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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)

## **CONNECTED TRANSACTIONS ENERGY MANAGEMENT CONTRACTS**

The Board hereby announces that on 23 August 2016, the Company and Angang Energy Conservation entered into the Energy Management Contracts in relation to the implementation of energy conservation projects through contract energy management. Pursuant to the Energy Management Contracts, Angang Energy Conservation will construct energy conservation facilities for the Company's use in the implementation of the energy conservation projects, and title to such facilities will be transferred to the Company at nil consideration at the end of term of the Energy Management Contracts.

Angang Holding directly holds an approximate 67.29% equity interest in the Company and is therefore the controlling shareholder of the Company and a connected person of the Company. As a subsidiary of Angang Holding, Angang Energy Conservation is an associate of Angang Holding and a connected person of the Company. As such, the transactions contemplated under the Energy Management Contracts constitute connected transactions of the Company.

As all of the applicable percentage ratio(s) (as defined in Rule 14.07 of the Listing Rules) under the Energy Management Contracts, on an aggregated basis, exceeds 0.1% but are less than 5%, the transactions contemplated under the Energy Management Contracts are subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

## I. INTRODUCTION

The Board hereby announces that on 23 August 2016, the Company and Angang Energy Conservation entered into a total of eleven energy management contracts (collectively, the “**Energy Management Contracts**”) in relation to the implementation of energy conservation projects through contract energy management. Pursuant to the Energy Management Contracts, Angang Energy Conservation will construct energy conservation facilities for the Company’s use in the implementation of the energy conservation projects, and title to such facilities will be transferred to the Company at nil consideration at the end of term of the Energy Management Contracts.

## II. ENERGY MANAGEMENT CONTRACTS

The principal terms of each of the Energy Management Contracts are summarized below:

Date: 23 August 2016

Parties: (i) The Company; and  
(ii) Angang Energy Conservation

Subject matter: In connection with the implementation of the Company’s energy conservation projects, Angang Energy Conservation shall construct energy conservation facilities (the “**Facilities**”) in the factory areas of the Company for the Company’s use. Angang Energy Conservation shall ensure the Facilities satisfy the energy conservation requirements set by the Company.

Consideration: The Company shall acquire the Facilities at an amount equivalent to Angang Energy Conservation’s actual total investment amount (inclusive of construction cost, capital gain tax and loan interest), which is estimated to be RMB348,430,000, but in any event shall not exceed RMB455,270,000 (the “**Consideration**”).

The estimated total construction cost to be incurred by Angang Energy Conservation is approximately RMB213,700,000.

The Consideration has been arrived at after arm's length negotiations between the parties with reference to the expected costs to be incurred by Angang Energy Conservation in the construction of the Facilities such as labour costs, taking into account such costs for the construction of similar facilities of comparable scale.

Payment of the Consideration will be funded by internal resources of the Group.

Payment:

The Consideration shall be payable by the Company in cash by installment through payment of net energy saving revenue to Angang Energy Conservation in the following manner.

During the energy efficiency sharing period, which shall commence upon completion and acceptance of the Facilities and shall end (i) six years after completion and acceptance of the Facilities, or (ii) when the Consideration has been paid in full, whichever is earlier, the Company and Angang Energy Conservation shall each be entitled to the net energy saving revenue at the ratio set out in the table below, such ratio to be subject to determination ultimately by both parties after completion and acceptance of the Facilities and to be adjusted annually based on the actual investment cost and energy efficiency output. The net energy saving revenue is calculated on the following basis:

*Energy saving volume x energy base price – energy consumption cost*

The Company shall pay Angang Energy Conservation its share of the net energy saving revenue on a monthly basis, commencing two months after completion and acceptance of the Facilities, until the Consideration is paid in full. If the Company fails to pay the first monthly installment of the net energy saving revenue within two months after completion and acceptance of the Facilities, or if the Company fails to pay any net energy saving revenue within the time prescribed in the Energy Management Contracts, the Company shall pay Angang Energy Conservation an amount equal to 0.01% of the overdue amount payable calculated on a daily basis.

The Company shall ensure that Angang Energy Conservation receives full payment of the Consideration through payment of net energy saving revenue within six years from the commencement of the energy efficiency sharing period.

**Termination:** The Energy Management Contracts shall terminate (i) six years after completion and acceptance of the Facilities, or (ii) when the Consideration has been paid in full, whichever is earlier.

**Title to the Facilities:** Title to the Facilities shall remain with Angang Energy Conservation during the energy efficiency sharing period. Upon termination of the Energy Management Contracts, Angang Energy Conservation shall transfer the title to the Facilities to the Company at nil consideration.

The estimated construction investment amount, the estimated annual energy saving revenue and the estimated net energy saving revenue sharing ratio in respect of each of the Energy Management Contracts are as follows:

<b>Project</b>	<b>Estimated construction investment amount (RMB)</b>	<b>Estimated annual energy saving revenue (RMB)</b>	<b>Estimated net energy saving revenue sharing ratio (Company/Angang Energy Conservation)</b>
1. Wet-dry process transformation and top pressure recovery turbine (“TRT”) transformation for blast furnace no. 1	45,000,000	29,790,000	50%/50%
2. Wet-dry process transformation and TRT transformation for blast furnace no. 2	45,000,000	22,290,000	30%/70%
3. Wet-dry process transformation and TRT transformation for blast furnace no. 3	45,000,000	21,070,000	30%/70%
4. Heating system transformation for the Lingshan area	25,000,000	11,440,000	30%/70%
5. Energy saving transformation of water pumps in energy control center	1,900,000	1,680,000	30%/70%

Project	Estimated construction investment amount (RMB)	Estimated annual energy saving revenue (RMB)	Estimated net energy saving revenue sharing ratio (Company/Angang Energy Conservation)
6. Promotion of application of oxygen-enriched combustion technology for hot blast stoves for blast furnaces	3,000,000	1,640,000	40%/60%
7. Energy saving transformation of water pumps in iron smelting factory	7,300,000	3,930,000	40%/60%
8. Energy saving transformation of water pumps in steel smelting factory	7,600,000	4,080,000	40%/60%
9. Second generation regenerative transformation of ladle roasters in steel factory branch IV	2,700,000	4,290,000	50%/50%
10. Energy saving transformation of water pumps in hot-rolled strip mill	21,200,000	10,370,000	30%/70%
11. Energy saving transformation of water pumps in large mill	10,000,000	7,030,000	50%/50%
<b>Total</b>	<b>213,700,000</b>	<b>117,610,000</b>	

### III. REASONS FOR AND BENEFITS OF THE ENERGY MANAGEMENT CONTRACTS

Through the Energy Management Contracts, the Company will be able to pay the investment cost of its energy conservation projects and construction of the Facilities by installments out of energy saving revenue, and therefore ease pressure on internal capital resources. Through cooperating with Angang Energy Conservation, the Company will be able to leverage on Angang Energy Conservation's expertise and experience in design, financing and operation in the area of energy conservation, thereby lowering risks in the implementation of its energy conservation projects and optimizing returns in energy efficiency. Through the energy conservation projects, the Company aims to increase the recovery rate of surplus energy and reduce the energy consumption rate of its facilities, thereby attaining energy saving and reduction of emission and increasing efficiency.

The Directors (including the independent non-executive Directors) are of the view that the Energy Management Contracts have been entered into on normal commercial terms or better and in the ordinary and usual course of business of the Group, and the terms of the Energy Management Contracts are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

#### **IV. LISTING RULES IMPLICATIONS**

Angang Holding directly holds an approximate 67.29% equity interest in the Company and is therefore the controlling shareholder of the Company and a connected person of the Company. As a subsidiary of Angang Holding, Angang Energy Conservation is an associate of Angang Holding and a connected person of the Company. As such, the transactions contemplated under the Energy Management Contracts constitute connected transactions of the Company.

As all of the applicable percentage ratio(s) (as defined in Rule 14.07 of the Listing Rules) under the Energy Management Contracts, on an aggregated basis, exceeds 0.1% but are less than 5%, the transactions contemplated under the Energy Management Contracts are subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. Yao Lin, a Director of the Company who also holds the position of chairman of Angang Holding, and Mr. Wang Yidong, a Director of the Company who also holds the position of general manager of Angang Holding, are considered to have a material interest in the transactions under the Energy Management Contracts due to their senior management positions in Angang Holding. Each of Mr. Yao Lin and Mr. Wang Yidong has abstained from voting on the resolutions in relation to the Energy Management Contracts proposed to the Board. Save as disclosed above, none of the Directors who attended the Board meeting for approving the Energy Management Contracts has a material interest in the aforementioned agreements.

#### **V. GENERAL INFORMATION ABOUT THE PARTIES**

Angang Holding 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 Energy Conservation is an indirect wholly-owned subsidiary of Angang Holding. It was registered as an energy conservation company in the PRC in March 2011 and obtained contract energy qualification from the relevant PRC authorities. It is principally engaged in energy conservation assessment, energy conservation technology and consulting services, the promotion of energy technology and products, and the operation of energy conservation projects. Through energy contract management, it provides comprehensive energy conservation solutions to assist enterprises to achieve transformation in energy conservation and increase energy efficiency.

## VI. DEFINITIONS

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

“Angang Energy Conservation”	Angang Energy Conservation Company* (鞍鋼節能公司), a company incorporated in the PRC with limited liabilities and an indirect wholly-owned subsidiary of Angang Holding
“Angang Holding”	Anshan Iron & Steel Group Complex* (鞍山鋼鐵集團公司), 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
“associate”	has the meaning ascribed thereto under 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 the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Energy Management Contracts”	a total of eleven energy management contracts each dated 23 August 2016 and entered into between the Company and Angang Energy Conservation in relation to the implementation of energy conservation projects through contract energy management and construction of the Facilities
“Facilities”	the energy conservation facilities to be constructed in the factory areas of the Company by Angang Energy Conservation pursuant to the Energy Management Contracts
“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
“normal commercial terms or better”	has the meaning ascribed thereto under the Listing Rules
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC



“Shareholder(s)” the shareholder(s) of the Company

“%” per cent.

By Order of the Board  
**ANGANG STEEL COMPANY LIMITED\***  
**Yao Lin**

*Executive Director and Chairman of the Board*

Anshan City, Liaoning Province, the PRC  
23 August 2016

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

*Executive Directors*

Yao Lin  
Wang Yidong  
Li Zhongwu  
Zhang Jingfan

*Independent Non-executive Directors*

Wu Dajun  
Ma Weiguo  
Luo Yucheng

\* *For identification purposes only*