021 and the circular of the Company dated 9 November 2021.

Historical amounts and the Proposed Revised Annual Caps

The historical transaction amounts relating to the provision of steel products by Angang Group to the Group and the provision of Scrap Steel and Abandoned Materials by the Group to Angang Group, the Current Annual Caps and the Proposed Revised Annual Caps are set out below:

Transaction type	Historical amounts for		Current annual monetary cap		Proposed revised annual	
	the year ended 31 December 2022	the seven months ended 31 July 2023	for the year ending 31 December 2023	for the year ending 31 December 2024	monetary cap for the year ending 31 December 2023	monetary cap for the year ending 31 December 2024
	(RMB' million)	(RMB' million)	(RMB' million)	(RMB' million)	(RMB' million)	(RMB' million)
Steel products	1,006	650	1,632	1,836	9,357	9,752
Scrap Steel and Abandoned Materials	341	185	436	456	766	6,563

As at the date of this announcement, (i) the transaction amount of the Transactions has not exceeded the Current Annual Caps, and (ii) the respective transaction amount of the other transactions under the Supply of Materials and Services Agreement (2022-2024) and the Supply of Raw Materials Agreement (2022-2024) has not exceeded and is not expected to exceed the respective annual monetary cap applicable to each of the transactions thereof for the years ending 31 December 2023 and 2024.

Save for the Current Annual Caps, the other annual monetary caps under the Supply of Materials and Services Agreement (2022-2024) and the Supply of Raw Materials Agreement (2022-2024) will remain unchanged.

Basis of the Proposed Revised Annual Caps

Steel products:

The Proposed Revised Annual Cap for steel products is mainly determined based on the historical transaction amount with regard to the steel products for the six months ended 30 June 2023 and the expected purchase amounts of steel products from customers. Some of the Group's customers designated the Group as the only window for cooperation with Angang Group. Meanwhile, in order to better serve customers, the Company coordinates the sales channels of Angang Group's auto steel products within the sales area of the subordinate steel processing companies, to uniformly communicate with customers by using the Group as a window. In the first half of 2023, China's auto production increased by approximately 9.3% year on year, of which the production of new energy vehicles increased by 42.4% year on year, and the demand for auto steel increased significantly. Therefore, it is expected that such connected transactions for the purchase of steel products from Angang Group will increase significantly.

Scrap Steel and Abandoned Materials:

In order to improve the efficiency of resource utilization, strengthen the ability to control scrap steel resources, safeguard the steel industry chain and enhance the core competitiveness of the industry, in June 2023, the Company established a platform for the specialized operation of scrap steel, i.e., the establishment of Angang Green Gold Industry Development Co., Ltd.* (鞍鋼綠金產業發展有限公司)(“**Green Gold**”). Green Gold is a wholly-owned subsidiary of the Company, mainly engaging in the procurement and recycling of scrap steel, as well as scrap steel processing, dismantling, warehousing, distribution and other service businesses. The major customers of Green Gold include those with procurement needs of scrap steel in Northeast China. To improve its market share and increase its control and influence over scrap steel resources, Green Gold will coordinate the supply of scrap steel resources for iron and steel business in Liaoning, and the subsidiaries of Angang Group in Liaoning will become its important customers. Accordingly, after the establishment of Green Gold, its target customers include the Company's connected persons. Based on the processing and treatment capacity of Green Gold and the projected demand for scrap steel by Angang Group, the Company expects that there will be a significant increase in the Company's connected transactions for the sale of Scrap Steel and Abandoned Materials to Angang Group.

Reasons and Benefits for the Revision of Current Annual Caps

Steel production has a strong continuity. Angang Group has abundant iron ore resource reserves and advanced mining and processing capabilities, and has long been engaged in the mining, supply, processing and manufacturing of raw fuel materials, which is part of the Group's supply chain and the Group's guarantee to a stable and high-quality continuous supply of raw fuel materials. Angang Group also has strong engineering, technology, logistics, transportation and other service capabilities related to the iron and steel industry, which provide the Group with the necessary support services for its production and operation. In addition, (i) the sales of Scrap Steel and Abandoned Materials to Angang Group provides a reliable customer base and stable income to the Group; (ii) to further promote a mutually beneficial cooperative relationship, the Group may also utilize its own marketing network in the domestic steel market and purchase steel products from Angang Group for sale, effectively providing steel trading services for Angang Group; the quality of products provided by Angang Group is also stable and reliable due to the long-established and stable relationship; and (iii) the Supply of Materials and Services Agreement (2022 – 2024) (as revised by the Supplemental Agreement) does not restrict the Group to sell and/or procure products and/or services to and/or from the corresponding contractual parties only and therefore offers an additional option to the Group. Hence, the Group may, but is not obliged to, sell and/or procure the products and/or services to and/or from the corresponding contractual parties if the price and quality are competitive. Considering the business development needs of the Company as mentioned above, the Group's demand for certain categories of connected transactions will increase accordingly in 2023 and 2024. The entering into of the Supplemental Agreement is conducive to ensuring the stable operation of the Company's production and operation, enhancing the Group's ability to control the scrap steel resources, safeguarding the steel industry chain, improving the core competitiveness of the industry, and promoting the mutually beneficial cooperation between the Group and Angang Group.

The Board is of the view that the terms of the Supplemental Agreement and the Proposed Revised Annual Caps are fair and reasonable and that the transactions contemplated thereunder are in the ordinary and usual course of business of the Company, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

MEASURES TO ENSURE COMPLIANCE WITH THE LISTING RULES

In order to ensure that the pricing standards under the Supply of Materials and Services Agreement (2022-2024) (as revised by the Supplemental Agreement) are effectively implemented from time to time, the Transactions have been, and will continue to 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 (2022-2024) (as revised by the Supplemental 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 various operating divisions in accordance with the Procedures and the framework agreements for continuing connected transactions, the Company has designated departments responsible for monitoring the Group's continuing connected transactions. In particular, the Finance and Operation Department (財務運營部) of the Company supervises and manages the continuing connected transactions, and review the connected transactions amount on a monthly basis. Other departments such as the Manufacturing Administration Department (製造管理部), the Equipment and Engineering Department (設備工程部), the Purchase Department (採購部門) and the Sales Department (銷售部門) (the “**Relevant Departments**”) are responsible for determining the price of the continuing connected transactions relating to each of their own operations, based on the relevant market price and according to the connected transactions internal control mechanisms of the Company and the relevant connected transactions agreements.

There are designated teams within the Finance and Operation Department to continuously monitor the variation of market prices, carry out price supervision and internal control based on the internal control mechanism of the Company and connected transaction agreements, record and organize the basis and materials of pricing, thereby enabling the Company to accurately assess the price payable or receivable by the Company under the Supply of Materials and Services Agreement (2022–2024) (as revised by the Supplemental Agreement). To monitor the variation of market prices, for instance, the Finance and Operation Department and the Relevant Departments would collect the quotations gathered from daily operations in respect of similar transactions with independent third parties or the industry reference price, and compare such prices with the price offered by Angang Group to assess the reasonableness thereof. The Finance and Operation Department and the Relevant Departments will usually make enquiries with not less than two independent third party suppliers or service providers of the relevant commodities or services. When there are less than two independent third party suppliers or service providers who can provide products or services meeting the requirements of the Company, the Finance and Operation Department and Relevant Departments will make enquiries with one independent third party supplier or service provider, and inquire relevant price information reported or published by relevant industry professional websites or industry professional institutions. 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 to ensure such price will not be less favourable than those available from or offered to independent third parties.

The Board considers that the above internal control procedures adopted by the Company in connection with the continuing connected transactions with Angang Group remain appropriate and sufficient, and will give sufficient assurance that the continuing connected transactions will continue to be appropriately monitored by the Company.

GENERAL INFORMATION OF THE PARTIES

Angang Group Company is the ultimate controlling shareholder of the Company. As at the date of this announcement, it indirectly holds approximately 53.366% equity interest of the Company through Angang Holding. 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.

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 53.366% equity interest in 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.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Angang Group Company, as the ultimate controlling shareholder indirectly holding 5,016,111,529 A shares (representing approximately 53.366% equity interest) of the Company, is a connected person of the Company as defined under Chapter 14A of the Listing Rules. As a result, the Transactions constitute continuing connected transactions of the Company. Pursuant to Rule 14A.54(1) of the Listing Rules, if the Company proposes to revise the annual monetary caps of its continuing connected transactions, the Company is required to re-comply with the announcement and shareholders' approval requirements. As the transactions under the Supply of Raw Materials Agreement (2022-2024) which concern the supply of raw materials are similar in nature with certain transactions under the Supply of Materials and Services Agreement (2022-2024) (as revised by the Supplemental Agreement) and the relevant agreements were entered into by the Company with the same party, the transactions under the Supply of Raw Materials Agreement (2022-2024) and the Supply of Materials and Services Agreement (2022-2024) (as revised by the Supplemental Agreement) are aggregated pursuant to Rule 14A.81 of the Listing Rule. As the highest applicable percentage ratio in respect

of the transactions under the Supply of Raw Materials Agreement (2022-2024) and the Supply of Materials and Services Agreement (2022-2024) (as revised by the Supplemental Agreement) on an annual basis exceeds 5%, the entering into of the Supplemental Agreement and the Proposed Revised Annual Caps is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Wang Yidong (the chairman of the Company) who is also the deputy general manager of Angang Group Company and the chairman of Angang Holding, a wholly-owned subsidiary of Angang Group Company, Mr. Zhang Hongjun, Mr. Wang Baojun and Mr. Tian Yong, executive Directors of the Company, who also serve as directors of the subsidiaries of Angang Group Company, are considered to have a material interest in the Supplemental Agreement and the Proposed Revised Annual Caps. Mr. Wang Yidong, Mr. Zhang Hongjun, Mr. Wang Baojun and Mr. Tian Yong have abstained from voting on the resolutions in relation to the Supplemental Agreement and the Proposed Revised Annual Caps as proposed by the Board. Save as disclosed above, none of the Directors who attended the Board meeting for approving the Supplemental Agreement and the Proposed Revised Annual Caps has a material interest in the aforementioned matters.

SHAREHOLDERS' GENERAL MEETING AND APPROVAL

The Company will convene the EGM and submit the Supplemental Agreement and the Proposed Revised Annual Caps to the Independent Shareholders at the meeting to consider and, if thought fit, approve the same. Pursuant to the Rule 14A.36 of the Listing Rules, Angang Group Company and its associates will abstain from voting on the resolutions to be proposed at the EGM in relation to the Supplemental Agreement and the Proposed Revised Annual Caps.

An Independent Board Committee comprising all the independent non-executive Directors (namely, Mr. Feng Changli, Mr. Wang Jianhua, Mr. Wang Wanglin and Mr. Zhu Keshi) has been formed by the Company to advise the Independent Shareholders on whether the Supplemental Agreement and the Proposed Revised Annual Caps are on the normal commercial terms, and are fair and reasonable and in the interest of the Company and the Shareholders as a whole. TC Capital International Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

A circular containing, among other things, (i) further details of the Supplemental Agreement and the Proposed Revised Annual Caps; (ii) recommendation from the Independent Board Committee regarding the Supplemental Agreement and the Proposed Revised Annual Caps; (iii) recommendation from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Supplemental Agreement and the Proposed Revised Annual Caps; and (iv) other information as required by the Listing Rules, is expected to be despatched by

the Company to the Shareholders on or before 13 September 2023. If it is expected that there will be a delay to the despatch of the circular, a further announcement will be published in accordance with the Listing Rules stating the reason for the delay and the new expected date of despatch of the circular.

DEFINITIONS

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

“Angang Group Company”	Angang Group Company* (鞍鋼集團有限公司), a company incorporated in the PRC with limited liability, the ultimate controlling shareholder of the Company
“Angang Group”	Angang Group Company and its subsidiaries and associates (excluding the Group) from time to time
“Angang Holding”	Anshan Iron & Steel Group Co., Ltd. (鞍山鋼鐵集團有限公司), a wholly-owned subsidiary of Angang Group Company and the immediate holding company of the Company which holds 53.366% of equity interest in the Company as at the date of this announcement
“Board”	the board of Directors
“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 (stock code: 347) and the A shares of which are listed on the Shenzhen Stock Exchange (stock code: 898)
“Current Annual Caps”	the current annual monetary caps for the provision of steel products by Angang Group to the Group and provision of Scrap Steel and Abandoned Materials by the Group to Angang Group for the years ending 31 December 2023 and 2024 under the Supply of Materials and Services Agreement (2022-2024)
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened in due course, among other things, for the Independent Shareholders to consider and, if thought fit, approve the Supplemental Agreement and the Proposed Revised Annual Caps, and any adjournment thereof

“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising Mr. Feng Changli, Mr. Wang Jianhua, Mr. Wang Wanglin and Mr. Zhu Keshi, the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in respect of the Supplemental Agreement and the Proposed Revised Annual Caps
“Independent Financial Adviser” or “TC Capital”	TC Capital International Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), and appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Supplemental Agreement and the Proposed Revised Annual Caps
“Independent Shareholders”	Shareholders other than Angang Holding, its associates and all other parties (if any) who are interested or involved in the Supplemental Agreement and the Proposed Revised Annual Caps
“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
“Proposed Revised Annual Caps”	the proposed revised annual monetary caps for the provision of steel products by Angang Group to the Group and provision of Scrap Steel and Abandoned Materials by the Group to Angang Group for the years ending 31 December 2023 and 2024 under the Supplemental Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Scrap Steel and Abandoned Materials”	scrap steel, abandoned materials, obsolete or idle assets

“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental supply of materials and services agreement dated 23 August 2023 entered into between Angang Group Company and the Company in relation to the revision of the Current Annual Caps
“Supply of Materials and Services Agreement (2022-2024)”	the supply of materials and services agreement dated 11 October 2021 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 2024
“Supply of Raw Materials Agreement (2022-2024)”	the supply of raw materials agreement dated 11 October 2021 entered into between the Company and Pangang Group Vanadium & Titanium Resources Co., Ltd.* (攀鋼集團鈮鈦資源股份有限公司), a PRC company owned as to approximately 49.67% (through direct and indirect equity interest) by Angang Group Company, in respect of the supply of raw materials by Pangang Group Vanadium & Titanium Resources Co., Ltd. to the Group for the three years ending 31 December 2024
“Transactions”	the continuing connected transactions in relation to the provision of steel products by Angang Group to the Group and the provision of Scrap Steel and Abandoned Materials by the Group to Angang Group under the Supply of Materials and Services Agreement (2022-2024) (as revised by the Supplemental Agreement)
“%”	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
23 August 2023

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

Executive Directors:

Wang Yidong
Zhang Hongjun
Wang Baojun
Tian Yong

Independent Non-executive Directors:

Feng Changli
Wang Jianhua
Wang Wanglin
Zhu Keshi

* *For identification purpose only*