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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  
SUBSCRIPTION OF NEW SHARES TO BE ISSUED BY AN STEEL  
INTERNATIONAL COMPANY LIMITED**

**INTRODUCTION**

On 12 July 2018, the Company entered into the Subscription Agreement with An Steel, pursuant to which An Steel has conditionally agreed to allot and issue, and the Company has conditionally agreed to subscribe for, the Subscription Shares at an issue price of RMB8,696,100 (equivalent to approximately HK\$10,228,540) per Subscription Share. Upon Completion, An Steel will be owned by the Company and Angang Group Hong Kong as to 90.91% and 9.09%, respectively.

**THE SUBSCRIPTION**

Pursuant to the Subscription Agreement, the Company has conditionally agreed to subscribe for and An Steel has conditionally agreed to allot and issue a total of 10 Subscription Shares at the price of RMB8,696,100 (equivalent to approximately HK\$10,228,540) per Subscription Share in cash. Upon Completion, An Steel will be owned by the Company and Angang Group Hong Kong as to 90.91% and 9.09%, respectively, and will become a subsidiary of the Company.

## **LISTING RULES IMPLICATIONS**

An Steel is a connected person of the Company by virtue of the fact that (i) Angang Group Company is the ultimate controlling shareholder of the Company, controls more than 30% of the voting power at a general meeting of the Company, and therefore a connected person of the Company; (ii) Angang Group Hong Kong is a wholly-owned subsidiary of Angang Group Company, and hence an associate of Angang Group Company; and (iii) An Steel is a wholly-owned subsidiary of Angang Group Hong Kong, and hence an associate of the Angang Group Company. Accordingly, entering into the Subscription Agreement constitutes a connected transaction of the Company under the Listing Rules. As one or more of the applicable percentage ratios (as defined under Rule 14A.10 of the Listing Rule) in respect of the Subscription exceed 0.1% but are less than 5%, the Subscription is only subject to the reporting and announcement requirements, but is exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. Wang Yidong, a chairman of the Board who also holds the position of chairman of the board of Angang Holding, which is a wholly-owned subsidiary of Angang Group Company, is considered to have a material interest in the transaction contemplated under the Subscription Agreement due to his senior management positions in Angang Group Company and its subsidiary. Mr. Wang Yidong has been abstained from voting on the resolutions in relation to Subscription Agreement proposed to the Board. Save as disclosed above, none of the Directors attended the Board meeting has a material interest in the Subscription.

## **THE SUBSCRIPTION AGREEMENT**

On 12 July 2018, the Company and An Steel entered into the Subscription Agreement.

### **Date of the Subscription Agreement**

12 July 2018

### **Parties**

- (1) the Company, as the subscriber
- (2) An Steel, as the issuer

## **Subject Matter**

Pursuant to the Subscription Agreement, the Company conditionally agreed to subscribe for, and An Steel conditionally agreed to issue and allot to the Company, an aggregate of 10 Subscription Shares which will be free and clear of any Encumbrance. As at the date of this announcement, An Steel is wholly-owned by Angang Group Hong Kong. Upon Completion, An Steel will be owned as to 90.91% and 9.09% by the Company and Angang Group Hong Kong, respectively, and will become a subsidiary of the Company.

## **Consideration**

The consideration for the Subscription payable by the Company under the Subscription Agreement is RMB86,961,000 (equivalent to approximately HK\$10,228,540). The Company shall pay the consideration to An Steel on the Completion Date in cash.

The consideration payable under the Subscription Agreement was arrived at after arm's length negotiations between the parties and with reference to, inter alia, the appraised value and the financial condition of An Steel as at 31 May 2018.

## **Conditions Precedent**

Completion under the Subscription Agreement is subject to, inter alia, the following conditions precedent:

- (1) the obtaining of all the approvals (including approval by the board of directors and shareholders) to the Subscription Agreement by An Steel as may be required under their respective articles of association and the relevant laws and regulations which they are subject to;
- (2) the obtaining of the approval from the relevant PRC authorities in relation to the steel investment project in Indonesia by An Steel; and
- (3) the warranties provided by An Steel under the Subscription Agreement are true and accurate up to the Completion Date.

## **Completion**

Completion will take place within three Business Days upon all the Conditions are satisfied under the Subscription Agreement.

Upon Completion, An Steel will become a subsidiary of the Company and the financial results of An Steel will be consolidated into the Group's financial statements.

## Information of An Steel

An Steel is a limited liability company incorporated in Hong Kong with a registered capital of RMB1.04. As at the date of this announcement, An Steel is wholly-owned by Angang Group Hong Kong. Upon Completion, An Steel will be owned by the Company and Angang Group Hong Kong as to 90.91% and 9.09%, respectively and will become a subsidiary of the Company. An Steel is principally engaged in sales of iron and steel products produced by domestic iron and steel manufacturers.

As at 31 May 2018, the net asset value attributable to the shareholders of An Steel is RMB8,695,000 (equivalent to approximately HK\$10,227,246). The net profits (both before and after tax) of An Steel for the financial years ended 2016 and 2017 based on the audited financial statements of An Steel are as follows:

	<b>Year ended 31 December 2016</b> <i>RMB</i>	<b>Year ended 31 December 2017</b> <i>RMB</i>
Profit/(Loss) before tax	564,700 (equivalent to approximately HK\$664,212)	(555,000) (equivalent to approximately HK\$(652,803))
Profit/(Loss) after tax	564,700 (equivalent to approximately HK\$664,212)	(554,600) (equivalent to approximately HK\$(652,332))

## INFORMATION ON THE PARTIES

### 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 steel sheets, cold-rolled steel sheets, galvanized steel sheets, color coating plates, silicon steel, medium and thick plates, wire rods, large steel products and seamless steel pipes.

### Angang Group Company

Angang Group Company is the ultimate controlling shareholder of the Company indirectly holding approximately 58.31% of the issued share capital of the Company through Angang Holding as at the date of the Subscription Agreement and the date of the announcement. It is a company established 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.

## **Angang Group Hong Kong**

Angang Group Hong Kong is a limited liability company incorporated in Hong Kong. It is a wholly owned subsidiary of Angang Group Company and the sole shareholder of An Steel as at the date of the Subscription Agreement and the date of the announcement. It is principally engaged in import and export trading.

### **REASONS FOR THE SUBSCRIPTION**

The Company is principally engaged in the manufacture and sale of iron and steel in the PRC. The Company has a comprehensive product portfolio with a vast variety of products and complete specifications, and its brand enjoys a high reputation and trustworthiness.

An Steel is principally engaged in sales of iron and steel products produced by domestic iron and steel manufacturers. It is intended that An Steel would invest in a steel investment project in Indonesia.

The Company intends to explore and establish its overseas investment platform through the Subscription, which is of far-reaching significance for the Company to conduct its international operation and improve its international competitiveness. After making capital contribution to An Steel, the Company will manage to promote the existing steel investment project in Indonesia, and hence accelerate the enhancement of its international operation layout.

Taking into account the above as well as the appraised value of An Steel, the Directors, including the independent non-executive Directors, are of the view that the Subscription Agreement was entered into in the ordinary and usual course of business of the Company and consider that the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

### **LISTING RULES IMPLICATIONS**

Angang Group Company indirectly holds, through Angang Holding, approximately 58.31% of the issued share capital of the Company and hence, is the ultimate controlling Shareholder of the Company and a connected person of the Company as defined under the Listing Rules. As the Angang Group Hong Kong is an indirect wholly-owned subsidiary of Angang Group Company, Angang Group Hong Kong is an associate of Angang Group Company and hence a connected person of the Company as defined under the Listing Rules. As such, the transaction contemplated under the Subscription Agreement constitutes a connected transaction of the Company.

As one or more of the applicable percentage ratios (as defined under Rule 14A.10 of the Listing Rule) in respect of the Subscription exceed 0.1% but are less than 5%, the Subscription is only subject to the reporting and announcement requirements, but is exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. Wang Yidong, a chairman of the Board who also holds the position of chairman of the board of Angang Holding, which is a wholly-owned subsidiary of Angang Group Company, is considered to have a material interest in the transaction contemplated under the Subscription Agreement due to his senior management positions in Angang Group Company and its subsidiary. Mr. Wang Yidong has been abstained from voting on the resolutions in relation to Subscription Agreement proposed to the Board. Save as disclosed above, none of the Directors attended the Board meeting has a material interest in the Subscription.

## **DEFINITIONS**

The following terms have the following meanings in this announcement unless the context otherwise requires:

“Angang Group Company”	Angang Group Company* (鞍鋼集團有限公司), a company incorporated in the PRC with limited liabilities, the ultimate controlling shareholder of the Company
“Angang Group Hong Kong”	Angang Group Hong Kong Co., Limited (鞍鋼集團香港有限公司), a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of Angang Group Company
“Angang Holding”	Anshan Iron & Steel Group Co., Ltd. (鞍山鋼鐵集團有限公司), a company established in the PRC and the controlling shareholder of the Company
“An Steel”	An Steel International Co., Limited (安士泰國際有限公司), a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of Angang Group Hong Kong and an indirect wholly-owned subsidiary of Angang Group Company
“Board”	The board of Directors

“Business Day(s)”	a day (other than a Saturday or Sunday or days on which a tropical cyclone warning No.8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks in Hong Kong are open for general banking business
“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
“Completion”	Completion of the Subscription
“Completion Date”	the date when Completion shall take place, being the third (3rd) Business Day next following the day on which all the Conditions have been fulfilled, or such other date as may be agreed in writing between the Company and An Steel
“Conditions”	the conditions precedent to Completion, as more particular set out under the section headed “Conditions of the Subscription” in this announcement
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transaction”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Encumbrance”	any mortgage, charge, pledge, lien, assignment, hypothecation, security interest, title retention, encumbrance or any other security agreement or arrangement, or any agreement to create any of the above
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange



“PRC”	the People’s Republic of China, which for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Subscription”	the subscription by the Company for the Subscription Shares pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 12 July 2018 entered into between the An Steel and the Company in relation to the Subscription
“Subscription Price”	the subscription price of RMB8,696,100 (equivalent to approximately HK\$10,228,540) per Subscription Share
“Subscription Share(s)”	new Share(s) to be subscribed by the Company pursuant to the Subscription Agreement
“Shares”	Ordinary share(s) of HK\$1.00 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By Order of the Board  
**ANGANG STEEL COMPANY LIMITED\***  
**Wang Yidong**  
*Executive Director and Chairman of the Board*

Anshan City, Liaoning Province, the PRC  
12 July 2018

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

*Executive Directors:*  
Wang Yidong  
Li Zhen  
Ma Lianyong  
Xie Junyong

*Independent Non-executive Directors:*  
Wu Dajun  
Ma Weiguo  
Feng Changli

\* For identification purpose only