

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its 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 announcement.



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)

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE 2025 MASTER SALE AND
PURCHASE AGREEMENT**

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

RAINBOW.

RAINBOW CAPITAL (HK) LIMITED
宏博資本有限公司

RAINBOW CAPITAL (HK) LIMITED

References are made to the announcements of the Company dated 17 May 2021, 29 July 2021, 31 December 2021, 27 January 2022 and 23 September 2022, and the circulars of the Company dated 15 June 2021 and 13 October 2022 in relation to the 2021 Master Sales and Purchase Agreement entered into between the Company and Shougang Group in respect of the Sales and Purchases for the period from 27 January 2022 to 31 December 2024.

The 2021 Master Sales and Purchase Agreement will expire on 31 December 2024 and it is expected that the Company will continue to enter into similar normal commercial transactions contemplated under the 2021 Master Sales and Purchase Agreement with Shougang Group from time to time thereafter. Accordingly, on 2 December 2024 (after trading hours), the Company entered into the 2025 Master Sale and Purchase Agreement with Shougang Group in respect of the Sales and Purchases during the period commencing from 1 January 2025 (or the date on which the Conditions Precedent are fulfilled, whichever later) and ending on 31 December 2027 (both days inclusive) unless otherwise terminated.

LISTING RULES IMPLICATIONS

Shougang Group is a substantial shareholder interested in approximately 18.07% of the total issued share capital of the Company, and is therefore a connected person of the Company under the Listing Rules. Accordingly, the 2025 Master Sale and Purchase Agreement and the transactions contemplated thereunder, which involves recurring transactions that will occur on a regular and continuing basis in the ordinary and usual course of business of the Group, constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as set out in Rule 14.07 of the Listing Rules) calculated with reference to the Proposed Annual Caps exceed 5%, the 2025 Master Sale and Purchase Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, circular, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

GENERAL

The Company will convene the GM to seek the Independent Shareholders' approval on the 2025 Master Sale and Purchase Agreement and the Proposed Annual Caps. Any parties who are involved or interested in the 2025 Master Sale and Purchase Agreement shall abstain from voting on the relevant resolutions to be proposed at the GM.

The Independent Board Committee comprising all the independent non-executive Directors has been formed by the Company to consider whether the terms of the 2025 Master Sale and Purchase Agreement and the transactions contemplated thereunder, including the Proposed Annual Caps, are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders in respect of the same. Rainbow Capital has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further details about the 2025 Master Sale and Purchase Agreement; (ii) the recommendation of the Independent Board Committee; (iii) a letter of advice from Rainbow Capital to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the GM, is expected to be despatched to the Shareholders in accordance with the requirements of the Listing Rules on or before 16 December 2024.

Shareholders and potential investors should note that the 2025 Master Sale and Purchase Agreement is subject to Independent Shareholders' approval and therefore may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

INTRODUCTION

The Group is principally engaged in coking coal mining, production, and sales of coking coal products in the PRC. Since 2010, the Group has been supplying coking coal products to Shougang Group and/or its associates, and since 2015, the Group has been purchasing steel products from Shougang Group and/or its associates, in its usual and ordinary course of business. The Group has also engaged Shougang Group and/or its associates as contractors for certain construction, exploration, and design projects etc. in its usual and ordinary course of business.

On 27 January 2022, Shougang Group became a connected person of the Company. To continue the business relationship between the Group and Shougang Group, the parties entered into the 2021 Master Sales and Purchase Agreement to regulate the transactions and ensure compliance with the Listing Rules, including annual cap requirements. Given the 2021 Master Sales and Purchase Agreement will expire on 31 December 2024, both parties intend to enter into the 2025 Master Sale and Purchase Agreement covering forthcoming three years of transactions.

As such, on 2 December 2024 (after trading hours), the Company and Shougang Group entered into the 2025 Master Sale and Purchase Agreement for the renewal of the continuing connected transactions between the Group and Shougang Group and/or its associates.

THE 2025 MASTER SALE AND PURCHASE AGREEMENT

The principal terms of the 2025 Master Sale and Purchase Agreement are set out below:

Date

2 December 2024

Parties

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

Nature of the transactions

- (i) The Group will supply the Fushan Products to Shougang Group and/or its associates; and
- (ii) Shougang Group and/or its associates will supply Shougang Group Products to the Group.

Conditions precedent

The obligations of the parties to the 2025 Master Sale and Purchase Agreement (including the Proposed Annual Caps) are conditional upon approval of the 2025 Master Sale and Purchase Agreement and the Proposed Annual Caps by the Independent Shareholders in compliance with the Listing Rules at the GM.

Accordingly, if any of the Conditions Precedents (i.e. approval of the Independent Shareholders being obtained) has not been fulfilled by 1 January 2025, the Group and the Shougang Group and/or its associates shall transact with each other to the extent that Independent Shareholders' approval is not required in accordance with the Listing Rules.

Term

The period from 1 January 2025 (or the date on which the Conditions Precedent are fulfilled, whichever later) to 31 December 2027 (both days inclusive).

Pricing terms

The pricing terms under the 2025 Master Sale and Purchase Agreement will be determined based on an arm's length basis, on normal commercial terms and on terms no less favourable to independent third parties and in accordance with the following principles:

- (i) by reference to the prevailing market prices of the Fushan Products (which will be with reference to the well-known coal industry website <https://sxcoal.com>) and materials included under the Shougang Group Products (which will be with reference to the well-known steel industry website <https://index.mysteel.com/price/indexPrice.html> and prices quoted by other suppliers in the industry) or substantially similar products, taking into account of the price of the same or substantially similar products with comparable order quantities and quality being offered on the market;
- (ii) if there are no sufficient comparable transactions, such as machinery, construction and services included under the Shougang Group Products in (i) above, on normal commercial terms comparable to those offered to/received from independent third parties in respect of the same or substantially similar products with comparable order quantities; and

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

Payment terms

The various orders for the Sales and Purchases will be based on Individual Agreements. The payment terms for the continuing connected transactions under the 2025 Master Sale and Purchase Agreement will be on normal commercial terms which will be no less favourable to the Group than those available from independent third parties.

Proposed Annual Caps

The table below sets out the Proposed Annual Caps (net of VAT) in respect of the 2025 Master Sale and Purchase Agreement for the respective year:

	For the year ending 31 December 2025 <i>RMB'000</i>	For the year ending 31 December 2026 <i>RMB'000</i>	For the year ending 31 December 2027 <i>RMB'000</i>
Supply of Fushan Products	3,200,000	3,300,000	3,400,000
Purchase of Shougang Group Products	120,000	232,000	320,200

The Proposed Annual Caps were determined based on:

- (i) the historical transaction amounts and volume between the Group and Shougang Group and/or its associates;
- (ii) the expected growth in business of the Group and expected demand for both the Fushan Products and Shougang Group Products;
- (iii) the market prices of the Fushan Products was determined by the average benchmark market selling prices of the Group's clean coking coal products for the ten months ended 31 October 2024;
- (iv) limiting the proportion of sales volume attributable to Shougang Group and/or its associates to no more than 55% of the total estimated sales volume of Fushan Products of the Group on an annual basis; and

- (v) limiting the proportion of purchase amount from Shougang Group and/or its associates to no more than 20% of the total estimated purchase amount of steel, machinery and services etc. of the Group on annual basis.

Historical Aggregate Transaction Amounts

The table below sets out the historical transaction amounts (net of VAT) between the Group and Shougang Group and/or its associates in respect of the Sales and Purchases for the respective period/year below:

	For the year ended 31 December 2021 <i>RMB'000</i>	For the year ended 31 December 2022 <i>RMB'000</i>	For the year ended 31 December 2023 <i>RMB'000</i>	For the period from 1 January to 31 October 2024 <i>RMB'000</i>
Supply of Fushan Products	2,370,935	3,264,264	2,273,342	1,716,378
Purchase of Shougang Group Products	14,235	10,153	11,863	6,803

Shareholders and potential investors should note that the Proposed Annual Caps should not be construed as an assurance or forecast by the Company of the future revenues of the Group, and should not rely on any estimations or forecast in this announcement used for the purpose of calculation of the Proposed Annual Caps.

REASONS FOR AND BENEFITS OF THE 2025 MASTER SALE AND PURCHASE AGREEMENT

The Directors have been carefully monitoring the historical transaction amounts of the Sales and Purchases under the 2021 Master Sales and Purchase Agreement, and the Directors consider that entering into the 2025 Master Sale and Purchase Agreement would be conducive to the continuation of the Sales and Purchases entered by the Group.

As a renewal of the continuing connected transactions under the 2021 Master Sales and Purchase Agreement, the 2025 Master Sale and Purchase Agreement also serves to continue to streamline the Sales and Purchases between the Group and Shougang Group and/or its associates, by providing a single basis upon which the Company could manage the continuing connected transactions and comply with the relevant requirements under Chapter 14A of the Listing Rules, and thereby reducing the administrative burden and costs of the Company.

Shougang Group and its associates have respectable experience and reputation in their respective areas of businesses and solid financial standing, and have demonstrated themselves as reliable customers and suppliers of the Group over the past years. Shougang Group (together with its associates) has been the largest customer of the Group for the past few years, accounting for approximately 40%, 46% and 43% of the Group's total revenue for the three years ended 31 December 2023, respectively and 51% of the Group's total revenue for the six months ended 30 June 2024. The Directors believe that maintaining strategic business relationships with them will not only allow the realisation of synergies and economies of scale but will also continue to bring sustainable contribution to the Group's growth in the long run.

The Directors (excluding the independent non-executive Directors whose views will be set out in the circular to be despatched to the Shareholders, and Mr. Ding Rucai who might be considered to have material interest) are of the view that the 2025 Master Sale and Purchase Agreement is entered into in the ordinary and usual course of business of the Group and the terms contained therein are on normal or better commercial terms, which are arrived at after arm's length negotiations between the parties, and that the Proposed Annual Caps and the terms of the 2025 Master Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INTERNAL CONTROL MEASURES

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

- (a) In the event that the Group encounters contracts consisting of similar terms with both Shougang Group and/or its associates and independent third parties of equal caliber, in consideration of (i) the long-term relationship between the Group and Shougang Group; (ii) the reputation, experience and financial standing of Shougang Group; and (iii) the track record of Shougang Group proving that they are no less reliable and of no lesser quality, as both customer and supplier, than other independent third parties that the Group has transacted with, the Group shall give priority to Shougang Group and/or its associates, which is in line with normal commercial practice and of commercial sense. This will however always be subject to compliance with the Listing Rules, the Proposed Annual Caps and the 55% limitation of total sales volume of Fushan Products of the Group as well as 20% limitation of total purchase amounts on an annual basis. The Company will conduct regular reviews to ensure continued compliance.

- (b) The Company will conduct regular checks on a monthly basis to review and assess whether the transactions contemplated under the Individual Agreements are conducted in accordance with the terms thereunder and will also regularly update the market price for the purpose of considering if the price charged for a specific transaction is fair and reasonable and in accordance with the aforesaid pricing policy:
 - (i) the sales team will from time to time (on a regular bi-weekly basis and/or prior to price negotiation) gather market intelligence by way of research and investigation to determine the reference price of each type of products in the market;
 - (ii) the Company will conduct regular reviews of the Sales and Purchases and ensures the transactions contemplated under the Individual Agreements are within the Proposed Annual Caps; and
 - (iii) the Group will also work closely with customers/suppliers with a view to obtain information on the demand of the customers/the supply of the suppliers. As long as it is permissible under law, the Company will consider adjusting or negotiating the prices of the transactions contemplated under the Individual Agreements as and when necessary to ensure price fairness.
- (c) The Company will conduct annual internal reviews of the continuing connected transactions of the Company, to consider:
 - (i) effective implementation of the pricing policies and the payment methods, and evaluation of balances of the Proposed Annual Caps; and
 - (ii) identification of management weaknesses, and recommendation of improvement measures to ensure that the internal control measures in respect of the continuing connected transactions remain complete and effective and where any weaknesses are identified, the Company will take measures to address them as soon as practicable.
- (d) The independent non-executive Directors will review the continuing connected transactions of the Company pursuant to Rule 14A.55 of the Listing Rules, and confirm in the annual report as to whether such transactions have been entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better and according to the agreement governing the transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.
- (e) The independent auditor of the Group will also conduct an annual review on the pricing terms under the 2025 Master Sale and Purchase Agreement and Proposed Annual Caps.

Further, in order to ensure that the proportion of the actual sales volume of Fushan Products supplied to Shougang Group and/or its associates is limited to no more than 55% of the total sales volume of Fushan Products of the Group, the Group will also adopt the following internal control methods and procedures:

- (a) The Sales Department will arrange sales orders with customers according to the daily production report. The Sales Department will monitor and ensure that sales orders with Shougang Group will not exceed 55% of the total estimated sales volume of clean coking coal of the Group each month; and
- (b) The Finance Department shall monitor and control the actual sales volume of Fushan Products supplied to Shougang Group and/or its associates, and shall provide the Group's management with regular reports.

The Company shall manage the Sales and Purchases to ensure that the total transaction amounts will not exceed the Proposed Annual Caps. In the event that the transaction amounts are anticipated to exceed these caps, the Company shall seek further approval from the shareholders before proceeding. Meanwhile, the Company shall sell its coking coal products to other customers and purchase materials and services from other suppliers.

The Board shall ensure that Shougang Group does not become the Company's sole or primary source of revenue, so that there is no issue of extreme reliance. Further, to ensure that any risk from transacting with Shougang Group and/or its associates is minimised, the Group will take appropriate measures to consider, among others, the latest financial position of Shougang Group before confirming each sales order. Except Shougang Group, the Group also has a number of other existing sizable customers, and the Group will be able to sell Fushan Products to such other existing customers or procure new customers to effectively mitigate its risk exposure in case of any material adverse change to or termination of the relationship with Shougang Group for any reasons. In any event, the Board considers that any such material adverse change or termination with Shougang Group is relatively unlikely given Shougang Group's state-owned status, its shareholding in the Company, as well as the mutual nature and long length of the business relationship between the Group and Shougang Group.

INFORMATION OF THE PARTIES

The Company and the Group

The Company is an investment holding company and the Group is principally engaged in coking coal mining, production and sales of coking coal products in the PRC.

Shougang Group

Shougang Group is a state-owned enterprise established in the PRC and a substantial shareholder of the Company, which is principally engaged in a wide variety of businesses such as steel industry, mining, machinery and equipment development, electronics, building, real estate, and related services, etc. Shougang Group is currently the largest customer of the Group.

LISTING RULES IMPLICATIONS

Shougang Group is a substantial shareholder of the Company and is therefore a connected person of the Company under the Listing Rules. Accordingly, the 2025 Master Sale and Purchase Agreement and the transactions contemplated thereunder, which involves recurring transactions that will occur on a regular and continuing basis in the ordinary and usual course of business of the Group, constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as set out in Rule 14.07 of the Listing Rules) calculated with reference to the Proposed Annual Caps exceed 5%, the 2025 Master Sale and Purchase Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, circular, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

GM

The Company will convene the GM to seek the Independent Shareholders' approval on the 2025 Master Sale and Purchase Agreement and the Proposed Annual Caps. Any parties who are involved or interested in the 2025 Master Sale and Purchase Agreement shall abstain from voting on the relevant resolutions to be proposed at the GM.

The Independent Board Committee comprising all the independent non-executive Directors has been formed by the Company to consider whether the terms of the 2025 Master Sale and Purchase Agreement and the transactions contemplated thereunder, including the Proposed Annual Caps, are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders in respect of the same. Rainbow Capital has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As Mr. Ding Rucai is currently a director of the Company and certain subsidiaries of Shougang Group, he might be considered to be materially interested in the transactions contemplated under the 2025 Master Sale and Purchase Agreement, and has therefore abstained from voting on the Board resolutions approving the 2025 Master Sale and Purchase Agreement and the transactions contemplated thereunder. Save for Mr. Ding Rucai, none of the Directors has any material interest in the 2025 Master Sale and Purchase Agreement.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) further details about the 2025 Master Sale and Purchase Agreement; (ii) the recommendation of the Independent Board Committee; (iii) a letter of advice from Rainbow Capital to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the GM, is expected to be despatched to the Shareholders in accordance with the requirements of the Listing Rules on or before 16 December 2024.

Shareholders and potential investors should note that the 2025 Master Sale and Purchase Agreement is subject to Independent Shareholders' approval and therefore may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

DEFINITION

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

“2021 Master Sales and Purchase Agreement”	the mutual sale and purchase framework agreement dated 17 May 2021 entered into between the Company and Shougang Group in relation to the Sales and Purchases, as amended by the supplemental agreement dated 31 December 2021 and as supplemented by the Supplemental Master Sales and Purchase Agreement dated 23 September 2022;
--	---

“2025 Master Sale and Purchase Agreement”	the 2025 – 2027 mutual sale and purchase framework agreement dated 2 December 2024 entered into between the Company and Shougang Group in relation to the Sales and Purchases;
“associate”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of directors of the Company;
“Company”	Shougang Fushan Resources Group Limited, a limited liability company incorporated in Hong Kong, the Shares of which are listed on the main board of the Stock Exchange;
“Conditions Precedent”	the conditions to be fulfilled before the obligations under the 2025 Master Sale and Purchase Agreement (including the Proposed Annual Caps) become effective;
“connected person”	has the meaning ascribed thereto under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Fushan Products”	coal products;
“GM”	the general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving, among others, the 2025 Master Sale and Purchase Agreement and the Proposed Annual Caps;
“Group”	the Company and its subsidiaries from time to time;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors of the Company, namely Mr. Shi Yubao, Mr. Choi Wai Yin, Mr. Chen Jianxiong and Mr. Li Zeping, established for the purpose of advising the Independent Shareholders on the terms of the 2025 Master Sale and Purchase Agreement and the transactions contemplated thereunder;

“Independent Financial Adviser” or “Rainbow Capital”	Rainbow Capital (HK) Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed by the Company for the purpose of advising the Independent Board Committee and the Independent Shareholders in relation to the continuing connected transactions (including the Proposed Annual Caps) under the 2025 Master Sale and Purchase Agreement;
“Independent Shareholders”	the Shareholders, other than Shougang Group and its associates which in aggregate indirectly hold approximately 18.07% interest in the Company at the date of this announcement and will be required to abstain from voting on the resolution(s) to be proposed at the GM;
“Individual Agreements”	the separate individual agreements to be entered between each member of the Group and each of Shougang Group and/or its associates for the Sales and Purchases pursuant to the 2025 Master Sale and Purchase Agreement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Proposed Annual Caps”	the proposed annual caps in respect of the transaction amounts for the respective Sales and Purchases under the 2025 Master Sale and Purchase Agreement for the three financial years ending on 31 December 2027;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sales and Purchases”	mutual sales and purchases, which include (i) supplying the Fushan Products to Shougang Group and/or its associates by the Group; and (ii) supplying the Shougang Group Products to the Group by Shougang Group and/or its associates;

“Shareholders”	holder(s) of the Share(s) of the Company;
“Shares”	ordinary share(s) of the Company;
“Shougang Group”	首鋼集團有限公司 (Shougang Group Co., Ltd.*), a state-owned enterprise established in the PRC and a substantial shareholder of the Company;
“Shougang Group Products”	materials including but not limited to steel and machinery, and services to be rendered within the scope of Shougang Group’s businesses and in relation to the Group’s usual and ordinary course of business;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules;
“VAT”	value-added tax; and
“%”	per cent.

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

Hong Kong, 2 December 2024

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 (Independent Non-executive Director), Mr. Choi Wai Yin (Independent Non-executive Director), Mr. Chen Jianxiong (Independent Non-executive Director) and Mr. Li Zeping (Independent Non-executive Director).

* For identification purpose only