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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Shougang Fushan Resources Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

**CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee
and to the Independent Shareholders**



Gram Capital Limited
嘉林資本有限公司

Capitalised terms used in this cover page have the same meanings as defined in this circular.

A letter from the Board is set out on pages 3 to 9 of this circular and a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 10 to 11 of this circular. A letter of advice from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the terms of the Second Master Agreement and the transactions contemplated thereunder is set out on pages 12 to 21 of this circular.

A notice convening a GM to be held at 11:00 a.m. on Thursday, 21 December 2017 at Forum Room 1, Basement 2, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong is set out on pages 28 to 29 of this circular. A form of proxy for the GM for use by the Shareholders is enclosed with this circular. Whether or not you are able to attend the GM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the share registrar of the Company, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding of the GM (i.e., at or before 11:00 a.m. on Tuesday, 19 December 2017 (Hong Kong time)), or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the GM or any adjourned meeting thereof (as the case may be) should you so wish.

4 December 2017

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DEFINITIONS

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

“associate”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of directors of the 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;
“Fushan Products”	coking coal products;
“GM”	the general meeting of the Company to be convened at 11:00 a.m. on Thursday, 21 December 2017 at Forum Room 1, Basement 2, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong for the purpose of considering and, if thought fit, approving the Second Master Agreement and the transactions contemplated thereunder;
“Group”	the Company and its subsidiaries from time to time;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special administrative Region of the PRC;
“Independent Board Committee”	the independent board committee of the Board comprising all the independent non-executive Directors established to advise the Independent Shareholders in respect of the terms of the Second Master Agreement and the transactions contemplated thereunder;
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Second Master Agreement and the transactions contemplated thereunder;
“Independent Shareholders”	any Shareholder other than Shougang Group and its associates;
“Latest Practicable Date”	29 November 2017, being the latest practicable date for ascertaining certain information referred to in this circular prior to the printing of this circular;

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Second Master Agreement”	the agreement dated 16 November 2017 entered into between the Company and Shougang Group;
“Shareholders”	holders of the Shares of the Company;
“Shares”	ordinary shares of the Company;
“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 Group Products”	steel materials;
“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);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules;
“VAT”	Value-Added Tax; and
“%”	per cent.

* For identification purpose only.

LETTER FROM THE BOARD



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)

Directors:

Li Shaofeng (*Chairman*)
Ding Rucai (*Vice-chairman and Managing Director*)
So Kwok Hoo (*Deputy Managing Director*)
Chen Zhaoqiang (*Deputy Managing Director*)
Liu Qingshan (*Deputy Managing Director*)
Leung Shun Sang, Tony (*Non-executive Director*)
Dong Yansheng (*Non-executive Director*)
Kee Wah Sze (*Independent Non-executive Director*)
Choi Wai Yin (*Independent Non-executive Director*)
Chan Pat Lam (*Independent Non-executive Director*)
Japhet Sebastian Law (*Independent Non-executive Director*)

Registered Office:

6th Floor
Bank of East Asia
Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

4 December 2017

To the Shareholders

Dear Sir/Madam,

**CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 16 November 2017 in relation to, among others, the entering into the Second Master Agreement between the Company and Shougang Group to regulate the continuing connected transactions between the Group and Shougang Group and/or its associates in compliance with the Listing Rules.

The purpose of this circular is:

- (i) to provide the Shareholders with further details of the Second Master Agreement and the transactions contemplated thereunder;
- (ii) to set out the opinions of the Independent Financial Adviser on the terms of the Second Master Agreement and the transactions contemplated thereunder;

LETTER FROM THE BOARD

- (iii) to set out the recommendations of the Independent Board Committee in respect of the terms of the Second Master Agreement and the transactions contemplated thereunder; and
- (iv) to give the Shareholders notice of the GM to consider and, if thought fit, to approve the Second Master Agreement and the transactions contemplated thereunder.

THE SECOND MASTER AGREEMENT

Date

16 November 2017

Parties

- (A) the Company; and
- (B) Shougang Group

Shougang Group is a state-owned enterprise established in the PRC. Shougang Group, via its subsidiaries or associates, engages in a wide range of business including iron and steel production, mining, city infrastructure development, real estate development and financial services.

Subject matter

The Group will supply the Fushan Products to Shougang Group and/or its associates and Shougang Group and/or its associates will supply the Shougang Group Products to the Group.

Condition precedent

The obligations of the parties to the Second Master Agreement are conditional upon approval of the Second Master Agreement and the annual caps of the continuing connected transactions by the Independent Shareholders in compliance with the Listing Rules.

If the condition precedent under the Second Master Agreement is not satisfied on or before 31 January 2018 or such other date as the parties may agree in writing, the Second Master Agreement will terminate and no party will be entitled to any rights or benefits or be under any obligations under or in respect of the Second Master Agreement.

Term

Subject to the satisfaction of the condition precedent under the Second Master Agreement, the Second Master Agreement has a term of three financial years ending on 31 December 2020.

LETTER FROM THE BOARD

Pricing terms

The pricing terms under the Second Master Agreement will be determined based on an arm's length basis, on normal commercial terms and in accordance with the following principles:

- (i) by reference to the prevailing market prices of the same or substantially similar products, taking into account of the price of the same or substantially similar products with comparable order quantities and quality being offered on the market;
- (ii) if there are not sufficient comparable transactions in (i) above, on normal commercial terms comparable to those offered to/received from independent third parties in respect of the same or substantially similar products with comparable quantities; and
- (iii) if both (i) and (ii) above are not applicable, by reference to the average price of similar products previously supply by a party, and on normal commercial terms comparable to those offered by the relevant party to independent third parties.

Payment terms

The payment terms for the continuing connected transactions under the Second Master Agreement will be on normal commercial terms which will be no less favourable to the Company than those available from independent third parties.

Cap amount

The transaction amounts under the Second Master Agreement during the term of the agreement will not exceed the following annual caps (net of VAT):

	For the year ending 31 December 2018 RMB'000	For the year ending 31 December 2019 RMB'000	For the year ending 31 December 2020 RMB'000
Supply of Fushan Products	870,000	1,310,000	1,510,000
Purchase of Shougang Group Products	50,000	52,000	54,000

The annual caps under the Second Master Agreement were determined based on the historical transaction amounts between the Group and Shougang Group and/or its associates and the expected growth in demand for both the Fushan Products and the Shougang Group Products.

LETTER FROM THE BOARD

The historical transaction amount (net of VAT) between the Group and Shougang Group and/or its associates for the three financial years ended 31 December 2016 and the ten months ended 31 October 2017 are as follows:

	For the year ended 31 December 2014 <i>RMB'000</i>	For the year ended 31 December 2015 <i>RMB'000</i>	For the year ended 31 December 2016 <i>RMB'000</i>	For the ten months ended 31 October 2017 <i>RMB'000</i>
Supply of Fushan Products	453,659	412,441	520,298	483,453
Purchase of Shougang Group Products	–	2,739	4,163	8,561

In determining the annual cap for the supply of Fushan Products, the Company has estimated the production volume of coking coal for the three years ending 31 December 2020 based on its production plan, analysed the proportion of historical sales of Fushan Products to Shougang Group and/or its associates for the three years ended 31 December 2016 and the 10 months ended 31 October 2017 to the production volume of coking coal, estimated the sales volume of the Group for the three years ending 31 December 2020, and estimated the selling prices of Fushan Products for the three years ending 31 December 2020 based on the existing selling prices of Fushan Products and an assumed inflation rate of 3% per annum.

In determining the annual cap for the purchase of Shougang Group Products, the Company has estimated its demand for steel materials which are applied for the infrastructure and operation of its coal mines for the year ending 31 December 2018. The Company expects that the proportion of Shougang Group Products purchase to the total steel materials purchase (for the infrastructure and operation of the Group's coal mines) for the three years ending 31 December 2020 will increase and the purchase price of Shougang Group Products will be affected by an assumed inflation rate of 3% per annum.

REASONS FOR THE SECOND MASTER AGREEMENT

The Group supplied coking coal products to Shougang Group and/or its associates since 2010 and purchased steel materials from Shougang Group and/or its associates since 2015 in its usual and ordinary course of business. As Shougang Group became a substantial shareholder of the Company from 16 November 2017 as explained in the section headed "LISTING RULES IMPLICATIONS" on page 8 of this circular, the Second Master Agreement was entered into to regulate the continuing connected transactions between the Group and Shougang Group and/or its associates for the three financial years ending 31 December 2020 in compliance with the Listing Rules.

As the transactions under the Second Master Agreement will be carried out in the ordinary course of business of the Group, and the terms have been 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 Second Master Agreement to continue the transactions with Shougang Group and/or its associates.

LETTER FROM THE BOARD

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

INTERNAL CONTROL FOR CONTINUING CONNECTED TRANSACTIONS

In order to ensure that the prices of the Fushan Products and the Shougang Group Products are fair and reasonable, and are in line with the market average, the Group adopts the following internal control methods and procedures:

- (a) The Company will conduct regular checks on a monthly basis to review and assess whether the relevant continuing connected transactions are conducted in accordance with the terms of its respective agreements and will also regularly update the market price for the purpose of considering if the price charged for a specific transaction is fair and reasonable and in accordance with the aforesaid pricing policy:
 - (i) the sales team will from time to time (on a regular bi-weekly basis and/or prior to price negotiation) gather market intelligence by way of research and investigation to determine the reference price of each type of products in the market;
 - (ii) the Company will conduct regular reviews of the sales and purchases and ensures the transactions are within the annual cap;
 - (iii) the Group would also work closely with customers with a view to obtaining information on the demand of the customers. As long as it is permissible under law, the Company would consider adjust or negotiate the prices of the transaction as and when necessary to ensure price fairness.
- (b) The Company will conduct annual internal reviews of the continuing connected transactions of the Company, to consider (i) effective implementation of the pricing policies and the payment methods, evaluation of balances of annual caps; and (ii) identification of management weaknesses, and recommendation of improvement measures to ensure that the internal control measures in respect of the continuing connected transactions remain complete and effective and where any weaknesses are identified, the Company will take measures to address them as soon as practicable.
- (c) The independent non-executive Directors will review the transactions contemplated under the continuing connected transactions of the Company pursuant to Listing Rule 14A.55, and confirm in the annual report whether the transactions have been entered in the ordinary and usual course of business of the Group; on normal commercial terms or better; and according to the agreement governing the transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The independent auditor of the Group will also conduct an annual review on the pricing terms and annual caps under the Second Master Agreement.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

Prior to 16 November 2017, Shougang Group indirectly held approximately 2.24% interest in the Company. Shougang International, a 47.78% held associate of Shougang Group, held approximately 27.61% interest in the Company. The transactions with Shougang Group and/or its associates were not continuing connected transactions for the Company for the purpose of Chapter 14A of the Listing Rules.

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 continuing connected transactions for the Company for the purpose of the Listing Rules.

The Second Master Agreement was entered into to govern the continuing connected transactions between the Group and Shougang Group and/or its associates for the three financial years ending 31 December 2020. As one or more of the applicable ratios under Rule 14.07 of the Listing Rules in respect of the annual transaction amounts under the Second Master Agreement is/are expected to exceed 5% threshold under Rule 14A.76(2)(a) of the Listing Rules, the Second Master Agreement is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

An Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders in respect of the terms of the Second Master Agreement and the transactions contemplated thereunder. Gram Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Second Master Agreement and the transactions contemplated thereunder.

A GM will be convened at which an ordinary resolution will be proposed to consider and, if thought fit, approve the Second Master Agreement and the transactions contemplated thereunder.

GENERAL

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

LETTER FROM THE BOARD

GM

A notice convening the GM to be held at 11:00 a.m. on Thursday, 21 December 2017 at Forum Room 1, Basement 2, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong is set out on pages 28 to 29 of this circular for the purpose of considering and, if thought fit, passing the resolution as set out therein.

A form of proxy for use by the Shareholders at the GM is enclosed herewith. Whether or not you are able to attend the GM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the share registrar of the Company, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the GM (i.e., at or before 11:00 a.m. on Tuesday, 19 December 2017 (Hong Kong time)), or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the GM or any adjourned meeting thereof (as the case may be) should you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, the Company will procure that the chairman of the GM shall demand voting on the resolution set out in the notice of GM be taken by way of poll.

Shougang Holding and its subsidiaries, holding approximately 29.85% of the total number of Shares in issue as at the Latest Practicable Date, will abstain from voting for the resolution to be proposed at the GM to approve the Second Master Agreement and the transactions contemplated thereunder.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 10 to 11 of this circular which contains its recommendations to the Independent Shareholders in respect of the terms of the Second Master Agreement and the transactions contemplated thereunder. Your attention is also drawn to the letter of advice from Gram Capital which contains, amongst other matters, its advices to the Independent Board Committee and the Independent Shareholders on the terms of the Second Master Agreement and the transactions contemplated thereunder. The letter from Gram Capital is set out on pages 12 to 21 of this circular.

The Directors (other than the members of the Independent Board Committee whose view is set out in the letter from the Independent Board Committee after reviewing and considering the advice from the Independent Financial Adviser) consider that the terms of the Second Master Agreement and the transactions contemplated thereunder are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the GM.

Your attention is also drawn to the general information set out in the appendix of this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendations, prepared for the purpose of incorporation in this circular, from the Independent Board Committee to the Independent Shareholders regarding the terms of the Second Master Agreement and the transactions contemplated thereunder.



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)

4 December 2017

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company to the Shareholders dated 4 December 2017 (the “**Circular**”), in which this letter forms a part. Unless the context requires otherwise, capitalized terms used in this letter will have the same meanings given to them in the section headed “Definitions” of the Circular.

We have been authorised by the Board to form the Independent Board Committee to advise the Independent Shareholders on whether the terms of the Second Master Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned.

We wish to draw your attention to the letter of advice from Gram Capital, the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Second Master Agreement and the transactions contemplated thereunder as set out on pages 12 to 21 of the Circular and the letter from the Board as set out on pages 3 to 9 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered, among other matters, the factors and reasons considered by, and the opinion of Gram Capital as stated in its letter of advice, we consider that the terms of the Second Master Agreement and the transactions contemplated thereunder are on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the Second Master Agreement and the transactions contemplated thereunder to be proposed at the GM.

Yours faithfully,
For and on behalf of
The Independent Board Committee of
Shougang Fushan Resources Group Limited
Kee Wah Sze
Choi Wai Yin
Chan Pat Lam
Japhet Sebastian Law
Independent Non-executive Directors

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Second Master Agreement and the transactions contemplated thereunder for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

4 December 2017

*To: The independent board committee and the independent shareholders
of Shougang Fushan Resources Group Limited*

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Second Master Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 4 December 2017 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 16 November 2017, the Company entered into the Second Master Agreement with Shougang Group in respect of certain continuing connected transactions (the “**CCTs**”) to be entered into between the Group and Shougang Group and/or its associates for the three financial years ending 31 December 2020. Pursuant to the Second Master Agreement, the Group will supply the Fushan Products to Shougang Group and/or its associates (the “**Supply CCT**”) and Shougang Group and/or its associates will supply the Shougang Group Products to the Group (the “**Purchase CCT**”).

With reference to the Board Letter, the Second Master Agreement is subject to the reporting, announcement, annual review and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Kee Wah Sze, Mr. Choi Wai Yin, Mr. Chan Pat Lam and Mr. Japhet Sebastian Law (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Second Master Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the CCTs are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Second Master Agreement and the transactions contemplated thereunder at the GM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

LETTER FROM GRAM CAPITAL

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the CCTs. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Shougang Group or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the CCTs. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources.

LETTER FROM GRAM CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the CCTs, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the CCTs

Information on the Group

The Company is a Hong Kong-based investment holding company engaged in the mining of coals. The main businesses of the Group include the mining of coking coal, as well as the production and sales of raw and clean coking coal. The Company mainly operates through Xingwu coal mine, Jinjiazhuang coal mine and Zhaiyadi coal mine in Liulin County, Shanxi Province, the PRC. Its main coal products include hard coking coal and semi-hard coking coal, among others. The Group mainly operates its businesses in China.

Set out below are the consolidated financial information of the Group for the two years ended 31 December 2016 and the six months ended 30 June 2017 (with comparative figures in 2016) as extracted from the Company's annual report for the year ended 31 December 2016 (the "2016 Annual Report") and interim report for the six months ended 30 June 2017 (the "2017 Interim Report"):

	For the year ended 31 December 2016	For the year ended 31 December 2015	Change from 2015 to 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
	<i>(audited)</i>	<i>(audited)</i>	
Revenue	1,809,885	1,996,629	(9.35)
Gross profit	607,043	488,188	24.35
Profit/(Loss) for the year	67,656	(711,475)	N/A
	For the six months ended 30 June 2017	For the six months ended 30 June 2016	Change from 2016 to 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	
Revenue	1,917,743	677,965	182.87
Gross profit	1,156,023	127,574	806.16
Profit/(Loss) for the period	744,965	(491,116)	N/A

As depicted from the table above, the revenue and gross profit of the Group for the year ended 31 December 2016 ("FY2016") amounted to approximately HK\$1.81 billion and HK\$0.61 billion respectively, representing a decrease of approximately 9.35% and an increase of approximately 24.35% respectively as compared to those for the year ended 31 December 2015 ("FY2015").

LETTER FROM GRAM CAPITAL

With reference to the financial statements under the 2016 Annual Report, the Group recorded impairment loss of approximately HK\$791.20 million on goodwill, mining rights and property, plant and equipment for FY2015. As a result, the Group recorded substantial loss for FY2015.

Due to improvement in gross profit, cost reduction, reduction in impairment loss on goodwill, mining rights and property, plant and equipment, and substantial reversal of impairment loss on mining rights and property, plant and equipment for FY2016, the Group made a turnaround from its loss position and recorded profit of approximately HK\$67.66 million for FY2016.

The Group's revenue substantially increased by approximately 182.87% and reached approximately HK\$1.92 billion for the six months ended 30 June 2017 ("1H2017") as compared to that for the six months ended 30 June 2016 ("1H2016"). The Group's gross profit also significantly increased by approximately 806.16% in 1H2017 as compared to that for 1H2016. The increase in gross profit, together with the absence in impairment loss on goodwill, mining rights and property, plant and equipment in 1H2017 (1H2016: approximately HK\$595.85 million) led to substantial profit of approximately HK\$744.97 million recorded by the Group for 1H2017.

With reference to the 2017 Interim Report, the substantial increase in the Group's turnover for 1H2017 as compared to 1H2016 was mainly driven by significant increase in average realised selling prices of raw and clean coking coal and the increase in sales volume of raw coking coal even though there was a slight drop in the sales volume of clean coking coal. The significant increase in average realised selling prices of raw and clean coking coal also led to increase in the Group's gross profit for 1H2017 as compared to 1H2016.

Information on Shougang Group

With reference to the Board Letter, 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.

Reasons for the Second Master Agreement

With reference to the Board Letter, the Group supplied coking coal products to Shougang Group and/or its associates since 2010 and purchased steel materials from Shougang Group and/or its associates since 2015 in its usual and ordinary course of business. As Shougang Group became a substantial shareholder of the Company from 16 November 2017 (as explained in the section headed "LISTING RULES IMPLICATIONS" in the Board Letter), the Second Master Agreement was entered into to regulate the continuing connected transactions between the Group and Shougang Group and/or its associates for the three financial years ending 31 December 2020 in compliance with the Listing Rules.

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Having considered (i) the CCTs have been conducted in the Company's usual and ordinary course of business; (ii) the improved financial performance of the Group's principal business in 1H2017 as compared to 1H2016; and (iii) the long established relationship between the Group and Shougang Group, we are of the view that it is in the interests of the Company and the Shareholders as a whole to enter into the Second Master Agreement to continue the CCTs with Shougang Group and/or its associates.

2. Principal terms of the Second Master Agreement

Set out below are the principal terms of the Second Master Agreement as extracted from the Board Letter:

Date:	16 November 2017
Parties:	The Company; and Shougang Group
Term:	Subject to the satisfaction of the condition precedent under the Second Master Agreement, the Second Master Agreement has a term of three financial years ending on 31 December 2020.
Nature of transactions:	The Group will supply the Fushan Products to Shougang Group and/or its associates and Shougang Group and/or its associates will supply the Shougang Group Products to the Group.
Pricing terms:	The pricing terms under the Second Master Agreement will be determined based on an arm's length basis, on normal commercial terms and in accordance with the following principles: <ul style="list-style-type: none">(i) by reference to the prevailing market prices of the same or substantially similar products, taking into account of the price of the same or substantially similar products with comparable order quantities and quality being offered on the market;(ii) if there are not sufficient comparable transactions in (i) above, on normal commercial terms comparable to those offered to/received from independent third parties in respect of the same or substantially similar products with comparable quantities; and

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- (iii) if both (i) and (ii) above are not applicable, by reference to the average price of similar products previously supply by a party, and on normal commercial terms comparable to those offered by the relevant party to independent third parties.

Payment terms: The payment terms for the continuing connected transactions under the Second Master Agreement will be on normal commercial terms which will be no less favourable to the Company than those available from independent third parties.

For our due diligence purpose, we obtained certain sale records and invoices for the supply of Fushan Products by the Group to (i) Shougang Group and/or its associates; and (ii) independent third parties in 2016 and 2017. We noted from the above documents that the prices (after justification for different transportation arrangements) for the Fushan Products sold to Shougang Group and/or its associates by the Group were comparable to those sold to independent third parties.

In respect of the Purchase CCT, the Directors advised us that the Group performs internal researches for prevailing market prices of specific products under its procurement process. We obtained certain purchase records and invoices for the purchase of Shougang Group Products by the Group from Shougang Group and/or its associates. We noted from the above documents that the prices for the Shougang Group Products bought from Shougang Group and/or its associates by the Group were comparable to the then prevailing market prices based on internal research of the Group.

With reference to the Board Letter, in order to ensure that the prices of the Fushan Products and the Shougang Group Products are fair and reasonable, and are in line with the market average, the Group adopts the internal control methods and procedures (the “**Internal Control Measures**”) as set out under the section headed “INTERNAL CONTROL FOR CONTINUING CONNECTED TRANSACTIONS” of the Board Letter. We consider that the effective implementation of the Internal Control Measures would help to ensure fair pricing of the CCTs.

In light of the above, we consider that the terms of the Second Master Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

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3. The proposed annual caps for the CCTs

The transaction amounts under the Second Master Agreement during the term of the agreement will not exceed the following annual caps (net of VAT):

	For the year ending 31 December 2018	For the year ending 31 December 2019	For the year ending 31 December 2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Supply of Fushan Products (the “ Supply Cap(s) ”)	870,000	1,310,000	1,510,000
Purchase of Shougang Group Products (the “ Purchase Cap(s) ”)	50,000	52,000	54,000

With reference to the Board Letter, the annual caps under the Second Master Agreement were determined based on the historical transaction amounts between the Group and Shougang Group and/or its associates and the expected growth in demand for both the Fushan Products and the Shougang Group Products.

The historical transaction amount (net of VAT) between the Group and Shougang Group and/or its associates for the three financial years ended 31 December 2016 and the ten months ended 31 October 2017 are as follows:

	For the year ended 31 December 2014	For the year ended 31 December 2015	For the year ended 31 December 2016	For the ten months ended 31 October 2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Supply of Fushan Products	453,659	412,441	520,298	483,453
Purchase of Shougang Group Products	–	2,739	4,163	8,561

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The Supply Caps

To assess the fairness and reasonableness of the Supply Caps, we obtained and reviewed the calculation of the Supply Caps (the “**Supply Calculation**”).

We noted that the Supply Calculation was prepared based on the followings:

- (i) The Company estimated the production volume of coking coal for the three years ending 31 December 2020 based on its production plan.
- (ii) The Company analysed the proportion of historical sales of Fushan Products to Shougang Group and/or its associates for the three years ended 31 December 2016 and the 10 months ended 31 October 2017 to the production volume of coking coal.
- (iii) The Company estimated the sales volume for the three years ending 31 December 2020 based on items (i) and (ii) above.
- (iv) The Company estimated the selling prices of Fushan Products for the three years ending 31 December 2020 based on the existing selling prices of Fushan Products and an inflation rate of 3% per annum (the “**Inflation Factor**”).

For our due diligence purpose, we obtained the latest sale contracts between the Group and Shougang Group and we noted that the existing selling prices of Fushan Products under the Supply Calculation are in line with those stated under the aforesaid contracts.

In addition, we noted that the average increase of the PRC consumer price index from 2007 to 2016 (according to the National Bureau of Statistics of the PRC) was approximately 3% which is in line with the Inflation Factor.

- (v) The Supply Cap for each of the three years ending 31 December 2020 was arrived by multiplying the estimated sales volume by the estimated selling prices of Fushan Products.

We noticed that (i) the Supply Cap for the year ending 31 December 2018 is much more than the historical amount of Fushan Products supplied by the Group to Shougang Group and/or its associates for each of the three years ended 31 December 2016 and the 10 months ended 31 October 2017; and (ii) there is a significant increase in the Supply Cap for the year ending 31 December 2019 as compared to the year ending 31 December 2018.

We enquired into the Directors in this regard and were advised that (i) the average realised selling price (net of VAT) of clean coking coal (Fushan Products are clean coking coal) increased from RMB657 per tonne for FY2016 to RMB1,254 per tonne for 1H2017; and (ii) the raw coking coal (clean coking coal is made from raw coking coal) production volume of one of the Group’s three operating coking coal mines declined in 2016 due to the construction for exchange upper and lower coal seams (the “**Exchange Construction**”) in the second half of 2016. Such negative impact continued in 2017 and is expected to continue in 2018. The Directors expect the Exchange Construction to be completed in early 2019 and the raw coking coal production volume of this mine will be restored thereafter.

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In light of the above, we consider that the Supply Caps for the three years ending 31 December 2020 are fair and reasonable so far as the Independent Shareholders are concerned.

The Purchase Caps

To assess the fairness and reasonableness of the Purchase Caps, we obtained and reviewed the calculation of the Purchase Caps (the “**Purchase Calculation**”).

We noted that the Purchase Calculation was prepared based on the followings:

- (i) The Company estimated its demand for steel materials which are applied for the infrastructure and operation of its coal mines for the year ending 31 December 2018. Such demand is expected to increase significantly for the year ending 31 December 2018 as a result of the Exchange Construction and planned construction for the lower coal seams exploitation of the Group’s another operating coking coal mine (all together, the “**Constructions**”). For our due diligence purpose, we obtained the Constructions plans from the Company and noted the schedules of the Constructions.
- (ii) For the two years ended 31 December 2016 and the 10 months ended 31 October 2017, the proportion of Shougang Group Products purchase to the total steel materials purchase (for the infrastructure and operation of the Group’s coal mines) was about 10% to 13%. Such proportion is expected to reach approximately 40% for the three years ending 31 December 2020 given that the Constructions require more Shougang Group Products.
- (iii) As a result of items (i) and (ii) above, the Purchase Cap for the year ending 31 December 2018 will be significantly higher than the historical amount of Shougang Group Products purchase by the Group for each of the two years ended 31 December 2016 and the 10 months ended 31 October 2017.
- (iv) The Purchase Cap for the year ending 31 December 2018 was arrived by multiplying items (i) and (ii) above.
- (v) Growth in the Purchase Caps for the two years ending 31 December 2020 was mainly based on the Inflation Factor.

In light of the above, we consider that the Purchase Caps for the three years ending 31 December 2020 are fair and reasonable so far as the Independent Shareholders are concerned.

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4. Listing Rules implication regarding the CCTs

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the CCTs must be restricted by their respective proposed annual cap for the period concerned under the Second Master Agreement; (ii) the terms of the CCTs (including their respective proposed annual caps) must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the CCTs must be included in the Company's subsequent published annual reports and financial accounts. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the CCTs (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded their respective proposed annual caps. In the event that the total amounts of the CCTs are anticipated to exceed their respective proposed annual caps, or that there is any proposed material amendment to the terms of the CCTs, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the CCTs and thus the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Second Master Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the CCTs are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the GM to approve the CCTs and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,

For and on behalf of

Gram Capital Limited

Graham Lam

Susanna Ho

Managing Director

Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' interests

As at the Latest Practicable Date, the interests of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”), to be notified to the Company and the Stock Exchange were as follows:

Long positions in the Shares

Name of Director	Capacity in which interests were held	Number of Shares	Interests as to % of the total number of Shares in issue as at the Latest Practicable Date
So Kwok Hoo	Beneficial owner	4,000,000	0.075%
Chen Zhaoqiang	Beneficial owner	2,680,000	0.051%
Kee Wah Sze	Beneficial owner	700,000	0.013%
Choi Wai Yin	Beneficial owner	20,000	0%
Chan Pat Lam	Beneficial owner	200,000	0.004%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which the Directors and chief executive were taken or deemed to have under such provisions of the SFO), or were required, pursuant to Section 352 of the SFO, to be recorded in the register required to be kept by the Company, or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, none of the Directors nor any of their spouse or minor children was granted or held options to subscribe for shares in the Company or any of its associated corporations (within the meaning of Part XV of the SFO), or had exercised such rights.

(b) Substantial Shareholders

As at the Latest Practicable Date, according to the register kept by the Company under Section 336 of the SFO, the following companies had interests in the Shares and/or underlying Shares which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Long positions in the Shares/underlying Shares

Name of Shareholder	Capacity in which interests were held	Number of Shares/ underlying Shares	Interests as to % of the total number of Shares in issue as at the Latest Practicable Date	<i>Note(s)</i>
Shougang Group	Interests of controlled corporations	1,582,864,490	29.85%	1
Shougang Holding	Beneficial owner, interests of controlled corporations	1,582,864,490	29.85%	1
Shougang International	Beneficial owner, interests of controlled corporations	1,463,962,490	27.61%	1
Fine Power Group Limited ("Fine Power")	Beneficial owner	663,918,497	12.52%	1

Name of Shareholder	Capacity in which interests were held	Number of Shares/ underlying Shares	Interests as to % of the total number of Shares in issue as at the Latest Practicable Date	Note(s)
Ultimate Capital Limited (“Ultimate Capital”)	Beneficial owner	650,000,000	12.25%	1
Funde Sino Life Insurance Co., Ltd.	Beneficial owner	1,539,844,306	29.04%	
Jiang Jinzhi (“Mr. Jiang”)	Interests of controlled corporations	313,770,000	5.92%	2

Notes:

- Shougang Group indicated in its disclosure form filed on 21 November 2017 (being the latest disclosure form filed up to the Latest Practicable Date) that as at 16 November 2017, its interests included (i) the interests held by Shougang Holding, a wholly-owned subsidiary of Shougang Group; and (ii) the interests held by Shougang International, a company which was held as to 65.49% by Shougang Holding, as well as Fine Power and Ultimate Capital, each of which was a wholly-owned subsidiary of Shougang International.
- Mr. Jiang indicated in his disclosure form dated 2 March 2017 (being the latest disclosure form filed up to the Latest Practicable Date) that as at 28 February 2017, amongst the interests in the Company, (i) 66,248,000 Shares were held through Shanghai Greenwoods Asset Management Limited which was 75% owned by Mr. Jiang; and (ii) 105,300,000 Shares were held by Greenwoods China Alpha Master Fund and 12,000,000 Shares were held through Greenwoods Asset Management Limited. Greenwoods China Alpha Master Fund was wholly owned by Greenwoods Asset Management Limited which in turn was a wholly-owned subsidiary of Greenwoods Asset Management Holdings Limited. Greenwoods Asset Management Holdings Limited was held as to 81% by Unique Element Corp. which in turn was wholly owned by Mr. Jiang.

Save as disclosed above, as at the Latest Practicable Date, the Company has not been notified of any other person (other than the Directors and chief executives of the Company) who had an interest or short position in the Shares and/or underlying Shares which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, there was no existing or proposed service contract between any of the Directors and any member of the Group other than service contracts that are expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, the interests of the Directors in the businesses (other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or any member of the Group) which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group were as follows:

Name of Director	Name of entity whose businesses were considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which were considered to compete or likely to compete with the businesses of the Group	Nature of interest of the Director in the entity
Li Shaofeng	Shougang Holding [#]	Trading of coal	Director
Ding Rucai	Shougang Holding [#]	Trading of coal	Director

[#] Such businesses may be carried out through the subsidiaries or associates of the entity concerned or by way of other forms of investments.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2016, being the date to which the latest audited financial statements of the Company were made up.

6. LITIGATION

So far as the Company is aware, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors pending or threatened by or against any member of the Group.

7. EXPERT'S QUALIFICATION AND CONSENT

As at the date of this circular, Gram Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears. The following expert's statements were issued on the date of this circular and were made for incorporation or reference (as the case may be) in this circular.

The following is the qualification of the expert who has given its opinion or advice which is contained in this circular:

Name	Qualification
Gram Capital	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Gram Capital did not have any direct or indirect interest in any asset which had been acquired, disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2016, being the date to which the latest audited financial statements of the Group was made up; and was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

8. GENERAL

- (a) None of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or proposed to be so acquired, disposed of by or leased to any member of the Group since 31 December 2016, being the date to which the latest published audited accounts of the Company were made up, and up to the Latest Practicable Date.
- (b) As at the Latest Practicable Date, none of the Directors was materially interested in any contract, save for service contracts, or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Group.
- (c) As at the Latest Practicable Date, Mr. Li Shaofeng and Mr. Ding Rucai were directors of Shougang Holding, while Mr. Li Shaofeng, Mr. Ding Rucai and Mr. Leung Shun Sang, Tony were directors of Shougang International. Shougang Holding and Shougang International had interests in the Shares which fell to be disclosed under Divisions 2 and 3 of Part XV of the SFO, details of which are set out in paragraph 2(b) of this Appendix. Save as disclosed in this paragraph, none of the Directors or proposed Director was a director or employee of a company which had an interest in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.
- (d) The company secretary of the Company is Ms. Cheng Man Ching, a fellow member of each of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries and an associate member of the Hong Kong Institute of Bankers. She holds a master degree in business administration and a master degree in arts.
- (e) The English text of this circular shall prevail over their respective Chinese text for the purpose of interpretation.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of the Company during normal business hours on any business day (except public holidays) from the date of this circular up to and including the date of the GM:

- (a) the articles of association of the Company;
- (b) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 10 to 11 of this circular;
- (c) the letter from Gram Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 12 to 21 of this circular;
- (d) the written consent referred to in the paragraph headed “Expert’s Qualification and Consent” in this Appendix;
- (e) the Second Master Agreement; and
- (f) this circular.

NOTICE OF GM



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)

NOTICE IS HEREBY GIVEN that a general meeting of Shougang Fushan Resources Group Limited (the “**Company**”) will be held at 11:00 a.m. on Thursday, 21 December 2017 at Forum Room 1, Basement 2, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT**

- (a) the agreement (the “**Second Master Agreement**”) dated 16 November 2017 entered into between the Company and Shougang Group Co., Ltd.* (首鋼集團有限公司) (“**Shougang Group**”), a copy of which is tabled at the meeting and marked “A” and initialed by the chairman of the meeting for identification purpose, pursuant to which, the Company and its subsidiaries (the “**Group**”) have agreed to supply coking coal products to Shougang Group and/or its associates and Shougang Group and/or its associates has agreed to supply steel materials to the Group pursuant to the terms of the Second Master Agreement (the “**Continuing Connected Transactions**”) be and is hereby approved, ratified and confirmed;
- (b) the cap amounts in respect of the Continuing Connected Transactions as set out in the Second Master Agreement for each of the three financial years ending 31 December 2018, 2019 and 2020 be and are hereby approved; and
- (c) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the Second Master Agreement.”

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

Hong Kong, 4 December 2017

Registered office:
6th Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai, Hong Kong

NOTICE OF GM

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.
3. In order to be valid, the form of proxy in the prescribed form together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be deposited with the share registrar of the Company, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for holding the meeting (i.e., at or before 11:00 a.m. on Tuesday, 19 December 2017 (Hong Kong time)), or any adjourned meeting thereof (as the case may be).
4. Completion and return of the form of proxy shall not preclude members of the Company from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
5. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members of the Company in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.

* *For identification purpose only.*