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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 TRANSACTION
2017 ENERGY MANAGEMENT CONTRACT II**

The Board hereby announces that on 20 October 2017, the Company and Angang Energy Conservation entered into the 2017 Energy Management Contract II in relation to the implementation of energy conservation projects through energy performance contracting. Pursuant to the 2017 Energy Management Contract II, 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 without compensation at the end of term of the 2017 Energy Management Contract II.

As at the date of this announcement, Angang Group Company indirectly 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 an indirect wholly-owned subsidiary of Angang Group Company, Angang Energy Conservation is an associate of Angang Group Company and a connected person of the Company. As such, the transaction contemplated under the 2017 Energy Management Contract II constitutes a connected transaction of the Company.

Reference is made to the announcement of the Company dated 23 August 2016 in relation to the 2016 Energy Management Contracts and the announcement dated 25 July 2017 in relation to the 2017 Energy Management Contracts. Such agreements were entered into between the Company and Angang Energy Conservation, whose terms and conditions are roughly the same with those of the 2017 Energy Management Contract II. Therefore, the 2016 Energy Management Contract, the 2017 Energy Management Contracts and the 2017 Energy Management Contract II shall be aggregated pursuant to Rule 14A.81 of the Listing Rules.

As all the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in aggregate pursuant to Rule 14A.81 of the Listing Rules are more than 0.1% but less than 5%, the 2016 Energy Management Contract, the 2017 Energy Management Contracts and the 2017 Energy Management Contract II shall be subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14A of the Listing Rules.

I. INTRODUCTION

The Board hereby announces that on 20 October 2017, the Company and Angang Energy Conservation entered into an energy management contract (the “**2017 Energy Management Contract II**”) in relation to the implementation of energy conservation projects through the form of energy performance contracting. Pursuant to the 2017 Energy Management Contract II, 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 without compensation at the end of term of the 2017 Energy Management Contract II.

II. 2017 ENERGY MANAGEMENT CONTRACT II

The principal terms of the 2017 Energy Management Contract II are summarized below:

Date: 20 October 2017

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 daily production. Angang Energy Conservation should ensure the energy saving effect and the performance of the device to reach the design guarantee value according to the design standard.

Consideration:

The Company shall acquire the Facilities at a certain proportion of energy saving revenue generated during the Energy Efficiency Sharing Period (as defined below), which is estimated to be approximately RMB50,900,000 (the “**Consideration**”).

The estimated construction investment amount to be incurred by Angang Energy Conservation is approximately RMB23,300,000 (exclusive of value added tax and interests accrued during the construction period).

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 and risks in respect of revenue from energy conservation projects.

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 (the “**Sharing Net Energy Saving Revenue**”).

During the energy efficiency sharing period of six (6) years, which shall commence from Angang Energy Conservation receiving the first sharing revenue from this project (the “**Energy Efficiency Sharing Period**”), 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. The annual net energy saving revenue is calculated on the following basis:

During the 120-day period, steam charges saved + electricity fees saved by use of water circulating pump – energy consumption cost of this project

The Company shall pay Angang Energy Conservation its Sharing Net Energy Saving Revenue on a monthly basis, commencing three (3) days after trial production of the Facilities, until the Consideration is paid in full. The specific payment methods are as follows: (a) after the corresponding energy saving volume is confirmed, Angang Energy Conservation should make a confirmation sheet regarding the net energy efficiency output based on the corresponding energy saving volume and issue the written payment request to the Company; (b) the Company shall pay Angang Energy Conservation Sharing Energy Saving Revenue confirmed by both parties within 30 business days after receiving its payment request and corresponding formal invoice. In the event of the payment made within more than one (1) month, or if the Company fails to pay any Sharing Net Energy Saving Revenue within the time prescribed in the 2017 Energy Management Contract II, the Company shall pay Angang Energy Conservation an amount equal to 1‰ of the overdue amount payable calculated on a daily basis.

Title to the Facilities:

Title to the Facilities shall remain with Angang Energy Conservation during the Energy Efficiency Sharing Period. At the end of term of the 2017 Energy Management Contract II, Angang Energy Conservation shall transfer the title to the Facilities to the Company without compensation.

The estimated construction investment amount, the estimated annual energy saving revenue and the estimated net energy saving revenue sharing ratio in respect of the 2017 Energy Management Contract II are as follows:

Project	Estimated construction investment amount (RMB)	Estimated annual energy saving revenue (RMB)	Estimated net energy saving revenue sharing ratio (Company/ Angang Energy Conservation)
Renovation project of heat pump heating at cold rolling plant	23,300,000	9,426,000	10%/90%

The Company will pay Angang Energy Conservation 90% of the energy saving revenue generated during the Energy Efficiency Sharing Period, which is estimated to be approximately RMB50,900,000.

III. REASONS FOR AND BENEFITS OF THE 2017 ENERGY MANAGEMENT CONTRACT II

Through the 2017 Energy Management Contract II, 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 2017 Energy Management Contract II has 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 2017 Energy Management Contract II are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IV. LISTING RULES IMPLICATIONS

As at the date of this announcement, Angang Group Company indirectly 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 an indirect wholly-owned subsidiary of Angang Group Company, Angang Energy Conservation is an associate of Angang Group Company and a connected person of the Company. As such, the transaction contemplated under the 2017 Energy Management Contract II constitutes a connected transaction of the Company.

Reference is made to the announcement of the Company dated 23 August 2016 in relation to the 2016 Energy Management Contracts and the announcement dated 25 July 2017 in relation to the 2017 Energy Management Contracts. Such agreements were entered into between the Company and Angang Energy Conservation, whose terms and conditions are roughly the same with those of the 2017 Energy Management Contract II. Therefore, the 2016 Energy Management Contract, the 2017 Energy Management Contracts and the 2017 Energy Management Contract II shall be aggregated pursuant to Rule 14A.81 of the Listing Rules.

As all the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in aggregate pursuant to Rule 14A.81 of the Listing Rules are more than 0.1% but less than 5%, the 2016 Energy Management Contract, the 2017 Energy Management Contracts and the 2017 Energy Management Contract II shall be subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. Yao Lin, a Director of the Company who also holds the position of general manager of Angang Group Company, and Mr. Wang Yidong, a Director of the Company who also holds the position of general manager of Anshan Iron & Steel Group Co. Ltd., which is a wholly-owned subsidiary of Angang Group Company, are considered to have a material interest in the transactions under the 2017 Energy Management Contract II due to their senior management positions in Angang Group Company and its subsidiary. Each of Mr. Yao Lin and Mr. Wang Yidong has abstained from voting on the resolution in relation to the 2017 Energy Management Contract II proposed to the Board. Save as disclosed above, none of the Directors who attended the Board meeting for approving the 2017 Energy Management Contract II has a material interest in the aforementioned agreements.

V. GENERAL INFORMATION ABOUT THE PARTIES

Angang Group Company 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. As at the date of this announcement, it indirectly 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 Group Company. It was registered as an energy conservation company in the PRC in December 2010. 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 Group Energy-saving Technology Service Co., Ltd (鞍鋼集團節能技術服務有限公司), a company incorporated in the PRC with limited liabilities and an indirect wholly-owned subsidiary of Angang Group Company
“Angang Group Company”	Angang Group Company* (鞍鋼集團公司), which directly holds 100% equity interest in Anshan Iron & Steel Group Co. Ltd.
“Anshan Iron & Steel”	Anshan Iron & Steel Group Co. Ltd. (鞍山鋼鐵集團有限公司), which directly holds approximately 67.29% equity interest in the Company and a major enterprise in the iron and steel industry in 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
“2016 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 energy performance contracting and construction of the Facilities
“2017 Energy Management Contracts”	a total of three energy management contracts each dated 25 July 2017 and entered into between the Company and Angang Energy Conservation in relation to the implementation of energy conservation projects through energy performance contracting and construction of the Facilities
“2017 Energy Management Contract II”	an energy management contract dated 20 October 2017 and entered into between the Company and Angang Energy Conservation in relation to the implementation of energy conservation projects through energy performance contracting 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 2017 Energy Management Contract II
“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
20 October 2017

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*