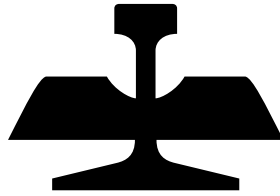

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your securities of Angang Steel Company Limited* (鞍鋼股份有限公司) (the “**Company**”), you should at once hand this circular, together with the form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.



鞍 鋼 股 份 有 限 公 司

ANGANG STEEL COMPANY LIMITED*

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

(Stock Code: 0347)

**CONTINUING CONNECTED TRANSACTIONS
AND
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

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



**TC Capital
天財資本**

TC Capital Asia Limited

A letter from the Board is set out on pages 1 to 17 of this circular. A letter from the Independent Board Committee is set out on pages 18 to 19 of this circular. A letter from TC Capital Asia Limited is set out on pages 20 to 37 of this circular.

A notice to convene the EGM of the Company to be held at the Conference Room, Dongshan Hotel, 108 Dongfeng Street, Tie Dong District, Anshan City, Liaoning Province, the PRC at 2:00 p.m. on Tuesday, 14 October 2014 together with the proxy form and reply slip were dispatched to the Shareholders on 29 August 2014. The EGM Notice is set out on pages 44 to 47 of this circular for your ease of reference. Whether you are able to attend the EGM or not, please complete and return the proxy form in accordance with the instructions printed thereon as soon as possible and in any event not later than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof.

Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish.

22 September 2014

* For identification purpose only

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DEFINITIONS

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

“Angang Group”	Angang Group Company and its subsidiaries from time to time
“Angang Group Company”	Angang Group Company* (鞍鋼集團公司), a company incorporated in the PRC with limited liabilities, the ultimate controlling shareholder of the Company
“Angang Holding”	Anshan Iron & Steel Group Complex* (鞍山鋼鐵集團公司), a wholly-owned subsidiary of Angang Group Company and the immediate holding company of the Company, which currently holds approximately 67.80% equity interest in the Company and a major enterprise in the iron and steel industry of the PRC
“Angang Trading”	Angang Group International Economic and Trading Corporation* (鞍鋼集團國際經濟貿易公司), a wholly-owned subsidiary of Angang Holding established in the PRC in 1981
“Articles of Association”	the articles of association of the Company (as amended from time to time)
“associate”	has the meaning ascribed thereto under Chapter 14A of the Listing Rules
“Board”	the board of Directors of the Company
“Company”	Angang Steel Company Limited* (鞍鋼股份有限公司), a joint stock limited company incorporated in Anshan, Liaoning Province, the PRC, the H shares of which are listed on the Hong Kong Stock Exchange and the A shares of which are listed on the Shenzhen Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under Chapter 14A of the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under Chapter 1 of the Listing Rules
“Director(s)”	the director(s) of the Company

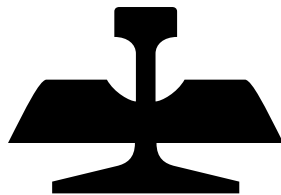
DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be convened on 14 October 2014, for the purpose of considering and, if thought fit, approving, the Mineral Ore Purchase and Agency Service Agreement and Pellet Distribution Agreement (including the proposed monetary caps contemplated thereunder), the proposed appointment of Mr. Song Jun as a Shareholders’ representative supervisor of the Sixth Session of the supervisory committee of the Company, and the proposed amendments to the Articles of Association, or any adjournment thereof
“EGM Notice”	the notice of extraordinary general meeting of the Company dated 29 August 2014 and dispatched on even day
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	an independent committee of the Board comprising all of the independent non-executive Directors of the Company
“Independent Shareholders”	the Shareholders other than Angang Group Company and any of its associates (including Angang Holding)
“Karara”	Karara Mining Limited, a joint venture company incorporated with limited liability in the state of Western Australia, Australia, indirectly owned (through a wholly-owned subsidiary company) as to 50% by Pangang Vanadium & Titanium
“Latest Practicable Date”	15 September 2014, being the latest practicable date before printing of this circular for ascertaining information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mineral Ore Purchase and Agency Service Agreement”	the agreement entered into between the Company and Angang Trading on 11 August 2014, pursuant to which the Company has agreed to purchase, and Angang Trading has agreed to supply, magnetite in accordance with the terms thereunder for (i) the period commencing from the effective date of the agreement until the end of 2014 and (ii) the year of 2015

DEFINITIONS

“Pangang Group Company”	Pangang Group Company Limited* (攀鋼集團有限公司), a company incorporated in the PRC with limited liabilities, a major enterprise in the iron and steel industry of the PRC and a wholly-owned subsidiary of Angang Group Company
“Pangang Vanadium & Titanium”	Pangang Group Vanadium & Titanium Resources Co., Ltd.* (攀鋼集團鈮鈦資源股份有限公司), a company incorporated in the PRC with shares listed on the Shenzhen Stock Exchange, owned as to 10.81% (through direct equity interest) by Angang Holding and approximately 46.18% (through direct and indirect equity interest) by Pangang Group Company
“Pellet Distribution Agreement”	the agreement entered into between the Company and Angang Group Company on 11 August 2014, pursuant to which Angang Group Company has agreed to purchase, and the Company has agreed to supply, iron ore pellet in accordance with the terms thereunder for (i) the period commencing from the effective date of the agreement until the end of 2014 and (ii) the year of 2015
“PRC”	the People’s Republic of China (for the purpose of this circular, excluding Hong Kong and Macau Special Administrative Regions)
“Previous Mineral Ore Purchase Agreement”	the agreement entered into between the Company and Angang Trading on 30 April 2014 in respect of the supply of magnetite by Angang Trading to the Company which expired on 31 August 2014
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong)
“Share(s)”	the ordinary share(s) in the registered share capital of the Company with a par value of RMB1.0 per share, including the H shares listed on the Hong Kong Stock Exchange and the A shares listed on the Shenzhen Stock Exchange
“Shareholder(s)”	the holder(s) of the Company’s Shares
“USD”	United States dollars, the lawful currency of the United States
“%”	per cent

* For identification purpose only



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:

Zhang Xiaogang
Tang Fuping
Yang Hua
Wang Yidong
Ma Lianyong

Independent Non-executive Directors:

Chen Fangzheng
Qu Xuanhui
Liu Zhengdong
Chau Chi Wai, Wilton

Registered Office:

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

*Head Office and Principal Place of
Business in Hong Kong:*

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

22 September 2014

Dear Shareholders,

I. INTRODUCTION

The Board refers to (i) the announcement of the Company dated 11 August 2014 in relation to the Mineral Ore Purchase and Agency Service Agreement and Pellet Distribution Agreement and (ii) the announcement of the Company dated 13 August 2014 in relation to, amongst other matters, the proposed amendments to the Articles of Association.

* For identification purpose only

LETTER FROM THE BOARD

The purpose of this circular is to provide you with information which will help you to make an informed decision on whether to vote for or against the resolutions to be proposed at the EGM in relation to (i) the Mineral Ore Purchase and Agency Service Agreement; (ii) the Pellet Distribution Agreement; and (iii) the proposed amendments to the Articles of Association.

II. CONTINUING CONNECTED TRANSACTIONS

(1) Mineral Ore Purchase and Agency Service Agreement

On 11 August 2014, in order to satisfy its production needs, the Company has entered into the Mineral Ore Purchase and Agency Service Agreement with Angang Trading pursuant to which the Company will purchase magnetite from Angang Trading as a raw material. The principal terms of the Mineral Ore Purchase and Agency Service Agreement are set out below:

- Date : 11 August 2014
- Parties : (i) the Company (as purchaser); and
(ii) Angang Trading (as seller).
- Subject matter : The Company shall purchase, and Angang Trading shall supply, on non-exclusive basis, magnetite to be produced by Karara Mining Limited.
- Term : The Mineral Ore Purchase and Agency Service Agreement shall be effective upon:
- (i) signing and sealing by the contracting parties;
 - (ii) approval by the Board; and
 - (iii) approval by the Independent Shareholders at the EGM.

The agreement shall expire on 31 December 2015.

LETTER FROM THE BOARD

Payment terms : Payment for purchase price due and payable shall be made on a monthly basis on the last working day of each calendar month.

The payment for the transaction contemplated under the Mineral Ore Purchase and Agency Service Agreement will be funded from internal resources of the Company.

Agency service fee : Angang Trading will be entitled to charge an import agency commission of not more than 1.5% based on the volume of magnetite purchased by the Company pursuant to the Mineral Ore Purchase and Agency Service Agreement.

Other : The Mineral Ore Purchase and Agency Service Agreement between the Company and Angang Trading shall be non-exclusive and the Company is at liberty to unilaterally determine the amount of magnetite to be purchased from Angang Trading. However, where the conditions for the supply of magnetite offered by other suppliers are equivalent to those stipulated under this agreement, the Company may give preference to Angang Trading.

The Pricing Standard and Proposed Monetary Cap of Transaction under the Mineral Ore Purchase and Agency Service Agreement

Pursuant to the Mineral Ore Purchase and Agency Service Agreement, the Company will purchase three types of magnetite from Angang Trading, including premium grade mineral (iron grade $\text{Fe} \geq 67.2\%$), standard grade mineral (iron grade $67.2\% > \text{Fe} \geq 65\%$) and low grade mineral (iron grade $65\% > \text{Fe} \geq 59\%$).

(a) Premium Grade Mineral

The purchase price for premium grade mineral will be based on, and not higher than, the average monthly price (i.e. in the month in which freight was loaded at the port of origin) of such mineral produced by Karara to be sold to independent third parties in the PRC. The volume of premium grade mineral produced by Karara to be sold to independent third parties in the PRC shall not be lower than 30% of the total volume of premium grade mineral sold in a given period.

LETTER FROM THE BOARD

Angang Trading will, on a monthly basis, notify the Company of the average monthly price of premium grade mineral produced by Karara. In order to ensure the accuracy of such pricing information, the Company is entitled to inspect, through Angang Trading, the order forms and receipts for the sales of premium grade mineral produced by Karara to independent third parties.

As the price of premium grade mineral payable by the Company to Angang Trading is based on the average monthly price of premium grade mineral produced by Karara sold to independent third parties in the PRC, in order to ensure that such price is reflective and consistent with the market price of premium grade mineral, at least 30% of premium grade mineral produced by Karara is required to be sold to independent third parties in the PRC. The 30% transaction volume threshold will ensure that the price payable by the Company for premium grade mineral produced by Karara is in-line with the price payable by independent third parties in the PRC.

(b) *Standard Grade Mineral*

The purchase price for standard grade mineral will be based on the sum of (i) the reference price and (ii) the port freight differential, which will be determined as follows:

Reference Price ^(Notes): The monthly average value of the medium price of Platts 65% iron (CFR) for Northern China (Qingdao port) as published daily by the SBB Steel Markets Daily Briefing for the month in which the freight was loaded at the port of origin, divided by 65 (based on USD cents per dry metric ton).

Port Freight Differential: The applicable product shipping freight costs differential for each dry metric ton, specifically the shipping freight costs differential for each dry metric ton of mineral from Qingdao port to Bayuquan in Liaoning and divided by 65.

LETTER FROM THE BOARD

(c) *Low Grade Mineral*

The purchase price for low grade mineral will be based on the sum of (i) the reference price and (ii) the port freight differential, which will be determined as follows:

Reference Price ^(Notes): The monthly average value of the medium price of Platts 62% iron (CFR) for Northern China (Qingdao port) as published daily by the SBB Steel Markets Daily Briefing for the month in which the freight was loaded at the port of origin, divided by 62 (based on USD cents per dry metric ton).

Port Freight Differential: The applicable product shipping freight costs differential for each dry metric ton, specifically the shipping freight costs differential for each dry metric ton of mineral from Qingdao port to Bayuquan in Liaoning and divided by 62.

Notes:

- (1) The SBB Steel Markets Daily Briefing is a daily publication produced by Platts, an independent provider of energy and metals information and source of benchmark price analyses. The SBB Steel Markets Daily Briefing is widely used as the source of market prices for the various raw materials for steelmaking and it is used by a number of major mining companies, including BHP Billiton and Rio Tinto, in their ore supply agreement as the source of the benchmark ore price.
- (2) The monthly average of the medium price is published daily, on a rolling basis, on the SBB Steel Markets Daily Briefing.

Angang Trading will be entitled to charge an import agency service commission of not more than 1.5% based on the volume of magnetite purchased by the Company, such percentage is not higher than the commission charged by other domestic import companies in the PRC for iron ore importation. The precise percentage of agency service commission payable will be determined with reference to the transaction volume, price of magnetite and import costs incurred by Angang Trading.

In order to ensure that the import agency service commission charged by Angang Trading is not higher than such commission charged by other domestic import companies in the PRC, the Company will periodically compare its expenses and fees paid for raw materials and services with its industry peers, so as to ensure any expenses and fees paid by the Company are not excessive of the market standard.

LETTER FROM THE BOARD

The proposed monetary cap of transaction for the purchase of magnetite (including any import agency service commission) under the Mineral Ore Purchase and Agency Service Agreement are RMB1,500 million for the period commencing on the date which the agreement comes into effect until 31 December 2014, and RMB3,000 million for the year of 2015.

Historical Amount of Transaction under the Previous Mineral Ore Purchase Agreement

Pursuant to the Previous Mineral Ore Purchase Agreement, the monetary cap for purchase of magnetite (including any import agency service commission) by the Company from Angang Trading for the period commencing on the date which the agreement came into effect (i.e. 30 April 2014) until 31 August 2014 is RMB580 million. During the period from 30 April 2014 to 31 July 2014, the actual transaction amount under the Previous Mineral Ore Purchase Agreement was RMB411 million, representing an utilization rate of 70.9% of the monetary cap. For details of the Previous Mineral Ore Purchase Agreement, please refer to the announcement of the Company dated 30 April 2014. As of the Latest Practicable Date, the total amount of transaction for the supply of magnetite carried out under the Previous Mineral Ore Purchase Agreement has not exceeded the relevant monetary cap.

Basis of the Monetary Cap of Transaction Contemplated under the Mineral Ore Purchase and Agency Service Agreement

The Directors (including all the independent non-executive Directors) consider that it is in the interests of the Company to enter into the transaction under the terms and conditions set out in the Mineral Ore Purchase and Agency Service Agreement. The Directors have determined the proposed monetary cap of the transaction contemplated thereunder on the basis of the following factors:

- (i) the expected production needs of Bayuquan Branch Steel Company* (鮫魚圈鋼鐵分公司) for magnetite;
- (ii) the volume of historical transaction for the purchase of magnetite by the Company under the Previous Mineral Ore Purchase Agreement; and
- (iii) the forecasted market price of magnetite for the remaining period of 2014 and the year of 2015.

LETTER FROM THE BOARD

In particular, the expected production needs of Bayuquan Branch Steel Company for magnetite is approximately 2.3 million tonnes for the year of 2014 and approximately 3.2 million tonnes for the year of 2015, whereas the forecasted market price of magnetite is approximately USD122 per tonne for the remaining period of 2014 and approximately USD126 per tonne for the year of 2015. Based on the forgoing and (i) taking into account a buffering value of approximately 20% and (ii) discounting the monetary cap under the Previous Mineral Ore Purchase Agreement, the Directors have determined that the monetary cap on transaction under the Mineral Ore Purchase and Agency Service Agreement to be RMB1,500 million for the remaining period of 2014 and RMB3,000 million for the year of 2015.

The monetary cap on transaction of RMB1,500 million for the remaining period of 2014 is substantially more than the monetary cap stipulated under the Previous Mineral Ore Purchase Agreement (i.e. RMB580 million) because the magnetite production volume of Karara is unstable for the first half of the year and a greater volume of the purchase transaction is expected to occur in the second half of the year. The overall transaction volume in the year of 2015 is also expected to be more than 2014.

(2) Pellet Distribution Agreement

On 11 August 2014, in order to better utilize the Group's iron ore pellet production capacity and broaden the Company's sources of revenue, the Company has entered into the Pellet Distribution Agreement with Angang Group Company pursuant to which Angang Group Company will purchase iron ore pellet from the Company for resale and distribution. The principal terms of the Pellet Distribution Agreement are set out below:

- Date : 11 August 2014
- Parties : (i) the Company (as supplier); and
(ii) Angang Group Company (as purchaser).
- Subject matter : Angang Group Company shall purchase, and the Company shall supply, on non-exclusive basis, iron ore pellet to be produced by Bayuquan Branch Steel Company for the purpose of resale and distribution.
- Term : The Pellet Distribution Agreement shall be effective upon:
(i) signing and sealing by the contracting parties;

LETTER FROM THE BOARD

(ii) approval by the Board; and

(iii) approval by the Independent Shareholders at the EGM.

The agreement shall expire on 31 December 2015.

Payment terms : Payment for purchase price due and payable shall be made on a monthly basis on the last working day of each calendar month.

Other : The Pellet Distribution Agreement is non-exclusive.

The Pricing Standard and Proposed Monetary Cap of Transaction under the Pellet Distribution Agreement

The price payable by Angang Group Company to the Company for iron ore pellet is based on the price paid by third party purchasers to Angang Group Company minus a distribution commission of not more than 1.5%. The price of iron ore pellet is determined by Angang Group Company and the third party purchasers through negotiation with reference to the prevailing domestic market price of iron ore pellet, and the parties will also take into account the market condition of pellet. Although Angang Group Company will distribute iron ore pellet for the Company, in order to ensure that the price payable by third party purchasers is fair and reasonable, on normal commercial terms and comparable to the Group's selling price to independent customers, the price of iron ore pellet for all orders have to be reported to, and agreed upon, by the Company. As the Pellet Distribution Agreement is non-exclusive, the Company is at liberty to sell iron ore pellet through other distribution channels.

The Directors believe that the commission of not more than 1.5% represents the customary commission rate for ore and related product trading between steelmaker enterprises in the PRC, and is therefore fair and reasonable. In order to ensure that the commission of not more than 1.5% charged by Angang Group Company is fair and reasonable and on normal commercial terms, the relevant department of the Company will regularly review the rate of commission paid by industry peers, and negotiate the precise percentage of commission payable with reference to the price of iron ore pellet and prevailing market conditions.

The proposed monetary cap on transaction for the supply of iron ore pellet under the Pellet Distribution Agreement (including any distribution commission) are RMB100 million for the period commencing on the date which the agreement comes into effect until 31 December 2014, and RMB400 million for the year of 2015.

LETTER FROM THE BOARD

Basis of the Monetary Cap of Transaction Contemplated under the Pellet Distribution Agreement

The Directors (including all the independent non-executive Directors) consider that it is in the interests of the Company to enter into the transaction under the terms and conditions set out in the Pellet Distribution Agreement. The Directors have determined the proposed monetary cap of the transaction contemplated thereunder on the basis of the following factors:

- (i) iron ore pellet production capability of Bayuquan Branch Steel Company for the remaining period of 2014 and the year of 2015;
- (ii) the sale and distribution volume of the distribution network of Angang Group Company; and
- (iii) the forecasted market price of iron ore pellet for the remaining period of 2014 and the year of 2015.

In particular, as most of the iron ore pellet to be produced by Bayuquan Branch Steel Company will be utilized by itself for steel production, only pellet produced by its excessive production capability will be subject to sale and distribution. The estimated excessive production capability of Bayuquan Branch Steel Company for iron ore pellet is approximately 100,000 tonnes for the remaining period of 2014 and approximately 420,000 tonnes for the year of 2015, whereas the forecasted market price of iron ore pellet is approximately RMB940 per tonne for the remaining period of 2014 and approximately RMB950 per tonne for the year of 2015. Based on the forgoing and taking into account the extensive sale and distribution network of Angang Group Company, the Directors have determined that the monetary cap on transaction under the Pellet Distribution Agreement to be RMB100 million for the remaining period of 2014 and RMB400 million for the year of 2015.

LETTER FROM THE BOARD

(3) Reasons for and benefit of the agreements

In recent years, the magnetite mineral production volume of the Company's current supplier Angang Group Mining Company* (鞍鋼集團礦業公司) has decreased, thus the Company has been experiencing supply shortage for magnetite which is required as a raw material in the production of iron ore pellet. The shortage situation gradually exacerbated following Bayuquan Branch Steel Company commenced its production of iron ore pellet upon the Company's acquisition of the pellet production facilities in March 2014. The magnetite to be purchased by the Company under the Mineral Ore Purchase and Agency Service Agreement will be produced by Karara based in Western Australia. In comparison with ordinary iron ore, the magnetite of Karara offers good assimilability, good fluidity in liquid phase, high intensity in binding phase, and good crystal stock, such characteristics render it particularly suitable for iron ore pellet production. The magnetite will primarily be used for production at Bayuquan Branch Steel Company. The import agency service commission of not more than 1.5% payable by the Company is not higher than such commission charged by other domestic import companies in the PRC for iron ore importation.

The Pellet Distribution Agreement will enable the Company to better utilize its iron ore pellet production capacity and broaden the Company's sources of revenue, and by leveraging upon Angang Group Company's extensive distribution network for iron ore pellet, the Company will stand to benefit from the stability of the additional revenue stream. Further, the distribution commission of not more than 1.5% to be deducted by Angang Group Company from the sale price of iron ore pellet is determined based on customary commission rate in the PRC.

The terms of the Mineral Ore Purchase and Agency Service Agreement and Pellet Distribution Agreement have been agreed upon arm's-length negotiations between the Company and each of Angang Trading and Angang Group Company, respectively.

Based on the foregoing, the Directors (including the independent non-executive Directors) are of the view that (i) the continuing connected transactions contemplated under the Mineral Ore Purchase and Agency Service Agreement and Pellet Distribution Agreement will be carried out in the ordinary and usual course of business of the Group; (ii) the terms of the Mineral Ore Purchase and Agency Service Agreement and Pellet Distribution Agreement are entered into on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole; and (iii) the proposed monetary caps of the transactions contemplated under the Mineral Ore Purchase and Agency Service Agreement and Pellet Distribution Agreement are fair and reasonable, and in the interests of the Company and the Shareholders as a whole. To the best knowledge of the Directors, the Directors are not aware of any reason not to enter into these continuing connected transactions.

LETTER FROM THE BOARD

In order to ensure that the proposed monetary caps under the Mineral Ore Purchase and Agency Service Agreement and Pellet Distribution Agreement are effectively implemented from time to time, the transactions will be executed with reference to the Procedures for Administration of Continuing Connected Transactions (公司持續關連交易管理辦法) of the Company (the “**Procedures**”). In accordance with the Procedures, when specific contracts are entered into pursuant to the framework agreement under the Mineral Ore Purchase and Agency Service Agreement and Pellet Distribution Agreement by the various operating divisions of the Group, the price of magnetite and iron ore pellet shall be determined based on the relevant pricing standard stipulated thereunder. In order to ensure that specific contracts are effectively executed by the various operating divisions in accordance with the Procedures, the Mineral Ore Purchase and Agency Service Agreement and Pellet Distribution Agreement, the Company has designated department responsible for monitoring the Group’s continuing connected transactions. There are also designated teams within the relevant departments to continuously monitor the market prices of magnetite and iron ore pellet, thereby enabling the Company to accurately assess the price payable or receivable by the Company under the Mineral Ore Purchase and Agency Service Agreement and Pellet Distribution Agreement. If the price offered by Angang Trading or Angang Group Company is inconsistent with the pricing principles stipulated under the agreements (i.e. the prevailing market price, where applicable), the relevant departments will inform the management of the Company and actively negotiate with Angang Trading or Angang Group Company.

(4) Listing Rules Implications

Angang Group Company indirectly holds, through Angang Holding, an approximate 67.80% equity interest in the Company and hence, is the ultimate controlling Shareholder of the Company and a connected person of the Company as defined under Chapter 14A of the Listing Rules. Angang Trading as a subsidiary of Angang Holding is a connected person of the Company as defined under Chapter 14A of the Listing Rules. As such, the transactions contemplated under the Mineral Ore Purchase and Agency Service Agreement and Pellet Distribution Agreement constitute continuing connected transactions of the Company. Karara as an associate of Angang Holding is also a connected person of the Company as defined under Chapter 14A of the Listing Rules.

Based on the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules), the proposed monetary cap on the transaction contemplated under the Mineral Ore Purchase and Agency Service Agreement constitute non-exempt continuing connected transaction of the Company that is subject to the reporting, annual review, announcement and the Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

As all the relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the proposed monetary cap on the transaction contemplated under the Pellet Distribution Agreement are less than 5%, while one or more applicable percentage ratios exceed 0.1%, the transaction contemplated thereunder constitute continuing connected transaction of the Company that is subject to the reporting and announcement requirements, but is exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

However, pursuant to Chapter 10 of the Listing Rules of Shenzhen Stock Exchange (Revised 2012), the Pellet Distribution Agreement is required to be considered and approved by the Independent Shareholders, as the total amount of connected transactions (including continuing connected transactions) between the Company and the Angang Group (including Angang Trading) in the year of 2014 has exceeded RMB30 million, and in percentage terms, exceeded 5% of the most recent audited net assets value of the Company.

Mr. Zhang Xiaogang, as a director and the general manager of Angang Group Company, and Mr. Tang Fuping, as the vice-general manager of Angang Group Company, each being a Director, are considered to have a conflict of interest in the transactions under the Mineral Ore Purchase and Agency Service Agreement and Pellet Distribution Agreement due to their senior management positions in Angang Group Company. They abstained from voting at the resolutions in relation to the Mineral Ore Purchase and Agency Service Agreement and Pellet Distribution Agreement proposed to the Board. Save as disclosed above, none of the Directors attended the Board meeting has a material interest in the aforementioned agreements.

(5) General Information of the parties

Angang Group Company is a company incorporated in the PRC. It was established by the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會) (as the representative of the State Council of the PRC) on 28 July 2010 as a holding company to hold the entire equity interest in Angang Holding and Pangang Group Company pursuant to the joint restructuring of the two companies.

Angang Holding is a wholly-owned subsidiary of Angang Group Company. It is a major enterprise in the iron and steel industry of the PRC engaged in a wide range of iron and steel-related business activities including mining, iron manufacturing, machinery manufacturing, metallurgical construction project, research and development, trading in iron and steel products and providing relevant transportation, construction, utilities and other support services. It directly holds an approximate 67.80% equity interest in the Company.

LETTER FROM THE BOARD

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 Trading is a wholly-owned subsidiary of Angang Holding. It is primarily engaged in importing and exporting all kinds of merchandise and technologies, excluding merchandise that are restricted or prohibited for importation and exportation by the government. As of the Latest Practicable Date, the registered capital of Angang Trading is RMB1,195.4 million.

III. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

In order to conform to the transition and upgrade of the Company, satisfy its needs for long-term development and create more benefits for the Company, the Board proposes to add “the sales of coal, iron ore, waste steel, production and sales of pellet, production and sales of water for domestic and industrial use, deep processing of steel products and lease of self-owned properties” to its existing scope of business, and amend Article 12 of the Articles of Association accordingly. The Board expects that the proposed amendments would broaden the Group’s revenue streams and enable the Group to better capture market opportunities.

In order to implement the aforesaid amendments, at the twenty-third meeting of the Sixth Session of the Board held on 13 August 2014, the Board has resolved to amend the Company’s existing scope of business and Article 12 of the Articles of Association as follows:

(1) Amendment to the Scope of Business

The current scope of business: ferrous metal metallurgy and steel rolling and processing; secondary business: coking and production and sales of coked products and by-products; production and sales of by-products of steel-rolling; electricity supply and distribution; production and sales of chemical fertilizer, industrial gas, medical oxygen (liquid) and commonly used spare parts; measuring appliances, meter examination; metallurgical raw and fuel materials, ferroalloy processing; wholesale and retail (excluding licensed products) and commission agent (excluding auctioned products) of metallic materials; warehousing, technical consultancy, development, transfer and other services; standard materials and small machinery research and development, physical and chemical performance testing, inspection sample processing, maintenance of equipment for chemical inspection, freight forwarding agency services and loading and unloading services.

LETTER FROM THE BOARD

The amended scope of business: ferrous metal metallurgy and steel rolling and processing; secondary business: coking and production and sales of coked products and by-products; production and sales of by-products of steel-rolling; **the sales of coal, iron ore, waste steel; production and sales of pellet;** electricity supply and distribution; **production and sales of water for domestic and industrial use;** production and sales of chemical fertilizer, industrial gas, medical oxygen (liquid) and commonly used spare parts; measuring appliances, meter examination; **deep processing of steel products;** metallurgical raw and fuel materials, ferroalloy processing; wholesale and retail (excluding licensed products) and commission agent (excluding auctioned products) of metallic materials; warehousing, technical consultancy, development, transfer and other services; standard materials and small machinery research and development, physical and chemical performance testing, inspection sample processing, maintenance of equipment for chemical inspection, freight forwarding agency services and loading and unloading services; **lease of self-owned properties.**

(2) **Amendment to Article 12 of the Articles of Association**

The current article: as registered in accordance with the laws, the business scope of the Company includes: Primary business: ferrous metal metallurgy and steel rolling and processing; Secondary business: coking and production and sales of coked products and by-products; production and sales of by-products of steel-rolling; electricity supply and distribution; production and sales of chemical fertilizer, industrial gas, medical oxygen (liquid) and commonly used spare parts; measuring appliances, meter examination; metallurgical raw and fuel materials, ferroalloy processing; wholesale and retail (excluding licensed products) and commission agent (excluding auctioned products) of metallic materials; warehousing, technical consultancy, development, transfer and other services; standard materials and small machinery research and development, physical and chemical performance testing, inspection sample processing, maintenance of equipment for chemical inspection, freight forwarding agency services and loading and unloading services.

LETTER FROM THE BOARD

Be amended as: As registered in accordance with the laws, the business scope of the Company is as follows: Primary business: ferrous metal metallurgy and steel rolling and processing; Secondary business: coking and production and sales of coked products and by-products; production and sales of by-products of steel-rolling; **the sales of coal, iron ore, waste steel; production and sales of pellet;** electricity supply and distribution; **production and sales of water for domestic and industrial use;** production and sales of chemical fertilizer, industrial gas, medical oxygen (liquid) and commonly used spare parts; measuring appliances, meter examination; **deep processing of steel products;** metallurgical raw and fuel materials, ferroalloy processing; wholesale and retail (excluding licensed products) and commission agent (excluding auctioned products) of metallic materials; warehousing, technical consultancy, development, transfer and other services; standard materials and small machinery research and development, physical and chemical performance testing, inspection sample processing, maintenance of equipment for chemical inspection, freight forwarding agency services and loading and unloading services; **lease of self-owned properties.**

IV. RECOMMENDATION

(1) Continuing Connected Transactions

Based on its views set out above, the Board recommends that the Independent Shareholders vote in favour of the resolutions concerning the Mineral Ore Purchase and Agency Service Agreement and Pellet Distribution Agreement, and the proposed monetary caps of transactions thereunder for the remaining period of 2014 and the year of 2015.

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on pages 18 to 19 of this circular. The Independent Board Committee, having taken into account the advice of TC Capital Asia Limited, considers that (i) the transactions contemplated under the Mineral Ore Purchase and Agency Service Agreement and Pellet Distribution Agreement will be carried out in the ordinary and usual course of business of the Group; (ii) the terms of the Mineral Ore Purchase and Agency Service Agreement and Pellet Distribution Agreement are entered into on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole; and (iii) the proposed monetary caps under the Mineral Ore Purchase and Agency Service Agreement and Pellet Distribution Agreement for the remaining period of 2014 and the year of 2015 are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions concerning the Mineral Ore Purchase and Agency Service Agreement and Pellet Distribution Agreement, and the proposed monetary caps of transactions thereunder for the remaining period of 2014 and the year of 2015 to be proposed at the EGM.

(2) Proposed amendments to the Articles of Association

The Board considers that the proposed amendments to the Articles of Association are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that the Shareholders shall vote in favour of the relevant resolution to be proposed at the EGM.

V. THE EGM AND SHAREHOLDERS' APPROVAL

The EGM will be held at 2:00 p.m. on Tuesday, 14 October 2014 at the Conference Room, Dongshan Hotel, 108 Dongfeng Street, Tiedong District, Anshan City, Liaoning Province, the PRC. The EGM Notice together with the proxy form and reply slip were dispatched to the Shareholders on 29 August 2014. The EGM Notice is set out on pages 44 to 47 of this circular for your ease of reference.

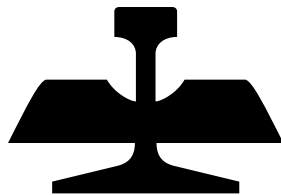
At the EGM, resolutions will be proposed to approve (i) the Mineral Ore Purchase and Agency Service Agreement and the transaction contemplated thereunder, including the monetary cap of transaction for the remaining period of 2014 and the year of 2015; (ii) the Pellet Distribution Agreement and the transaction contemplated thereunder, including the monetary cap of transaction for the remaining period of 2014 and the year of 2015; (iii) the proposed appointment of Mr. Song Jun as a Shareholders' representative supervisor of the Sixth Session of the supervisory committee of the Company; and (iv) the proposed amendments to the Articles of Association. For details of the appointment of Mr. Song Jun and his biographical information, please refer to the EGM Notice and announcement of the Company dated 20 June 2014.

Angang Holding and its associates (if any) will be required to abstain from voting at the EGM with respect to the ordinary resolutions in connection with the Mineral Ore Purchase and Agency Service Agreement and Pellet Distribution Agreement. As of the Latest Practicable Date, Angang Holding directly holds 4,904,908,290 A Shares in the Company, representing approximately 67.80% of the total issued share capital of the Company.

LETTER FROM THE BOARD

In order to determine the list of Shareholders who are entitled to attend and vote at the EGM, the register of the H Shareholders of the Company will be closed from Sunday, 14 September 2014 to Tuesday, 14 October 2014 (both days inclusive), during which period no transfer of Shares will be registered. H Shareholders whose names appear on the register of the H Shareholders of the Company as on Sunday, 14 September 2014 are entitled to attend and vote at the EGM.

Yours faithfully,
By Order of the Board
Zhang Xiaogang
Chairman



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)

22 September 2014

Dear Independent Shareholders,

We refer to the circular of the Company (the “**Circular**”) dated 22 September 2014 and dispatched to the Shareholders which this letter forms part. Unless the context requires otherwise, terms and expressions defined in the Circular shall have the same meanings in this letter.

We have been appointed to advise the Independent Shareholders on whether the terms and conditions of the Mineral Ore Purchase and Agency Service Agreement and Pellet Distribution Agreement (including the proposed monetary caps of transactions contemplated thereunder for the remaining period of 2014 and the year of 2015) are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention to the letter of advice issued by TC Capital Asia Limited which is set out on pages 20 to 37 of the Circular.

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the advice given by TC Capital Asia Limited, we are of the opinion that (i) the transactions contemplated under the Mineral Ore Purchase and Agency Service Agreement and Pellet Distribution Agreement will be carried out in the ordinary and usual course of business of the Group; (ii) the terms of the Mineral Ore Purchase and Agency Service Agreement and Pellet Distribution Agreement are entered into on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole; and (iii) the proposed monetary caps of the transactions contemplated under the Mineral Ore Purchase and Agency Service Agreement and Pellet Distribution Agreement are fair and reasonable, and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions concerning the same to be proposed at the EGM.

Yours faithfully,

For and on behalf of the Independent Board Committee

Chen Fangzheng

Qu Xuanhui

Liu Zhengdong

Chau Chi Wai, Wilton

Independent Non-executive Directors

LETTER FROM TC CAPITAL ASIA LIMITED

The following is the full text of the letter of advice to the Independent Board Committee and the Independent Shareholders from TC Capital Asia Limited dated 22 September 2014 prepared for incorporation in this circular.



TC Capital Asia Limited
天財資本亞洲有限公司

22 September 2014

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

Dear Sirs,

CONTINUING CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to (i) the Mineral Ore Purchase and Agency Service Agreement and (ii) Pellet Distribution Agreement and the transactions contemplated thereunder, whereby the Angang Steel Company Limited (the “**Company**”) will purchase magnetite from Angang Trading as a raw material in order to satisfy its production needs under the Mineral Ore Purchase and Agency Service Agreement and Angang Group Company will purchase iron ore pellet from the Company for resale and distribution under Pellet Distribution Agreement. Details of the terms of the continuing connected transactions and the annual monetary caps for the two years ending 31 December 2014 and 2015 are set out in the Letter from the Board (the “**Board Letter**”) contained in the circular of the Company dated 22 September 2014 issued to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular, unless otherwise specified.

Since Angang Group Company indirectly holds, through Angang Holding, an approximately 67.80% equity interest in the Company and hence, is the ultimate controlling Shareholder and a connected person of the Company as defined under the Listing Rules. As a wholly-owned subsidiary of Angang Holdings, Angang Trading is a connected person to the Company as defined under the Listing Rules. Therefore, the Mineral Ore Purchase and Agency Service Agreement and Pellet Distribution Agreement and the transactions contemplated thereunder thus constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

LETTER FROM TC CAPITAL ASIA LIMITED

Based on the applicable percentage ratios, the proposed annual monetary caps on the transaction contemplated under the Mineral Ore Purchase and Agency Service Agreement (2014-2015) constitute non-exempt continuing connected transactions of the Company that is subject to the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As all the relevant percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the proposed monetary cap on the transaction contemplated under the Pellet Distribution Agreement are less than 5%, while one or more applicable percentage ratios exceed 0.1%, the transaction contemplated thereunder constitute continuing connected transaction of the Company that is subject to the reporting and announcement requirements, but is exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

However, as the total amount of connected transactions (including continuing connected transactions) between the Company and the Angang Group (including Angang Trading) in the year of 2014 has exceeded RMB30 million, and in percentage terms, exceeded 5% of the most recent audited net assets value of the Company, the Pellet Distribution Agreement is required to be considered and approved by the Independent Shareholders pursuant to Chapter 10 of the Listing Rules of Shenzhen Stock Exchange (Revised 2012).

We have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders whether (i) the terms and annual monetary caps of (1) the Mineral Ore Purchase and Agency Service Agreement; and (2) the Pellet Distribution Agreement are on normal commercial terms, in the ordinary and usual course of business of the Company, fair and reasonable insofar as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole; and (ii) whether the Independent Shareholders should vote in favor of the Agreements and the transactions contemplated thereunder.

BASIS OF OPINION

In putting forth our recommendation, we have considered, among other things, (i) the Mineral Ore Purchase and Agency Service Agreement, (ii) Pellet Distribution Agreement and other information as set out in the Circular. We have also relied on all relevant information, opinions and facts supplied and representations made to us by the Directors and the representatives of the Company.

We have assumed that all such information, opinions, facts and representations, which have been provided to us by the Directors or the representatives of the Company, for which they are fully responsible, are true, accurate and complete in all respects. 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 by the Company or is misleading.

LETTER FROM TC CAPITAL ASIA LIMITED

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out independent verification of the information provided by the Directors and the representatives of the Company, nor have we conducted any form of in-depth investigation into the businesses, affairs, operations, financial position or future prospects of each of Angang Group Company, Angang Trading, the Company and any of their respective subsidiaries and associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the terms and the entering into of the Mineral Ore Purchase and Agency Service Agreement and Pellet Distribution Agreement including the annual monetary caps are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable insofar as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, we have taken into account the following principal factors and reasons:

I. Background of and reasons for entering into of the Mineral Ore Purchase and Agency Service Agreement and the Pellet Distribution Agreement

A. *Mineral Ore Purchase and Agency Service Agreement*

The Company is a major steel manufacturing enterprise in the PRC. The Company and its subsidiaries are principally engaged in the production and sale of steel products such as hot rolled sheets, cold rolled sheets, galvanized steel sheets, color coating plates, silicon steel, medium and thick plates, wire rods, heavy section and seamless steel pipes.

As disclosed in the Board Letter, in recent years, the magnetite mineral production volume of the Company's current supplier Angang Group Mining Company* (鞍鋼集團礦業公司) has decreased, thus the Company has been experiencing supply shortage for manganite which is required as a raw material in the production of iron ore pellet, which in turn used in the production of steel. The shortage situation gradually exacerbated following the Bayuquan Branch Steel Company* (鮫魚圈鋼鐵分公司, "Bayuquan"), a wholly-owned subsidiary of the Company, commenced its production of iron ore pellet upon the Company's acquisition of the pellet production facilities in March 2014. As advised by the Company, Bayuquan produced approximately 5.2 million tons of steel products in 2013.

LETTER FROM TC CAPITAL ASIA LIMITED

In order to provide sufficient raw materials for the production of steel products, the Company seeks for a stable and reliable supplier to supply magnetite. In comparison with ordinary iron ore, magnetite offers good assimilability, good fluidity in liquid phase, high intensity in binding phase, and good crystal stock, such characteristics render it particularly suitable for iron ore pellet production. Karara, which is a joint venture indirectly owned as to 50% by Pangang Vanadium & Titanium with Gindalbie Metals Limited (“**Gindalbie**”, an associate of Angang Group Limited and a company listed on the Australian Securities Exchange), produces magnetite in Western Australia. According to company information set out in Karara’s website (www.kararamining.com.au) and Gindalbie’s announcement dated 2 January 2013, Karara’s magnetite project started its first shipment in January 2013 and officially opened in April 2013. According to Gindalbie’s annual report 2011, the project or Karara is based on the integrated development of a substantial, long-life magnetite concentrate operation with the potential to produce more than 30 million tons per annum for more than 30 years, and a smaller scale hematite operation based on a number of high-grade hematite deposits. According to information of Gindalbie’s “Quarterly Activities Report — June 2014” dated 31 July 2014, Karara’s magnetite mining and shipping details are summarized in the table below:

	3rd quarter 2013	4th quarter 2013	1st quarter 2014	2nd quarter 2014
	<i>(’000 wet metric ton)</i>	<i>(’000 wet metric ton)</i>	<i>(’000 wet metric ton)</i>	<i>(’000 wet metric ton)</i>
Ore mined	1,815	2,265	1,773	2,742
Concentrate produced	657	829	901	930
Concentrate shipped	685	897	911	895

(Source: Gindalbie’s “Quarterly Activities Report — June 2014”)

According to the management of the Company, Angang Trading is the sole underwriter of Karara in the PRC, which underwrites and sells all the products produced by Karara. In view of this, the Company entered the Mineral Ore Purchase and Agency Service Agreement with Angang Trading, which acts as an agent of the Company, to purchase magnetite produced by Karara. The magnetite will primarily be used for production at Bayuquan.

Having considered (i) the stability and reliability of the supply of magnetite by Karara; (ii) Karara’s steady production of magnetite expectedly to be long term and hence the supply of magnetite being sustainable; and (iii) that Angang Trading is the sole underwriter of Karara in the PRC; we concur with the Directors’ view that the entering into of the Mineral Ore Purchase and Agency Service Agreement is in the ordinary and usual course of business of the Group, and is in the interests of the Company and the Shareholders as a whole.

B. Pellet Distribution Agreement

In order to better utilize its iron ore pellet production capacity and broaden the Company's source of revenue, the Company intends to sell the iron ore pellets by leveraging on the extensive distribution network for iron ore pellet of Angang Group Company, the Company entered into a Pellet Distribution Agreement with Angang Group Company, which acts as an agent of the Company to sell the iron ore pellets to third parties, thus the Company can benefit from the stability of the additional revenue stream.

We agree that sales of iron ore pellet could broaden the Group's source of revenue when the Group has such production capacity as Bayuquan Branch Steel Company commenced production of iron ore pellet in March 2014. Given that Angang Group Company is major enterprise in the iron and steel industry of and with strong distribution network in the PRC, and the Group has a long term working relation with Angang Group to rely on it to distribute the Group's products, for instance, its products are being purchased by Angang Group Company under the supply of materials and services agreement dated 11 March 2013, we therefore concur with the Directors' view that the entering into of the Pellet Distribution Agreement is in the ordinary and usual course of the business of the Group, and is in the interests of the Company and the Shareholders as a whole.

II. Principal terms of the Mineral Ore Purchase and Agency Service Agreement (2014-2015) and Pellet Distribution Agreement

A. Mineral Ore Purchase and Agency Service Agreement

The key terms of the Mineral Ore Purchase and Agency Service Agreement (2014-2015) are summarized below:

Date : 11 August 2014

Parties : the Company (as purchaser); and
Angang Trading (as seller).

Subject matter : The Company shall purchase, and Angang Trading shall supply, magnetite to be produced by Karara.

LETTER FROM TC CAPITAL ASIA LIMITED

Term : The Mineral Ore Purchase and Agency Service Agreement shall be effective upon:

- (i) signing and sealing by the contracting parties;
- (ii) approval by the Board; and
- (iii) approval by the Independent Shareholders at the EGM.

The agreement shall expire on 31 December 2015.

Payment terms : Payment for purchase price due and payable shall be made on a monthly basis on the last working day of each calendar month.

Agency service fee : Angang Trading will be entitled to charge an import agency commission of not more than 1.5% based on the volume of magnetite purchased by the Company pursuant to the Mineral Ore Purchase and Agency Service Agreement.

Other : The agreement between the Company and Angang Trading shall be non-exclusive, the Company is at liberty to unilaterally determine the amount of magnetite to be purchased from Angang Trading.

The Pricing Standard under the Mineral Ore Purchase and Agency Service Agreement

Pursuant to the Mineral Ore Purchase and Agency Service Agreement, the Company will purchase three types of magnetite from Angang Trading, including premium grade mineral (iron grade $Fe \geq 67.2\%$), standard grade mineral (iron grade $67.2\% > Fe \geq 65\%$) and low grade mineral (iron grade $65\% > Fe \geq 59\%$). The three types of magnetite are classified by Karara and it is industry practice to classify iron ore products into different grades in accordance with iron contents and sell them at different prices. Lower grade iron ore is less attractive as higher amount of energy would be required to extract the iron and tougher environmental protection rules and regulation may encourage the use of higher grade iron ore.

LETTER FROM TC CAPITAL ASIA LIMITED

(a) *Premium Grade Mineral*

The purchase price for premium grade mineral will be based on, and not higher than, the average monthly price (i.e. in the month in which freight was loaded at the port of origin) of such mineral produced by Karara to be sold to independent third parties in the PRC. The volume of premium grade mineral produced by Karara to be sold to independent third parties in the PRC shall not be lower than 30% of the total volume of premium grade mineral sold in a given period.

(b) *Standard Grade Mineral*

The purchase price for standard grade mineral will be based on the sum of (i) the reference price and (ii) the port freight differential, which will be determined as follows:

Reference Price : The monthly average value of the medium price of Platts 65% iron (CFR) for Northern China (Qingdao port) as published daily by the SBB Steel Markets Daily Briefing for the month in which the freight was loaded at the port of origin, divided by 65 (based on USD cents per dry metric ton).

Port Freight Differential : The applicable product shipping freight costs differential for each dry metric ton, in particular the shipping freight costs differential for each dry metric ton of mineral from Qingdao port to Bayuquan in Liaoning and divided by 65.

(c) *Low Grade Mineral*

The purchase price for low grade mineral will be based on the sum of (i) the reference price and (ii) the port freight differential, which will be determined as follows:

Reference Price : The monthly average value of the medium price of Platts 62% iron (CFR) for Northern China (Qingdao port) as published daily by the SBB Steel Markets Daily Briefing for the month in which the freight was loaded at the port of origin, divided by 62 (based on USD cents per dry metric ton).

LETTER FROM TC CAPITAL ASIA LIMITED

Port Freight Differential : The applicable product shipping freight costs differential for each dry metric ton, in particular the shipping freight costs differential for each dry metric ton of mineral from Qingdao port to Bayuquan in Liaoning and divided by 62.

The Company has advised us that the above classification of products is set by Karara. For standard grade and low grade minerals, the Group can easily refer to the reference price as published by the SBB Steel Markets Daily Briefing. We have reviewed the Platts Iron Ore Index, which, to simplify, assesses iron ore with contents of 52%, 58%, 62%, 63%/63.5% and 65% for main ports in the PRC and normalized to Qingdao by Platts. Platts is an independent leading market information provider for iron ore and the use of its iron ore index has been widely used by steelmakers and traders. Platts publishes the SBB Steel Markets Briefing daily which is a major source of market prices for the various raw materials for steelmaking and it is used by a number of major mining companies, including BHP Billiton and Rio Tinto, in their ore supply agreement as the source of the benchmark ore price. Delivery takes often a few weeks' times from the loading at the port of origin when the price was first determined. Platts publishes only the price for the month in which the freight was loaded at the port of origin. Having considered the independence of Platts and its iron ore indices which are recognized in the market, we are of the view that the choice of market price reference is fair and reasonable.

For the premium grade products of Karara, since Platts does not publish price of iron for iron contents over 65%, to establish a fair price, the Company advised us that they should refer to market price of such premium products instead of base on Platts' index. To enable the Group to establish a fair price, the parties consider it appropriate to base on, and not higher than, the average monthly price (i.e. in the month in which freight was loaded at the port of origin) of such mineral to be sold by Karara to independent third parties in the PRC. In order to ensure that the price is reflective and consistent with the market price of the premium grade magnetite, at least 30% of the Karara's premium grade magnetite produced are required to be sold to independent third parties in the PRC.

Given that market price will always be referred to for all the three grades of products offered by Karara, and the price charged for premium products will also be capped by the average monthly price sold to independent third parties in the PRC, we are of the view that the pricing standard is fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM TC CAPITAL ASIA LIMITED

Under the Mineral Ore Purchase and Agency Service Agreement, Angang Trading will be entitled to charge an import agency commission of not more than 1.5% based on the volume of magnetite purchased by the Company, and the import agency commission rate will be determined by the Company and Angang Trading from time to time. The precise percentage of agency service commission payable will be determined with reference to transaction volume, price of magnetite and import costs incurred by Angang Trading. We are given to understand that agency service fee is customarily agreed between the Company and Angang Trading taking into account several factors, including but not limited to transaction volume, transaction amount and market condition. Due to the long term relationship between the Company and Angang Group Company, the Company managed to agree with a relatively stable commission rate, which is capped at 1.5%, and the Company has the right from time to time to renegotiate an adjustment to the commission rate. Inclusion of agency fee is industry practice so as to cover the agent's costs in the administrative assistance and other overheads in its trading business. Pursuant to the Mineral Ore Purchase and Agency Service Agreement, the agency commission rate shall not be higher than the commission charged by other domestic import companies in the PRC for iron ore importation. According to the management of the Company, the Company has a market research taskforce which is responsible for the close monitoring of the updated import agency commission charged by other domestic import companies in the PRC in order to ascertain the prevailing commission rate charged by independent import agencies, thus to ensure the price charged by Angang Trading is no less favorable than those available from independent third parties. We are of the view that this mechanism is effective in maintaining fair dealings between the Company and Angang Trading and the Company is further protected by capping the commission rate at 1.5%.

Regarding the purchase price for three grades of magnetite purchased from Angang Trading, including premium grade mineral (iron grade $\text{Fe} \geq 67.2\%$), standard grade mineral (iron grade $67.2\% > \text{Fe} \geq 65\%$) and low grade mineral (iron grade $65\% > \text{Fe} \geq 59\%$), the Company has a market research taskforce which is responsible to closely monitor the updated market price of magnetite in order to ensure the purchase of magnetite by Angang Trading on behalf of the Company is strict adherence to the pricing mechanism as stated in the Mineral Ore Purchase and Agency Service Agreement.

LETTER FROM TC CAPITAL ASIA LIMITED

With regards the payment terms, payment for purchase price due and payable shall be made on a monthly basis on the last working day of each calendar month. We note that this practice is in line with other transactions carried out between the Group and Angang Group Company and its subsidiaries. This would facilitate a centralized settlement and the Group would benefit from not settling at spot transactions, we therefore are of the view that the payment terms are fair and reasonable in so far the Company and the Independent Shareholders are concerned.

Having considered the above, we are of the opinion that the policies and procedures adopted by the Group can ensure the price charged or the terms offered by Angang Trading to the Company are not less favorable than those offered to other independent customers, thus we concur with the Directors' view that the terms (including the pricing mechanism) under the Mineral Ore Purchase and Agency Service Agreement are fair and reasonable, on normal commercial terms, and in the interests of the Group and the Shareholders as a whole.

B. Pellet Distribution Agreement

The key terms of the Pellet Distribution Agreement are summarized below:

- Date : 11 August 2014
- Parties : the Company (as supplier); and
Angang Group Company (as purchaser).
- Subject matter : Angang Group Company shall purchase, and the Company shall supply, iron ore pellet to be produced by the Bayuquan for the purpose of resale and distribution.
- Term : The Pellet Distribution Agreement shall be effective upon:
- (i) signing and sealing by the contracting parties;
 - (ii) approval by the Board; and
 - (iii) approval by the Independent Shareholders at the EGM.

The agreement shall expire on 31 December 2015.

LETTER FROM TC CAPITAL ASIA LIMITED

- Payment terms : Payment for purchase price due and payable shall be made on a monthly basis on the last working day of each calendar month.
- Pricing standard : The price payable by the Angang Group Company to the company for iron ore pellet is based on the price paid by third party purchasers to Angang Group Company minus a distribution commission of not more than 1.5%.
- Other : The Pellet Distribution Agreement is non-exclusive.

Under the Pellet Distribution Agreement, Angang Group Company will be entitled to charge a sales commission of not more than 1.5% based on the price payable by the Angang Group Company to the Company for iron ore pellet sold, and the sales commission rate will be determined by the Company and Angang Group Company from time to time. According to the management of the Company, the Company has a market research taskforce which is responsible for the close monitoring of the market sales commission charged by other agents in the PRC, in an effort to ensure the price charged by Angang Group Company is no less favorable than those would otherwise be available from independent third parties.

Regarding the price of iron ore pellet to be sold by Angang Group Company on behalf of the Company, the Company's market research taskforce will also closely monitor the updated market price of iron ore pellet. As the commission payable to Angang Group Company is directly proportional to the price of the iron ore pellet (subject to a maximum of 1.5%), Angang Group's interest aligns with the Group's to sell the iron ore pellet at the highest possible price.

In addition, under the Pellet Distribution Agreement, Angang Group Company is not the exclusive distributor for the distribution of iron ore pellet. Whenever the iron ore pellet can be sold with more favourable terms by other distributors, the Group has the liberty to opt for such better distributors.

Having considered the above, we are of the opinion that the policies and procedures adopted by the Group can ensure the price charged or the terms offered by Angang Group Company to the Company is not less favorable than those offered to other independent distributors, thus we concur with the Directors' view that the terms (including the pricing mechanism) under the Pellet Distribution Agreement are fair and reasonable, on normal commercial terms, and in the interests of the Group and the Shareholders as a whole.

LETTER FROM TC CAPITAL ASIA LIMITED

For both the Mineral ore Purchase and Agency Service Agreement and Pellet Distribution Agreement, the transactions will be executed with reference to the Procedures for Administration of Continuing Connected Transaction (公司持續關連交易管理辦法) of the Company (the “**Procedures**”). In accordance with the Procedures, when specific contracts are entered into pursuant to the framework agreement under the Mineral Ore Purchase and Agency Service Agreement and Pellet Distribution Agreement by the various operating divisions of the Group, the price of magnetite and iron ore pellet shall be determined based on the relevant pricing standard stipulated thereunder. In order to ensure that specific contracts are effectively executed by the various operating divisions in accordance with the Procedures, the Mineral Ore Purchase and Agency Service Agreement and Pellet Distribution Agreement, the Company has designated department responsible for monitoring the Group’s continuing connected transactions.

III. Historical transactions and proposed annual monetary caps

A. *Mineral Ore Purchase and Agency Service Agreement*

The table below sets out the historical aggregate purchase amounts and the proposed monetary caps for the period until 31 December 2014 and for the year ending 31 December 2015:

	Monetary caps		
	Historical transaction amount for the period from 30 April 2014 to 31 July 2014 (RMB million)	For the period from upon Shareholders’ approval at the EGM to 31 December 2014 (RMB million)	For the year ending 31 December 2015 (RMB million)
Magnetite	411	1,500	3,000

In arriving at the monetary caps, the Directors have taken into account the following factors:

- (i) the expected productions needs of the Bayuquan for magnetite;
- (ii) the volume of historical transaction for the purchase of magnetite by the Company under the Previous Mineral Ore Purchase Agreement; and
- (iii) the forecast market price of magnetite for the remaining period of 2014 and the year of 2015.

LETTER FROM TC CAPITAL ASIA LIMITED

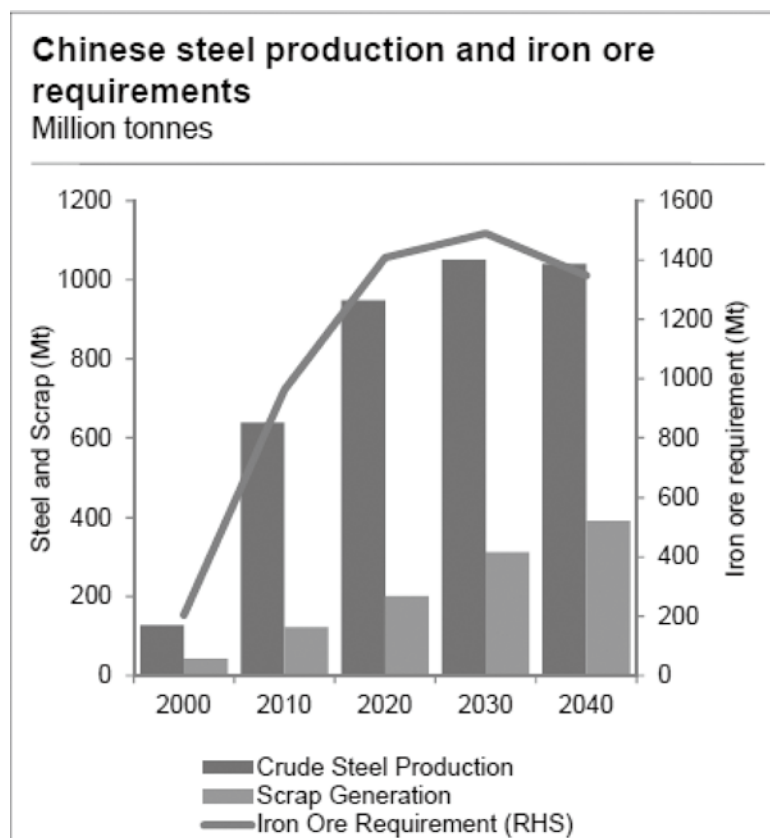
Since according to the management of the Company, the magnetite will primarily be used for production at the Bayuquan, we are of the view that the factors above are appropriate in determining the annual caps.

We note that the Company has started to import magnetite produced by Karara since April 2014 and during the approximately three month period ended 31 July 2014, purchase of magnetite amounted to approximately RMB411 million, and approaching the approved monetary cap of RMB580 million until 31 August 2014 under the Previous Mineral Ore Purchase and Agency Service Agreement. We are also advised that the magnetite mining project of Karara started first shipment in January 2013 and as shown in the paragraph headed “Background of and reasons for entering into of the Mineral Ore Purchase and Agency Service Agreement and the Pellet Distribution Agreement” above that Karara has demonstrated significant progress in increasing its production and shipment. We are advised that the requirement of Bayuquan for magnetite for 2014 and 2015 is approximately 2.3 million tons and 3.2 million tons, respectively, which is far less than the design production volume of 30 million tons per annum of Karara.

The management of the Company informed us that Bayuquan will gradually increase its production capacity and the sales of ore pellet. Although the planned increase of magnetite demand in 2015 is about 39% more than 2014, the management considered it desirable to raise the annual cap of 2015 from RMB2,080 million to RMB3,000 million, because (i) production capacity of Bayuquan may be unleashed more than originally expected; (ii) the expected demand of the products of Bayuquan; (iii) price of magnetite would be volatile, as other commodities do; and (iv) it allows a margin of error as it is more difficult to estimate accurately the purchase amount in the farther future of 2015. Further, as discussed above, as production of magnetite mineral from Angang Group Mining Company decreased, the purchase of magnetite from Karara allows the Group to diversify its sources of materials supply.

LETTER FROM TC CAPITAL ASIA LIMITED

We note that the demand of iron ore in the PRC has remained strong thanks partly to the government spending on projects that need large amounts of steel, such as infrastructure projects. According to China Customs, approximately 457 million tons of iron ore were imported in the PRC in the first six months in 2014, up 19.1% from the same period a year earlier. Rio Tinto, a leading mining company in the world, forecast in 2013 that iron ore requirement in the PRC will continue to rise until 2030, as shown in the following graph:

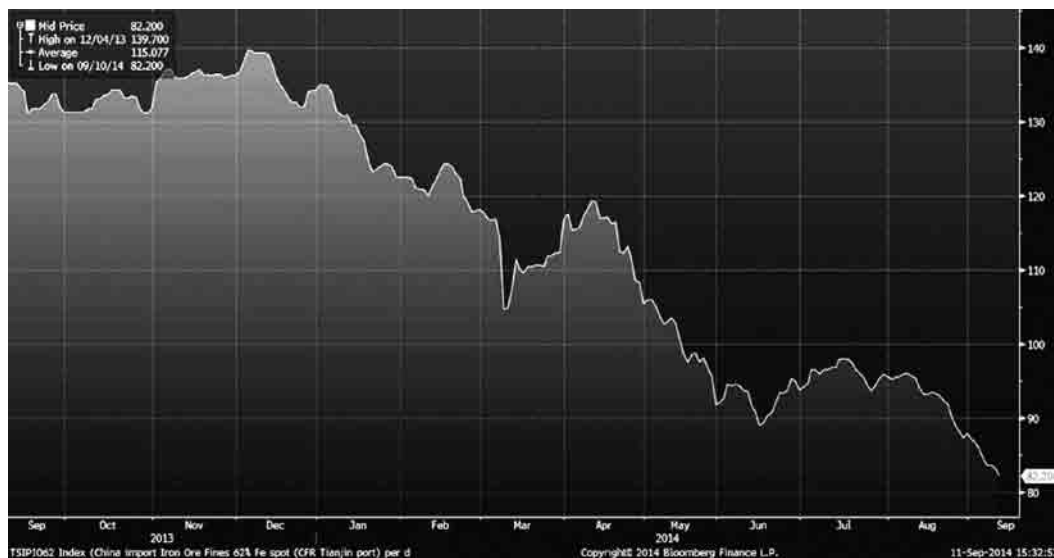


(Source: Rio Tinto)

As advised by the management of the Company, the sales of Bayuquan is in line with the PRC market and it is expected that external sales of iron ore pellet by Bayuquan would be approximately 100,000 tons and 420,000 tons for 2014 and 2015, respectively.

LETTER FROM TC CAPITAL ASIA LIMITED

To the best of our knowledge, we are not aware of any publicly available information on the trend of the market price of magnetite. As a proxy, we obtained historical price chart of iron ore 62% from Bloomberg, as iron ore can be extracted from magnetite. As shown in the price chart below, iron ore 62% demonstrated a trend of decrease since the beginning of 2014, started at approximately USD135 per metric ton and reached a bottom of USD89 per metric ton in June 2014 before slightly turning up. The price started to decrease again in around mid-July. This suggests that the magnitude of the price of iron ore could vary greatly in a relatively short time horizon and hence the volatility.



(Source: Bloomberg)

In estimating the annual caps, the management of the Company has assumed that a magnetite price of USD122 per ton for the remaining period of 2014 and USD126 per ton throughout 2015, with reference to the average imported iron ore price of USD121.15 per ton for the first five months in 2014 as published by the China Customs, and assuming that the magnetite price will gradually increase in 2015 due to the improving quality of magnetite from Karara when its production is becoming more mature. We have discussed with the management of the Company and noted that the determination of the forecast magnetite prices above has also taken into account the demand and production of major mining companies in the world, analyst's expectation and recent iron ore price trend in the PRC. In this regard, we consider that the forecast magnetite prices have been arrived at after due care and are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

LETTER FROM TC CAPITAL ASIA LIMITED

As regards the management's inclusion of a buffer in allowing for the movement of magnetite price and error in estimating the demand of magnetite by the Group, taking into account the volatility of iron ore price and the relatively short duration upon the Group's acquisition of the pellet production facilities since March 2014 as well as the purchase history from Karara, we consider that it is difficult, if possible, to accurately forecast the future transaction amounts since it would involve a number of assumptions which are subject to uncertainties. It is common practice of listed issuers in Hong Kong to include a buffer when estimating annual caps for similar continuing connected transactions. In this case, we are advised that a buffer of 20% is included which we consider it reasonable.

Having considered the above factors, we consider that the annual caps under the Mineral Ore Purchase and Agency Service Agreement are fair and reasonable so far as the Independent Shareholders are considered and in the interests of the Company and the Shareholders as a whole.

B. Pellet Distribution Agreement

The table below sets out the historical aggregate sales amounts and the annual caps for the Pellet Distribution Agreement for the years ending 31 December 2014 and 2015:

	Proposed monetary caps	
	For the period from	
	upon Shareholders'	
	approval to	
	For the year ending	For the year ending
	31 December 2014	31 December 2015
	<i>(RMB million)</i>	<i>(RMB million)</i>
Iron ore pellet	100	400

In arriving at the monetary caps for the transactions under the Pellet Distribution Agreement, the Directors have taken into account the following factors:

- i) iron ore pellet production capability of the Bayuquan for the years of 2014 and 2015;
- ii) the sale and distribution volume of the distribution network of Angang Group Company; and
- iii) the forecast market price of iron ore pellet for the remaining period of 2014 and the year of 2015.

LETTER FROM TC CAPITAL ASIA LIMITED

The Company has advised us that Bayuquan is capable of producing approximately 100,000 tons and 420,000 tons of iron ore pellet a year in excess of its utilization for the remaining period in 2014 (i.e. from Shareholders' approval at the EGM to 31 December) and throughout 2015. Also disclosed in the interim report 2014 is that the average purchase price of iron ore pellet of the Company for the first half of 2014 was approximately RMB936 per ton. The annual caps for 2014 and 2015 have been then determined by multiplying the average selling price and the annual iron ore pellet production capacity and adjusting by the effective period under the Pellet Distribution Agreement in each of 2014 and 2015.

Although the price of iron ore pellet may fluctuate as iron ore price does, the Company did not provide a buffer in determining the annual caps for the distribution of iron ore pellet as compared to the determining of the annual caps for the purchase of magnetite. This is because not all iron ore pellet produced by Bayuquan will be distributed through Angang Group Company, but a material portion will instead be consumed by Bayuquan, any excessive production can be consumed by Bayuquan in later stage or through other distributors as the Pellet Distribution Agreement is non-exclusive.

Having considered the above factors, we consider that the monetary caps under the Pellet Distribution Agreement are fair and reasonable so far as the Independent Shareholders are considered and in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having considered the principal factors and reasons as discussed above, we are of the opinion that the Mineral Ore Purchase and Agency Service Agreement and the Pellet Distribution Agreement have been entered into in the ordinary and usual course of business of the Group, the terms of which are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole; and the proposed annual monetary caps under the Mineral Ore Purchase and Agency Service Agreement and Pellet Distribution Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

LETTER FROM TC CAPITAL ASIA LIMITED

Accordingly, we would recommend that the Independent Shareholders vote in favour, and we would recommend that the Independent Board Committee advise the Independent Shareholders to vote in favour, of the ordinary resolutions to be proposed at the upcoming EGM to approve the Mineral Ore Purchase and Agency Service Agreement and Pellet Distribution Agreement.

Yours faithfully,
For and on behalf of
TC Capital Asia Limited
Edward Wu
Managing Director

Note: Mr. Edward Wu of TC Capital Asia Limited is a responsible officer licensed under the SFO to engage in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities having over 13 years of experience in investment banking and corporate finance.

* *for identification purpose only*

GENERAL INFORMATION

I. RESPONSIBILITY STATEMENT

This circular, for which the Directors of the Company 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.

II. DISCLOSURE OF INTERESTS

- (1) Save as disclosed, as at the Latest Practicable Date, none of the Directors, supervisors or chief executive of the Company has 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 to be notified to the Company and the Hong Kong 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 taken under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Hong Kong Stock Exchange.

GENERAL INFORMATION

Directors

	Number of Shares	Percentage of shareholding in the registered A share capital of the Company	Percentage of shareholding in the total registered share capital of the Company
Zhang Xiaogang	10,000 A Shares	0.000163%	0.000138%
Tang Fuping	10,000 A Shares	0.000163%	0.000138%
Yang Hua	10,000 A Shares	0.000163%	0.000138%
Wang Yidong	10,200 A Shares	0.000166%	0.000141%
Ma Lianyong	10,000 A Shares	0.000163%	0.000138%
Sub-total	<u>50,200 A Shares</u>	<u>0.000818%</u>	<u>0.000693%</u>
 Supervisor			
Shan Mingyi	15,124 A Shares	0.000246%	0.000209%
Total	<u>65,324 A Shares</u>	<u>0.001064%</u>	<u>0.000902%</u>

The Shares are held by the persons mentioned above as the beneficial owners, except for Shan Mingyi who is interested in 5,124 A Shares through a family interest.

GENERAL INFORMATION

- (2) Save as disclosed below, the Directors, supervisors and chief executive of the Company are not aware of any other person who, as at the Latest Practicable Date, had an interest or short position in the Shares, convertible securities, warrants, options or derivatives of the Company, the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name of the Shareholders	Number of H Shares interested ^(Note)	Percentage of shareholding in the registered H share capital of the Company	Percentage of shareholding in the total registered share capital of the Company
Nomura Holdings Inc.	107,815,553 ^(L)	9.93% ^(L)	1.49% ^(L)
	7,256,480 ^(S)	0.67% ^(S)	0.10% ^(S)
	70,703,244 ^(P)	6.51% ^(P)	0.98% ^(P)
JPMorgan Chase & Co.	71,421,140 ^(L)	6.58% ^(L)	0.99% ^(L)
	23,393,742 ^(S)	2.15% ^(S)	0.32% ^(S)

Note:

(L) - Long Position, (S) - Short Position, (P) - Lending Pool

Name of the Shareholders	Number of Shares interested	Percentage of shareholding in the registered A share capital of the Company	Percentage of shareholding in the total registered share capital of the Company
Angang Group Company	4,904,908,290 A Shares ^(Note)	79.77%	67.80%
Angang Holding	4,904,908,290 A Shares ^(Note)	79.77%	67.80%

Note:

Angang Holding directly holds 4,904,908,290 A Shares (in the form of state-owned Shares) representing approximately 67.80% of the total issued share capital of the Company. Angang Holding is a direct wholly-owned subsidiary of Angang Group Company. Therefore, Angang Group Company is interested in such 4,904,908,290 A Shares through Angang Holding.

GENERAL INFORMATION

III. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or supervisors of the Company has entered or proposed to enter into a service contract with any member of the Group other than contracts expiring or determinable by the relevant employer within one year without payment of compensation (except statutory compensation).

IV. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their associates was considered by the Company to have interests in businesses which compete with, or might compete with, either directly or indirectly, the businesses of the Group, other than those businesses where such Directors had been appointed to represent the interests of the Company and/or other members of the Group.

V. DIRECTORS' AND EXPERT'S INTEREST IN THE TRANSACTION OR THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or expert who are named herein had any interests, either directly or indirectly, in the transaction or any assets which had been, since 31 December 2013 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of or leased to any member of the Group, or were proposed to be acquired or disposed of or leased to any member of the Group.

VI. OTHER ARRANGEMENTS INVOLVING DIRECTORS

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any of the Directors was materially interested and which was significant in relation to the business of the Group.

GENERAL INFORMATION

VII. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2013, being the date to which the latest published audited financial statements of the Company were made up.

VIII. LITIGATION

As at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation or arbitration of material importance and, so far as the Directors were aware, no litigation or claim of material importance was pending or threatened by or against the Company or any member of the Group.

IX. EXPERT

- (1) The following is the qualifications of the expert who has given its opinion or advice which is contained in this circular:

Name	Qualification
TC Capital Asia Limited	Independent financial adviser and a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulatory activities under the SFO

- (2) As at the Latest Practicable Date, the above expert did not have any shareholding directly or indirectly in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (3) As at the Latest Practicable Date, the above expert had no direct or indirect interest in any assets which had been, since 31 December 2013 (being the date to which the latest published audited financial statements of the Company were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group.
- (4) The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the reference to its name included herein in the form and context in which it appears.

GENERAL INFORMATION

X. MISCELLANEOUS

- (1) The secretary to the Company and the Board is Mr. Ma Lianyong.
- (2) The registered office of the Company is at Production Area of Angang Steel, Tiexi District, Anshan City, Liaoning Province, PRC and the principal place of business of the Company in Hong Kong is at 33/F Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong.
- (3) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (4) In the event of inconsistency, the English version of this circular shall prevail over the Chinese version to the extent of such inconsistency.

XI. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the offices of Morrison & Foerster at 33/F Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong from the date of this circular up to and including 6 October 2014:

- (1) the Articles of Association of the Company;
- (2) the Mineral Ore Purchase and Agency Service Agreement;
- (3) the Pellet Distribution Agreement;
- (4) the letter from the Independent Board Committee, the text of which is set out from pages 18 to 19 of this circular;
- (5) the letter of advice from TC Capital Asia Limited, the text of which is set out from pages 20 to 37 of this circular;
- (6) the written consent referred to in the sub-section above headed "Expert";
- (7) the announcement of the Company dated 11 August 2014 in relation to the Mineral Ore Purchase and Agency Service Agreement and Pellet Distribution Agreement; and
- (8) the announcement of the Company dated 30 April 2014 in relation to the Previous Mineral Ore Purchase Agreement.



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the second extraordinary general meeting of Angang Steel Company Limited (the “**Company**”) for the year of 2014 (the “**EGM**”) will be held at the Conference Room of Dongshan Hotel, 108 Dongfeng Street, Tiedong District, Anshan City, Liaoning Province, the People's Republic of China at 2:00 p.m. on Tuesday, 14 October 2014 for the purpose of considering and, if thought fit, approving the following matters. Unless otherwise defined, capitalised terms used herein shall have the same meanings as ascribed to them in the announcement of the Company dated 11 August 2014:

AS ORDINARY RESOLUTIONS

1. To consider and approve the Mineral Ore Purchase and Agency Service Agreement and the transaction contemplated thereunder, including the proposed monetary cap of transaction for the period commencing on the date which the agreement comes into effect until 31 December 2014 and the year of 2015.⁽¹⁾
2. To consider and approve the Pellet Distribution Agreement and the transaction contemplated thereunder, including the proposed monetary cap of transaction for the period commencing on the date which the agreement comes into effect until 31 December 2014 and the year of 2015.⁽¹⁾
3. To consider and approve the appointment of Mr. Song Jun as a shareholders' representative supervisor of the Sixth Session of the Supervisory Committee of the Company.

Please refer to Appendix I to this notice for biographical and relevant information of Mr. Song.

* *For identification purpose only*

NOTICE OF EGM

AS SPECIAL RESOLUTION

4. To consider and approve the proposed amendments to the scope of business and the Articles of Association of the Company as set out in the announcement of the Company dated 13 August 2014, and that the Chairman of the board of Directors of the Company, and any person duly authorized by him, be and is hereby authorized to arrange and execute all the procedures and matters in relation to the proposed amendments to the scope of business and the Articles of Association of the Company.

By Order of the Board
ANGANG STEEL COMPANY LIMITED*
Ma Lianyong
Executive Director and Secretary to the Board

Anshan City, Liaoning Province, the PRC
29 August 2014

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

Executive Directors:

Zhang Xiaogang
Tang Fuping
Yang Hua
Wang Yidong
Ma Lianyong

Independent Non-executive Directors:

Chen Fangzheng
Qu Xuanhui
Liu Zhengdong
Chau Chi Wai, Wilton

Notes:

- (1) For details of the Mineral Ore Purchase and Agency Service Agreement and Pellet Distribution Agreement, and the continuing connected transactions contemplated thereunder, including the proposed monetary caps of transactions for the period commencing on the date which the agreements come into effect until 31 December 2014 and the year of 2015, please refer to the announcement of the Company dated 11 August 2014.
- (2) In order to determine the list of shareholders who are entitled to attend and vote at the EGM, the register of H shareholders of the Company will be closed from Sunday, 14 September 2014 to Tuesday, 14 October 2014 (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 as on Sunday, 14 September 2014 are entitled to attend and vote at the EGM. In order to attend and vote at the EGM, 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, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by no later than 4:30 p.m. on Friday, 12 September 2014.

NOTICE OF EGM

- (3) Voting at the EGM will be taken by poll.
- (4) Any shareholder entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote on his/her/its behalf. A proxy need not be a shareholder of the Company. Where a shareholder has appointed more than one proxy, each of his proxies may only vote on a poll in respect of the shares actually held by him.
- (5) The instrument appointing a proxy must be in writing under the hand of the appointer or his/her/its attorney duly authorised in writing. If that instrument is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign, or other documents of authorisation, must be notarially certified. To be valid, the notarially certified power of attorney, or other documents of authorisation, and the form of proxy must be delivered to the Company's H share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th 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 or any adjournment thereof.
- (6) Any shareholder who intends to attend the EGM in person or by proxy shall, for information purposes only, return the reply slip (which will be dispatched to the shareholders together with this notice) to the Secretary Office to the Board on or before **23 September 2014** in person or by hand, post or fax. Failure to return the reply slip will not affect a shareholder's rights to attend the EGM or any adjournment in person.
- (7) The address and contact details of the Secretary Office to the Board are as follows:
- Production Area of Angang Steel
Tiexi District, Anshan City
Liaoning Province
The People's Republic of China
Post Code: 114021
Tel: 86-412-8417273 / 8419192
Fax: 86-412-6727772
- (8) In accordance with the Articles of Association of the Company, where two or more persons are registered as the joint holders of any share, only the person whose name appears first in the register of members shall be entitled to receive this notice, to attend and exercise all the voting powers attached to such share at the EGM, and this notice shall be deemed to be given to all joint holders of such share.
- (9) The EGM is expected to be concluded within half a day. Shareholders (in person or by proxy) attending the EGM are responsible for their own transportation and accommodation expenses. Shareholders or their proxies attending the EGM shall produce valid identity documents.

* *For identification purpose only*

NOTICE OF EGM

APPENDIX I

The Board proposes to appoint Mr. Song Jun (“**Mr. Song**”) as a shareholders’ representative supervisor of the Sixth Session of the Supervisory Committee of the Company (the “**Supervisory Committee**”). Please see below for his relevant information.

Mr. Song, born in November 1959, currently serves as the deputy secretary of the Communist Party Committee of the Company and is a senior political worker. Mr. Song graduated from the Liaoning Provincial Party School with a Bachelor’s degree. He has previously held various positions including the secretary of the Communist Party Committee and secretary of the Commission for Discipline Inspection of Angang Machinery Manufacturing Co., Ltd.,* (鞍鋼機械製造公司), the secretary of the Communist Party Committee and vice-chairman cum deputy manager of Angang Heavy Machinery Co., Ltd.,* (鞍鋼重型機械有限責任公司) as well as the secretary of the Communist Party Committee cum secretary of the Commission for Discipline Inspection of Angang Production Coordination Centre* (鞍鋼生產協力中心).

The term of office of Mr. Song will commence upon the approval of his appointment by the shareholders at the EGM and shall expire at the end of the Sixth Session of the Supervisory Committee. The Company will enter into a service contract with Mr. Song. The remuneration of Mr. Song will be determined by the Supervisory Committee with reference to his responsibilities, the Company’s remuneration policy and the prevailing market conditions.

As at the date of this notice, Mr. Song does not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong). He has not been subject to any public sanction by any statutory or regulatory authority.

Save as disclosed above, Mr. Song has not held any directorship in any publicly listed company in the past three years and does not have any relationship with any Director, senior management, substantial or controlling shareholder (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”)) of the Company.

Save as disclosed above, there is no other matter concerning the appointment of Mr. Song that needs to be brought to the attention of the shareholders and The Stock Exchange of Hong Kong Limited, and there is no other matter which shall be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.