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

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

Financial adviser to the Company



Independent Financial Adviser to the Independent Board Committee

RAINBOW.

RAINBOW CAPITAL (HK) LIMITED
滋博資本有限公司

THE OFFER

The Board announces 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 date of this announcement 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. The Offer will be made in full compliance with the Share Buy-backs Code. At the Offer Price, the Offer, if accepted in full, will result in the Company paying HK\$300,000,000 in aggregate to the Accepting Shareholders in cash which will be funded by internal resources of the Group.

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

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Waiver and the satisfaction of any conditions attached to the Whitewash Waiver and the Whitewash Waiver not having been revoked or withdrawn.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

IRREVOCABLE UNDERTAKINGS

As at the date of this announcement, the Shougang Group Shareholders were beneficially interested in 1,727,320,490 Shares, representing approximately 34.19% of the total issued Shares as at the date of this announcement. 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 as at the date of this announcement; and (b) the Shoucheng Shareholders which were beneficially interested in 863,962,490 Shares, representing approximately 17.10% of the total issued Shares as at the date of this announcement.

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 date of this announcement. The Shoucheng Shareholders have irrevocably undertaken to the Company that they will accept the Offer in full for the Shares held by them as at the date of this announcement.

THE 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% upon completion of the Offer, 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 will be made to the Executive by the Shougang Holding Shareholders.

GENERAL

Pursuant to Rule 5.1 of the Share Buy-backs Code and Rule 8.2 of the Takeovers Code, the Offer Document, which will contain details (including a timetable) of the Offer, a letter from the Independent Board Committee to the Independent Shareholders, a letter of advice from Rainbow Capital to the Independent Board Committee, a notice convening the General Meeting, the Acceptance Form and information relating to the procedures required for acceptance of the Offer and the Whitewash Waiver, will be despatched to the Shareholders as soon as practicable pursuant to the Takeovers Code.

The General Meeting will be convened and held for the purposes of considering and, if thought fit, approving the Offer and the Whitewash Waiver. 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.

An 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.

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.

WARNING: 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.

It should be noted that dealings in the Shares will continue notwithstanding that any of the Conditions may remain unfulfilled, and that persons dealing in the Shares will bear the risk that the Offer may lapse.

Shareholders are advised to consider the detailed terms of the Offer and the Whitewash Waiver and read, among other things, the letter from the Independent Board Committee and the letter of advice from Rainbow Capital to the Independent Board Committee to be contained in the Offer Document before deciding whether to vote for or against the resolutions in respect of the Offer and the Whitewash Waiver to be proposed at the General Meeting. Shareholders should also note that their voting decision on the resolutions in respect of the Offer and the Whitewash Waiver to be proposed at the General Meeting shall not affect their decision as to whether to accept the Offer or not. If Shareholders are in any doubt as to any aspect of the Offer and the Whitewash Waiver or as to the action to be taken, they should seek independent professional advice. Shareholders and potential investors are advised to exercise caution when dealing in the Shares and should consult their professional advisers when in doubt.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares was halted on the Stock Exchange at 9:00 a.m. on 7 July 2023 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 12 July 2023.

This announcement is made pursuant to Rule 3.5 of the Takeovers Code and Rule 13.09 of the Listing Rules.

INTRODUCTION

The Board announces 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 date of this announcement. 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.

The Offer will be made in full compliance with the Share Buy-backs Code. The consideration for the Offer, being a total of HK\$300,000,000 if the Offer is accepted in full, will be paid to the Accepting Shareholders in cash and will be funded 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.

As at the date of this announcement, 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.

PRINCIPAL TERMS OF THE OFFER

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 salient terms of the Offer are as follows:

- (i) Octal Capital will make the Offer to the Shareholders on behalf of the Company to, subject to fulfilment of the Conditions, buy-back up to the Maximum Number of Shares at the Offer Price;
- (ii) Qualifying Shareholders may accept the Offer in respect of any number of their Shares at the Offer Price up to their entire shareholding (subject to the procedures for scaling down described under the section headed “*Other Terms of the Offer*” below);
- (iii) The Offer is not conditional upon a minimum number of Shares being tendered for buy-back;
- (iv) All Shares validly tendered will be bought-back to the extent that the aggregate number of Shares bought-back pursuant to the Offer will not thereby exceed the Maximum Number of Shares. If the number of Shares validly tendered exceeds the Maximum Number of Shares, the number of Shares to be bought-back from each Accepting Shareholder will be reduced proportionally so that the number of Shares bought-back by the Company in aggregate is equal to the Maximum Number of Shares. Further details of the procedures for scaling down are described under the section headed “*Other Terms of the Offer*” below;
- (v) The Offer Price will be paid in cash;
- (vi) Acceptance Forms which have been duly completed and received by or on behalf of the Company will become irrevocable and cannot be withdrawn unless in accordance with Rule 19.2 of the Takeovers Code;

- (vii) Shares will be bought-back in cash, free of commission, levies and dealing charges, save that the amount of seller's ad valorem stamp duty due on the Shares bought-back attributable to the Qualifying Shareholders who accept the Offer and calculated at a rate of 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;
- (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 this announcement. For the avoidance of doubt, regarding the final dividend for the year ended 31 December 2022 (the "**2022 Final Dividend**") declared by the Board as announced by the Company on 23 March 2023, Shareholders whose names appear on the register of members of the Company on 12 June 2023 will be entitled to such dividend and will be paid on 28 July 2023 irrespective of whether he/she accepts the Offer or not. As for any possible interim dividend for the six months ending 30 June 2023 (the "**Possible 2023 Interim Dividend**") as may be declared by the end of August 2023, 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 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; 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 this announcement (including the right to any dividends that may be declared on or after the date of this announcement as referred to in (viii) above).

In compliance with Rule 3 of the Share Buy-backs Code, the Offer will be subject to the approval by the Independent Shareholders by way of a poll. The Offer will also be subject to the other terms and conditions referred to under the section headed "*Conditions to the Offer*" below.

The consideration under the Offer will not be despatched until after the Acceptance Form is completed in all respects and the share certificate(s), and/or transfer receipts(s) and/or other document(s) of title satisfactory to the Company have been received. 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 seven (7) Business Days following the close of the Offer. The full terms and details of the Offer will be set out in the Offer Document.

THE OFFER

The Offer Price of HK\$2.40 per Share values the entire issued Shares as at the date of this announcement at approximately HK\$12,124 million.

The Offer Price represents:

- (i) a premium of approximately 17.65% over the closing price of the Shares of HK\$2.04 each 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; and
- (v) 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 six-month period immediately prior to and including the Last Trading Day, 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

At the Offer Price, the Offer, if accepted in full, will result in the Company paying HK\$300,000,000 in aggregate to the Accepting Shareholders in cash which will be funded by internal resources of the Group. Octal Capital is satisfied that the Company has sufficient financial resources to enable it to satisfy acceptances of the Offer in full.

CONDITIONS TO THE OFFER

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

- (a) the approval by more than 50% of the votes cast by the Independent Shareholders, voting in person or by proxy, by way of a poll having been obtained at the General Meeting in respect of the Offer;
- (b) the approval by at least 75% of the votes cast by the Independent Shareholders, voting in person or by proxy, by way of a poll having been obtained at the General Meeting in respect of the Whitewash 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.

WARNING: 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.

It should be noted that dealings in the Shares will continue notwithstanding that any of the Conditions may remain unfulfilled, and that persons dealing in the Shares will bear the risk that the Offer may lapse.

Shareholders are advised to consider the detailed terms of the Offer and the Whitewash Waiver and read, among other things, the letter from the Independent Board Committee and the letter of advice from Rainbow Capital to the Independent Board Committee to be contained in the Offer Document before deciding whether to vote for or against the resolutions in respect of the Offer and the Whitewash Waiver to be proposed at the General Meeting. Shareholders should also note that their voting decision on the resolutions in respect of the Offer and the Whitewash Waiver to be proposed at the General Meeting shall not affect their decision as to whether to accept the Offer or not. If Shareholders are in any doubt as to any aspect of the Offer and the Whitewash Waiver or as to the action to be taken, they should seek independent professional advice.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares and should consult their professional advisers when in doubt.

Pursuant to Rule 5.1 of the Share Buy-backs Code and Rule 15.3 of the Takeovers Code, if the Offer is declared unconditional, the Qualifying Shareholders will be able to tender their Shares for acceptance under the Offer for a period of 14 days thereafter.

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. All Shares bought-back under the Offer will be cancelled.

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

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.

OVERSEAS SHAREHOLDERS

The making of the Offer to the Overseas Shareholders may be subject to the laws of the relevant jurisdictions. The laws of the relevant jurisdictions may prohibit the making of the Offer to the Overseas Shareholders or require compliance with certain filing, registration or other requirements in respect of the Offer. The Company reserves the right, subject to the consent of the Executive and the relevant legal requirements, to make special arrangements with respect to the Overseas Shareholders whose receipt of the Offer Document and the Acceptance Form is subject to the laws of the overseas jurisdiction. Details of the Overseas Shareholders will be set out in the Offer Document. The Company will comply with the requirements under Rule 8 (including; if necessary, the making of an application under Note 3 to Rule 8) of the Takeovers Code in respect of the Overseas Shareholders.

It is the responsibility of each Overseas Shareholder who wishes to accept the Offer to satisfy himself or herself as to the full observance of the laws of the relevant jurisdictions in that connection, including the obtaining of any governmental or other consents which may be required or compliance with other necessary formalities or legal requirements. Any acceptance of the Offer by any Qualifying Shareholder shall be deemed to constitute a representation and warranty from such Qualifying Shareholder to the Company that all applicable local laws and requirements have been observed and complied with. Shareholders should consult their professional advisers if in doubt.

The Company shall give notice of any matter in relation to the Offer to the Shareholders by issuing announcements or advertisements in accordance with its articles, the Codes and the Listing Rules and, if so given, shall be deemed to have been sufficient for all effective purposes, despite any failure by any Overseas Shareholder to receive the same.

IRREVOCABLE UNDERTAKINGS

As at the date of this announcement, the Shougang Group Shareholders were beneficially interested in 1,727,320,490 Shares, representing approximately 34.19% of the total issued Shares as at the date of this announcement. 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 as at the date of this announcement; and (b) the Shoucheng Shareholders which were beneficially interested in 863,962,490 Shares, representing approximately 17.10% of the total issued Shares as at the date of this announcement.

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).

THE 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% upon completion of the Offer, 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 will be made to the Executive by the Shougang Holding Shareholders.

The Offer will be conditional upon approval by the Independent Shareholders voting, in person or by proxy, by way of poll at the General Meeting and the Whitewash 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 announcement, 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) in Hong Kong. If a concern should arise after the release of this announcement, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the Offer Document. 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.

DEALINGS IN SHARES BY THE COMPANY AND THE SHOUGANG CONCERT GROUP

The Company has not bought-back any Shares in the six-month period prior to the date of this announcement and will not conduct any on-market share buy-back from the date of this announcement and up to and including the date 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 in the six months immediately prior to the date of this announcement and up to the date of this announcement.

OTHER ARRANGEMENTS

As at the date of this announcement and save as 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 Company or parties acting in concert with it 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 date of this announcement, apart from the Offer Price payable under the Offer, 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.

As at the date of this announcement and save as the Irrevocable Undertakings, there is no understanding, arrangement, agreement or special deal between any Shareholder and (i) the Company, its subsidiaries or associated companies; or (ii) the Shougang Concert Group.

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 date of this announcement 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 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	15,492,000	0.31	15,492,000	0.31
(A) Sub-total	863,358,000	17.09	863,358,000	17.52
<i>The Shoucheng Shareholders (Note (ii))</i>				
Fine Power Group Limited	663,918,497	13.14	644,104,671	13.07
Fair Gain Investments Limited	200,043,993	3.96	194,073,927	3.94
(B) Sub-total	863,962,490	17.10	838,178,598	17.01
<i>The Shougang Concert Group</i>				
(A)+(B) Sub-total	1,727,320,490	34.19	1,701,536,598	34.54
<i>Funde Sino Life (Note (iii))</i>	1,413,284,000	27.98	1,371,106,287	27.83
Directors who hold the Shares:				
Mr. Chen Zhaoqiang (Note (iv))	1,110,000	0.02	1,076,873	0.02
Mr. Choi Wai Yin (Note (v))	650,000	0.01	630,602	0.01
Public Shareholders	1,909,473,352	37.80	1,852,487,482	37.60
Total	5,051,837,842	100.00	4,926,837,842	100.00

Notes:

- (i) As informed by the Shougang Holding Shareholders, as at the date of this announcement, Shougang Group Co., Ltd. was interested in the Shares held by its subsidiaries, namely; (i) Ultimate Capital Limited (a company 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).
- (ii) Pursuant to the disclosure form dated 28 November 2022 (being the latest disclosure form filed up to the date of this announcement) 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 date of this announcement) as published on the website of the Stock Exchange, Funde Sino Life was interested 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 date of this announcement.
- (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 date of this announcement.
- (vi) 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 date of this announcement 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 date of this announcement, 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 date of this announcement, 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 other irrevocable commitment to accept the Offer.

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, 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 twelve months and up to the date of this announcement, 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 (other than the members of the Independent Board Committee who will express their opinion in the Offer Document) 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. Further details of the financial effects of the Offer, including the effects of the Offer on the net asset value of the Group, the net asset value per Share, the earnings of the Group and the earnings per Share, will be set out in the Offer Document to be despatched to the Shareholders as soon as practicable pursuant to the Takeovers Code.

INFORMATION ON 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.

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
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(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

The business and management of the Group will remain unchanged and the Company's listing on the Stock Exchange will be maintained upon completion of the Offer. It is intended 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 also the intention of the Company to continue to meet the public float requirements of Rule 8.08 of the Listing Rules.

GENERAL

Pursuant to Rule 5.1 of the Share Buy-backs Code and Rule 8.2 of the Takeovers Code, the Offer Document, which will contain details (including a timetable) of the Offer, a letter from the Independent Board Committee to the Independent Shareholders, a letter of advice from Rainbow Capital to the Independent Board Committee, a notice convening the General Meeting, the Acceptance Form and information relating to the procedures required for acceptance of the Offer and the Whitewash Waiver, will be despatched to the Shareholders as soon as practicable pursuant to the Takeovers Code.

The General Meeting will be convened and held for the purposes of considering and, if thought fit, approving the Offer and the Whitewash Waiver. 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 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.

An 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.

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.

DEALINGS DISCLOSURE

As at the date of this announcement, the Company has 5,051,837,842 Shares in issue and no other securities issued and outstanding, any changes of which will be announced by the Company as soon as possible thereafter.

The associates (including any person holding 5% or more of a class of the relevant securities (as defined in Note 4 to Rule 22 of Takeovers Code) of the Company) of the Company are reminded to disclose their dealings in the securities of the Company under Rule 22 of the Takeovers Code.

For this purpose, the full text of Note 11 to Rule 22 of the Takeovers Code is reproduced below:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 (of the Takeovers Code) and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant rules (of the Takeovers Code). However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than HK\$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediates are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediates will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares was halted on the Stock Exchange with effect from 9:00 a.m. on 7 July 2023 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 12 July 2023.

DEFINITIONS

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

“Acceptance Form(s)”	form(s) to be 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 Acceptance Form(s)
“acting in concert”	has the meaning given to it in the Takeovers Code
“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
“Codes”	The Takeovers Code and the Share Buy-backs Code
“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 heading “Conditions to the Offer” to which the Offer is subject
“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 date of this announcement

“General Meeting”	a general meeting of the Company to be convened 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 date of this announcement; and (ii) the Shoucheng Shareholders to the Company that they will accept the Offer in full for the Shares held by them as at the date of this announcement
“Last Trading Day”	6 July 2023, being the last trading day prior to the suspension of trading in the Shares pending the release of this announcement

“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 date of this announcement
“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”	a circular to the Shareholders (comprising the offer document, the notice of General Meeting, the proxy form for voting at the General Meeting and the Acceptance Form) to be issued in connection with the Offer and the Whitewash Waiver
“Offer Price”	HK\$2.40 per Share, being the buy-back price under the Offer
“Overseas Shareholder(s)”	Shareholder(s), whose addresses, as shown in the register of members of the Company, are outside Hong Kong
“PRC”	the People’s Republic of China and for the purpose of this announcement 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 of the Company at the close of the Offer

“Rainbow Capital”	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
“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
“Share(s)”	the ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“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”	Shougang Holding Shareholders and Shoucheng Shareholders which are holding 1,727,320,490 Shares in aggregate, representing approximately 34.19% of the total issued Shares as at the date of this announcement
“Shougang Holding Shareholders”	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
“Shougang Holding Shareholders”	being (i) Ultimate Capital Limited (a company 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
“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.

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

Hong Kong, 11 July 2023

As at the date of this announcement, the Board comprises Mr. Ding Rucai (Chairman), Mr. Fan Wenli (Managing Director), Mr. Chen Zhaoqiang (Deputy Managing Director), Mr. Wang Dongming (Deputy Managing Director), 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) and Mr. Shen Zongbin (Independent Non-executive Director).

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statements in this announcement misleading.