

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



# 鞍鋼股份有限公司 ANGANG STEEL COMPANY LIMITED\*

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

(Stock Code: 347)

## CONTINUING CONNECTED TRANSACTIONS

### BACKGROUND INFORMATION

Under the 2005 Supply of Materials and Services Agreement which is to expire on 31 December 2007, the Company and Angang Holding have been providing to each other supply of certain materials and services. The annual monetary caps of the 2005 Non-exempt Continuing Connected Transactions were set out in the announcement and the circular of the Company dated 20 October 2005 and 11 November 2005 respectively.

The Board wishes to continue the ongoing transactions with Angang Holding and its subsidiaries to facilitate its production and operations after the expiration of the 2005 Supply of Materials and Services Agreement. The Company has entered into a new 2007 Supply of Materials and Services Agreement with Angang Holding to reflect the terms of the ongoing connected transactions, and the monetary caps for 2008 and 2009, which is subject to the Independent Shareholders' approval.

Further, as there were certain business developments in the Company which were unexpected at the time when the estimation of monetary caps of 2007 was made, the Board is of the opinion that (i) the 2007 monetary caps for the supply of the Relevant Services should be revised and (ii) certain Additional Services should be included in addition to the existing items under the 2005 Supply of Materials and Services Agreement.

The details of:-

- (I) the 2007 Supply of Materials and Services Agreement and the relevant monetary caps for 2008 and 2009;
- (II) the revision of 2007 annual caps for the Relevant Services; and
- (III) the addition of 2007 annual caps for the Additional Services

are set out below in this announcement. Independent Shareholders' approval at the EGM is required for items (I) and (II) in accordance with the requirements under the Listing Rules.

### BACKGROUND INFORMATION

Under the 2005 Supply of Materials and Services Agreement which is to expire on 31 December 2007, the Company and Angang Holding have been providing to each other supply of certain materials and services. The annual monetary caps of the 2005 Non-exempt Continuing Connected Transactions were set out in the announcement and the circular of the Company dated 20 October 2005 and 11 November 2005 respectively.

The Board wishes to continue the ongoing transactions with Angang Holding and its subsidiaries to facilitate its production and operations after the expiration of the 2005 Supply of Materials and Services Agreement. The Company has entered into a new 2007 Supply of Materials and Services Agreement with Angang Holding to reflect the terms of the ongoing connected transactions, and the monetary caps for 2008 and 2009, which is subject to the Independent Shareholders' approval.

Further, as there were certain business developments in the Company which were unexpected at the time when the estimation of monetary caps of 2007 was made, the Board is of the opinion that (i) the 2007 monetary caps for the supply of the Relevant Services should be revised and (ii) certain Additional Services should be included in addition to the existing items under the 2005 Supply of Materials and Services Agreement.

The details of:-

- (I) the 2007 Supply of Materials and Services Agreement and the relevant monetary caps for 2008 and 2009;
- (II) the revision of 2007 annual caps for the Relevant Services; and
- (III) the addition of 2007 annual caps for the Additional Services

are set out below in this announcement. Independent Shareholders' approval at the EGM is required for items (I) and (II) in accordance with the requirements under the Listing Rules.

### I. 2007 SUPPLY OF MATERIALS AND SERVICES AGREEMENT

<b>Date</b>	:	24 October 2007
<b>Parties</b>	:	(i) the Company (ii) Angang Holding
<b>Subject</b>	:	1. The supply of raw materials, ancillary materials, electricity from Angang Holding to the Company; 2. The supply of finished products, scrap steel and other materials from the Company to Angang Holding; 3. The supply of financial services and support services from Angang Holding to the Company; and 4. The supply of comprehensive services from the Company to Angang Holding.
<b>Term</b>	:	With effect from 1 January 2008 to 31 December 2009, subject to the approval by the Independent Shareholders.
<b>Payment terms</b>	:	In lump sum or by instalment. The time of payment is to be agreed between the Company and Angang Holding with reference to normal customary practices, including advance payment, payment on delivery and instalment. The payment method varies with different types of services. 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 2007 Supply of Materials and Services Agreement will be made through internal resources by the Group.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



# 鞍鋼股份有限公司

## ANGANG STEEL COMPANY LIMITED\*

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

(Stock Code: 347)

### CONTINUING CONNECTED TRANSACTIONS

<b>Other significant terms and conditions</b>	<p>1. a right for the Company to acquire raw and ancillary materials, utilities and services from alternative sources from time to time in the event that these alternative sources offer better prices (taking into account transportation costs) or product/service quality by giving notice to Angang Holding not later than the 15th day of the preceding month;</p> <p>2. an undertaking by Angang Holding to maintain a sufficient production, quality and supply of these raw and ancillary materials, utilities and services to meet the requirements of the Company; and</p> <p>3. an exclusive right of first refusal granted to the Company to purchase all or any of Angang Holding's production or of these raw and ancillary materials, utilities, and the supply of services over Angang Holding and any third party.</p>	<b>Support Services</b>		
		(i) Railway transportation	474	291
		Road transportation	225	163
		(ii) Agency services for:		
		import of raw materials,		
		equipment, spare parts,		
		and ancillary materials;		
		export of products;		
		domestic sales of products	189	118
		(iii) Equipment examination,		
		repair and maintenance	752	318
		(iv) Design and engineering	2,100	1,942
		(v) Newspaper and		
		other publication	2	0
		(vi) Telecommunication	14	7
		(vii) Production assistance and		
		maintenance	687	4423
		(viii) Environment monitoring	2	1
		(ix) Business reception		
		and meeting	—	1
		(x) Supply of heating	2	0
		(xi) Life coordination and		
		maintanance	93	44
		(xii) Company vehicle service	16	9
		(xiii) Charge for arrangement of		
		business and meeting	—	1
		(xiv) Greening	33	7
		<b>Total</b>	<b>4,589</b>	<b>3,324</b>

### HISTORICAL FIGURES FOR THE 2005 CONTINUING CONNECTED TRANSACTIONS

The following table sets out the amounts of the continuing connected transactions for the year ended 31 December 2006 and six months ended 30 June 2007:

	2006 Amount in (RMB'000,000)	First half of 2007 (RMB'000,000)
<b>Principal Raw Materials</b>		
(i) Iron concentrate	5,902	2,832
(ii) Pellet	3,155	2,441
(iii) Sinter ore	1,792	1,314
(iv) Scrap steel	200	123
(v) Billets	135	—
<b>Total</b>	<b>11,184</b>	<b>6,710</b>
<b>Ancillary Materials</b>		
(i) Lime stone	63	31
(ii) Lime powder	718	377
(iii) Refractory material	161	104
(iv) Spare parts	551	198
<b>Total</b>	<b>1,493</b>	<b>710</b>
<b>Electricity</b>		
	1,031	805
<b>Total</b>	<b>1,031</b>	<b>805</b>

<b>Financial Services</b>		
(i) Annual interest payable by Angang Holding to the Company on funds deposited with Angang Group Financial Company Limited (the "Financial Company"), a wholly-owned subsidiary of Angang Holding, for settlement of payments including payments under the Supply of Materials and Services Agreements	5	5
(ii) Interest payable by the Company to Angang Holding on loan and discount advanced by the Financial Company, to the Company	94	107
	<b>94</b>	<b>107</b>

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



# 鞍鋼股份有限公司

## ANGANG STEEL COMPANY LIMITED\*

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

(Stock Code: 347)

### CONTINUING CONNECTED TRANSACTIONS

Finished Products			Item	Pricing Standard	Monetary Cap for 2008 (RMB'000,000)	Monetary Cap for 2009 (RMB'000,000)	
(i) Cold rolled sheets	675	533					
(ii) Heavy plates	248	230	<i>From Angang Holding to the Group</i>				
(iii) Wire rods	100	54					
(iv) Heavy section	12	9	<b>Principal Raw Materials</b>				
(v) Hot rolled strips	265	828	(i) Iron concentrate	Not higher than the average import price reported to the PRC customs in the preceding half-year reporting period and the railway transportation cost from Bayuquan Port to the Company as well as adjustment subject to the grade of the iron concentrate which was based on the average weighted grade of the iron concentrate imported by Angang Steel in the preceding half year. For every 1 percentage point increase or decrease in the grade of iron concentrate, the price will be increased or decreased by RMB10/tonne.	25,000	29,000	
(vi) Medium plates	215	226					
(vii) Galvanised steel	156	140					
(viii) Color coated sheets	10	3					
(ix) Medium section	20	—					
(x) Small section	5	—					
(xi) Seamless steel pipe	45	25					
(xii) Molten iron	51	7					
(xiii) Coke	57	29					
(xiv) Chemical by-products	26	14					
Total	1,885	2,098					
<b>Scrap steel and other materials</b>							
	150	77					
Total	150	77	(ii) Pellet		Based on the average price of pellets purchased by the Company from independent third parties in the preceding half-year reporting period. For every 1 percentage point increase or decrease in the grade of iron concentrate, the price will be increased or decreased by RMB10/tonne.		
<b>Comprehensive Services</b>							
(i) New water	39	27					
(ii) Recycled water	73	36					
(iii) Gas	198	141					
(iv) Blast furnace gas	26	19					
(v) Steam	32	17					
(vi) Oxygen	3	1	(iii) Sinter ore	The price of iron concentrate plus processing cost of the supplier in the preceding half-year reporting period plus 10% gross profit (the processing cost of which is not higher than that of similar products produced by the Company).			
(vii) Argon	1	0					
(viii) Compressed air	2	1					
(ix) Residual warm water	14	9					
(x) Product testing service	5	2					
(xi) Transportation service	1	1					
Total	394	254	(iv) Scrap steel	Market price			
<b>PRICING STANDARDS AND PROPOSED ANNUAL CAPS FOR 2007 SUPPLY OF MATERIALS AND SERVICES AGREEMENT</b>			(v) Billets	Market price			
			<b>Ancillary Materials</b>	Not to exceed the selling price quoted by any subsidiary of Angang Holding to the independent third parties in the current month	3,200	3,800	
			(i) Lime stone				
			(ii) Lime powder				
			(iii) Refractory material				
			(iv) Spare parts				
			(v) Other ancillary materials				

The following table sets out the type of products and services, pricing standards and annual monetary caps for each of the two financial years ending 31 December 2009 under the 2007 Supply of Materials and Services Agreement:

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



# 鞍鋼股份有限公司

## ANGANG STEEL COMPANY LIMITED\*

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

(Stock Code: 347)

### CONTINUING CONNECTED TRANSACTIONS

Electricity	State price	2,600	3,000	Financial Services			
Support Services				(i) Interest payable by Angang Holding to the Company on funds deposited with Angang Group Financial Company Limited (the "Financial Company"), a wholly-owned subsidiary of Angang Holding, for settlement of payments including payments under the Supply of Materials and Services Agreements	State price (interest rate quoted by the People's Bank of China for deposits from time to time)	60	100
(i) Railway transportation	State price	9,500	11,000	(ii) Interest payable by the Company to Angang Holding on loan and discount advanced by the Financial Company, to the Company	State price (for interest payable on loan, a 10% discount on the interest rate quoted by the People's Bank of China for loans from time to time; for interest payable on discount advancement, the lowest rate in the range quoted by the People's Bank of China for discount advancement from time to time)	440	600
Road transportation	Market Price						
(ii) Agency services for: import of raw materials, equipment, spare parts, and ancillary materials; export of products; domestic sales of products	Commission not higher than 1.5% (not to exceed the commission charged by major PRC State import and export companies)						
(iii) Equipment examination, repair and maintenance	Market price						
(iv) Design and engineering	Market price						
(v) Educational facilities, occupational technical education, on-job training, translation	Market price						
(vi) Newspaper and other publication	State price						
(vii) Telecommunication and ERP management information systems	State price or the total of depreciation and maintenance fee						
(viii) Production assistance and maintenance	Costs of labour, material and maintenance are paid according to their market price			From the Group to Angang Holding			
(ix) Welfare assistance and maintenance	Costs of labour, material and maintenance are paid according to their market price			Finished Products			
(x) Employee transportation	Market price			(i) Cold rolled sheets	Selling price between the Group and independent third parties in the current month; in the absence of such selling price, the market price.	9,220	9,220
(xi) Environment safety monitoring	State price			(ii) Heavy plates			
(xii) Business reception and meeting	Market price			(iii) Wire rod			
(xiii) Supply of heating	State price			(iv) Heavy section			
(xiv) Greening	Costs of labour, material and maintenance are paid according to their market price			(v) Hot rolled strips			
(xv) Security service	Costs of labour, material and maintenance are paid according to their market price			(vi) Medium plates			
(xvi) Material processing service	Processing cost for plus gross profit not more than 5%			(vii) Galvanised steel			
				(viii) Color coated sheets			
				(ix) Small and Medium section			
				(x) Seamless steel pipe			
				(xi) Molten iron			
				(xii) Coke			
				(xiii) Chemical by-products			
				Scrap steel and other materials	Market Price	1,320	1,520
				(i) Scrap steel	Market Price		
				(ii) Abandoned material	Market Price		
				(iii) Minus sieve powder	The difference between the current base price of sinter ore minus the cost of sintering process of Angang Holding		

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



# 鞍鋼股份有限公司

## ANGANG STEEL COMPANY LIMITED\*

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

(Stock Code: 347)

### CONTINUING CONNECTED TRANSACTIONS

Comprehensive Services		Greening	Market price	Costs of labour, material and maintenance are paid according to their market price
(i) Power	State Price	1,000	1,200	
(ii) Source water	State Price			
(iii) Fresh water	State Price			
(iv) Recycled water	Production cost plus 5% gross profit			
(v) Soft water	Production cost plus 5% gross profit			
(vi) Gas	Production cost plus 5% gross profit			
(vii) Blast furnace gas	Production cost plus 5% gross profit			
(viii) Steam	Production cost plus 5% gross profit			
(ix) Nitrogen	Production cost plus 5% gross profit			
(x) Oxygen	Production cost plus 5% gross profit			
(xi) Argon	Production cost plus 5% gross profit			
(xii) Compressed air	Production cost plus 5% gross profit			
(xiii) Hydrogen	Production cost plus 5% gross profit			
(xiv) Residual warm water	Production cost plus 5% gross profit			
(xv) Product testing service	Market Price			
(xvi) Transportation service	Market Price			
		Security service	Nil (new item)	Costs of labour, material and maintenance are paid according to their market price
		Material processing service	Nil (new item)	The total of cost for processing and not more than 5% of gross profit
		<b>Finished products</b>	Average selling price between the Group and independent third parties in the preceding month; in the absence of such selling price, the market price.	Selling price between the Group and independent third parties in the current month; in the absence of such selling price, the market price.
		<b>Scrap steel and other materials:</b>		
		Minus sieve power	Nil (new item)	The current base price of sinter ore minus the cost of sintering process of Angang Holding

The following table is a comparison of the pricing standards between the 2005 Supply of Materials and Services Agreement and 2007 Supply of Materials and Services Agreement where there are changes to the pricing standard of a particular product or service:

Item	Pricing Standard under 2005 Supply of Materials and Services Agreement	Pricing Standard under 2007 Supply of Materials and Services Agreement
<b>Ancillary materials</b>	Not to exceed the average selling price quoted by any subsidiary of Angang Holding to the independent third parties in the previous month	Not to exceed the selling price quoted by any subsidiary of Angang Holding to the independent third parties in the current month
<b>Support services:</b>		
Agency services for import of raw materials, equipment, spare parts, and ancillary materials; export of products; domestic sales of products	1.5% commission (not to exceed the commission charged by major PRC State import and export companies)	Commission not higher than 1.5% (not to exceed the commission charged by major PRC state import and export companies)
Telecommunication and ERP management information systems	State price (there was no ERP information management system)	State Price or (for ERP information management system) the total of depreciation and maintenance fee
Production assistance and maintenance	Market price	Costs of labour, material and maintenance are paid according to their market price
Welfare assistance and maintenance	Market price	Costs of labour, material and maintenance are paid according to their market price

### BASIS FOR THE MONETARY CAPS UNDER THE 2007 SUPPLY OF MATERIALS AND SERVICES AGREEMENT

The Directors consider that it is in the interest of the Group to enter into the transactions under the terms and conditions set out in the 2007 Supply of Materials and Services Agreement. The Directors have estimated the annual monetary caps of the transactions contemplated thereunder for the coming two financial years ending 31 December 2009 based on the following factors:

- the transactions will continue to be entered into between the Group and Angang Holding and its subsidiaries upon the terms and conditions set out in the 2007 Supply of Materials and Services Agreement;
- there will be no material changes in existing government policies, political, legal, fiscal, or economic conditions in the PRC or countries to which the Company exports its products; and
- there will be no material delay in the production schedule or expansion projects of the Company or material changes in the production process of the Company.

The proposed annual caps for the transactions have been determined with reference to the volume of previous transactions between the relevant operating units and historical pricing trend for these transactions (many of which were previously intra-Angang Holding transactions) during each of the three years ended 31 December 2007 and the recent increase in demand in certain materials/products. The annual caps for the two year period commencing 1 January 2008 also take into account, where relevant, applicable State pricing guidelines comparable market pricing and planned increase in production capacity. The State prices are determined with reference to guidelines set by the relevant government authorities for these materials and services. In cases where the pricing is based on cost price plus an agreed profit margin, the margin was determined with reference to margins set by independent providers for similar materials and services on a comparable scale and on similar terms.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



# 鞍鋼股份有限公司 ANGANG STEEL COMPANY LIMITED\*

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

(Stock Code: 347)

## CONTINUING CONNECTED TRANSACTIONS

The annual caps also take into account marginal annual increases due to inflation and other factors, such as expected increase in consumption of such materials and services, over the two year period commencing 1 January 2008.

On the above basis, and on the basis that the Company's operations would be adversely affected if the cross-supply of these materials and services are terminated, the Directors are of the opinion that the proposed annual caps for the transactions as contemplated under 2007 Supply of Materials and Services Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

### II. PROPOSED REVISION OF ANNUAL CAPS TO THE RELEVANT SERVICES

The following table sets out the proposed revision of 2007 annual caps for the Relevant Services:

	Year ending 31 December 2007 (RMB'000,000)		
	Original cap	Amount of increase	Proposed revision of annual cap
Support services	5,700	2,300	8,000
Financial services	200	50	250
Total	<u>5,900</u>	<u>2,580</u>	<u>8,480</u>

The actual amount incurred to date for the support services and financial services are has not exceed their original cap as approved by the Shareholders in 2005.

### BASIS AND REASONS FOR REVISING THE 2007 ANNUAL CAPS FOR THE RELEVANT SERVICES

#### (a) Support Services

As disclosed in the circular of the Company dated 15 August 2006, the Group constructed a steel and iron production facility consisting of various plants in Bayuquan Port, Liaoning Province in the PRC (the "Bayuquan Project"). The amount of design and engineering services associated with the Bayuquan Project, which was subsequent to the 2005 Supply of Materials and Services Agreement, could not have been included in its estimated relevant annual caps.

The Board is of the opinion that the relevant caps for supply services shall be increased from RMB5,700 million to RMB8,000 million, taking into account that the amount for supply service attributable to Bayuquan Project will reach RMB2,904 million.

#### (b) Financial Services

Since the start of the Bayuquan Project, Angang Holding has obtained more loans from finance companies. The interest rate relating to such loans has increased as the central bank in the PRC has adjusted the loan interest rate 5 times. The Company therefore intends to increase the 2007 monetary cap for financial services from RMB200,000,000 to RMB250,000,000 to reflect the increase in financial services costs.

### III PROPOSED ADDITIONAL SERVICES AND ADDITION OF 2007 ANNUAL CAPS FOR THE ADDITIONAL SERVICES

In light of the business development of the Company, the Board has approved to include the Additional Services in addition to the existing items under the 2005 Supply of Materials and Services Agreement. The Additional Services has not yet commenced and are expected to commence from November 2007.

The following table sets out the proposed 2007 annual caps for the Additional Services:

	Year ending 31 December 2007 (RMB'000,000) New annual cap
Minus sieve powder (new item)	200
Service fees for ERP information management system (new item)	30

### BASIS AND REASONS FOR THE 2007 ANNUAL CAPS FOR THE ADDITIONAL SERVICES

#### (a) Minus sieve powder

This is a new item which was not included in the 2005 Continuing Connected Transactions.

The Company produces 240,000 tonnes of minus sieve powder as a by-product of the manufacturing process from the reformed blast furnace. Although there is no sales channel for minus sieve powder on the market, the Company can provide such minus sieve powder to Angang Holding and its subsidiaries as the raw materials for sintering technique. In order to increase the economic efficiency and to put the resources to better use, the Company intends to sell no more than RMB200 million worth of minus sieve powder. The basis of pricing of such minus sieve powder is the difference between the price of the agglomerated ore and the costs of producing the same.

#### (b) ERP Management Information System

This is a new item which was not included in the 2005 Continuing Connected Transactions.

The construction of an Angang ERP information management system will be completed in 3 phases and the first phase, which has been fully paid by the Company, is completed and in use. The first phase of the ERP information management system covers the production flow of certain products in the eastern area of China, which will include sale, quality control, production, receipt of order, delivery and settlement etc. Such ERP system has streamlined the management process, increased its efficiency and provided support to continuing improvement of the quality of the existing products and development of new products.

As the first phase construction of the ERP information management system has been paid by the Company, the use of such system by Angang Holding will be charged with a service fee. The Company intends to charge not more than RMB30,000,000 of service fee in 2007.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



# 鞍鋼股份有限公司 ANGANG STEEL COMPANY LIMITED\*

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

(Stock Code: 347)

## CONTINUING CONNECTED TRANSACTIONS

The construction of the production line execution system, which is a component of the second and third phases of the construction of the Angang ERP information management system, will be paid by the Company. The remaining construction costs will be paid by Angang Holding.

### REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

The Group has been carrying out transactions with Angang Holding and its subsidiaries to facilitate its production and operations under a 2005 Supply of Materials and Services Agreement and other previous supply agreement since 1997. In view of the long-established relationship between the Company and Angang Holding and its subsidiaries, the reliability of the supply of such materials and services from Angang Holding in terms of operational integration and the geographical convenience, the Directors believe that all of the continuing connected transactions as disclosed herein, including the 2007 Supply of Materials and Services Agreement and the relevant 2008 and 2009 annual caps thereunder, the revised 2007 annual caps for the Relevant Services, and the new 2007 annual caps for the Additional Services, are fair and reasonable and are on normal commercial terms, in the ordinary and usual course of business, and in the interest of the Company and the Shareholders as a whole.

### PRINCIPAL ACTIVITIES OF THE PARTIES

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 Holding is a major enterprise in the iron and steel industry of the PRC, and is 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.

### LISTING RULES IMPLICATIONS

Angang Holding is the controlling shareholder of the Company and is hence a connected person of the Company (as defined under the Listing Rules).

The arrangements between the Company and Angang Holding will be on a continuing and recurring basis, in the ordinary and usual course of business of the Company, and on arm's length basis between the parties.

#### I. 2007 Supply of Materials and Services Agreement and the proposed monetary caps for 2008 and 2009

As each of the Relevant Percentage Ratios exceeds 25% and the annual consideration exceeds HK\$10 million, the transactions contemplated under the 2007 Supply of Materials and Services Agreement will constitute non-exempt continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Angang Holding will abstain from voting on the resolution to be proposed at the EGM for the approval of the transactions under the 2007 Supply of Materials and Services Agreement. Voting on such resolutions shall be taken by poll.

#### II. Proposed revision of 2007 annual caps to the Relevant Services

Independent Shareholders' approval was required, and was obtained, for, among other things, the original 2007 annual caps for the Relevant Services under the Listing Rules. Any amendment to such annual caps would likewise require Independent Shareholders' approval. Angang Holding will abstain from voting on the resolution to be proposed at the EGM for the approval of the revision of the 2007 Annual Caps for the Relevant Services. Voting on such resolutions shall be taken by poll.

#### III. 2007 monetary caps for certain Additional Services

Each of the relevant percentage ratios represented by the annual caps for the Additional Services is less than 2.5% and the annual consideration exceeds HK\$10 million. Such respective revision and addition of annual caps are exempt from independent shareholders' approval, but is subject to announcement and reporting requirement under Rule 14.34A of the Listing Rules. The Directors (including the independent non-executive Directors) believe that the supply of Additional Services and the relevant annual caps are in the interests of the Company and its Shareholders as a whole.

### INDEPENDENT SHAREHOLDERS' APPROVAL

A circular containing information relating to the transactions contemplated under the 2007 Supply of Materials and Services Agreement and the revision of 2007 annual caps for the Relevant Services, a letter from the Independent Board Committee, a letter setting out the advice of the independent financial adviser to the Independent Board Committee and the Independent Shareholders, together with a notice to convene the EGM to approve the transactions contemplated under the (i) 2007 Supply of Materials and Services Agreement and the relevant 2008 and 2009 annual caps and (ii) the revised 2007 annual caps for the Relevant Services, will be issued to the Shareholders as soon as practicable.

### DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

"2005 Non-exempt Continuing Connected Transactions"	the transactions contemplated under the 2005 Supply of Materials and Services Agreement;
"2005 Supply of Materials and Services Agreement"	the supply of materials and services agreement dated 29 December 2004 and entered into between the Company and Angang Holding which was approved by the Independent Shareholders at the extraordinary general meeting on 28 February 2005;
"2007 Supply of Materials and Services Agreement"	the supply of materials and services agreement dated 24 October 2007 and entered into the Company and Angang Holding;

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



# 鞍鋼股份有限公司 ANGANG STEEL COMPANY LIMITED\*

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

(Stock Code: 347)

## CONTINUING CONNECTED TRANSACTIONS

“Additional Services”	additional services to be provided by the Company to Angang Holding in 2007, namely, the supply of minus sieve powder and ERP information management system service;	“Independent Shareholders”	the Shareholders other than Angang Holding (and any party Acting in Concert with Angang Holding) and any of their associates and any Shareholders who are interested or involved in the the Acquisition other than as Shareholders of the Company;
“Angang Holding”	Anshan Iron & Steel Group Complex* (鞍山鋼鐵集團公司), the controlling shareholder of the Company currently holding approximately 69.15% of the equity interest of the Company;	“Listing Rules”	the Rules Governing the Listing of Securities on the HK Exchange;
“associate”	has the meaning ascribed thereto under the Listing Rules;	“PRC”	The People's Republic of China;
“Board”	the board of Directors;	“Relevant Services”	financial services and support services, of which the original annual caps for each of the three (3) financial years ended on 31 December 2007 were approved by the Independent Shareholders on 28 December 2005;
“Business Day”	any day other than Saturday or Sunday on which commercial banks and financial institutions in Hong Kong are open for business;	“Relevant Ratio”	any of the five ratios (other than the profits ratio in the case of connected transactions) as set out in Rule 14.07 of the Listing Rules;
“Company”	Angang Steel Company Limited (鞍鋼股份有限公司), a joint stock limited company incorporated in the PRC, the H Shares of which are listed on the HK Exchange and the A Shares of which are listed on the Shenzhen Exchange;	“Shareholders”	holder(s) of the Shares;
“Directors”	the directors of the Company;	“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers;
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, amongst other things, the 2007 Supply of Materials and Services Agreement and the transactions contemplated thereunder;	“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“ERP”	Enterprise Resource Planning;	“RMB”	Renminbi, the lawful currency of the PRC; and
“Group”	the Company and its subsidiaries;	“%”	per cent.
“HK Exchange”	The Stock Exchange of Hong Kong Limited;		By Order of the Board <b>Fu Jihui</b> <i>Secretary to the Board</i>
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China;	Anshan City Liaoning Province, the PRC 24 October 2007	As at the date of this announcement, the Board comprises the following directors:  <i>Executive Directors:</i> Zhang Xiaogang Tang Fuping Yang Hua Huang Haodong Wang Chunming Lin Daqing Fu Wei Fu Jihui
“Independent Board Committee”	an independent committee of the Board comprising all of the independent non-executive directors of the Company;		<i>Non-Executive Director:</i> Yu Wanyuan  <i>Independent non-executive directors:</i> Wu Xichun Wang Linsen Liu Yongze Francis Li Chak Yan Wang Xiaobin

\* For identification purposes only