
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 Acceptance Form, 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 Acceptance Form.



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 125,000,000 SHARES
FOR HK\$2.40 PER SHARE
INVOLVING AN APPLICATION FOR WHITEWASH WAIVER

Financial adviser to the Company



Independent Financial Adviser to the Independent Board Committee



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 18 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 19 to 30 of this Offer Document. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 31 to 32 of this Offer Document. A letter from Rainbow Capital containing its opinion and advice to the Independent Board Committee is set out on pages 33 to 54 of this Offer Document.

A notice of the General Meeting to be held at Boardroom 8, Lower Lobby, Renaissance Harbour View Hotel Hong Kong, No. 1 Harbour Road, Wanchai, Hong Kong on Tuesday, 29 August 2023 at 11:00 a.m. is set out on pages GM-1 to GM-3 of this Offer Document. Whether or not you are able to attend the said General Meeting, please complete the enclosed the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as practicable and in any event not later than 48 hours (not taken public holiday into account) before the time appointed for the holding the General Meeting, or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the General Meeting or any adjourned meeting if you so wish.

No refreshments or drinks, and corporate gifts or gift coupons will be provided at the General Meeting.

1 August 2023

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EXPECTED TIMETABLE

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.

Event	Time & Date
Despatch of the Offer Document and notice of General Meeting	Tuesday, 1 August 2023
Latest time for lodging transfer documents to qualify for attendance at the General Meeting	4:30 p.m. on Wednesday, 23 August 2023
Register of Members closes	Thursday, 24 August 2023 to Tuesday, 29 August 2023 (both days inclusive)
Latest time for lodging proxy forms for the General Meeting	11:00 a.m. on Saturday, 26 August 2023
General Meeting	11:00 a.m. on Tuesday, 29 August 2023
Announcement of results of the General Meeting and whether the Offer has become unconditional	no later than 7:00 p.m. on Tuesday, 29 August 2023
Latest time and date for submitting Acceptance Forms (<i>Note 2</i>)	4:00 p.m. on Tuesday, 12 September 2023
Closing date of the Offer (<i>Note 2</i>)	Tuesday, 12 September 2023
Announcement of the results of the Offer on the website of the Stock Exchange	no later than 7:00 p.m. on Tuesday, 12 September 2023
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>)	Thursday, 21 September 2023

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 Tuesday, 29 August 2023.
2. The Offer will remain open for acceptance for a further 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 the 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 date and time contained in this Offer Document refer to Hong Kong dates and time.

EXPECTED TIMETABLE

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 of the Offer 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.

DEFINITIONS

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 in this Offer Document, those defined terms are not included in the table below:

“2022 Final Dividend”	the final dividend for the year ended 31 December 2022 proposed by the Board as announced by the Company on 23 March 2023 and subsequently approved by the Shareholders on 31 May 2023
“Acceptance Form(s)”	form(s) sent to the Shareholders as part of the 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 Takeovers Code
“Announcement”	the announcement of the Company dated 11 July 2023 in relation to, among other things, the Offer and the Whitewash Waiver
“associate(s)”	has the meaning given to it in the Takeovers Code
“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 of which are listed on the Main Board of the Stock Exchange (stock code: 0639)
“Conditions”	conditions set out under the section headed “CONDITIONS TO THE OFFER” in the “Letter from Octal Capital” to which the Offer is subject

DEFINITIONS

“Director(s)”	director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC and any of his delegates
“Funde Sino Life”	Funde Sino Life Insurance Co., Ltd., holding 1,413,284,000 Shares, representing approximately 27.98% of the total issued Shares as at the Latest Practicable Date
“General Meeting”	a general meeting of the Company to be held at Boardroom 8, Lower Lobby, Renaissance Harbour View Hotel Hong Kong, No. 1 Harbour Road, Wanchai, Hong Kong on Tuesday, 29 August 2023 at 11:00 a.m. in connection with the Offer and the Whitewash Waiver
“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
“Independent Board Committee”	an independent committee of the Board, comprising all the non-executive Directors, namely Mr. Shi Yubao and Ms. Chang Cun, and all the independent non-executive Directors, namely Mr. Choi Wai Yin, Mr. Japhet Sebastian Law, Mr. Chen Jianxiong and Mr. Shen Zongbin, who have no interest in the Offer and the Whitewash Waiver other than as a Shareholder (only Mr. Choi Wai Yin is a Shareholder), which has been formed to advise the Independent Shareholders in respect of the Offer and the Whitewash Waiver
“Independent Shareholders”	Shareholders other than (i) the Shougang Concert Group; (ii) those who are involved in, or interested in the Offer and/or the Whitewash Waiver; and (iii) those Shareholders who have a material interest in the Offer or the Whitewash Waiver different from all other Shareholders
“Irrevocable Undertakings”	the irrevocable undertakings dated 11 July 2023 provided by (i) the Shougang Holding Shareholders to the Company that they will not accept the Offer for the Shares held by them as at the Latest Practicable Date; and (ii) the Shoucheng Shareholders to the Company that they will accept the Offer for the Shares held by them in full as at the Latest Practicable Date

DEFINITIONS

“Last Trading Day”	6 July 2023, 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 Tuesday, 12 September 2023, or such later date as the Company may announce in accordance with the requirements of the Codes
“Latest Practicable Date”	28 July 2023, 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
“Maximum Number of Shares”	the maximum number of the Shares to be bought-back pursuant to the Offer, being 125,000,000 Shares in aggregate, representing approximately 2.47% of the total issued Shares as at the Latest Practicable Date
“Octal Capital”	Octal Capital Limited, a licensed corporation permitted to carry out Type 1 (dealing in securities relating to corporate finance) 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 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 Waiver
“Offer Period”	the period from the date of the Announcement, being 11 July 2023, to the date when the Offer closes, lapses or is withdrawn
“Offer Price”	HK\$2.40 per Share being the buy-back price under the Offer

DEFINITIONS

“Overseas Shareholder(s)”	Shareholder(s), whose addresses, as shown in the Register of Members, are outside Hong Kong
“Possible 2023 Interim Dividend”	any possible interim dividend for the six months ended 30 June 2023 as may be declared by the end of August 2023
“PRC”	the People’s Republic of China and for the purpose of the Offer Document shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Qualifying Shareholders”	Shareholder(s), whose names appear on the Register of Members at the close of the Offer
“Rainbow Capital” or “Independent Financial Advisor”	Rainbow Capital (HK) Limited, a licensed corporation permitted to carry out Type 1 (dealing in securities relating to corporate finance) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee in relation to the Offer and the Whitewash Waiver
“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 11 January 2023, being the date falling six months prior to 11 July 2023, being the commencement date of the Offer period, up to and including the Latest Practicable Date
“SFC”	the Securities and Futures Commission of Hong Kong
“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 published by the SFC
“Share(s)”	the ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)

DEFINITIONS

“Shoucheng Shareholders”	being (i) Fine Power Group Limited (a company wholly-owned by Shoujing Yifei Holdings Limited which is in turn wholly-owned by 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), held as to approximately 24.52% interests by Shougang Group Co., Ltd. through its associated companies pursuant to the information published on the website of the Stock Exchange), holding 663,918,497 Shares) and (ii) Fair Gain Investments Limited (a company wholly-owned by Shoujing Yifei Holdings Limited which is in turn wholly-owned by Shoucheng Holdings Limited, holding 200,043,993 Shares)
“Shougang Concert Group”	Shougang Group Shareholders and parties acting in concert with them
“Shougang Group Shareholders”	<p>the Shougang Holding Shareholders and the Shoucheng Shareholders which are holding 1,727,320,490 Shares in aggregate, representing approximately 34.19% 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 and the single largest shareholder of Shoucheng Holdings Limited, is interested in the abovementioned 1,727,320,490 Shares through the Shougang Group Shareholders</p>
“Shougang Holding Shareholders”	being (i) Ultimate Capital Limited (a company wholly owned by Excel Bond Investments Limited which is in turn indirectly wholly-owned by Shougang Holding (Hong Kong) Limited, holding 600,000,000 Shares); (ii) King Rich Group Limited (a company wholly-owned by Shougang Holding (Hong Kong) Limited, holding 247,866,000 Shares); and (iii) Shougang Holding (Hong Kong) Limited (a company wholly-owned by Shougang Group Co., Ltd., holding 15,492,000 Shares)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers published by the SFC

DEFINITIONS

“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”	a waiver to be granted by the Executive in respect of the obligation of the Shougang Holding Shareholders to make a mandatory general offer in accordance with Note 1 to Rule 26.1 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
“%”	per cent.

LETTER FROM THE BOARD



首鋼福山資源集團有限公司
SHOUGANG FUSHAN RESOURCES GROUP LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 639)

Executive Directors:

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

Non-executive Directors:

Ms. Chang Cun
Mr. Shi Yubao

Independent non-executive Directors:

Mr. Choi Wai Yin
Mr. Japhet Sebastian Law
Mr. Chen Jianxiong
Mr. Shen Zongbin

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

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

1 August 2023

To the Shareholders,

Dear Sir/Madam,

**CONDITIONAL CASH OFFER BY OCTAL CAPITAL LIMITED
ON BEHALF OF
SHOUGANG FUSHAN RESOURCES GROUP LIMITED
TO BUY-BACK UP TO 125,000,000 SHARES
FOR HK\$2.40 PER SHARE
INVOLVING AN APPLICATION FOR WHITEWASH WAIVER**

INTRODUCTION

On 11 July 2023, 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 125,000,000 Shares, representing approximately 2.47% 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\$2.40 per Share.

LETTER FROM THE BOARD

The purpose of this Offer Document is to provide you with, among other things, (i) detailed information relating to the Offer and the Whitewash Waiver; (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 Waiver are fair and reasonable and as to acceptance and voting; (iii) a letter of advice from Rainbow Capital containing its advice to the Independent Board Committee as to whether the Offer and the Whitewash Waiver 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 Waiver.

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 section headed “PRINCIPAL TERMS OF THE OFFER” set out in the “Letter from Octal Capital” in this Offer Document, the Company will pay the Accepting Shareholders HK\$2.40 per Share in cash.

As at the Latest Practicable Date, there are 5,051,837,842 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\$300,000,000. 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 is made in full compliance with the Codes. The Offer is 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 Waiver; and
- (c) the Executive granting the Whitewash Waiver and the satisfaction of any conditions attached to the Whitewash Waiver and the Whitewash Waiver not having been revoked or withdrawn.

None of the Conditions above can be waived.

The Offer is not conditional on any minimum number of acceptances.

The Offer is subject to all of the Conditions being fulfilled in full. If the Whitewash Waiver is 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 Waiver is not passed by the Independent Shareholders, the Offer will not proceed and will immediately lapse.

LETTER FROM THE BOARD

THE OFFER PRICE

The Offer Price of HK\$2.40 per Share values the entire issued Shares as at the Latest Practicable Date at approximately HK\$12,124 million.

The Offer Price of HK\$2.40 per Share represents:

- (i) a premium of approximately 17.65% over the closing price of the Shares of HK\$2.04 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 17.65% over the average price of HK\$2.04 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 20.60% over the average price of HK\$1.99 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 9.59% over the average price of HK\$2.19 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 6.19% over the closing price of the Shares of HK\$2.26 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vi) a discount of approximately 27.71% to the Group's net asset value attributable to owners of the Company of approximately HK\$3.32 per Share pursuant to the latest audited consolidated accounts of the Company as at 31 December 2022.

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, the Shougang Group Shareholders were beneficially interested in 1,727,320,490 Shares, representing approximately 34.19% of the total issued Shares. The Shougang Group Shareholders comprise (a) the Shougang Holding Shareholders which were beneficially interested in 863,358,000 Shares, representing approximately 17.09% of the total issued Shares; and (b) the Shoucheng Shareholders which were beneficially interested in 863,962,490 Shares, representing approximately 17.10% of the total issued Shares.

LETTER FROM THE BOARD

The Shougang Holding Shareholders have irrevocably undertaken to the Company that they will not accept the Offer for the Shares held by them as at the Latest Practicable Date. The Shoucheng Shareholders have irrevocably undertaken to the Company that they will accept the Offer for the Shares held by them in full as at the Latest Practicable Date.

Pursuant to the irrevocable undertaking provided by the Shougang Holding Shareholders, subject to the relevant termination events, each of the Shougang Holding Shareholders irrevocably and unconditionally undertakes to the Company that: (a) it will not ask for or accept the Offer in respect of any of the Shares held by it and gives up the rights to accept the Offer; (b) even if any or all of them have received the Offer, none of them will accept the Offer or provide the Shares held by it to accept the Offer; (c) if any of its Shares is held by a trustee or custodian, it will procure the trustee or custodian to perform in accordance with terms of the irrevocable undertaking; (d) without the prior consent of the Company, it shall not prior to the earlier of the completion of the Offer or lapsing or being withdrawn, other than usual brokers' or bankers' liens or assurances provided to the Hong Kong Securities Clearing Company Limited (HKSCC), directly or indirectly sell, transfer, charge, encumber, grant any option over or otherwise dispose of or permit any of the above actions over all or any of Shares held by it, or enter into any arrangement to do any of the actions above; and (e) it will not acquire or deal with any of the Shares held by it or any securities or interests in share capital of the Company, or enter into any arrangement to do any of the actions above.

Pursuant to the irrevocable undertaking provided by the Shoucheng Shareholders, subject to the relevant termination events, each of the Shoucheng Shareholders irrevocably and unconditionally undertakes to the Company that: (a) it will accept the Offer in respect of the Shares held by it in full and execute all documents and take all necessary and appropriate actions to accept the Offer; (b) if any of its Shares is held by a trustee or custodian, it will procure the trustee or custodian to perform in accordance with terms of the irrevocable undertaking; and (c) save for pursuant to the Offer, without the prior consent of the Company, it shall not prior to the earlier of the completion of the Offer or lapsing or being withdrawn, other than usual brokers' or bankers' liens or assurances provided to the Hong Kong Securities Clearing Company Limited (HKSCC), directly or indirectly sell, transfer, charge, encumber, grant any option over or otherwise dispose of or permit any of the above actions over all or any of Shares held by it, or enter into any arrangement to do any of the actions above.

The Irrevocable Undertakings became effective from 11 July 2023, and shall terminate on the earlier of (i) the latest date for accepting the Offer; or (ii) the date on which the Offer lapses or is withdrawn in circumstances permitted under the Codes (including both dates).

LETTER FROM THE BOARD

WHITEWASH WAIVER

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 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 Irrevocable Undertakings, the aggregate interests in the total issued Shares held by (i) the Shougang Holding Shareholders may increase from its current level of approximately 17.09% to a maximum of approximately 17.52%; and (ii) the Shoucheng Shareholders may decrease from its current level of approximately 17.10% to a minimum of approximately 17.01% such that the aggregate interests in the total issued Shares held by the Shougang Holding Shareholders will be higher than those held by the Shoucheng Shareholders. The Shougang Holding Shareholders are therefore obliged to make a mandatory general offer for all of the Shares not beneficially owned by the Shougang Concert Group under Note 1 to Rule 26.1 of the Takeovers Code.

Accordingly, an application for the Whitewash Waiver has been made to the Executive by the Shougang Holding 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 Waiver to waive any obligation of the Shougang Holding Shareholders to make a mandatory general offer which might result from completion of the Offer.

The Offer is conditional upon approval by the Independent Shareholders voting, in person or by proxy, by way of poll at the General Meeting and the Whitewash Waiver being granted by the Executive, which would also be subject to the approval by the Independent Shareholders voting, in person or by proxy, by way of poll at the General Meeting.

If the Whitewash Waiver is 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 Waiver 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 Waiver would not give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). The Company notes that the Executive may not grant the Whitewash Waiver if the transactions under the Offer and the Whitewash Waiver do not comply with other applicable rules and regulations.

LETTER FROM THE BOARD

DEALINGS IN SHARES BY THE COMPANY 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 2022, 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 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 Waiver.

There is no agreement or arrangement, to which the Company or parties acting in concert with it 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 Waiver. None of the Directors or parties acting in concert with any of them 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 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 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 the Company or any parties acting in concert with it to any Shareholder in connection with the Offer.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURES

Set out below is a table showing the shareholding structure of the Company immediately before and after the completion of the Offer on the assumption 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	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Substantial Shareholders:				
<i>The Shougang Holding</i>				
<i>Shareholders (Note (i))</i>				
Ultimate Capital Limited	600,000,000	11.88	600,000,000	12.18
King Rich Group Limited	247,866,000	4.90	247,866,000	5.03
Shougang Holding (Hong Kong) Limited	<u>15,492,000</u>	<u>0.31</u>	<u>15,492,000</u>	<u>0.31</u>
(A) Sub-total	863,358,000	17.09	863,358,000	17.52
<i>The Shoucheng Shareholders</i>				
<i>(Note (ii))</i>				
Fine Power Group Limited	663,918,497	13.14	644,104,671	13.07
Fair Gain Investments Limited	<u>200,043,993</u>	<u>3.96</u>	<u>194,073,927</u>	<u>3.94</u>
(B) Sub-total	863,962,490	17.10	838,178,598	17.01
<i>The Shougang Concert</i>				
<i>Group</i>				
(A)+(B) Sub-total	1,727,320,490	34.19	1,701,536,598	34.54
Funde Sino Life (Note (iii))	1,413,284,000	27.98	1,371,106,287	27.83
Directors who hold the Shares:				
Mr. Chen Zhaoqiang				
<i>(Note (iv))</i>	1,110,000	0.02	1,076,873	0.02
Mr. Choi Wai Yin <i>(Note (v))</i>	650,000	0.01	630,602	0.01
Public Shareholders	<u>1,909,473,352</u>	<u>37.80</u>	<u>1,852,487,482</u>	<u>37.60</u>
Total	<u>5,051,837,842</u>	<u>100.00</u>	<u>4,926,837,842</u>	<u>100.00</u>

LETTER FROM THE BOARD

Notes:

- (i) As informed by the Shougang Holding Shareholders, as at the Latest Practicable Date, Shougang Group Co., Ltd. was interested in the Shares held by its subsidiaries, namely; (i) Ultimate Capital Limited (a company wholly-owned by Shougang Holding (Hong Kong) Limited, holding 600,000,000 Shares); (ii) King Rich Group Limited (a company indirectly wholly-owned by Shougang Holding (Hong Kong) Limited, holding 247,866,000 Shares); and (iii) Shougang Holding (Hong Kong) Limited (a company wholly-owned by Shougang Group Co., Ltd., holding 15,492,000 Shares).
- (ii) Pursuant to the disclosure form dated 28 November 2022 (being the latest disclosure form filed up to the Latest Practicable Date) as published on the website of the Stock Exchange, Shoucheng Holdings Limited was interested in the Shares held by (a) Fine Power Group Limited (a company wholly-owned by Shoujing Yifei Holdings Limited which is in turn wholly-owned by Shoucheng Holdings Limited, holding 663,918,497 Shares; and (b) Fair Gain Investments Limited (a company wholly-owned by Shoujing Yifei Holdings Limited which is in turn wholly-owned by Shoucheng Holdings Limited, holding 200,043,993 Shares).
- (iii) Pursuant to the disclosure form dated 16 June 2023 (being the latest disclosure form filed up to the Latest Practicable Date) as published on the website of the Stock Exchange, Funde Sino Life was interested in 1,413,284,000 Shares.
- (iv) Mr. Chen Zhaoqiang, being an executive Director who is not (a) a member of the Shougang Concert Group or a nominee of the Shougang Group Shareholders or (b) involved in the negotiations of the Offer and/or the Whitewash Waiver, is interested in 1,110,000 Shares as at the Latest Practicable Date.
- (v) Mr. Choi Wai Yin, being an independent non-executive Director who is not (a) a member of the Shougang Concert Group or a nominee of the Shougang Group Shareholders or (b) involved in the negotiations of the Offer and/or the Whitewash Waiver, is interested in 650,000 Shares as at the Latest Practicable Date.
- (vi) 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.
- (vii) The aggregate percentage may not add up to 100% due to rounding.

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 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, save for the Shoucheng Shareholders which have irrevocably undertaken to the Company that they will accept the Offer for the Shares held by them in full, neither the Company nor parties acting in concert with it has received any irrevocable commitment to accept the Offer.

LETTER FROM THE BOARD

REASONS AND FINANCIAL EFFECT OF THE OFFER

The Board believes the Offer provides 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. Further, the trading of the Shares was generally inactive during the past six months prior to the Last Trading Day. The average daily trading volume of the Shares in the market for each month from January 2023 to June 2023 ranged from approximately 3,150,000 Shares to approximately 15,665,000 Shares, representing approximately 0.06% to 0.31% of the total number of Shares issued and approximately 0.16% to 0.82% of the total number of Shares held by the public, respectively. Given the relatively low trading volume of the Shares in the market compared to the Maximum Number of Shares to be bought-back by the Company under the Offer, 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 if the Company carries out an on-market share buy-back.

The price of the Shares has historically been traded at a discount to the Group's net asset value per Share. During the past 12 months and up to the Latest Practicable Date, the highest closing price per Share as quoted on the Stock Exchange was HK\$2.95 on 26 January 2023 and the lowest closing price per Share as quoted on the Stock Exchange was HK\$1.84 on 23 June 2023. The closing price of the Shares of HK\$2.04 per Share on the Last Trading Day represents a discount of approximately 38.55% to the Group's net asset value attributable to owners of the Company of HK\$3.32 per Share as at 31 December 2022.

In view of the above factors, the Board (including the Independent Board Committee) considers that the Offer is in the best interest of the Company and its 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 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 2022 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 2022 would increase by approximately 0.60% from approximately HK\$3.32 per Share to approximately HK\$3.34 per Share; (ii) the earnings per Share for the year ended 31 December 2022 would increase by approximately 2.53% from approximately HK53.75 cents to approximately HK55.11

LETTER FROM THE BOARD

cents; (iii) the consolidated total liabilities of the Group will remain unchanged at approximately HK\$4,786,265,000; and (iv) the working capital (expressed as net current assets) of the Group will decrease by approximately 4.22% from approximately HK\$7,208,171,000 to approximately HK\$6,904,171,000 and the current ratio (computed from current assets divided by current liabilities) of the Group will decrease by approximately 3.10% from approximately 3.23 times to approximately 3.13 times.

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.

FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the audited consolidated financial results of the Group for the two years ended 31 December 2021 and 2022 as extracted from the annual report of the Company for the two years ended 31 December 2021 and 2022, respectively:

	For the year ended 31 December	
	2021	2022
	HK\$'000	HK\$'000
	(Audited)	(Audited)
Revenue	7,075,818	8,214,719
Profit/(Loss) before tax	4,132,159	4,625,893
Profit/(Loss) after tax	3,060,831	3,308,155

The audited consolidated net assets attributable to shareholders of the Company as at 31 December 2022 were approximately HK\$18,677 million.

FUTURE INTENTIONS OF THE GROUP AND THE SHOUGANG CONCERT GROUP

It is the intention of the Shougang Concert Group 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 the Shougang Concert Group 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.

LETTER FROM THE BOARD

DIVIDEND

For the 2022 Final Dividend, a Shareholder whose name appeared on the Register of Members on 12 June 2023 was entitled to such dividend and such has been paid on 28 July 2023 irrespective of whether the Shareholder accepts the Offer or not. As for the Possible 2023 Interim Dividend, the Accepting Shareholders will not be entitled to such interim dividend in respect of the Shares bought-back. Therefore, both the 2022 Final Dividend and any Possible 2023 Interim Dividend will not be deducted from the Offer Price. Other than the 2022 Final Dividend and the Possible 2023 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-3 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 Waiver respectively.

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 17/F, Far East Finance Centre, 16 Harcourt Road, 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 all the non-executive Directors, namely Mr. Shi Yubao and Ms. Chang Cun, and all the independent non-executive Directors, namely Mr. Choi Wai Yin, Mr. Japhet Sebastian Law, Mr. Chen Jianxiong and Mr. Shen Zongbin, who have no interest in the Offer and the Whitewash Waiver other than as a Shareholder (only Mr. Choi Wai Yin is a Shareholder), has been formed to advise the Independent Shareholders in respect of the Offer and the Whitewash Waiver.

LETTER FROM THE BOARD

At the approval by the Independent Board Committee, Rainbow Capital has been appointed to advise the Independent Board Committee as to whether the Offer and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned, whether the Offer and the Whitewash Waiver 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 Waiver. 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 Shougang Concert Group and those who are involved in, or interested in the Offer and/or the Whitewash Waiver and those Shareholders who have a material interest in the Offer or the Whitewash Waiver different from all other Shareholders will be required to abstain from voting on the resolutions in respect of the Offer and the Whitewash Waiver to be proposed at the General Meeting.

Your attention is drawn to the “Letter from the Independent Board Committee” as set out on pages 31 to 32 of this Offer Document. Your attention is also drawn to the letter of advice from Rainbow Capital which contains, among other things, its advice to the Independent Board Committee as to whether the Offer and the Whitewash Waiver 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 Rainbow Capital” is set out on pages 33 to 54 of this Offer Document.

Your attention is also drawn to the principal terms of the Offer as set out in Appendix I of this Offer Document, and the statutory and general information as set out in Appendix IV of 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 29 August 2023 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

LETTER FROM OCTAL CAPITAL



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

1 August 2023

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 125,000,000 SHARES
FOR HK\$2.40 PER SHARE
INVOLVING AN APPLICATION FOR WHITEWASH WAIVER**

INTRODUCTION

On 11 July 2023, 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 125,000,000 Shares, representing approximately 2.47% 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\$2.40 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 HK\$300,000,000 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 of 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 18 of this Offer Document. You are also strongly advised to read the “Letter from the Independent Board Committee” as set out on pages 31 to 32 of this Offer Document which contains its recommendation to the Independent Shareholders in respect of the Offer and the Whitewash Waiver, and the “Letter from Rainbow Capital” as set out on pages 33 to 54 of this Offer Document containing its advice to the Independent Board Committee in respect of the Offer and the Whitewash Waiver.

LETTER FROM OCTAL CAPITAL

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\$2.40 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 is making 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 0.13% 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;

LETTER FROM OCTAL CAPITAL

- (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 2022 Final Dividend, a Shareholder whose name appeared on the Register of Members on 12 June 2023 was entitled to such dividend and such has been paid on 28 July 2023 irrespective of whether he/she/it accepts the Offer or not. As for the Possible 2023 Interim Dividend, the Accepting Shareholders will not be entitled to such interim dividend in respect of the Shares bought-back. Therefore, both the 2022 Final Dividend declared and the Possible 2023 Interim Dividend will not be deducted from the Offer Price. Other than the 2022 Final Dividend and the Possible 2023 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 is subject to the approval by the Independent Shareholders by way of a poll. The Offer is also 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\$2.40 per Share values the entire issued Shares as at the Latest Practicable Date at approximately HK\$12,124 million.

The Offer Price of HK\$2.40 per Share represents:

- (i) a premium of approximately 17.65% over the closing price of the Shares of HK\$2.04 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 17.65% over the average price of HK\$2.04 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 20.60% over the average price of HK\$1.99 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;

LETTER FROM OCTAL CAPITAL

- (iv) a premium of approximately 9.59% over the average price of HK\$2.19 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 6.19% over the closing price of the Shares of HK\$2.26 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vi) a discount of approximately 27.71% to the Group's net asset value attributable to owners of the Company of approximately HK\$3.32 per Share pursuant to the latest audited consolidated accounts of the Company as at 31 December 2022.

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\$2.95 on 26 January 2023 and the lowest closing price per Share as quoted on the Stock Exchange was HK\$1.84 on 23 June 2023.

CONFIRMATION OF FINANCIAL RESOURCES

The maximum amount payable by the Company under the Offer is HK\$300,000,000 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 is 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 Waiver; and

LETTER FROM OCTAL CAPITAL

- (c) the Executive granting the Whitewash Waiver and the satisfaction of any conditions attached to the Whitewash Waiver and the Whitewash Waiver not having been revoked or withdrawn.

None of the Conditions above can be waived.

The Offer is not conditional on any minimum number of acceptances.

The Offer is subject to all of the Conditions being fulfilled in full. If the Whitewash Waiver is 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 Waiver is not passed by the Independent Shareholders, the Offer will not proceed and will immediately lapse.

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 = 125,000,000 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.

LETTER FROM OCTAL CAPITAL

IRREVOCABLE UNDERTAKINGS

As at the Latest Practicable Date, the Shougang Group Shareholders were beneficially interested in 1,727,320,490 Shares, representing approximately 34.19% of the total issued Shares. The Shougang Group Shareholders comprise (a) the Shougang Holding Shareholders which were beneficially interested in 863,358,000 Shares, representing approximately 17.09% of the total issued Shares; and (b) the Shoucheng Shareholders which were beneficially interested in 863,962,490 Shares, representing approximately 17.10% of the total issued Shares.

Pursuant to the irrevocable undertaking provided by the Shougang Holding Shareholders, subject to the relevant termination events, each of the Shougang Holding Shareholders irrevocably and unconditionally undertakes to the Company that: (a) it will not ask for or accept the Offer in respect of any of the Shares held by it and gives up the rights to accept the Offer; (b) even if any or all of them have received the Offer, none of them will accept the Offer or provide the Shares held by it to accept the Offer; (c) if any of its Shares is held by a trustee or custodian, it will procure the trustee or custodian to perform in accordance with terms of the irrevocable undertaking; (d) without the prior consent of the Company, it shall not prior to the earlier of the completion of the Offer or lapsing or being withdrawn, other than usual brokers' or bankers' liens or assurances provided to the Hong Kong Securities Clearing Company Limited (HKSCC), directly or indirectly sell, transfer, charge, encumber, grant any option over or otherwise dispose of or permit any of the above actions over all or any of Shares held by it, or enter into any arrangement to do any of the actions above; and (e) it will not acquire or deal with any of the Shares held by it or any securities or interests in share capital of the Company, or enter into any arrangement to do any of the actions above.

Pursuant to the irrevocable undertaking provided by the Shoucheng Shareholders, subject to the relevant termination events, each of the Shoucheng Shareholders irrevocably and unconditionally undertakes to the Company that: (a) it will accept the Offer in respect of the Shares held by it in full and execute all documents and take all necessary and appropriate actions to accept the Offer; (b) if any of its Shares is held by a trustee or custodian, it will procure the trustee or custodian to perform in accordance with terms of the irrevocable undertaking; and (c) save for pursuant to the Offer, without the prior consent of the Company, it shall not prior to the earlier of the completion of the Offer or lapsing or being withdrawn, other than usual brokers' or bankers' liens or assurances provided to the Hong Kong Securities Clearing Company Limited (HKSCC), directly or indirectly sell, transfer, charge, encumber, grant any option over or otherwise dispose of or permit any of the above actions over all or any of Shares held by it, or enter into any arrangement to do any of the actions above.

The Irrevocable Undertakings became effective from 11 July 2023, and shall terminate on the earlier of (i) the latest date for accepting the Offer; or (ii) the date on which the Offer lapses or is withdrawn in circumstances permitted under the Codes (including both dates).

LETTER FROM OCTAL CAPITAL

As at the Latest Practicable Date, (i) Funde Sino Life, was interested in 1,413,284,000 Shares, representing approximately 27.98% of the total issued Shares; and (ii) Mr. Chen Zhaoqiang and Mr. Choi Wai Yin, both being the Directors, have personal interest of 1,110,000 Shares and 650,000 Shares, representing approximately 0.02% and 0.01% of the total issued Shares respectively.

After reasonable inquiry being made by the Company, (i) Funde Sino Life indicated that it (a) has not decided whether it will accept the Offer or not; and (b) currently intends to vote in favour of the resolutions in relation to the Offer and the Whitewash Waiver to be proposed at the General Meeting; and (ii) each of Mr. Chen Zhaoqiang and Mr. Choi Wai Yin indicated that he will (a) not accept the Offer in respect of all of the Shares held by him as at the Latest Practicable Date in order to retain his holding of the Shares and participate in the future prospects of the Company with enhanced net asset value per Share attributable to each Share held by him after the Offer; and (b) vote in favour of the resolutions in relation to the Offer and the Whitewash Waiver to be proposed at the General Meeting.

WHITEWASH WAIVER

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 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 Irrevocable Undertakings, the aggregate interests in the total issued Shares held by (i) the Shougang Holding Shareholders may increase from its current level of approximately 17.09% to a maximum of approximately 17.52%; and (ii) the Shoucheng Shareholders may decrease from its current level of approximately 17.10% to a minimum of approximately 17.01% such that the aggregate interests in the total issued Shares held by the Shougang Holding Shareholders will be higher than those held by the Shoucheng Shareholders. The Shougang Holding Shareholders are therefore obliged to make a mandatory general offer for all of the Shares not beneficially owned by the Shougang Concert Group under Note 1 to Rule 26.1 of the Takeovers Code.

Accordingly, an application for the Whitewash Waiver has been made to the Executive by the Shougang Holding 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 Waiver to waive any obligation of the Shougang Holding Shareholders to make a mandatory general offer which might result from completion of the Offer.

LETTER FROM OCTAL CAPITAL

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).

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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, in an envelope marked “**Shougang Fushan Resources Group Limited – 2023 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 Tuesday, 12 September 2023, 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.

LETTER FROM OCTAL CAPITAL

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.

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.

LETTER FROM OCTAL CAPITAL

For this purpose, Prudential Brokerage Limited, whose address is at 901-904, 9/F, World-wide House, 19 Des Voeux Road C, Central, Hong Kong (contact person: Mr. CY Tam (譚灼耀); telephone number: 2143 3808) 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).

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.

LETTER FROM OCTAL CAPITAL

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.

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, Rainbow 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-3 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 Waiver.

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 of this Offer Document and in the Acceptance Form.

LETTER FROM OCTAL CAPITAL

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 Rainbow Capital as contained in the “Letter from Rainbow 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

Fionna Chau
Director

Ben Chui
Associate Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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



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)

1 August 2023

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 125,000,000 SHARES
FOR HK\$2.40 PER SHARE
INVOLVING AN APPLICATION FOR WHITEWASH WAIVER**

We have been appointed as members of the Independent Board Committee to advise you in respect of the Offer and the Whitewash Waiver, details of which are set out in the “Letter from the Board” in the document of the Company dated 1 August 2023 (the “**Offer Document**”), of which this letter forms part. Rainbow Capital has been appointed with the approval of the Independent Board Committee as the independent financial adviser to advise it in relation to the Offer and the Whitewash Waiver. 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 19 to 30 of this Offer Document and Appendix I of this Offer Document containing the principal terms of the Offer, and the “Letter from Rainbow Capital” as set out on pages 33 to 54 of this Offer Document, which contains its advice and recommendation to us in respect of the Offer and the Whitewash Waiver, 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, Rainbow Capital as stated in the aforementioned letter of advice, we are of the opinion that the terms of the Offer and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and that the Offer and the granting of the Whitewash Waiver, 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 Waiver at the General Meeting.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We also concur with the advice of Rainbow 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

Ms. Chang Cun
Non-executive Director

Mr. Shi Yubao
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*

Mr. Shen Zongbin
*Independent
non-executive Director*

LETTER FROM RAINBOW CAPITAL

The following is the full text of a letter of advice from Rainbow Capital, the Independent Financial Adviser to the Independent Board Committee in respect of the Offer and the Whitewash Waiver, which has been prepared for the purpose of incorporation in this Offer Document.



Room 5B, 12th Floor
Tung Ning Building
No. 2 Hillier Street
Sheung Wan, Hong Kong

1 August 2023

To: the Independent Board Committee

Dear Sirs,

**CONDITIONAL CASH OFFER BY OCTAL CAPITAL LIMITED
ON BEHALF OF
SHOUGANG FUSHAN RESOURCES GROUP LIMITED
TO BUY-BACK UP TO 125,000,000 SHARES
FOR HK\$2.40 PER SHARE
INVOLVING AN APPLICATION FOR WHITEWASH WAIVER**

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 Waiver, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) of this Offer Document to the Independent Shareholders dated 1 August 2023, of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in this Offer Document.

On 11 July 2023 (after trading hours), 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 125,000,000 Shares, representing approximately 2.47% 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\$2.40 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.

LETTER FROM RAINBOW CAPITAL

As at the Latest Practicable Date, there are 5,051,837,842 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\$300,000,000. 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 Shougang Holding Shareholders have irrevocably undertaken to the Company that they will not accept the Offer for the Shares held by them as at the Latest Practicable Date. The Shoucheng Shareholders have irrevocably undertaken to the Company that they will accept the Offer for the Shares held by them in full as at the Latest Practicable Date. The Irrevocable Undertakings became effective from 11 July 2023, and shall terminate on the earlier of (i) the latest date for accepting the Offer; or (ii) the date on which the Offer lapses or is withdrawn in circumstances permitted under the Codes (including both dates).

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 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 Irrevocable Undertakings, the aggregate interests in the total issued Shares held by (i) the Shougang Holding Shareholders may increase from its current level of approximately 17.09% to a maximum of approximately 17.52%; and (ii) the Shoucheng Shareholders may decrease from its current level of approximately 17.10% to a minimum of approximately 17.01%, such that the aggregate interests in the total issued Shares held by the Shougang Holding Shareholders will be higher than those held by the Shoucheng Shareholders. The Shougang Holding Shareholders are therefore obliged to make a mandatory general offer for all of the Shares not beneficially owned by the Shougang Concert Group under Note 1 to Rule 26.1 of the Takeovers Code.

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

The Independent Board Committee, comprising all the non-executive Directors, namely Mr. Shi Yubao and Ms. Chang Cun, and all the independent non-executive Directors, namely Mr. Choi Wai Yin, Mr. Japhet Sebastian Law, Mr. Chen Jianxiong and Mr. Shen Zongbin, who have no interest in the Offer and the Whitewash Waiver other than as a Shareholder (only Mr. Choi Wai Yin is a Shareholder), has been formed to advise the Independent Shareholders on whether the terms of the Offer and the Whitewash Waiver are fair and reasonable and as to the acceptance and voting respectively. We, Rainbow Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in the same regard and such appointment has been approved by the Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code.

LETTER FROM RAINBOW CAPITAL

We are not associated with the Group, the Shougang Holding Shareholders, the Shoucheng Shareholders, their respective substantial shareholders or any part acting, or presumed to be acting, in concert with any of them. We have acted as the independent financial adviser to the independent board committee and the independent shareholders of the Company in relation to the revision of annual caps for continuing connected transactions and extension of the term under the 2021 master sales and purchase agreement, details of which are set out in the circular of the Company dated 13 October 2022. Other than that, there was no engagement or connection between the Group or the Shougang Holding Shareholders and us in the last two years. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no other arrangement exists whereby we will receive any fees or benefits from the Group, the Shougang Holding Shareholders, the Shoucheng Shareholders, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them. As such, we are qualified to give independent advice to the Independent Board Committee in respect of the Offer and the Whitewash Waiver pursuant to Rule 2.6 of the Takeovers Code.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have considered, among other things, (i) the information and facts contained or referred to in this Offer Document; (ii) the annual report of the Company for the year ended 31 December 2022; (iii) the information supplied by the Directors and the management of the Group; (iv) the opinions expressed by and the representations of the Directors and the management of the Group; and (v) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in this Offer Document were true, accurate and complete in all material respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in this Offer Document are true in all material respects at the time they were made and continue to be true in all material respects as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in this Offer Document were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of such information and representations provided to us by the Directors and the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in this Offer Document and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all material respects at the time they were made and continued to be so until the Latest Practicable Date.

The Independent Shareholders will be informed by the Group and us as soon as possible if there is any material change to the information disclosed in the Offer Document during the Offer Period, in which case we will consider whether it is necessary to revise our opinion and inform the Independent Board Committee and the Independent Shareholders accordingly.

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.

LETTER FROM RAINBOW CAPITAL

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in this Offer Document so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company, the Shougang Holding Shareholders, the Shoucheng Shareholders or any of their respective subsidiaries and associates.

We have not considered the tax and regulatory implications on the Independent Shareholders of acceptance or non-acceptance of the Offer and the Whitewash Waiver since these depend on their individual circumstances. In particular, the Independent Shareholders who are residents overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions and, if in any doubt, should consult their own professional advisers.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Offer and the Whitewash Waiver, we have taken into account the following principal factors and reasons:

1. Background and terms of the Offer

On 11 July 2023 (after trading hours), 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 125,000,000 Shares, representing approximately 2.47% 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\$2.40 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. Upon acceptance of the Offer and upon the basis of the section headed “Principal Terms of the Offer” set out in the letter from Octal Capital in the Offer Document, the Company will pay the Accepting Shareholders HK\$2.40 per Share in cash.

As at the Latest Practicable Date, there are 5,051,837,842 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\$300,000,000. 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.

LETTER FROM RAINBOW CAPITAL

2. Financial information of the Group

The Company is incorporated in Hong Kong with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange. The principal activities of the Group's subsidiaries comprise coking coal mining, production and sales of coking coal products in the PRC. As disclosed in the annual report of the Company for the year ended 31 December 2022 (the "2022 Annual Report"), the Company is one of the most sizable integrated coking coal corporations in central-western China. The Group has three premium operating coking coal mines (namely, Xingwu Coal Mine, Jinjiazhuang Coal Mine and Zhaiyadi Coal Mine) and three coal preparation plants in Liulin County, Shanxi Province, the PRC.

Set out below is a summary of the audited financial information of the Group for the two years ended 31 December 2022 ("FY2021" and "FY2022", respectively) as extracted from the 2022 Annual Report:

	FY2021	FY2022	Year on year change
	<i>HK\$'000</i>	<i>HK\$'000</i>	%
	(audited)	(audited)	
Revenue – sale of clean coking coal	7,075,818	8,214,719	16.1
Gross profit	4,394,574	5,289,594	20.4
Profit for the year	3,060,831	3,308,155	8.1
Profit attributable to the Shareholders	2,538,495	2,715,374	7.0
	As at 31	As at 31	
	December	December	Year on year change
	2021	2022	%
	<i>HK\$'000</i>	<i>HK\$'000</i>	
	(audited)	(audited)	
Time deposits with original maturity over three months	2,015,677	2,179,700	8.1
Cash and cash equivalents	4,410,209	3,833,923	(13.1)

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). In line with the Group's long-term strategy to concentrate on clean coking coal sales, the Group generated all of its revenue from sales of clean coking coal for the last two financial years.

LETTER FROM RAINBOW CAPITAL

For FY2022, revenue of the Group amounted to approximately HK\$8,214.7 million, representing an increase of approximately 16.1% from approximately HK\$7,075.8 million for FY2021. Such increase was mainly driven by the significant increase in average realised selling prices of clean coking coal and the rise in sales volume of clean coking coal, the positive impact of which was partially offset by the depreciation in average exchange rate of RMB to HK\$ for FY2022. The increase in average realised selling prices of clean coking coal in FY2022 was mainly due to the continued benefit from certain policies on restriction of imported coal to China and the strong coal demand in the domestic coal market, especially in the first half of 2022.

In line with the increase in revenue, the Group's gross profit increased by approximately 20.4% from approximately HK\$4,394.6 million for FY2021 to approximately HK\$5,289.6 million for FY2022.

The Group recorded profit attributable to the Shareholders of approximately HK\$2,715.4 million for FY2022, representing an increase of approximately 7.0% from approximately HK\$2,538.5 million for FY2021. Such increase was primarily attributable to the increase in revenue and gross profit as mentioned above.

As disclosed in the 2022 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 major customers are steel manufacturers in the PRC. As such, the market price of coking coal is highly dependent on the demand of the downstream steel industry and the supply of coking coal.

Set out below are the historical data on the output of crude steel, rolled steel and coke in the PRC from 2018 to 2022:

	2018	2019	2020	2021	2022	2018-2022 CAGR
Output of crude steel (in million tons)	929.0	995.4	1,064.8	1,035.2	1,018.0	2.3%
Output of rolled steel (in million tons)	1,132.9	1,204.6	1,324.9	1,336.7	1,340.3	4.3%
Output of coke (in million tons)	448.3	471.3	471.2	464.5	473.4	1.4%

Source: National Bureau of Statistics of the PRC

As shown in the table above, (i) the output of crude steel in the PRC increased from approximately 929.0 million tons in 2018 to approximately 1,018.0 million tons in 2022, representing a compound annual growth rate ("CAGR") of approximately 2.3%; (ii) the output of rolled steel in the PRC increased from approximately 1,132.9 million tons in 2018 to approximately 1,340.3 million tons in 2022, representing a CAGR of approximately 4.3%; and (iii) the output of coke in the PRC increased from approximately 448.3 million tons in 2018 to approximately 473.4 million tons in 2022, representing a CAGR of approximately 1.4%. This indicated a growing supply of steel-related products in the market. However, it can also be seen that the growth of the output of crude steel, rolled steel and coke have weakened since 2020.

LETTER FROM RAINBOW CAPITAL

Although the PRC has adjusted pandemic measures at the end of 2022 and the Chinese economy is expected to return to normal in 2023, the international situation is still complex and changing. The continuation of the Russia-Ukraine war and the tensions between China and the U.S. will all have a greater impact on the world economy. Geopolitical conflicts will likely persist, imposing pressure on the Chinese economic recovery as well. Indicators such as land purchase, new construction, and sales area continue to remain low level and are still in a downward trend. According to the National Bureau of Statistics of the PRC, total national investment in property development and sales value of commodity properties in the PRC amounted to approximately RMB13,289.5 billion and RMB13,330.8 billion in 2022, representing a decrease of approximately 10.0% and 26.7%, respectively, as compared to 2021. This was primarily attributable to the regulations and policies including the “Three Red Lines” policy, land auction and regulatory funding policies, recent debt default of certain large property developers and the sluggish willingness of consumers to purchase housing and capital reinvestment. The “Three Red Lines” policy puts caps on debt-to-cash, debt-to-assets and debt-to-equity ratios of property developers to deleverage the real estate industry which caused the Chinese real estate industry to fall into a liquidity crisis. The contraction in the property market in the PRC, especially in property investments would cause contraction in construction activities, which in turn would lead to weakening demand along the steel and coking coal products.

With reference to the 2022 Annual Report, on the supply side, domestic coking coal production has been steadily increasing, but stricter safety inspections in coal mines may lead to tighter supply in production areas, potentially affecting the future growth rate. On the import side, Mongolia and Russia are expected to further increase their coal exports to China while China has reportedly removed all the remaining restrictions on Australian coal imports in early 2023. As such, the supply and price of coking coal products are expected to continue fluctuating.

In summary, although the Group’s business operations and financial performance have been improved in recent years, taking into account (i) the weakened growth of the output of crude steel, rolled steel and coke in the PRC since 2020; (ii) that the contraction in the Chinese property market would reduce the demand for steel and coking coal products; and (iii) the fluctuating supply and price of coking coal products as affected by the stricter safety inspections in coal mines and the increased coal imports to China, the prospects of the coal mining industry in the PRC and the Group’s businesses may be uncertain in near future.

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3. Reasons for and benefits of the Offer

As disclosed in the Letter from the Board, the Board believes the Offer provides 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. Further, the trading of the Shares was generally inactive during the past six months prior to the Last Trading Day. The average daily trading volume of the Shares in the market for each month from January 2023 to June 2023 ranged from approximately 3,150,000 Shares to approximately 15,665,000 Shares, representing approximately 0.06% to 0.31% of the total number of Shares in issue and approximately 0.16% to 0.82% of the total number of Shares held by the public, respectively. Given the relatively low trading volume of the Shares in the market compared to the Maximum Number of Shares to be bought-back by the Company under the Offer, 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 if the Company carries out an on-market share buy-back.

The price of the Shares has historically been traded at a discount to the Group's net asset value ("NAV") per Share. Based on the equity attributable to the Shareholders of approximately HK\$16,768.7 million as at 31 December 2022 and 5,051,837,842 issued Shares as at the Latest Practicable Date, the audited NAV per Share was approximately HK\$3.32. 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\$2.95 on 26 January 2023 and the lowest closing price per Share as quoted on the Stock Exchange was HK\$1.84 on 23 June 2023. The closing price of the Shares of HK\$2.04 per Share on the Last Trading Day represents a discount of approximately 38.55% to the audited NAV per Share as at 31 December 2022.

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

In light of the above, we concur with the Directors that the Offer will (i) 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 (ii) have the effect of increasing the consolidated NAV per Share and earnings per Share upon completion of the Offer, thus benefiting all Shareholders.

Although the retaining Shareholders can increase their proportionate interests in the Company and participating in the future prospects of the Company with enhanced NAV per Share and earnings per Share after the Offer as discussed in the section headed "5. Financial effect of the Offer on the Group" below, we consider that the prospects of the coal mining industry in the PRC and the Group's businesses may be uncertain in near future as mentioned in the section headed "2. Financial information of the Group" above.

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4. The Offer Price

(i) *Offer Price comparison*

The Offer Price of HK\$2.40 per Share represents:

- (i) a premium of approximately 17.65% over the closing price of HK\$2.04 per Share as quoted on the Stock Exchange on 6 July 2023, being the Last Trading Day;
- (ii) a premium of approximately 17.65% over the average closing price of approximately HK\$2.04 per Share 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 20.60% over the average closing price of approximately HK\$1.99 per Share as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a premium of approximately 9.59% over the average closing price of approximately HK\$2.19 per Share as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a discount of approximately 1.23% to the average closing price of approximately HK\$2.43 per Share as quoted on the Stock Exchange for the 60 consecutive trading days immediately prior to and including the Last Trading Day;
- (vi) a discount of approximately 2.44% to the average closing price of approximately HK\$2.46 per Share as quoted on the Stock Exchange for the 90 consecutive trading days immediately prior to and including the Last Trading Day;
- (vii) a discount of approximately 4.00% to the average closing price of approximately HK\$2.50 per Share as quoted on the Stock Exchange for the 180 consecutive trading days immediately prior to and including the Last Trading Day;
- (viii) a discount of approximately 10.11% over the average closing price of approximately HK\$2.67 per Share as quoted on the Stock Exchange for the 360 consecutive trading days immediately prior to and including the Last Trading Day;
- (ix) a premium of approximately 6.19% over the closing price of HK\$2.26 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (x) a discount of approximately 27.71% to the audited NAV per Share of approximately HK\$3.32 as at 31 December 2022.

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(ii) *Historical Share price performance*

Set out below are the movement of the closing prices of the Shares as quoted on the Stock Exchange from 2 July 2021 to the Last Trading Day (i.e. 6 July 2023) (the “**Review Period**”), being approximately two years preceding the Last Trading Day, and up to the Latest Practicable Date. We consider the Review Period is adequate to reflect the general market sentiment and illustrates the general trend and level of movement of the daily closing prices of the Shares.



Source: Bloomberg

As shown above, during the Review Period, the closing prices of the Shares ranged from HK\$1.84 on 23 June 2023, representing a discount of approximately 23.33% to the Offer Price, to HK\$3.86 on 15 June 2022, representing a premium of approximately 60.83% to the Offer Price.

The closing price of the Share generally increased from HK\$2.31 per Share on 2 July 2021 to the highest of HK\$3.86 per Share on 15 June 2022. From then on, the closing price of the Share followed a downward trend and hit the lowest of HK\$1.84 per Share on 23 June 2023. As at the Last Trading Day and the Latest Practicable Date, the Share price per Share closed at HK\$2.04 and HK\$2.26, representing a discount of approximately 15.00% and 5.83% to the Offer Price, respectively.

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While we noted that the Offer Price is below the closing Share prices during the majority of the trading days in the Review Period, we consider that the Offer Price should be assessed together with the prevailing market conditions and the most recent Share performance of the Group. Taking into account (a) that as discussed in the sub-section headed “(iv) Comparison with other comparable companies” below, both Implied P/E (as defined below) and Implied P/B (as defined below) are within the respective ranges of the Comparable Companies (as defined below) and lie toward the high end of P/Es and P/Bs of the Comparable Companies which indicates that the Offer Price is determined at a level higher than the industry average; (b) the fact that the liquidity of the Shares had been low during the Review Period; (c) that the closing price of the Shares fall below the Offer Price during the last one month preceding the Latest Practicable Date; (d) the premiums of the Offer Price to the closing prices of the Shares for the various periods in the 30 trading days before the Last Trading Day were significant, in the range of approximately 9.59% to 17.65%; and (e) the current weak global economy and the uncertain prospects of the coal mining industry in the PRC and the Group’s businesses, we consider that the Offer Price is fair and reasonable.

(iii) Historical trading liquidity of the Shares

The following table sets out the average daily trading volume of the Shares for each month or period and the percentages of such average daily trading volume to the total number of Shares in issue and held by the public during the period from 2 July 2021 to the Latest Practicable Date.

	Number of trading days <i>(Note 1)</i>	Approximate average daily trading volume	Approximate percentage of average daily trading volume to total number of Shares in issue <i>(Note 2)</i>	Approximate percentage of average daily trading volume to total number of Shares held by the public <i>(Note 3)</i>
2021				
July	21	4,179,993	0.0827%	0.2189%
August	22	9,958,297	0.1971%	0.5215%
September	21	23,557,694	0.4663%	1.2337%
October	18	10,134,822	0.2006%	0.5308%
November	22	4,901,230	0.0970%	0.2567%
December	22	6,824,351	0.1351%	0.3574%

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	Number of trading days <i>(Note 1)</i>	Approximate average daily trading volume	Approximate percentage of average daily trading volume to total number of Shares in issue <i>(Note 2)</i>	Approximate percentage of average daily trading volume to total number of Shares held by the public <i>(Note 3)</i>
2022				
January	21	3,048,492	0.0603%	0.1597%
February	17	8,234,094	0.1630%	0.4312%
March	23	20,902,440	0.4138%	1.0947%
April	18	15,121,412	0.2993%	0.7919%
May	20	9,926,766	0.1965%	0.5199%
June	21	13,941,360	0.2760%	0.7301%
July	20	6,356,524	0.1258%	0.3329%
August	23	4,689,056	0.0928%	0.2456%
September	21	12,025,613	0.2380%	0.6298%
October	20	9,806,159	0.1941%	0.5136%
November	22	8,302,906	0.1644%	0.4348%
December	20	5,691,885	0.1127%	0.2981%
2023				
January	18	3,825,298	0.0757%	0.2003%
February	20	3,149,958	0.0624%	0.1650%
March	23	7,687,643	0.1522%	0.4026%
April	17	6,991,104	0.1384%	0.3661%
May	21	12,134,265	0.2402%	0.6355%
June	21	15,664,846	0.3101%	0.8204%
From 1 July to the Latest Practicable Date	16	15,027,421	0.2975%	0.7870%

Source: Bloomberg and the website of the Stock Exchange

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Notes:

1. Number of trading days of the Shares represents number of trading days during the month or period which excludes any trading day on which trading of the Shares on the Stock Exchange was suspended for the whole trading day (if applicable).
2. Based on the total number of the Shares in issue at the end of each month or period as disclosed in the monthly returns of the Company.
3. Based on the number of Shares held by public Shareholders as calculated by deducting the Shares held by the Shougang Holdings Shareholders, the Shoucheng Shareholders, Funde Sino Life, Mr. Chen Zhaoqiang and Mr. Choi Wai Yin as at the Latest Practicable Date.

As illustrated in the table above, the trading of the Shares was generally inactive during the period from 2 July 2021 to the Latest Practicable Date. The average daily trading volume for the respective month or period during the above period ranged from approximately 3,048,492 Shares in January 2022 to approximately 23,557,694 Shares in September 2021, representing approximately 0.0603% to 0.4663% of the total number of the Shares in issue and approximately 0.1597% to 1.2337% of the total number of the Shares held by the public, respectively.

We consider that the relatively high daily trading volume in September 2021 and March 2022 might be contributable to the publication of the interim results announcement of the Group for the six months ended 30 June 2021 in late August 2021 and the annual results announcement of the Group for FY2021 in March 2022.

Given the thin trading liquidity of the Shares in general as illustrated above, if the Independent Shareholders intend to dispose of a significant shareholding in the Company in the market within a short timeframe, it is possible that a downward pressure would be exerted on the market price of the Shares. In such circumstance, the Offer may represent an alternative exit for the Independent Shareholders with significant shareholding in the Company to realise their investments in the Company at the Offer Price. However, should the market price of the Shares rise above the Offer Price during the Offer Period and the sale proceeds (net of transaction costs) exceed the net proceeds receivable under the Offer, the Independent Shareholders may consider selling their Shares in the open market if they would like to divest the securities of the Company in the short-run.

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(iv) *Comparison with other comparable companies*

The Group is principally engaged in coking coal mining, production and sales of coking coal products in the PRC.

Price-to-earnings (“**P/E(s)**”), price-to-book (“**P/B(s)**”) and price-to-sale (“**P/S(s)**”) multiples are the three most commonly used benchmarks in valuing a company. P/E is usually adopted for judging valuations for companies which are profit making. On the other hand, P/B is typically applied for valuing companies which hold relatively liquid assets on their balance sheets and their book values approximate their fair market values such as real estate companies, banks and money lenders whereas P/S is appropriate for valuing companies which have volatile earnings or loss but relatively stable revenue such as retailers offering general merchandise.

Given that (a) the Group was profit making for FY2022; and (b) the Group recorded net assets position as at 31 December 2022, we consider the valuation methodologies using P/E and P/B are more appropriate in valuing the Group. Based on (a) the Offer Price of HK\$2.40 per Share; (b) 5,051,837,842 Shares in issue as at the Latest Practicable Date; (c) the profit attributable to the Shareholders of approximately HK\$2,715.4 million for FY2022; and (d) the equity attributable to the Shareholders of approximately HK\$16,768.7 million as at 31 December 2022, the P/E and the P/B implied by the Offer Price are approximately 4.47 times (the “**Implied P/E**”) and 0.72 time (the “**Implied P/B**”), respectively.

In evaluating the fairness and reasonableness of the Offer Price, we have, based on our search on Bloomberg and the website of the Stock Exchange, identified an exhaustive list of companies (the “**Comparable Companies**”) which (a) are principally engaged in the mining and sales of coal in the PRC; (b) have their shares listed and traded on the Stock Exchange; and (c) were profit making and had positive net asset value attributable to the shareholders in the latest financial year. Based on the aforesaid criteria, we have identified 12 Comparable Companies, which represents an exhaustive list.

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The following table set out the details of the Comparable Companies:

Company name (stock code)	Principal activities	Market capitalisation as at the Last Trading Day (HK\$ million)	P/E (Note 1) (times)	P/B (Note 1) (times)
China Shenhua Energy Co., Ltd. (1088.HK)	Production and sale of coal and electricity, railway, port and shipping transportation, and coal-to-olefins businesses	589,781	6.10	1.05
Yankuang Energy Group Co., Ltd. (1171.HK)	Coal mining, high-end chemical new materials, new energy, and high-end equipment manufacturing and smart logistics	139,501	1.81	0.63
China Coal Energy Co., Ltd. (1898.HK)	Production and trade of coal, coal chemical business, coal mining equipment manufacturing and related services, pithead power generation and other businesses	109,881	3.82	0.51
Inner Mongolia Yitai Coal Co., Ltd. (3948.HK)	Coal production and operation, rail transportation and coal chemical business	42,151	4.80	0.99
Kinetic Development Group Ltd. (1277.HK)	Coal production, coal loading and transportation, and coal trading services	3,751	1.30	0.55
E-Commodities Holdings Ltd. (1733.HK)	Processing and trading of coal and other products and provision of integrated supply chain services	2,760	1.71	0.41
Perennial Energy Holdings Ltd. (2798.HK)	Exploration and mining of coking coal and coal refinery	2,160	2.69	0.81

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Company name (stock code)	Principal activities	Market capitalisation as at the Last Trading Day (HK\$ million)	P/E (Note 1) (times)	P/B (Note 1) (times)
Hidili Industry International Development Ltd. (1393.HK)	Coal mining, manufacture and sale of raw coal and clean coal	1,451	1.11	0.42
Henan Jinma Energy Co., Ltd. (6885.HK)	Production of coke and processing coking by-products	1,205	2.64	0.32
Grand Ocean Advanced Resources Co., Ltd. (65.HK)	Coal mining	670	61.25 (outlier)	0.51
China Qinfa Group Ltd. (866.HK)	Coal mining, purchase and sales, filtering, storage and blending of coal	476	0.97	33.42 (outlier)
Huili Resources Group Ltd. (1303.HK)	Trading of coal, provision of coal processing services, coal service supply chain, financial services and nonferrous ore mining and processing	394	2.02	0.64
		Maximum	6.10	1.05
		Minimum	0.97	0.32
		Average	2.63	0.62
		Median	2.02	0.55
	The Offer	12,124 implied by the Offer price	4.47 (Note 2)	0.72 (Note 3)

Source: Bloomberg and financial reports of the respective Comparable Companies

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Notes:

1. Being the P/Es and P/Bs of the respective Comparable Companies on the Last Trading Day as extracted from Bloomberg;
2. Being the Implied P/E; and
3. Being the Implied P/B.

As shown in the table above, excluding the outlier (i.e. the P/E of Grand Ocean Advanced Resources Co., Ltd), the P/Es of the Comparable Companies ranged from approximately 0.97 time to approximately 6.10 times with an average and median of approximately 2.63 times and 2.02 times, respectively, on the Last Trading Day. The Implied P/E of approximately 4.47 times is within the range of the P/Es of the Comparable Companies and lies towards the high end of the P/Es of the Comparable Companies.

On the other hand, excluding the outlier (i.e. the P/B of China Qinfa Group Ltd.), the P/Bs of the Comparable Companies ranged from approximately 0.32 time to approximately 1.05 times with an average and median of approximately 0.62 time and 0.55 time, respectively, on the Last Trading Day. The Implied P/B of approximately 0.72 times is within the range of the P/Bs of the Comparable Companies and lies towards the high end of the P/Bs of the Comparable Companies.

(v) Overall comment

Taking into account that (a) the Offer Price represents significant premiums of approximately 17.65% and 6.19% over the closing price of HK\$2.04 and HK\$2.26 per Share on the Last Trading Day and the Latest Practicable Date, respectively; (b) the premiums of the Offer Price to the closing prices of the Shares for the various periods in the 30 trading days before the Last Trading Day were significant, in the range of approximately 9.59% to 17.65%; (c) given the thin liquidity in the Shares, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of Shares in the open market without causing an adverse impact on the market price of the Shares; and (d) both Implied P/E and Implied P/B are within the respective ranges of the Comparable Companies and lie toward the high end of P/Es and P/Bs of the Comparable Companies, we consider the Offer Price to be fair and reasonable and that the Offer provides an exit alternative for the Independent Shareholders who would like to realise their investments in the Shares.

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5. Financial effect of the Offer on the Group

The unaudited pro forma financial information of the Group (the “**Unaudited Pro Forma Financial Information**”) upon completion of the Offer is set out in Appendix III to the Offer Document.

(i) *NAV per Share*

As set out in the Unaudited Pro Forma Financial Information, assuming that the Offer had been completed as at 31 December 2022 and that there is full acceptance of the Offer up to the Maximum Number of Shares, the unaudited pro forma adjusted consolidated net assets attributable to the Shareholders would be approximately HK\$16,464.7 million as at 31 December 2022. Given that as at the Latest Practicable Date, there are 5,051,837,842 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 and assuming 125,000,000 Shares were bought-back under the Offer, there would be 4,926,837,842 Shares as at the Latest Practicable Date. Based on the unaudited pro forma adjusted consolidated net assets attributable to the Shareholders of approximately HK\$16,464.7 million as at 31 December 2022 and 4,926,837,842 issued Shares as at the Latest Practicable Date, the unaudited pro forma adjusted NAV per Share would be approximately HK\$3.34 as at 31 December 2022, representing an increase of approximately 0.60% as compared to the audited NAV per Share of approximately HK\$3.32 as at 31 December 2022.

(ii) *Earnings per Share*

As set out in the 2022 Annual Report, the audited profit attributable to the Shareholders was approximately HK\$2,715.4 million. Based on the 5,051,837,842 issued Shares as at the Latest Practicable Date, the audited earnings per Share was approximately HK\$0.5375 for FY2022.

As set out in the Unaudited Pro Forma Financial Information, assuming that the Offer had been completed as at 1 January 2022 and that there is full acceptance of the Offer up to the Maximum Number of Shares, the audited consolidated profit attributable to the Shareholders would still be approximately HK\$2,715.4 million for FY2022. Based on the 4,926,837,842 issued Shares as at the Latest Practicable Date, the unaudited pro forma adjusted earnings per Share would be approximately HK\$0.5511 for FY2022, representing an increase of approximately 2.53% as compared to the audited earnings per Share of approximately HK\$0.5375 for FY2022.

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6. Whitewash Waiver

As at the Latest Practicable Date, the Shougang Group Shareholders were beneficially interested in 1,727,320,490 Shares, representing approximately 34.19% of the total issued Shares. The Shougang Group Shareholders comprise (i) the Shougang Holding Shareholders which were beneficially interested in 863,358,000 Shares, representing approximately 17.09% of the total issued Shares; and (ii) the Shoucheng Shareholders which were beneficially interested in 863,962,490 Shares, representing approximately 17.10% of the total issued Shares.

The Shougang Holding Shareholders have irrevocably undertaken to the Company that they will not accept the Offer for the Shares held by them as at the Latest Practicable Date. The Shoucheng Shareholders have irrevocably undertaken to the Company that they will accept the Offer for the Shares held by them in full as at the Latest Practicable Date.

Pursuant to the irrevocable undertaking provided by the Shougang Holding Shareholders, subject to the relevant termination events, each of the Shougang Holding Shareholders irrevocably and unconditionally undertakes to the Company that: (i) it will not ask for or accept the Offer in respect of any of the Shares held by it and gives up the rights to accept the Offer; (ii) even if any or all of them have received the Offer, none of them will accept the Offer or provide the Shares held by it to accept the Offer; (iii) if any of its Shares is held by a trustee or custodian, it will procure the trustee or custodian to perform in accordance with terms of the irrevocable undertaking; (iv) without the prior consent of the Company, it shall not prior to the earlier of the completion of the Offer or lapsing or being withdrawn, other than usual brokers' or bankers' liens or assurances provided to the Hong Kong Securities Clearing Company Limited (HKSCC), directly or indirectly sell, transfer, charge, encumber, grant any option over or otherwise dispose of or permit any of the above actions over all or any of Shares held by it, or enter into any arrangement to do any of the actions above; and (v) it will not acquire or deal with any of the Shares held by it or any securities or interests in share capital of the Company, or enter into any arrangement to do any of the actions above.

Pursuant to the irrevocable undertaking provided by the Shoucheng Shareholders, subject to the relevant termination events, each of the Shoucheng Shareholders irrevocably and unconditionally undertakes to the Company that: (i) it will accept the Offer in respect of the Shares held by it in full and execute all documents and take all necessary and appropriate actions to accept the Offer; (ii) if any of its Shares is held by a trustee or custodian, it will procure the trustee or custodian to perform in accordance with terms of the irrevocable undertaking; and (iii) save for pursuant to the Offer, without the prior consent of the Company, it shall not prior to the earlier of the completion of the Offer or lapsing or being withdrawn, other than usual brokers' or bankers' liens or assurances provided to the Hong Kong Securities Clearing Company Limited (HKSCC), directly or indirectly sell, transfer, charge, encumber, grant any option over or otherwise dispose of or permit any of the above actions over all or any of Shares held by it, or enter into any arrangement to do any of the actions above.

The Irrevocable Undertakings became effective from 11 July 2023, and shall terminate on the earlier of (i) the latest date for accepting the Offer; or (ii) the date on which the Offer lapses or is withdrawn in circumstances permitted under the Codes (including both dates).

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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 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 Irrevocable Undertakings, the aggregate interests in the total issued Shares held by (i) the Shougang Holding Shareholders may increase from its current level of approximately 17.09% to a maximum of approximately 17.52%; and (ii) the Shoucheng Shareholders may decrease from its current level of approximately 17.10% to a minimum of approximately 17.01%, such that the aggregate interests in the total issued Shares held by the Shougang Holding Shareholders will be higher than those held by the Shoucheng Shareholders. The Shougang Holding Shareholders are therefore obliged to make a mandatory general offer for all of the Shares not beneficially owned by the Shougang Concert Group under Note 1 to Rule 26.1 of the Takeovers Code.

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

The Offer is conditional upon approval by the Independent Shareholders voting, in person or by proxy, by way of poll at the General Meeting and the Whitewash Waiver 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 Waiver is not granted by the Executive or the Offer as well as the Whitewash Waiver is not approved by the Independent Shareholders at the General Meeting.

The Whitewash Waiver is a condition to the Offer which cannot be waived. The approval of the Whitewash Waiver by the Independent Shareholders will therefore be necessary for the Offer to proceed to completion and for the Shareholders to enjoy the benefits brought about by the Offer. Shareholders should note that if the Whitewash Waiver is not granted by the Executive or is not approved by the Independent Shareholders, the Offer will not become unconditional and the Company will not proceed with the Offer and the Offer will be terminated. In other words, a general offer obligation on the part of the Shougang Holding Shareholders and parties acting in concert with it will not arise if the Shougang Holding Shareholders fail to obtain the Whitewash Waiver.

LETTER FROM RAINBOW CAPITAL

OPINION AND RECOMMENDATION

The Offer

Taking into account the principal factors and reasons as discussed above, in particular:

- (i) the Offer provides 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 with enhanced NAV per Share and earnings per Share after the Offer;
- (ii) although the retaining Shareholders can increase their proportionate interests in the Company and participating in the future prospects of the Company with enhanced NAV per Share by approximately 0.60% and earnings per Share by approximately 2.53% after the Offer, the prospects of the coal mining industry in the PRC and the Group's businesses may be uncertain in near future taking into account (a) the weakened growth of the output of crude steel, rolled steel and coke in the PRC since 2020; (b) that the contraction in the Chinese property market would reduce the demand for steel and coking coal products; and (c) the fluctuating supply and price of coking coal products as affected by the stricter safety inspections in coal mines and the increased coal imports to China;
- (iii) the Offer Price represents significant premiums of approximately 17.65% and 6.19% over the closing price of HK\$2.04 and HK\$2.26 per Share on the Last Trading Day and the Latest Practicable Date, respectively;
- (iv) the premiums of the Offer Price to the closing prices of the Shares for the various periods in the 30 trading days before the Last Trading Day were significant, in the range of approximately 9.59% to 17.65%;
- (v) given the thin liquidity in the Shares, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of Shares in the open market without causing an adverse impact on the market price of the Shares; and
- (vi) both Implied P/E and Implied P/B are within the respective ranges of the Comparable Companies and lie toward the high end of P/Es and P/Bs of the 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, and we ourselves 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 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.

LETTER FROM RAINBOW CAPITAL

The Independent Shareholders are also advised to closely monitor the market price and liquidity of the Shares during the Offer Period, and consider selling their Shares in the open market if they would like to divest the securities of the Company in the short-run, where possible, instead of accepting the Offer, in the event that the market price of the Shares rises above the Offer Price during the Offer Period and the sale proceeds (net of transaction costs) exceed the net proceeds 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.

The Whitewash Waiver

As aforementioned, the Offer will not proceed if the Whitewash Waiver is not granted by the Executive or the Offer as well as the Whitewash Waiver 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 Waiver, which is a prerequisite for proceeding with the Offer, is (i) in the interests of the Company and the Shareholders (including the Independent Shareholders); and (ii) is fair and reasonable for the purpose of proceeding with the Offer.

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

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
Rainbow Capital (HK) Limited
Larry Choi
Managing Director

Mr. Larry Choi is a licensed person and a responsible officer of Rainbow Capital (HK) Limited registered with the Securities and Futures Commission to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO. He has over 10 years of experience in the corporate finance industry.

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 is buying back Shares up to the Maximum Number of Shares at the Offer Price.

2. Conditions

The Offer is 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 Waiver; and
- (c) the Executive granting the Whitewash Waiver and the satisfaction of any conditions attached to the Whitewash Waiver and the Whitewash Waiver not having been revoked or withdrawn.

None of the Conditions above can be waived.

The Offer is not conditional on any minimum number of acceptances.

The Offer is subject to all of the Conditions being fulfilled in full. If the Whitewash Waiver is 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 Waiver 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 125,000,000 Shares, representing approximately 2.47% of the total issued Shares of 5,051,837,842 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:

$$\frac{A}{B} \quad X \quad C$$

A = 125,000,000 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 0.13% 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, Prudential Brokerage Limited, whose address is at 901-904, 9/F, World-wide House, 19 Des Voeux Road C, Hong Kong (contact person: Mr. CY Tam (譚灼耀); telephone number: 2143 3808) 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 Monday, 4 September 2023, 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 29 August 2023. 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 for at least 7 days from the date of its publication, together with the Company's website at 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 Tuesday, 1 August 2023 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). For the avoidance of doubt, no advices on whether or not to (i) vote for the Offer; or (ii) accept the Offer will be given by the Registrar.

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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong in an envelope marked “Shougang Fushan Resources Group Limited – 2023 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 Tuesday, 12 September 2023, 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 Tuesday, 12 September 2023 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-9 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 Tuesday, 12 September 2023 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 or the Company's website at 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 17/F, Far East Finance Centre, 16 Harcourt Road, 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, Rainbow 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 Waiver 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 2020, 2021 and 2022, as extracted from the annual report of the Company for the years ended 31 December 2020 (the “**Annual Report 2020**”), 2021 (the “**Annual Report 2021**”) and 2022 (the “**Annual Report 2022**”), respectively.

	For the year ended 31 December		
	2022	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from contracts with customers	8,214,719	7,075,818	3,996,951
Cost of sales	<u>(2,925,125)</u>	<u>(2,681,244)</u>	<u>(2,127,744)</u>
Gross profit	5,289,594	4,394,574	1,869,207
Interest income	107,067	69,578	96,294
Other income and (losses)/gains, net	(94,740)	244,169	219,229
Selling and distribution expenses	(348,512)	(269,741)	(316,584)
General and administrative expenses	(207,812)	(207,903)	(181,914)
Other operating expenses	(118,037)	(96,260)	(64,495)
Finance costs	(1,360)	(1,275)	(1,250)
Change in fair value of derivative financial instruments	–	–	(7,676)
Share of loss of an associate	<u>(307)</u>	<u>(987)</u>	<u>(195)</u>
Profit before income tax	4,625,893	4,132,159	1,612,614
Income tax expense	<u>(1,317,738)</u>	<u>(1,017,328)</u>	<u>(425,331)</u>
Profit for the year	<u>3,308,155</u>	<u>3,060,831</u>	<u>1,187,283</u>

	For the year ended 31 December		
	2022	2021	2020
	HK\$'000	HK\$'000	HK\$'000
Other comprehensive (loss)/income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations	(901,912)	258,759	484,198
Item that will not be reclassified to profit or loss:			
Net fair value gain/(loss) on financial assets measured at fair value through other comprehensive income	29,496	(443,970)	(1,439)
Exchange differences on translation of financial statements of foreign operations	(135,241)	–	–
Total comprehensive income for the year	<u>2,300,498</u>	<u>2,875,620</u>	<u>1,670,042</u>
Profit for the year attributable to:			
Owners of the Company	2,715,374	2,538,495	1,080,041
Non-controlling interests	<u>592,781</u>	<u>522,336</u>	<u>107,242</u>
Profit for the year	<u>3,308,155</u>	<u>3,060,831</u>	<u>1,187,283</u>
Total comprehensive income for the year attributable to:			
Owners of the company	1,842,958	2,321,729	1,500,734
Non-controlling interests	<u>457,540</u>	<u>553,891</u>	<u>169,308</u>
Total comprehensive income for the year	<u>2,300,498</u>	<u>2,875,620</u>	<u>1,670,042</u>
Earnings per share			
Basic and diluted (HK cents)	<u>53.75</u>	<u>50.25</u>	<u>20.62</u>

	For the year ended 31 December		
	2022	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividend			
Dividend per share			
– Interim (HK cents)	15.0	8.0	7.5
– Final (HK cents)	28.0	32.0	9.0
Amount of dividend distributed to owners of the company	2,172,290	2,020,735	833,553

Saved as disclosed above, there are no other items of income or expenses which are material. The auditor of the Company for the years ended 31 December 2020, 2021 and 2022, 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 2020, 2021 and 2022.

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 2022 (the “**2022 Financial Statements**”), (ii) the audited consolidated financial statements of the Group for the year ended 31 December 2021 (the “**2021 Financial Statements**”) and (iii) the audited consolidated financial statements of the Group for the year ended 31 December 2020 (the “**2020 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 2022 Financial Statements are set out from page 204 to page 308 in the Annual Report 2022, which was published on 27 April 2023. The Annual Report 2022 is posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.shougang-resources.com.hk), and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0427/2023042701798.pdf>

The 2021 Financial Statements are set out from page 206 to page 308 in the Annual Report 2021, which was published on 29 April 2022. The Annual Report 2021 is posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.shougang-resources.com.hk), and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0429/2022042901092.pdf>

The 2020 Financial Statements are set out from page 118 to page 220 in the Annual Report 2020, which was published on 15 April 2021. The Annual Report 2020 is posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.shougang-resources.com.hk), and is accessible via the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0415/2021041500595.pdf>

The 2022 Financial Statements, 2021 Financial Statements and 2020 Financial Statements (but not any other parts of the Annual Report 2022, Annual Report 2021 or Annual Report 2020 in which they respectively appear) are incorporated by reference into this Offer Document and form part of this Offer Document.

III. INDEBTEDNESS

As at 31 May 2023, 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\$44.12 million and the Group had no outstanding bank borrowing. Apart from intra-group liabilities, as at 31 May 2023, 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.

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 2022, 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 2022, for the year ended 31 December 2022, the Group recorded a revenue of approximately HK\$8,215 million, representing an increase of approximately HK\$1,139 million or 16% year on year (“YoY”) as compared with that of approximately HK\$7,076 million for the last year. The increase in revenue was mainly driven by the increase in average realised selling prices of clean coking coal by 19% YoY and the increase in sales volume of clean coking coal by 1% YoY. The Group had achieved a record-breaking profit again for 2022 since the last year. For the year ended 31 December 2022, the Group recorded a net profit of approximately HK\$3,308 million representing an increase of approximately 8% YoY and profit attributable to the owners of the Company of approximately HK\$2,715 million representing an increase of approximately 7% YoY.

The Group will undergo a transition by transferring production from the upper coal seam to the lower coal seam in 2023. The Group will prioritise safe production during this transition. As a responsible company, the Group will strengthen our work in the environment, social and governance to achieve comprehensive and coordinated sustainable development. The Group will also accelerate the complete intelligence transformation and cooperate with national efforts to achieve carbon neutrality by 2060. With the Group’s stable operation and financial position as well as strong cash flow, we will continue to monitor the development of the overall environment and economy to adjust our operating strategy in a timely manner. The Group will maintain stringent corporate governance and leverage our competitive advantages to create greater value for our shareholders, employees and society.

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 2022, 1 January 2022 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 2022 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 2022 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 2022, 1 January 2022 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 2022 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 2022 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

	Audited consolidated net assets of the Group attributable to owners of the Company as at 31 December 2022 (Note 1) HK\$'000	Estimated expenditure to be incurred under the Offer (Note 2) HK\$'000	Unaudited pro forma adjusted consolidated net assets attributable to owners of the Company as at 31 December 2022 HK\$'000
Non-current assets	<u>13,020,679</u>	<u>–</u>	<u>13,020,679</u>
Current assets*	<u>10,442,805</u>	<u>(304,000)</u>	<u>10,138,805</u>
Current liabilities (Note 3)	<u>3,234,634</u>	<u>–</u>	<u>3,234,634</u>
Net current assets (Note 3)	<u>7,208,171</u>	<u>(304,000)</u>	<u>6,904,171</u>
Non-current liabilities (Note 3)	<u>1,551,631</u>	<u>–</u>	<u>1,551,631</u>
Net assets	<u>18,677,219</u>	<u>(304,000)</u>	<u>18,373,219</u>
Net assets attributable to the owners of the Company	<u>16,768,677</u>	<u>(304,000)</u>	<u>16,464,677</u>
*Including:			
– Cash and cash equivalents	<u>3,833,923</u>	<u>(304,000)</u>	<u>3,529,923</u>
Net assets per Share attributable to the owners of the Company	<u>3.32^{Note 4}</u>		<u>3.34^{Note 5}</u>

Unaudited pro forma statement of adjusted earnings per Share

	Audited consolidated profit attributable to the owners of the Company for the year ended 31 December 2022 <i>(Note 1)</i> <i>HK\$'000</i>	Earnings per Share to the owners of the Company for the year ended 31 December 2022 <i>(Note 4)</i> <i>HK cents</i>	Unaudited pro forma adjusted earnings per Share to the owners of the Company after completion of the Offer <i>(Note 6)</i> <i>HK cents</i>
Share buy-back of 125,000,000 Shares at HK\$2.40 per Share	<u>2,715,374</u>	<u>53.75</u>	<u>55.11</u>

Notes:

- (1) The audited consolidated net assets of the Group attributable to the owners of the Company as at 31 December 2022 and audited consolidated profit attributable to the owners of the Company for the year ended 31 December 2022 are extracted from the published annual report of the Group for the year ended 31 December 2022.
- (2) The estimated expenditure to be incurred under the Offer is based on 125,000,000 Shares to be bought-back at the offer price of HK\$2.40 per Share and the related expenses of approximately HK\$4,000,000.
- (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 2022 would decrease by approximately HK\$304,000,000 from approximately HK\$7,208,171,000 to approximately HK\$6,904,171,000.
- (4) The consolidated net assets per Share attributable to the owners of the Company as at 31 December 2022 and the earnings per Share to the owners of the Company for the year ended 31 December 2022 were approximately HK\$3.32 and approximately HK53.75 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 2022 of approximately HK\$16,768,677,000 and the audited consolidated profit attributable to the owners of the Company for the year ended 31 December 2022 of approximately HK\$2,715,374,000 respectively, and on the basis that 5,051,837,842 Shares were in issue as at 31 December 2022 and throughout the year ended 31 December 2022.

- (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 2022 of approximately HK\$16,768,677,000 (Note 1) deducted by the estimated expenditure from the Offer of approximately HK\$304,000,000 (Note 2) and (ii) on the basis that 5,051,837,842 Shares were in issue as at 31 December 2022 and 125,000,000 shares were bought-back under the Offer, resulting in 4,926,837,842 Shares, assuming the Offer had been completed on 31 December 2022 and that there is full acceptance of the Offer up to the Maximum Number of Shares, but does not take into account of 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.
- (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 2022 of approximately HK\$2,715,374,000 (Note 1) and on the basis that 5,051,837,842 Shares were in issue as at 1 January 2022 and 125,000,000 shares were bought-back under the Offer, resulting in 4,926,837,842 Shares throughout the year ended 31 December 2022, assuming the Offer had been completed on 1 January 2022 and that there is full acceptance of the Offer up to the Maximum Number of Shares, but does not take into account of 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\$4,000,000 will be capitalized in full to equity in accordance with the Company's accounting policies.
- (7) No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2022. In particular, the Unaudited Pro Forma Financial Information did not take into account of the final dividend payment on 28 July 2023 of approximately HK\$1,414,515,000 (final dividend of HK28.0 cents per Share on the basis that 5,051,837,842 Shares were in issue as at 31 December 2022) proposed for the year ended 31 December 2022 as approved by the shareholders at the annual general meeting of the Company held on 31 May 2023. Had the final dividend of approximately HK\$1,414,515,000 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\$3.04 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\$3.05, on the basis that 5,051,837,842 Shares were in issue as at 31 December 2022 and 125,000,000 shares were bought-back under the Offer, resulting in 4,926,837,842 Shares, assuming the Offer had been completed on 31 December 2022, but does not take into account of 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.

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.

**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 2022, unaudited pro forma statement of adjusted earnings per share to the owners of the Company for the year ended 31 December 2022 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 1 August 2023 (the “**Offer Document**”), in connection with the proposed conditional cash offer by Octal Capital Limited on behalf of the Company to buy-back up to 125,000,000 shares at the offer price of HK\$2.40 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 2022 and the Group’s financial results for the year ended 31 December 2022 as if the Offer had taken place at 31 December 2022 and 1 January 2022 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 2022, 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**”).

Our Independence and Quality Management

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 Management (HKSQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or 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 2022 or 1 January 2022 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, 1 August 2023

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 approximately 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:

Issued number of Shares as at the Latest Practicable Date

5,051,837,842 Shares as at the Latest Practicable Date

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

5,051,837,842 Shares as at the Latest Practicable Date
(125,000,000) Maximum number of Shares proposed to be cancelled under the Offer

4,926,837,842 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 5,051,837,842 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 2022 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 DECLARED/PAID

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

Date of proposed/ declared dividend	Date of payment	Period	Amount <i>(HK cents per Share)</i>
23 March 2023	28 July 2023	2022 Final	28
30 August 2022	4 November 2022	2022 Interim	15
24 March 2022	29 July 2022	2021 Final	32
26 August 2021	28 October 2021	2021 Interim	8

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 2023 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; or (d) required to be disclosed under the Codes 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
Mr. Chen Zhaoqiang <i>Note (i)</i>	Beneficial owner	1,110,000	0.02%
Mr. Choi Wai Yin <i>Note (ii)</i>	Beneficial owner	650,000	0.01%

Notes:

- (i) Mr. Chen Zhaoqiang, being an executive Director, is interested in 1,110,000 Shares as at the Latest Practicable Date.
- (ii) Mr. Choi Wai Yin, being an independent non-executive Director, is interested in 650,000 Shares as at the Latest Practicable Date.

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, or were required to be disclosed under the Codes.

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

Names of Shareholders	Notes	Capacity in which interests are held	Number of Shares held	Percentage of shareholding
Shougang Group Co., Ltd.	1	Interests of controlled corporations	<u>863,358,000</u>	<u>17.09%</u>
Shoucheng Holdings	2	Interest of controlled corporations	<u>863,962,490</u>	<u>17.10%</u>
Ultimate Capital Limited	1	Beneficial owner	<u>600,000,000</u>	<u>11.88%</u>
Fine Power Group Limited	2	Beneficial owner	<u>663,918,497</u>	<u>13.14%</u>
Funde Sino Life	3	Beneficial owner	<u>1,413,284,000</u>	<u>27.98%</u>

Notes:

- As informed by the Shougang Holding Shareholders, as at the Latest Practicable Date, Shougang Group Co., Ltd. was interested in the Shares held by its subsidiaries, namely; (i) Ultimate Capital Limited (a company wholly owned by Excel Bond Investments Limited which is in turn indirectly wholly-owned by Shougang Holding (Hong Kong) Limited, holding 600,000,000 Shares); (ii) King Rich Group Limited (a company wholly-owned by Shougang Holding (Hong Kong) Limited, holding 247,866,000 Shares); and (iii) Shougang Holding (Hong Kong) Limited (a company wholly-owned by Shougang Group Co., Ltd., holding 15,492,000 Shares).
- Pursuant to the disclosure form dated 28 November 2022 (being the latest disclosure form filed up to the Latest Practicable Date) as published on the website of the Stock Exchange, Shoucheng Holdings Limited was interested in the Shares held by (a) Fine Power Group Limited (a company wholly-owned by Shoujing Yifei Holdings Limited which is in turn wholly-owned by Shoucheng Holdings Limited, holding

663,918,497 Shares; and (b) Fair Gain Investments Limited (a company wholly-owned by Shoujing Yifei Holdings Limited which is in turn wholly-owned by Shoucheng Holdings Limited, holding 200,043,993 Shares).

3. Pursuant to the disclosure form dated 16 June 2023 (being the latest disclosure form filed up to the Latest Practicable Date) as published on the website of the Stock Exchange, Funde Sino Life was interested in 1,413,284,000 Shares.

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

As at the Latest Practicable Date:

- (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.

Date	Closing Price per Share (HK\$)
2023	
31 January	2.83
28 February	2.52
31 March	2.49
28 April	2.66
31 May	2.40
30 June	1.97
6 July (the Last Trading Day)	2.04
The Latest Practicable Date	2.26

The highest and lowest closing price per Share as quoted on the Stock Exchange during the Relevant Period were HK\$2.95 per Share on 26 January 2023 and HK\$1.84 per Share on 23 June 2023.

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 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 Waiver.

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 Waiver.

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 Waiver.

As at the Latest Practicable Date, there was no material contract entered into by the Shougang Group 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 Shougang Group Shareholders were beneficially interested in 1,727,320,490 Shares, representing approximately 34.19% of the total issued Shares. The Shougang Group Shareholders comprise (a) the Shougang Holding Shareholders which were beneficially interested in 863,358,000 Shares, representing approximately 17.09% of the total issued Shares; and (b) the Shoucheng Shareholders which were beneficially interested in 863,962,490 Shares, representing approximately 17.10% of the total issued Shares;
- (b) None of the directors of the Shougang Holding 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 clause (a) above, none of 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 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) None of 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 Shougang Concert Group;
- (g) Save for (i) Mr. Chen Zhaoqiang, an executive Director, who is interested in 1,110,000 Shares; and (ii) Mr. Choi Wai Yin, an independent non-executive Director, who is interested in 650,000 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 Shougang Group 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) None of the members of 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 Shougang Group 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 Shougang Group Shareholders;

- (d) 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 Shougang Group 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;
- (e) 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 and the Shougang Group Shareholders;
- (f) 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;
- (g) 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
- (h) 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 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 of the Announcement 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. 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:

Name	Qualification
Octal Capital Limited	a licensed corporation permitted to carry out Type 1 (dealing in securities relating to corporate finance) and Type 6 (advising on corporate finance) regulated activities under the SFO
Rainbow Capital (HK) Limited	a licensed corporation permitted to carry out Type 1 (dealing in securities relating to corporate finance) and Type 6 (advising on corporate finance) regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountant Ordinance (Chapter 50 of Laws of Hong Kong) and Registered Public Interest Entity Auditor under Accounting and Financial Reporting Council Ordinance (Chapter 588 of Laws of Hong Kong)

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.

15. GENERAL

- (a) The registered office of the Company is 6th Floor, Bank of East Asia Harbour View Centre, No. 56 Gloucester Road, Wanchai, Hong Kong.
- (b) 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).

- (c) The registered office of Shougang Holding (Hong Kong) Limited is 6th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong. Its directors are Zhang Gongyan (張功焰), Zhao Tianyang (趙天暘), Sun Yajie (孫亞傑), Shao Wence (邵文策), Xu Liang (徐量) and Ding Rucai (丁汝才).
- (d) The registered office of Ultimate Capital Limited is 6th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong. Its directors are Xu Liang (徐量), Ding Rucai (丁汝才) and Ma Hongsheng (馬鴻盛).
- (e) 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 Ma Hongsheng (馬鴻盛).
- (f) 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 (趙天暘), Xu Liang (徐量), Li Hao (李浩), Liu Jingwei (劉景偉), Ho Gilbert Chi Hang (何智恒), Peng Jihai (彭吉海), Dr. Wang Xin (王鑫), Choi Fan Keung Vic (蔡奮強), Deng Yougao (鄧有高), Zhang Quanling (張泉靈) and Zhuge Wenjing (諸葛文靜).
- (g) 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 Meng Ziyang (孟子揚) and Lin Yan (林燕).
- (h) 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 Meng Ziyang (孟子揚) and Lin Yan (林燕).
- (i) The registered office of Octal Capital Limited is at 801–805, 8/F, Nan Fung Tower, 88 Connaught Road Central, Hong Kong.
- (j) The registered office of Rainbow Capital (HK) Limited is at Room 5B, 12/F, Tung Ning Building, No. 2 Hillier Street, Sheung Wan, Hong Kong.
- (k) The principal members of the Shougang Concert Group are the Shougang Group Shareholders.
- (l) 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.

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); (ii) on the website of the SFC (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 2020, 31 December 2021 and 31 December 2022;
- (c) the letter from the Board, the text of which is set out on pages 7 to 18 of this Offer Document;
- (d) the letter from Octal Capital, the text of which is set out on pages 19 to 30 of this Offer Document;
- (e) the letter from the Independent Board Committee, the text of which is set out on pages 31 to 32 of this Offer Document;
- (f) the letter from Rainbow Capital, the text of which is set out on pages 33 to 54 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 Irrevocable Undertakings; and
- (i) the written consents as referred to in the paragraph headed “Qualifications and Consents of Experts” in this Appendix.

NOTICE OF GENERAL MEETING



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 Boardroom 8, Lower Lobby, Renaissance Harbour View Hotel Hong Kong, No. 1 Harbour Road, Wanchai, Hong Kong on Tuesday, 29 August 2023 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 125,000,000 ordinary shares of the Company (the “**Shares**”) at a price of HK\$2.40 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 1 August 2023 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 31 May 2023, 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;

NOTICE OF GENERAL MEETING

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 waiver (the “**Whitewash Waiver**”) in respect of any obligation under the Codes on Takeovers and Mergers and Share Buy-Backs of Hong Kong (the “**Codes**”) of Shougang Holding Shareholders (as defined in the Offer Document) to make a mandatory general offer for the issued Shares not held by the Shougang Concert Group (as defined in the Offer Document) respectively which may, but for such Whitewash Waiver, 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 Waiver.”

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

Hong Kong, 1 August 2023

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 17/F, Far East Finance Centre, 16 Harcourt Road, 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 Saturday, 26 August 2023 (Hong Kong time)), or any adjourned meeting thereof (as the case may be).
3. The Register of Members will be closed from Thursday, 24 August 2023 to Tuesday, 29 August 2023 (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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Wednesday, 23 August 2023 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.

NOTICE OF GENERAL MEETING

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.
6. No refreshments or drinks, and corporate gifts or gift coupons will be provided at the General Meeting.

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

Tricor Tengis Limited,
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

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

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. Wang Dongming (*Deputy Managing Director*)

Non-executive Directors:

Ms. Chang Cun
Mr. Shi Yubao

Independent non-executive Directors:

Mr. Choi Wai Yin
Mr. Japhet Sebastian Law
Mr. Chen Jianxiong
Mr. Shen Zongbin