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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other independent professional adviser.

If you have sold or transferred all your shares in **Angang Steel Company Limited***, you should at once hand this circular to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)

**(1) REVISION OF ANNUAL CAPS IN RELATION TO THE
SUPPLY OF MATERIALS AND SERVICES AGREEMENT (2022–2024)**
**(2) REPURCHASE AND CANCELLATION OF PART
OF THE RESTRICTED SHARES**
**(3) ADJUSTMENT TO THE REGISTERED CAPITAL OF THE
COMPANY AND AMENDMENTS TO ARTICLES OF ASSOCIATION**

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



A letter from the Board is set out on pages 1 to 20 of this circular. A letter from the Independent Board Committee is set out on pages 21 to 22 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 23 to 37 of this circular.

A notice convening the EGM to be held at the Conference Room, Angang Steel Company Limited, Production Area of Angang Steel, Tie Xi District, Anshan City, Liaoning Province, the People's Republic of China on Thursday, 26 October 2023 at 2:00 p.m. and a notice convening the H Share Class Meeting to be held on the same day immediately following the conclusion of the class meeting of A Shareholders or any adjournment thereof are published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://angang.wspr.com.hk>) on 3 October 2023.

The proxy forms for use at the EGM and the H Share Class Meeting are published on the websites of the Stock Exchange and the Company on 3 October 2023. Whether or not you are able to attend the EGM and/or the H Share Class Meeting, you are requested to complete and return the proxy forms in accordance with the instructions printed thereon and return them to the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 24 hours before the time appointed for holding of the EGM and/or the H Share Class Meeting or any adjournment thereof. Completion and return of the proxy forms will not preclude you from attending the EGM and the H Share Class Meeting and voting in person if you so wish.

3 October 2023

* For identification purpose only

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DEFINITIONS

In this circular, the following words and expressions shall, unless the context otherwise requires, have the following respective meanings:

“A Shares”	the domestic shares of the Company with a par value of RMB1.00 each, listed on the Shenzhen Stock Exchange and traded in RMB
“Administrative Measures”	the Administrative Measures for Equity Incentives of Listed Companies (《上市公司股權激勵管理辦法》)
“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
“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 Latest Practicable Date
“Articles of Association”	the articles of association of the Company
“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 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

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be held at the Conference Room, Angang Steel Company Limited, Production Area of Angang Steel, Tie Xi District, Anshan City, Liaoning Province, the People’s Republic of China on Thursday, 26 October 2023
“First Grant”	the proposed grant of no more than 48,600,000 Restricted Shares to the Incentive Participants as the first batch pursuant to the Scheme
“Grant Price”	the price at which an A Share is granted to the Incentive Participants
“Group”	the Company and its subsidiaries from time to time
“H Share(s)”	the overseas listed foreign shares in the ordinary share capital of the Company with a par value of RMB1.00 each, which are listed on the Main Board of the Stock Exchange
“H Shareholder(s)”	registered holders of H Share(s)
“H Share Class Meeting”	the 2023 second H Share class meeting of the Company to be held at the Conference Room, Angang Steel Company Limited, Production Area of Angang Steel, Tie Xi District, Anshan City, Liaoning Province, the People’s Republic of China, immediately following the conclusion of the EGM and the class meeting of A Shareholders or any adjournment thereof on Thursday, 26 October 2023
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Incentive Participant(s)”	the person(s) to whom the Restricted Shares are to be granted under the Scheme
“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

DEFINITIONS

“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 SFO), 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
“Latest Practicable Date”	27 September 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time
“Model Code”	the Model Code of Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“PRC” or “China”	the People’s Republic of China, which for the purpose of this circular 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
“Reserved Grant”	the proposed grant of no more than 5,400,000 Restricted Shares to the Incentive Participants pursuant to the Scheme
“Restricted Share(s)”	a certain number of A Share(s) to be granted by the Company to the Incentive Participants on such conditions, and at such prices, as specified under the Scheme. Such A Share(s) are subject to the Lock-up Period and such lock-up restrictions can be lifted only when the conditions for lifting such restrictions under the Scheme have been satisfied

DEFINITIONS

“RMB”	Renminbi, the lawful currency of the PRC
“Scheme”	the 2020 Restricted Share Incentive Scheme of A Shares of the Company (Draft) (鞍鋼股份有限公司2020年限制性股票激勵計劃(草案))
“Scrap Steel and Abandoned Materials”	scrap steel, abandoned materials, obsolete or idle assets
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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

DEFINITIONS

“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.

* *The Chinese name(s) of the PRC entities have been translated into English in this circular for reference only. In the event of any discrepancies between the Chinese names of the PRC entities and their respective English translations, the Chinese version shall prevail.*

LETTER FROM THE BOARD



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)

Executive Directors:

Wang Jun
Zhang Hongjun
Wang Baojun
Tian Yong

*Registered office and Principal place of
business in the PRC:*

Production Area of Angang Steel
Tie Xi District, Anshan City
Liaoning Province, the PRC

Independent non-executive Directors:

Feng Changli
Wang Jianhua
Wang Wanglin
Zhu Keshi

Principal place of business in Hong Kong:

33/F, Edinburgh Tower
The Landmark, 15 Queen's Road Central
Central, Hong Kong

3 October 2023

To the Shareholders

Dear Sir or Madam,

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

**(2) REPURCHASE AND CANCELLATION OF PART OF
THE RESTRICTED SHARES**

**(3) ADJUSTMENT TO THE REGISTERED CAPITAL OF THE COMPANY AND
AMENDMENTS TO ARTICLES OF ASSOCIATION**

INTRODUCTION

Reference is made to (i) the announcement of the Company dated 23 August 2023 in relation to the Supplemental Agreement and the Proposed Revised Annual Caps, (ii) the announcement of the Company dated 30 August 2023 in relation to the proposed repurchase and cancellation of part of the Restricted Shares, and (iii) the announcement of the Company dated 26 September 2023 in relation to the adjustments to the registered capital of the Company and the amendments to the Articles of Association.

LETTER FROM THE BOARD

The purposes of this circular are:

- (1) to provide details in respect of the Supplemental Agreement and the Proposed Revised Annual Caps;
- (2) to set out the recommendations from the Independent Board Committee in respect of the Supplemental Agreement and the Proposed Revised Annual Caps;
- (3) to set out the advice from TC Capital in respect of the Supplemental Agreement and the Proposed Revised Annual Caps;
- (4) to provide details in respect of the repurchase and cancellation of part of the Restricted Shares, the adjustments to the registered capital of the Company and the amendments to the Articles of Association; and
- (5) to provide the Shareholders with other information required under the Listing Rules.

At the EGM, special resolutions will be proposed to approve (i) the repurchase and cancellation of part of the Restricted Shares, and (ii) the adjustments to the registered capital of the Company and the amendments to the Articles of Association.

At the H Share Class Meeting, a special resolution will be proposed to approve the repurchase and cancellation of part of the Restricted Shares.

According to the Articles of Association, a special resolution shall be passed by an affirmative vote of more than two-thirds of the Company's total voting shares being held by the Shareholders who are present at the meeting (including proxies).

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

I. BACKGROUND

References are 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.

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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.

II. 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. Set out below are the principal terms of the Supply of Materials and Services Agreement (2022–2024), as revised by the Supplemental Agreement:

- Date: 11 October 2021, revised on 23 August 2023
- Parties: (i) The Company; and
(ii) Angang Group Company
- Subject matter: (i) Supply of principal Raw and Fuel Materials, steel products, Ancillary Materials and Energy and Power from Angang Group to the Group;
(ii) Supply of Products, Scrap Steel and Abandoned Materials from the Group to Angang Group;
(iii) Provision of Supporting 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 Supply of Materials and Services Agreement (2022–2024) shall be effective from 1 January 2022 to 31 December 2024.

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Payment: In lump sums or by installments. The timing 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 Supply of Materials and Services Agreement (2022–2024) (as revised by the Supplemental Agreement) and the transactions contemplated thereunder will continue to be made through internal resources of the Group.

Pricing Standards

As set out in the Supply of Materials and Services Agreement (2022–2024) (as revised by the Supplemental Agreement), for steel products, the price is determined based on the selling price of the Group to third parties after deducting a consignment fee of no less than RMB15 per tonne.

For Scrap Steel and Abandoned Materials, the price is determined based on market price or appraised price. The Group makes reference to prices of scrap steel published on Mysteel (www.mysteel.com) and other professional websites. According to the website of Mysteel (www.mysteel.com) and publicly available information of Shanghai Ganglian E-commerce Holdings Co., Ltd* (上海鋼聯電子商務股份有限公司) (Shenzhen Stock Exchange stock code: 300226) (“**Shanghai Ganglian**”), Mysteel is a professional steel information interactive platform operated by Shanghai Ganglian, providing domestic and international steel market information and releasing various statistics and information of the domestic and international steel market. Shanghai Ganglian is a price reporting agency certified by the International Organization of Securities Commissions (IOSCO), and is a data collection company in cooperation with the Development and Research Center of the State Council, National Development and Reform Commission, National Bureau of Statistics and the Ministry of Commerce. As there is usually a delay in response during severe fluctuations in scrap steel prices, the data published on the websites cannot fully reflect the true market price. In order to better approach the market and truly reflect the market prices in the region, the Company usually sells scrap steel by participating in the public bidding of customers.

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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			Utilisation rate for			Current annual monetary cap for the			Proposed revised annual	
	the year	the six	the seven	the year	the six	the seven	year ending 31 December			monetary cap for the year	
	ended	months	months	ended	months	months				ending 31 December	
	31 December	30 June	31 July	31 December	30 June	31 July	2022	2023	2024	2023	2024
	(unaudited)	(unaudited)					(RMB'	(RMB'	(RMB'	(RMB'	(RMB'
	million)	million)	million)	(%)	(%)	(%)	million)	million)	million)	million)	million)
Steel products	1,006	616	650	68.8	37.7	39.8	1,462	1,632	1,836	9,357	9,752
Scrap Steel and Abandoned Materials	341	160	185	81.6	36.7	42.4	418	436	456	766	6,563

In 2022, the economic growth of the world's major economies slowed down, the global steel market was in the doldrums, and the iron and steel industry in the PRC was significantly impacted. Both the price and demand of the steel market decreased compared to 2021, steel prices fluctuated downward, and the supply and demand of scrap steel were both weak. The utilisation rates of the annual caps for steel products and Scrap Steel and Abandoned Materials for 2022 were 68.8% and 81.6%, respectively.

The utilisation rate of the Current Annual Cap up to the six months ended 30 June 2023 is approximately 75.5% for steel products on an annualised basis. The low utilisation rate is due to the fact that under the internal control of continuing connected transactions of the Company, the annual caps had been broken down and allocated to various departments/units. Although the Company has proposed to increase the Current Annual Cap for purchasing steel products due to the Company's business expansion needs, each department/unit has been under strict control of the allocated amount of Current Annual Cap and has not yet started new business before being granted additional quota.

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The utilisation rate of the Current Annual Cap up to the six months ended 30 June 2023 is approximately 73.4% for Scrap Steel and Abandoned Materials on an annualised basis. The low utilisation rate is due to the fact that (i) according to the website of Mysteel, the comprehensive price index of scrap steel in the first half of 2023 decreased by 17.1% year on year, and the corresponding sales price of the Company's scrap steel also decreased by 17.3% year on year; and (ii) Green Gold is expected to commence operation in the fourth quarter of 2023, and the continuing connected transactions of sales of scrap steel by Green Gold has not yet started.

As at the Latest Practicable Date, (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. The Group has put in more effort in customers development in auto steel. By strengthening strategic cooperation with new customers in auto steel, the Group will significantly increase its amount of sales of auto steel products. Based on the steel demand of key customers in the automobile industry, the Company expects that its purchase of Angang Group's auto steel products will increase by 476% in 2023 as compared to the estimated amount of steel products under the Current Annual Cap for 2023. In addition, with the recovery of the home appliance industry in Southwest China, it is expected that the home appliance industry will recover in an orderly manner in 2023, steel prices will increase significantly compared with 2022, and the sales of home appliances will increase in the second half of 2023. In addition, Angang Group had communicated with its customers about the supply of some high value products such as high-end auto steel and stainless steel in 2023, which will further increase the average price of steel products in 2023. It is expected that the average price of steel products purchased in 2023 will increase by approximately 5.5% as compared to the

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average price in 2022. Therefore, it is expected that such connected transactions for the purchase of steel products from Angang Group will increase significantly. The Group estimates an increase of approximately 4.2% for the Proposed Revised Annual Cap for steel products in 2024 based on the estimated amount in 2023, which is close to the average growth rate of China's gross domestic product (GDP) in the past five years. According to data from the National Bureau of Statistics, China's GDP has increased by an average annual growth rate of approximately 5% in the last five years.

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 expected to commence operation in the fourth quarter of 2023. 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.

Through the establishment of Green Gold, Angang Group can realise a strong control over the scrap steel resources in the northeast region in China, influence the market price of scrap steel, reduce the production cost and standardise the management of scrap steel resources. The main business goal of Green Gold in the future is to enhance the bargaining power for high-quality scrap steel through centralized purchasing and selling it to customers. For the low-quality scrap steel purchased, the Group may change the physical state of scrap steel by way of processing, the proportion of scrap steel will be increased, and the impurities of scrap steel will be removed, so as to ensure the yield of smelting, provide high-quality and low-priced fine scrap steel for the Group and Angang Group, and

LETTER FROM THE BOARD

ultimately realise the healthy development of the Group's scrap steel business and create a vibrant green scrap steel industry ecosystem. Specifically, the Company aims to achieve the following through the establishment of Green Gold:

1. To strengthen the control over scrap steel resources and to ensure the safety of the steel industry chain

According to the “dual carbon” strategy of China and due to the development trend of green manufacturing, the steel industry's demand for scrap steel will continue to increase. In order to ensure the safety of the steel industry chain, it is necessary to accelerate the creation of a professional platform, so as to strengthen and expand the scrap steel industry, solidify the Company's position in the market, and achieve the Company's goal of being the “price ballast, quality stabiliser, resource controller and risk firewall”.

2. To continuously improve the efficiency and benefits of the industry by implementing integrated operation

Through “unified procurement, mining directly from bases, resource balance”, the Company may accelerate the integrated operation of the scrap steel industry, realise resource balance through internal co-ordination, and implement the whole process, one-stop supply services. Externally, the Company can solve various types of pain points for suppliers. The Company can identify the source, implement unified procurement, cut down intermediate links, reduce procurement costs, so as to continue to improve the efficiency and benefits of industrial operations.

3. To promote the industrialised development and to continuously enhance the core competitiveness of the industry

The Company will accelerate the intelligent processing and testing, integrated and centralised control and the construction of intelligent service platform for the steel scrap industry, strengthen systematic, regulated and standardised management, and thoroughly promote the comprehensive recycling of resources, so as to continuously enhance the core competitiveness of the industry, lead and promote high-quality development, and create an ecosystem for the steel scrap industry.

It is expected that Company A, a subsidiary of Angang Group, will be one of the major customers of Green Gold. Based on the expected demand of Company A for scrap steel, Green Gold is expected to supply approximately 129.4 thousand tonnes of scrap steel to Company A in 2023. Estimated at the average price at which the Company purchased scrap steel in 2022 and taking into account a price buffer of 4%, the Group is expected to sell scrap steel amounting to RMB446 million to Company A in 2023. Based on the transaction amount

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of RMB160 million of Scrap Steel and Abandoned Materials between the Group and Angang Group in the six months ended 30 June 2023, the Group estimates that the Group will sell Scrap Steel and Abandoned Materials amounting to RMB320 million to Angang Group other than Company A in 2023. In addition, in determining the Proposed Revised Annual Cap for the Scrap Steel and Abandoned Materials for 2024, the Company takes into account the expected demand for scrap steel of Company A in 2024 and is expected to sell approximately 1,673 thousand tonnes of scrap steel to Company A in 2024. Based on the estimated amount of scrap steel resources in the northeast region of China, Green Gold has sufficient trade and distribution capabilities to meet the procurement needs of Angang Group. In addition, after the establishment of Green Gold, the annual processing capacity of scrap steel of the Group will be approximately 3.96 million tonnes. In 2024, Green Gold will further enhance its processing capacity by acquiring or leasing production lines based on the actual demand for scrap steel processing. Estimated at the average price at which the Company purchased scrap steel in 2022 and taking into account a price buffer of 7%, the Group is expected to sell scrap steel amounting to RMB6,384 million to Angang Group in 2024. Based on the transaction amount of RMB85 million of abandoned materials between the Group and Angang Group in the six months ended 30 June 2023, the Group estimates that the Group will sell abandoned materials amounting to RMB179 million to Angang Group in 2024.

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

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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.

III. 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 or units 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 or units 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,

LETTER FROM THE BOARD

the Finance and Operation Department and the Relevant Departments or units 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.

IV. GENERAL INFORMATION OF THE PARTIES

Angang Group Company is the ultimate controlling shareholder of the Company. As at the Latest Practicable Date, 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 Group Company is held as to 64.3486% by the State-owned Assets Supervision and Administration Commission of the State Council, 17.8257% by China Guoxin Holding Co., Ltd.* (中國國新控股有限責任公司), and 17.8257% by China Chengtong Holdings Group Limited* (中國誠通控股集團有限公司). Both China Guoxin Holding Co., Ltd. and China Chengtong Holdings Group Limited are wholly owned by the State Council.

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 Latest Practicable Date, 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.

LETTER FROM THE BOARD

V. IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, 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 (former chairman of the Company and resigned on 22 September 2023) who is also the deputy general manager of Angang Group Company and the chairman of Angang Holding, 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 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.

VI. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 21 to 22 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM in relation to the Supplemental Agreement and the Proposed Revised Annual Caps. Your attention is also drawn to the letter of advice from TC Capital set out on pages 23 to 37 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Supplemental Agreement and the Proposed Revised Annual Caps.

LETTER FROM THE BOARD

The Independent Board Committee, having considered the advice given by TC Capital, is of the opinion that the Supplemental Agreement and the Proposed Revised Annual Caps are entered into in the ordinary and usual course of business of the Group and on normal commercial terms, are fair and reasonable and are in the interests of the Group and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the entering into of the Supplemental Agreement and thereby approve the Proposed Revised Annual Caps.

The Board recommends the Independent Shareholders to vote in favour of the ordinary resolution to approve the entering into of the Supplemental Agreement and the Proposed Revised Annual Caps at the EGM.

REPURCHASE AND CANCELLATION OF PART OF THE RESTRICTED SHARES

Reference is made to the announcement of the Company dated 30 August 2023 in relation to, among other things, the repurchase and cancellation of part of the Restricted Shares. The Company proposes to repurchase and cancel the Restricted Shares granted to certain Incentive Participants (the “**Repurchase Participants**”) in accordance with the rules of the Scheme (the “**Repurchase and Cancellation**”).

I. PARTICULARS OF THE REPURCHASE AND CANCELLATION

1. Reasons for and Quantity and Price of the Repurchase and Cancellation

The performance appraisal standards at the Company level for the second unlocking period of the Scheme failed to be satisfied. The Company repurchased and cancelled 15,370,971 Restricted Shares as a whole (including 13,818,750 shares under the First Grant and 1,552,221 shares under the Reserved Grant) in the corresponding performance appraisal year at the lower of the grant price or the market price. The repurchase price under the First Grant was RMB1.85 per share, and the repurchase price under the Reserved Grant was RMB2.31 per share.

Among the Incentive Participants of the First Grant, three of them severed or terminated their labor relationship with the Company due to job relocation, and one Incentive Participant of the First Grant retired, and the above persons were no longer qualified as Incentive Participants, thus the Company is required to repurchase and cancel a total of 219,584 Restricted Shares that have been granted but not yet unlocked (excluding a total of 379,500 Restricted Shares that have been granted but not yet satisfied the conditions for unlocking during the second unlocking period) and to pay interest at the benchmark interest rate of RMB fixed lump-sum deposit and withdrawal of financial institutions issued by the People’s Bank of China in the same period, at a repurchase price of RMB1.96 per share.

LETTER FROM THE BOARD

2. Number of A Shares under the Repurchase and Cancellation

The Company proposes to repurchase and cancel an aggregate of 15,590,555 Restricted Shares, representing approximately 0.17% of the total share capital of the Company before the Repurchase and Cancellation.

3. Total Amount and Source of Funds for the Repurchase

A total amount of RMB29,580,702.65 will be used to effect the Repurchase and Cancellation, which will be entirely the own funds of the Company.

4. Repurchase from Connected Persons

A total of 35 of the Repurchase Participants are a current director of the Company or a subsidiary, or a current supervisor of a subsidiary, or were former director(s) or supervisor(s) of a subsidiary in the last 12 months. As such, they are connected persons of the Company pursuant to Chapter 14A of the Listing Rules. The details of such Repurchase Participants and the repurchase of Restricted Shares are set out below:

No.	Name	Reason for being a connected person	Number of Restricted Shares to be repurchased (A Shares)
1.	Zhang Hongjun (張紅軍)	Director and general manager of the Company and director of subsidiaries	22,000
2.	Tian Yong (田勇)	Director of the Company	99,000
3.	Wang Baojun (王保軍)	Director of the Company	87,615
4.	Zhang Guoqiang (張國強)	Former director and general manager of a subsidiary in the last 12 months	167,000
5.	Wang Zhi (王植)	Director of a subsidiary	150,000

LETTER FROM THE BOARD

No.	Name	Reason for being a connected person	Number of Restricted Shares to be repurchased <i>(A Shares)</i>
6.	Cui Hang (崔航)	Former director of a subsidiary	82,500
7.	Guo Fang (郭放)	Supervisor of the Company and former director of a subsidiary	61,875
8.	Meng Jinsong (孟勁松)	Director of a subsidiary	148,500
9.	Sha Xiaochun (沙孝春)	Director and general manager of a subsidiary	132,000
10.	Wang Lin (王琳)	Director of a subsidiary	99,000
11.	Jiang Hai (薑海)	Director of subsidiaries	99,000
12.	Jia Qichao (賈啟超)	Director of a subsidiary and supervisor of a subsidiary	90,750
13.	Wei Rongkun (魏榮堃)	Supervisor of a subsidiary	99,000
14.	Jing Yufeng (景玉峰)	Supervisor of a subsidiary	99,000
15.	Li Wanhai (李萬海)	Director of a subsidiary	99,000
16.	Li Chengwei (李成偉)	Supervisor of subsidiaries	99,000
17.	Cui Shujun (崔樹鈞)	Director of a subsidiary	82,500
18.	Lai Wei (來威)	Director and general manager of a subsidiary	82,500

LETTER FROM THE BOARD

No.	Name	Reason for being a connected person	Number of Restricted Shares to be repurchased <i>(A Shares)</i>
19.	Du Bin (杜斌)	Director of a subsidiary	99,000
20.	Li Hongyu (李紅雨)	Director of a subsidiary	99,000
21.	Fu Zhihai (付志海)	Director of a subsidiary	99,000
22.	Xue Zhanqiang (薛占強)	Director of a subsidiary	99,000
23.	Cao Pizhi (曹丕智)	Director of a subsidiary	82,500
24.	Chen Zhonggang (陳忠剛)	Director and general manager of a subsidiary	82,500
25.	Yu Bin (于斌)	Director and general manager of a subsidiary	82,500
26.	Ran Maoyu (冉茂宇)	Director and general manager of subsidiaries	82,500
27.	Li Yang (李陽)	Director of a subsidiary	82,500
28.	Zhang Yong (張勇)	Supervisor of a subsidiary	82,500
29.	Wang Wei (王巍)	Director of a subsidiary	66,000
30.	Gao Yi (高毅)	Director of subsidiaries	49,830
31.	Sun Yi (孫一)	Director of subsidiaries	38,610

LETTER FROM THE BOARD

No.	Name	Reason for being a connected person	Number of Restricted Shares to be repurchased (A Shares)
32.	Yu Shengquan (于生泉)	Supervisor of a subsidiary	51,480
33.	Shu Chang (舒暢)	Director and general manager of a subsidiary	38,610
34.	Cheng Yu (程愉)	Director of subsidiaries	42,900
35.	Sun Xiaoyu (孫曉宇)	Director of subsidiaries	51,480

As the repurchase of Restricted Shares from aforesaid Repurchase Participants will be conducted on normal commercial terms or better, and all the applicable percentage ratios are less than 0.1%, the transactions will be fully exempt from the reporting, announcement and independent shareholders' approval requirements in relation to connected transactions under Rules 14A.73(1) and 14A.76(1) of the Listing Rules.

LETTER FROM THE BOARD

II. SHARE CAPITAL AFTER COMPLETION OF THE REPURCHASE AND CANCELLATION

The total number of Restricted Shares under the Repurchase and Cancellation is 15,590,555 A Shares. Upon completion of the procedures of the Repurchase and Cancellation of Restricted Shares, the Company's total number of shares will be reduced from 9,399,442,527 to 9,383,851,972. The share capital of the Company before and after the Repurchase and Cancellation (if implemented) will be as follows:

Nature of shares	Before the Repurchase		Increase/ decrease	After the Repurchase	
	Number of shares	Percentage of total share capital (%)		Number of shares	Number of shares
Restricted A Shares	31,870,758	0.34	-15,590,555	16,280,203	0.17
Outstanding shares	9,367,571,769	99.66	0	9,367,571,769	99.83
– A Shares	7,956,031,769	84.64	0	7,956,031,769	84.78
– H Shares	1,411,540,000	15.02	0	1,411,540,000	15.04
Total	9,399,442,527	100.00	-15,590,555	9,383,851,972	100.00

Notes:

- The percentage figures in the table are rounded up to two decimal places, and any discrepancy between the sum of the sub-items and the total figure is due to rounding.
- Specific changes in share capital shall be subject to the “Issuer’s Share Capital Structure Table” issued by China Securities Depository and Clearing Corporation Limited.

The Repurchase and Cancellation will not result in any change in the controlling shareholder of the Company. The Company's shareholding structure will remain in compliance with relevant requirements under the Listing Rules of the Shenzhen Stock Exchange and The Stock Exchange of Hong Kong Limited.

III. IMPACT OF THE REPURCHASE AND CANCELLATION ON THE OPERATING RESULTS OF THE COMPANY

The Repurchase and Cancellation will not have any material impact on the operating results and financial conditions of the Company.

LETTER FROM THE BOARD

ADJUSTMENTS TO THE REGISTERED CAPITAL OF THE COMPANY AND AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Reference is made to the announcement of the Company dated 26 September 2023 relating to, among other things, the amendments to the Articles of Association. Following the completion of the Repurchase and Cancellation, the registered capital of the Company is expected to decrease by RMB15,590,555 and corresponding amendments will also be made to the Articles of Association in relation to the adjustments to the registered capital in the Company.

The adjustments to the registered capital of the Company and the amendments to the Articles of Association are to be approved by Shareholders by passing a special resolution at the EGM by way of poll. The amendments to the Articles of Association shall come into effect upon approval by Shareholders at the EGM. The Board proposes to authorize the Chairman and the persons authorized by the Chairman to handle all formalities and matters in relation to the change of the registered capital of Company and the amendments to the Articles of Association.

The proposed amendments to the Articles of Association are set out in Appendix II to this circular. The new Articles of Association are compiled in Chinese and there is no official English translation. As such, the English version of the new Articles of Association is only a translation copy. In case of any discrepancy, the Chinese version prevails.

THE EGM AND H SHARE CLASS MEETING

The Company will convene the EGM and submit the Supplemental Agreement and the Proposed Revised Annual Caps to the Independent Shareholders at the EGM to consider and, if thought fit, approve the same. Angang Group Company and its associates, holding 5,016,111,529 A shares (representing approximately 53.366% equity interest) of the Company as at the Latest Practicable Date, will abstain from voting on the resolution to be proposed at the EGM in relation to the Supplemental Agreement and the Proposed Revised Annual Caps. Shareholders who are Incentive Participants of the Scheme and Shareholders who are connected persons of the Incentive Participants are required to abstain from voting in respect of the Repurchase and Cancellation of part of the Restricted Shares at the EGM and the H Share Class Meeting.

A notice convening the EGM to be held at the Conference Room, Angang Steel Company Limited, Production Area of Angang Steel, Tie Xi District, Anshan City, Liaoning Province, the People's Republic of China on Thursday, 26 October 2023 at 2:00 p.m. and a notice convening the H Share Class Meeting to be held on the same day immediately following the conclusion of the class meeting of A Shareholders or any adjournment thereof (whichever is later) are published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://angang.wspr.com.hk>) on 3 October 2023.

LETTER FROM THE BOARD

In order to determine the list of Shareholders who are entitled to attend and vote at the EGM or the H Share Class Meeting, the register of H Shareholders will be closed from Friday, 20 October 2023 to Thursday, 26 October 2023 (both days inclusive), during which period no transfer of shares will be registered. H Shareholders whose names appear on the register of H Shareholders of the Company at close of business on Thursday, 19 October 2023 are entitled to attend and vote at the EGM or the H Share Class Meeting. In order to attend and vote at the EGM or the H Share Class Meeting, any H Shareholder whose transfer has not been registered shall lodge the transfer documents together with the relevant share certificates with the Company's H share registrar in Hong Kong (see below) by no later than 4:30 p.m. on Thursday, 19 October 2023.

The proxy forms for use at the EGM and the H Share Class Meeting are published on the websites of the Stock Exchange and the Company on 3 October 2023. Whether or not you are able to attend the EGM and/or the H Share Class Meeting, you are requested to complete and return the proxy form in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 24 hours before the time appointed for holding of the EGM and/or the H Share Class Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending the EGM and the H Share Class Meeting and voting in person if you so wish.

In accordance with the requirement of Rule 13.39(4) of the Listing Rules, the resolution to be considered, and if thought fit, to be passed at the EGM, shall be passed by way of a poll.

OTHER INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular and the notice of the EGM dated 3 October 2023.

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

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

3 October 2023

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular dated 3 October 2023 (the “**Circular**”) despatched to the Shareholders of Angang Steel Company Limited* of which this letter forms part. Unless the context otherwise requires, terms and expressions defined in the Circular shall have the same meanings in this letter.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders on the fairness and reasonableness with respect to the entering into of the Supplemental Agreement and the Proposed Revised Annual Caps. TC Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee on the entering into of the Supplemental Agreement and the Proposed Revised Annual Caps.

We wish to draw your attention to the letter from the Board set out on pages 1 to 20 of the Circular and the letter from TC Capital containing its advice to us set out on pages 23 to 37 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the advice given by TC Capital, we are of the opinion that the Supplemental Agreement and the Proposed Revised Annual Caps are entered into in the ordinary and usual course of business of the Group and on normal commercial terms, are fair and reasonable and are in the interests of the Group and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the entering into of the Supplemental Agreement and the Proposed Revised Annual Caps.

Yours faithfully,

For and on behalf of the Independent Board Committee

Feng Changli
Independent Non-
executive Director

Wang Jianhua
Independent Non-
executive Director

Wang Wanglin
Independent Non-
executive Director

Zhu Keshi
Independent Non-
executive Director

* *For identification purpose only*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Agreement, which has been prepared for the purpose of inclusion in this circular.



3 October 2023

*The Independent Board Committee and the Independent Shareholders
Angang Steel Company Limited**

Dear Sirs,

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

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the revision of the Current Annual Caps for the provision of steel products by the Angang Group to the Group and the provision of Scrap Steel and Abandoned Materials by the Group to the Angang Group under the Supply of Materials and Services Agreement (2022–2024), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 3 October 2023 issued to the Shareholders (the “**Circular**”). Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

As at the Latest Practicable Date, 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, they are

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

aggregated pursuant to Rule 14A.81 of the Listing Rules. 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 are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

We have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the Supplemental Agreement (including the Proposed Revised Annual Caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Transactions are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution to approve the Supplemental Agreement at the EGM.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to the independence of us. In the last two years, we have acted as an independent financial adviser to the then independent board committee and independent shareholders of the Company in relation to an occasion as detailed in the circular of the Company dated 9 November 2021. Given (i) our independent role in the abovementioned engagement; and (ii) our fees for the abovementioned engagement represented an insignificant percentage of our revenue, we consider that the abovementioned engagement would not affect our independence to form our opinion in respect of the Transactions.

BASIS OF OPINION

In putting forth our recommendation, we have relied on the information, opinions, facts and representations supplied to us by the Directors and/or the representatives of the Company. We have reviewed, amongst other things, (i) the Supplemental Agreement; (ii) the Supply of Materials and Services Agreement (2022–2024); (iii) the annual report of the Company for the year ended 31 December 2021 (the “**2021 Annual Report**”), the annual report of the Company for the year ended 31 December 2022 (the “**2022 Annual Report**”) and the interim report of the Company for the six months ended 30 June 2023 (the “**2023 Interim Report**”); (iv) other information as set out in the Circular; and (v) relevant market data and information available from public sources.

We have assumed that all such information, opinions, facts and representations provided to us by the Directors and/or the representatives of the Company, for which they are fully responsible, are true, accurate and complete in all respects. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and/or the representatives of the Company. The Company has also confirmed to us that no material facts have been omitted from the information supplied and we have no reason to suspect that any material information has been withheld or is misleading.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that we have sufficient information currently available to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided by the Directors and/or the representatives of the Company, nor have we conducted any independent investigation into the business, affairs, operations, financial position or future prospects of each of the Group, Angang Group Company and any of their respective subsidiaries and associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the Supplemental Agreement, we have taken into account the following principal factors and reasons:

1 Background information of the parties to the Supplemental Agreement

1.1 The Group

As stated in the Letter from the Board, the Company is a major steel manufacturing enterprise in the PRC. It is principally engaged in ferrous metal smelting and steel pressing and processing.

Set out below is certain financial information of the Group for the three years ended 31 December 2022 (“FY2020”, “FY2021” and “FY2022” respectively) and the six months ended 30 June 2022 and 2023 (“2022H1” and “2023H1” respectively) as extracted from the 2021 Annual Report, the 2022 Annual Report and the 2023 Interim Report:

	For the six months ended 30 June		For the year ended 31 December		
	2023	2022	2022	2021	2020
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
	(Unaudited)	(Unaudited)	(Audited)	(Audited) (Restated)	(Audited) (Restated)
Operating income	58,825	70,294	131,072	136,120	100,349
Operating (loss)/profit	(1,758)	2,224	(218)	9,023	2,694
Net (loss)/profit attributable to shareholders of the Company	(1,346)	1,716	156	6,964	2,190
	As at 30 June		As at 31 December		
	2023	2022	2022	2021	2020
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
	(Unaudited)	(Unaudited)	(Audited)	(Audited) (Restated)	(Audited) (Restated)
Total assets		95,754	96,935	98,652	89,166
Total liabilities		38,256	38,138	37,415	34,388
Equity attributable to shareholders of the Company		56,826	58,140	60,711	54,285

Note: In 2022, the Company completed the acquisition of net assets of the second power plant of Angang Holding and made retrospective adjustments to the financial data of 2021 and 2020.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown in the above table, the Group's unaudited operating income amounted to approximately RMB58,825 million for 2023H1, representing a decrease of approximately 16% as compared with the operating income for 2022H1. The unaudited net loss attributable to shareholders of the Company was approximately RMB1,346 million for 2023H1 as compared with the net profit attributable to shareholders of the Company of approximately RMB1,716 million for 2022H1. As stated in the 2023 Interim Report, the decrease in operating income and net profit attributable to shareholders of the Company for 2023H1 as compared with 2022H1 was mainly due to that in 2023H1, the steel industry continued with its weak performance momentum, with downstream demand remaining sluggish and steel prices fluctuating at a low level. While the prices of iron ore followed a consequent downward trend, the decrease was much smaller as compared to the decline in the prices of finished steel products. The rapid narrowing of price differentials between the supply and demand ends led to a decrease in gross profit contribution.

The audited operating income of the Group amounted to approximately RMB131,072 million for FY2022, representing a decrease of approximately 4% as compared with the operating income of the Group for FY2021. The audited net profit attributable to shareholders of the Company for FY2022 amounted to approximately RMB156 million, representing a substantial decrease of approximately 98% as compared with the net profit attributable to shareholders of the Company for FY2021. As stated in the 2022 Annual Report, such decrease in net profit attributable to shareholders of the Company was mainly because since the second quarter of 2022, affected by the global economic situation and changes in market supply and demand, the steel market has seen a weak cycle and low momentum with insufficient demand, a sharp drop in steel prices and an expanding loss in the steel industry.

The audited operating income of the Group amounted to approximately RMB136,120 million for FY2021, representing an increase of approximately 36% as compared with the operating income of the Group for FY2020. The audited net profit attributable to shareholders of the Company for FY2021 amounted to approximately RMB6,964 million, representing an increase of over two times as compared with the net profit attributable to shareholders of the Company for FY2020. As stated in the 2021 Annual Report, such increase in net profit attributable to shareholders of the Company was mainly because in 2021, the steel industry developed well and product prices increased. Besides, the Group effectively organised production and operation activities, optimised procurement and marketing strategies, vigorously adjusted the product mix, and strengthened fine management. The Group promoted continuous improvement in various technical and economic indicators through benchmarking and potential tapping, achieved significant cost reduction in processes, and stabilised and improved production and operation.

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The equity attributable to shareholders of the Company as at 31 December 2021 amounted to approximately RMB60,711 million, representing an increase of approximately 12% as compared to that as at 31 December 2020. The equity attributable to shareholders of the Company as at 31 December 2022 amounted to approximately RMB58,140 million, representing a decrease of approximately 4% as compared to that as at 31 December 2021. The equity attributable to shareholders of the Company as at 30 June 2023 amounted to approximately RMB56,826 million, representing a decrease of approximately 2% as compared to that as at 31 December 2022. Such movements were mainly due to the net profit of the Group for FY2021, the profit distribution to Shareholders for FY2022 and the net loss of the Group for 2023H1.

1.2 Angang Group Company and Angang Holding

As stated in the Letter from the Board, Angang Group Company is the ultimate controlling shareholder of the Company. As at the Latest Practicable Date, it indirectly held approximately 53.366% equity interest in 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 Group Company is held as to 64.3486% by the State-owned Assets Supervision and Administration Commission of the State Council, 17.8257% by China Guoxin Holding Co., Ltd.* (中國國新控股有限責任公司), and 17.8257% by China Chengtong Holdings Group Limited* (中國誠通控股集團有限公司). Both China Guoxin Holding Co., Ltd.* and China Chengtong Holdings Group Limited* are wholly owned by the State Council.

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 Latest Practicable Date, it directly held approximately 53.366% equity interest in the Company.

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2 Reasons for and benefits of the entering into of the Supplemental Agreement

As confirmed by the representatives of the Company, in view of (i) the long-established relationship between the Group and the Angang Group; (ii) the abundant iron ore resource reserves and advanced mining and processing capabilities of the Angang Group, as well as its long-term engagement in the mining, supply, processing and manufacturing of raw fuel materials, which is part of the Group's supply chain and provides the guarantee for the Group to a stable and high-quality continuous supply of raw fuel materials; (iii) the strong engineering, technology, logistics, transportation and other service capabilities of the Angang Group in the iron and steel industry, which provide the Group with the necessary support services for its production and operation; and (iv) that the Supply of Materials and Services Agreement (2022–2024) (as revised by the Supplemental Agreement) is conducive to maintaining 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 the Angang Group, the Board considers that the Transactions are beneficial to the continuity and stability of the production and operation of the Group, hence having a positive impact on the normal operation of the production and operation of the Group.

Besides, (i) the sales of Scrap Steel and Abandoned Materials to the 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 utilise its own marketing network in the domestic steel market and purchase steel products from the Angang Group for sale, effectively providing steel trading services for the Angang Group; the quality of products provided by the 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 offer an additional option to the Group. Hence, the Group may, but is not obliged to, sell and/or procure products and/or services to and/or from the corresponding contractual parties if the price and quality are competitive.

Therefore, we concur with the Directors' view that the Transactions, which are conducted in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole.

3 Principal terms of the Supplemental Agreement

3.1 *Principal terms of 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.

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Further details of the Supplemental Agreement are set out in the Letter from the Board.

According to the Supplemental Agreement and the Supply of Materials and Services Agreement (2022–2024), the price of steel products purchased from the Angang Group should be determined based on the selling price of the Group to third parties after deducting a consignment fee of no less than RMB15 per tonne, and the price of Scrap Steel and Abandoned Materials purchased by the Angang Group should be determined based on the market price or appraised price.

We conducted our works to assess the pricings of the Transactions and enquired into the five largest amount transactions of each category of the Transactions for each of FY2022 and 2023H1.

The five largest amount transactions of the supply of steel products by the Angang Group to the Group for each of FY2022 and 2023H1 involved the supply of steel products by the Angang Group to the Group. We have obtained the contracts and invoices and noted that the unit price of steel products purchased from the Angang Group was less than the unit price of steel products sold by the Group to independent third parties, and the difference was greater than the consignment fee of RMB15 per tonne as stipulated in the Supply of Materials and Services Agreement (2022–2024).

The five largest amount transactions of the supply of Scrap Steel and Abandoned Materials by the Group to the Angang Group for each of FY2022 and 2023H1 involved the supply of scrap steel by the Group to the Angang Group. As advised by the representatives of the Company, the pricing of scrap steel is determined with reference to the market price. We have obtained the contracts and the base prices of scrap steel of the Group applicable to independent third parties for the corresponding month, and noted that the base prices of scrap steel sold to the Angang Group were referred to the base prices of scrap steel of the Group available to independent third parties for the corresponding month.

Therefore, we are of the view that the pricing standards stipulated in the Supplemental Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

3.2 *The Proposed Revised Annual Caps and basis of determination*

The following table sets out the historical transaction amounts of the provision of steel products by the Angang Group to the Group and the provision of Scrap Steel and Abandoned Materials by the Group to the Angang Group for FY2022, 2023H1 and the seven months

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ended 31 July 2023, and the Proposed Revised Annual Caps for the two years ending 31 December 2024 (“FY2023” and “FY2024” respectively):

	Historical transaction amounts			Proposed Revised Annual Caps	
	For the year ended 31 December 2022 <i>RMB million</i>	For the six months ended 30 June 2023 <i>RMB million</i>	For the seven months ended 31 July 2023 <i>RMB million</i>	For the year ending 31 December 2023 <i>RMB million</i>	For the year ending 31 December 2024 <i>RMB million</i>
Steel products	1,006	616	650	9,357	9,752
Scrap Steel and Abandoned Materials	341	160	185	766	6,563

The Proposed Revised Annual Caps for the steel products

According to the Letter from the Board, the utilisation rates of the Current Annual Caps for the steel products on an annualised basis were approximately 68.8% and 75.5% respectively for FY2022 and 2023H1. We have discussed with the representatives of the Company and understood that the utilisation rate of the Current Annual Caps for the steel products for FY2022 was mainly due to the decline in the prices of steel products and the decrease in the demand for steel products. As stated in the 2022 Annual Report, the total operating income of steel products for FY2022 decreased by approximately 6.6% as compared with that for FY2021, with the effect of the global economic situation and a weak cycle of the steel market. The utilisation rate of the Current Annual Caps for the steel products for 2023H1 was mainly due to the fact that under the internal control of continuing connected transactions of the Company, the annual caps had been broken down and allocated to various departments/units. Although the Company has proposed to increase the Current Annual Cap for purchasing steel products due to the Company’s business expansion needs, each department/unit has been under strict control of the allocated amount of Current Annual Cap and has not yet started new business before being granted additional quota.

The representatives of the Company advised us that the Proposed Revised Annual Cap for the steel products for FY2023 was mainly based on the historical transaction amount of the steel products for 2023H1 of approximately RMB616 million and the expected purchase amounts of the auto steel products, the steel products used for home appliances and the Other Steel Products (defined as below) from customers for the six months ending 31 December 2023 (“2023H2”).

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For the auto steel products, according to the Letter from the Board, in order to better serve customers, the Company coordinates the sales channels of the 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. As a result, some of the steel products produced by the subsidiaries of Angang Group Company shall be sold indirectly to the customers after first being bought by the Group. The expected purchase amounts of the auto steel products from these customers for 2023H2 were approximately RMB7,844 million on which the Company has discussed with the relevant key customers. The expected purchase amounts from these customers for FY2023 accounted for approximately 90% of the total expected purchase amount of the auto steel products for FY2023. We have obtained the meeting records between the Company and these customers and noted the purchase plan for auto steel products of these customers from the Group for FY2023 and the expected purchase volume of the auto steel products for 2023H2. The representatives of the Company also advised us that the expected average price of auto steel products for FY2023 was determined based on the average historical transaction price of auto steel products of the Group for FY2022. Besides, the expected purchase amounts from two new customers for FY2023 accounted for approximately 94% of the total expected purchase amount of the auto steel products for FY2023.

For the steel products used for home appliances, the expected purchase amount of the steel products used for home appliances for 2023H2 was approximately RMB440 million on which the Company has discussed with the relevant key customers. The expected purchase amounts from these customers for FY2023 accounted for approximately 100% of the total expected purchase amount of the steel products used for home appliances for FY2023. We have obtained the meeting records between the Company and these customers and noted the purchase plan for steel products of these customers from the Group for FY2023 and the expected purchase volume of the steel products for 2023H2. The representatives of the Company also advised us that the expected average price of steel products used for home appliances for FY2023 was determined based on the average historical transaction price of steel products used for home appliances of the Group for FY2022 and the current market price of a new type of stainless steel.

The representatives of the Company advised us that the expected purchase amounts of the steel products for 2023H2 is mainly due to the demand of the customers engaged in manufacturing of vehicles or home appliances. With the publication of the policy of restoring and expanding consumption by the PRC government, the customers engaged in manufacturing of vehicles or home appliances are expected to increase their production. According to the Notice of the Measures of the National Development and Reform Commission for Restoring and Expanding Consumption Forwarded by the General Office of the State Council* (國務院辦公廳轉發國家發展改革委關於恢復和擴大消費措施的通知) (the “**Notice**”) dated 28 July 2023, measures will be taken to stabilise spending on big-

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ticket items, such as optimising vehicle purchases and management, expanding consumption of new energy vehicles, and promoting spending on home decoration materials and electronic products. Meanwhile, the Notice mentioned that efforts will be made to boost consumption of green products, such as smart home appliances and green building materials, in rural area, and encouraged the local government to provide subsidies for “trade-in” activities of home appliances and promote green and smart home appliances to the rural area.

For the steel products other than auto steel products and the steel products used for home appliances (the “**Other Steel Products**”), the expected purchase amount of the Other Steel Products for 2023H2 was approximately RMB456 million on which the Company has discussed with a relevant key customer. The expected purchase amount from this customer for FY2023 accounted for approximately 100% of the total expected purchase amount of the Other Steel Products for FY2023. We have obtained the meeting records between the Company and this customer and noted the purchase plan for steel products of this customer from the Group and the expected purchase amounts of the steel products for the fourth quarter of 2023. The representatives of the Company also advised us that the expected average price of the Other Steel Products for FY2023 was determined based on the current market price of similar steel products.

As shown in the above table, the Proposed Revised Annual Cap for the steel products for FY2024 is approximately RMB9,752 million, representing an increase of approximately 4% as compared to the previous year. Such increase was determined based on the average annual growth rate of the gross domestic product of the PRC. According to the website of the National Bureau of Statistics (國家統計局), the average annual growth rate of the gross domestic product of the PRC is approximately 5% for the last five years.

Given that (i) the expected purchase amounts of the steel products for 2023H2 are based on the discussion with the relevant key customers; and (ii) the policy of restoring and expanding consumption by the PRC government is expected to boost consumption and production of vehicles and home appliances, we are of the view that the Proposed Revised Annual Caps for the steel products are determined based on reasonable estimation and after due and careful consideration and are fair and reasonable so far as the Independent Shareholders are concerned.

The Proposed Revised Annual Caps for the Scrap Steel and Abandoned Materials

According to the Letter from the Board, the utilisation rates of the Current Annual Caps for the Scrap Steel and Abandoned Materials on an annualised basis were approximately 81.6% and 73.4% respectively for FY2022 and 2023H1. We have discussed with the representatives of the Company and understood that the utilisation rates of the Current Annual Caps for the Scrap Steel and Abandoned Materials for 2023H1 was mainly due to the decline in the price of scrap steel for 2023H1. According to the data extracted from the terminal of mysteel.com (www.mysteel.com) provided by the Company, the average scrap steel price composite index

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for 2023H1 decreased by approximately 17.1% as compared with that for 2022H1. We have also noted that the daily scrap steel price composite index was published on the website of the Price Monitoring Center of National Development and Reform Commission* (國家發展和改革委員會價格監測中心).

The representatives of the Company advised us that the Proposed Revised Annual Caps for the Scrap Steel and Abandoned Materials for FY2023 and FY2024 were mainly based on (i) the expected transaction amounts of abandoned materials for FY2023 and FY2024; (ii) the expected transaction amounts of scrap steel provided by the Group to one of the subsidiaries of Angang Group Company (“**Company A**”), which is a new customer in purchasing scrap steel from the Group, for FY2023 and FY2024; and (iii) the expected transaction amounts of the scrap steel provided by the Group to other subsidiaries of Angang Group Company for FY2023 and FY2024.

Expected transaction amounts of abandoned materials

The representatives of the Company advised us that the expected transaction amount of the sales of abandoned materials to the Angang Group of approximately RMB170 million for FY2023 was determined to be two times of the historical transaction amount for 2023H1 with the assumption that the expected transaction amount for 2023H2 will be equal to the historical transaction amount for 2023H1. The expected transaction amount of the sales of abandoned materials to the Angang Group for FY2024 of approximately RMB179 million was determined based on (i) the expected transaction amount for FY2023; and (ii) an increase of approximately 5% in the expected transaction amount for FY2024. Such increase was determined based on the average annual growth rate of the gross domestic product of the PRC.

Expected transaction amounts of the scrap steel

The expected transaction amounts of scrap steel provided by the Group to Company A were approximately RMB446 million and RMB5,931 million for FY2023 and FY2024 respectively. They were determined based on (i) the expected transaction price of scrap steel of the Group for FY2023 and FY2024 with reference to the average transaction price of scrap steel of the Group for FY2022; (ii) the expected sales volume of scrap steel for FY2023 with the effect of the commissioning operation of Angang Green Gold Industry Development Co., Ltd.* (鞍鋼綠金產業發展有限公司) (“**Green Gold**”); (iii) the expected purchase volume of scrap steel of Company A for FY2024; and (iv) a buffer of approximately 4% and 7% in the expected transaction price of scrap steel of the Group for FY2023 and FY2024 respectively.

According to the Letter from the Board, in order to improve the efficiency of resource utilisation, 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

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established a platform for the specialised operation of scrap steel, i.e., the establishment of Green Gold. The representatives of the Company advised us that Green Gold is expected to commence operation in the fourth quarter of 2023 and is expected to purchase and process small amount of scrap steel during the commissioning operation in 2023. For the high-quality scrap steel, Green Gold may provide scrap steel to clients directly after centralised purchasing. For the low-quality scrap steel, Green Gold may provide scrap steel to clients after recycle processing. The expected sales volume of scrap steel from Green Gold to Company A for FY2023 was determined based on the expected procurement and processing amount of scrap steel of Green Gold of approximately 129 thousand tonnes during the commissioning operation in 2023. After the commissioning operation, Green Gold is expected to reach the processing capacity of scrap steel of approximately 3,960 thousand tonnes for FY2024 and meet the needs of customers of approximately 1,673 thousand tonnes by the way of processing low-quality scrap steel and/or procurement of high-quality scrap steel. While forecasting the expected sales amounts of scrap steel to Company A, the Company has discussed with Company A on its demand for scrap steel for FY2023 and FY2024. We have obtained and reviewed the purchase plan of Company A for scrap steel from the Group for FY2023 and FY2024.

The representatives of the Company advised us that the expected transaction amount of the scrap steel provided by the Group to other subsidiaries of Angang Group Company of approximately RMB150 million for FY2023 was determined to be two times of the historical transaction amount for 2023H1 with the assumption that the expected transaction amount for 2023H2 will be equal to the historical transaction amount for 2023H1. The expected transaction amount of the scrap steel provided by the Group to other subsidiaries of Angang Group Company of approximately RMB454 million for FY2024 was determined based on (i) the expected transaction price of scrap steel of the Group for FY2024 with reference to the average historical transaction price of scrap steel of the Group for FY2022; (ii) the expected transaction volume of the scrap steel provided by the Group to other subsidiaries of Angang Group Company for FY2023; (iii) an increase of approximately 5% in the expected transaction volume of the scrap steel provided by the Group to other subsidiaries of Angang Group Company for FY2024. Such increase was determined based on the average annual growth rate of the gross domestic product of the PRC; and (iv) a buffer of approximately 7% in the expected transaction price of scrap steel of the Group for FY2024.

A buffer of approximately 4% and 7% was adopted in the expected transaction price of scrap steel of the Group for FY2023 and FY2024 respectively. Based on the data extracted from the terminal of mysteel.com (www.mysteel.com) provided by the Company, we noted that the highest and the lowest monthly average scrap steel price composite index for 2023H1 were approximately RMB3,262.9 per tonne and RMB2,843.7 per tonne respectively, representing a difference of approximately 14.7%. In view of the historical volatility of the monthly average scrap steel price composite index, we consider the use of buffer of approximately 4% and 7% to be acceptable.

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Given that (i) the expected transaction amounts of scrap steel provided by the Group to Company A for FY2023 and FY2024 were based on the expected purchase amounts of the scrap steel from Company A as indicated in the purchase plan; (ii) the expected transaction amounts of Scrap Steel and Abandoned Materials provided by the Group to other subsidiaries of Angang Group Company were based on the historical transaction amount of scrap steel and abandoned materials or the historical average price and transaction volume of the scrap steel of the Group; and (iii) the use of buffer of approximately 4% and 7% is acceptable, we are of the view that the Proposed Revised Annual Caps for the Scrap Steel and Abandoned Materials are determined based on reasonable estimation and after due and careful consideration and are fair and reasonable so far as the Independent Shareholders are concerned.

4 Internal control measures for the Transactions

The representatives of the Company advised us that the continuing connected transactions of the Group will be executed in accordance with the Procedures for Administration of Connected Transactions* (日常關聯交易監督控制管理辦法) (the “**Connected Transaction Procedures**”) to ensure that the prices for the services, materials or products for continuing connected transactions would be determined based on the pricing policies stipulated under relevant agreements for continuing connected transactions and written agreements are effectively entered into by the various operating divisions or units of the Group.

We have obtained the Connected Transaction Procedures and noted that the Connected Transaction Procedures sets out the guidelines for conducting connected transactions and the responsibilities of the various operating divisions of the Group. The secretary to the Board is responsible for, among others, drafting and amending the Connected Transaction Procedures. The finance department of the Group is responsible for, among others, monitoring the annual caps for continuing connected transactions. As advised by the representatives of the Company, in order to ensure that the proposed annual caps for continuing connected transactions of the Group are not exceeded, the finance department of the Group obtains transaction amounts of continuing connected transactions on a monthly basis. Hence, we have obtained and reviewed the monthly statements for FY2022 and 2023H1, and noted that both transaction amounts and annual caps for the continuing connected transactions for the corresponding year were recorded in the monthly statements.

According to the Connected Transaction Procedures, the responsible operating divisions or units of the Group are responsible for, among others, monitoring the pricing of continuing connected transactions (such as monitoring the price of each of the transactions in accordance with the pricing policies set out in the respective agreements) and management of internal control of the continuing connected transactions. We have obtained and reviewed three sample approval schedule related to each of the provision of steel products by the Angang Group to the Group and the provision of Scrap Steel and Abandoned Materials by the Group to the Angang Group (the “**Samples**”), and

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we noted that a chop, name or signature of the responsible operating division or unit, or a staff of the responsible operating division or unit was made in the Samples. The representatives of the Company advised us that chops, names or signatures on the relevant documents represented that the responsible operating divisions or units of the Group reviewed the Samples (including monitoring the pricing of the Samples).

Further details of the internal control measures of the Group are set out in the Letter from the Board.

As stated in the 2022 Annual Report, the independent non-executive Directors expressed their opinions on the continuing connected transactions of the Company in 2022 and were of the view that (i) the continuing connected transactions of the Company in 2022 were carried out in the ordinary and usual course of business of the Company; (ii) the continuing connected transactions of the Company in 2022 were conducted (A) in accordance with the normal commercial terms (with reference to transactions of a similar nature made by similar entities in the PRC); (B) on terms no less favourable than the terms available to or offered by the third parties (if no comparable case is available); and (C) on terms which are fair and reasonable to the Shareholders (if no reference is available); (iii) the continuing connected transactions of the Company in 2022 were conducted in accordance with the terms set out in the continuing connected transaction agreements, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iv) the total amount of the continuing connected transactions of the Company in 2022 did not exceed the relevant applicable caps as specified under the continuing connected transaction agreements.

As stated in the 2022 Annual Report, the auditors of the Company have reviewed the non-exempt continuing connected transactions of the Company conducted during the year 2022 and issued a letter to the Board. In respect of the continuing connected transactions disclosed by the Company, the auditors are of the opinion that nothing has come to their attention that causes them to believe that: (i) the disclosed continuing connected transactions have not been approved by the Board; (ii) for the transactions involving provision of the Group's goods and services, the continuing connected transactions were not carried out in accordance with the pricing policies of the Group in all material aspects; (iii) the transactions were not entered into in accordance with the relevant agreements in all material aspects; and (iv) any continuing connected transactions had exceeded the relevant annual cap.

Taking into account the internal control measures as stated above, we concur with the Directors' view that the Company has established internal control procedures to ensure that (i) the terms of the Transactions will be on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) the Transactions will be implemented in accordance with the pricing policies set out in the Supply of Materials and Services Agreement (2022–2024) (as revised by the Supplemental Agreement).

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RECOMMENDATION

Having considered the principal factors and reasons as discussed above, we are of the view that the terms of the Supplemental Agreement (including the Proposed Revised Annual Caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the Transactions, which are conducted in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the relevant resolution to approve the Supplemental Agreement at the EGM.

Yours faithfully,

For and on behalf of

TC Capital International Limited

Edward Wu

Edith Lee

Chairman

Managing Director

Note: Mr. Edward Wu has been a responsible officer of type 6 (advising on corporate finance) regulated activities under the SFO since 2005. Ms. Edith Lee has been a responsible officer of type 6 (advising on corporate finance) regulated activities under the SFO since 2015. Both Mr. Wu and Ms. Lee have participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong.

* *For identification purpose only*

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in the shares, underlying shares or debentures of the Company or its associated corporations

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short position in the shares, convertible securities, warrants, options or derivatives, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code adopted by the Company, or in accordance with information received by the Company.

Name of Director	Capacity	Number of A Shares	Percentage of	Percentage of
			shareholding in A Shares of the Company (%)	shareholding in the total share capital of the Company (%)
Zhang Hongjun	Beneficial owner	154,000	0.0019279	0.0016384
Wang Baojun	Beneficial owner	265,500	0.0033238	0.0028246
Tian Yong	Beneficial owner	300,000	0.0037557	0.0031917

(b) Substantial Shareholders who have an interest and/or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO

To the best knowledge of the Directors and chief executive of the Company, as at the Latest Practicable Date, the following persons (other than Directors and chief executives of the Company) had, or were deemed or taken to have an interest or short position in the shares and underlying shares of the Company, which are required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of substantial Shareholders	Capacity	Number and class of shares held	Percentage of	Percentage of	Percentage of
			shareholding in H Shares of the Company (%)	shareholding in A Shares of the Company (%)	shareholding in the total share capital of the Company (%)
Angang Group Company	Interests of controlled corporation	5,016,111,529 (L) A Shares	–	62.80 (L)	53.366 (L)
Angang Holding	Beneficial owner	5,016,111,529 (L) A Shares	–	62.80 (L)	53.366 (L)
China National Petroleum Corporation	Beneficial owner	845,000,000 (L) A Shares	–	10.58 (L)	8.99 (L)
Brown Brothers Harriman & Co.	Approved lending agent	106,766,224 (L, P) H Shares	7.56 (L, P)	–	1.14 (L, P)

Notes:

- (L) – Long Position, (S) – Short Position, (P) – Lending Pool
- As at the Latest Practicable Date, Angang Holding directly held 5,016,111,529 A Shares (in the form of state-owned Shares) representing approximately 53.366% of equity interest in the Company. Angang Holding is a direct wholly-owned subsidiary of Angang Group Company. Therefore, Angang Group Company is interested in such 5,016,111,529 A Shares through Angang Holding.

3. DIRECTORS' INTERESTS**(a) Interests in contract or arrangement**

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

(b) Interests in assets

As at the Latest Practicable Date, save for the Supply of Materials and Services Agreement (2022–2024) (as revised by the Supplemental Agreement) and the transactions contemplated thereunder as disclosed in this circular, none of the Directors had any direct or indirect interests in any assets which had been, since 31 December 2022, the date of which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

(c) Interests in competing business

As at the Latest Practicable Date, none of the Directors or their respective close associates (as defined in the Listing Rules) had an interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them was a controlling Shareholder).

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the Group within one year without payment of compensation, other than statutory compensation).

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, the date to which the latest published audited consolidated financial statements of the Group were made up.

6. EXPERT AND CONSENT

This circular includes statement(s), opinion(s) or advice(s) made by the following expert:

Name	Qualification
TC Capital International Limited	a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

The above expert has given and confirmed that it has not withdrawn its written consent to the issue of this circular with the inclusion herein of its statements and/or references to its name in the form and context in which it appears. The above expert has further confirmed that as at the Latest Practicable Date, it was not interested in the share capital of any member of the Group, nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. As at the Latest Practicable Date, the above-mentioned expert was not interested in any assets which have been, since 31 December 2022 (being the date to which the Company's latest audited financial statements were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

7. GENERAL

- (a) The registered office of the Company is situated at Production Area of Angang Steel, Tie Xi District, Anshan City, Liaoning Province, the PRC.
- (b) The principal address of the Company in Hong Kong is at 33/F, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong, China.
- (c) The Company's branch share registrar and transfer office in Hong Kong, Hong Kong Registrars Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) The joint company secretaries of the Company are Mr. Wang Baojun and Mr. Zhou Dongzhou.
- (e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

8. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the Stock Exchange's website (<http://www.hkexnews.hk>) and the Company's website (<http://angang.wspr.com.hk>) from the date of this circular up to and including 17 October 2023:

- (i) the letter from the Independent Board Committee dated 3 October 2023, the text of which is set out on pages 21 to 22 of this circular;
- (ii) the letter from the Independent Financial Adviser dated 3 October 2023, the text of which is set out on pages 23 to 37 of this circular;
- (iii) the consent letter dated 3 October 2023 signed by the Independent Financial Adviser in relation to the issue of this circular;
- (iv) the Supply of Materials and Services Agreement (2022–2024) entered into between the Company and Angang Group Company dated 11 October 2021; and
- (v) the Supplemental Agreement entered into between the Company and Angang Group Company dated 23 August 2023.

APPENDIX II PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Following the completion of the Repurchase and Cancellation, the registered capital of the Company is expected to decrease by RMB15,590,555 and corresponding amendments will also be made to the Articles of Association in relation to the adjustments to the registered capital in the Company.

Particulars of amendments to the Articles of Association are as below.

Original Articles	Amended Articles
<p>Article 21</p> <p>Upon approval by the regulatory authority for the examination and approval of companies authorized by the State Council, the Company may issue up to a total amount of <u>9,399,442,527</u> shares (not including the shares that may be issued pursuant to the exercise of an over-allotment option).</p>	<p>Article 21</p> <p>Upon approval by the regulatory authority for the examination and approval of companies authorized by the State Council, the Company may issue up to a total amount of <u>9,383,851,972</u> shares (not including the shares that may be issued pursuant to the exercise of an over-allotment option).</p>
<p>N/A</p>	<p>Article 22</p> <p><u>(A new paragraph is added to the end to the original article as follows)</u></p> <p><u>In 2023, upon the repurchase and cancellation of part of the restricted shares, the shareholding structure of the Company shall be as follows: a total of 9,383,851,972 ordinary shares, of which 5,016,111,529 tradable A shares not subject to trading moratorium are held by Anshan Iron & Steel Group Co. Ltd., representing 53.45% of the total share capital of the Company; 845,000,000 tradable A shares not subject to trading moratorium are held by China National Petroleum Corporation, representing 9.00% of the total share capital of the Company; 2,111,200,443 shares are held by other holders of domestic invested shares, representing 22.51% of the total share capital of the Company and 1,411,540,000 shares are held by holders of overseas invested shares in the form of H shares, representing 15.04% of the total share capital of the Company.</u></p>
<p>Article 25</p> <p>The registered capital of the Company shall be <u>RMB9,399,442,527</u>.</p>	<p>Article 25</p> <p>The registered capital of the Company shall be <u>RMB9,383,851,972</u>.</p>