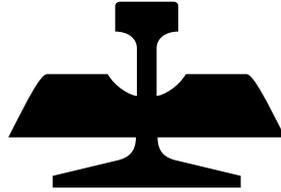


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**鞍鋼股份有限公司**

**ANGANG STEEL COMPANY LIMITED\***

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

(Stock Code: 0347)

## **CONTINUING CONNECTED TRANSACTION ANNOUNCEMENT**

### **2015 FINANCIAL SERVICES AGREEMENT**

The Board hereby announces that in order to facilitate the Group's business operation and satisfy its needs for financial services upon the expiry of the Revised 2014 Financial Services Agreement, following negotiations with Angang Group Financial Company, the Company has entered into the 2015 Financial Services Agreement with Angang Group Financial Company on 19 December 2014, pursuant to which Angang Group Financial Company will continue to provide financial services to the Group for the year ending 31 December 2015.

Angang Group Company indirectly holds, through Angang Holding, an approximate 67.29% 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. As a subsidiary of Angang Group Company, Angang Group Financial Company is also a connected person of the Company as defined under Chapter 14A of the Listing Rules. As such, the transaction contemplated under the 2015 Financial Services Agreement constitute continuing connected transaction of the Company.

The loan and entrustment loan services to be provided by Angang Group Financial Company to the Group under the 2015 Financial Services Agreement will constitute financial assistance to be provided by a connected person for the benefit of the Group. As such services will be provided on normal commercial terms and the interest rate for loan and entrustment loan shall not be higher than the interest rate payable by the Company for similar loans of equivalent term to other financial institutions, and no security over any assets of the Group will be granted in respect of the loan and entrustment loan services, such services are therefore exempt from the reporting, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

As each of the percentage ratio(s) (as defined in Rule 14.07 of the Listing Rules) applicable to the deposit services under the 2015 Financial Services Agreement is more than 0.1% but less than 5%, the deposit services to be provided by Angang Group Financial Company to the Group are subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **I. BACKGROUND INFORMATION**

Reference is made to the announcement of the Company dated 14 February 2014 in relation to the continuing connected transaction between the Company and Angang Group Financial Company under the Revised 2014 Financial Services Agreement. This agreement will expire on 31 December 2014.

The Board hereby announces that in order to facilitate the Group's business operation and satisfy its needs for financial services upon the expiry of the Revised 2014 Financial Services Agreement, following negotiations with Angang Group Financial Company, the Company has entered into a new financial services agreement with Angang Group Financial Company on 19 December 2014 (the "**2015 Financial Services Agreement**"), pursuant to which Angang Group Financial Company will continue to provide financial services to the Group for the year ending 31 December 2015.

## II. 2015 FINANCIAL SERVICES AGREEMENT

The principal terms of the 2015 Financial Services Agreement are summarized below:

Date: 19 December 2014

Parties: (i) the Company; and

(ii) Angang Group Financial Company

Subject matter: Provision of financial services, including receipt of deposits, settlement of funds, loan and entrustment loan services and bill acceptance and discount services by Angang Group Financial Company to the Group for the year ending 31 December 2015.

Term: Subject to approval by the Board, the agreement shall be effective from 1 January to 31 December 2015.

Payment of interests and services charges: In lump sums or by installments. The time of payments is to be agreed with reference to customary business practices. The payment terms shall not be less favourable than those available from or offered to independent third parties.

The payments for the transactions contemplated under the 2015 Financial Services Agreement will be funded by internal resources of the Company.

### III. HISTORICAL FIGURES OF TRANSACTIONS UNDER THE FINANCIAL SERVICES AGREEMENT (2012-2013) AND REVISED 2014 FINANCIAL SERVICES AGREEMENT

The following table sets out certain information regarding the transactions between the Group and Angang Group Financial Company under the Financial Services Agreement (2012-2013) for the year of 2013:

	Annual monetary cap for the year of 2013 <i>(RMB' million)</i>	Year ended 31 December 2013	
		Actual amount <i>(RMB' million)</i>	Utilisation rate
<b>Financial Services</b>			
(i) Interest payable on deposits Maximum daily balance of the deposits (including the accrued interest)	50  7,000	7  5,801	14%  82.87%
(ii) Amount of loans Interest payable on loans and discounted bills	12,000  600	1,711  171	14.26%  28.5%
(iii) Amount of entrustment loans Interest payable on entrustment loans	8,000  400	0  31	0%  7.75%

The following table sets out certain information regarding the transactions between the Group and Angang Group Financial Company under the Revised 2014 Financial Services Agreement:

	<b>Annual monetary cap for the year of 2014 (RMB' million)</b>	<b>Eleven Months ended 30 November 2014</b>	
		<b>Actual amount (RMB' million)</b>	<b>Utilisation rate</b>
<b>Financial Services</b>			
(i) Interest payable on deposits	20	3.8	19.0%
Maximum daily balance of the deposits (including the accrued interest)	1,385	1,289 <sup>(Note)</sup>	93.1%
(ii) Interest payable on loans, entrustment loans and discounted bills	250	53	21.2%

*Note:* Balance of deposits as of 30 November 2014.

#### **IV. THE PRICING STANDARDS AND PROPOSED ANNUAL CAPS OF TRANSACTIONS UNDER THE 2015 FINANCIAL SERVICES AGREEMENT**

The funds deposited by members of the Group with Angang Group Financial Company are placed into a designated account in order to safeguard against any misuse or default of the deposits. Members of the Group can withdraw deposits from the designated account at their discretion. The Company will monitor the funds deposited with Angang Group Financial Company on an on-going basis and will also carry out periodical risk assessment on the deposit account. Further, Angang Group Financial Company is required to produce a comprehensive risk assessment report to the Company on a semi-annual basis to appraise, among other matters, its gearing ratio and capital sufficiency, and the validity of its qualifications and business licenses.

The following table sets out the services, pricing standards and the proposed annual monetary caps of the continuing connected transaction contemplated under the 2015 Financial Services Agreement for the year ending 31 December 2015.

Financial Services	Pricing Standard	Monetary Cap for the Year Ending 31 December 2015 (RMB' million)
<b>(i) Deposit Services</b>		
Interest payable on deposits	Interest rate shall not be lower than (i) the benchmark interest rate promulgated by the PBOC for similar deposits of similar term; (ii) the interest rate offered by major commercial banks for similar deposits; and (iii) the interest rate offered by Angang Group Financial Company to members of Angang Group for deposit services. <sup>(Note)</sup>	30
Maximum daily balance of the deposits (including the accrued interest)		1,520
<b>(ii) Loan and Entrustment Loan Services</b>		
Interest payable on loans, entrustment loans and discounted bills	Based on the prevailing market interest rate, and not higher than the interest rate payable by the Company for similar loans or discounted bills of similar term to other financial institutions or commercial banks. <sup>(Note)</sup>	300

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*Note:* Such commercial banks include, but are not limited to, Industrial and Commercial Bank of China Limited, China Construction Bank Corporation, Agricultural Bank of China Limited and Industrial Bank Co., Ltd..

## **Basis for the Monetary Caps of the Transactions Contemplated under the 2015 Financial Services Agreement**

The Directors (including all the independent non-executive Directors) consider that it is in the interests of the Company to enter into the transactions under the terms and conditions set out in the 2015 Financial Services Agreement. The Directors have determined the proposed annual monetary caps of the transactions contemplated thereunder for the year ending 31 December 2015 on the basis of the following factors:

- (i) the amounts of historical transactions for the provision of financial services under the Revised 2014 Financial Services Agreement and the Financial Services Agreement (2012-2013); and
- (ii) the production and operation plan of the Group for the year of 2015.

## **V. REASONS FOR AND BENEFITS OF THE AGREEMENT**

Pursuant to Memorandum No. 37 on Information Disclosure — Disclosure of Information Concerning Related Parties Loans and Deposits and Other Financial Services of Financial Companies (《信息披露業務備忘錄第37號 — 涉及財務公司關聯存貸款等金融業務的信息披露》) prescribed by the Shenzhen Stock Exchange, the Company is required to enter into the 2015 Financial Services Agreement with Angang Group Financial Company to specify the scope and terms of the financial services to be provided by Angang Group Financial Company to the Group as stipulated under the 2014 Supply of Materials and Services Agreement. For details of the 2014 Supply of Materials and Services Agreement, please refer to the announcement and circular of the Company dated 11 March 2013 and 15 April 2013, respectively.

The terms of the 2015 Financial Services Agreement have been agreed upon arm's length negotiations between the Company and Angang Group Financial Company. Angang Group Financial Company will provide an advanced fund settlement platform for the Company and the fund settlement service is provided free of charge. The interest rate payable by the Company for loans provided by Angang Group Financial Company will be based on the prevailing market interest rate and it will not be higher than the interest rate charged by commercial banks for similar loans of equivalent term. As Angang Group Financial Company possesses a better understanding of the Group's business operations than third party commercial banks, the review and approval process of loans will be more expedient. For bill acceptance and discount services, the interest rate payable by the Company will not be higher than the interest rate charged by commercial banks.

The fees and interests payable by the Company under the 2015 Financial Services Agreement will contribute to the overall revenue of Angang Group Financial Company. As the Company currently holds 20% equity interest in Angang Group Financial Company, by sourcing the various financial services from Angang Group Financial Company, the Company may increase its investment income through its equity interest in Angang Group Financial Company. The Directors believe that the 2015 Financial Services Agreement will have a positive impact on the operation and development of the Group's businesses.

In view of (i) the long-established relationship between the Group and Angang Group and (ii) the stability and reliability of the financial services provided by Angang Group Financial Company under the Revised 2014 Financial Services Agreement and Financial Services Agreement (2012-2013), the Directors (including all the independent non-executive Directors) are of the view that (i) the continuing connected transaction contemplated under the 2015 Financial Services Agreement will be carried out in the ordinary and usual course of business of the Company; (ii) the terms of the 2015 Financial Services Agreement are normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole; and (iii) the proposed annual monetary caps of the transactions contemplated under the 2015 Financial Services 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 the 2015 Financial Services Agreement.

## VI. LISTING RULES IMPLICATIONS

Angang Group Company indirectly holds, through Angang Holding, an approximate 67.29% 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. As a subsidiary of Angang Group Company, Angang Group Financial Company is also a connected person of the Company as defined under Chapter 14A of the Listing Rules. As such, the transaction contemplated under the 2015 Financial Services Agreement constitute continuing connected transaction of the Company.

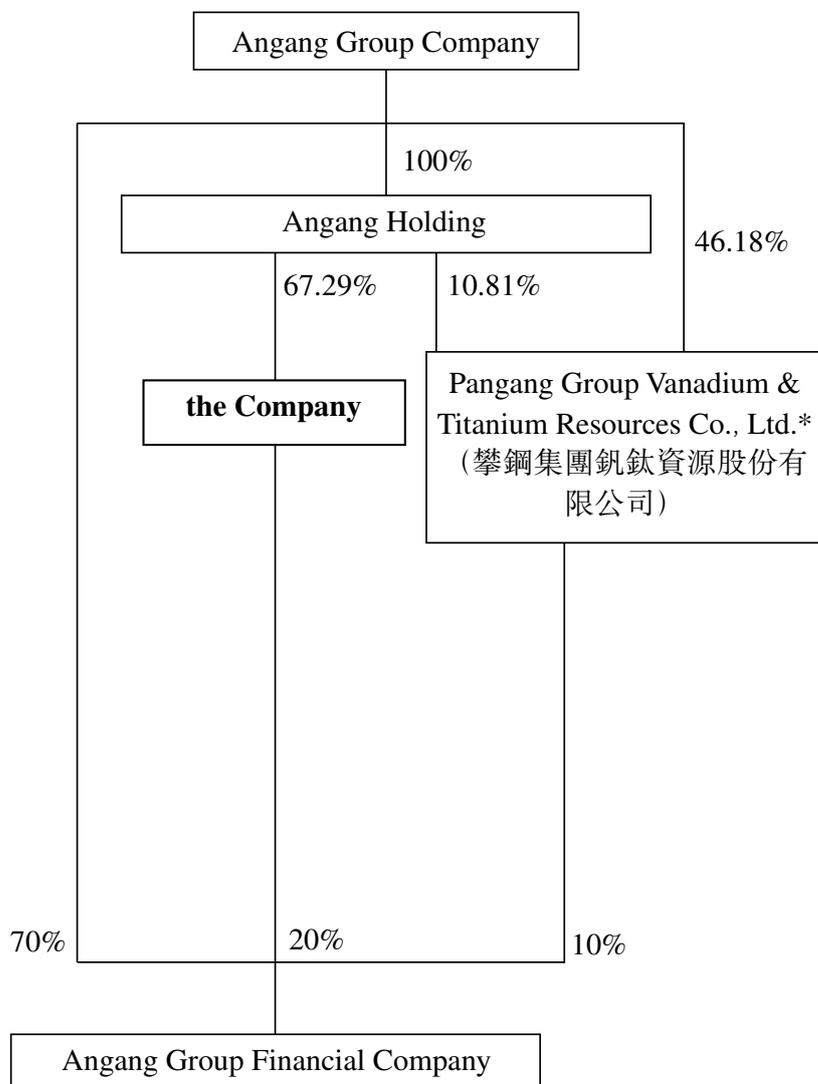
The loan and entrustment loan services to be provided by Angang Group Financial Company to the Group under the 2015 Financial Services Agreement will constitute financial assistance to be provided by a connected person for the benefit of the Group. As such services will be provided on normal commercial terms and the interest rate for loan and entrustment loan shall not be higher than the interest rate payable by the Company for similar loans of equivalent term to other financial institutions, and no security over any assets of the Group will be granted in respect of the loan and entrustment loan services, such services are therefore exempt from the reporting, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

As each of the percentage ratio(s) (as defined in Rule 14.07 of the Listing Rules) applicable to the deposit services under the 2015 Financial Services Agreement is more than 0.1% but less than 5%, the deposit services to be provided by Angang Group Financial Company to the Group are subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

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 transaction under the 2015 Financial Services Agreement due to their senior management positions in Angang Group Company. They abstained from voting on the resolution in relation to the 2015 Financial Services Agreement proposed to the Board. Save as disclosed above, none of the Directors attended the Board meeting has a material interest in the aforementioned agreement.

## VII. GENERAL INFORMATION ABOUT THE PARTIES

The following diagram sets out the current shareholding relationship among Angang Group Company, Angang Holding, the Company and Angang Group Financial Company:



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 67.29% equity interest in the Company.

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 Group Financial Company is a non-bank finance company approved and regulated by the relevant PRC regulatory authorities including the PBOC and the China Banking Regulatory Commission. It is primarily engaged in providing intra-group financial services for Angang Group. Angang Group Financial Company possesses valid Financial Services Permit (金融許可) and Enterprise Legal Person Business License (企業法人營業執照), and is licensed to provide various financial services including depository and loan facilities, credit facilities, clearance and settlement of money and credit references. The capital structure, internal control and risk management operations of Angang Group Financial Company are subject to, amongst other rules and regulations, the Administration Procedures of the Finance Companies of Enterprises Groups (《企業集團財務公司管理辦法》) as promulgated by the China Banking Regulatory Commission.

## VIII. DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall 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 Group Financial Company”	Angang Group Financial Company Limited* (鞍鋼集團財務有限責任公司), a non-bank finance company incorporated in the PRC and a subsidiary of Angang Group Company, and in which the Company holds 20% equity interest
“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 67.29% equity interest in the Company and a major enterprise in the iron and steel industry of the PRC
“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
“Financial Services Agreement (2012-2013)”	the financial services agreement dated 16 April 2012 entered into between the Company and Angang Group Financial Company in respect of provision of financial services by Angang Group Financial Company to the Group for the two years ending 31 December 2012 and 2013
“Group”	the Company and its subsidiaries from time to time

“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong and Macau Special Administrative Regions)
“Revised 2014 Financial Services Agreement”	the revised financial services agreement dated 14 February 2014 entered into between the Company and Angang Group Financial Company in respect of the provision of financial services by Angang Group Financial Company to the Group for the year ending 31 December 2014
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“2014 Supply of Materials and Services Agreement”	the supply of materials and services agreement dated 11 March 2013 entered into between the Company and Angang Group Company in respect of the cross-supply of materials, products and services between the Group and Angang Group for the two years ending 31 December 2014 and 2015
“%”	per cent.

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

Anshan City, Liaoning Province, the PRC  
19 December 2014

As at the date of this announcement, 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

\* *For identification purpose only*