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鞍鋼股份有限公司
ANGANG STEEL COMPANY LIMITED*

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

(Stock Code: 347)

CONNECTED TRANSACTIONS

Acquisition of Land Use Rights
Equity Investment in Angang Financial Company

The Company wishes to announce that it has entered into the following agreements with Angang Holding, its controlling shareholder:

- (i) the Land Use Rights Acquisition Agreement in relation to the acquisition of the rights to use the Relevant Land Parcels for use by Bayuquan Project; and
- (ii) the Capital Increase and Equity Investment Agreement in relation to, among the other things, the equity investment by the Company in Angang Holding Financial.

The above mentioned transactions constitute connected transactions of the Company as defined under the Listing Rules which are subject to the reporting and announcement requirements under the Listing Rules.

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- (ii) the Capital Increase and Equity Investment Agreement in relation to, among the other things, the equity investment by the Company in Angang Holding Financial.

The Land Use Rights Acquisition Agreement and the Capital Increase and Equity Investment Agreement are separate agreements which are not inter-conditional.

LAND USE RIGHTS ACQUISITION AGREEMENT

Date

22 April 2008

Parties:

- (i) Angang Holding (as vendor); and
- (ii) the Company (as purchaser).

Interest to be Acquired

The Company has entered into the Land Use Rights Acquisition Agreement to acquire the rights to use the Relevant Land Parcels with a total area of approximately 3,594,000 square metres located in the area designated for use by the Bayuquan Project at Bayuquan Port, Yingkou City, Liaoning Province, the PRC. The details of the Relevant Land Parcels are set out below:

Land Parcel	Address ^{note}	Area <i>(square metres)</i>	Term of Land Use Right
No.1	No. 1 Land Parcel, Haixingban, Bayuquan Yingkou City, Liaoning Province, the PRC	695,695	50 years from 16 August 2007
No.2	No. 2 Land Parcel, Haixingban, Bayuquan Yingkou City, Liaoning Province, the PRC	2,898,338	50 years from 16 August 2007

Note: The Relevant Land Parcels are located in the same area but not adjacent to each other.

Angang Holding spent a total of approximately RMB1,069 million in the acquisition of the rights to use the Relevant Land Parcels in 2007, including the consideration paid to the government for the land use rights and costs in vacating and completing the infrastructure constructions (including ground leveling and access to water, electricity, telecommunication, road and sewage) on the Relevant Land Parcels.

Consideration and Payment Terms

The total consideration for the acquisition of the rights to use the Relevant Land Parcels under the Land Use Rights Agreement is RMB1,265 million, which has been agreed through commercial negotiation between Angang Holding and the Company on arm's length basis based on the value of the rights to use the Relevant Land Parcels valuation as appraised by Liaoning Guo Di Assets Valuation Company Limited* (遼寧國地資產評估有限公司), a qualified PRC property and assets valuer and an independent third party which is not a connected person of the Group. As at 28 October 2007, the appraised value of the rights to use the Relevant Land Parcels amounted to approximately RMB1,265.10 million using the cost approach and market comparison approach.

The consideration shall be paid in one lump sum within 30 days following the execution of the Land Use Right Agreement. The consideration shall be paid out of the Company's internal resources.

Transfer of the Title to the Land Use Rights

Angang Holding shall facilitate the Company to complete the relevant procedures for the transfer of the title to the rights to use the Relevant Land Parcels as soon as possible upon the execution of the Land Use Rights Acquisition Agreement.

Reasons for and Benefit of the Land Use Rights Acquisition Agreement

Since October 2006, the Company has been carrying out the constructions of the Bayuquan Project on the land including the Relevant Land Parcels. To facilitate the Company's construction of the Bayuquan Project, Angang Holding has applied for the rights to use and carried out infrastructure constructions (including ground leveling and access to water, electricity, telecommunication, road and sewage) on the land designed for use by the Bayuquan Project, including the Relevant Land Parcels. In August 2007, Angang Holding has obtained all the relevant approvals and certificates for the rights to use the Relevant Land Parcels. Angang Holding has also completed the infrastructure constructions on the Relevant Land Parcels, including ground leveling and access to water, electricity, telecommunication, road and sewage. The Directors (including the independent non-executive Directors) believe that it would be more cost effective to acquire the rights to the Relevant Land Parcels and are of the view that the acquisition pursuant to the terms of the Land Use Acquisition Agreement represents a commitment of the Company on normal commercial terms and is fair and reasonable and in the best interests of the Company and its shareholders as a whole.

CAPITAL INCREASE AND EQUITY INVESTMENT AGREEMENT

Date

22 April 2008

Parties

- (i) Angang Holding (as original shareholder);
- (ii) Angang Holding Trading (as original shareholder);
- (iii) Angang Industrial (as original shareholder); and
- (iv) the Company (as new shareholder).

Target Company of the Capital Increase and Equity Investment

Angang Holding Financial was incorporated in 1998 to provide Angang Holding and its subsidiaries and affiliated companies with intra-group services for funds transfer, deposit taking, borrowing, settlement, guarantee and insurance agency and bill acceptance and discounting. As at the date of this announcement, Angang Holding Financial has a registered capital of RMB362 million and is owned by Angang Holding, Angang Holding Trading and Angang Industrial as to 88.98%, 6.88% and 4.14%, respectively.

The audited net profits before and after taxation and extraordinary items of Angang Holding Financial (prepared under the PRC GAAP) for each of the years ended 31 December 2005, 2006 and 2007 are set out below:

	Year ended 31 December		
	2005	2006	2007
Profit before tax and extraordinary items	RMB172 million	RMB216 million	RMB283 million
Profit after tax and extraordinary items	RMB115 million	RMB145 million	RMB190 million

As at 31 December 2005, 2006 and 2007, the audited total assets of Angang Holding Financial prepared under the PRC GAAP amounted to approximately RMB6,073.90 million, RMB7,175.39 million and RMB8,503.77 million, respectively, and the audited net assets of Angang Holding Financial prepared under the PRC GAAP amounted to RMB516.83 million, RMB661.82 million and RMB851.64 million. The Company has engaged Beijing Yue Hua De Wei Assets Valuation Company Limited* (北京岳華德威資產評估有限責任公司), a qualified PRC assets valuer and an independent third party which is not a connected person of the Group, to carry out a valuation of Angang Holding Financial. As at 31 December 2007, the total assets, total liabilities and the value of the shareholders' equity of Angang Holding Financial Company as appraised by Beijing Yue Hua De Wei Assets Valuation Company Limited* (北京岳華德威資產評估有限責任公司) using the cost approach, amounted to approximately RMB8,504.55 million, RMB7,652.13 million and RMB852.42 million, respectively.

Major Terms of the Capital Increase and Equity Investment

- (1) Angang Holding Financial shall capitalize its undistributed profits in the amount of RMB179.22 million to increase the registered capital contribution amount of Angang Holding, Angang Holding Trading and Angang Industrial in proportion to their existing shareholdings in Angang Holding Financial;
- (2) Angang Holding shall further contribute a total of RMB407.59 million to the share capital of Angang Holding in cash, of which RMB258.78 million will be credited to the registered capital and the remaining RMB148.81 million will be credited to the capital reserve account.
- (3) The Company shall contribute a total of RMB315 million to the share capital of Angang Holding Financial in cash, of which RMB200 million will be credited to the registered capital and the remaining RMB115 million will be credited to the capital reserve account;
- (4) The Capital Increase and Equity Investment Agreement shall become effective subject to approval by the relevant banking regulatory authorities of the PRC;
- (5) Angang Holding and the Company shall make payment for their contributions within 30 days after the Capital Increase and Equity Investment Agreement becomes effective.

The capital contributions to be made by the parties pursuant to the Capital Increase and Equity Investment Agreement and changes in their shareholdings in Angang Holding Financial are set out below:

	Shareholders' equity before contribution	Shareholding before contribution	Additional contribution	Shareholders' equity after contribution ^{Note}	Shareholding after contribution
Angang Holding	758,480,800	88.98%	407,584,300	1,166,065,100	74.04%
The Company	—	—	315,000,000	315,000,000	20.00%
Angang Holding Trading	58,646,300	6.88%	—	58,646,300	3.72%
Angang Industrial	35,290,100	4.14%	—	35,290,100	2.24%
Total	852,417,200	100%	722,584,300	1,575,001,500	100%

Note: Including the capitalization amount

No further capital contribution is required to be made by any party, including the Company, pursuant to the Capital Increase and Equity Investment Agreement.

The terms of the Capital Increase and Equity Investment Agreement have been agreed through the arm's length negotiations among the parties. The amount to be contributed by the Company to the capital of Angang Holding Financial has been determined based on the Company's 20% equity interest in Angang Holding Financial's enlarged share capital and takes into account (i) the appraised value of pre-investment shareholders' equity of Angang Holding Financial as at 31 December 2007, being RMB852.42 million; (ii) the capitalisation of undistributed profits of Angang Holding Financial in the amount of RMB179.22 million; and (iii) capital contribution to be made by Angang Holding to Angang Holding Financial in the amount of RMB407.59 million. The Company's contribution will be fully financed by its internal resources. Upon the completion of the Capital Increase and Equity Investment Agreement, the Company's equity interest in Angang Holding Financial will be accounted as an interest in an associated company using equity method.

Reasons for and Benefit of the Capital Increase and Equity Investment Agreement

The Directors believe that the Company's equity investment in Angang Holding Financial would (i) enhance the efficiency of the services provided by Angang Holding Financial; (ii) enable the Company to participate in the policy and decision making process of Angang Holding Financial to procure more favourable financial support; and (iii) allow the Company to benefit from the more profitable businesses that Angang Holding Financial plans to develop, including financial lease, foreign exchange business, leveraged assets transaction.

The Directors (including the independent non-executive Directors) are of the view that the capital increase and equity investment pursuant to the terms of the Capital Increase and Equity Investment Agreement represents a commitment of the Company on normal commercial terms and is fair and reasonable and in the best interests of the Company and its shareholders as a whole.

FURTHER INFORMATION ON THE PARTIES

The Company is a major steel manufacturing enterprise in the PRC. It is principally engaged in the production and sale of hot rolled sheets, cold rolled sheets, galvanized steel sheets, colour coating plates, silicon steel, medium and thick plates, wire rods, large steel products and seamless steel pipes.

Angang Holding is a major enterprise in the iron and steel industry of the PRC, and is engaged in a wide range of iron and steel-related business activities including mining, iron manufacturing, machinery manufacturing, metallurgical construction project, research and development, trading in iron and steel products and providing relevant transportation, construction, utilities and other support services.

Angang Holding Trading is principally engaged in the domestic and international trading business of commodities including metal materials, products and machinery.

Angang Industrial is principally engaged in the manufacturing of metal materials and products, chemical materials and products, construction materials, metallurgical machinery and equipment.

IMPLICATIONS UNDER THE LISTING RULES

Angang Holding owns approximately 67.28% of the issued share capital of the Company and therefore is the controlling shareholder a connected person of the Company as defined under the Listing Rules. Angang Holding Trading, being a wholly-owned subsidiary of Angang Holding, is an associate of Angang Holding and therefore a connected person of the Company as defined under the Listing Rules. As Angang Holding holds a 49.29% equity interest in Angang Industrial, Angang Industrial is an associate of Angang Holding and therefore a connected person of the Company as defined under the Listing Rules. As such, each of the transactions contemplated under the Land Use Rights Acquisition Agreement and the Capital Increase and Equity Investment Agreement constitutes a connected transaction of the Company as defined under the Listing Rules. Based on the applicable percentage ratios, each of (i) the acquisition of the rights to use the Relevant Land Parcels pursuant to the Land Use Rights Acquisition Agreement, and (ii) the equity investment by the Company in Angang Holding Financial pursuant to the Capital Increase and Equity Investment Agreement, constitutes a connect transaction of the Company subject to the reporting and announcement requirements under the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Angang Holding”	Anshan Iron & Steel Group Complex* (鞍山鋼鐵集團公司), the controlling shareholder of the Company currently holding approximately 67.28% of the equity interest of the Company;
“Angang Holding Financial”	Angang Holding Financial Company Limited* (鞍鋼集團財務有限責任公司), a limited liability company incorporated in the PRC the entire equity interest of which is owned by Angang Holding directly and indirectly through Angang Holding Trading and Angang Industrial;
“Angang Holding Trading”	Angang Holding International Economic and Trading Company* (鞍鋼集團國際經濟貿易公司), a limited liability company incorporated in the PRC which is a wholly owned subsidiary of Angang Holding;

“Angang Industrial”	Angang Industrial Group Company Limited* (鞍鋼實業集團有限公司), a limited liability company incorporated in the PRC the equity interest of which is owned by Angang Holding as to 49.29%;
“associate”	has the meaning ascribed to it under the Listing Rules;
“Relevant Land Parcels”	two land parcels with a total area of approximately 3,594,000 square metres located in the area designated for use by the Bayuquan Project at Bayuquan Port, Yingkou City, Liaoning Province, the PRC;
“Bayuquan Project”	a new steel and iron production facility being constructed by the Company in Yingkou port, Liaoning province, the details of which are set out in the announcements of the Company dated 10 August 2006 and 10 April 2007 and the circular to the shareholders of the Company dated 15 August 2006 and 13 April 2007;
“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 the PRC, the H shares of which are listed on the HK Exchange and the A shares of which are listed on the Shenzhen Exchange;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“Directors”	the directors of the Company;

“Capital Increase and Equity Investment Agreement”	the agreement dated 22 April 2008 entered into among Angang Holding, Angang Holding Trading, Angang Industrial and the Company in relation to the acquisition of the rights to use the Relevant Land Parcels;
“Group”	the Company and its subsidiaries;
“HK Exchange”	The Stock Exchange of Hong Kong Limited;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Land Use Rights Acquisition Agreement”	the agreement dated 22 April 2008 entered into between Angang Holding (as vendor) and the Company (as purchaser) in relation to the acquisition of the rights to use the Relevant Land Parcels;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“PRC”	The People’s Republic of China;
“PRC GAAP”	the accounting rules and regulations in the PRC;
“Relevant Land Parcels”	two land parcels with a total area of approximately 3,594,000 square metres located in the area designated and approved by the relevant PRC authorities for use by the Bayuquan Project at Bayuquan Port, Yingkou City, Liaoning Province, the PRC;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“RMB”	Renminbi, the lawful currency of the PRC;

“US\$” United State dollars, the lawful currency of the United States of America; and

“%” per cent.

By Order of the Board
ANGANG STEEL COMPANY LIMITED
Zhang Xiaogang
Chairman

Anshan City, Liaoning Province, the PRC
22 April 2008

The Board composition as at the date of this announcement is set out below:

Executive Directors

Zhang Xiaogang

Tang Fuping

Yang Hua

Huang Haodong

Wang Chunming

Lin Daqing

Fu Wei

Fu Jihui

Non-executive Director

Yu Wanyuan

Independent non-executive Directors

Wu Xichun

Wang Linsen

Liu Yongze

Francis Li Chak Yan

Wang Xiaobin

* *For identification purposes only*