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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 639)**

## CONTINUING CONNECTED TRANSACTIONS – REVISION OF ANNUAL CAPS FOR TRANSACTIONS AND EXTENSION OF THE TERM UNDER THE 2021 MASTER SALES AND PURCHASE AGREEMENT AND NOTICE OF GENERAL MEETING

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

**RAINBOW.**

RAINBOW CAPITAL (HK) LIMITED  
溢博資本有限公司

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

A letter from the Board is set out on pages 5 to 16 of this circular and a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 17 to 18 of this circular. A letter of advice from Rainbow Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the terms of the Supplemental Master Sales and Purchase Agreement and the transactions contemplated thereunder is set out on pages 19 to 30 of this circular.

A notice convening a GM to be held at 10:30 a.m. on Thursday, 27 October 2022 at Boardroom 3-4, M/F, Renaissance Harbour View Hotel Hong Kong, No. 1 Harbour Road, Wanchai, Hong Kong is set out on pages 36 to 38 of this circular. A form of proxy for the GM for use by the Shareholders is enclosed with this circular. Whether or not you are able to attend the GM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the share registrar of the Company, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding of the GM (i.e., at or before 10:30 a.m. on Tuesday, 25 October 2022 (Hong Kong time)), or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the GM or any adjourned meeting thereof (as the case may be) should you so wish.

### PRECAUTIONARY MEASURES

Taking into account of the recent development of the pandemic caused by novel coronavirus pneumonia (COVID-19), the Company will implement the following prevention and control measures at the GM against the pandemic to protect the Shareholders from the risk of infection:

- Compulsory body temperature check will be conducted for every Shareholder or proxy at the entrance of the venue. Any person with a body temperature of over 37.5 degrees Celsius will not be admitted to the venue.
- Every Shareholder or proxy is required to wear surgical facial mask throughout the GM.
- No refreshment will be served.

The Company wishes to advise the Shareholders, particularly the Shareholders who are subject to quarantine in relation to COVID-19, that they may appoint any person or the chairman of the GM as a proxy to vote on the resolution, instead of attending the GM in person.

Furthermore, no corporate gifts or coupons will be distributed in the GM.

13 October 2022

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## DEFINITIONS

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

“2021 Master Sales and Purchase Agreement”	the mutual sales and purchase framework agreement dated 17 May 2021 entered into between the Company and Shougang Group in relation to the Sales and Purchase (as amended by the supplemental agreement dated 31 December 2021 entered into between the same parties) with effect from 27 January 2022;
“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 (stock code: 639);
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Excel Bond”	Excel Bond Investments Limited, a company incorporated in the British Virgin Islands with limited liability which is principally engaged in investment holding, a company indirectly (through its wholly-owned subsidiary, Ultimate Capital Limited) holding approximately 11.88% in aggregate of all issued Shares and a wholly-owned subsidiary of Shougang Group upon the completion of Shoucheng’s Proposed Restructuring;
“Fushan Products”	coking coal products;
“GM”	the general meeting of the Company to be convened and held at 10:30 a.m. on Thursday, 27 October 2022 at Boardroom 3-4, M/F, Renaissance Harbour View Hotel Hong Kong, No. 1 Harbour Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, approving, among others, the Supplemental Master Sales and Purchase Agreement and the Proposed Revised Annual Caps;
“Group”	the Company and its subsidiaries from time to time;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;

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## DEFINITIONS

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“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors of the Company, namely Mr. Choi Wai Yin, Mr. Japhet Sebastian Law, Mr. Chen Jianxiong and Mr. Shen Zongbin, established for the purpose of advising the Independent Shareholders on the terms of the Supplemental Master Sales 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 Revised Annual Caps) under the Supplemental Master Sales and Purchase Agreement;
“Independent Shareholders”	the Shareholders, other than Shougang Group and its associates which in aggregate indirectly hold approximately 33.09% interest in the Company at the date of this circular 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 Purchase pursuant to the 2021 Master Sales and Purchase Agreement and the Supplemental Master Sales and Purchase Agreement;
“Latest Practicable Date”	7 October 2022, being the latest practicable date for ascertaining certain information referred to in this circular prior to the printing of this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 of the Listing Rules;
“Original Annual Caps”	the existing annual caps for the transactions contemplated under the 2021 Master Sales and Purchase Agreement;
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan;

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## DEFINITIONS

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“Proposed Revised Annual Caps”	the proposed revised annual caps for the transactions contemplated under the 2021 Master Sales and Purchase Agreement as amended by the Supplemental Master Sales and Purchase Agreement;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sales and Purchase”	mutual sales and purchase, 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, under the 2021 Master Sales and Purchase Agreement and the Supplemental Master Sales and Purchase Agreement;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	ordinary share(s) of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Shoucheng”	Shoucheng Holdings Limited, a company incorporated in Hong Kong with limited liability whose shares are listed on the main board of the Stock Exchange (stock code: 697);
“Shoucheng’s Proposed Restructuring”	the disposal by Shoucheng of the entire issued share capital of Excel Bond pursuant to the terms and conditions of the Shoucheng Share Sale Agreement;
“Shoucheng Share Sale Agreement”	the agreement in relation to a proposed restructuring entered between Shoujing Yifei Holdings Limited and King Rich Group Limited on 15 January 2021 which was amended and restated on 18 February 2021;
“Shougang Group”	首鋼集團有限公司 (Shougang Group Co., Ltd.*) is a state-owned enterprise established in the PRC, which has become a substantial shareholder of the Company upon the completion of Shoucheng’s Proposed Restructuring;
“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;
“Shougang Holding”	Shougang Holding (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Shougang Group;

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## DEFINITIONS

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“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules;
“Supplemental Master Sales and Purchase Agreement”	the supplemental agreement dated 23 September 2022 entered into between the Company and Shougang Group to revise the Original Annual Caps to the Proposed Revised Annual Caps and extend the term of the 2021 Master Sales and Purchase Agreement for one year ending on 31 December 2024;
“VAT”	value-added tax; and
“%”	per cent.

\* *For identification purpose only*

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## LETTER FROM THE BOARD

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

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 639)**

*Executive Directors:*

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

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

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

*Non-executive Directors:*

Chang Cun  
Shi Yubao

*Independent Non-executive Directors:*

Choi Wai Yin  
Japhet Sebastian Law  
Chen Jianxiong  
Shen Zongbin

13 October 2022

*To the Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS –  
REVISION OF ANNUAL CAPS FOR TRANSACTIONS  
AND EXTENSION OF THE TERM  
UNDER THE 2021 MASTER SALES AND PURCHASE AGREEMENT  
AND  
NOTICE OF GENERAL MEETING**

### **INTRODUCTION**

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 circular of the Company dated 15 June 2021 in relation to the 2021 Master Sales and Purchase Agreement and the Supplemental Master Sales and Purchase Agreement entered into between the Company and Shougang Group in respect of the Sales and Purchase for the period from 27 January 2022 to 31 December 2024.

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## LETTER FROM THE BOARD

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In view of the significant increased market prices of the Fushan Products under the 2021 Master Sales and Purchase Agreement, the Board expects that the Original Annual Caps under the 2021 Master Sales and Purchase Agreement will be insufficient for the years ending 31 December 2022 and 2023. Therefore, on 23 September 2022 (after trading hours), the Company and Shougang Group entered into the Supplemental Master Sales and Purchase Agreement to revise the Original Annual Caps to the Proposed Revised Annual Caps and to extend the term of 2021 Master Sales and Purchase Agreement for one year ending on 31 December 2024.

Save for the above, all other terms of the 2021 Master Sales and Purchase Agreement shall remain the same.

As of the date of this circular, the cumulative transaction amounts of connected transactions under the 2021 Master Sales and Purchase Agreement have not exceeded the Original Annual Caps for the period ending 31 December 2022. The Company expects that the cumulative transaction amounts of connected transactions under the 2021 Master Sales and Purchase Agreement will not exceed the Original Annual Caps for the period ending 31 December 2022 as at the date of the GM.

The purpose of this circular is:

- (i) to provide the Shareholders with further details of the Supplemental Master Sales and Purchase Agreement and the transactions contemplated thereunder;
- (ii) to set out the opinions of the Independent Financial Adviser on the terms of the Supplemental Master Sales and Purchase Agreement and the transactions contemplated thereunder;
- (iii) to set out the recommendations of the Independent Board Committee in respect of the terms of the Supplemental Master Sales and Purchase Agreement and the transactions contemplated thereunder; and
- (iv) to give the Shareholders notice of the GM to consider and, if thought fit, to approve the Supplemental Master Sales and Purchase Agreement and the transactions contemplated thereunder and the Proposed Revised Annual Caps.

### **THE SUPPLEMENTAL MASTER SALES AND PURCHASE AGREEMENT**

A summary of the principal terms of the Supplemental Master Sales and Purchase Agreement are set out below:

#### **Date**

23 September 2022

#### **Parties**

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



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## LETTER FROM THE BOARD

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### **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.

### **Term**

The period from 27 January 2022 to 31 December 2024 (both days inclusive)

### **Conditions precedent**

The obligations of the parties to the Supplemental Master Sales and Purchase Agreement are conditional upon approval of the Supplemental Master Sales and Purchase Agreement and the Proposed Revised Annual Caps by the Independent Shareholders in compliance with the Listing Rules at the GM.

### **Pricing terms**

The pricing terms under the Supplemental Master Sales 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 [www.sxcoal.com](http://www.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 not 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 a minimum of three 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.

Save for the Proposed Revised Annual Caps and the term, all other terms (including above pricing terms) of the 2021 Master Sales and Purchase Agreement shall remain the same, further details of which are set out in the circular of the Company dated 15 June 2021.

## LETTER FROM THE BOARD

### 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 Purchase for the respective year/period below:

	<b>For the year ended 31 December 2021 <i>RMB'000</i></b>	<b>For the period from 1 January to 31 August 2022 <i>RMB'000</i></b>
Supply of Fushan Products	2,440,671	2,096,633
Purchase of Shougang Group Products	16,736	9,836

### Proposed Revised Annual Caps and Basis of Determination

The table below sets out the Original Annual Caps and the Proposed Revised Annual Caps in respect of the supply of Fushan Products by the Company to Shougang Group and the purchase of Shougang Group Products by the Company from Shougang Group under the 2021 Master Sales and Purchase Agreement and the Supplemental Master Sales and Purchase Agreement respectively:

	<b>Original Annual Caps</b>		<b>Proposed Revised Annual caps</b>		
	<b>For the period from 27 January 2022 to 31 December 2022 <i>RMB'000</i></b>	<b>For the year ending 31 December 2023 <i>RMB'000</i></b>	<b>For the period from 27 January 2022 to 31 December 2022 <i>RMB'000</i></b>	<b>For the year ending 31 December 2023 <i>RMB'000</i></b>	<b>For the year ending 31 December 2024 <i>RMB'000</i></b>
Supply of Fushan Products	2,570,000	2,840,000	4,200,000	5,000,000	5,400,000
Purchase of Shougang Group Products	100,000	110,000	100,000	110,000	120,000

The Proposed Revised 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 significant increased market prices of the Fushan Products, with the average benchmark market selling prices of the Group's clean coking coal products for the eight months ended 31 August 2022 significantly surged by approximately 58% year-on-year;

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## LETTER FROM THE BOARD

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- (iii) 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 clean coking coal products of the Group on annual basis;
- (iv) limiting the proportion of purchase amount from Shougang Group and/or its associates to no more than 20% of the total purchase of steel, machinery and services of the Group on annual basis; and
- (v) the expected growth in business of the Group.

### *Growth in respect of Fushan Products*

In determining the Proposed Revised Annual Caps for the supply of Fushan Products, the Company has estimated the production volume of coking coal for the three years ending 31 December 2024 based on several factors including (i) the Group's production capacity; (ii) the proportion of historical sales volume of Fushan Products to Shougang Group and/or its associates for the year ended 31 December 2021 and the eight months ended 31 August 2022, against the total sales volume of clean coking coal of the Group for the same period, which represented 42% and 41% respectively; (iii) the estimated growth and sales volume of the Group for the three years ending 31 December 2024; and (iv) the estimated selling prices of Fushan Products for the three years ending 31 December 2024 based on the recent average market selling prices of clean coking coal products for the first half of 2022.

The recent average benchmark market selling prices (inclusive of VAT) of two kinds of clean coking coal, being low-sulphur and high-sulphur clean coking coal (which are what Fushan Products mainly comprise of), increased to RMB2,839 per tonne and RMB2,592 per tonne respectively for the eight months ended 31 August 2022 from the average benchmark market selling prices of RMB1,919 per tonne and RMB1,546 per tonne respectively in the eight months ended 31 August 2021 (representing an increase of 48% and 68%) and RMB1,780 per tonne and RMB1,388 per tonne respectively at the time of entering into the 2021 Master Sales and Purchase Agreement (representing a significant increase of 59% and 87%). The Company has assumed a reasonable growth rate of 5% per annum on the recent average market selling prices for two years ending 31 December 2024. Furthermore, the Company has also considered estimated additional selling prices of RMB38 per tonne on 38% of high-sulphur sales volume and RMB210 per tonne on 25% of high-sulphur sales volume to Shougang Group and/or its associates for additional railway transportation costs and ocean freight costs, respectively, according to the current logistic arrangements between the Group and Shougang Group.

The Group expects its total raw coal production volume could reach 5,250,000 tonnes per year in the following years in line with the aggregate approved production capacity of the Group's three operating coking coal mines, as compared to 5,170,000 tonnes for the year ended 31 December 2021. Taking into accounts of sales volume of 3,300,000 tonnes of clean coking coal for the year ended 31 December 2021, together with the increase in purchase of clean coal from third parties for blending and sales, the Company expects the overall sales volume of clean coking coal products (including Fushan Products) to increase steadily in the next few years.

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## LETTER FROM THE BOARD

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For the purposes of Listing Rules compliance and to avoid over reliance on Shougang Group, the Company has imposed internal controls to limit 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 clean coking coal products of the Group on annual basis, with the Proposed Revised Annual Caps (insofar as concerns the supply of Fushan Products) representing approximately 50%, 50% and 50% of the total estimated sales volume of clean coking coal of the Group for each of the three years ending 31 December 2022, 2023, and 2024 respectively, based on preliminary estimation by the Company. This will however also be dependent on prevalent market conditions and the global economy, as exceptional circumstances may necessitate adjustments on sales and demands and overall operational strategies of the Group. Such exceptional circumstances would include, for instance, when other customers default on their orders for Fushan Products, as a result of cessation of operations due to environmental issues, government policies, financial problems or otherwise, in which case the Company will be required to reach out to its existing customers, including but not limited to Shougang Group, to take up the defaulted orders. These will however only be one-off cases. The Company considers the implementation of such contingent measures essential to ensure that the Company continues its business without any material interruptions, since storage capacities are limited and products must be continuously released in order to accommodate the mines' continual production, and are therefore fair and reasonable.

### *Growth in respect of Shougang Group Products*

In determining the Proposed Revised Annual Caps for the purchase of Shougang Group Products, the Company has estimated its demand for the purchases including materials, machinery, construction and services etc., which will need to be applied for the continued operation and infrastructure of its coal mines for the three years ending 31 December 2024. The increase in estimated demand is mainly attributable to the expected higher demand for steel and machinery which is necessary in the mining and production of clean coking coal, which as aforementioned, is expected to increase steadily in the next years. Machinery and construction together with related services are also required for the Group's upcoming infrastructure and automation projects for its coal mines and preparation plants.

The Group will normally procure the purchase for certain amount through tendering and the Group will procure Shougang Group Products from Shougang Group and/or its associates only when the prices and terms provided by Shougang Group are no less favourable to the Group than those provided by other independent third parties. The Company expects that the proportion of Shougang Group Products to the total purchase (for the operation and infrastructure of the Group's coal mines) for the three years ending 31 December 2024 will increase given the increase in estimated demand of Shougang Group Products and ongoing collaboration between the Group and Shougang Group, and the purchase amount of Shougang Group Products will also be affected by an assumed reasonable growth rate of 5% per annum as above. The Group would procure no more than 20% of steel, machinery and services from Shougang Group for the years ending 31 December 2022 and 2023 and continue such proportion for the year ending 31 December 2024.

**Shareholders and potential investors should note that the Proposed Revised 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 circular used for the purpose of calculation of the Proposed Revised Annual Caps.**

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## LETTER FROM THE BOARD

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### REASONS FOR THE SUPPLEMENTAL MASTER SALES AND PURCHASE AGREEMENT

The Group is principally engaged in coking coal mining, production and sales of coking coal products in the PRC. The Group has been supplying coking coal product to Shougang Group and/or its associates since 2010 and purchasing steel products from Shougang Group and/or its associates since 2015, as well as contracting Shougang Group and/or its associates for certain construction, exploration and design projects, etc. in its ordinary and usual course of business. Currently, Shougang Group (together with its associates) is the largest customer of the Group for the three years ended 31 December 2021, accounting for approximately 31%, 36% and 40% of the Group's total revenue for the three years ended 31 December 2021, respectively.

The Directors have been carefully monitoring the historical transaction amounts of, and the estimated demand for, the transactions contemplated under the 2021 Master Sales and Purchase Agreement of the Group. The Directors consider that entering into the Supplemental Master Sales and Purchase Agreement would be conducive to the continuation of transactions under the significant increased market prices of the Fushan Products supplied by the Group.

As the transactions between the Group and Shougang Group and/or its associates have become connected transactions of the Company following the completion of Shoucheng's Proposed Restructuring since 27 January 2022, the Company and Shougang Group entered into the 2021 Master Sales and Purchase Agreement to regulate the continuing connected transactions between the Group and Shougang Group and/or its associates. In view of the significant increased market prices of the Fushan Products under the 2021 Master Sales and Purchase Agreement, the Board expects that the Original Annual Caps under the 2021 Master Sales and Purchase Agreement will be insufficient for the years ending 31 December 2022 and 2023. Therefore, the Company and Shougang Group entered into the Supplemental Master Sales and Purchase Agreement to revise the Original Annual Caps to the Proposed Revised Annual Caps and to extend the term for one year ending on 31 December 2024 in order to comply with the requirements under Chapter 14A of the Listing Rules.

In line with market practice and the Company's past practices, the Company consider it necessary for compliance purposes and administrative convenience to enter into a master agreement with relevant contract counterparties in order to better document and manage its continuing connected transactions. The 2021 Master Sales and Purchase Agreement and the Supplemental Master Sales and Purchase Agreement serve to streamline the Sales and Purchase between the Group and Shougang Group and/or its associates by providing a single basis upon which the Company could comply with the relevant requirements under Chapter 14A of the Listing Rules and thereby reducing the administrative burden and costs of the Company. At the same time, the Company continues to carry out its normal business with its customers without any interruption.

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. 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. As such, the Company considers that there is no material disadvantage in entering into of the Supplemental Master Sales and Purchase Agreement.

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## LETTER FROM THE BOARD

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The Sales and Purchase contemplated under the 2021 Master Sales and Purchase Agreement and the Supplemental Master Sales and Purchase Agreement are of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of business of the Group.

The Directors (excluding the independent non-executive Directors whose views are set out on pages 17 to 18 of this circular, and Mr. Ding Rucai who is considered to have material interest) are of the view that the Supplemental Master Sales 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 Revised Annual Caps and the terms of the Supplemental Master Sales 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 FOR CONTINUING CONNECTED TRANSACTIONS

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

- (a) 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 Revised Annual Caps and the 55% limitation of total sales volume as aforementioned. 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 Purchase and ensures the transactions contemplated under the Individual Agreements are within the Proposed Revised Annual Caps; and

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## LETTER FROM THE BOARD

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- (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, evaluation of balances of the Proposed Revised 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 2021 Master Sales and Purchase Agreement, the Supplemental Master Sales and Purchase Agreement and Proposed Revised 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 clean coking coal products of the Group, the Group will also adopt the following internal control methods and procedures:

- (a) The Production Department of the Group shall report the daily production volume of coking coal products to the Sales Department of the Group; and
- (b) Based on such data on daily production volume, as well as the data on sales volume to all customers recorded in its order and sales book, the Sales 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.



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## LETTER FROM THE BOARD

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The Company shall manage the Sales and Purchase so that when total transaction amounts approaches the Proposed Revised Annual Caps or the 55% limitation for the sales volume of Fushan Products, the Company will pay particular attention to make sure that it does not accept further orders from, place further orders with, or enter into further relevant contracts with Shougang Group and/or its associates that would result in the Proposed Revised Annual Caps or the 55% limitation being exceeded unless exceptional circumstances occurs as disclosed above. In such case, the Company shall continue to 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 well-known 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 is relatively unlikely given Shougang Group's state-owned status, substantial shareholding in the Group, as well as the mutual nature and 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, a substantial shareholder of the Company, is a connected person of the Company under the Listing Rules. Therefore, the transactions contemplated under the 2021 Master Sales and Purchase Agreement (as amended by the Supplemental Master Sales and Purchase Agreement) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

For the Proposed Revised Annual Caps and extension of the term, pursuant to Rule 14A.54(1) of the Listing Rules, the Company is required to re-comply with the reporting, announcement, circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.



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## LETTER FROM THE BOARD

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

### GM

The GM will be convened for the purposes of seeking the Independent Shareholders' approval on the Supplemental Master Sales and Purchase Agreement and the transactions contemplated thereunder.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder with a material interest in the Supplemental Master Sales and Purchase Agreement and the transactions contemplated thereunder is required to abstain from voting on the relevant resolution(s) at the GM. Shougang Group and its associates, which in aggregate indirectly hold 1,671,726,490 Shares (approximately 33.09% interest in the Company) as at the Latest Practicable Date, will abstain from voting on the relevant resolution(s) to be proposed at the GM. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder is required to abstain from voting 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 Supplemental Master Sales and Purchase Agreement and the transactions contemplated thereunder, including the Proposed Revised 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 voting on the relevant resolution(s) to be proposed at the GM. 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 is considered to be materially interested in the transactions contemplated under the Supplemental Master Sales and Purchase Agreement and has abstained from voting on the Board resolution(s) approving the Supplemental Master Sales and Purchase Agreement and the transactions contemplated thereunder. Save for Mr. Ding Rucai, none of the Directors has any material interest in the Supplemental Master Sales and Purchase Agreement, and therefore they are not required to abstain from voting on such resolution(s).

A notice convening the GM to be held at 10:30 a.m. on Thursday, 27 October 2022 at Boardroom 3-4, M/F, Renaissance Harbour View Hotel Hong Kong, No. 1 Harbour Road, Wanchai, Hong Kong is set out on pages 36 to 38 of this circular. A form of proxy for use by the Shareholders at the GM is enclosed herewith. Whether or not you are able to attend the GM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the share registrar of the Company, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the GM (i.e., at or before 10:30 a.m. on Tuesday, 25 October 2022 (Hong Kong time)), or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the GM or any adjourned meeting thereof (as the case may be) should you so wish.

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## LETTER FROM THE BOARD

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

### RECORD DATE

Record date (being the last date of registration of any share transfer given there will be no book closure) for determining the entitlement of members of the Company to attend and vote at the GM will be the close of business on Wednesday, 26 October 2022. In order to qualify for the entitlement to attend and vote at the GM, all transfer forms accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Wednesday, 26 October 2022 for registration.

### RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 17 to 18 of this circular which contains its recommendations to the Independent Shareholders in respect of the terms of the Supplemental Master Sales and Purchase Agreement and the transactions contemplated thereunder. Your attention is also drawn to the letter of advice from Rainbow Capital, which contains, amongst other matters, its advices to the Independent Board Committee and the Independent Shareholders on the terms of the Supplemental Master Sales and Purchase Agreement and the transactions contemplated thereunder. The letter from Rainbow Capital is set out on pages 19 to 30 of this circular.

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

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

**Shareholders and potential investors should note that the Supplemental Master Sales 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.**

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

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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



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

13 October 2022

*To the Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS –  
REVISION OF ANNUAL CAPS FOR TRANSACTIONS  
AND EXTENSION OF THE TERM  
UNDER THE 2021 MASTER SALES AND PURCHASE AGREEMENT**

We refer to the circular of the Company to the Shareholders dated 13 October 2022 (the “**Circular**”), in which this letter forms a part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings given to them in the section headed “Definitions” of the Circular.

We have been authorised by the Board to form the Independent Board Committee to advise the Independent Shareholders on whether the terms of the Supplemental Master Sales and Purchase Agreement and the transactions contemplated thereunder, including the Proposed Revised Annual Caps, are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention to the letter of advice from Rainbow Capital, the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Supplemental Master Sales and Purchase Agreement and the transactions contemplated thereunder as set out on pages 19 to 30 of the Circular and the letter from the Board as set out on pages 5 to 16 of the Circular, as well as the additional information set out in the appendix to the Circular.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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

Yours faithfully,

For and on behalf of

**Independent Board Committee**

**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*

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## LETTER FROM RAINBOW CAPITAL

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*The following is the full text of a letter of advice from Rainbow Capital to the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Supplemental Master Sales and Purchase Agreement which has been prepared for the purpose of inclusion in this circular.*

### **Rainbow Capital (HK) Limited**

13 October 2022

*To the Independent Board Committee and the Independent Shareholders*

Shougang Fushan Resources Group Limited  
6th Floor  
Bank of East Asia Harbour View Centre  
56 Gloucester Road  
Wanchai  
Hong Kong

Dear Sir or Madam,

### **CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE SUPPLEMENTAL MASTER SALES AND PURCHASE AGREEMENT**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Supplemental Master Sales and Purchase Agreement (the “**Transactions**”), including the Proposed Revised Annual Caps and the extension of the term of the 2021 Master Sales and Purchase Agreement for one year ending on 31 December 2024, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 13 October 2022 (the “**Circular**”), 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 the Circular.

On 17 May 2021, the Company and Shougang Group entered into the 2021 Master Sales and Purchase Agreement in respect of the Sales and Purchase for the period from 27 January 2022 to 31 December 2023. As the Board expects that the Original Annual Caps under the 2021 Master Sales and Purchase Agreement will be insufficient for the years ending 31 December 2022 and 2023, on 23 September 2022 (after trading hours), the Company entered into the Supplemental Master Sales and Purchase Agreement with Shougang Group to revise the Original Annual Caps to the Proposed Revised Annual Caps and to extend the term of the 2021 Master Sales and Purchase Agreement for one year ending on 31 December 2024.

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## LETTER FROM RAINBOW CAPITAL

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Shougang Group, a substantial shareholder of the Company, is a connected person of the Company under the Listing Rules. As such, the Transactions will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable ratios for the Proposed Revised Annual Caps is/are more than 5%, the Transactions constitute non-exempt continuing connected transactions of the Company under Chapter 14A of the Listing Rules, which are subject to the reporting, announcement, circular, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules. Shougang Group together with its associates will abstain from voting on the resolution approving the Supplemental Master Sales and Purchase Agreement, the Transactions and the Proposed Revised Annual Caps at the GM.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Choi Wai Yin, Mr. Japhet Sebastian Law, Mr. Chen Jianxiong and Mr. Shen Zongbin, has been formed to advise the Independent Shareholders on whether the terms of the Supplemental Master Sales and Purchase Agreement and the Transactions (including the Proposed Revised Annual Caps) are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole. We, Rainbow Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

As at the Latest Practicable Date, we did not have any relationships or interests with the Group and Shougang Group that could reasonably be regarded as relevant to our independence. We have acted as the independent financial adviser to the independent board committee and the independent shareholders of the Company in relation to the continuing connected transactions under the 2021 Master Sales and Purchase Agreement, details of which are set out in the circular of the Company dated 15 June 2021. Other than that, there was no engagement or connection between the Group or Shougang Group 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 arrangements exist whereby we had received any fees or benefits from the Group or Shougang Group. As such, we are qualified to give independent advice in respect of the Transactions (including the Proposed Revised Annual Caps).

### **BASIS OF OUR OPINION**

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) 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 the Circular were true, accurate and complete in all 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 the Circular are true at the time they were made and continue to be true 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 the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the 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 the Circular 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 respects at the time they were made and continued to be so until the date of the Circular.

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## LETTER FROM RAINBOW CAPITAL

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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 the Circular 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 businesses, affairs, operations, financial position or future prospects of the Group, Shougang Group or any of their respective substantial shareholders, subsidiaries or associates.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the terms of the Supplemental Master Sales and Purchase Agreement (including the Proposed Revised Annual Caps) are fair and reasonable, we have taken into account the principal factors and reasons set out below:

#### 1. Information on the Group and Shougang Group

##### (i) *The Group*

The Group is principally engaged in coking coal mining, production and sales of coking coal products in the PRC. Taking Shanxi Province as its major investment base, the Group has three operating coking coal mines and three coal preparation plants. Set out below are certain consolidated financial information of the Group for the year ended 31 December 2020 (“FY2020”) and 2021 (“FY2021”) as extracted from the annual report of the Company for FY2021 (the “2021 Annual Report”) and the six months ended 30 June 2021 (“6M2021”) and 2022 (“6M2022”) as extracted from the interim report of the Company for 6M2022 (the “2022 Interim Report”):

	<b>For the six months ended 30 June 2022 HK\$'000 (unaudited)</b>	<b>For the six months ended 30 June 2021 HK\$'000 (unaudited)</b>	<b>For the year ended 31 December 2021 HK\$'000 (audited)</b>	<b>For the year ended 31 December 2020 HK\$'000 (audited)</b>
<b>Total Revenue</b>	<b>4,662,983</b>	<b>2,444,193</b>	<b>7,075,818</b>	<b>3,996,951</b>
Sales of raw coking coal	–	–	–	48,663
Sales of clean coking coal	4,662,983	2,444,193	7,075,818	3,948,288
<b>Profit for the period/year Profit attributable to the Shareholders</b>	<b>1,936,269</b> <b>1,606,697</b>	<b>773,609</b> <b>673,389</b>	<b>3,060,831</b> <b>2,538,495</b>	<b>1,187,283</b> <b>1,080,041</b>

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## LETTER FROM RAINBOW CAPITAL

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The Group generates most of its revenue from sales of clean coking coal. For FY2021, sales of clean coking coal increased by approximately 79.21% to approximately HK\$7.1 billion from approximately HK\$4.0 billion for FY2020. For the 6M2022, sales of clean coking coal increased by approximately 90.78% to approximately HK\$4.7 billion from approximately HK\$2.4 billion for 6M2021. As disclosed in the 2021 Annual Report and the 2022 Interim Report, the increases in sales of clean coking coal were mainly attributable to the significant increase in average selling prices of clean coking coal due to the tight supply domestically and internationally. The Directors expect that China's macro-economy will be stabilised and grown by taking infrastructure investment as a strong foothold in second half of 2022, which will drive the demand for steel. Given the limited supply growth of coking coal, the coking coal price is expected to stay at a high level.

For FY2020 and FY2021, profit attributable to the Shareholders amounted to approximately HK\$1.1 billion and HK\$2.5 billion, respectively. For the 6M2021 and 6M2022, profit attributable to the Shareholders amounted to approximately HK\$673.4 million and HK\$1.6 billion, respectively. The significant increase in profit for FY2021 and 6M2022 were primarily attributable to the increase in revenue as driven by the high coking coal prices.

### *(ii) 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. Currently, Shougang Group is the largest customer of the Company, sales to which accounted for approximately 36%, 40% and 43% of the Group's total revenue for FY2020, FY2021 and 6M2022, respectively.

## **2. Reasons for and benefits of entering into the Supplemental Master Sales and Purchase Agreement**

The Group has been supplying coking coal products to Shougang Group and/or its associates since 2010 and purchasing steel products from Shougang Group and/or its associates since 2015 in its usual and ordinary course of business. Moreover, the Group has 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.

Shougang Group and its associates have respectable experience and reputation in their respective areas of business and solid financial standing and have demonstrated themselves as reliable customers and suppliers of the Group over the past years. We consider that while the supply of Shougang Group Products by Shougang Group and/or its associates to the Group can support the business operation of the Group, the sales of Fushan Products by the Group to Shougang Group and/or its associates can provide a solid foundation to the revenue stream and capacity utilisation level of the Group, and thereby promoting the sustainable and stable operation of the Group. As stated in section headed "1. Information on the Group and Shougang Group" above, the Group generates most of its revenue from sales of clean coking coal and Shougang Group is the largest customer of the Company, sales to which accounted for approximately 36%, 40% and 43% of the Group's total revenue for FY2020, FY2021 and 6M2022, respectively.



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## LETTER FROM RAINBOW CAPITAL

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As disclosed in the Letter from the Board, the Directors have been carefully monitoring the historical transaction amounts of, and the estimated demand for, the transactions contemplated under the 2021 Master Sales and Purchase Agreement of the Group. As of the Latest Practicable Date, the cumulative transaction amounts of connected transactions under the 2021 Master Sales and Purchase Agreement have not exceeded the Original Annual Caps for the period ending 31 December 2022 and the Company expects that the cumulative transaction amounts of connected transactions under the 2021 Master Sales and Purchase Agreement will not exceed the Original Annual Caps for the period ending 31 December 2022 as at the date of the GM. In view of the significant increased market selling prices of the Fushan Products supplied by the Group, the Directors expect that the Original Annual Caps under the 2021 Master Sales and Purchase Agreement will be insufficient for the years ending 31 December 2022 and 2023. Therefore, the Company and Shougang Group entered into the Supplemental Master Sales and Purchase Agreement to revise the Original Annual Caps to the Proposed Revised Annual Caps and to extend the term for one year ending on 31 December 2024.

Based on the above, we consider that the Supplemental Master Sales and Purchase Agreement (including the Transactions) is entered in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

### 3. Principal terms of the Supplemental Master Sales and Purchase Agreement

The Supplemental Master Sales and Purchase Agreement was entered into between the Company and Shougang Group on 23 September 2022. Details of the terms of the Supplemental Master Sales and Purchase Agreement are set out in the Letter from the Board, which are summarised as follows:

<b>Term</b>	:	The period from 27 January 2022 to 31 December 2024 (both days inclusive)
<b>Nature of the Transactions</b>	:	(i) The Group will supply the Fushan Products, comprising coking coal products, to Shougang Group and/or its associates; and  (ii) Shougang Group and/or its associates will supply Shougang Group Products, comprising materials including steel and machinery and services to be rendered within the scope of Shougang Group's businesses, to the Group.
<b>Conditions precedent</b>	:	The obligations of the parties to the Supplemental Master Sales and Purchase Agreement are conditional upon approval of the Supplemental Master Sales and Purchase Agreement and the Proposed Revised Annual Caps by the Independent Shareholders in compliance with the Listing Rules at the GM.

## LETTER FROM RAINBOW CAPITAL

Save for the Proposed Revised Annual Caps and the term, all other terms of the 2021 Master Sales and Purchase Agreement shall remain the same.

The Group has adopted certain internal control measures to ensure the prices of the Fushan Products and the Shougang Group Products are fair and reasonable and are in line with the market rates, details of which are set out in the Letter from the Board.

As discussed with the management of the Group, we understood that (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; and (ii) the procurement of materials and services for certain amounts by the Group will normally be processed through tendering and the Group will procure Shougang Group Products from Shougang Group only when the prices and terms provided by Shougang Group are no less favourable to the Group than those provided by other independent third parties.

Based on the above, we consider that the terms of the Supplemental Master Sales and Purchase Agreement are on normal commercial terms which are fair and reasonable.

#### 4. Assessment of the Proposed Revised Annual Caps

The Original Annual Caps and the Proposed Revised Annual Caps (net of VAT) under the Supplemental Master Sales and Purchase Agreement are set out below:

	Original Annual Caps		Proposed Revised Annual Caps		
	For the period from 27 January 2022 to 31 December 2022 <i>RMB'000</i>	For the year ending 31 December 2023 <i>RMB'000</i>	For the period from 27 January 2022 to 31 December 2022 <i>RMB'000</i>	For the year ending 31 December 2023 <i>RMB'000</i>	For the year ending 31 December 2024 <i>RMB'000</i>
Supply of Fushan Products	2,570,000	2,840,000	4,200,000	5,000,000	5,400,000
Purchase of Shougang Group Products	100,000	110,000	100,000	110,000	120,000

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## LETTER FROM RAINBOW CAPITAL

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As stated in the Letter from the Board, the Proposed Revised 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 significant increased market prices of the Fushan Products, with the average benchmark market selling prices of the Group's clean coking coal products for the eight months ended 31 August 2022 significantly surged by approximately 58% year-on-year; (iii) 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 clean coking coal products of the Group on annual basis; (iv) limiting the proportion of purchase amount from Shougang Group and/or its associates to no more than 20% of the total purchase of steel, machinery and services of the Group on annual basis; and (v) the expected growth in business of the Group.

*(i) Supply of Fushan Products*

The Proposed Revised Annual Caps for the supply of Fushan Products (the “**Supply Cap(s)**”) represent the estimated transaction amounts of clean coking coal. The Supply Caps are RMB4,200 million and RMB5,000 million for the period from 27 January 2022 to 31 December 2022 and the year ending 31 December 2023, respectively, which represent increase of RMB1,630 million and RMB2,160 million as compared to the Original Annual Caps. Such increases by 63% and 76% are mainly due to the increased market prices of the Fushan Products. The Supply Cap for the year ending 31 December 2024 is RMB5,400 million.

In assessing the fairness and reasonableness of the Supply Caps, we have reviewed the calculation of the Supply Caps, discussed with the management of the Group and noted the followings:

*(a) Estimated sales volume*

the estimated sales volumes of clean coking coal to Shougang Group and/or its associates for the three years ending 31 December 2024 are determined with reference to the estimated production volume for the three years ending 31 December 2024 and the estimated percentage of sales to Shougang Group and/or its associates, as follows:

- (1) the Group has three operating coking coal mines with total approved raw coking coal production capacity of 5.25 million tonnes per annum at the Latest Practicable Date. These mines also operate coal preparation plants with total annual designed input processing capacity of 6.3 million tonnes. The raw coking coal extracted could be further processed to produce clean coking coal. Taking reference to the latest historical annual sales volume of clean coking coal for the year ended 31 December 2021 amounting to 3.3 million tonnes, together with the clean coking coal expected to be purchased from third parties for blending and sales which estimated to increase over the years, the overall sales volume of clean coking coal products are determined for the three years ending 31 December 2024; and

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## LETTER FROM RAINBOW CAPITAL

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- (2) the sales volumes of clean coking coal to Shougang Group and/or its associates are expected to account for not more than 55% of the overall sales volume of clean coking coal products (the “**55% Limit**”). The Group set the 55% Limit after taking into account (i) Shougang Group is the largest customer of the Company, sales to which accounted for approximately 36%, 40% and 43% of the Group’s total revenue for the FY2020, FY2021 and 6M2022, respectively; (ii) given the solid financial standing of Shougang Group as a state-owned enterprise and the long established business relationship between the Group and Shougang Group since 2010, larger sales to Shougang Group could provide a solid and stable revenue stream to the Group and increase the capacity utilisation level of the Group, thereby promotes the sustainable operation of the Group and allows the Group to pursue further business development; (iii) the estimated sales volumes used for setting the Supply Caps represent approximately 50% of the total estimated sales volume of clean coking coal of the Group for the three years ending 31 December 2024; and (iv) a buffer of 5% of the total estimated sales volume is allowed to tailor for the price fluctuations and increasing demand on the Fushan Products and any unexpected business growth in the future.

Based on the above, we consider the estimated sales volume of clean coking coal to Shougang Group and/or its associates for each of the three years ending 31 December 2024 to be fair and reasonable.

*(b) Estimated selling prices*

- (1) the estimated selling prices for the three years ending 31 December 2024 are determined with reference to the recent average market selling prices of clean coking coal products for the first half of 2022. In reviewing the calculation, we noted that the estimated selling prices of clean coking coal products, being low-sulphur and high-sulphur clean coking coal, for the year ending 31 December 2022 are based on the average market selling prices (inclusive of VAT) of RMB2,962 and RMB2,754 per tonne in the first half of 2022, respectively, which amounted to RMB2,621 and RMB2,437 per tonne (net of VAT), as extracted from [www.sxcoal.com](http://www.sxcoal.com), an industry website providing market information on coal (the “**Industry Website**”); and
- (2) the estimated selling prices of clean coking coal products for each of the two years ending 31 December 2024 is estimated based on a growth rate of 5% from that in the previous year.

The Industry Website was established in 1998 and has been one of the most well-known coal industry websites in the PRC. According to the introduction on the Industry Website, it provides first-hand price movement, industrial news as well as in-depth analysis prepared. It also hosts one of the most comprehensive, accurate and exclusive China coal databases.

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## LETTER FROM RAINBOW CAPITAL

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Given (1) the estimated selling prices (inclusive of VAT) of low-sulphur and high-sulphur clean coking coal for the year ending 31 December 2022 are RMB2,962 and RMB2,754 per tonne, respectively, which are estimated with reference to the average market selling prices as extracted from the Industry Website which is one of the most well-known coal industry websites in the PRC; and (2) the growth rate of 5% per annum is prudent based on the fact that according to the data extracted from the Industry Website, the average market selling prices of low-sulphur and high-sulphur clean coking coal have increased at compound annual growth rates of approximately 13.7% and 14.1%, respectively, during the period from 2017 to 2021, being a review period of five years and that the average market selling prices of low-sulphur and high-sulphur clean coking coal for the eight months ended 31 August 2022 increased by approximately 47.9% and 67.7% as compared to those for the eight months ended 31 August 2021, we consider that the basis for determining the selling prices of Fushan Products for the three years ending 31 December 2024 is fair and reasonable.

*(c) Estimated additional freight costs*

In estimating the transaction amounts of sales of clean coking coal, the Company has also considered estimated additional freight costs which represent additional railway transportation costs and ocean freight costs with reference to the historical freight costs and the estimated sales volume of clean coking coal. We consider the estimated additional freight costs to be fair and reasonable as they are estimated based on the current logistic arrangement.

Taking into account (a) the estimated sales volumes of clean coking coal to Shougang Group and/or its associates for the three years ending 31 December 2024 are determined with reference to the estimated production volume for the three years ending 31 December 2024 and the estimated percentage of sales to Shougang Group of not more than 55%; (b) the estimated selling prices of clean coking coal products are determined based on the average market selling prices for the six months ended 30 June 2022 and a prudent increase for the years ending 31 December 2023 and 2024; and (c) the estimated additional freight costs are based on the current logistic arrangement and costs, we consider the Supply Caps to be fair and reasonable.

*(ii) Purchase of Shougang Group Products*

The Proposed Revised Annual Caps for the purchase of Shougang Group Products for the year ending 31 December 2024 (the “**Purchase Cap(s)**”) is RMB120 million. The annual caps for the period from 27 January 2022 to 31 December 2022 and the year ending 31 December 2023 will remain the same and not be revised.

The Purchase Cap for the year ending 31 December 2024 is determined with reference to (a) the historical purchase amounts; and (b) the estimated percentage of total purchase to be procured from Shougang Group and/or its associates.

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## LETTER FROM RAINBOW CAPITAL

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In assessing the fairness and reasonableness of the Purchase Cap, we have reviewed the calculation of the Purchase Cap, discussed with the management of the Group and noted the followings:

- (a) as stated in the section headed “1. Information on the Group and Shougang Group” above, Shougang Group 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. We therefore consider that Shougang Group is specialised in providing Shougang Group Products under the Supplemental Master Sales and Purchase Agreement;
- (b) the estimated total purchase of steel, machinery and services for the year ending 31 December 2024 is determined with reference to the moderate annual growth rate of approximately 5% based on the previous year’s cap. Such growth rate is consistent with those of the estimated selling prices of clean coking coal products for the three years ending 31 December 2024 as mentioned above; and
- (c) it is estimated that the Group would procure no more than 20% of steel, machinery and services from Shougang Group for the year ending 31 December 2022 and 2023 and continue such proportion for the year ending 31 December 2024, after taking into account (1) Shougang Group is specialised in providing Shougang Group Products; and (2) as a substantial shareholder of the Company, Shougang Group could provide the Group with a stable supply of Shougang Group Products, provided that the prices and terms provided by Shougang Group are no less favourable to the Group than those provided by other independent third parties.

Taking into account the Purchase Cap for the procurement of Shougang Group Products is determined with reference to (a) the historical total purchase amount and a moderate growth rate of 5% per annum; and (b) the estimated proportion of procurement from Shougang Group of no more than 20%, provided that the prices and terms provided by Shougang Group are no less favourable to the Group than those provided by other independent third parties, we consider the Purchase Cap to be fair and reasonable.

***(iii) Overall comment***

Generally speaking, in our opinion, it is in the interests of the Group for the Proposed Revised Annual Caps to be as accommodating to the Group as possible. Provided that the terms of the transactions contemplated under the Supplemental Master Sales and Purchase Agreement are fair and reasonable and the conduct of these transactions are subject to annual review by the independent non-executive Directors and auditors of the Company as required under the Listing Rules (details of which are set out in the following section), the Group would have flexibility in conducting and expanding its businesses if the Proposed Revised Annual Caps are tailored to future business growth, in particular in view of that the revenue of the Group has increased significantly for the year ended 31 December 2021 and for the six months ended 30 June 2022 due to the increase in average selling price of clean coking coal.

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## LETTER FROM RAINBOW CAPITAL

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In assessing the fairness and reasonableness of the Proposed Revised Annual Caps, we have discussed with the management of the Group the bases of the calculation and the factors contributing to the fixing of the Proposed Revised Annual Caps. Given that the Proposed Revised Annual Caps are arrived at based on, among others, estimated production volume for the three years ending 31 December 2024, estimated selling prices determined with reference to updated average market selling price in the first half of 2022 and a prudent increase for the years ending 31 December 2023 and 2024, materials and services determined with reference to the previous year's purchase caps and a reasonable growth, we consider the Proposed Revised Annual Caps to be fair and reasonable.

### 5. Reporting requirements and conditions of the Transactions

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the Transactions are subject to the following annual review requirements:

- (i) the independent non-executive Directors must review the Transactions and confirm in the annual report and accounts that the Transactions have been entered into:
  - (a) in the ordinary and usual course of business of the Group;
  - (b) on normal commercial terms or better; and
  - (c) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (ii) the Company must engage its auditors to report on the Transactions every year. The Company's auditors must provide a letter to the Board (with a copy to be provided to the Stock Exchange at least ten business days before the bulk printing of the Company's annual report) confirming whether anything has come to their attention that causes them to believe that the Transactions:
  - (a) have not been approved by the Board;
  - (b) were not, in all material respects, in accordance with the pricing policies of the Group if the Transactions involve the provision of goods or services by the Group;
  - (c) were not entered into, in all material respects, in accordance with the relevant agreement governing the Transactions; and
  - (d) have exceeded the Proposed Revised Annual Caps;
- (iii) the Company must allow, and ensure that the counter-parties to the Transactions allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the Transactions as set out in paragraph (ii); and
- (iv) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or auditors of the Company cannot confirm the matters as required.

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## LETTER FROM RAINBOW CAPITAL

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In light of the reporting requirements attached to the Transactions, in particular, (i) the restriction of the value of the Transactions by way of the Proposed Revised Annual Caps; and (ii) the ongoing review by the independent non-executive Directors and auditors of the Company of the terms of the Transactions and the Proposed Revised Annual Caps not being exceeded, we are of the view that appropriate measures have been in place to monitor the conduct of the Transactions and assist in safeguarding the interests of the Independent Shareholders.

### OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the Transactions are conducted in the ordinary and usual course of business of the Group and on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the GM to approve the Transactions (including the Proposed Revised Annual Caps).

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 ten years of experience in the corporate finance industry.*



**1. RESPONSIBILITY STATEMENT**

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

**2. DISCLOSURE OF INTERESTS****(a) Directors' interests**

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

*Long positions in the Shares*

<b>Name of Director</b>	<b>Capacity in which interests were held</b>	<b>Number of Shares</b>	<b>Total interests as to % of the total number of Shares in issue as at the Latest Practicable Date</b>
Chen Zhaoqiang	Beneficial owner	1,110,000	0.022%
Choi Wai Yin	Beneficial owner	550,000	0.011%

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 and short positions 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.

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

**(b) Substantial Shareholders**

As at the Latest Practicable Date, according to the register kept by the Company under Section 336 of the SFO, the following companies and persons had interests of 5% or more in the Shares and/or underlying Shares which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

*Long positions in the Shares/underlying Shares*

Name of Shareholder	Capacity in which interests were held	Number of Shares/ underlying Shares	Interests as to % of the total number of Shares in issue as at the Latest Practicable Date	Note
Shougang Group	Interests of controlled corporations	1,671,726,490	33.09%	I
Funde Sino Life Insurance Co., Ltd.	Beneficial owner	1,590,100,000	31.47%	II

*Notes:*

I The data shown in the table is based on the disclosure form dated 27 January 2022 (being the latest disclosure form filed up to the Latest Practicable Date). Shougang Group was interested in the Shares held by its associated companies, namely; (i) Shougang Holding (a company wholly-owned by Shougang Group, holding 15,492,000 Shares); (ii) King Rich Group Limited (a company wholly-owned by Shougang Holding, holding 171,862,000 Shares); (iii) Prime Success Investments Limited (a company wholly-owned by Shougang Holding, holding 20,410,000 Shares); (iv) Ultimate Capital Limited (a company wholly-owned by Shougang Holding, holding 600,000,000 Shares); (v) Fair Gain Investments Limited (a company wholly-owned by Shoucheng which is a company held as to 34.91% interests by Shougang Group indirectly, holding 200,043,993 Shares); and (vi) Fine Power Group Limited (a company wholly-owned by Shoucheng, holding 663,918,497 Shares).

II The data shown in the table is based on the disclosure form dated 28 September 2020 (being the latest disclosure form filed up to Latest Practicable Date).

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.

As at the Latest Practicable Date, Mr. Ding Rucai was director of certain subsidiaries of Shougang Group, including Shougang Holding, which has interests in the Shares which falls to be disclosed under Divisions 2 and 3 of Part XV of the SFO. So far as known to the Directors, save as disclosed in this paragraph, none of the Directors or proposed Director is a director or employee of a company which had an interest in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

### **3. DIRECTORS' SERVICE CONTRACTS**

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

### **4. DIRECTORS' MATERIAL INTERESTS**

As at the Latest Practicable Date, save for Mr. Ding Rucai's interests in the transactions contemplated under the Supplemental Master Sales and Purchase Agreement, none of the Directors was materially interested in any contract, save for service contracts, or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Group.

### **5. DIRECTORS' INTERESTS IN COMPETING BUSINESSES**

As at the Latest Practicable Date, none of the Directors had any interests in a business (other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or any member of the Group) which competes or may compete with the business of the Group or has any other conflict of interest with the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules.

### **6. DIRECTORS' INTERESTS IN ASSETS**

None of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or proposed to be acquired, disposed of by or leased to any member of the Group since 31 December 2021, being the date to which the latest published audited accounts of the Company were made up, and up to the Latest Practicable Date.

### **7. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest audited financial statements of the Company were made up.

**8. LITIGATION**

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

**9. EXPERT'S QUALIFICATION AND CONSENT**

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

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

<b>Name</b>	<b>Qualification</b>
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 SFO

As at the Latest Practicable Date, Rainbow Capital did not have any direct or indirect interest in any asset which had been acquired, disposed of by or leased to any member of the Group, or was proposed to be acquired, disposed of by or leased to any member of the Group, since 31 December 2021, being the date to which the latest audited financial statements of the Group was made up; and was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

**10. GENERAL**

- (a) The company secretary of the Company is Mr. Wong Keith Shing Cheung, a member of the Hong Kong Institute of Certified Public Accountants. He holds a bachelor's degree in finance, accounting and management from University of Nottingham in the United Kingdom.
- (b) The share registrar of the Company is Tricor Tengis Limited at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (c) The registered office and principal place of business of the Company in Hong Kong is 6th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (d) The English text of this circular shall prevail over their respective Chinese text for the purpose of interpretation.

**11. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.shougang-resources.com.hk](http://www.shougang-resources.com.hk)) from the date of this circular up to and including the date of the GM for a period of not less than 14 days:

- (a) the Supplemental Master Sales and Purchase Agreement;
- (b) the “Letter from the Independent Board Committee”, the text of which is set out on pages 17 to 18 of this circular;
- (c) the “Letter from Rainbow Capital”, the text of which is set out on pages 19 to 30 of this circular;
- (d) the written consent from Rainbow Capital referred to in the paragraph headed “Expert’s Qualification and Consent” in this appendix; and
- (e) this circular.

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## NOTICE OF GM

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

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 639)**

**NOTICE IS HEREBY GIVEN** that a general meeting of Shougang Fushan Resources Group Limited (the “**Company**”) will be held at 10:30 a.m. on Thursday, 27 October 2022 at Boardroom 3-4, M/F, Renaissance Harbour View Hotel Hong Kong, No. 1 Harbour Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as an ordinary resolution of the Company. Unless otherwise specified, capitalised terms herein shall have the same meanings as those terms defined in the circular dated 13 October 2022 issued by the Company of which this notice forms part.

### ORDINARY RESOLUTION

“**THAT**

- (a) the execution of the Supplemental Master Sales and Purchase Agreement (a copy of which has been produced to this meeting marked “A” and initialled by the chairman of this meeting for the purpose of identification) by any one of the Directors of the Company, and the continuing connected transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
- (b) the Proposed Revised Annual Caps under the Supplemental Master Sales and Purchase Agreement and the implementation thereof be and are hereby approved, confirmed and ratified; and
- (c) any one Director of the Company, or any two Directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be necessary, appropriate, desirable or expedient to implement or give effect to, or are incidental to, ancillary to or in connection with the Supplemental Master Sales and Purchase Agreement and the transactions contemplated thereunder.”

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

Hong Kong, 13 October 2022

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## NOTICE OF GM

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*Notes:*

- (1) Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
- (2) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.
- (3) In order to be valid, the form of proxy in the prescribed form together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be deposited with the share registrar of the Company, Tricor Tengis Limited at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for holding the meeting (i.e., at or before 10:30 a.m. on Tuesday, 25 October 2022 (Hong Kong time)), or any adjourned meeting thereof (as the case may be).
- (4) Record date (being the last date of registration of any share transfer given there will be no book closure) for determining the entitlement of members of the Company to attend and vote at the meeting will be the close of business on Wednesday, 26 October 2022. In order to qualify for the entitlement to attend and vote at the above meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Tricor Tengis Limited, at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Wednesday, 26 October 2022 for registration.
- (5) Completion and return of the form of proxy will not preclude members of the Company from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
- (6) Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members of the Company in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.
- (7) Taking into account of the recent development of the pandemic caused by novel coronavirus pneumonia (COVID-19), the Company will implement the following prevention and control measures at the meeting against the pandemic to protect the shareholders of the Company from the risk of infection:
  - (i) Compulsory body temperature check will be conducted for every shareholder or proxy at the entrance of the venue. Any person with a body temperature of over 37.5 degrees Celsius will not be admitted to the venue;
  - (ii) Every shareholder or proxy is required to wear surgical facial mask throughout the meeting;
  - (iii) No refreshment will be served.

The Company wishes to advise the shareholders, particularly the shareholders who are subject to quarantine in relation to COVID-19, that they may appoint any person or the chairman of the meeting as a proxy to vote on the resolution, instead of attending the meeting in person.

Furthermore, no corporate gifts or coupons will be distributed in the meeting.

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## NOTICE OF GM

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- (8) The Company will keep the shareholders of the Company informed by way of further announcement if there are any material updates on the regulation which would affect this general meeting of the Company. If any shareholder of the Company has any question relating to this general meeting, please contact the share registrar of the Company as follows:

Tricor Tengis Limited  
17th Floor, 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 Board comprises Mr. Ding Rucai (Chairman), Mr. Fan Wenli (Managing Director), Mr. Chen Zhaoqiang (Deputy Managing Director), Mr. Liu Qingshan (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).*