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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)

**DISCLOSEABLE AND CONNECTED TRANSACTION
ACQUISITION OF ENTIRE EQUITY INTEREST IN ANGANG
GROUP CHAOYANG IRON & STEEL COMPANY LIMITED**

INTRODUCTION

On 17 July 2018, the Company entered into the Sale and Purchase Agreement with Angang Holding, pursuant to which Angang Holding has conditionally agreed to sell, and the Company has conditionally agreed to purchase the entire equity interest in Angang Chaoyang at a consideration of RMB5,903,847,700 (equivalent to approximately HK\$6,934,282,006). Upon Completion, Angang Chaoyang will be wholly-owned by the Company.

LISTING RULE IMPLICATION

As the highest applicable percentage ratios in respect of the Acquisition is greater than 5% but less than 25%, as calculated under Rule 14.07 of the Listing Rules, the Acquisition constitutes a discloseable transaction for the Company and is subject to the notification and publication requirements under Chapter 14 of the Listing Rules.

Angang Chaoyang is a connected person of the Company by virtue of the fact that (i) Angang Holding is the controlling Shareholder of the Company, holding approximately 58.31% of the issued share capital of the Company; and (ii) Angang Chaoyang is a wholly-owned subsidiary of Angang Holding, and hence an associate of the Company. Accordingly, transactions contemplated under the Sale and Purchase Agreement constitute a connected transaction of the Company under the Listing Rules.

Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5% but is less than 25%, the Acquisition is subject to reporting, announcement and Independent Shareholders' approval requirements 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 directors of Angang Holding is considered to have a material interest in the Acquisition. Mr. Wang Yidong has been abstained from voting on the resolutions in relation to Sale and Purchase Agreement proposed to the Board. Save as disclosed above, none of the Directors attended the Board meeting has a material interest in the Acquisition.

The EGM will be convened for the Independent Shareholders to consider if thought fit, to approve the Sale and Purchase Agreement and the transactions contemplated thereunder. Pursuant to 14A.36 of the Listing Rules, any Shareholder who has a material interest in the Sale and Purchase Agreement shall abstain from voting to approve the Sale and Purchase Agreement and the Acquisition at the EGM. As at the date of this announcement, Angang Holding, being the controlling Shareholder of the Company, holds approximately 58.31% of the issued share capital of the Company and is also the sole shareholder of Angang Chaoyang, will be required to abstain from voting on the relevant resolutions at the EGM accordingly. Save for Angang Holding, as at the date of this announcement, to the best knowledge of the Directors, no other Shareholder would be required to abstain from voting thereat as no other Shareholder has any interest in the Sale and Purchase Agreement which is different from the other Shareholders.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Wu Dajun, Mr. Ma Weiguo and Mr. Feng Changli, has been established to consider the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder, and to advise the Independent Shareholders as to whether they are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

None of the members of the Independent Board Committee has any interest or involvement in the transactions contemplated under the Sale and Purchase Agreement. The Independent Board Committee will form its view in respect of the terms of the Acquisition after obtaining and consideration the advice from the independent financial adviser.

A circular containing, among other things, (i) information on the Acquisition; (ii) the recommendation of the Independent Board Committee in respect of the Acquisition; (iii) the advice of the independent financial adviser regarding the terms of the Acquisition; and (iv) other information as required under the Listing Rules, shall be despatched to the Shareholders.

Pursuant to Rule 14.41 of the Listing Rules, the Company is required to despatch to the Shareholders a circular in relation to the Acquisition within 15 Business Days (as defined under the Listing Rules) after the publication of this announcement, that is, on or before 8 August 2018. The Company may not be able to despatch the circular within such period due to the time required to prepare the relevant financial and other information to be included in the circular under the Listing Rules, in which case the Company shall make a further announcement of any expected delay in despatch of the circular in due course.

THE SALE AND PURCHASE AGREEMENT

On 17 July 2018, the Company and Angang Holding entered into the Sale and Purchase Agreement.

Date

17 July 2018

Parties

- (1) the Company, as the purchaser
- (2) Angang Holding, as the seller

Acquisition of the entire equity interest in Angang Chaoyang

On 17 July 2018, the Company entered into the Sale and Purchase Agreement with Angang Holding, pursuant to which Angang Holding has conditionally agreed to sell, and the Company has conditionally agreed to purchase the entire equity interest in Angang Chaoyang at a consideration of RMB5,903,847,700 (equivalent to approximately HK\$6,934,282,006). Upon Completion, Angang Chaoyang will be wholly-owned by the Company.

Consideration

The consideration for the Acquisition payable by the Company under the Sale and Purchase Agreement is RMB5,903,847,700 (equivalent to approximately HK\$6,934,282,006). The Company shall pay the consideration to Angang Holding within thirty (30) Business Days upon all the Conditions have been satisfied or waived (if applicable) in cash or via bank's acceptance bill.

The consideration payable under the Sale and Purchase 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 Angang Chaoyang as at 31 May 2018.

Conditions of the Acquisition

Completion under the Sale and Purchase Agreement is subject to, inter alia, the following conditions precedent being satisfied or waived (if applicable):

- a. the obtaining of the approval from the State-owned Assets Supervision and Administration Commission of the State Council or its authorised entity in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder ;
- b. the obtaining of the filing in relation to the valuation report of the entire equity interest in Angang Chaoyang from the State-owned Assets Supervision and Administration Commission of the State Council or its authorised entity;
- c. the obtaining of the approval by the internal authority, e.g. board of directors, of Angang Holding; and
- d. the Acquisition having been approved by the Board and the Independent Shareholders at the EGM.

Completion

Completion will take place upon (i) delivery and handing over of all the relevant documents and seals relating to the entire equity interest in Angang Chaoyang; and (ii) the completion of change of the registration of the entire equity interest in Angang Chaoyang under the name of the Company.

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

Information of Angang Chaoyang

Angang Chaoyang is principally engaged in iron and steel smelting, steel rolling processing, distribution of steel products, comprehensive recycling of iron and steel smelting waste, coke smelting and by-product manufacturing and sales. As at the date of this announcement, Angang Chaoyang is wholly-owned by Angang Holding. Upon Completion, Angang Chaoyang will be wholly-owned by the Company and will become a subsidiary of the Company, and its financial results will be consolidated into the Group's financial statements.

As at 31 May 2018, the net asset value of Angang Chaoyang is RMB3,034,295,100 (equivalent to approximately HK\$3,563,889,006). The net profits (both before and after tax) of Angang Holding for the financial years ended 2016 and 2017 and for the five months ended 31 May 2018 based on the audited financial statements of Angang Holding are as follows:

| | Year ended 31 December 2016 <i>RMB</i> | Year ended 31 December 2017 <i>RMB</i> | Five months ended 31 May 2018 <i>RMB</i> |
|--------------------------|---|---|---|
| Profit/(Loss) before tax | 92,412,600 (equivalent to approximately HK\$108,541,931) | 833,283,200 (equivalent to approximately HK\$978,721,165) | 591,525,400 (equivalent to approximately HK\$694,767,912) |
| Profit/(Loss) after tax | 92,412,600 (equivalent to approximately HK\$108,541,931) | 1,033,773,200 ¹ (equivalent to approximately HK\$1,214,203,899) | 767,640,900 ² (equivalent to Approximately HK\$901,621,917) |

Notes:

1. The higher net profit in 2017 than the total profit is due to the recognition of deferred income tax assets by Angang Chaoyang in 2017 for unabsorbed losses from previous years.
2. The higher net profit for the period between January to May, 2018 than the total profit is due to the recognition of deferred income tax assets by Angang Chaoyang in the period for unabsorbed losses from previous years.

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, galvanised steel sheets, colour coating plates, silicon steel, medium and thick plates, wire rods, large steel products and seamless steel pipes.

Angang Holding

Angang Holding is the controlling Shareholder of the Company holding approximately 58.31% of the issued share capital of the Company as at the date of the Sale and Purchase Agreement and the date of the announcement. It is a company established in the PRC with limited liability. Angang Group is a major enterprise in the iron and steel industry of the PRC. It is engaged in a wide range of iron and steel-related business, including mining, iron manufacturing, machinery manufacturing, metallurgical construction, research and development, trading in iron and steel products and providing relevant transportation, construction, utilities and other supporting services.

REASONS FOR THE ACQUISITION

The Company is a major steel manufacturing enterprise in the PRC. The Acquisition is consistent with the current strategy of the Company for expansion of its operation in steel production related businesses. The Acquisition will create strategic synergies within the Company and further strengthen the Company's production capability in steel manufacturing industry.

Taking into account the above as well as the appraised value of Angang Chaoyang, the Directors (other than members of the Independent Board Committee, who will give their opinion after having considered the recommendation from the independent financial adviser) consider that the Sale and Purchase Agreement was entered into in the ordinary and usual course of business of the Company and consider that the terms of the Sale and Purchase 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

As the highest applicable percentage ratios in respect of the Acquisition is greater than 5% but less than 25%, as calculated under Rule 14.07 of the Listing Rules, the Acquisition constitutes a discloseable transaction for the Company and is subject to the notification and publication requirements under Chapter 14 of the Listing Rules.

Angang Chaoyang is a connected person of the Company by virtue of the fact that (i) Angang Holding is the controlling Shareholder of the Company, holding approximately 58.31% of the issued share capital of the Company; and (ii) Angang Chaoyang is a wholly-owned subsidiary of Angang Holding, and hence an associate of the Company. Accordingly, the transactions contemplated under the Sale and Purchase Agreement constitute a connected transaction of the Company under the Listing Rules.

Since the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5% but is less than 25%, the Acquisition is subject to reporting, announcement and Independent Shareholders' approval requirements 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 directors of Angang Holding is considered to have a material interest in the Acquisition. Mr. Wang Yidong has been abstained from voting on the resolutions in relation to Sale and Purchase Agreement proposed to the Board. Save as disclosed above, none of the Directors attended the Board meeting has a material interest in the Acquisition.

The EGM will be convened for the Independent Shareholders to consider if thought fit, to approve the Sale and Purchase Agreement and the transactions contemplated thereunder. Pursuant to 14A.36 of the Listing Rules, any Shareholder who has a material interest in the Sale and Purchase Agreement shall abstain from voting to approve the Sale and Purchase Agreement and the Acquisition at the EGM. As at the date of this announcement, Angang Holding, being the controlling Shareholder of the Company, holds approximately 58.31% of the issued share capital of the Company and is also the sole shareholder of Angang Chaoyang, will be required to abstain from voting on the relevant resolutions at the EGM accordingly. Save for Angang Holding, as at the date of this announcement, to the best knowledge of the Directors, no other Shareholder would be required to abstain from voting thereat as no other Shareholder has any interest in the Sale and Purchase Agreement which is different from the other Shareholders.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Wu Dajun, Mr. Ma Weiguo and Mr. Feng Changli, has been established to consider the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder, and to advise the Independent Shareholders as to whether they are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

None of the members of the Independent Board Committee has any interest or involvement in the transactions contemplated under the Sale and Purchase Agreement. The Independent Board Committee will form its view in respect of the terms of the Acquisition after obtaining and consideration the advice from the independent financial adviser.

A circular containing, among other things, (i) information on the Acquisition; (ii) the recommendation of the Independent Board Committee in respect of the Acquisition; (iii) the advice of the independent financial adviser regarding the terms of the Acquisition; and (iv) other information as required under the Listing Rules, shall be despatched to the Shareholders.

DEFINITIONS

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

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|------------------------|--|
| “Acquisition” | the acquisition of the entire equity interest in Angang Chaoyang by the Company from Angang Holding under the Sale and Purchase Agreement |
| “Angang Chaoyang” | Angang Group Chaoyang Iron & Steel Company Limited* (鞍鋼集團朝陽鋼鐵有限公司), a company incorporated in the PRC with limited liability, a wholly-owned subsidiary of Angang Holding and an indirect wholly-owned subsidiary of Angang Group Company |
| “Angang Group Company” | Angang Group Company* (鞍鋼集團有限公司), a company incorporated in the PRC with limited liability, the ultimate controlling Shareholder of the 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 |
| “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 (Stock code: 347) and the A shares of which are listed on the Shenzhen Stock Exchange |
| “Completion” | Completion of the Acquisition |
| “Conditions” | the conditions precedent to Completion, as more particularly, set out under the section headed “Conditions of the Acquisition” in this announcement |

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| “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 |
| “EGM” | the extraordinary general meeting to be convened and held by the Company to consider and if, thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Board Committee” | an independent committee of the Board comprising all its independent non-executive Directors, established for the purpose of advising the Independent Shareholders, on the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder |
| “Independent Shareholders” | Shareholders who are independent of and have no interest in the transactions contemplated under the Sale and Purchase Agreement |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “PRC” | The People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Sale and Purchase Agreement” | the sale and purchase agreement dated 17 July 2018 entered into between the Angang Holding and the Company in relation to the Acquisition |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Shares” | Ordinary share(s) of HK\$1.00 each in the share capital of the Company |

“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
17 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*