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首鋼福山資源集團有限公司
SHOUGANG FUSHAN RESOURCES GROUP LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 639)

**EXEMPTED CONNECTED TRANSACTIONS
SUPPLEMENTAL SHARE TRANSFER AGREEMENT
AND
SUPPLEMENTAL REPURCHASE AGREEMENT**

The Supplemental Agreements

Shougang Resources Hong Kong entered into the Share Transfer Agreement and the Repurchase Agreement on 30 December 2016. Pursuant to the Share Transfer Agreement, Shougang Resources Hong Kong agreed to transfer 27% of the equity interest in the Target Company, a non-wholly owned subsidiary of the Company, to Beijing Shougang for a consideration of RMB162 million. Pursuant to the Repurchase Agreement, if certain conditions, including the obtaining of the mining license of the Coalmine, could not be fulfilled by the Target Company within one year of the execution of the Share Transfer Agreement, Shougang Resources Hong Kong would need to repurchase the 27% equity interest in the Target Company from Beijing Shougang at RMB162 million plus accrued interest, subject to a maximum repurchase price of not exceeding RMB182 million.

On 29 December 2017, the Supplemental Agreements were entered into to amend certain terms of the Share Transfer Agreement and the Repurchase Agreement, respectively.

Listing Rules Implications

Beijing Shougang is a wholly-owned subsidiary of Shougang Group. Prior to 16 November 2017, Shougang Group, through its subsidiaries, held approximately 2.24% interest in the Company and is not a connected person of the Company. The Share Transfer Agreement and the Repurchase Agreement were not connected transactions for the Company for the purpose of Chapter 14A of the Listing Rules at the time when they were entered into. As each of the applicable ratios in respect of the Share Transfer and the Repurchase under Rule 14.07 of the Listing Rules is under 5%, the Share Transfer Agreement and the Repurchase Agreement also did not constitute notifiable transactions for the Company at the time when these agreements were entered into.

Shougang International conducted an open offer in September 2017 where Shougang Holding, a wholly-owned subsidiary of Shougang Group, was the underwriter of the open offer. Through Shougang Holding taking up the underwritten shares of Shougang International in the open offer, Shougang International became a subsidiary of Shougang Group upon completion of the open offer on 16 November 2017. As Shougang International is a substantial shareholder of the Company, Shougang Group also became a substantial shareholder of the Company from 16 November 2017 and the transactions between the Group and Shougang Group and/or its associates become connected transactions for the Company for the purpose of the Listing Rules. As Beijing Shougang is a wholly-owned subsidiary of Shougang Group, the entering into of the Supplemental Share Transfer Agreement and the Supplemental Repurchase Agreement constitutes connected transactions for the Company under Chapter 14A of the Listing Rules.

As the applicable ratios under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Share Transfer and the Repurchase are more than 0.1% but are less than 5%, the Supplemental Share Transfer Agreement and the Supplemental Repurchase Agreement are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND

On 30 December 2016, Shougang Resources Hong Kong entered into the Share Transfer Agreement and the Repurchase Agreement with respect to the Target Company, a non-wholly owned subsidiary of the Company. The Supplemental Agreements were entered into on 29 December 2017 to amend certain terms of the Share Transfer Agreement and the Repurchase Agreement. The salient terms of the Share Transfer Agreement and the Repurchase Agreement, together with the Supplemental Agreements are summarized below:

THE SHARE TRANSFER AGREEMENT

Date

30 December 2016

Parties

- (A) Shougang Resources Hong Kong;
- (B) Party B;
- (C) Party C; and
- (D) Beijing Shougang

Each of Party B, Party C and Beijing Shougang was independent and not connected with the Company and its connected persons on the date when the Share Transfer Agreement was executed.

Subject matter

Under the Share Transfer Agreement, Shougang Resources Hong Kong agreed to transfer 27% of the equity interest in the Target Company to Beijing Shougang, and each of Party B and Party C has agreed to waive their respective first right of refusal for the purpose of purchase of such interest.

Consideration

The consideration for the Share Transfer was RMB162 million, which was determined after arm's length negotiations between Shougang Resources Hong Kong and Beijing Shougang with reference to 27% of the paid-up registered capital of the Target Company of RMB600 million.

The consideration is payable by Beijing Shougang to Shougang Resources Hong Kong within one year from the date of issue of the new business license of the Target Company that reflects the Share Transfer. As of the date of this announcement, the consideration has not been paid.

THE REPURCHASE AGREEMENT**Date**

30 December 2016

Parties

- (A) Shougang Resources Hong Kong; and
- (B) Beijing Shougang

Subject matter

Under the terms of the Repurchase Agreement, if the Target Company is unable to, among others, obtain the coal mining license of the Coalmine within one year of the signing of the Share Transfer Agreement, Shougang Resources Hong Kong will repurchase the 27% equity interest in the Target Company from Beijing Shougang at the consideration of RMB162 million plus accrued interest, subject to the maximum repurchase price of not exceeding RMB182 million.

As of the date of this announcement, the mining license to the Coalmine remains outstanding.

THE SUPPLEMENTAL AGREEMENTS**The Supplemental Share Transfer Agreement****Date**

29 December 2017

Parties

- (A) Shougang Resources Hong Kong;
- (B) Party B;
- (C) Party C; and
- (D) Beijing Shougang

Subject matter

The parties agreed that the deadline for the payment of the consideration for the Share Transfer will be extended to 31 December 2019.

The Supplemental Repurchase Agreement

Date

29 December 2017

Parties

- (A) Shougang Resources Hong Kong; and
- (B) Beijing Shougang

Subject matter

The parties agreed to extend the deadline for fulfilling the conditions under the Repurchase Agreement, including the obtaining of the coal mining license of the Coalmine, to 31 December 2019.

IMPLICATIONS UNDER THE LISTING RULES

Beijing Shougang is a wholly-owned subsidiary of Shougang Group. Prior to 16 November 2017, Shougang Group, through its subsidiaries, held approximately 2.24% interest in the Company and is not a connected person of the Company. The Share Transfer Agreement and the Repurchase Agreement were not connected transactions for the Company for the purpose of Chapter 14A of the Listing Rules at the time when they were entered into. As each of the applicable ratios in respect of the Share Transfer and the Repurchase under Rule 14.07 of the Listing Rules is under 5%, the Share Transfer Agreement and the Repurchase Agreement also did not constitute notifiable transactions for the Company at the time when these agreements were entered into.

Shougang International conducted an open offer in September 2017 where Shougang Holding, a wholly-owned subsidiary of Shougang Group, was the underwriter of the open offer. Through Shougang Holding taking up the underwritten shares of Shougang International in the open offer, Shougang International became a subsidiary of Shougang Group upon completion of the open offer on 16 November 2017. As Shougang International is a substantial shareholder of the Company, Shougang Group also became a substantial shareholder of the Company from 16 November 2017 and the transactions between the Group and Shougang Group and/or its associates become connected transactions for the Company for the purpose of the Listing Rules. As Beijing Shougang is a wholly-owned subsidiary of Shougang Group, the entering into of the Supplemental Share Transfer Agreement and the Supplemental Repurchase Agreement constitutes connected transactions for the Company under Chapter 14A of the Listing Rules.

As the applicable ratios under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Share Transfer and the Repurchase are more than 0.1% but are less than 5%, the Supplemental Share Transfer Agreement and the Supplemental Repurchase Agreement are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. Li Shaofeng, Mr. Ding Rukai and Mr. Leung Shun Sang, Tony are common directors of the Company and Shougang International which is a subsidiary of Shougang Group. They may be considered to be interested in the connected transactions under the Supplemental Agreements and have abstained from voting for the Board resolution for approving the Supplemental Agreements.

INFORMATION ON THE TARGET COMPANY

The Target Company is a sino-foreign equity joint venture established in the PRC and is principally engaged in the business of investment holding and production and sale of coal products in the PRC. It holds 65% equity interest in the Coalmine Owner, with the remaining 35% equity interest held by a PRC company. The Coalmine Owner owns the exploration right of the Coalmine. The Target Company was held as to 94.17% by Shougang Resources Hong Kong, as to 3.33% by Party B and as to 2.5% by Party C prior to the Share Transfer. Upon completion of the Share Transfer, the Target Company was held as to 67.17% by Shougang Resources Hong Kong, as to 27% by Beijing Shougang, as to 3.33% by Party B and as to 2.5% by Party C. The Target Company remains an indirect non-wholly owned subsidiary of the Company.

REASONS FOR THE SHARE TRANSFER AGREEMENT, THE REPURCHASE AGREEMENT AND THE SUPPLEMENTAL AGREEMENTS

The Target Company, through the Coalmine Owner, has been trying to apply for the mining license of the Coalmine for years. However, under the relevant PRC measures, exploitation of the Coalmine must be controlled by PRC parties. In order to facilitate the Target Company, through the Coalmine Owner, to obtain the mining license of the Coalmine, Shougang Resources Hong Kong and Beijing Shougang entered into the Share Transfer Agreement. Upon completion of the transfer of 27% equity interests in Target Company to Beijing Shougang, over 50% attributable interests in the Coalmine Owner are held by PRC parties. As a result, the shareholding structure of the Coalmine Owner can meet the relevant PRC measures.

As it is expected that the mining license of the Coalmine cannot be obtained by 30 December 2017 and both Shougang Resources Hong Kong and Beijing Shougang intend that the transactions contemplated under the Share Transfer Agreement and the Repurchase Agreement to continue, the parties agreed to enter into the Supplemental Agreements to extend the deadlines for the payment of the consideration for the Share Transfer and fulfillment of the conditions by the Target Company under the Repurchase to 31 December 2019.

As the terms of the Supplemental Agreements have been determined based on an arm's length basis and on normal commercial terms, the Directors (excluding Mr. Li Shaofeng, Mr. Ding Rucai and Mr. Leung Shun Sang, Tony) are of the view that it is in the interests of the Company to enter into the Supplemental Agreements to continue the transactions with Shougang Group and/or its associates.

GENERAL

The Group is principally engaged in coking products production and sale in the PRC.

DEFINITION

In this announcement, the following expressions shall have the following meanings unless the context indicates otherwise:

“associate”	has the meaning ascribed to it under the Listing Rules;
“Beijing Shougang”	Shougang Holding Company Limited* (首鋼控股有限責任公司), a limited liability company established in the PRC and is a wholly-owned subsidiary of Shougang Group;
“Board”	the board of directors of the Company;
“Coalmine”	a coal mine held by the Coalmine Owner located in Liulin County, Shanxi Province, the PRC;
“Coalmine Owner”	Liulin Luenshan Coking Co., Ltd.* (柳林縣聯山煤化有限公司), a limited liability company established in the PRC and is a non-wholly owned subsidiary of the Target Company;
“Company”	Shougang Fushan Resources Group Limited, a limited liability company incorporated in Hong Kong, the Shares of which are listed on the main board of the Stock Exchange;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries from time to time;
“Hong Kong”	the Hong Kong Special administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Party B”	Beijing Jiayu Weiye Property Development Co., Ltd.* (北京嘉宇維業房地產開發有限公司), a company established in the PRC and is a shareholder holding 3.33% interest in the Target Company;
“Party C”	Golden Oak Development Limited (金奧發展有限公司*), a company incorporated in the British Virgin Islands and is a shareholder holding 2.5% interest in the Target Company;

“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan;
“Repurchase”	the repurchase of 27% equity interest in the Target Company as contemplated under the Repurchase Agreement;
“Repurchase Agreement”	the agreement dated 30 December 2016 between Shougang Resources Hong Kong and Beijing Shougang in relation to the repurchase by Shougang Resources Hong Kong of the 27% equity interest in the Target Company;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholders”	holders of the Shares of the Company;
“Shares”	ordinary shares of the Company;
“Share Transfer”	the transfer of the 27% equity interest in the Target Company from Shougang Resources Hong Kong to Beijing Shougang as contemplated under the Share Transfer Agreement;
“Share Transfer Agreement”	the agreement dated 30 December 2016 between Shougang Resources Hong Kong, Beijing Shougang, Party B and Party C in relation to the Share Transfer;
“Shougang Group”	Shougang Group Co., Ltd.* (首鋼集團有限公司), a solely stated-owned company established in the PRC, the holding company of Shougang Holding;
“Shougang Holding”	Shougang Holding (Hong Kong) Limited, a company incorporated in Hong Kong, the holding company of Shougang International;
“Shougang International”	Shougang Concord International Enterprises Company Limited, a company incorporated in Hong Kong with limited liability whose shares are listed on the Stock Exchange (stock code: 697);
“Shougang Resources Hong Kong”	Shougang Resources (Hong Kong) Limited, a company incorporated in Hong Kong and is a wholly-owned subsidiary of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules;

“Supplemental Agreements”	the Supplemental Share Transfer Agreement and the Supplemental Repurchase Agreement;
“Supplemental Repurchase Agreement”	the supplemental repurchase agreement dated 29 December 2017 between Shougang Resources Hong Kong and Beijing Shougang;
“Supplemental Share Transfer Agreement”	the supplemental share transfer agreement dated 29 December 2017 between Shougang Resources Hong Kong, Beijing Shougang, Party B and Party C;
“Target Company”	Jinshan Energy Group Limited* (山西金山能源有限公司), a sino-foreign equity joint venture established in the PRC with limited liability and is currently owned by Shougang Resources Hong Kong, Beijing Shougang, Party B and Party C as to 67.17%, 27%, 3.33% and 2.5%, respectively; and
“%”	per cent.

By order of the Board
Shougang Fushan Resources Group Limited
Li Shaofeng
Chairman

Hong Kong, 29 December 2017

As at the date of this announcement, the Board comprises Mr. Li Shaofeng (Chairman), Mr. Ding Rucai (Vice-chairman and Managing Director), Mr. So Kwok Hoo (Deputy Managing Director), Mr. Chen Zhaoqiang (Deputy Managing Director), Mr. Liu Qingshan (Deputy Managing Director), Mr. Leung Shun Sang, Tony (Non-executive Director), Mr. Dong Yansheng (Non-executive Director), Mr. Kee Wah Sze (Independent Non-executive Director), Mr. Choi Wai Yin (Independent Non-executive Director), Mr. Chan Pat Lam (Independent Non-executive Director) and Mr. Japhet Sebastian Law (Independent Non-executive Director).

** For identification purpose only.*