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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of the Offer, this Offer Document and/or the accompanying Acceptance Form or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a 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 Offer Document, together with the accompanying Acceptance Form and form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or the transfer was effected for onward transmission to the purchaser(s) or transferee(s).

This Offer Document should be read in conjunction with the accompanying Acceptance Form, the contents of which form part of the terms and conditions of the Offer.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Offer Document and the accompanying forms, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offer Document and the accompanying forms.

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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)

## CONDITIONAL CASH OFFER BY OCTAL CAPITAL LIMITED ON BEHALF OF SHOUGANG FUSHAN RESOURCES GROUP LIMITED TO BUY-BACK UP TO 250,000,000 SHARES FOR HK\$2.00 PER SHARE INVOLVING APPLICATIONS FOR WHITWASH WAIVERS

Financial Adviser to the Company



Independent Financial Adviser to the Independent Board Committee



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Capitalised terms used in this cover have the same meanings as defined in the section headed "Definitions" in this Offer Document.

A letter from the Board is set out on pages 7 to 17 of this Offer Document. A letter from Octal Capital containing, among other things, details of the terms of the Offer is set out on pages 18 to 27 of this Offer Document. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 28 to 29 of this Offer Document. A letter from Gram Capital containing its opinion and advice to the Independent Board Committee is set out on pages 30 to 48 of this Offer Document.

A notice convening the General Meeting to be held at Empire Grand Room, 1st Floor, The Empire Hotel Hong Kong, 33 Hennessy Road, Wan Chai, Hong Kong on 3 September 2020 at 11:00 a.m. is set out on pages GM-1 to GM-4 of this Offer Document. Whether or not you are able to attend the said General Meeting, please complete the accompanying form of proxy in accordance with the instructions thereon and return the same to the Registrar, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the General Meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the General Meeting or any adjourned meeting if you so wish.

### COVID-19 PRECAUTIONARY MEASURES FOR THE GENERAL MEETING

To prevent the spread of COVID-19 pandemic and to safeguard the health and safety of Shareholders, the Company will implement the following precautionary measures at the General Meeting:

- compulsory body temperature checks and health declarations
- compulsory wearing of surgical face masks at all times at the General Meeting and inside the General Meeting venue, and to maintain a safe distance between seats
- no provision of refreshments

Any person who does not comply with the precautionary measures or who is subject to health quarantine prescribed by the Hong Kong Government will be denied entry into the General Meeting venue. Alternatively, Shareholders may appoint the chairman of the General Meeting as their proxy to attend and vote on the relevant resolutions at the General Meeting as an alternative to attending the General Meeting or any adjourned meeting in person by completing and returning the form of proxy attached to this Offer Document. Pursuant to the restriction of the number of participants in a shareholders' meeting imposed under the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation (the "Regulation") as amended from time to time, group gatherings of more than 20 persons for shareholders' meetings are required to be accommodated in separate rooms or partitioned areas of not more than 20 persons each. To comply with the Regulation, the Company will provide enough rooms to separate Shareholders if necessary. Meanwhile, the Company reminds all Shareholders that physical attendance in person at the General Meeting is not necessary for the purpose of exercising their voting rights.

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## EXPECTED TIMETABLE

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*The timetable set out below is indicative only and is subject to change. Any changes to the expected timetable will be announced by the Company.*

<b>Event</b>	<b>Time &amp; Date</b>
Despatch of the Offer Document and notice of General Meeting . . . . .	Wednesday, 19 August 2020
Latest time for lodging transfer documents to qualify for attendance at the General Meeting . . . . .	4:30 p.m. on Friday, 28 August 2020
Register of Members close . . . . .	Monday, 31 August 2020 to Thursday, 3 September 2020 (both days inclusive)
Latest time for lodging proxy forms for the General Meeting . . . . .	11:00 a.m. on Tuesday, 1 September 2020
General Meeting . . . . .	11:00 a.m. on Thursday, 3 September 2020
Announcement of results of the General Meeting and whether the Offer has become unconditional . . . . .	not later than 7:00 p.m. on Thursday, 3 September 2020
Latest time and date for submitting the Acceptance Forms ( <i>Note 2</i> ). . . . .	4:00 p.m. on Thursday, 17 September 2020
Closing date of the Offer ( <i>Note 2</i> ). . . . .	Thursday, 17 September 2020
Announcement of the results of the Offer on the website of the Stock Exchange . . . . .	not later than 7:00 p.m. on Thursday, 17 September 2020
Latest date for despatch of cheques to the Accepting Shareholders and, if applicable, return of the Share certificates to parties with unsuccessful tenders ( <i>Note 3</i> ) . . . . .	Monday, 28 September 2020

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## EXPECTED TIMETABLE

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*Notes:*

1. The above timetable assumes that the Offer is approved by the Independent Shareholders at the General Meeting and the Conditions are satisfied resulting in the Offer becoming unconditional on Thursday, 3 September 2020.
2. The Offer will remain open for acceptance for a period of 14 days after it becomes unconditional. Where the Offer Period ends on a day which is not a Business Day, the Offer Period is extended until the next Business Day.
3. Remittance for the total amounts due to Accepting Shareholders under the Offer (subject to deduction of seller's ad valorem stamp duty payable on the Shares bought-back from such Accepting Shareholders) will be made by the Company within 7 Business Days after the close of the Offer.
4. All references to dates and time contained in this Offer Document refer to Hong Kong dates and time.

### **Effect of bad weather on the latest time for acceptance of the Offer**

If there is (i) a tropical cyclone warning signal number 8 or above; or (ii) a "black" rainstorm warning signal: (a) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the closing day of the Offer, the latest time and date for acceptance of the Offer will remain at 4:00 p.m. on the same Business Day; or (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the closing day of the Offer, the latest time and date for acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m. or such other day as the Executive may approve.

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## DEFINITIONS

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*In this Offer Document, unless otherwise defined or the context otherwise requires, the following expressions shall have the following meanings. Also, where terms are defined and used in only one section of this Offer Document, those defined terms are not included in the table below:*

“Acceptance Form(s)”	form(s) to be sent to the Shareholders as part of this Offer Document for acceptance of the Offer
“Accepting Shareholder(s)”	Qualifying Shareholder(s) who accept(s) the Offer by submitting the Acceptance Form(s)
“acting in concert”	has the meaning given to it in the Codes
“Announcement”	the announcement of the Company dated 20 July 2020 in relation to, among other things, the Offer and the Whitewash Waivers
“associate(s)”	has the meaning given to it in the Codes
“Board”	the board of Directors
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“CCASS”	Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“Codes”	the Takeovers Code and the Share Buy-backs Code
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Company”	Shougang Fushan Resources Group Limited, a company incorporated in Hong Kong with limited liability, the issued Shares are listed on the Main Board of the Stock Exchange (stock code: 0639)
“Conditions”	conditions set out under the heading “Conditions to the Offer” to which the Offer is subject
“Director(s)”	director(s) of the Company

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## DEFINITIONS

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“Excluded Shareholder(s)”	Overseas Shareholder(s) whose address, as shown on the Register of Members at the time of the receipt by the Company of his/her/its Acceptance Form is located in a jurisdiction the laws of which prohibit the making of the Offer to such Overseas Shareholder(s) or otherwise require the Company to comply with additional requirements which are (in the opinion of the Board, but subject to the prior consent of the Executive) unduly onerous or burdensome, having regard to the number of Overseas Shareholder(s) involved in that jurisdiction and the size of their shareholdings in the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“Funde Concert Group”	Funde Shareholder and parties acting in concert with it
“Funde Sino Life” or “Funde Shareholder”	Funde Sino Life Insurance Co., Ltd., holding 1,590,100,000 Shares, representing approximately 29.99% of the total issued Shares as at the Latest Practicable Date and is a private company incorporated in the PRC, which is owned as to 20%, 17.93%, 16.77%, 15.27%, 11.70% and 10.57% by 深圳市富德金融投資控股有限公司 (Shenzhen Funde Finance Investment Holding Co., Ltd.*), 深圳市厚德金融控股有限公司 (Shenzhen Houde Finance Holding Co., Ltd.*), 深圳市國民投資發展有限公司 (Shenzhen Guomin Investment Development Co., Ltd.*), 深圳市盈德置地有限公司 (Shenzhen Yingde Real Estate Co., Ltd.), 深圳市洲際通商投資有限公司 (Shenzhen International Commerce Investment Co., Ltd.*) and 富德保險控股股份有限公司 (Funde Insurance Holding Co., Ltd.*), respectively as disclosed in its website at <a href="http://www.sino-life.com">www.sino-life.com</a>
“General Meeting”	a general meeting of the Company to be held at Empire Grand Room, 1st Floor, The Empire Hotel Hong Kong, 33 Hennessy Road, Wan Chai, Hong Kong on Thursday, 3 September 2020 at 11:00 a.m. in connection with the Offer and the Whitewash Waivers
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

\* For identification purpose only

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## DEFINITIONS

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“Independent Board Committee”	an independent committee of the Board, comprising Mr. Shi Yubao, being a non-executive Director, and all the independent non-executive Directors, namely Mr. Kee Wah Sze, Mr. Choi Wai Yin, Mr. Japhet Sebastian Law and Mr. Chen Jianxiong who have no interest in the Offer and the Whitewash Waivers other than as a Shareholder (except Mr. Shi Yubao, Mr. Japhet Sebastian Law and Mr. Chen Jianxiong who are not Shareholders), which has been formed to advise the Independent Shareholders in respect of the Offer and the Whitewash Waivers
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee in relation to the Offer and the Whitewash Waivers
“Independent Shareholders”	Shareholders other than the Funde Concert Group and the Shougang Concert Group and those who are involved in, or interested in the Offer and the Whitewash Waivers and those Shareholders who have a material interest in the Offer and the Whitewash Waivers different from other Shareholders, including but not limited to those Directors who have a personal interest in the Shares (namely, Mr. Ding Rucai, Mr. Chen Zhaoqiang, Mr. Kee Wah Sze and Mr. Choi Wai Yin)
“Irrevocable Undertakings”	the irrevocable undertakings provided by the Funde Shareholder and the Shougang Shareholders to the Company that they will not accept the Offer for the Shares held by them respectively as at the Latest Practicable Date
“Last Trading Day”	13 July 2020, being the last trading day prior to the suspension of trading in the Shares pending the release of the Announcement
“Latest Acceptance Time”	the latest time for receipt by the Registrar of the Acceptance Forms submitted by the Qualifying Shareholders, being 4:00 p.m. on Thursday, 17 September 2020, or such later date as the Company may announce in accordance with the requirements of the Codes
“Latest Practicable Date”	14 August 2020, being the latest practicable date prior to the printing of this Offer Document for the purpose of ascertaining information contained in this Offer Document
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

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## DEFINITIONS

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“Maximum Number of Shares”	the maximum number of the Shares to be bought-back pursuant to the Offer, being 250,000,000 Shares in aggregate, representing approximately 4.72% of the total issued Shares as at the Latest Practicable Date
“Octal Capital”	Octal Capital Limited, a licensed corporation permitted to carry out business in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the agent making the Offer on behalf of the Company and the financial adviser to the Company
“Offer”	the offer by the Company to buy-back the Maximum Number of Shares at the Offer Price from the Qualifying Shareholders for cancellation
“Offer Document”	this document which contains, amongst others, the terms of the Offer, the notice of General Meeting, the form of proxy for voting at the General Meeting and the Acceptance Form in connection with the Offer and the Whitewash Waivers
“Offer Period”	the period from the date of the Announcement, being 20 July 2020, to the date when the Offer closes, lapses or is withdrawn
“Offer Price”	HK\$2.00 being the buy-back price under the Offer
“Overseas Shareholder(s)”	Shareholder(s), whose addresses, as shown in the Register of Members, are outside Hong Kong
“PRC”	the People’s Republic of China and for the purpose of this Offer Document shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Qualifying Shareholders”	Shareholder(s), other than the Excluded Shareholder(s) (if any), whose names appear on the Register of Members at the close of the Offer
“Register of Members”	the register of members of the Company
“Registrar”	Tricor Tengis Limited, the share registrar of the Company
“Relevant Period”	the period from 19 January 2020, being the date falling on the six months before the date of the Announcement, up to and including the Latest Practicable Date
“SFC”	the Securities and Futures Commission of Hong Kong



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## DEFINITIONS

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“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share Buy-backs Code”	the Code on Share Buy-backs of Hong Kong
“Share(s)”	the ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shoucheng Holdings”	Shoucheng Holdings Limited (formerly known as Shougang Concord International Enterprises Company Limited), holding 954,000 Shares, representing approximately 0.02% of the total issued Shares as at the Latest Practicable Date and is a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 0697) and is held as to 36.75% interests by Shougang Group Co., Ltd. through its associated companies pursuant to the information published on the website of the Stock Exchange
“Shougang Concert Group”	Shougang Shareholders and parties acting in concert with it
“Shougang Shareholders”	<p>being (i) Shougang Holding (Hong Kong) Limited (a company wholly-owned by Shougang Group Co., Ltd., holding 15,492,000 Shares), (ii) King Rich Group Limited (a company wholly-owned by Shougang Holding (Hong Kong) Limited, holding 83,000,000 Shares), (iii) Prime Success Investments Limited (a company wholly-owned by Shougang Holding (Hong Kong) Limited, holding 20,410,000 Shares), (iv) Shoucheng Holdings (holding 954,000 Shares), (v) Fair Gain Investments Limited (a company wholly-owned by Shoucheng Holdings, holding 149,089,993 Shares), (vi) Fine Power Group Limited (a company wholly-owned by Shoucheng Holdings, holding 663,918,497 Shares) and (vii) Ultimate Capital Limited (a company wholly-owned by Excel Bond Investments Limited, which in turn is wholly-owned by Shoucheng Holdings, holding 650,000,000 Shares), in aggregate holding 1,582,864,490 Shares, representing approximately 29.85% of the total issued Shares as at the Latest Practicable Date</p> <p>Shougang Group Co., Ltd., a solely state-owned company established in the PRC, the holding company of Shougang Holding (Hong Kong) Limited, is interested in the abovementioned 1,582,864,490 Shares through the Shougang Shareholders</p>
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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“Takeovers Code”	the Code on Takeovers and Mergers of Hong Kong
“Title Documents”	the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title with respect to ownership of the Share(s) (and/or any satisfactory indemnity or indemnities required in respect thereof)
“Whitewash Waiver(s)”	a waiver to be granted by the Executive in respect of the obligations of each of (i) the Funde Shareholder to make a mandatory general offer in accordance with Rule 26 of the Takeovers Code for all the Shares not held by the Funde Concert Group, and (ii) the Shougang Shareholders to make a mandatory general offer in accordance with Rule 26 of the Takeovers Code for all the Shares not held by the Shougang Concert Group, which may otherwise arise as a result of the completion of the Offer, and altogether, the Whitewash Waivers
“%”	percentage

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## LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. Ding Rucai (*Chairman*)  
Mr. Fan Wenli (*Managing Director*)  
Mr. Chen Zhaoqiang (*Deputy Managing Director*)  
Mr. Liu Qingshan (*Deputy Managing Director*)  
Mr. Wang Dongming

*Registered office and principal place of  
business in Hong Kong:*

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

*Non-executive Directors:*

Ms. Chang Cun  
Mr. Shi Yubao

*Independent non-executive Directors:*

Mr. Kee Wah Sze  
Mr. Choi Wai Yin  
Mr. Japhet Sebastian Law  
Mr. Chen Jianxiong

19 August 2020

*To the Shareholders,*

Dear Sir or Madam,

**CONDITIONAL CASH OFFER BY  
OCTAL CAPITAL LIMITED  
ON BEHALF OF  
SHOUGANG FUSHAN RESOURCES GROUP LIMITED  
TO BUY-BACK UP TO 250,000,000 SHARES FOR HK\$2.00 PER SHARE  
INVOLVING APPLICATIONS FOR WHITEWASH WAIVERS**

**INTRODUCTION**

On 20 July 2020, the Board announced that a conditional cash offer will be made by Octal Capital on behalf of the Company in compliance with the Codes, subject to the fulfilment of the Conditions, to buy-back for cancellation up to the Maximum Number of Shares, being 250,000,000 Shares, representing approximately 4.72% of the total issued Shares as at the Latest Practicable Date. The Qualifying Shareholders may accept the Offer by submission of Acceptance Forms for the sale of their Shares to the Company at the Offer Price of HK\$2.00 per Share.

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## LETTER FROM THE BOARD

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The purpose of this Offer Document is to provide you with, among other things, (i) detailed information relating to the Offer and the Whitewash Waivers; (ii) a letter from the Independent Board Committee containing its recommendation and advice to the Independent Shareholders as to whether the Offer and the Whitewash Waivers are fair and reasonable and as to acceptance and voting; (iii) a letter of advice from Gram Capital containing its advice to the Independent Board Committee as to whether the Offer and the Whitewash Waivers are fair and reasonable and as to acceptance and voting; and (iv) a notice of General Meeting to consider and approve, if thought fit, the Offer and the Whitewash Waivers.

### THE OFFER

The Shares to be bought-back by the Company will not exceed the Maximum Number of Shares and there is no minimum number of Shares proposed to be bought-back under the Offer. Upon acceptance of the Offer and upon the basis of the “Principal Terms of the Offer” set out in the letter from Octal Capital, the Company will pay the Accepting Shareholders HK\$2.00 per Share in cash.

As at the Latest Practicable Date, there are 5,301,837,842 Shares in issue and there are no outstanding options, warrants, derivatives or convertibles which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares. The maximum amount payable by the Company under the Offer is HK\$500,000,000. The Offer will be satisfied by internal resources of the Group. Octal Capital has confirmed that the Company has sufficient financial resources to implement the Offer in full if the Maximum Number of Shares is bought-back.

The Offer will be made in full compliance with the Codes. The Offer will be conditional upon fulfillment of all of the following conditions which are set out in the section headed “Conditions to the Offer” in the letter from Octal Capital in this Offer Document:

- (a) the approval by more than 50% of the votes cast by the Independent Shareholders, voting in person or by proxy, by way of a poll having been obtained at the General Meeting in respect of the Offer;
- (b) the approval by at least 75% of the votes cast by the Independent Shareholders, voting in person or by proxy, by way of a poll having been obtained at the General Meeting in respect of the Whitewash Waivers; and
- (c) the Executive granting the Whitewash Waivers and the satisfaction of any conditions attached to the Whitewash Waivers and the Whitewash Waivers not having been revoked or withdrawn.

None of the Conditions above can be waived.

The Offer will not be conditional on any minimum number of acceptances.

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## LETTER FROM THE BOARD

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**The Offer is subject to all of the Conditions being fulfilled in full. If the Whitewash Waivers are not granted by the Executive, or if the resolution to approve the Offer is not passed by the Independent Shareholders or if the resolution to approve the Whitewash Waivers is not passed by the Independent Shareholders, the Offer will not proceed and will immediately lapse.**

### THE OFFER PRICE

The Offer Price of HK\$2.00 per Share values the entire issued Shares as at the Latest Practicable Date at approximately HK\$10,604 million.

The Offer Price of HK\$2.00 per Share represents:

- (i) a premium of approximately 9.3% over the closing price of the Shares of HK\$1.83 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 21.5% over the average price of HK\$1.65 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;
- (iii) a premium of approximately 22.9% over the average price of HK\$1.63 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a premium of approximately 26.2% over the average price of HK\$1.59 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the thirty consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a premium of approximately 17.6% over the closing price of the Shares of HK\$1.70 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vi) a discount of approximately 32.4% to the Group's net asset value attributable to owners of the Company of approximately HK\$2.96 per Share pursuant to the latest audited consolidated accounts of the Company as at 31 December 2019.

The Offer Price was determined after taking into account, among other things, the historical prices of the Shares traded on the Stock Exchange, historical financial information of the Company, the prevailing market conditions and sentiments, and with reference to share buy-back transactions in Hong Kong in recent years.

### IRREVOCABLE UNDERTAKINGS

As at the Latest Practicable Date, (i) the Funde Shareholder was beneficially interested in 1,590,100,000 Shares, representing approximately 29.99% of the total issued Shares; and (ii) the Shougang Shareholders were beneficially interested in 1,582,864,490 Shares, representing approximately 29.85% of the total issued Shares. The Funde Shareholder and the Shougang Shareholders are presumed to be acting in concert under presumption class (1) of the definition of "acting in concert" under the Codes.

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## LETTER FROM THE BOARD

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The Funde Shareholder and the Shougang Shareholders have irrevocably undertaken to the Company that they will not accept the Offer for the Shares held by them respectively as at the Latest Practicable Date. Such irrevocable undertakings will be binding until the lapse, withdrawal or closing of the Offer.

### WHITEWASH WAIVERS

Pursuant to Rule 32 of the Takeovers Code and Rule 6 of the Share Buy-backs Code, if as a result of a share buy-back, a shareholder's proportionate interest in the voting rights of the repurchasing company increases, such increase will be treated as an acquisition of voting rights for the purposes of the Takeovers Code. Consequently, depending on the level of acceptances received from the Accepting Shareholders pursuant to the Offer and taking into account the fact that each of the Funde Shareholder and the Shougang Shareholders has irrevocably undertaken to the Company that they will not accept the Offer for the Shares held by them respectively as at the Latest Practicable Date, the aggregate interests in the total issued Shares held by (i) the Funde Concert Group may increase from its current level of approximately 29.99% to a maximum of approximately 31.48% and (ii) the Shougang Concert Group may increase from its current level of approximately 29.85% to a maximum of approximately 31.33%, in each case upon completion of the Offer, thereby triggering an obligation by the Funde Shareholder and the Shougang Shareholders under Rule 26 of the Takeovers Code to make a mandatory general offer for all of the Shares not beneficially owned by the Funde Concert Group and the Shougang Concert Group, respectively.

Accordingly, an application for the Whitewash Waiver has been made to the Executive by each of the Funde Shareholder and the Shougang Shareholders. The Executive has indicated that subject to, among others, approval by the Independent Shareholders at the General Meeting by way of poll, the Executive will grant the Whitewash Waivers to waive any obligations of each of the Funde Shareholder and the Shougang Shareholders to make a mandatory general offer which might result from completion of the Offer.

The Offer will be conditional upon approval by the Independent Shareholders voting, in person or by proxy, by way of poll at the General Meeting and the Whitewash Waivers being granted by the Executive, which would also be subject to the approval by at least 75% of the votes cast by the Independent Shareholders, voting in person or by proxy, by way of poll at the General Meeting.

**If the Whitewash Waivers are not granted by the Executive, or if the resolution to approve the Offer is not passed by the Independent Shareholders or if the resolution to approve the Whitewash Waivers is not passed by the Independent Shareholders, the Offer will not proceed and will immediately lapse.**

As at the date of this Offer Document, the Company confirms that the transactions under the Offer and the Whitewash Waivers would not give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of this Offer Document, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of this Offer Document. The Company notes that the Executive may not grant the Whitewash Waivers if the transactions under the Offer and the Whitewash Waivers do not comply with other applicable rules and regulations.

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## LETTER FROM THE BOARD

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### DEALINGS IN SHARES BY THE COMPANY, THE FUNDE CONCERT GROUP AND THE SHOUGANG CONCERT GROUP

The Company has not bought-back any Shares or any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company since 31 December 2019, being the end of the last financial year and up to the Latest Practicable Date and will not conduct any on-market share buy-back from the Latest Practicable Date up to and including the date on which the Offer closes, lapses or is withdrawn, as the case may be.

The Funde Concert Group has confirmed that it has no dealing in the Shares or any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period.

The Shougang Concert Group has confirmed that it has no dealing in the Shares or any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period.

### OTHER ARRANGEMENTS

As at the Latest Practicable Date and save for the Irrevocable Undertakings, there is no arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the Shares and relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company which might be material to the Offer or the Whitewash Waivers.

There is no agreement or arrangement, to which the Company or parties acting in concert with it or the Funde Concert Group or the Shougang Concert Group is a party, which relates to circumstances in which they may or may not invoke or seek to invoke a pre-condition or a condition to the Offer or the Whitewash Waivers. None of the Directors or parties acting in concert with any of them or the Funde Concert Group or the Shougang Concert Group has borrowed or lent any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

As at the Latest Practicable Date and save for the Irrevocable Undertakings,

- (a) there is no understanding, arrangement, agreement or special deal between any Shareholder and the Company, its subsidiaries or associated companies; or between other Shareholders and each of (i) the Funde Concert Group; and/or (ii) the Shougang Concert Group;
- (b) there is no understanding, arrangement, agreement or special deal between the Company and any party acting in concert with it on the one hand and (i) the Funde Concert Group or (ii) the Shougang Concert Group on the other hand; and
- (c) save for the Offer Price, there is no other consideration, compensation or benefit in whatever form paid or to be paid by (i) the Company or any parties acting in concert with it on the one hand and (ii) the Funde Concert Group or (iii) the Shougang Concert Group on the other hand in connection with the Offer.

# LETTER FROM THE BOARD

## SHAREHOLDING STRUCTURES

Set out below is a table showing the shareholding structures of the Company immediately before and after the completion of the Offer on the assumptions that (i) all Qualifying Shareholders will accept the Offer in full (and taking into account the Irrevocable Undertakings); and (ii) the number of the Shares in issue as at the Latest Practicable Date remains unchanged until the completion of the Offer .

Name of Shareholders	Immediately before completion of the Offer		Immediately after completion of the Offer	
	Number of Shares	Approximate %	Number of Shares	Approximate %
<b>Substantial Shareholders:</b>				
The Funde Shareholder <sup>Note (i)</sup>	1,590,100,000	29.99	1,590,100,000	31.48
The Shougang Shareholders <sup>Note (ii)</sup>				
Fine Power Group Limited	663,918,497	12.52	663,918,497	13.14
Ultimate Capital Limited	650,000,000	12.26	650,000,000	12.87
Fair Gain Investments Limited	149,089,993	2.81	149,089,993	2.95
King Rich Group Limited	83,000,000	1.57	83,000,000	1.64
Prime Success Investments Limited	20,410,000	0.38	20,410,000	0.40
Shougang Holding (Hong Kong) Limited	15,492,000	0.29	15,492,000	0.31
Shoucheng Holdings	954,000	0.02	954,000	0.02
<i>Sub-total</i>	<i>1,582,864,490</i>	<i>29.85</i>	<i>1,582,864,490</i>	<i>31.33</i>
<b>Directors and their respective concert parties (if any) <sup>Note (ix)</sup> who hold the Shares:</b>				
Mr. Ding Rucui <sup>Note (iii)</sup>	120,000	0.002	105,909	0.002
Mr. Chen Zhaoqiang <sup>Note (iv)</sup>	2,680,000	0.051	2,365,280	0.047
Mr. Kee Wah Sze <sup>Note (v)</sup>	700,000	0.013	617,797	0.012
Mr. Choi Wai Yin <sup>Note (vi)</sup>	120,000	0.002	105,909	0.002
<b>Persons who were Directors in the past 12 months and hold the Shares:</b>				
Mr. So Kwok Hoo <sup>Note (vii)</sup>	4,000,000	0.075	3,530,268	0.070
Mr. Chan Pat Lam <sup>Note (viii)</sup>	200,000	0.004	176,514	0.003
<b>Public Shareholders</b>	<b>2,121,053,352</b>	<b>40.013</b>	<b>1,871,971,675</b>	<b>37.054</b>
<b>Total</b>	<b>5,301,837,842</b>	<b>100.00</b>	<b>5,051,837,842</b>	<b>100.00</b>



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## LETTER FROM THE BOARD

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*Notes:*

- (i) As informed by Funde Sino Life, Funde Sino Life was interested in approximately 29.99% of the total issued Shares as at the Latest Practicable Date.
- (ii) Pursuant to the information published on the website of the Stock Exchange, Shougang Group Co., Ltd. was interested in the Shares held by its associated companies, namely, Shougang Holding (Hong Kong) Limited (a company wholly-owned by Shougang Group Co., Ltd., holding 15,492,000 Shares), King Rich Group Limited (a company wholly-owned by Shougang Holding (Hong Kong) Limited, holding 83,000,000 Shares), Prime Success Investments Limited (a company wholly-owned by Shougang Holding (Hong Kong) Limited, holding 20,410,000 Shares), Shoucheng Holdings (holding 954,000 Shares), Fair Gain Investments Limited (a company wholly-owned by Shoucheng Holdings, holding 149,089,993 Shares), Fine Power Group Limited (a company wholly-owned by Shoucheng Holdings, holding 663,918,497 Shares), and Ultimate Capital Limited (a company wholly-owned indirectly by Shoucheng Holdings, holding 650,000,000 Shares).
- (iii) Mr. Ding Rucai is an executive Director and the Chairman of the Company. As at the Latest Practicable Date, Mr. Ding Rucai was interested in 120,000 Shares.
- (iv) Mr. Chen Zhaoqiang is an executive Director. As at the Latest Practicable Date, Mr. Chen Zhaoqiang was interested in 2,680,000 Shares.
- (v) Mr. Kee Wah Sze is an independent non-executive Director. As at the Latest Practicable Date, Mr. Kee Wah Sze was interested in 700,000 Shares.
- (vi) Mr. Choi Wai Yin is an independent non-executive Director. As at the Latest Practicable Date, Mr. Choi Wai Yin was interested in 120,000 Shares.
- (vii) Mr. So Kwok Hoo ceased to be an executive Director since 21 May 2020 and does not have material interests in the Offer which is different from the interests of all other Shareholders and was not involved in and/or interested in the Offer and the Whitewash Waivers. As at the Latest Practicable Date, Mr. So Kwok Hoo was interested in 4,000,000 Shares.
- (viii) Mr. Chan Pat Lam ceased to be an independent non-executive Director since 21 May 2020 and does not have material interests in the Offer which is different from the interests of all other Shareholders and was not involved in and/or interested in the Offer and the Whitewash Waivers. As at the Latest Practicable Date, Mr. Chan Pat Lam was interested in 200,000 Shares.
- (ix) None of the persons acting in concert with the Directors is interested in the shareholdings (as defined under Note 1 to paragraph 5 of Schedule III of the Codes) in the Company.

Assuming that (i) the Qualifying Shareholders will accept the Offer in full (and taking into account the Irrevocable Undertakings); and (ii) no additional Shares will be issued from the Latest Practicable Date up to and including the date of completion of the Offer, over 25% of the issued Shares will be held by public Shareholders and accordingly the Company will comply with the public float requirement under Rule 8.08 of the Listing Rules after completion of the Offer.

As at the Latest Practicable Date, save as disclosed above, neither the Company, parties acting in concert with it, the Funde Concert Group nor the Shougang Concert Group holds, owns, controls or has direction over any Shares, outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares, or has entered into any outstanding derivatives in respect of securities in the Company. As at the Latest Practicable Date and save for the Irrevocable Undertakings, neither the Company nor parties acting in concert with it has received any irrevocable commitment to accept or reject the Offer.

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## LETTER FROM THE BOARD

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### REASONS AND FINANCIAL EFFECT OF THE OFFER

The Board believes it is appropriate to utilise certain of the funds of the Company to buy-back the Shares and to thereby provide a mechanism for the Qualifying Shareholders to dispose of their Shares at a premium to the prevailing market prices should they wish to do so.

The price of the Shares has historically been traded at a significant discount to the Group's net asset value per Share. During the past twelve months and up to the Latest Practicable Date, the highest closing price per Share as quoted on the Stock Exchange was HK\$1.83 on 13 July 2020 and the lowest closing price per Share as quoted on the Stock Exchange was HK\$1.25 on 19 March 2020. The closing price of the Shares of HK\$1.83 per Share on the Last Trading Day represents a discount of approximately 38.2% to the Group's net asset value attributable to owners of the Company of HK\$2.96 per Share as at 31 December 2019.

In view of the above factors and having considered other methods of achieving its objectives with its professional advisers, the Board (other than the members of the Independent Board Committee who will express their opinion in this Offer Document) considers that the Offer is in the best interest of the Shareholders as it will: (a) provide an opportunity for the Qualifying Shareholders either to sell their Shares at a premium to the prevailing market prices of the Shares and receive cash or to increase their proportionate interests in the Company by retaining their holdings of the Shares and participating in the future prospects of the Company; and (b) have the effect of increasing the consolidated net asset value per Share and earnings per Share, thus benefiting all Shareholders.

In determining the Maximum Number of Shares to be bought-back by the Company shall it be accepted in full under the Offer, the Board has taken into account the internal financial resources of the Group available to satisfy the Offer and the public float requirement under the Rule 8.08 of the Listing Rules after completion of the Offer.

The unaudited pro forma financial information of the Group upon completion of the Offer illustrating the financial impact of the Offer on (i) the net assets per Share, (ii) earnings per Share, (iii) liabilities and (iv) working capital (expressed as net current assets) of the Group is set out in Appendix III of this Offer Document.

Based on the unaudited pro forma financial information of the Group as set out in Appendix III of this Offer Document and assuming that the Offer had been completed on 31 December 2019 and the Maximum Number of Shares have been bought-back, as a result of the completion, (i) the net asset value attributable to owners of the Company per Share as at 31 December 2019 would increase by approximately 1.35% from approximately HK\$2.96 per Share to approximately HK\$3.00 per Share; (ii) the earnings per Share for the year ended 31 December 2019 would increase by approximately 4.93% from approximately HK21.51 cents to approximately HK22.57 cents; (iii) the consolidated total liabilities of the Group will remain unchanged at approximately HK\$4,426,398,000; and (iv) the working capital (expressed as net current assets) of the Group will decrease by approximately 11.0% from approximately HK\$4,579,200,000 to approximately HK\$4,074,700,000 and the current ratio (computed from current assets divided by current liabilities) of the Group will decrease by approximately 6.90% from approximately 2.61 times to approximately 2.43 times.

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## LETTER FROM THE BOARD

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Based on the above and having considered the funding of the Offer, the Company considers that there is no material adverse effect on the Group's net assets per Share, earnings per Share (basic and diluted), liabilities and working capital as a result of the Offer.

### INFORMATION ON THE GROUP

The Company is incorporated in Hong Kong with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange. The principal activity of the Company is investment holding. The principal activities of the Group's subsidiaries comprise coking coal mining, and production and sales of coking coal products.

### FUTURE INTENTIONS OF THE GROUP

It is the intention of both the Funde Shareholder and the Shougang Shareholders that the businesses and management of the Group will continue and remain unchanged and the Company's listing on the Stock Exchange will be maintained upon completion of the Offer. It is also the intention of both the Funde Shareholder and the Shougang Shareholders that no major changes will be introduced to the businesses of the Group and the employment of the employees of the Group will be continued and the material fixed assets of the Group will not be redeployed as a result of the Offer.

It is the intention of the Company (i) not to rely upon sections 705, 711 to 716 and 718 to 721 of the Companies Ordinance or any comparable provision of applicable company law in Hong Kong; and (ii) to continue to meet the public float requirements of Rule 8.08 of the Listing Rules.

### DIVIDEND

For the final dividend for the year ended 31 December 2019 proposed by the Board as announced by the Company on 26 March 2020 and subsequently approved by the Shareholders on 21 May 2020 (the "**2019 Final Dividend**"), a Shareholder whose name appeared on the Register of Members on 8 June 2020 was entitled to such dividend and such has been paid on 23 July 2020 irrespective of whether Shareholder accepts the Offer or not. As for any possible interim dividend for the six months ended 30 June 2020 as may be declared by the end of August 2020 (the "**Possible 2020 Interim Dividend**"), the Accepting Shareholders will not be entitled to such interim dividend in respect of the Shares bought-back. Therefore, both the 2019 Final Dividend and the Possible 2020 Interim Dividend will not be deducted from the Offer Price. Other than the 2019 Final Dividend and the Possible 2020 Interim Dividend, the Company will not propose, declare or pay any dividend during the Offer Period.

### GENERAL MEETING

The notice of General Meeting is set out on pages GM-1 to GM-4 of this Offer Document. At the General Meeting, resolutions will be proposed for the purposes of considering, if thought fit, approving the Offer and the Whitewash Waivers respectively.

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## LETTER FROM THE BOARD

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A form of proxy is enclosed with this Offer Document for use at the General Meeting. Whether or not you are able to attend the General Meeting, please complete the accompanying form of proxy in accordance with the instructions thereon and return the same to the Registrar, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 48 hours before the time appointed for the holding of the General Meeting or any adjournment thereof. Completion and return of a form of proxy will not preclude you from attending and voting in person at the General Meeting or any adjournment thereof if you so wish.

Pursuant to Rule 2.9 of the Takeovers Code, any matter required by the Codes to be approved by shareholders in general meeting must be conducted by way of a poll. Under Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll (except where the chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands). Accordingly, the resolutions to be proposed at the General Meeting as set out in notice of the General Meeting shall be voted by poll.

The Independent Board Committee, comprising Mr. Shi Yubao, being a non-executive Director, and all the independent non-executive Directors, namely Mr. Kee Wah Sze, Mr. Choi Wai Yin, Mr. Japhet Sebastian Law and Mr. Chen Jianxiong, who have no interest in the Offer and the Whitewash Waivers other than as a Shareholder (except Mr. Shi Yubao, Mr. Japhet Sebastian Law and Mr. Chen Jianxiong who are not Shareholders), has been formed to advise the Independent Shareholders in respect of the Offer and the Whitewash Waivers. Since Ms. Chang Cun, a non-executive Director, is a director and the chief auditor of Funde Sino Life, she is deemed to have interest in the Offer and the Whitewash Waivers. Thus, she is not appointed as a member in the Independent Board Committee in accordance with Rule 2.8 of the Takeovers Code in order to avoid any perceived conflict of interest.

At the approval by the Independent Board Committee, Gram Capital has been appointed to advise the Independent Board Committee as to whether the Offer and the Whitewash Waivers are fair and reasonable so far as the Independent Shareholders are concerned, whether the Offer and the Whitewash Waivers are in the interests of the Company and the Shareholders as a whole, and as to acceptance and voting for or against the Offer and the Whitewash Waivers. Independent Shareholders should note that even if he/she/it votes in favour of or against the resolutions to be proposed at the General Meeting, he/she/it is free nonetheless to accept or not to accept the Offer.

### **GENERAL**

The Funde Concert Group, the Shougang Concert Group and those who are involved in, or interested in the Offer and the Whitewash Waivers and those Shareholders who have a material interest in the Offer and the Whitewash Waivers different from other Shareholders, including but not limited to those Directors who have a personal interest in the Shares (namely, Mr. Ding Rucai, Mr. Chen Zhaoqiang, Mr. Kee Wah Sze and Mr. Choi Wai Yin) will be required to abstain from voting on the resolutions in respect of the Offer and the Whitewash Waivers to be proposed at the General Meeting.

Your attention is drawn to the "Letter from the Independent Board Committee" as set out on pages 28 to 29 of this Offer Document. Your attention is also drawn to the letter of advice from Gram Capital which contains, among other things, its advice to the Independent Board Committee as to whether the Offer and the Whitewash Waivers are fair and reasonable and as to acceptance and voting, and the principal factors and reasons considered by it in arriving at such advice. The text of the "Letter from Gram Capital" set out on pages 30 to 48 of this Offer Document.

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## LETTER FROM THE BOARD

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Your attention is also drawn to the principal terms of the Offer as set out in Appendix I to this Offer Document, and the statutory and general information as set out in Appendix IV to this Offer Document.

**Shareholders and potential investors should note that the Offer is subject to all of the Conditions being fulfilled in full and, therefore, may or may not become unconditional and the Offer may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares. The Company will publish an announcement on or about Thursday, 3 September 2020 to inform the Shareholders as to whether or not the Offer has become unconditional.**

Yours faithfully,  
By Order of the Board  
**Shougang Fushan Resources Group Limited**  
**Ding Rucai**  
*Chairman*

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# LETTER FROM OCTAL CAPITAL

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Octal Capital Limited  
801–805, 8/F, Nan Fung Tower,  
88 Connaught Road Central,  
Hong Kong

19 August 2020

*To the Independent Shareholders,*

Dear Sir or Madam,

**CONDITIONAL CASH OFFER BY  
OCTAL CAPITAL LIMITED  
ON BEHALF OF  
SHOUGANG FUSHAN RESOURCES GROUP LIMITED  
TO BUY-BACK UP TO 250,000,000 SHARES FOR HK\$2.00 PER SHARE  
INVOLVING APPLICATIONS FOR WHITEWASH WAIVERS**

## **INTRODUCTION**

On 20 July 2020, the Board announced that a conditional cash offer will be made by Octal Capital on behalf of the Company, subject to the fulfilment of the Conditions, to buy-back for cancellation up to the Maximum Number of Shares, being 250,000,000 Shares, representing approximately 4.72% of the total issued Shares as at the Latest Practicable Date. The Qualifying Shareholders may accept the Offer by submission of Acceptance Forms for the sale of their Shares to the Company at the Offer Price of HK\$2.00 per Share.

The Shares to be bought-back by the Company will not exceed the Maximum Number of Shares and there is no minimum number of Shares proposed to be bought-back under the Offer. If the Offer is fully accepted, it will result in the Company paying approximately HK\$500,000,000 in aggregate to the Accepting Shareholders, which will be paid in cash.

This letter sets out details of the terms of the Offer. Further details of the terms and conditions of the Offer are set out in Appendix I to this Offer Document and the accompanying Acceptance Form.

Your attention is drawn to the “Letter from the Board” as set out on pages 7 to 17 of this Offer Document. You are also strongly advised to read the “Letter from the Independent Board Committee” as set out on pages 28 to 29 of this Offer Document which contains its recommendation to the Independent Shareholders in respect of the Offer and the Whitewash Waivers, and the “Letter from Gram Capital” as set out on pages 30 to 48 of this Offer Document containing its advice to the Independent Board Committee in respect of the Offer and the Whitewash Waivers.

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## LETTER FROM OCTAL CAPITAL

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### PRINCIPAL TERMS OF THE OFFER

The Offer is being made by Octal Capital on behalf of the Company subject to fulfilment of the Conditions to buy-back the Shares at the Offer Price, for up to the Maximum Number of Shares.

For every Share. . . . . HK\$2.00 in cash

All Qualifying Shareholders are entitled to accept the Offer by submitting the Acceptance Forms for the sale of any number of their Shares to the Company.

The principal terms of the Offer are as follows:

- (i) Octal Capital will make the Offer to the Shareholders on behalf of the Company to, subject to fulfilment of the Conditions, buy-back up to the Maximum Number of Shares at the Offer Price;
- (ii) Qualifying Shareholders may accept the Offer in respect of any number of their Shares at the Offer Price up to their entire shareholding (subject to the procedures for scaling down described under the section headed “Other Terms of the Offer” below);
- (iii) The Offer is not conditional upon a minimum number of Shares being tendered for buy-back;
- (iv) All Shares validly tendered will be bought-back to the extent that the aggregate number of Shares bought-back pursuant to the Offer will not thereby exceed the Maximum Number of Shares. If the number of Shares validly tendered exceeds the Maximum Number of Shares, the number of Shares to be bought-back from each Accepting Shareholder will be reduced proportionally so that the number of Shares bought-back by the Company in aggregate is equal to the Maximum Number of Shares. Further details of the procedures for scaling down are described under the section headed “Other Terms of the Offer” below;
- (v) The Offer Price will be paid in cash;
- (vi) Acceptance Forms which have been duly completed and received by or on behalf of the Company will become irrevocable and cannot be withdrawn unless in accordance with Rule 19.2 of the Takeovers Code;
- (vii) Shares will be bought-back in cash, free of commission, levies and dealing charges, save that the amount of seller’s ad valorem stamp duty due on the Shares bought-back attributable to the Qualifying Shareholders who accept the Offer and calculated at a rate of HK\$1.00 for every HK\$1,000 or part thereof of the market value of the Shares to be bought-back under the Offer or the consideration payable by the Company in respect of relevant acceptances of the Offer, whichever is the higher, will be deducted by the Company from the amount payable to the Accepting Shareholders and will be paid by the Company on behalf of the Accepting Shareholders. The Company will arrange for payment of the seller’s ad valorem stamp duty on behalf of the Accepting Shareholders in respect of the Offer;

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## LETTER FROM OCTAL CAPITAL

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- (viii) Shares bought-back under the Offer will be treated as cancelled and will not be entitled to any dividend that may be declared on or after the date of the Announcement. For the avoidance of doubt, regarding the 2019 Final Dividend, a Shareholder whose name appeared on the Register of Members on 8 June 2020 was entitled to such dividend and such has been paid on 23 July 2020 irrespective of whether he/she/it accepts the Offer or not. As for the Possible 2020 Interim Dividend, the Accepting Shareholders will not be entitled to such interim dividend in respect of the Shares bought-back. Therefore, both the 2019 Final Dividend declared and the Possible 2020 Interim Dividend will not be deducted from the Offer Price. Other than the 2019 Final Dividend and the Possible 2020 Interim Dividend, the Company will not propose, declare or pay any dividend during the Offer Period; and
- (ix) Shares will be bought-back free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature. Accordingly, the submission of an Acceptance Form by an Accepting Shareholder will be deemed to constitute a warranty by that Accepting Shareholder to Octal Capital and the Company that the Shares are being sold free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature and together with all rights attaching thereto on or after the date of the Announcement (including the right to any dividends that may be declared on or after the date of the Announcement as referred to in (viii) above).

In compliance with Rule 3 of the Share Buy-backs Code, the Offer will be subject to the approval by the Independent Shareholders by way of a poll. The Offer will also be subject to the other terms and conditions referred to under the section entitled “Conditions to the Offer” below. If the Offer is declared unconditional, Qualifying Shareholders will be able to tender their Shares for acceptance under the Offer for a period of 14 days thereafter.

### THE OFFER PRICE

The Offer Price of HK\$2.00 per Share values the entire issued Shares as at the Latest Practicable Date at approximately HK\$10,604 million.

The Offer Price of HK\$2.00 per Share represents:

- (i) a premium of approximately 9.3% over the closing price of the Shares of HK\$1.83 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 21.5% over the average price of HK\$1.65 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;
- (iii) a premium of approximately 22.9% over the average price of HK\$1.63 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a premium of approximately 26.2% over the average price of HK\$1.59 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the thirty consecutive trading days immediately prior to and including the Last Trading Day;



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## LETTER FROM OCTAL CAPITAL

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- (v) a premium of approximately 17.6% over the closing price of the Shares of HK\$1.70 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vi) a discount of approximately 32.4% to the Group's net asset value attributable to owners of the Company of approximately HK\$2.96 per Share pursuant to the latest audited consolidated accounts of the Company as at 31 December 2019.

The Offer Price was determined after taking into account, among other things, the historical prices of the Shares traded on the Stock Exchange, historical financial information of the Company, the prevailing market conditions and sentiments, and with reference to share buy-back transactions in Hong Kong in recent years.

### HIGHEST AND LOWEST SHARE PRICES

During the Relevant Period, the highest closing price per Share as quoted on the Stock Exchange was HK\$1.83 on 13 July 2020 and the lowest closing price per Share as quoted on the Stock Exchange was HK\$1.25 on 19 March 2020.

### CONFIRMATION OF FINANCIAL RESOURCES

The maximum amount payable by the Company under the Offer is HK\$500,000,000 which will be funded by internal resources of the Group. Octal Capital has confirmed that sufficient financial resources are available to the Company to satisfy the Offer in full if the Maximum Number of Shares is bought-back.

### CONDITIONS TO THE OFFER

The Offer will be conditional upon fulfillment of all of the following Conditions:

- (a) the approval by more than 50% of the votes cast by the Independent Shareholders, voting in person or by proxy, by way of a poll having been obtained at the General Meeting in respect of the Offer;
- (b) the approval by at least 75% of the votes cast by the Independent Shareholders, voting in person or by proxy, by way of a poll having been obtained at the General Meeting in respect of the Whitewash Waivers; and
- (c) the Executive granting the Whitewash Waivers and the satisfaction of any conditions attached to the Whitewash Waivers and the Whitewash Waivers not having been revoked or withdrawn.

None of the Conditions above can be waived.

The Offer will not be conditional on any minimum number of acceptances.

**The Offer is subject to all of the Conditions being fulfilled in full. If the Whitewash Waivers are not granted by the Executive, or if the resolution to approve the Offer is not passed by the Independent Shareholders or if the resolution to approve the Whitewash Waivers is not passed by the Independent Shareholders, the Offer will not proceed and will immediately lapse.**

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## LETTER FROM OCTAL CAPITAL

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### OTHER TERMS OF THE OFFER

Qualifying Shareholders may accept the Offer in respect of some or all of their shareholding. If valid acceptances are received for the Maximum Number of Shares or fewer Shares, all Shares validly accepted will be bought-back. If valid acceptances received exceed the Maximum Number of Shares, the total number of Shares to be bought-back by the Company from each Accepting Shareholder will be determined in accordance with the following formula save that the Company may in its absolute discretion round such figure up or down with the intention of avoiding (as far as practicable) Shares being held by Accepting Shareholders in odd lots or fractional entitlements:

$$\frac{A}{B} \times C$$

A = 250,000,000 Shares, being the Maximum Number of Shares

B = Total number of Shares tendered by all Accepting Shareholders under the Offer

C = Total number of Shares tendered by the relevant individual Accepting Shareholder under the Offer

As a result, it is possible that not all of such Shares tendered by an Accepting Shareholder will ultimately be bought-back. The total number of Shares which will be bought-back by the Company will not exceed the Maximum Number of Shares. The decision of the Company as to any scaling down of acceptances in accordance with the above formula and as to the treatment of fractions will be conclusive and binding on all Shareholders.

### IRREVOCABLE UNDERTAKINGS

As at the Latest Practicable Date, (i) the Funde Shareholder was beneficially interested in 1,590,100,000 Shares, representing approximately 29.99% of the total issued Shares; and (ii) the Shougang Shareholders were beneficially interested in 1,582,864,490 Shares, representing approximately 29.85% of the total issued Shares. The Funde Shareholder and the Shougang Shareholders are presumed to be acting in concert under presumption class (1) of the definition of “acting in concert” under the Codes.

The Funde Shareholder and the Shougang Shareholders have irrevocably undertaken to the Company that they will not accept the Offer for the Shares held by them respectively as at the Latest Practicable Date. Such irrevocable undertakings will be binding until the lapse, withdrawal or closing of the Offer.

As at the Latest Practicable Date, Mr. Ding Rucai, Mr. Chen Zhaoqiang, Mr. Kee Wah Sze and Mr. Choi Wai Yin, are the Directors who have personal interest in the Shares. After reasonable inquiry being made by the Company, Mr. Chen Zhaoqiang indicated that he will accept the Offer in respect of the 2,680,000 Shares, representing the entire holding of Shares by Mr. Chen Zhaoqiang and approximately 0.051% of the total issued Shares as at the Latest Practicable Date to realize his investment in the Shares, while Mr. Ding Rucai, Mr. Kee Wah Sze and Mr. Choi Wai Yin indicated that each of them will not accept the Offer in respect of all of the Shares held by each of them respectively as at the Latest

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## LETTER FROM OCTAL CAPITAL

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Practicable Date in order to increase their proportionate interests in the Company by retaining their holdings of the Shares and participating in the future prospects of the Company with enhanced net asset value per Share attributable to each Share held by each of them after the Offer.

### **WHITEWASH WAIVERS**

Pursuant to Rule 32 of the Takeovers Code and Rule 6 of the Share Buy-backs Code, if as a result of a share buy-back, a shareholder's proportionate interest in the voting rights of the repurchasing company increases, such increase will be treated as an acquisition of voting rights for the purposes of the Takeovers Code. Consequently, depending on the level of acceptances received from the Accepting Shareholders pursuant to the Offer and taking into account the fact that each of the Funde Shareholder and the Shougang Shareholders has irrevocably undertaken to the Company that they will not accept the Offer for the Shares held by them respectively as at the Latest Practicable Date, the aggregate interests in the total issued Shares held by (i) the Funde Concert Group may increase from its current level of approximately 29.99% to a maximum of approximately 31.48% and (ii) the Shougang Concert Group may increase from its current level of approximately 29.85% to a maximum of approximately 31.33%, in each case upon completion of the Offer, thereby triggering an obligation by the Funde Shareholder and the Shougang Shareholders under Rule 26 of the Takeovers Code to make a mandatory general offer for all of the Shares not beneficially owned by the Funde Concert Group and the Shougang Concert Group, respectively.

Accordingly, an application for the Whitewash Waiver has been made to the Executive by each of the Funde Shareholder and the Shougang Shareholders. The Executive has indicated that subject to, among others, approval by the Independent Shareholders at the General Meeting by way of poll, the Executive will grant the Whitewash Waivers to waive any obligations of each of the Funde Shareholder and the Shougang Shareholders to make a mandatory general offer which might result from completion of the Offer.

### **PROCEDURES FOR ACCEPTANCE**

The Offer is open for acceptance from the date of this Offer Document, but payment of the Offer will only be made after the close of the Offer. The consideration under the Offer will not be despatched until after the Acceptance Form is completed in all respects and the Title Documents have been received by the Company. Assuming the Offer has become unconditional, Shares tendered under the Offer shall be paid for by the Company as soon as possible but in any event within 7 Business Days after the close of the Offer.

In order to accept the Offer, Qualifying Shareholders should complete and return the accompanying Acceptance Form in compliance with Note 1 to Rule 30.2 of the Takeovers Code and in accordance with the instructions printed in this Offer Document and the instructions printed on the Acceptance Form. The instructions in this Offer Document should be read together with the instructions on the Acceptance Form (which instructions form part of the terms of the Offer).

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## LETTER FROM OCTAL CAPITAL

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In order to be valid, the duly completed Acceptance Form should be forwarded, together with the Title Documents for not less than the number of Shares in respect of which the relevant Qualifying Shareholder wishes to accept the Offer, by post or by hand to the Registrar, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, in an envelope marked "**Shougang Fushan Resources Group Limited – 2020 Buy-back Offer**" as soon as possible after receipt of the Acceptance Form but in any event so as to reach the Registrar by no later than 4:00 p.m. (Hong Kong time) on Thursday, 17 September 2020, or such later time and/or date as the Company may, subject to the Codes, decide and announce.

No Acceptance Form received after the Latest Acceptance Time will be accepted.

If the Acceptance Form is executed by a person other than the registered holder, appropriate evidence of authority (for instance, a grant of probate or certified copy of a power of attorney) must be delivered to the Registrar with the completed Acceptance Form.

No acknowledgement of receipt of any Acceptance Form or Title Documents will be given.

Only one Acceptance Form may be submitted by each Qualifying Shareholder to the Registrar. Acceptances duly received will become irrevocable and cannot be withdrawn unless in accordance with Rule 19.2 of the Takeovers Code.

### OVERSEAS SHAREHOLDERS

The making of the Offer to the Overseas Shareholders may be subject to the laws of the relevant jurisdictions. The laws of the relevant jurisdictions may prohibit the making of the Offer to the Overseas Shareholders or require compliance with certain filing, registration or other requirements in respect of the Offer.

The availability of the Offer to any Overseas Shareholders may be affected by the applicable laws, regulations and rules of their relevant jurisdictions of residence. The Overseas Shareholders should observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers in the relevant jurisdictions. It is the responsibility of each Overseas Shareholder who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws, regulations and rules of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders in respect of such jurisdictions).

According to the Register of Members as at the Latest Practicable Date, the Company had Overseas Shareholders with registered addresses located in the PRC and Singapore. The Company has enquired about the legal restrictions under the applicable securities legislations of the relevant jurisdictions and the requirements of the relevant regulatory body or stock exchange with respect to the extension of the Offer to such Overseas Shareholders.

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## LETTER FROM OCTAL CAPITAL

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As at the Latest Practicable Date, the Company has obtained advice from law firms qualified to advise on the PRC law and Singapore law, and it has been advised that under the applicable legislations and regulations of these jurisdictions, there is no regulatory restriction or requirement of any regulatory body or stock exchange with respect to extending the Offer to these Overseas Shareholders in the relevant jurisdictions. Accordingly, the Offer will be extended to the Overseas Shareholders with registered addresses in the PRC and Singapore.

This Offer Document is sent to the Overseas Shareholders with registered addresses located in the PRC and Singapore.

**Any acceptance of the Offer by any Overseas Shareholder shall be deemed to constitute a representation and warranty from such Overseas Shareholder to the Company that all applicable local laws and requirements have been observed and complied with. For the avoidance of doubt, neither Hong Kong Securities Clearing Company Limited nor HKSCC Nominees Limited will give, or be subject to, any of the above representation and warranty. Overseas Shareholders should consult their professional advisers if in doubt.**

### ODD LOTS ARRANGEMENTS

Currently, the Shares are traded in board lots of 2,000 Shares each. Such board lot size will not change as a result of the Offer.

In view of the procedures for scaling down in respect of the Shares tendered under the Offer as described under the section headed “Other Terms of the Offer” above, an Accepting Shareholder may, as a result of the Offer, hold odd lots of the Shares.

For this purpose, Sanfull Securities Limited, whose address is at Suite 2001–6, 20/F, Cosco Tower, 183 Queen's Road Central, Hong Kong (contact person: Mr. Billy Chan; telephone number: 2853 2211) has been appointed by the Company as the designated broker to match sales and purchases of odd lot holdings of Shares in the market for a period of six weeks from the completion of the Offer to enable odd lot Shareholders to dispose of their odd lots or to top up their odd lots to whole board lots of 2,000 Shares. Odd lot Shareholders should note that the matching of odd lots is not guaranteed. Further details of the related arrangements will be announced after the Offer has become unconditional.

### NOMINEE REGISTRATION OF SHARES

Shareholders whose Shares are held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the Register of Members. To ensure equality of treatment of all Qualifying Shareholders, those registered holders of the Shares who hold the Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of the Shares whose investments are registered in nominee names (including those whose interests in the Shares are held through CCASS), to accept the Offer, it is essential that they provide instructions to their nominee agents of their intentions with regard to the Offer on or before the deadline set by their nominee agents. Shareholders with their Shares held by a nominee company may consider whether they would like to arrange registration of the relevant Shares in the name of the beneficial owner(s).

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## LETTER FROM OCTAL CAPITAL

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### RESPONSIBILITY FOR DOCUMENTS

All communications, notices, Acceptance Forms, Title Documents and remittances to be delivered or sent by, to or from any Shareholder will be delivered or sent by, to or from them, or their designated agents, at their risk and none of the Company, Octal Capital, the Registrar or any of their respective directors or any other person involved in the Offer accepts any liability for any loss or any other liabilities whatsoever which may rise as a result.

### SETTLEMENT

Subject to the Offer becoming unconditional and provided that a duly completed Acceptance Form, accompanied by the Title Documents, is received by the Registrar by not later than the Latest Acceptance Time (or such later time and/or date as the Company may, with the prior consent of the Executive, decide and announce in accordance with the Codes), the Registrar will inform the relevant Accepting Shareholder by ordinary post of the buy-back of his/her/its Shares. At the same time, the Registrar will send, by ordinary post at that Accepting Shareholder's risk, a remittance for such total amount as is due to that Accepting Shareholder under the Offer (subject to deduction of seller's ad valorem stamp duty due on the buy-back of the Shares from the amount payable in cash) within 7 Business Days after the close of the Offer.

If the Shares tendered under the Offer of an Accepting Shareholder have not been bought-back by the Company in full, the Title Documents in respect of the balance of such Shares or a replaced certificate therefor will be returned or sent to the Accepting Shareholder by ordinary post at his/her/its risk within 7 Business Days after the close of the Offer.

If the number of Shares tendered under the Offer by an Accepting Shareholder is smaller than the number of Shares as shown in the Title Documents submitted by such Accepting Shareholder together with the Acceptance Form and/or the Shares tendered under the Offer have not been bought-back by the Company in full, the Title Documents in respect of the balance of such Shares or a replaced certificate therefor will be returned or sent to him/her/it by ordinary post at his/her/its risk within 7 Business Days after the close of the Offer.

If the Offer does not become unconditional, the Title Documents will be returned and/or sent to each Accepting Shareholder (by ordinary post, at that Accepting Shareholder's own risk) within 10 days of the lapse of the Offer. In such an event, the Company will make an announcement in accordance with the Codes and send a notice of lapse of the Offer to the Shareholders.

Where such Shareholder has sent one or more transfer receipt(s) and in the meantime one or more Share certificate(s) has/have been collected on that Shareholder's behalf in respect thereof, that Shareholder will be sent (by ordinary post, at that Shareholder's own risk) such Share certificate(s) in lieu of the transfer receipt(s).

Settlement to the consideration to which any Accepting Shareholder is entitled under the Offer will be paid by the Company in full in accordance with the terms of the Offer set out in this Offer Document (including its appendices) and the accompanying Acceptance Form without regard to any lien, right of set-off, counterclaim or other analogous right to which the Company may otherwise be, or claim to be, entitled against such Accepting Shareholder.

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## LETTER FROM OCTAL CAPITAL

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### TAX IMPLICATIONS

Qualifying Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offer. It is emphasized that none of the Company, its ultimate beneficial owners and parties acting in concert with any of them, Octal Capital, Gram Capital, the Registrar or any of their respective directors or any persons involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of acceptance of the Offer by the Qualifying Shareholders.

### GENERAL MEETING

The notice of General Meeting is set out on pages GM-1 to GM-4 of this Offer Document. At the General Meeting, resolutions will be proposed for the purposes of considering, if thought fit, approving the Offer and the Whitewash Waivers.

Further details on the terms and conditions of the Offer including, amongst other things, procedures for acceptance and settlement, acceptance period and taxation matters, are set out in Appendix I to this Offer Document and in the Acceptance Form.

Independent Shareholders are strongly advised to consider carefully the information as contained in the “Letter from the Board”, the recommendation as contained in the “Letter from the Independent Board Committee” and the advice of Gram Capital as contained in the “Letter from Gram Capital” of this Offer Document, and to consult their professional advisers as they see fit.

Your attention is also drawn to the information as set out in the appendices to this Offer Document which form part of this Offer Document.

**It should be noted that dealings in the Shares will continue during the period when the Conditions remain unfulfilled. Those Shareholders selling their Shares and persons purchasing the Shares during such period will accordingly bear the risk that the Offer may not become unconditional. If any Shareholder or other person contemplating selling or purchasing any of the Shares during this period is in any doubt about his/her/its position, it is recommended that he/she/it should consult his/her/its professional adviser.**

Yours faithfully,  
For and on behalf of  
**Octal Capital Limited**

**Alan Fung**  
*Managing Director*

**Fionna Chau**  
*Director*



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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Set out below is the text of the letter of recommendation from the Independent Board Committee in respect of the Offer and the Whitewash Waivers.



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)**

19 August 2020

*To the Independent Shareholders,*

Dear Sir or Madam,

**CONDITIONAL CASH OFFER BY  
OCTAL CAPITAL LIMITED  
ON BEHALF OF  
SHOUGANG FUSHAN RESOURCES GROUP LIMITED  
TO BUY-BACK UP TO 250,000,000 SHARES FOR HK\$2.00 PER SHARE  
INVOLVING APPLICATIONS FOR WHITEWASH WAIVERS**

We have been appointed as members of the Independent Board Committee to advise you in respect of the Offer and the Whitewash Waivers, details of which are set out in the “Letter from the Board” in the document of the Company dated 19 August 2020 (the “Offer Document”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Offer Document unless the context requires otherwise.

Your attention is drawn to the “Letter from Octal Capital” as set out on pages 18 to 27 of this Offer Document and Appendix I to this Offer Document containing the principal terms of the Offer, and the “Letter from Gram Capital” as set out on pages 30 to 48 of this Offer Document, which contains its advice and recommendation to us in respect of the Offer and the Whitewash Waivers, as well as the principal factors and reasons for its advice and recommendation.

Having considered the factors and reasons considered by, and the opinion of, Gram Capital as stated in the aforementioned letter of advice, we are of the opinion that the terms of the Offer and the Whitewash Waivers are fair and reasonable so far as the Independent Shareholders are concerned and that the Offer and the granting of the Whitewash Waivers, which is one of the Conditions, are in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the resolutions to approve the Offer and the Whitewash Waivers at the General Meeting.



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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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We also concur with the advice of Gram Capital and recommend the Independent Shareholders to accept the Offer. Notwithstanding our recommendations, the Independent Shareholders are advised to monitor the market price of the Shares carefully during the Offer Period. If any Independent Shareholder is able to identify any opportunity to sell his/her/its Shares in the open market where the net proceeds from such sale will exceed the net proceeds by accepting the Offer, such Independent Shareholder should consider not to accept the Offer and should seek to sell his/her/its Shares if he/she/it wishes to and is able to do so.

Yours faithfully,  
For and on behalf of  
**Independent Board Committee**

**Mr. Shi Yubao**  
*Non-executive Director*

**Mr. Kee Wah Sze**  
*Independent  
non-executive Director*

**Mr. Choi Wai Yin**  
*Independent  
non-executive Director*

**Mr. Japhet Sebastian Law**  
*Independent  
non-executive Director*

**Mr. Chen Jianxiong**  
*Independent  
non-executive Director*

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## LETTER FROM GRAM CAPITAL

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*Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee in respect of the Offer and the Whitewash Waivers for the purpose of inclusion in the Offer Document.*



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

19 August 2020

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

Dear Sirs,

**CONDITIONAL CASH OFFER BY  
OCTAL CAPITAL LIMITED  
ON BEHALF OF  
SHOUGANG FUSHAN RESOURCES GROUP LIMITED  
TO BUY-BACK UP TO 250,000,000 SHARES FOR HK\$2.00 PER SHARE  
INVOLVING APPLICATIONS FOR WHITEWASH WAIVERS**

### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer and the Whitewash Waivers, details of which are set out in the Offer Document dated 19 August 2020 issued by the Company to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Offer Document unless the context requires otherwise.

On 20 July 2020, the Board announced that a conditional cash offer will be made by Octal Capital on behalf of the Company in compliance with the Codes, subject to the fulfilment of the Conditions, to buy-back for cancellation up to the Maximum Number of Shares, being 250,000,000 Shares, representing approximately 4.72% of the total issued Shares as at the Latest Practicable Date. There is no minimum number of Shares proposed to be bought-back under the Offer. The Qualifying Shareholders may accept the Offer by submission of Acceptance Forms for the sale of their Shares to the Company at the Offer Price of HK\$2.00 per Share.

As at the Latest Practicable Date, there were 5,301,837,842 Shares in issue and there were no outstanding options, warrants, derivatives or convertibles which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares. The maximum amount payable by the Company under the Offer is HK\$500,000,000. The Offer will be satisfied by internal resources of the Group. Octal Capital has confirmed that sufficient financial resources are available to the Company to implement the Offer in full if the Maximum Number of Shares is bought-back.

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## LETTER FROM GRAM CAPITAL

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The Funde Shareholder and the Shougang Shareholders have irrevocably undertaken to the Company that they will not accept the Offer for the Shares held by them respectively as at the Latest Practicable Date. Such irrevocable undertakings will be binding until the lapse, withdrawal or closing of the Offer.

Pursuant to Rule 32 of the Takeovers Code and Rule 6 of the Share Buy-backs Code, if as a result of a share buy-back, a shareholder's proportionate interest in the voting rights of the repurchasing company increases, such increase will be treated as an acquisition of voting rights for the purposes of the Takeovers Code. Consequently, depending on the level of acceptances received from the Accepting Shareholders pursuant to the Offer and taking into account the fact that each of the Funde Shareholder and the Shougang Shareholders has irrevocably undertaken to the Company that they will not accept the Offer for the Shares held by them respectively as at the Latest Practicable Date, the aggregate interests in the total issued Shares held by (i) the Funde Concert Group may increase from its current level of approximately 29.99% to a maximum of approximately 31.48% and (ii) the Shougang Concert Group may increase from its current level of approximately 29.85% to a maximum of approximately 31.33%, in each case upon completion of the Offer, thereby triggering an obligation by the Funde Shareholder and the Shougang Shareholders under Rule 26 of the Takeovers Code to make a mandatory general offer for all of the Shares not beneficially owned by the Funde Concert Group and the Shougang Concert Group, respectively.

Accordingly, an application for the Whitewash Waiver has been made to the Executive by each of the Funde Shareholder and the Shougang Shareholders. The Executive has indicated that the Executive will grant the Whitewash Waivers, subject to, among others, approval by the Independent Shareholders at the General Meeting by way of poll, to waive any obligations of each of the Funde Shareholder and the Shougang Shareholders to make a mandatory general offer which might result from completion of the Offer.

The Independent Board Committee comprising Mr. Shi Yubao (being a non-executive Director), Mr. Kee Wah Sze, Mr. Choi Wai Yin, Mr. Japhet Sebastian Law and Mr. Chen Jianxiong (being independent non-executive Directors) has been formed to advise the Independent Shareholders on whether the Offer and the Whitewash Waivers are fair and reasonable and as to the acceptance and voting respectively. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in this respect, and our opinion herein is solely for the assistance of the Independent Board Committee in connection with its consideration of the Offer and the Whitewash Waivers pursuant to Rule 2.1 of the Takeovers Code. The appointment of Gram Capital as the Independent Financial Adviser has been approved by the Independent Board Committee.

### **INDEPENDENCE**

There have not been any relationships or interests between Gram Capital and the Company/the Funde Shareholder/the Shougang Shareholders/any other parties during the past two years immediately preceding commencement of the Offer Period, that could reasonably affect Gram Capital's independence to act as the Independent Financial Adviser. We therefore consider ourselves suitable to give independent advice to the Independent Board Committee in respect of the Offer and the Whitewash Waivers pursuant to Rule 2.6 of the Takeovers Code.

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## LETTER FROM GRAM CAPITAL

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### **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee, we have relied on the statements, information, opinions and representations contained or referred to in the Offer Document 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, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Offer Document 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 Offer Document, 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 Offer and the Whitewash Waivers. 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 and Rule 2 of the Takeovers Code.

Your attention is drawn to the responsibility statements as set out in the section headed "1. RESPONSIBILITY STATEMENT" of Appendix IV to the Offer Document. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Offer Document, 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, the Funde Shareholder, the Shougang Shareholders or their respective subsidiaries or associates (if applicable), nor have we considered the taxation implication on the Group or the Shareholders as a result of the Offer and the Whitewash Waivers.

Our opinion is necessarily based on the financial, market, economic, industry-specific and other conditions as they existed on, and the information made available to us as at the Latest Practicable Date.

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 and fairly extracted, reproduced or presented from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

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# LETTER FROM GRAM CAPITAL

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## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

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

### **(1) Background and terms of the Offer**

On 20 July 2020, the Board announced that a conditional cash offer will be made by Octal Capital on behalf of the Company in compliance with the Codes, subject to the fulfilment of the Conditions, to buy-back for cancellation up to the Maximum Number of Shares, being 250,000,000 Shares, representing approximately 4.72% of the total issued Shares as at the Latest Practicable Date. There is no minimum number of Shares proposed to be bought-back under the Offer. The Qualifying Shareholders may accept the Offer by submission of Acceptance Forms for the sale of their Shares to the Company at the Offer Price of HK\$2.00 per Share.

The Shares to be bought-back by the Company will not exceed the Maximum Number of Shares. Upon acceptance of the Offer and upon the basis of the “Principal Terms of the Offer” set out in the letter from Octal Capital, the Company will pay the Accepting Shareholders HK\$2.00 per Share in cash.

As at the Latest Practicable Date, there were 5,301,837,842 Shares in issue and there were no outstanding options, warrants, derivatives or convertibles which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares. The maximum amount payable by the Company under the Offer is HK\$500,000,000. The Offer will be satisfied by internal resources of the Group. Octal Capital has confirmed that the Company has sufficient financial resources to implement the Offer in full if the Maximum Number of Shares is bought-back.

Further details of the Offer are set out in Appendix I to the Offer Document.

### **(2) Financial information on the Group**

With reference to the “Letter from the Board” of the Offer Document, the Company is incorporated in Hong Kong with limited liability and the Shares are listed on the Main Board of the Stock Exchange. The principal activities of the Group’s subsidiaries comprise coking coal mining, and production and sales of coking coal products.

## LETTER FROM GRAM CAPITAL

Set out below is the audited consolidated financial information of the Group for the two years ended 31 December 2019 as extracted from the Company's annual report for the year ended 31 December 2019 (the "2019 Annual Report"):

	<b>For the year ended 31 December 2019 HK\$'000</b>	<b>For the year ended 31 December 2018 HK\$'000</b>	<b>Year on year change %</b>
Revenue	3,869,308	3,686,176	4.97
– Sales of raw coking coal	107,190	592,720	(81.92)
– Sales of clean coking coal	3,762,118	3,093,456	21.62
Gross profit	1,988,743	1,900,542	4.64
Profit for the year	1,176,141	1,151,928	2.10
	<b>As at 31 December 2019 HK\$'000</b>	<b>As at 31 December 2018 HK\$'000</b>	<b>Year on year change %</b>
Cash and cash equivalents and time deposits with original maturity over three months	4,761,884	4,307,335	10.55

The Group recorded revenue of approximately HK\$3,869 million for the year ended 31 December 2019 ("FY2019"), representing an increase of approximately 4.97% as compared with that for the year ended 31 December 2018 ("FY2018"). With reference to the 2019 Annual Report, the increase in the Group's revenue was mainly driven by the rise in overall sales volume of coal products, the positive impact of which had partially overridden by the decrease in average realised selling prices of clean coking coal and the drop in average RMB exchange rate for FY2019.

As advised by the Directors, the Group's coking coal products are raw coking coal and clean coking coal (which is processed from raw coking coal). The Group's long-term strategy is to concentrate on clean coking coal sales as the Group's principal customers are steel manufacturers in the PRC which demand clean coking coal. Thus, the Group would satisfy the clean coking coal orders in priority. The decrease in the Group's raw coking coal sales in FY2019 as compared to FY2018 was mainly due to increased orders of the Group's clean coking coal in FY2019.

As advised by the Directors, the decrease in average realised selling prices of clean coking coal in FY2019 as compared to FY2018 was mainly due to decrease in market selling price and decrease in the Group's sales proportion of No.1 clean coking coal which has higher selling price (the Group's sales volume of No.1 and No.2 clean coking coal accounted for approximately 37% and 63% respectively of its total clean coking coal sales volume for FY2019 (FY2018: approximately 46% and 54% for No. 1 and No. 2 clean coking coal respectively)).

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## LETTER FROM GRAM CAPITAL

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The Group recorded a profit of approximately HK\$1,176 million for FY2019, representing an increase of approximately 2.10% as compared to that for FY2018. With reference to the 2019 Annual Report and as confirmed by the Directors, such increase was mainly attributable to increase in the Group's gross profit and other net income and gains in FY2019 as compared to those for FY2018, which had overridden the negative impact resulting from one-off non-cash write off of property, plant and equipment (mainly in relation to the carrying amount of underground mining structures of the upper coal seam of the Group's Jinjiazhuang Coal Mine).

With reference to the 2019 Annual Report, the Company is one of the most sizable integrated coking coal corporations in central-western of the PRC. The Group has three premium operating coking coal mines (namely, Xingwu Coal Mine, Jinjiazhuang Coal Mine and Zhaiyadi Coal Mine) in Liulin County, Shanxi Province, the PRC; and three coal preparation plants in Liulin County, Shanxi Province, the PRC. For FY2019, the Group produced approximately 4.41 million tonnes of raw coking coal and approximately 2.75 million tonnes of clean coking coal, representing year-on-year increase of approximately 8% and 30% respectively.

With reference to the 2019 Annual Report, the Group's coking coal products are mainly used for refining of coke which is the second largest raw materials for steel. The Group's principal customers are steel manufacturers in the PRC. The market prices of coking coal highly depend on the demand of the downstream steel industry and the supply of coking coal.

According to the statistics published by the National Bureau of Statistics of the PRC, (i) the output of crude steel in the PRC increased from approximately 803.83 million tons in 2015 to approximately 996.34 million tons in 2019, representing a compound annual growth rate ("CAGR") of approximately 5.51%; (ii) output of rolled steel in the PRC increased from approximately 1.03 billion tons in 2015 to approximately 1.20 billion tons in 2019, representing a CAGR of approximately 3.88%; and (iii) output of coke in the PRC increased from approximately 448.23 million tons in 2015 to approximately 471.26 million tons in 2019, representing a CAGR of approximately 1.26%.

With reference to the 2019 Annual Report, as the upstream industry of steel sector, coking coal sector is benefited from the continuing structural reform of the sector (including eliminating excess capacity and limitation of over-production in coal sector) directed by the State Council of the PRC (on 5 February 2016, the State Council of the PRC issued 《國務院關於煤炭行業化解過剩產能實現脫困發展的意見》 (The State Council's opinion on resolving excess capacity, to achieve development and extricating difficulty in coal sector\*) which set out its direction on coal sector's structural reform and resolving coal sector's excess capacity), but also the economic policies from the PRC government, including cutting interest rate, fees and tax deferral and continuing to implement similar measures; impose financial transfer payment (i.e. government's payment such as social welfare, financial aid, grant and subsidies for the purpose of redistributing income and wealth) in those areas affected by the epidemic; increase fiscal expenditure by expanding the scale of local government debt issuance, which stimulate the PRC's economic development (which also indirectly stimulate the demand along the steel and coking coal products supply chain as steel is demanded for various areas in economic development, such as infrastructure and property investment, and coking coal is demanded for steel production).



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## LETTER FROM GRAM CAPITAL

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However, the recent rapid spread of the COVID-19 overseas has exceeded anticipation and its impact on the economies of other countries is likely to further affect the Chinese economy due to the effect of board linkage. According to the China Economic Update published by the World Bank in July 2020, COVID-19 and the measures to contain it triggered a combined demand and supply shock. On the supply side, measures to contain the outbreak disrupted the flow of intermediate goods, labour, and production. On the demand side, containment measures and behavioural responses reduced demand for goods and services, especially those involving human-to-human contact. Investment also contracted because of disruptions in economic activity, heightened policy uncertainty, and rising financing costs. Contraction in infrastructure and property investment would lead to contraction in construction activities, which in turn would lead to weakening demand along the steel and coking coal products supply chain.

According to the statistics published by the National Bureau of Statistics of the PRC, for the six months ended 30 June 2020, among industrial enterprises with main business operating income of RMB20 million or above, total profit of state-owned enterprises, joint-stock enterprises, foreign/Hong Kong/Macao/Taiwan-funded enterprises and private enterprises decreased by approximately 28.5%, 13.7%, 8.8% and 8.4% respectively on a year-on-year basis.

In addition, according to the statistics published by the National Bureau of Statistics of the PRC, for the six months ended 30 June 2020, among industrial enterprises with main business operating income of RMB20 million or above, (i) total operating income and total profit of ferrous metals manufacturing and processing industry decreased by approximately 3.8% and 40.3% respectively on a year-on-year basis; and (ii) total operating income and total profit of coal mining and washing industry decreased by approximately 11.8% and 31.2% respectively on a year-on-year basis.

With further reference to the 2019 Annual Report, due to the COVID-19, all domestic mines must pass the inspection upon resumption of production after the 2020 Lunar New Year holidays resulting in the suspension of production temporarily. According to 柳林縣能源局關於做好全縣能源企業疫情防控復工復產等工作的通知 (Liulin County Energy Administration notice of epidemic prevention and control, work and production resumption for energy enterprises in the county\*) issued by Liulin County Energy Administration in February 2020, each energy enterprise in Liulin County (including the Group's three coking coal mines and three coal preparation plants) was required to report its relevant anti-epidemic plans and resumption plan and obtain consent for work and production resumption. The Group's three coking coal mines have taken the lead in resuming the production in mid-February 2020. As advised by the Directors, the Group's overall raw coking coal output returned to normal levels in the second quarter of 2020.

With reference to an article titled "Coordinative Efforts for Epidemic Control and Economic Development Delivered Notable Results with National Economy Recovered Gradually in the First Half of 2020" published by the National Bureau of Statistics of the PRC in July 2020, according to the preliminary estimates, (i) the gross domestic product of the PRC in the first half of 2020 declined by 1.6% on a year-on-year basis (2019 1st half vs 2018 1st half: 6.3% growth); and (ii) the gross domestic product of the PRC in the second quarter of 2020 grew by 3.2% on a year-on-year basis (2019 2nd quarter vs 2018 2nd quarter: 6.2% growth). Although the economy in the PRC demonstrated gradual recovery, the economic recovery was still under pressure.



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## LETTER FROM GRAM CAPITAL

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Having considered the impact of the COVID-19 and the weakened economic figures of the PRC for the six months ended 30 June 2020 as stated above (including those of the ferrous metals manufacturing and processing industry and the coal mining and washing industry), the prospects of the coal mining and washing industry and the Group's businesses are uncertain in near future.

### **(3) Reasons for and the benefits of the Offer**

With reference to "Letter from the Board" of the Offer Document, the Board believes it is appropriate to utilise certain of the Company's funds to buy-back the Shares and to thereby provide a mechanism for the Qualifying Shareholders to dispose of their Shares at a premium to the prevailing market prices should they wish to do so.

The price of the Shares has historically been traded at a significant discount to the Group's net asset value per Share. During the past twelve months and up to the Latest Practicable Date, the highest closing price per Share as quoted on the Stock Exchange was HK\$1.83 on 13 July 2020 (i.e. the Last Trading Day) and the lowest closing price per Share as quoted on the Stock Exchange was HK\$1.25 on 19 March 2020. The closing price of the Shares of HK\$1.83 per Share on the Last Trading Day represents a discount of approximately 38.2% to the Group's net asset value attributable to owners of the Company of HK\$2.96 per Share as at 31 December 2019.

Please refer to the section headed "(4) The Offer Price" below for our further analysis.

In light of the above, we are of the view that the Offer will:

- (i) return part of the Company's funds to the Shareholders;
- (ii) provide an opportunity for the Shareholders either to sell their Shares at a premium to the prevailing market prices and receive cash or to increase their proportionate interests in the Company by retaining their holdings and participating in the future prospects of the Company with enhanced net asset value per Share attributable to each Share held by them after the Offer; and
- (iii) have the effect of increasing the consolidated net asset value per Share and earnings per Share upon completion of the Offer.

Although the retaining Shareholders can increase their proportionate interests in the Company and participating in the future prospects of the Company with enhanced net asset value per Share and earnings per Share attributable to each Share held by them after the Offer (please refer to the section headed "(5) Financial effect of the Offer on the Group" below for details), the prospects of the coal mining and washing industry and the Group's businesses are uncertain in near future having considered the impact of the COVID-19 and the weakened economic figures of the PRC for the six months ended 30 June 2020 as stated under the section headed "(2) Financial information on the Group" above.

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## LETTER FROM GRAM CAPITAL

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### (4) The Offer Price

#### *Offer Price comparison*

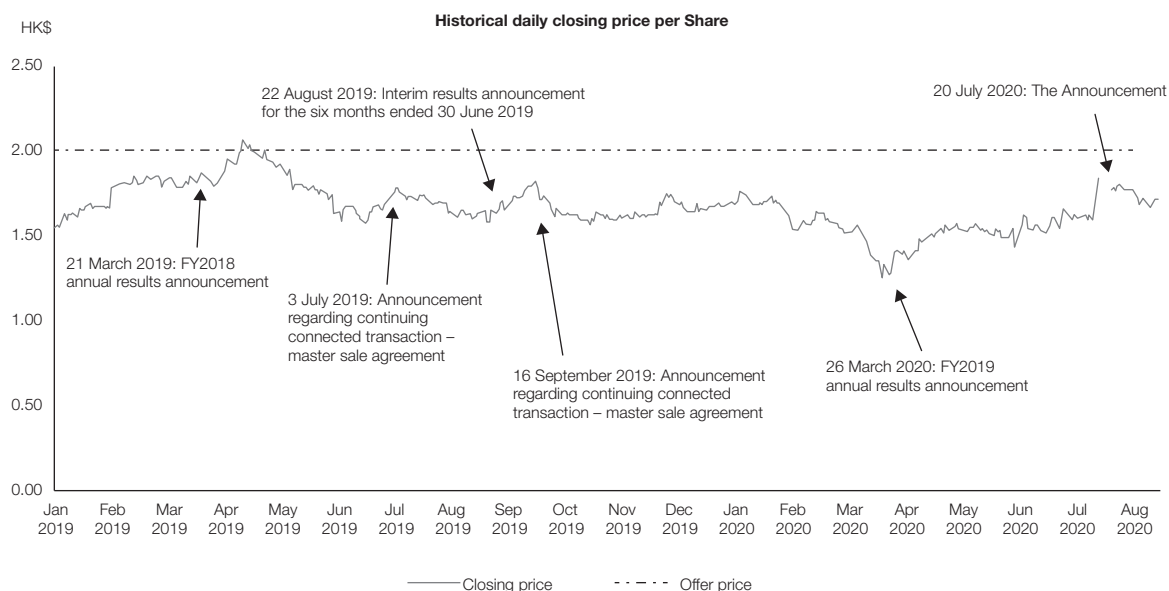
The Offer Price of HK\$2.00 per Share represents:

- (a) a premium of approximately 17.6% over the closing price of the Shares of HK\$1.70 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 9.3% over the closing price of the Shares of HK\$1.83 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a premium of approximately 21.5% over the average price of HK\$1.65 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;
- (d) a premium of approximately 22.9% over the average price of HK\$1.63 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the Last Trading Day;
- (e) a premium of approximately 26.2% over the average price of HK\$1.59 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the thirty consecutive trading days immediately prior to and including the Last Trading Day; and
- (f) a discount of approximately 32.4% to the Group's net asset value attributable to owners of the Company of approximately HK\$2.96 per Share pursuant to the latest audited consolidated accounts of the Company as at 31 December 2019.

# LETTER FROM GRAM CAPITAL

## *Historical price performance of the Shares*

Set out below is a chart showing the movement of the closing prices of the Shares during the period from 2 January 2019 up to the Latest Practicable Date (the “**Review Period**”), to illustrate the general trend and level of movement of the closing prices of the Shares.



*Source:* The Stock Exchange’s website

*Note:* Trading in Shares was halted from 14 July 2020 to 17 July 2020 (both days inclusive).

During the Review Period, the lowest and highest closing prices of the Shares as quoted on the Stock Exchange were HK\$1.25 recorded on 19 March 2020 and HK\$2.06 recorded on 12 April 2019 respectively. The Offer Price of HK\$2.00 was within the range of the lowest and highest closing prices of the Shares during the Review Period. Save for 12 April 2019, 15 April 2019, 16 April 2019 and 24 April 2019, the Offer Price of HK\$2.00 is above the closing price of the Shares as quoted on the Stock Exchange during the entire Review Period.

From the start of the Review Period until mid-April 2019, the closing price of the Shares followed an increasing trend, reaching HK\$2.06 on 12 April 2019. From mid-April 2019 to mid-June 2019, the closing price of the Shares followed a downward trend and hit HK\$1.57 on 17 June 2019.

Since then, the closing price of the Shares was relatively stable until January 2020. From late-January 2020 to mid-March 2020, the closing price of the Shares followed a general downward trend and hit the lowest at HK\$1.25 on 19 March 2020.

After 19 March 2020, the closing price of the Shares rebounded and reached HK\$1.83 on 13 July 2020 (i.e. the Last Trading Day).

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## LETTER FROM GRAM CAPITAL

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Trading in Shares was halted from 14 July 2020 to 17 July 2020 (both days inclusive). Following the publication of the Announcement, the closing prices of the Shares fluctuated between HK\$1.66 and HK\$1.80 up to the Latest Practicable Date.

We did not identify any specific reason which caused the aforesaid fluctuation of the closing price of the Shares.

### *Historical trading liquidity of the Shares*

The number of trading days, the average daily number of the Shares traded per month, and the respective percentages of the Shares' monthly trading volume as compared to (i) the total number of issued Shares held by the public; and (ii) the total number of issued Shares as at the Latest Practicable Date during the Review Period are tabulated as below:

Month	Number of trading days in each month	Average daily trading volume (the "Average Volume") <i>Number of Shares</i>	% of the Average Volume to total number of issued Shares held by the public <i>(Note 1)</i> %	% of the Average Volume to total number of issued Shares <i>(Note 2)</i> %
<b>2019</b>				
January	22	2,454,443	0.12	0.05
February	17	4,393,582	0.21	0.08
March	21	3,895,095	0.18	0.07
April	19	4,936,449	0.23	0.09
May	21	2,472,016	0.12	0.05
June	19	2,381,327	0.11	0.04
July	22	1,663,984	0.08	0.03
August	22	2,946,326	0.14	0.06
September	21	3,300,035	0.16	0.06
October	21	2,589,884	0.12	0.05
November	21	2,907,985	0.14	0.05
December	20	3,497,836	0.16	0.07

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## LETTER FROM GRAM CAPITAL

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Month	Number of trading days in each month	Average daily trading volume (the “Average Volume”) Number of Shares	% of the Average Volume to total number of issued Shares held by the public (Note 1) %	% of the Average Volume to total number of issued Shares (Note 2) %
<b>2020</b>				
January	20	4,091,478	0.19	0.08
February	20	3,222,062	0.15	0.06
March	22	6,345,741	0.30	0.12
April	19	3,887,157	0.18	0.07
May	20	2,445,143	0.12	0.05
June	21	3,528,606	0.17	0.07
July (Note 3)	18	7,851,287	0.37	0.15
August (up to and including the Latest Practicable Date)	10	2,290,967	0.11	0.04

Source: The Stock Exchange website

Notes:

1. Based on 2,121,053,352 Shares held by the public as at the Latest Practicable Date.
2. Based on 5,301,837,842 Shares in issue as at the Latest Practicable Date.
3. Trading in Shares was halted from 14 July 2020 to 17 July 2020 (both days inclusive).

We noted from the above table that the average daily trading volume of the Shares was thin during the Review Period. During the Review Period, the average daily trading volume of the Shares was below 0.5% of the total number of issued Shares held by the public and the total number of issued Shares as at the Latest Practicable Date.

Given the thin liquidity in the Shares, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Shareholders to dispose of a significant number of Shares in the open market without causing an adverse impact on the market price level of the Shares.

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## LETTER FROM GRAM CAPITAL

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### *Comparison with other comparable companies*

To further assess the fairness and reasonableness of the Offer Price, we considered that the trading multiples analyses of price to earnings ratio (“**PER**”) and price to book ratio (“**PBR**”) of comparable companies are commonly adopted for valuation of companies (i.e. to compare the Offer Price against the market valuation of other comparable companies). We noted that the Group made profit attributable to owners of the Company for FY2019 and recorded positive equity attributable to owners of the Company as at 31 December 2019. In addition, it is necessary for comparable companies to have earnings to form PER and positive book value to form PBR. Accordingly, we searched for listed companies in Hong Kong which (i) are engaged in similar line of business as the Group, being mining, processing and sale of coking coal/coal in the PRC (and derived more than 50% of their turnover/revenue from such business based on their respective published financial information for the latest full financial year); (ii) were profit making in the latest full financial year; (iii) had positive net asset value attributable to owners of the company; and (iv) shares were not suspended from trading for long (i.e. three months or more), for comparison. We found 9 companies listed in Hong Kong which met our selection criteria and they are exhaustive (the “**Comparable Company(ies)**”).

Although market capitalisations, profitability and financial positions of the Comparable Companies may not be the same as those of the Company, we consider that the Comparable Companies are fair and representative to provide information of the valuation of companies similar to the Company.

Set out below are PERs and PBRs of the Comparable Companies based on their closing prices as at the Latest Practicable Date, and their latest published financial information:

<b>Company name (Stock Code)</b>	<b>Nature of business</b>	<b>Year-end date</b>	<b>Market capitalisation approx. HK\$' billion</b>	<b>PER (Note 1)</b>	<b>PBR (Note 1)</b>
Mongolian Mining Corporation (975)	Mining, processing, transportation and sale of coal	31 December 2019	0.5	0.62	0.07
China Shenhua Energy Company Limited (1088)	Manufacture and sales of coal and electricity, railway and ship transportation, and coal to olefin business	31 December 2019	329.8	5.53	0.65

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## LETTER FROM GRAM CAPITAL

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Company name (Stock Code)	Nature of business	Year-end date	Market capitalisation <i>approx.</i> <i>HK\$' billion</i>	PER <i>(Note 1)</i>	PBR <i>(Note 1)</i>
Yanzhou Coal Mining Company Limited (1171)	Mining, washing, processing and distribution of coal through railway transportation	31 December 2019	41.5	2.83	0.49
Kinetic Mines and Energy Limited (1277)	Extraction and sale of coal products	31 December 2019	2.9	3.10	1.14
E-Commodities Holdings Limited (1733)	Procurement and supply of coking coal around the world, as well as the provision of services to its customers in the PRC	31 December 2019	0.6	1.94	0.19
China Coal Energy Company Limited (1898)	Coal production and distribution businesses	31 December 2019	49.7	3.78	0.24
Perennial Energy Holdings Limited (2798)	Mining business, including exploration and mining of coking coal and coal washing	31 December 2019	6.4	26.51	4.78
Inner Mongolia Yitai Coal Co., Ltd. (3948)	Production, transportation and sale of coal, as well as the distribution of petroleum products	31 December 2019	10.5	3.81	0.41

## LETTER FROM GRAM CAPITAL

Company name (Stock Code)	Nature of business	Year-end date	Market capitalisation <i>approx.</i> HK\$' billion	PER <i>(Note 1)</i>	PBR <i>(Note 1)</i>
Henan Jinma Energy Company Limited (6885)	Manufacture and distribution of coke and coking by-products	31 December 2019	1.6	2.51	0.56
<b>Maximum</b>				<b>26.51</b>	<b>4.78</b>
<b>Minimum</b>				<b>0.62</b>	<b>0.07</b>
<b>Average</b>				<b>5.62</b>	<b>0.95</b>
<b>Median</b>				<b>3.10</b>	<b>0.49</b>
<b>The Company</b>	Coking coal mining, and production and sales of coking coal products	31 December 2019	<b>9.0</b> <i>(Note 2)</i>	<b>9.30</b> <i>(Note 3)</i>	<b>0.68</b> <i>(Note 4)</i>

*Notes:*

- The PERs and the PBRs of the Comparable Companies were calculated based on their respective latest published financial results and their respective closing prices as quoted on the Stock Exchange and total issued shares as at the Latest Practicable Date.
- Based on the closing price of the Share as at the Latest Practicable Date.
- The implied PER of the Offer was calculated based on the Offer Price, the profit attributable to owners of the Company for FY2019 and 5,301,837,842 Shares in issue as at the Latest Practicable Date.
- The implied PBR of the Offer was calculated based on the Offer Price, the equity attributable to owners of the Company as at 31 December 2019 and 5,301,837,842 Shares in issue as at the Latest Practicable Date.

We noticed from the above table that (i) the PERs of the Comparable Companies ranged from approximately 0.62 times to 26.51 times, with an average and a median of approximately 5.62 times and 3.10 times respectively; and (ii) the PBRs of the Comparable Companies ranged from approximately 0.07 times to 4.78 times, with an average and a median of approximately 0.95 times and 0.49 respectively. Both of the implied PER and implied PBR of the Offer Price are within the said PER range and PBR range of the Comparable Companies respectively.

Although the implied PBR of the Offer Price is lower than the average PBR of the Comparable Companies, the implied PBR of the Offer Price is higher than (i) the median of the PBRs of the Comparable Companies; and (ii) the PBRs of 7 out of 9 Comparable Companies.



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# LETTER FROM GRAM CAPITAL

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## *Conclusion on the Offer Price*

Taking into account that:

- (i) save for 12 April 2019, 15 April 2019, 16 April 2019 and 24 April 2019, the Offer Price of HK\$2.00 lies above the closing prices of the Shares as quoted on the Stock Exchange during the entire Review Period;
- (ii) given the thin liquidity in the Shares, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Shareholders to dispose of a significant number of Shares in the open market without causing an adverse impact on the market price level of the Shares;
- (iii) both of the implied PER and implied PBR of the Offer Price are within the said PER range and PBR range of the Comparable Companies respectively; and
- (iv) although the implied PBR of the Offer Price is lower than the average PBR of the Comparable Companies, the implied PBR of the Offer Price is higher than (a) the median of the PBRs of the Comparable Companies; and (b) the PBRs of 7 out of 9 Comparable Companies,

we consider the Offer Price to be fair and reasonable and we are of the view that the Offer provides an exit alternative for the Independent Shareholders who would like to realise their investments in the Shares.

## **(5) Financial effect of the Offer on the Group**

Based on the unaudited pro forma financial information of the Group as set out in Appendix III to the Offer Document and assuming that the Offer had been completed, (i) the unaudited pro forma adjusted consolidated net assets per Share attributable to the owners of the Company as at 31 December 2019 would be approximately HK\$3.00 (as compared to the audited consolidated net assets per Share attributable to the owners of the Company of approximately HK\$2.96 as at 31 December 2019); (ii) unaudited pro forma adjusted earnings per Share to the owners of the Company for FY2019 would be approximately HK22.57 cents (as compared to the audited earnings per Share of HK21.51 cents for FY2019).

## **(6) Whitewash Waivers**

As at the Latest Practicable Date, (i) the Funde Shareholder was beneficially interested in 1,590,100,000 Shares, representing approximately 29.99% of the total issued Shares as at the Latest Practicable Date; and (ii) the Shougang Shareholders were beneficially interested in 1,582,864,490 Shares, representing approximately 29.85% of the total issued Shares as at the Latest Practicable Date. The Funde Shareholder and the Shougang Shareholders are presumed to be acting in concert under presumption class (1) of the definition of “acting in concert” under the Codes.

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## LETTER FROM GRAM CAPITAL

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The Funde Shareholder and the Shougang Shareholders have irrevocably undertaken to the Company that they will not accept the Offer for the Shares held by them respectively as at the Latest Practicable Date. Such irrevocable undertakings will be binding until the lapse, withdrawal or closing of the Offer.

Pursuant to Rule 32 of the Takeovers Code and Rule 6 of the Share Buy-backs Code, if as a result of a share buy-back, a shareholder's proportionate interest in the voting rights of the repurchasing company increases, such increase will be treated as an acquisition of voting rights for the purposes of the Takeovers Code. Consequently, depending on the level of acceptances received from the Accepting Shareholders pursuant to the Offer and taking into account the fact that each of the Funde Shareholder and the Shougang Shareholders has irrevocably undertaken to the Company that they will not accept the Offer for the Shares held by them respectively as at the Latest Practicable Date, the aggregate interests in the total issued Shares held by (i) the Funde Concert Group may increase from its current level of approximately 29.99% to a maximum of approximately 31.48% and (ii) the Shougang Concert Group may increase from its current level of approximately 29.85% to a maximum of approximately 31.33%, in each case upon completion of the Offer, thereby triggering an obligation by the Funde Shareholder and the Shougang Shareholders under Rule 26 of the Takeovers Code to make a mandatory general offer for all of the Shares not beneficially owned by the Funde Concert Group and the Shougang Concert Group, respectively.

Accordingly, an application for the Whitewash Waiver has been made to the Executive by each of the Funde Shareholder and the Shougang Shareholders. The Executive has indicated that the Executive will grant the Whitewash Waivers, subject to, among others, approval by the Independent Shareholders at the General Meeting by way of poll, to waive any obligations of each of the Funde Shareholder and the Shougang Shareholders to make a mandatory general offer which might result from completion of the Offer.

The Offer will be conditional upon approval by the Independent Shareholders voting, in person or by proxy, by way of poll at the General Meeting and the Whitewash Waivers being granted by the Executive, which would also be subject to the approval by at least 75% of the votes cast by the Independent Shareholders voting, in person or by proxy, by way of poll at the General Meeting. The Offer will not proceed if the Whitewash Waivers are not granted by the Executive or the Offer as well as the Whitewash Waivers are not approved by the Independent Shareholders at the General Meeting.

### RECOMMENDATION

#### The Offer

Having considered the principal factors and reasons as discussed above, in particular:

- (i) the Offer will return part of the Company's funds to the Shareholders;
- (ii) the Offer provides an opportunity for the Shareholders either to sell their Shares at a premium to the prevailing market prices and receive cash or to increase their proportionate interests in the Company by retaining their holdings and participating in the future prospects of the Company with enhanced net asset value per Share attributable to each Share held by them after the Offer;

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## LETTER FROM GRAM CAPITAL

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- (iii) although the retaining Shareholders can increase their proportionate interests in the Company and participating in the future prospects of the Company with enhanced net asset value per Share attributable to each Share held by them after the Offer (please refer to the section headed “(5) Financial effect of the Offer on the Group” above for details), the prospects of the coal mining and washing industry and the Group’s businesses are uncertain in near future having considered the impact of the COVID-19 and the weakened economic figures of the PRC for the six months ended 30 June 2020 as stated under the section headed “(2) Financial information on the Group” above;
- (iv) save for 12 April 2019, 15 April 2019, 16 April 2019 and 24 April 2019, the Offer Price of HK\$2.00 lies above the closing price of the Shares as quoted on the Stock Exchange during the entire Review Period;
- (v) given the thin liquidity in the Shares, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Shareholders to dispose of a significant number of Shares in the open market without causing an adverse impact on the market price level of the Shares;
- (vi) the implied PER of the Offer Price is within the said PER range of the Comparable Companies, while the implied PBR of the Offer Price is within the said PBR range of the Comparable Companies; and
- (vii) although the implied PBR of the Offer Price is lower than the average PBR of the Comparable Companies, the implied PBR of the Offer Price is higher than (a) the median of the PBRs of the Comparable Companies; and (b) the PBRs of 7 out of 9 Comparable Companies,

we consider that the terms of the Offer (including the Offer Price) are fair and reasonable and in the interest of the Independent Shareholders. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution with respect to the approval of the Offer and to accept the Offer.

Nevertheless, Independent Shareholders who, after reading through the 2019 Annual Report and the Offer Document, are optimistic about the future financial performance of the Group after the Offer, may, having regard to their own circumstances, consider retaining all or any part of their Shares.

We would also like to remind the Independent Board Committee to remind the Independent Shareholders to closely monitor the market price and liquidity of the Shares during the Offer Period, and consider selling their Shares in the open market, where possible, instead of accepting the Offer, if the net proceeds from such sales exceed the net amount receivable under the Offer.

Independent Shareholders should closely monitor the market price and liquidity of the Shares during the Offer Period and carefully consider the relevant risks and uncertainties based on their individual risk preference and tolerance level. Those Independent Shareholders who decide to retain part or all of their investments in the Shares should also carefully monitor the financial performance of the Group.

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## LETTER FROM GRAM CAPITAL

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### **The Whitewash Waiver**

As aforementioned, the Offer will not proceed if the Whitewash Waivers are not granted by the Executive or the Offer as well as the Whitewash Waivers are not approved by the Independent Shareholders at the General Meeting.

In view of (i) the aforesaid reasons for and benefits of the Offer; and (ii) that the terms of the Offer are fair and reasonable, we are of the opinion that the approval of the Whitewash Waivers, which is a prerequisite for proceeding with the Offer, is (a) in the interests of the Company and the Shareholders (including the Independent Shareholders); and (b) is fair and reasonable for the purpose of proceeding with the Offer.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the General Meeting to approve the Whitewash Waivers.

**As different Shareholders would have different investment criteria, objectives and/or circumstances, we would recommend any Shareholders who may require advice in relation to any aspect of the Offer Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.**

Yours faithfully,  
For and on behalf of  
**Gram Capital Limited**  
**Graham Lam**  
*Managing Director*

*Note:*

Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

\* *For identification purpose only*

Octal Capital will make the Offer to the Qualifying Shareholders on behalf of the Company to buy-back Shares, on the terms and subject to the Conditions set out in this Offer Document. The principal terms and conditions of the Offer are set out below.

## **TERMS AND CONDITIONS OF THE OFFER**

### **1. The Offer**

The Company will buy-back Shares up to the Maximum Number of Shares at the Offer Price.

### **2. Conditions**

The Offer will be conditional upon the following Conditions being fulfilled:

- (a) the approval by more than 50% of the votes cast by the Independent Shareholders, voting in person or by proxy, by way of a poll having been obtained at the General Meeting in respect of the Offer;
- (b) the approval by at least 75% of the votes cast by the Independent Shareholders, voting in person or by proxy, by way of a poll having been obtained at the General Meeting in respect of the Whitewash Waivers; and
- (c) the Executive granting the Whitewash Waivers and the satisfaction of any conditions attached to the Whitewash Waivers and the Whitewash Waivers not having been revoked or withdrawn.

None of the Conditions above can be waived.

The Offer will not be conditional on any minimum number of acceptances.

**The Offer is subject to all of the Conditions being fulfilled in full. If the Whitewash Waivers are not granted by the Executive, or if the resolution to approve the Offer is not passed by the Independent Shareholders or if the resolution to approve the Whitewash Waivers is not passed by the Independent Shareholders, the Offer will not proceed and will immediately lapse.**

### **3. Maximum Number of Shares**

The Maximum Number of Shares which will be bought-back by the Company pursuant to the Offer is 250,000,000 Shares, representing approximately 4.72% of the total issued Shares of 5,301,837,842 Shares as at the Latest Practicable Date.

### **4. Acceptance**

- (a) Every Qualifying Shareholder may accept the Offer for the buy-back by the Company of any number of his/her/its Shares at the Offer Price up to his/her/its entire shareholding as at the Latest Acceptance Time by submitting to the Registrar a duly completed Acceptance Form, accompanied by the Title Documents. Each Share may only be accepted for buy-back by the Company once.

- (b) Qualifying Shareholders may accept the Offer in respect of some or all of their shareholding. If valid acceptances are received for the Maximum Number of Shares or fewer Shares, all Shares validly accepted will be bought-back. If valid acceptances received exceed the Maximum Number of Shares, the total number of Shares to be bought-back by the Company from each Accepting Shareholder will be determined in accordance with the following formula save that the Company may in its absolute discretion round such figure up or down with the intention of avoiding (as far as practicable) Shares being held by Accepting Shareholders in odd lots or fractional entitlements:

$$\frac{A}{B} \times C$$

A = 250,000,000 Shares, being the Maximum Number of Shares

B = Total number of Shares tendered by all Accepting Shareholders under the Offer

C = Total number of Shares tendered by the relevant individual Accepting Shareholder under the Offer

As a result, it is possible that not all of such Shares tendered by an Accepting Shareholder will ultimately be bought-back. The total number of Shares which will be bought-back by the Company will not exceed the Maximum Number of Shares. The decision of the Company as to any scaling down of acceptances in accordance with the above formula and as to the treatment of fractions will be conclusive and binding on all Shareholders.

- (c) The Offer Price will be paid in cash.
- (d) Acceptance Forms which have been duly completed and received by or on behalf of the Company will become irrevocable and cannot be withdrawn unless in accordance with Rule 19.2 of the Takeovers Code.
- (e) Shares will be bought-back in cash, free of commission, levies and dealing charges, save that the amount of seller's ad valorem stamp duty due on the Shares bought-back attributable to the Qualifying Shareholders who accept the Offer and calculated at a rate of HK\$1.00 for every HK\$1,000 or part thereof of the market value of the Shares to be bought-back under the Offer or the consideration payable by the Company in respect of relevant acceptances of the Offer, whichever is the higher, will be deducted by the Company from the amount payable to the Accepting Shareholders and will be paid by the Company on behalf of the Accepting Shareholders. The Company will arrange for payment of the seller's ad valorem stamp duty on behalf of the Accepting Shareholders in respect of the Offer.
- (f) Shares bought-back under the Offer will be treated as cancelled and will not be entitled to any dividend that may be declared on or after the date of the Announcement.

- (g) Shares will be bought-back free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature. Accordingly, the submission of an Acceptance Form by an Accepting Shareholder will be deemed to constitute a warranty by that Accepting Shareholder to Octal Capital and the Company that the Shares are being sold free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature and together with all rights attaching thereto on or after the date of the Announcement.

## **5. Odd Lots Arrangements**

Currently, the Shares are traded in board lots of 2,000 Shares each. Such board lot size will not change as a result of the Offer.

In view of the procedures for scaling down in respect of the Shares tendered under the Offer as described under the section headed “Other Terms of the Offer” in the letter from Octal Capital, an Accepting Shareholder may, as a result of the Offer, hold odd lots of the Shares.

For this purpose, Sanfull Securities Limited, whose address is at Suite 2001–6, 20/F, Cosco Tower, 183 Queen's Road Central, Hong Kong (contact person: Mr. Billy Chan; telephone number: 2853 2211) has been appointed by the Company as the designated broker to match sales and purchases of odd lot holdings of Shares in the market for a period of six weeks from the completion of the Offer to enable odd lot Shareholders to dispose of their odd lots or to top up their odd lots to whole board lots of 2,000 Shares. Odd lot Shareholders should note that the matching of odd lots is not guaranteed. Further details of the related arrangements will be announced after the Offer has become unconditional.

## **6. Acceptance Period**

- (a) The Offer is open for acceptance from the date of this Offer Document. If the Conditions are satisfied, the Offer will be open for acceptance for a period of 14 days after the Offer has become unconditional. In order to be valid, an Acceptance Form must be duly completed, together with the Title Documents for not less than the number of Shares in respect of which the relevant Qualifying Shareholder wishes to accept the Offer, delivered to and received by the Registrar at or before the Latest Acceptance Time, which is currently expected to be 4:00 p.m. on Thursday, 17 September 2020, or such later date as the Company may, with the prior consent of the Executive, decide and announce.
- (b) The date when the last one of the Conditions is expected to be satisfied is 3 September 2020. Such date may be postponed by the Company, subject to receiving the prior consent of the Executive.

## **7. Irrevocable Acceptances**

Acceptance Forms which have been duly completed and received by the Registrar will constitute irrevocable acceptances of the Offer and cannot be withdrawn unless in accordance with Rule 19.2 of the Takeovers Code.

**8. General**

- (a) The Shares will be bought-back free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature.
- (b) Qualifying Shareholders may accept the Offer by completing the Acceptance Form in accordance with the instructions set out in this Offer Document and in the Acceptance Form (which constitute part of the terms of the Offer). An Acceptance Form may be rejected as invalid if the procedures contained in this Offer Document and in the Acceptance Form are not complied with.
- (c) The Offer and all acceptances of it, the Acceptance Forms and all contracts made pursuant to the Offer, and all action taken or made or deemed to be taken or made pursuant to these terms will be governed by and construed in accordance with Hong Kong laws. Delivery of an Acceptance Form will constitute submission to the non-exclusive jurisdiction of the Hong Kong courts.
- (d) The failure of any person to receive an Offer Document or an Acceptance Form will not invalidate any aspect of the Offer. Extra prints of these documents will be available to any Shareholders at the office of the Registrar and the principal place of business of the Company during office hours between the date of despatch of the Offer Document and the Latest Acceptance Time, and on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) for at least 7 days from the date of its publication, together with the Company's website at [www.shougang-resources.com.hk](http://www.shougang-resources.com.hk).
- (e) The Company reserves the right, subject to the Codes, any applicable law or regulatory requirements, to amend the Offer Price. In the event of such amendment (which will not, for the avoidance of doubt, include an alteration of the Maximum Number of Shares), a supplemental document and a new Acceptance Form will be despatched to each of the Shareholders. Any revised offer will be kept open for at least 14 days following the date on which the revised Offer Document is posted. If in the course of the Offer, the Company revises the terms of the Offer, all Shareholders, whether they have accepted the Offer or not, will be entitled to the revised terms.
- (f) The right of acceptance of the Offer is personal to the Shareholders and is not capable of being assigned or renounced in favour of others or otherwise transferred by the Shareholders.
- (g) All questions as to the number of Shares bought-back, the price to be paid therefor, or any alteration of such price in accordance with the terms contained herein, and the validity, form, eligibility (including the time of receipt) and acceptance for payment of any acceptance will be determined by the Company in its sole discretion, which determination will be final and binding on all of the parties (except as otherwise required under the applicable law or the Codes). The Company reserves the absolute right to reject any or all acceptances it determines not to be in proper form, if it fails to comply with Note 1 to Rule 30.2 of the Takeovers Code or the acceptance or payment for which may, in the opinion of the Company, be unlawful.



- (h) Due execution of the Acceptance Form will constitute an irrevocable authority to any director or officer of the Company or Octal Capital or their respective agents to complete and execute any document on behalf of the Accepting Shareholders, the Acceptance Form and any other document and to do any other act that may be necessary or expedient for the purposes of vesting in the Company, or such persons as the Company shall direct, the Shares which are the subject of such acceptance.
- (i) All communications, notices, Acceptance Forms, Title Documents and remittances to be delivered or sent by, to or from any Shareholder will be delivered or sent by, to or from them, or their designated agents, at their risk and none of the Company, Octal Capital, the Registrar or any of their respective directors or any other person involved in the Offer accepts any liability for any loss or any other liabilities whatsoever which may rise as a result.
- (j) Should any Shareholder require any assistance in completing the Acceptance Form or have any enquiries regarding the procedures for tendering and settlement or any other similar aspect of the Offer, the Shareholders may contact the Registrar at its hotline at 2980 1333 during the period from Wednesday, 19 August 2020 to the closing day of the Offer (both days inclusive) between 9:00 a.m. and 4:00 p.m. (Hong Kong time) from Mondays to Fridays (other than public holidays).

## PROCEDURES FOR ACCEPTANCE AND SETTLEMENT

### 1. General Procedures for Acceptance

- (a) In order to accept the Offer, Qualifying Shareholders should complete and return the accompanying Acceptance Form in accordance with the instructions printed in this Offer Document and the instructions printed on the Acceptance Form. The instructions in this Offer Document should be read together with the instructions on the Acceptance Form (which instructions form part of the terms of the Offer).
- (b) In order to be valid, the completed Acceptance Form in compliance with Note 1 to Rule 30.2 of the Takeovers Code should be forwarded, together with the Title Documents for not less than the number of Shares in respect of which the relevant Qualifying Shareholder wishes to accept the Offer, by post or by hand to the Registrar, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong in an envelope marked "**Shougang Fushan Resources Group Limited – 2020 Buy-back Offer**" as soon as possible after receipt of the Acceptance Form but in any event so as to reach the Registrar by no later than 4:00 p.m. (Hong Kong time) on Thursday, 17 September 2020, or such later time and/or date as the Company may, subject to the Codes, decide and announce.

- (c) If no number is inserted or a number inserted is greater than the Shares tendered by the Qualifying Shareholder, as supported by the Title Documents or a mark other than a legible number (including “✓”, “X”, “○”), a word or an illegible number or character is inserted, the Acceptance Form will be considered as incomplete and the Acceptance Form will be returned to the Qualifying Shareholder for correction and resubmission. Any corrected Acceptance Form must be resubmitted and received by the Registrar by not later than 4:00 p.m. on Thursday, 17 September 2020 or such later time(s) and/or date(s) as may be announced by the Company in compliance with the Codes and approved by the Executive.
- (d) Subject to the procedures for scaling down described under the section headed “Other Terms of the Offer”, a Qualifying Shareholder may accept the Offer in respect of all of his/her/its Shares, or accept the Offer in respect of only part of his/her/its Shares and retain part of the Shares. The Accepting Shareholder who wishes to accept the Offer in respect of only part of his/her/its Shares and prefer not to wait until the Title Documents in respect of the balance of such Shares or a replaced certificate therefor are returned per the arrangement set out in paragraph (c) under the section headed “6.Settlement” on page I-8 of this Offer Document, should arrange for the Title Documents in respect of his/her/its Shares to be split through the Registrar before submitting the Acceptance Form such that the number of Shares inserted in the Acceptance Form shall be the same as the number of Shares represented by the Title Documents submitted with such Acceptance Form. The Acceptance Form should be submitted and received by the Registrar by not later than 4:00 p.m. on Thursday, 17 September 2020 or such later time(s) and/or date(s) as may be announced by the Company in compliance with the Codes and approved by the Executive.
- (e) No Acceptance Form received after the Latest Acceptance Time will be accepted.
- (f) If the Acceptance Form is executed by a person other than the registered holder, appropriate evidence of authority (for instance, a grant of probate or certified copy of a power of attorney) must be delivered to the Registrar with the completed Acceptance Form.
- (g) No acknowledgement of receipt of any Acceptance Form or Title Documents will be given.
- (h) The Company reserves the right, at its sole discretion, to investigate, in relation to any acceptance, whether the representations and warranties set out in this Appendix I could have been properly given by the relevant Qualifying Shareholder and, if such investigation is made and as a result the Company determines (for any reason) that any such representation and/or warranty could not have been properly given, such acceptance may be rejected as invalid.
- (i) In relation to any acceptance of the Offer in respect of Shares held in CCASS in the name of HKSCC Nominees Limited, HKSCC Nominees Limited shall specify in the Acceptance Form the total number of Shares tendered for acceptance of the Offer by CCASS participants.
- (j) Only one Acceptance Form may be submitted by each Shareholder to the Registrar.

**2. Nominee Holdings**

- (a) If the Title Documents in respect of a Qualifying Shareholder's Shares are in the name of a nominee company or some name other than his/her/its own, and such Qualifying Shareholder wishes to accept the Offer (either in full or in respect of part of his holding(s) of Shares), he/she/it must either:
- (i) instruct the nominee company, or other nominee to accept the Offer on his/her/its behalf and requesting it to deliver the Acceptance Form duly completed together with the Title Documents to the Registrar, within such deadline (which may be earlier than the deadline specified under the Offer) as may be stipulated by the nominee; or
  - (ii) arrange for the Shares to be registered in his/her/its name by the Company through the Registrar, and send the Acceptance Form duly completed together with the Title Documents to the Registrar; or
  - (iii) where his/her/its Shares have been maintained with his/her/its licensed securities dealer/custodian bank through CCASS, instruct his/her/its licensed securities dealer/custodian bank to authorize HKSCC Nominees Limited to accept the Offer on his/her/its behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, that Shareholder should check with his/her/its broker/custodian bank for the timing on processing of his/her/its instruction, and submit such instruction to his/her/its broker/custodian bank as required; or
  - (iv) if that Qualifying Shareholder's Shares have been lodged with his/her/its Investor Participant Account with CCASS, authorize his/her/its instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.
- (b) Qualifying Shareholders with such a nominee holding of Shares should ensure that they undertake the above applicable course of action promptly so as to allow their nominee(s) sufficient time to complete the acceptance procedure on their behalf by the Latest Acceptance Time.

**3. Recent Transfers**

If a Qualifying Shareholder has lodged transfer(s) of Shares for registration in his/her/its name and has not yet received the Share certificate(s) and wishes to accept the Offer, he/she/it should nevertheless complete the Acceptance Form and deliver it to the Registrar together with the transfer receipt(s) duly signed by him/her/it at or before the Latest Acceptance Time. Such action will be deemed to be an authority to the Company or its agent(s) to collect from the Company or the Registrar on his/her/its behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s), subject to the terms of the Offer, as if it/they was/were delivered to the Registrar with the Acceptance Form.

**4. Lost or Unavailable Share Certificates**

- (a) If the Title Document(s) is/are not readily available and/or is/are lost and a Qualifying Shareholder wishes to accept the Offer, the Acceptance Form should nevertheless be completed and delivered to the Registrar so as to reach the Registrar not later than the Latest Acceptance Time and the Title Documents should be forwarded to the Registrar as soon as possible thereafter and in any event before the Latest Acceptance Time.
- (b) If a Qualifying Shareholder has lost his/her/its Title Documents, he/she/it should write to the Registrar and request a letter of indemnity in respect of the lost Title Documents (as the case may be) which, when completed by him/her/it in accordance with the instructions given, should be returned, together with the Acceptance Form and any Title Documents which are available, so as to arrive at the Registrar either by post or by hand not later than the Latest Acceptance Time. In such cases, the Qualifying Shareholder will be informed of the fees payable to the Registrar for which he/she/it will be responsible.
- (c) Acceptances of the Offer may, at the discretion of the Company, be treated as valid even if not accompanied by the Title Documents but, in such cases, the cash consideration due will not be despatched until the relevant Title Documents has/have been received by the Registrar or in the case of lost of Title Documents, such Title Documents has been cancelled and the Register of Members has been updated.

**5. Additional Acceptance Forms**

If a Qualifying Shareholder has lost the accompanying Acceptance Form or such original has become unusable, and requires a replacement of such form, he/she/it should write to the Registrar or visit the Registrar at its office and request additional Acceptance Form for completion by such Qualifying Shareholder. Alternatively, he/she/it could download it from the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) or the Company's website at [www.shougang-resources.com.hk/html/index.html](http://www.shougang-resources.com.hk/html/index.html).

**6. Settlement**

- (a) Subject to the Offer becoming unconditional and provided that a duly completed Acceptance Form, accompanied by the Title Documents are received by the Registrar by not later than the Latest Acceptance Time (or such later time and/or date as the Company may, with the prior consent of the Executive, decide and announce in accordance with the Codes), the Registrar will inform the relevant Accepting Shareholder by post of the number of Shares to be bought-back from his/her/its tender for the Offer. At the same time, the Registrar will send, by ordinary post at that Accepting Shareholder's risk, a remittance for such total amount as is due to that Accepting Shareholder under the Offer, subject to deduction of the seller's ad valorem stamp duty pursuant to paragraph 4(e) in the section headed "Terms and Conditions of the Offer" above, within 7 Business Days after the close of the Offer.

- (b) If the Offer does not become unconditional, the Title Documents will be returned and/or sent to each Accepting Shareholder (by ordinary post, at that Accepting Shareholder's own risk) within 10 days of the lapse of the Offer. Where such Shareholder has sent one or more transfer receipt(s) and in the meantime one or more Share certificate(s) has/have been collected on that Shareholder's behalf in respect thereof, that Shareholder will be sent (by ordinary post, at that Shareholder's own risk) such Share certificate(s) in lieu of the transfer receipt(s).
- (c) If the number of Shares tendered under the Offer by an Accepting Shareholder is smaller than the number of Shares as shown in the Title Documents submitted by such Accepting Shareholder together with the Acceptance Form and/or the Shares tendered under the Offer have not been bought-back by the Company in full, the Title Documents in respect of the balance of such Shares or a replaced certificate therefor will be returned or sent to him/her/it by ordinary post at his/her/its risk within 7 Business Days after the close of the Offer.

## **7. New Shareholders**

Any new Shareholder may collect a copy of this Offer Document, together with the form of proxy and a blank Acceptance Form from the Registrar, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong during office hours between the date of despatch of the Offer Document and the Latest Acceptance Time. Such Shareholder may also contact the Registrar (through the enquiry general telephone line referred to in paragraph 8(j) under the section headed "Terms and Conditions of the Offer" above) and request a copy of this document, the accompanying form of proxy and a blank Acceptance Form (as appropriate) to be sent to his/her/its registered address as recorded in the Register of Members.

## **EFFECT OF ACCEPTANCE OF THE OFFER BY QUALIFYING SHAREHOLDERS**

Each Qualifying Shareholder by whom, or on whose behalf, an Acceptance Form is executed irrevocably undertakes, represents, warrants and agrees to and with the Company and Octal Capital (so as to bind him/her/it and his/her/its personal representatives, heirs, successors and assigns) to the effect:

### **1. Representations and warranties**

By delivery to the Registrar a duly completed Acceptance Form accompanied with the Title Documents, the Accepting Shareholder represents and warrants to the Company and Octal Capital:

- (a) that he/she/it has full power and authority to tender, sell, assign and transfer all the Shares (together with all rights attaching thereto) specified in such Acceptance Form for buy-back and that the Shares are fully paid, free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature and together with all rights attaching thereto on or after the date of the Announcement (including the right to any dividends that may be declared on or after the date of the Announcement); and
- (b) that if he/she/it is an Overseas Shareholder, he/she/it has fully observed any applicable legal or other requirements and that the Offer may be accepted by him/her/it lawfully under the laws of the relevant jurisdiction.

**2. Appointment and authority**

That the execution of the Acceptance Form constitutes:

- (a) the irrevocable appointment of any director or officer of the Company or Octal Capital, or such other person as any of them may direct, as such Shareholder's agent (the "**Agent**"); and
- (b) an irrevocable instruction to the Agent to complete and execute the Acceptance Form and/or any other document at the Agent's discretion on behalf of the person accepting the Offer and to do any other acts or things as may in the opinion of the Agent be necessary, expedient or desirable for the purpose of the Company repurchasing some or all of the Shares (as the Company may in its absolute discretion determine) in respect of which such person has accepted (or is deemed to have accepted) the Offer.

**3. Undertakings**

That by executing the Acceptance Form, he/she/it:

- (a) agrees to ratify and confirm each and every act or thing which may be done or effected by the Company or any Agent in the proper exercise of its or his/her/its powers and/or authorities under the terms of the Offer;
- (b) undertakes to deliver to the Registrar the Title Documents in respect of the Shares for which the Offer is (or is deemed to be) accepted, or an indemnity or indemnities acceptable to the Company in lieu thereof, or to procure the delivery of such document(s) to such person as soon as possible thereafter and, in any event, no later than the Latest Acceptance Time;
- (c) accepts that the provisions of the Acceptance Form and the other terms and conditions in this document are deemed to be incorporated into the terms and conditions of the Offer;
- (d) undertakes to execute any further documents, take any further action and give any further assurances which may be required in connection with his/her/its acceptance of the Offer as the Company may consider to be necessary, expedient or desirable, including without limitation, to complete the buy-back of any Shares in respect of which he/she/it has accepted or is deemed to have accepted the Offer free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature and together with all rights attaching thereto on or after the date of the Announcement (including the right to any dividends that may be declared after the date of the Announcement);
- (e) authorizes the Company or the Agent to procure the despatch by post of the consideration to which he/she/it is entitled at his/her/its risk to the first-named holder at his/her/its registered address in Box 4 of the Acceptance Form; and
- (f) submits to the non-exclusive jurisdiction of the courts of Hong Kong in relation to all matters arising out of or in connection with the Offer or the Acceptance Form.

**TAXATION**

Qualifying Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offer. It is emphasized that none of the Company, its ultimate beneficial owners and parties acting in concert with any of them, Octal Capital, Gram Capital, the Registrar or any of their respective directors or any persons involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of acceptance of the Offer by the Qualifying Shareholders.

**ANNOUNCEMENTS**

1. Following the General Meeting at which the Offer and the Whitewash Waivers are to be approved by the Independent Shareholders, the Company will announce by 7:00 p.m. on the date of the General Meeting through the Stock Exchange's website the result of the General Meeting and whether or not the Offer has become unconditional.
2. By 6:00 p.m. (or such later time as the Executive may in exceptional circumstances permit) on the close of the Offer, the Company shall inform the Executive and the Stock Exchange of its decision in relation to the revision or expiry of the Offer (if any) and shall publish an announcement through the website of the Stock Exchange by 7:00 p.m. on such date stating whether the Offer has been revised or expired. A draft of such announcement must be submitted to the Executive by 6:00 p.m. for clearance and publication through the website of the Stock Exchange by 7:00 p.m. on the same day. Such announcement, which complies with Rule 19.1 of the Takeovers Code shall (except in the case of lapse of the Offer) specify, among others, the total number of Shares (and rights over Shares) that have been accepted for buy-back pursuant to the Offer. The announcement will also set out the result of the Offer, including the details of the way in which Accepting Shareholders' pro-rata entitlement was determined.
3. In calculating the number of the Shares represented by the Acceptance Forms, acceptances which are not in all respects in order or are subject to verification will be stated separately.

**INTERPRETATION**

1. A reference in this Offer Document to a Qualifying Shareholder includes a reference to a person who, by reason of an acquisition or transfer of Shares, is entitled to execute an Acceptance Form and in the event of more than one person executing an Acceptance Form, the provisions of this document apply to them jointly and severally.
2. A reference in this Offer Document and the Acceptance Form to the masculine gender includes the feminine and neuter genders, and a reference to the singular includes the plural, and vice versa.



## I. FINANCIAL SUMMARY

The Group is principally engaged in coking coal mining, production and sales of coking products in the PRC. The Group has three operating coking coal mines and three coal preparation plants, which are located in Liulin County. Besides, the Group engages in the coal processing business through its three coal preparation plants.

Set out below is a summary of the audited consolidated financial results of the Group for each of the financial years ended 31 December 2017, 2018 and 2019, as extracted from the annual report of the Company for the years ended 31 December 2017 (the “**Annual Report 2017**”), 2018 (the “**Annual Report 2018**”) and 2019 (the “**Annual Report 2019**”), respectively.

	For the year ended 31 December		
	2019	2018	2017
	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)
<b>Revenue from contracts with customers</b>	3,869,308	3,686,176	3,471,922
Cost of sales	(1,880,565)	(1,785,634)	(1,596,518)
<b>Gross profit</b>	1,988,743	1,900,542	1,875,404
Interest income	136,755	124,445	84,286
Other income and gains/(losses), net	99,575	35,790	123,155
Selling and distribution expenses	(250,051)	(208,621)	(206,638)
General and administrative expenses	(182,291)	(205,351)	(202,034)
Other operating expenses <sup>Note</sup>	(146,476)	(6,437)	(23,961)
Finance costs	(4,912)	–	(2,226)
Change in fair value of derivative financial instruments	(8,555)	–	–
Share of profit/(loss) of an associate	27	(659)	(368)
<b>Profit before income tax</b>	1,632,815	1,639,709	1,647,618
Income tax expense	(456,674)	(487,781)	(465,034)
<b>Profit for the year</b>	1,176,141	1,151,928	1,182,584
<b>Other comprehensive income for the year</b>			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations	(329,530)	(585,649)	723,997
Item that will not be reclassified to profit or loss:			
Net fair value gain on financial assets measured at fair value through other comprehensive income	350,978	24,374	155,062
<b>Total comprehensive income for the year</b>	1,197,589	590,653	2,061,643



	For the year ended 31 December		
	2019 HK\$'000 (audited)	2018 HK\$'000 (audited)	2017 HK\$'000 (audited)
<b>Profit for the year attributable to:</b>			
Owners of the Company	1,140,413	1,100,488	1,080,649
Non-controlling interests	<u>35,728</u>	<u>51,440</u>	<u>101,935</u>
<b>Profit for the year</b>	<u>1,176,141</u>	<u>1,151,928</u>	<u>1,182,584</u>
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the Company	1,198,776	605,105	1,881,310
Non-controlling interests	<u>(1,187)</u>	<u>(14,452)</u>	<u>180,333</u>
<b>Total comprehensive income for the year</b>	<u><u>1,197,589</u></u>	<u><u>590,653</u></u>	<u><u>2,061,643</u></u>
<b>Earnings per share</b>			
– Basic and diluted ( <i>HK cents</i> )	<u>21.51</u>	<u>20.76</u>	<u>20.38</u>
<b>Dividend</b>			
Dividend per share			
– Interim ( <i>HK cents</i> )	8.5	8.3	3.0
– Final ( <i>HK cents</i> )	8.7	8.5	7.2
– Special ( <i>HK cents</i> )	0	0	6.3
Amount of dividend distributed to owners of the Company	911,916	890,709	874,803

*Note:*

The Group had made an one-off non-cash write off of property, plant and equipment mainly in relation to the carrying amount of underground mining structures of the upper coal seam of Jinjiazhuang Coal Mine upon its closure amounted to approximately HK\$129 million for the year ended 31 December 2019.

Saved as disclosed above, there are no other items of income or expenses which are material. The auditor of the Company for the year ended 31 December 2017, BDO Limited, did not issue any qualified or modified opinion (including emphasis of matter, adverse opinion and disclaimer of opinion) on the consolidated financial statements of the Group for the year ended 31 December 2017. The auditor of the Company for the years ended 31 December 2018 and 2019, PricewaterhouseCoopers, did not issue any qualified or modified opinion (including emphasis of matter, adverse opinion and disclaimer of opinion) on the consolidated financial statements of the Group for each of the years ended 31 December 2018 and 2019.

**II. AUDITED CONSOLIDATED FINANCIAL STATEMENT**

The Company is required to set out or refer to the consolidated statement of financial position, consolidated statement of cash flows and any other primary statement as shown in (i) the audited consolidated financial statements of the Group for the year ended 31 December 2019 (the “**2019 Financial Statements**”), (ii) the audited consolidated financial statements of the Group for the year ended 31 December 2018 (the “**2018 Financial Statements**”) and (iii) the audited consolidated financial statements of the Group for the year ended 31 December 2017 (the “**2017 Financial Statements**”), together with the significant accounting policies and the notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The 2019 Financial Statements are set out from page 125 to page 232 in the Annual Report 2019, which was published on 15 April 2020. The Annual Report 2019 is posted on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.shougang-resources.com.hk](http://www.shougang-resources.com.hk)), and is accessible via the following hyperlink:

[www1.hkexnews.hk/listedco/listconews/sehk/2020/0415/2020041500485.pdf](http://www1.hkexnews.hk/listedco/listconews/sehk/2020/0415/2020041500485.pdf)

The 2018 Financial Statements are set out from page 85 to page 173 in the Annual Report 2018, which was published on 9 April 2019. The Annual Report 2018 is posted on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.shougang-resources.com.hk](http://www.shougang-resources.com.hk)), and is accessible via the following hyperlink:

[www1.hkexnews.hk/listedco/listconews/sehk/2019/0409/ltn20190409953.pdf](http://www1.hkexnews.hk/listedco/listconews/sehk/2019/0409/ltn20190409953.pdf)

The 2017 Financial Statements are set out from page 90 to page 177 in the Annual Report 2017, which was published on 9 April 2018. The Annual Report 2017 is posted on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.shougang-resources.com.hk](http://www.shougang-resources.com.hk)), and is accessible via the following hyperlink:

[www1.hkexnews.hk/listedco/listconews/sehk/2018/0409/ltn201804091192.pdf](http://www1.hkexnews.hk/listedco/listconews/sehk/2018/0409/ltn201804091192.pdf)

The 2019 Financial Statements, 2018 Financial Statements and 2017 Financial Statements (but not any other parts of the Annual Report 2019, Annual report 2018 or Annual Report 2017 in which they respectively appear) are incorporated by reference into this Offer Document and form part of this Offer Document.

### III. INDEBTEDNESS

As at 30 June 2020, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Offer Document, the Group had lease liabilities of approximately HK\$26,794,000<sup>Note</sup> and the Group had no outstanding bank borrowing. Apart from intra-group liabilities, as at 30 June 2020, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances, or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

*Note:*

The Group entered into several lease agreements for leasing of office and land located in the PRC and Hong Kong in ordinary course of business. As a result of adopting HKFRS 16 Leases which is effective for annual periods beginning on or after 1 January 2019, the Group recognised right-of-use assets and lease liabilities for the above-mentioned leases. Such lease liabilities amounted to HK\$26,794,000 as at 30 June 2020, which were classified as to HK\$6,344,000 as current liabilities and HK\$20,450,000 as non-current liabilities.

### IV. MATERIAL CHANGE

The Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

### V. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As mentioned in the Annual Report 2019, due to the outbreak of coronavirus disease in 2019 (“**COVID-19**”), all domestic mines must pass the inspection upon resumption of production after the Lunar New Year holidays resulting in the suspension of production temporarily. Currently, the three coking coal mines of the Group has took the lead in passing the inspection and resumed to production in the mid of February 2020. The Group expects that the overall raw coking coal output will gradually return to normal levels and will increase output accordingly compare to that of 2019.

As the upstream industry of steel sector, the demand in coking coal products is benefited from the continuing structural reform of the sector, as well as the policies from the PRC government in promoting infrastructure investment, which will have positive effect on the demand side growth for the steel industry this year. Since 2019, the PRC government has vigorously promoted infrastructure investment to ensure economic growth and stabilize employment, where local government debt issuance exceeded RMB4 trillion in the year of 2019. The Group expects that with such funding in place, more infrastructure projects will be launched in 2020, which will promote the demand for steel and coking coal products. The Group further expects that the prices of coking coal products to remain relatively stable.

Looking forward, the global economic outlook is expected to continue to be filled with challenges such as the global spreading of the COVID-19 and the trade negotiation between the PRC and US. The Group remained cautious about future coking coal and steel prices. In response to the pandemic development and trade tension, the Group will continue to utilise its stable financial position and strong cash flow advantage to cope with the fluctuation of the markets of coking coal products and capitalize on potential business opportunities. The Group will also monitor closely on market conditions and adjust its operating strategy from time to time.

**A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP**

*For illustrative purposes, the financial information prepared in accordance with Rule 4.29 of the Listing Rules is set out here to provide further information about how the financial information of the Group might be affected by the assumption of the completion of the Offer as if the Offer had been completed as at 31 December 2019, 1 January 2019 or at any future date.*

The following are illustrative and unaudited pro forma statements of adjusted consolidated net assets per Share and adjusted earnings per Share (the “**Unaudited Pro Forma Financial Information**”) of the Group attributable to the owners of the Company which have been prepared on the basis of the notes set out below, for the purpose of illustrating the effect of the Offer as if it had taken place on 31 December 2019 for the unaudited pro forma adjusted consolidated net assets per Share attributable to the owners of the Company after completion of the Offer or 1 January 2019 for the pro forma adjusted earnings per Share to the owners of the Company after completion of the Offer. This Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position or financial results of the Group had the Offer been completed as at 31 December 2019, 1 January 2019 or at any future date.

The Unaudited Pro Forma Financial Information does not constitute the Company’s statutory annual consolidated financial statements for the year ended 31 December 2019 but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

- (i) the Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance; and
- (ii) the Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report; and did not contain a statement under section 406(2), 407(2) or 407(3) of the Companies Ordinance.

## Unaudited pro forma statement of adjusted consolidated net assets per Share

	<b>Audited consolidated net assets of the Group attributable to owners of the Company as at 31 December 2019 (Note 1) HK\$'000</b>	<b>Estimated expenditure to be incurred under the Offer (Note 2) HK\$'000</b>	<b>Unaudited pro forma adjusted consolidated net assets attributable to owners of the Company as at 31 December 2019 HK\$'000</b>
Non-current assets	<u>14,047,556</u>	<u>–</u>	<u>14,047,556</u>
Current assets*	<u>7,425,154</u>	<u>(504,500)</u>	<u>6,920,654</u>
Current liabilities (Note 3)	<u>2,845,954</u>	<u>–</u>	<u>2,845,954</u>
Net current assets (Note 3)	<u>4,579,200</u>	<u>(504,500)</u>	<u>4,074,700</u>
Non-current liabilities (Note 3)	<u>1,580,444</u>	<u>–</u>	<u>1,580,444</u>
Net assets	<u>17,046,312</u>	<u>(504,500)</u>	<u>16,541,812</u>
<b>Net assets attributable to the owners of the Company</b>	<u>15,681,580</u>	<u>(504,500)</u>	<u>15,177,080</u>
*Including:			
– Cash and cash equivalents	<u>3,712,383</u>	<u>(504,500)</u>	<u>3,207,883</u>
Net assets per Share attributable to the owners of the Company (HK\$)	<u>2.96 (Note 4)</u>		<u>3.00 (Note 5)</u>

## Unaudited pro forma statement of adjusted earnings per Share

	<b>Audited consolidated profit attributable to the owners of the Company for the year ended 31 December 2019 (Note 1) HK\$'000</b>	<b>Earnings per Share to the owners of the Company for the year ended 31 December 2019 (Note 4) HK cents</b>	<b>Unaudited pro forma adjusted earnings per Share to the owners of the Company after completion of the Offer (Note 6) HK cents</b>
Share buy-back of 250,000,000 Shares at HK\$2.0 per Share	<u>1,140,413</u>	<u>21.51</u>	<u>22.57</u>

*Notes:*

- (1) The audited consolidated net assets of the Group attributable to the owners of the Company as at 31 December 2019 and audited consolidated profit attributable to the owners of the Company for the year ended 31 December 2019 are extracted from the published annual report of the Group for the year ended 31 December 2019.
- (2) The estimated expenditure to be incurred under the Offer is based on 250,000,000 Shares to be bought-back at the offer price of HK\$2.0 per Share and the related expenses of approximately HK\$4,500,000.
- (3) The estimated expenditure to be incurred under the Offer will be settled by cash and therefore the Offer will not have any effect on the liabilities of the Group, and the working capital (expressed as net current assets) as at 31 December 2019 would decrease by approximately HK\$504,500,000 from approximately HK\$4,579,200,000 to approximately HK\$4,074,700,000.
- (4) The consolidated net assets per Share attributable to the owners of the Company as at 31 December 2019 and the earnings per Share to the owners of the Company for the year ended 31 December 2019 were approximately HK\$2.96 and approximately HK 21.51 cents respectively, which was based on the audited consolidated net assets of the Group attributable to the owners of the Company as at 31 December 2019 of approximately HK\$15,681,580,000 and the audited consolidated profit attributable to the owners of the Company for the year ended 31 December 2019 of approximately HK\$1,140,413,000 respectively, and on the basis that 5,301,837,842 Shares were in issue as at 31 December 2019 and throughout the year ended 31 December 2019.
- (5) The unaudited pro forma adjusted consolidated net assets per share attributable to the owners of the Company after completion of the Offer is arrived at after taking into account of the following (i) the audited consolidated net assets of the Group attributable to the owners of the Company as at 31 December 2019 of approximately HK\$15,681,580,000 (Note 1) deducted by the estimated expenditure from the Offer of approximately HK\$504,500,000 (Note 2) and (ii) on the basis that 5,301,837,842 Shares were in issue as at 31 December 2019 and 250,000,000 shares were bought-back under the Offer, resulting in 5,051,837,842 Shares, assuming the Offer had been completed on 31 December 2019, but does not take into account of any Shares which may be issued upon the exercise of options granted under the Share Option Scheme or any Shares which may be granted and issued or bought-back by the Company pursuant to the general mandate and the share buy-back mandate. The Directors confirm that up to the Latest Practicable Date, no options have been granted under the Share Option Scheme since its adoption.

- (6) The unaudited pro forma adjusted earnings per Share to the owners of the Company after completion of the Offer is arrived at after taking into account of the audited consolidated profit attributable to the owners of the Company for the year ended 31 December 2019 of approximately HK\$1,140,413,000 (Note 1) and on the basis that 5,301,837,842 Shares were in issue as at 1 January 2019 and 250,000,000 shares were bought-back under the Offer, resulting in 5,051,837,842 Shares throughout the year ended 31 December 2019, assuming the Offer had been completed on 1 January 2019, but does not take into account of any Shares which may be issued upon the exercise of options granted under the Share Option Scheme or any Shares which may be granted and issued or bought-back by the Company pursuant to the general mandate and the share buy-back mandate. The Directors confirm that the related expenses of approximately HK\$4,500,000 will be capitalized in full to equity in accordance with the Company's accounting policies. The Directors confirm that up to the Latest Practicable Date, no options have been granted under the Share Option Scheme since its adoption.
- (7) No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2019. In particular, the Unaudited Pro Forma Financial Information did not take into account of the final dividend payment on 23 July 2020 of approximately HK\$461,260,000 (final dividend of HK8.7 cents per Share on the basis that 5,301,837,842 Shares were in issue as at 31 December 2019) proposed for the year ended 31 December 2019 as approved by the shareholders at the annual general meeting of the Company held on 21 May 2020. Had the final dividend of approximately HK\$461,260,000 been taken into account, the consolidated net assets per Share attributable to the owners of the Company before completion of the Offer would have been approximately HK\$2.87 and the unaudited pro forma consolidated net assets per Share attributable to the owners of the Company after completion of the Offer would have been approximately HK\$2.91, on the basis that 5,301,837,842 Shares were in issue as at 31 December 2019 and 250,000,000 shares were bought-back under the Offer, resulting in 5,051,837,842 Shares, assuming the Offer had been completed on 31 December 2019, but does not take into account of any Shares which may be issued upon the exercise of options granted under the Share Option Scheme or any Shares which may be granted and issued or bought-back by the Company pursuant to the general mandate and the share buy-back mandate. The Directors confirm that up to the Latest Practicable Date, no options have been granted under the Share Option Scheme since its adoption.

**B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP**

*The following is the text of a report on the unaudited pro forma financial information of the Group received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Offer Document.*



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

TO THE DIRECTORS OF SHOUGANG FUSHAN RESOURCES GROUP LIMITED

We have completed our assurance engagement to report on the compilation of the unaudited pro forma financial information of Shougang Fushan Resources Group Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net assets per share attributable to the owners of the Company as at 31 December 2019, unaudited pro forma statement of adjusted earnings per share to the owners of the Company for the year ended 31 December 2019 and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out on pages III-1 to III-4 of the Company’s offer document dated 19 August 2020 (the “**Offer Document**”), in connection with the proposed conditional cash offer by Octal Capital Limited on behalf of the Company to buy-back for cancellation up to 250,000,000 shares at the offer price of HK\$2.00 per share (the “**Offer**”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages III-1 to III-4 of the Offer Document.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Offer on the Group’s financial position as at 31 December 2019 and the Group’s financial results for the year ended 31 December 2019 as if the Offer had taken place at 31 December 2019 and 1 January 2019 respectively. As part of this process, information about the Group’s financial position and financial results have been extracted by the Directors from the Group’s financial statements for the year ended 31 December 2019, on which an audit report has been published.

**Directors’ Responsibility for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

*PricewaterhouseCoopers, 22/F Prince’s Building, Central, Hong Kong  
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*



**Our Independence and Quality Control**

We have complied with the independence and other ethical requirement of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountant’s Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus”, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in an offer document is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Offer at 31 December 2019 or 1 January 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**PricewaterhouseCoopers**  
*Certified Public Accountants*  
Hong Kong, 19 August 2020

**1. RESPONSIBILITY STATEMENT**

This Offer Document, for which the Directors jointly and severally accept full responsibility, includes particulars given in compliance with the Listing Rules and the Codes for the purpose of giving information with regard to the Company. The Directors, jointly and severally accept full responsibility for the accuracy of information contained in this Offer Document and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Offer Document have been arrived at after due and careful consideration and there are no other facts not contained in this Offer Document, the omission of which would make any statement in this Offer Document misleading.

**2. SHARE CAPITAL**

The Company has no authorised share capital and its Shares have no par value. As at the Latest Practicable Date, the issued share capital of the Company was HK\$15,156,959,000. The number of issued Shares as at the Latest Practicable Date was and immediately upon completion of the Offer assuming the Offer is accepted in full will be as follows:

**Number of issued Shares as at the Latest Practicable Date**

5,301,837,842 Shares as at the Latest Practicable Date

**Immediately upon completion of the Offer assuming the Offer is accepted in full**

5,301,837,842 Shares as at the Latest Practicable Date

(250,000,000) Maximum number of Shares proposed to be cancelled under the Offer

5,051,837,842 Shares upon completion of the Offer

All the issued Shares rank pari passu with each other in all respects including the rights as to voting, dividends and capital.

As at the Latest Practicable Date, save for 5,301,837,842 Shares in issue, the Company does not have other class of securities, outstanding options, derivatives, warrants or other securities which are convertible or exchangeable into Shares.

No Shares have been issued or bought-back by the Company since the end of the last financial year of the Company ended 31 December 2019 and up to the Latest Practicable Date.

No Shares have been issued or bought-back by the Company during the 12-month period immediately preceding the date of this Offer Document.

There has been no re-organisation of capital of the Company during the two financial years immediately preceding the commencement of the Offer Period.

**3. DIVIDENDS PAID**

During the two-year period immediately preceding the date of this Offer Document, the Company proposed/declared/paid dividends are as follows:

<b>Date of proposed/ declared dividend</b>	<b>Date of payment</b>	<b>Period</b>	<b>Amount (HK cents per Share)</b>
26 March 2020	23 July 2020	2019 Final	8.7
22 August 2019	30 October 2019	2019 Interim	8.5
21 March 2019	11 July 2019	2018 Final	8.5
23 August 2018	19 October 2018	2018 Interim	8.3

The Board formalised and adopted a dividend policy for the Company which took effect from 12 December 2018 and it aims to allow the Shareholders to participate in the Company's profits whilst retaining adequate reserves for the future growth of the Group. The Company intends to distribute not less than 40% of its net profit attributable to the shareholders (not less than dividend payout ratio of 40%) in each financial year as dividends. However, the Board will take into account certain factors of the Group when considering the declaration or recommendation of dividends, which includes the actual and expected financial performance, retained earnings and distributable reserves, liquidity position, general economic conditions, business cycle of the Group's businesses and other internal or external factors that may have an impact on the businesses or financial performance and position of the Group, and other factors that the Board may consider relevant. Apart from the Possible 2020 Interim Dividend, the Directors do not have any plan or intention to declare any additional dividend or to alter the dividend policy of the Company as at the Latest Practicable Date.

#### 4. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

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 are held	Number of Shares interested	Approximate percentage of shareholding
<i>Directors who hold the Shares:</i>			
Mr. Ding Rucai <sup>Note (i)</sup>	Beneficial owner	120,000	0.002%
Mr. Chen Zhaoqiang <sup>Note (ii)</sup>	Beneficial owner	2,680,000	0.051%
Mr. Kee Wah Sze <sup>Note (iii)</sup>	Beneficial owner	700,000	0.013%
Mr. Choi Wai Yin <sup>Note (iv)</sup>	Beneficial owner	120,000	0.002%

##### Notes:

- (i) Mr. Ding Rucai is an executive Director and the Chairman of the Company. As at the Latest Practicable Date, Mr. Ding Rucai was interested in 120,000 Shares.
- (ii) Mr. Chen Zhaoqiang is an executive Director. As at the Latest Practicable Date, Mr. Chen Zhaoqiang was interested in 2,680,000 Shares.
- (iii) Mr. Kee Wah Sze is an independent non-executive Director. As at the Latest Practicable Date, Mr. Kee Wah Sze was interested in 700,000 Shares.
- (iv) Mr. Choi Wai Yin is an independent non-executive Director. As at the Latest Practicable Date, Mr. Choi Wai Yin was interested in 120,000 Shares.

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.

## 5. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, according to the register kept by the Company under Section 336 of the SFO, so far as was known to the Directors or chief executive of the Company, the following individual and companies had interests or a 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 or which were directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other company which is a subsidiary of the Company, or in any options in respect of such share capital:

### Long positions in the Shares/underlying Shares

Name of Shareholders	Notes	Capacity in which interests are held	Number of Shares held	Percentage of shareholding
Funde Sino Life	1	Beneficial owner	1,590,100,000	29.99%
Shougang Group Co., Ltd	2	Interests of controlled corporations	1,582,864,490	29.85%
Shoucheng Holdings	2	Beneficial owner, interests of controlled corporations	1,463,962,490	27.61%
Fine Power Group Limited	2	Beneficial owner	663,918,497	12.52%
Excel Bond Investments Limited	2	Interests of controlled corporations	650,000,000	12.26%
Ultimate Capital Limited	2	Beneficial owner	650,000,000	12.26%
Jiang Jinzhi	3	Interests of controlled corporations	333,393,000	6.29%

#### Notes:

- As informed by Funde Sino Life, Funde Sino Life was interested in approximately 29.99% of the total issued Shares as at the Latest Practicable Date.
- Pursuant to the information published on the website of the Stock Exchange, Shougang Group Co., Ltd. was interested in the Shares held by its associated companies, namely, Shougang Holding (Hong Kong) Limited (a company wholly-owned by Shougang Group Co., Ltd., holding 15,492,000 Shares), King Rich Group Limited (a company wholly-owned by Shougang Holding (Hong Kong) Limited, holding 83,000,000 Shares), Prime Success Investments Limited (a company wholly-owned by Shougang Holding (Hong Kong) Limited, holding 20,410,000 Shares), Shoucheng Holdings (holding 954,000 Shares), Fair Gain Investments Limited (a company wholly-owned by Shoucheng Holdings, holding 149,089,993 Shares), Fine Power Group Limited (a company wholly-owned by Shoucheng Holdings, holding 663,918,497 Shares), and Ultimate Capital Limited (a company wholly-owned by Excel Bond Investments Limited, which in turn was wholly-owned by Shoucheng Holdings, holding 650,000,000 Shares).

3. Based on the disclosure of securities dealings under Rule 22 of the Takeovers Code posted by the SFC on 3 August 2020, being the latest public information available to the Company as at the Latest Practicable Date, and the latest information provided by Mr. Jiang Jinzhi, Shanghai Greenwoods Asset Management Limited, being a company ultimately owned by Mr. Jiang Jinzhi, ceased to have control over 5,742,000 Shares since 31 July 2020 as a result of the termination of a discretionary client account relationship, and Mr. Jiang Jinzhi was interested in 333,393,000 Shares through companies directly and indirectly owned by him as of 31 July 2020. Reference is also made to the disclosure form filed pursuant to Part XV of the SFO and dated 29 January 2018 (being the latest disclosure form filed up to the Latest Practicable Date), Mr. Jiang Jinzhi was interested in the Shares held by the companies directly and indirectly owned by him as disclosed therein. None of Mr. Jiang Jinzhi, Shanghai Greenwoods Asset Management Limited and their respective concert parties are parties acting in concert with any of the Funde Concert Group and the Shougang Concert Group.

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 or which were directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other company which is a subsidiary of the Company, or in any options in respect of such share capital.

## 6. DIRECTORS' SERVICE CONTRACTS

Mr. Wang Dongming (“**Mr. Wang**”) has entered into a service agreement with a wholly-owned subsidiary of the Company on 30 June 2020 pursuant to which he has been appointed as an executive Director commencing from 30 June 2020, with no fixed term of appointment but is subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Listing Rules and the articles of association of the Company. Pursuant to the service agreement, Mr. Wang is entitled to a salary and discretionary bonus as may be determined by the Board (or its committee delegated with such authority) from time to time. Mr. Wang voluntarily declined any director's emoluments from the Company. Accordingly, as at the Latest Practicable Date, Mr. Wang does not receive any remuneration for his position as an executive Director.

Mr. Chen Jianxiong (“**Mr. Chen**”) has entered into an engagement letter with the Company on 30 June 2020 pursuant to which he has been appointed as an independent non-executive Director commencing from 30 June 2020, with no fixed term of appointment but is subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Listing Rules and the articles of association of the Company. Pursuant to the engagement letter, Mr. Chen is entitled to a director's fee as may be determined by the Board (or its committee delegated with such authority) from time to time. The current director's fee of Mr. Chen is fixed at HK\$35,000 per month. Other than the director's fee, Mr. Chen is not entitled to any other remuneration.

As at the Latest Practicable Date and save as disclosed above:

- (a) none of the Directors had any existing or proposed service contracts with the Company or any other member of the Group save for those expiring or determinable by the relevant employer within one year without payment of any compensation (other than statutory compensation); and
- (b) none of the Directors had entered into a service contract with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed term contracts) has been entered into or amended within six (6) months before the commencement of the Offer Period; (ii) is a continuous contract with a notice period of twelve (12) months or more; or (iii) is a fixed term contract with more than twelve (12) months to run irrespective of the notice period.

## 7. SHARE BUY-BACK AND ISSUES

The Company has not bought-back or issued any Shares in the two-year period preceding the date of this Offer Document.

## 8. MARKET PRICES

The table below shows the closing prices per Share on the Stock Exchange on (i) the Latest Practicable Date; (ii) the Last Trading Day; and (iii) the last trading day of each of the calendar months during the Relevant Period.

<b>Date</b>	<b>Closing Price per Share (HK\$)</b>
<b>2020</b>	
31 January	1.54
28 February	1.51
31 March	1.41
29 April	1.54
29 May	1.43
30 June	1.62
13 July (the Last Trading Day)	1.83
31 July	1.77
The Latest Practicable Date	1.70

The highest and lowest closing price per Share as quoted on the Stock Exchange during the Relevant Period were HK\$1.83 per Share on 13 July 2020 and HK\$1.25 per Share on 19 March 2020.



**9. ARRANGEMENTS AFFECTING DIRECTORS**

As at the Latest Practicable Date and save as the Irrevocable Undertakings, there was no agreement, arrangement or understanding (including any compensation arrangement) that existed between the Funde Concert Group or the Shougang Concert Group and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Offer and/or the Whitewash Waivers.

No benefit has been or will be given to any Director as compensation for loss of office or otherwise in connection with the Offer and the Whitewash Waivers.

As at the Latest Practicable Date, there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer and the Whitewash Waivers.

As at the Latest Practicable Date, there was no material contract entered into by Funde Sino Life or the Shougang Shareholders in which any Director has a material personal interest.

**10. DISCLOSURE OF SHAREHOLDINGS AND DEALINGS PURSUANT TO THE TAKEOVERS CODE**

As at the Latest Practicable Date:

- (a) The Funde Concert Group is beneficially interested in 1,590,100,000 Shares, representing approximately 29.99% of the total issued Shares; and the Shougang Concert Group are beneficially interested in 1,582,864,490 Shares, representing approximately 29.85% of the total issued Shares;
- (b) Save for Mr. Ding Rucai, a director of Shougang Holding (Hong Kong) Limited, who is interested in 120,000 Shares, none of the directors of the Funde Shareholder or the Shougang Shareholders was interested in any shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Codes), convertible securities, warrants, options or derivatives in the Company;
- (c) Save as disclosed in clauses (a) and (b) above, none of the Funde Concert Group or the Shougang Concert Group owned or controlled any shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Codes), convertible securities, warrants, options and derivatives in the Company;
- (d) Save for the Offer and the transactions contemplated thereunder (and in particular the Irrevocable Undertakings), none of the Funde Concert Group and the Shougang Concert Group had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any person;
- (e) Neither the Funde Concert Group nor the Shougang Concert Group had borrowed or lent any shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Codes), convertible securities, warrants, options and derivatives in the Company;

- (f) The Company had no shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Codes), convertible securities, warrants, options and derivatives in the Funde Concert Group and the Shougang Concert Group;
- (g) Save for (i) Mr. Ding Rucai, an executive Director and the Chairman of the Company, who is interested in 120,000 Shares; (ii) Mr. Chen Zhaoqiang, an executive Director, who is interested in 2,680,000 Shares and 580,000 shares of Shoucheng Holdings; (iii) Mr. Liu Qingshan (“**Mr. Liu**”), an executive Director, who is interested in 200,800 shares of Shoucheng Holdings; (iv) Ms. Tian Fang (“**Ms. Tian**”), spouse of Mr. Liu, who is interested in 100,000 shares of Shoucheng Holdings; (v) Mr. Kee Wah Sze, an independent non-executive Director, who is interested in 700,000 Shares; and (vi) Mr. Choi Wai Yin, independent non-executive Director, who is interested in 120,000 Shares, none of the Directors and parties acting in concert with any of them was interested in any shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Codes), convertible securities, warrants, options or derivatives in the Company, or any shareholdings (as defined under Note 1 to paragraph 4 of Schedule 1 of the Codes), convertible securities, warrants, options and derivatives in the Funde Shareholder and the Shougang Shareholders;
- (h) No shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Codes), convertible securities, warrants, options and derivatives in the Company was owned or controlled by any subsidiary of the Company or by any pension fund of any member of the Group or by any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” or who is an associate of the Company by virtue of class (2) of the definition of “associate” but excluding any exempt principal trader or exempt fund manager;
- (i) Save for the Irrevocable Undertakings, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert”, or the Company’s associates by virtue of classes (2), (3) or (4) of the definition of “associate” under the Codes;
- (j) No shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Codes), convertible securities, warrants, options and derivatives in the Company were managed on a discretionary basis by fund managers and/or principal traders (other than exempt fund managers and exempt principal traders) connected with the Company; and
- (k) There were no shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Codes), convertible securities, warrants, options and derivatives in the Company which the Company or any Directors or any parties acting in concert with any of them has/have borrowed or lent.

## 11. DEALINGS IN SHARES

During the Relevant Period,

- (a) Neither the Funde Concert Group nor the Shougang Concert Group had dealt for value in any shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Codes), convertible securities, warrants, options and derivatives in the Company;
- (b) None of the directors of the Funde Shareholder or the Shougang Shareholders had dealt for value in any shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Codes), convertible securities, warrants, options and derivatives in the Company;
- (c) The Company had not dealt for value in any shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Codes), convertible securities, warrants, options and derivatives in the Funde Shareholder and the Shougang Shareholders;
- (d) Mr. Liu has dealt for value in the shares of Shoucheng Holdings during the Relevant Period, details of which are set out below:

Date of transaction on the Stock Exchange	Number of shares purchased/ (sold)	Unit price per share (HK\$)
3 February 2020	(1,000,000) <sup>#</sup>	0.340 <sup>#</sup>
10 March 2020	500,000 <sup>#</sup>	0.325 <sup>#</sup>
10 March 2020	500,000 <sup>#</sup>	0.320 <sup>#</sup>
16 March 2020	300,000 <sup>#</sup>	0.280 <sup>#</sup>
18 March 2020	100,000 <sup>#</sup>	0.280 <sup>#</sup>
18 March 2020	100,000 <sup>#</sup>	0.275 <sup>#</sup>
19 March 2020	500,000 <sup>#</sup>	0.260 <sup>#</sup>
19 March 2020	184,000 <sup>#</sup>	0.255 <sup>#</sup>
12 June 2020	(296,000)	1.610
12 June 2020	(200,000)	1.620
31 July 2020	(100,000)	1.950
3 August 2020	(100,000)	2.000

<sup>#</sup> represents the number of shares of Shoucheng Holdings and the corresponding unit price per share of Shoucheng Holdings prior to the completion of the consolidation of every five shares of Shoucheng Holdings into one consolidated share of Shoucheng Holdings, details of which are set out in the circular of Shoucheng Holdings dated 11 March 2020.

- (e) Ms. Tian has dealt for value in the shares of Shoucheng Holdings during the Relevant Period, details of which are set out below:

Date of transaction on the Stock Exchange	Number of shares sold	Unit price per share (HK\$)
12 June 2020	(16,000)	1.590
12 June 2020	(202,000)	1.600

- (f) Save as disclosed in clauses (d) and (e) above, none of the Directors and parties acting in concert with any of them had dealt for value in any shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Codes), convertible securities, warrants, options and derivatives in the Funde Shareholder or the Shougang Shareholders or any shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Codes), convertible securities, warrants, options and derivatives in the Company;
- (g) None of the subsidiaries of the Company or any pension fund of any member of the Group or any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” or who is an associate of the Company by virtue of class (2) of the definition of “associate” (but excluding any exempt principal trader or exempt fund manager) had dealt for value in any shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Codes), convertible securities, warrants, options and derivatives in the Company, the Funde Shareholder and the Shougang Shareholders;
- (h) There has been no dealings for value in any shareholdings (as defined under Note 1 to paragraph 4 of Schedule I of the Codes), convertible securities, warrants, options and derivatives in the Company, which is managed on a discretionary basis by any fund manager and/or principal trader (other than exempt fund managers and exempt principal traders) connected with the Company;
- (i) As at the Latest Practicable Date, the Company had no agreement, arrangement or understanding to transfer, charge or pledge any of the Shares acquired pursuant to the Offer to any other persons; and
- (j) Save for the Irrevocable Undertakings, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company, the Funde Concert Group and the Shougang Concert Group.

## 12. MATERIAL CONTRACTS

The Group did not enter into any contracts which are or may be material other than those entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries within the two years immediately preceding the date on which the commencement of the Offer Period, i.e. 20 July 2020 and up to the Latest Practicable Date.

### 13. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any material litigation or claim of material importance and no material litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group or to which any member of the Group may become a party.

### 14. GENERAL

- (a) The registered office of the Company is at 6th Floor, Bank of East Asia Harbour View Centre, No. 56 Gloucester Road, Wanchai, Hong Kong.
- (b) The registered office of Funde Sino Life Insurance Co., Ltd. is 27F, 28F, 29F, 30F, Life Insurance Building, 1001 Fuzhong Road, Futian District, Shenzhen City, the PRC. Its directors are Fang Li (方力), Zhang Hanping (張漢平), Jiang Shengzhong (江生忠), Chen Zetong (陳澤桐), Wang Hui (王輝), Xu Wenyan (徐文淵), Su Shigong (蘇世公) and Chang Cun (常存).
- (c) The registered office of 深圳市富德金融投資控股有限公司 (Shenzhen Funde Finance Investment Holding Co., Ltd\*) is Room 501A, 5th Floor, New Asia Tai Gu Mall (New Asia Electronic Emporium), intersection of Zhengzhong Road and Zhonghang Road, Futian District, Shenzhen City, the PRC and its directors are Zhang Jun (張峻), Zhang Tao (張濤), Tao Meiyang (陶美瑩), Ma Yan (馬燕), Lei Fugui (雷富貴), Jiang Houjin (江厚進) and Xu Wenyan (徐文淵). 深圳市富德金融投資控股有限公司 (Shenzhen Funde Finance Investment Holding Co., Ltd\*) is wholly owned by 富德控股(集團)有限公司 (Funde Holdings (Group) Co., Ltd\* ). The registered office of 富德控股(集團)有限公司 (Funde Holdings (Group) Co., Ltd\* ) is Room 522H, 5/F, Xusheng Yanfa Building, Gonghe Gongye Road, Xixiang Street, Baoan District, Shenzhen City, the PRC and its director is Zhang Jun (張峻). The ultimate beneficial owners of 深圳市富德金融投資控股有限公司 (Shenzhen Funde Finance Investment Holding Co., Ltd\*) are Zhang Jun (張峻), Tao Meiyang (陶美瑩) and Chen Mingxiang (陳明香).
- (d) The registered office of 深圳市厚德金融控股有限公司 (Shenzhen Houde Finance Holding Co., Ltd.\*) is A201, Qianhai Complex, Qianwan Road 1, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen City, the PRC. Its directors are Luo Guidu (羅桂都), Zhang Fengyuan (張逢源) and Fang Xiaohong (方曉紅). The ultimate beneficial owners of 深圳市厚德金融控股有限公司 (Shenzhen Houde Finance Holding Co., Ltd.\*) are Zhang Fengyuan (張逢源), Luo Guidu (羅桂都) and Fang Xiaohong (方曉紅).
- (e) The registered office of 深圳市國民投資發展有限公司 (Shenzhen Guomin Investment Development Co., Ltd.\*) is New Asia Tai Gu Mall (New Asia Electronic Emporium), intersection of Zhengzhong Road and Zhonghang Road, Futian District, Shenzhen City, the PRC. Its directors are Chen Linsheng (陳林生), Ma Yanhua (馬燕華) and Zhang Jintian (張錦填).

\* For identification purpose only

- (f) The registered office of 深圳市盈德置地有限公司 (Shenzhen Yingde Real Estate Co., Ltd.\*) is 2A40, New World Square Phase II, Henggang Street, Longang District, Shenzhen City, the PRC. Its directors are Xie Peiyan (謝培艷), Shen Jing (沈京) and Yao Fen (姚芬).
- (g) The registered office of 深圳市洲際通商投資有限公司 (Shenzhen International Commerce Investment Co., Ltd.\*) is Room 5A14, 5th Floor, New Asia Tai Gu Mall (New Asia Electronic Emporium), intersection of Zhengzhong Road and Zhonghang Road, Futian District, Shenzhen City, the PRC. Its director is Wang Xiaoyuan (王曉媛).
- (h) The registered office of 富德保險控股股份有限公司 (Funde Insurance Holding Co., Ltd.\*) is A201, Qianhai Complex, Qianwan Road 1, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen City, the PRC. Its directors are Zhang Jun (張峻), Fang Li (方力), Yang Zhicheng (楊智呈), Gong Zhijie (龔志潔), Zhang Hanping (張漢平), Guo Qingsheng (郭慶勝), Chang Cun (常存), Xu Wengyuan (徐文淵), Jiang Shengzhong (江生忠), Chen Zetong (陳澤桐), Wang Hui (王輝) and Chen Shujun (陳叔軍).
- (i) The registered office of Fine Power Group Limited is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. Its directors are Liang Hengyi (梁衡義) and Lin Yan (林燕).
- (j) The registered office of Ultimate Capital Limited is 7th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong. Its directors are Liang Hengyi (梁衡義) and Lin Yan (林燕).
- (k) The registered office of Fair Gain Investments Limited is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. Its directors are Liang Hengyi (梁衡義) and Lin Yan (林燕).
- (l) The registered office of King Rich Group Limited is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. Its directors are Xu Liang (徐量), Ding Rucai (丁汝才) and Yang Junlin (楊俊林).
- (m) The registered office of Prime Success Investments Limited is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. Its directors are Xu Liang (徐量), Ding Rucai (丁汝才) and Yang Junlin (楊俊林).
- (n) The registered office of Shougang Holding (Hong Kong) Limited is 7th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong. Its directors are Zhang Gongyan (張功焰), Zhao Tianyang (趙天陽), Sun Yajie (孫亞傑), Bai Chao (白超), Xu Liang (徐量) and Ding Rucai (丁汝才).
- (o) The registered office of Shoucheng Holdings Limited (a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 0697)) is 7th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong. Its directors are Zhao Tianyang (趙天陽), Xu Liang (徐量), Li Wei (李偉), Liang Hengyi (梁衡義), Zhang Meng (張檬), Dr. Li Yinhui (李胤輝), Liu Jingwei (劉景偉), Ho Gilbert Chi Hang (何智恒), Li Hao (李浩), Dr. Wang Xin (王鑫), Choi Fan Keung Vic (蔡奮強), Deng Yougao (鄧有高), Zhang Quanling (張泉靈) and Dr. Qiao Yongyuan (喬永遠).

- (p) The registered office of Excel Bond Investments Limited is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. Its directors are Liang Hengyi (梁衡義) and Lin Yan (林燕).
- (q) The registered office of Shougang Group Co., Ltd. is Shijingshan Road, Shijingshan District, Beijing, The People's Republic of China. Its directors are Zhang Gongyan (張功焰), Fan Yonghong (范勇宏), He Wei (何巍), Liang Zongping (梁宗平), Liu Jingwei (劉景偉) and Wei Aimin (衛愛民).
- (r) The registered office of Octal Capital Limited is at 801–805, 8/F, Nan Fung Tower, 88 Connaught Road Central, Hong Kong.
- (s) The registered office of Gram Capital Limited is at 1209, 12/F, Nan Fung Tower, 88 Connaught Road Central, Hong Kong.
- (t) The principal members of the Shougang Concert Group are the Shougang Shareholders.
- (u) The principal member of the Funde Concert Group is the Funde Shareholder.
- (v) The English text of this Offer Document, the form of proxy for the General Meeting and the Acceptance Form shall prevail over the Chinese text.

#### 15. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following is the qualification of the experts who have given its opinions or advices which are contained in this Offer Document:

<b>Name</b>	<b>Qualification</b>
Octal Capital Limited	a licensed corporation permitted to carry out business in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Gram Capital Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
PricewaterhouseCoopers	Certified Public Accountants

As at the Latest Practicable Date, each of the above experts has given and has not withdrawn its written consent to the issue of this Offer Document with the inclusion of its letter or opinion and reference to its name in the form and context in which they respectively appear.

**16. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection (i) on the website of the Company ([www.shougang-resources.com.hk](http://www.shougang-resources.com.hk)); (ii) on the website of the SFC ([www.sfc.hk](http://www.sfc.hk)); and (iii) at the office of the Company at 6th Floor, Bank of East Asia Harbour View Centre, No. 56 Gloucester Road, Wanchai, Hong Kong (during normal business hours on any Business Day) from the date of this Offer Document for so long as the Offer remains open for acceptance:

- (a) the articles of association of the Company;
- (b) the annual reports of the Company for the three years ended 31 December 2017, 31 December 2018 and 31 December 2019;
- (c) the letter from the Board, the text of which is set out on pages 7 to 17 of this Offer Document;
- (d) the letter from Octal Capital, the text of which is set out on pages 18 to 27 of this Offer Document;
- (e) the letter from the Independent Board Committee, the text of which is set out on pages 28 to 29 of this Offer Document;
- (f) the letter from Gram Capital, the text of which is set out on pages 30 to 48 of this Offer Document;
- (g) the report from PricewaterhouseCoopers in respect of the unaudited pro forma financial information of the Group, the text of which is set out in Appendix III to this Offer Document;
- (h) the undertakings provided by the Funde Shareholder and the Shougang Shareholders in respect of the Offer;
- (i) the service contracts as referred to in the paragraph headed “Directors’ Service Contracts” in this Appendix; and
- (j) the written consents as referred to in the paragraph headed “Qualifications and Consents of Experts” in this Appendix.



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# NOTICE OF GENERAL MEETING

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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)**

**NOTICE IS HEREBY GIVEN** that a general meeting (the “**General Meeting**”) of Shougang Fushan Resources Group Limited (the “**Company**”) will be held at Empire Grand Room, 1st Floor, The Empire Hotel Hong Kong, 33 Hennessy Road, Wan Chai, Hong Kong on Thursday, 3 September 2020 at 11:00 a.m. for the purposes of considering and, if thought fit, passing with or without amendments, the following resolutions as an ordinary resolution and a special resolution of the Company, respectively:

### **ORDINARY RESOLUTION**

The following resolution (a) will be proposed to be considered and if thought appropriate passed as an ordinary resolution of the Company:

“**THAT:**

- (a) the conditional cash offer (the “**Offer**”) by Octal Capital Limited on behalf of the Company to buy back up to 250,000,000 ordinary shares of the Company (the “**Shares**”) at a price of HK\$2.00 per Share in cash and subject to the terms and conditions set out in the Offer Document (a copy of which marked “A” has been produced to the General Meeting and initialled by the chairman of the General Meeting for the purpose of identification) together with the accompanying acceptance form despatched to the shareholders of the Company (the “**Shareholders**”) and dated 19 August 2020 be approved, without prejudice to the existing authority of the Company under the general mandate to buy-back Shares granted by the Shareholders at the annual general meeting of the Company on 21 May 2020, and that any one of the directors of the Company be and is hereby authorised to execute all such documents (and, where necessary, to affix the seal of the Company thereon in accordance with the articles of association of the Company) with or without amendments and do all such things as he/she considers desirable, necessary or expedient in connection with or to give effect to any matters relating to or in connection with the Offer including without limitation, completion of the Offer;

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# NOTICE OF GENERAL MEETING

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## SPECIAL RESOLUTION

The following resolution (b) will be proposed to be considered and if thought appropriate passed as a special resolution of the Company:

- (b) the waivers (the “**Whitewash Waivers**”) in respect of any obligation under the Codes on Takeovers and Mergers and Share Buy-Backs of Hong Kong (the “**Codes**”) of Funde Shareholder and Shougang Shareholders (as defined in the Offer Document) to make a mandatory general offer for the issued Shares not held by the Funde Concert Group and the Shougang Concert Group (as defined in the Offer Document) respectively which may, but for such Whitewash Waivers, arise upon completion of the Offer be and is hereby approved, and that any one of the directors of the Company be and is hereby authorised to execute all such documents (and, where necessary, to affix the seal of the Company thereon in accordance with the articles of association of the Company) with or without amendments and do all such things as he/she considers desirable, necessary or expedient in connection with or to give effect to any matters relating to or in connection with the Whitewash Waivers.”

By Order of the Board  
**Shougang Fushan Resources Group Limited**  
**Ding Rucai**  
*Chairman*

Hong Kong, 19 August 2020

*Notes:*

1. Any Shareholder entitled to attend and vote at the General Meeting or at any adjourned meeting thereof (as the case may be) will be entitled to appoint a proxy or, if such Shareholder is a holder of two or more Shares, proxies to attend and vote in such Shareholder’s stead. A proxy need not be a Shareholder but must attend the General Meeting or any adjourned meeting thereof (as the case may be) in person to represent the appointing Shareholder.
2. In order to be valid, the form of proxy 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 Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not later than 48 hours before the time appointed for holding the General Meeting (i.e. at or before 11:00 a.m. on Tuesday, 1 September 2020 (Hong Kong time)), or any adjourned meeting thereof (as the case may be).
3. The Register of Members will be closed from Monday, 31 August 2020 to Thursday, 3 September 2020 (both days inclusive) to determine the entitlement to attend and vote at the above General Meeting. During such period no transfer of Shares will be registered. In order to qualify for the entitlement to attend and vote at the above General Meeting, all transfer forms accompanied by the relevant Share certificates must be lodged with the Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not later than 4:30 p.m. on Friday, 28 August 2020 for registration.
4. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the General 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/it was solely entitled thereto, but if more than one of such joint holders are present at the General Meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the Register of Members in respect of the Shares shall alone be entitled to vote in respect thereto.

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## NOTICE OF GENERAL MEETING

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6. The health of our Shareholders, staff and stakeholders is of paramount importance to us. In view of the ongoing Novel Coronavirus (COVID-19) pandemic, the Company will implement the following precautionary measures at the General Meeting to protect attending Shareholders, staff and stakeholders from the risk of infection:
- (i) compulsory body temperature checks will be conducted for every Shareholder, proxy or other attendee at each entrance of the General Meeting venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the General Meeting venue or be required to leave the General Meeting venue;
  - (ii) each attendee is required to wear a surgical face mask at all times at the General Meeting and inside the General Meeting venue, and to maintain a safe distance between seats;
  - (iii) no refreshment will be served; and
  - (iv) each attendee may be asked whether (a) he/she has travelled outside of Hong Kong within the 14-day period immediately before the General Meeting and (b) he/she is subject to any Hong Kong Government prescribed quarantine. Anyone who responds positively to any of these questions may be denied entry into the General Meeting venue or be required to leave the General Meeting venue. Alternatively, Shareholders may appoint the chairman of the General Meeting as their proxy to attend and vote on the relevant resolutions at the General Meeting as an alternative to attending the General Meeting or any adjourned meeting thereof (as the case may be) in person by completing and returning the form of proxy attached to this Offer Document.

Pursuant to the restriction of the number of participants in a shareholders' meeting imposed under the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation (the "**Regulation**") as amended from time to time, group gatherings of more than 20 persons for shareholders' meetings are required to be accommodated in separate rooms or partitioned areas of not more than 20 persons each. To comply with the Regulation, the Company will provide enough rooms to separate Shareholders if necessary. Therefore, the Company reminds all Shareholders that physical attendance in person at the General Meeting is not necessary for the purpose of exercising voting rights.

The Company will keep the Shareholders informed by way of further announcement if there are any material updates on the Regulation which would affect the General Meeting.

If any Shareholder has any question relating to the General Meeting, please contact the Registrar as follows:

Tricor Tengis Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

Email: [is-enquiries@hk.tricorglobal.com](mailto:is-enquiries@hk.tricorglobal.com)  
Tel: (852)2980 1333  
Fax: (852)2810 8185

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## NOTICE OF GENERAL MEETING

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As at the date of this notice, the Directors are:

*Executive Directors:*

Mr. Ding Rucai (*Chairman*)

Mr. Fan Wenli (*Managing Director*)

Mr. Chen Zhaoqiang (*Deputy Managing Director*)

Mr. Liu Qingshan (*Deputy Managing Director*)

Mr. Wang Dongming

*Non-executive Directors:*

Ms. Chang Cun

Mr. Shi Yubao

*Independent non-executive Directors:*

Mr. Kee Wah Sze

Mr. Choi Wai Yin

Mr. Japhet Sebastian Law

Mr. Chen Jianxiong