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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)

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

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

RAINBOW.

RAINBOW CAPITAL (HK) LIMITED
滂博資本有限公司

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 4 to 17 of this circular and a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 18 to 19 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 2025 Master Sale and Purchase Agreement and the transactions contemplated thereunder is set out on pages 20 to 40 of this circular.

A notice convening a GM to be held at 11:00 a.m. on Monday, 30 December 2024 at 5th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong is set out on pages 46 to 47 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 11:00 a.m. on Friday, 27 December 2024 (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.

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

16 December 2024

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DEFINITIONS

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 sale and purchase framework agreement dated 17 May 2021 entered into between the Company and Shougang Group in relation to the Sales and Purchases, as amended by the supplemental agreement dated 31 December 2021 and as supplemented by the Supplemental Master Sales and Purchase Agreement dated 23 September 2022;
“2025 Master Sale and Purchase Agreement”	the 2025–2027 mutual sale and purchase framework agreement dated 2 December 2024 entered into between the Company and Shougang Group in relation to the Sales and Purchases;
“associate”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of directors of the Company;
“Company”	Shougang Fushan Resources Group Limited, a limited liability company incorporated in Hong Kong, the Shares of which are listed on the main board of the Stock Exchange;
“Conditions Precedent”	the conditions to be fulfilled before the obligations under the 2025 Master Sale and Purchase Agreement (including the Proposed Annual Caps) become effective;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Fushan Products”	coal products;
“GM”	the general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving, among others, the 2025 Master Sale and Purchase Agreement and the Proposed Annual Caps;
“Group”	the Company and its subsidiaries from time to time;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors of the Company, namely Mr. Shi Yubao, Mr. Choi Wai Yin, Mr. Chen Jianxiong and Mr. Li Zeping, established for the purpose of advising the Independent Shareholders on the terms of the 2025 Master Sale and Purchase Agreement and the transactions contemplated thereunder;
“Independent Financial Adviser” or “Rainbow Capital”	Rainbow Capital (HK) Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed by the Company for the purpose of advising the Independent Board Committee and the Independent Shareholders in relation to the continuing connected transactions (including the Proposed Annual Caps) under the 2025 Master Sale and Purchase Agreement;
“Independent Shareholders”	the Shareholders, other than Shougang Group and its associates which in aggregate indirectly hold approximately 18.07% interest in the Company as at the date of this circular, Mr. Ding Rucai who holds approximately 0.01% interest in the Company as at the date of this circular, and any other Shareholders who are required to abstain from voting on the resolution(s) to be proposed at the GM;
“Individual Agreements”	the separate individual agreements to be entered between each member of the Group and each of Shougang Group and/or its associates for the Sales and Purchases pursuant to the 2025 Master Sale and Purchase Agreement;
“Latest Practicable Date”	12 December 2024, 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 C3 of the Listing Rules;
“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;

DEFINITIONS

“Proposed Annual Caps”	the proposed annual caps in respect of the transaction amounts for the respective Sales and Purchases under the 2025 Master Sale and Purchase Agreement for the three financial years ending on 31 December 2027;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sales and Purchases”	mutual sales and purchases, which include (i) supplying the Fushan Products to Shougang Group and/or its associates by the Group; and (ii) supplying the Shougang Group Products to the Group by Shougang Group and/or its associates;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shareholders”	holder(s) of the Share(s) of the Company;
“Shares”	ordinary shares of the Company;
“Shougang Group”	首鋼集團有限公司 (Shougang Group Co., Ltd.*), a state-owned enterprise established in the PRC and a substantial shareholder of the Company;
“Shougang Group Products”	materials including but not limited to steel and machinery, and services to be rendered within the scope of Shougang Group’s businesses and in relation to the Group’s usual and ordinary course of business;
“Shougang Holding”	Shougang Holding (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Shougang Group;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules;
“VAT”	value-added tax; and
“%”	per cent.

* For identification purpose only.

LETTER FROM THE BOARD



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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 639)

Executive Directors:

Mr. Ding Rucai (*Chairman*)

Mr. Fan Wenli (*Managing Director*)

Mr. Chen Zhaoqiang (*Deputy Managing Director*)

Mr. Wang Dongming (*Deputy Managing Director*)

Non-executive Director:

Ms. Chang Cun

Independent Non-executive Directors:

Mr. Shi Yubao

Mr. Choi Wai Yin

Mr. Chen Jianxiong

Mr. Li Zeping

*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

16 December 2024

To the Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE 2025 MASTER SALE 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 circulars of the Company dated 15 June 2021 and 13 October 2022 in relation to the 2021 Master Sales and Purchase Agreement entered into between the Company and Shougang Group in respect of the Sales and Purchases for the period from 27 January 2022 to 31 December 2024. Reference is also made to the announcement of the Company dated 2 December 2024 in relation to, among others, the entering into of the 2025 Master Sale and Purchase Agreement between the Company and Shougang Group.

LETTER FROM THE BOARD

The 2021 Master Sales and Purchase Agreement will expire on 31 December 2024 and it is expected that the Company will continue to enter into similar normal commercial transactions contemplated under the 2021 Master Sales and Purchase Agreement with Shougang Group and/or its associates from time to time thereafter.

Accordingly, on 2 December 2024 (after trading hours), the Company and Shougang Group entered into the 2025 Master Sale and Purchase Agreement for the renewal of the continuing connected transactions between the Group and Shougang Group and/or its associates in respect of the Sales and Purchases during the period commencing from 1 January 2025 (or the date on which the Conditions Precedent are fulfilled, whichever later) and ending on 31 December 2027 (both days inclusive) unless otherwise terminated.

The purpose of this circular is:

- (i) to provide the Shareholders with further details of the 2025 Master Sale and Purchase Agreement and the transactions contemplated thereunder;
- (ii) to set out the opinions of the Independent Financial Adviser on the terms of the 2025 Master Sale 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 2025 Master Sale 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 2025 Master Sale and Purchase Agreement and the transactions contemplated thereunder and the Proposed Annual Caps.

THE 2025 MASTER SALE AND PURCHASE AGREEMENT

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

Date

2 December 2024

Parties

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

Nature of the transactions

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

LETTER FROM THE BOARD

Conditions precedent

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

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

Term

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

Pricing terms

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

- (i) by reference to the prevailing market prices of the Fushan Products (which will be with reference to the well-known coal industry website <https://sxcoal.com>) and materials included under the Shougang Group Products (which will be with reference to the well-known steel industry website <https://index.mysteel.com/price/indexPrice.html> and prices quoted by other suppliers in the industry) or substantially similar products, taking into account of the price of the same or substantially similar products with comparable order quantities and quality being offered on the market;
- (ii) if there are no sufficient comparable transactions, such as machinery, construction and services included under the Shougang Group Products in (i) above, on normal commercial terms comparable to those offered to/received from independent third parties in respect of the same or substantially similar products with comparable order quantities; and
- (iii) if both (i) and (ii) above are not applicable, by reference to the average price of similar products previously supplied by a party, and on normal commercial terms comparable to those offered by the relevant party to independent third parties.

While adopting the above principles with reference to comparable orders, the Company shall conduct comparisons with, to the extent available, a minimum of three comparable orders.

LETTER FROM THE BOARD

Payment terms

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

Proposed Annual Caps

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

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

The Proposed Annual Caps were determined based on:

- (i) the historical transaction amounts and volume between the Group and Shougang Group and/or its associates;
- (ii) the expected growth in business of the Group and expected demand for both the Fushan Products and Shougang Group Products;
- (iii) the market prices of the Fushan Products was determined by the average benchmark market selling prices of the Group's clean coking coal products for the ten months ended 31 October 2024;
- (iv) limiting the proportion of sales volume attributable to Shougang Group and/or its associates to no more than 55% of the total estimated sales volume of Fushan Products of the Group on an annual basis; and
- (v) limiting the proportion of purchase amount from Shougang Group and/or its associates to no more than 20% of the total estimated purchase amount of steel, machinery and services of the Group on annual basis.

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 Purchases for the respective period/year below:

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

Expected Growth in respect of Fushan Products

In determining the Proposed 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 2027 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 three years ended 31 December 2023 and the 10 months ended 31 October 2024, against the total sales volume of clean coking coal of the Group for the same period, which represented 42%, 45%, 42% and 39% respectively; (iii) the estimated sales volume of the Group for the three years ending 31 December 2027; and (iv) the estimated selling prices of Fushan Products for the three years ending 31 December 2027 based on the recent market selling prices.

With reference to historical transaction amounts, the Group's sales volume of clean coking coal had decreased for the year ended 31 December 2023 as compared to 2022, mainly as a result of the increase in coal inventory in transit to customers, meaning revenue was not yet to be recognised at the end of the year, as well as a drop in average benchmark market selling prices of clean coking coal. In 2024, the decreased market prices remained, and the Group's sales volume continued to decrease, primarily due to a significant drop in production volume of raw coking coal for washing and drop in recovery rate. In the first half of 2024, one of the Group's three premium operating coking coal mines, Xingwu Coal Mine, had suspended production as it was undergoing a transition of production from the upper coal seam to the lower coal seam, which led to a decline in raw and clean coking coal in the first half of 2024 by 15% and 31% respectively. It is therefore expected that the total annual production for the year ended 31 December 2024 would be lower than other years which reached the total approved production volume like 2022 and 2023.

LETTER FROM THE BOARD

As the transition of the Xingwu Coal Mine was completed in July 2024, the Company expects that the Group's production of coking coal will return to normal from 2025 onwards, to a level similar to that of 2022 and 2023. Except for the normal production volume of coking coal, the Company also expects a growth in business of the Group through gradual year-on-year increase of clean coking coal to be purchased from third parties for blending and sales in case of profit opportunity, with estimated total increase in additional sales volume of 200,000 tonnes, 300,000 tonnes and 400,000 tonnes for the three years ending 31 December 2027 respectively.

The Company has assumed the market selling prices of clean coking coal will be stable for the three years ending 31 December 2027. Thus, the market prices of the Fushan Products were determined by the average benchmark market selling prices of the Group's clean coking coal products for the ten months ended 31 October 2024. Furthermore, the Company has also considered estimated additional selling prices of RMB38 per tonne on 20% of sales volume and RMB165 per tonne on 20% of 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.

Given the longstanding relationship between the Group and Shougang Group, with Shougang Group being the largest customer of the Group, sales to which accounted for approximately 46%, 43% and 51% of the Group's total revenue for the years ended 31 December 2022 and 2023, and the six months ended 30 June 2024 respectively, it is expected that the total sales volume to Shougang Group and/or its associates may increase in line with the Group's overall business growth for the three years ended 31 December 2027.

Notwithstanding the above, 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 of Fushan Products 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 Annual Caps (insofar as concerns the supply of Fushan Products) representing approximately 55%, 55% and 55% of the total estimated sales volume of clean coking coal of the Group for each of the three years ending 31 December 2025, 2026, and 2027 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.

LETTER FROM THE BOARD

Expected Growth in respect of Shougang Group Products

With reference to historical transaction amounts regarding the Group's purchase of Shougang Group Products, the low utilisation rate of the approved annual cap for 2022, 2023 and 2024 were primarily attributable to the fact that other independent suppliers had offered more favourable prices and terms than Shougang Group in the tender for the provision of Shougang Group Products, therefore the Group had purchased fewer amounts of Shougang Group Products from Shougang Group and/or its associates during the periods. However, in determining the Proposed Annual Caps, the Company has assumed that Shougang Group and/or its associates will continue to participate in the Group's invitation for tender, and may provide more favourable prices and terms than they have before, given that the Group will give priority to Shougang Group and/or its associates in the event that they offer similar terms as other independent third parties, as detailed in section headed "Internal Control Measures" below.

Further, in determining the Proposed 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. from Shougang Group and/or its associates, which will need to be applied for the continued operation and infrastructure of its coal mines for the three years ending 31 December 2027. 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, will be higher in light of Xingwu Coal Mine's operation and production resuming to normal with the improved technology for clean coking coal, together with the other two operating mines, which is expected to allow the Group to reach its production capabilities in the next few years along with the Group's overall business growth, and for the continuous maintenance and safe production of the mines. The Company expects to incur additional purchases of approximately RMB220 million for the year ending 31 December 2025 as compared to the average amount of the previous three years, mainly towards purchase of upgraded materials and machinery for the purpose of compliance with new safety and environmental policies expected to be required by the local and national government authorities. In its calculations of such estimated purchase amounts, the Company has also taken into account an assumed reasonable growth rate of 5% per annum for inflation and increased labour costs.

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 and future development. While there are no solid plans yet, the Group continues to seek for investment opportunities, particularly mine acquisition projects, as well as self-expansion to expand its production capability in order to create greater value for shareholders, which would result in a substantial increase in capital expenditure in the forthcoming years, including increase in purchase amounts of Shougang Group Products. Based on the Company's internal calculations and projections, the Company estimates that additional purchase amounts attributable to future development would be approximately RMB100 million, RMB600 million and RMB1,000 million for the three years ending 31 December 2027 respectively.

LETTER FROM THE BOARD

The Group will normally determine the prices of the sale and procurement of products either in accordance with the market-based pricing principle set out under the 2025 Master Sale and Purchase Agreement, or through tender. According to the Group's internal policies on tendering, purchases of materials and construction projects etc. with estimated order amount of RMB1 million or more and services with estimated order amount of RMB150,000 or more requires public tender. For those below such threshold levels, procurement is conducted by other kinds of tender or otherwise. 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 2027 will increase year on year from 2025 onwards given the historical transactions and ongoing collaboration between the Group and Shougang Group. Nevertheless, the Group will procure no more than 20% of steel, machinery and services from Shougang Group for the three years ending 31 December 2027.

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

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

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

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

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

LETTER FROM THE BOARD

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

INTERNAL CONTROL MEASURES

In determining the pricing for Individual Agreements with reference to the pricing terms under the 2025 Master Sale and Purchase Agreement, the Group adopts the following internal control methods and procedures:

- (a) For the supply of Fushan Products, the Group's Coal Price Management Team is responsible for setting weekly prices of Fushan Products, with reference to the benchmark market selling prices quoted from the coal industry websites, selling prices of nearby coal mines and customers, information obtained from auctions and connections with other suppliers in the industry, etc. The pricing of orders determined at any time shall be in accordance with such weekly prices of Fushan Products.
- (b) For the purchase of Shougang Group Products, the Group's Tender Committee is primarily responsible for determining the prices. For tenders and other kinds of procurement alike, in order to obtain sufficient comparables, invitations are sent to suppliers in the shortlist maintained by the Group and determined in advance through the Group's internal policy. The winning bidder and chosen quotation will be decided by the Tender Committee upon consideration of a wide range of factors in addition to price, including but not limited to quality of goods and services, credentials and reputation, past collaboration, qualification and satisfactory results of past orders of the Group with comparable products or order quantities, etc.

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

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

LETTER FROM THE BOARD

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

LETTER FROM THE BOARD

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

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

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

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

LETTER FROM THE BOARD

INFORMATION OF THE PARTIES

The Company and the Group

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

Shougang Group

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

LISTING RULES IMPLICATIONS

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

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

GM

The GM will be convened for the purposes of seeking the Independent Shareholders' approval on the 2025 Master Sale and Purchase Agreement and the Proposed Annual Caps.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder with a material interest in the 2025 Master Sale and Purchase Agreement and the transactions contemplated thereunder is required to abstain from voting on the relevant resolution at the GM. Shougang Group and its associates which in aggregate indirectly hold 919,882,984 Shares (approximately 18.07% interest in the Company) and Mr. Ding Rucai (being a director of the Company) who holds 550,000 Shares (approximately 0.01% interest in the Company) as at the Latest Practicable Date, will abstain from voting on the resolution 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.

LETTER FROM THE BOARD

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

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

A notice convening the GM to be held at 11:00 a.m. on Monday, 30 December 2024 at 5th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong is set out on pages 46 to 47 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 11:00 a.m. on Friday, 27 December 2024 (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.

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.

CLOSURE OF REGISTER

The register of members of the Company will be closed from Tuesday, 24 December 2024 to Monday, 30 December 2024 (both days inclusive) to determine the entitlement to attend and vote at the above meeting. During such period no transfer of shares of the Company will be registered. 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 Monday, 23 December 2024 for registration.

LETTER FROM THE BOARD

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 18 to 19 of this circular which contains its recommendations to the Independent Shareholders in respect of the terms of the 2025 Master Sale 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 2025 Master Sale and Purchase Agreement and the transactions contemplated thereunder. The letter from Rainbow Capital is set out on pages 20 to 40 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) consider that the terms of the 2025 Master Sale 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 2025 Master Sale and Purchase Agreement is subject to Independent Shareholders' approval and therefore may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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 2025 Master Sale 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)

16 December 2024

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular of the Company to the Shareholders dated 16 December 2024 (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 2025 Master Sale and Purchase Agreement and the transactions contemplated thereunder, including the Proposed 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 2025 Master Sale and Purchase Agreement and the transactions contemplated thereunder as set out on pages 20 to 40 of the Circular and the letter from the Board as set out on pages 4 to 17 of the Circular, as well as the additional information set out in the appendix to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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 2025 Master Sale and Purchase Agreement and the transactions contemplated thereunder, including the Proposed 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 2025 Master Sale 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. Shi Yubao
Independent
Non-executive Director

Mr. Choi Wai Yin
Independent
Non-executive Director

Mr. Chen Jianxiong
Independent
Non-executive Director

Mr. Li Zeping
Independent
Non-executive Director

LETTER FROM RAINBOW CAPITAL

The following is the full text of a letter of advice from Rainbow Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation of this circular.

Rainbow Capital (HK) Limited

16 December 2024

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,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE 2025 MASTER SALE 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 (the “**Transactions**”) contemplated under the 2025 Master Sale and Purchase Agreement (including the Proposed Annal Caps), 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 16 December 2024 (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 entered into the 2021 Master Sales and Purchase Agreement with Shougang Group, pursuant to which (i) the Group agreed to supply the Fushan Products to Shougang Group and/or its associates; and (ii) Shougang Group and/or its associates agreed to supply Shougang Group Products to the Group, for the period from 27 January 2022 to 31 December 2023. On 23 September 2022, the Company entered into the Supplemental Master Sales and Purchase Agreement with Shougang Group to revise the proposed annual caps and to extend the term of the 2021 Master Sales and Purchase Agreement for further one year ending on 31 December 2024. As the 2021 Master Sales and Purchase Agreement (as supplemented by the Supplemental Master Sales and Purchase Agreement) will expire on 31 December 2024, with a view to continue the transactions under the 2021 Master Sales and Purchase Agreement, on 2 December 2024, the Company entered into the 2025 Master Sale and Purchase Agreement with Shougang Group to renew the term for a further three years from 1 January 2025 (or the date on which the Conditions Precedent are fulfilled, whichever later) to 31 December 2027 (both days inclusive).

LETTER FROM RAINBOW CAPITAL

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

As one or more of the applicable percentage ratios (as set out in Rule 14.07 of the Listing Rules) calculated with reference to the Proposed Annual Caps exceed 5%, the 2025 Master Sale and Purchase Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, circular, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules. Shougang Group and its associates which in aggregate indirectly hold 919,882,984 Shares (approximately 18.07% interest in the Company) and Mr. Ding Rucai (being a director of the Company) who holds 550,000 Shares (approximately 0.01% interest in the Company) as at the Latest Practicable Date, will abstain from voting on the resolution approving the Transactions (including the Proposed Annual Caps) at the GM. Save as disclosed above and to the best knowledge of the Directors, as at the Latest Practicable Date, no other Shareholder has a material interest in the Transactions, and therefore no other Shareholder is required to abstain from voting on that resolution at the GM.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Shi Yubao, Mr. Choi Wai Yin, Mr. Chen Jianxiong and Mr. Li Zeping, has been formed to advise the Independent Shareholders on (i) whether the entering into of the 2025 Master Sale and Purchase Agreement are conducted in the ordinary and usual course of the Group; and (ii) whether the terms of the 2025 Master Sale and Purchase Agreement (including the Proposed Annual Caps) are 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, and as to voting. 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 conditional cash offer by Octal Capital Limited on behalf of the Company to buy-back up to 125,000,000 shares for HK\$2.40 per share involving an application for whitewash waiver, details of which are set out in the circular of the Company dated 1 August 2023 (the "**2023 Appointment**"). Other than that, there was no engagement or connection between the Group or Shougang Group and us in the last two years. The relevant fees paid to us for the 2023 Appointment were normal professional fees and shall not affect our independence in this appointment. Apart from normal professional fees paid to us in connection with the 2023 Appointment and normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no other arrangements exist whereby we had received any fees or benefits from the Group or any other party to the 2025 Master Sale and Purchase Agreement. Accordingly, we are independent from the Company pursuant to the requirement under Rule 13.84 of the Listing Rules and therefore we are qualified to give independent advice in respect of the 2025 Master Sale and Purchase Agreement (including the Proposed Annual Caps).

LETTER FROM RAINBOW CAPITAL

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.

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 business, affairs, operations, financial position or future prospects of the Group, or any of its respective substantial shareholders, subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation on the terms of the 2025 Master Sale and Purchase Agreement (including the Proposed Annual Caps), 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. The Group has three premium operating coking coal mines (namely, Xingwu Coal Mine, Jinjiazhuang Coal Mine and Zhaiyadi Coal Mine) and three coal preparation plants in Liulin County, Shanxi Province, the PRC.

As advised by the management of the Group, the Group's coking coal products are raw coking coal and clean coking coal (which is processed from raw coking coal). In line with the Group's long-term strategy to concentrate on clean coking coal sales, the Group has generated all of its revenue from the sales of clean coking coal in recent years.

LETTER FROM RAINBOW CAPITAL

With reference to the annual report (the “**2023 Annual Report**”) of the Company for the year ended 31 December 2023 (“**FY2023**”), by effectively blending and washing various qualities of self-produced raw coking coal through the enhancement of technology and equipment, the recovery rate of clean coking coal had slightly improved. As such, the Group’s production volume of clean coking coal has increased by approximately 0.6% from approximately 3.23 million tonnes for the year ended 31 December 2022 (“**FY2022**”) to approximately 3.25 million tonnes for FY2023. As a result of the increase in coal inventory in transit to the customers that revenue was not yet to be recognised as at 31 December 2023, the Group’s sales volume of clean coking coal has decreased by approximately 6.6% from approximately 3.32 million tonnes for FY2022 to approximately 3.10 million tonnes for FY2023. Suffered from the drop in the average benchmark market selling prices of clean coking coal, the Group’s average realised selling price (inclusive of VAT) of clean coking coal has decreased by approximately 19.6% from approximately RMB2,402 per tonne for FY2022 to approximately RMB1,932 per tonne for FY2023. Driven by the aforesaid decrease in sales volume and average realised selling price of clean coking coal, together with the negative effect of the decrease in average exchange rate of RMB to HK\$ by approximately 4.6%, the Group’s revenue has decreased by approximately 28.3% from approximately HK\$8,214.7 million for FY2022 to approximately HK\$5,891.1 million for FY2023.

With reference to the interim report (the “**2024 Interim Report**”) of the Company for the six months ended 30 June 2024 (“**6M2024**”), the Group’s production volume of clean coking coal has decreased by approximately 30.6% from approximately 1.86 million tonnes for the six months ended 30 June 2023 (“**6M2023**”) to approximately 1.29 million tonnes for 6M2024, primarily attributable to the drop in the production volume of raw coking coal for washing and recovery rate. In line with the decrease in production volume, the Group’s sales volume of clean coking coal has decreased by approximately 25.1% from approximately 1.79 million tonnes for 6M2023 to approximately 1.34 million tonnes for 6M2024. The Group’s average realised selling price (inclusive of VAT) of clean coking coal remained relatively stable at approximately RMB1,973 per tonne and RMB1,938 per tonne for 6M2023 and 6M2024, respectively. Mainly due to the aforesaid decrease in sales volume, the Group’s revenue has decreased by approximately 27.4% from approximately HK\$3,442.3 million for 6M2023 to approximately HK\$2,497.8 million for 6M2024.

As disclosed in the 2024 Interim Report, Xingwu Coal Mine, is transiting production from the upper coal seam to the lower coal seam in the first half of 2024. During this transition period, Xingwu Coal Mine has temporarily suspended production in the first half of 2024. Accordingly, the reduction of raw coking coal production volume from Xingwu Coal Mine and the negative changes of coal qualities led to a decline in the production volume of raw and clean coking coal for 6M2024, with corresponding decrease in clean coking coal sales volume. As such production transition was completed in July 2024 and Xingwu Coal Mine has resumed to normal operation and production, we consider the Group’s production and prospects shall continue to be positive.

LETTER FROM RAINBOW CAPITAL

(ii) Shougang Group

Shougang Group is a state-owned enterprise established in the PRC and a substantial shareholder of the Company. 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. Currently, Shougang Group is the largest customer of the Group, sales to which accounted for approximately 46%, 43% and 51% of the Group's total revenue for FY2022, FY2023 and 6M2024, respectively.

According to the World Steel Association, Shougang Group ranked ninth among the world's top 50 steel producing companies in terms of steel production volume in 2023, with a production volume of approximately 33.6 million tonnes in 2023.

According to an offering circular of Shougang Group as published on 12 August 2024, the total assets and net assets of Shougang Group as at 31 December 2023 amounted to approximately RMB527.0 billion and RMB169.5 billion, respectively. Shougang Group is a capital intensive company with total non-current assets of approximately RMB385.6 billion as at 31 December 2023, approximately 44.6% of which (i.e. approximately RMB171.8 billion) were the net book value of fixed assets. For FY2023, Shougang Group generated total revenue of approximately RMB238.0 billion and profit attributable to its shareholders of approximately RMB2.4 billion.

According to the 2024 credit rating report of Shougang Group issued by China Chengxin International Credit Rating Company Limited* (中誠信國際信用評級有限責任公司) (“CCXI”), the first national non-banking financial institution approved by the People's Bank of China to engage in credit rating, financial securities consulting and information services, Shougang Group was assigned a corporate rating of “AAA” with a stable outlook. The stable outlook reflects the advantages of Shougang Group's operation scale, resources, product structure and manufacturing facilities, as well as the expectation that Shougang Group's operation will remain stable.

2. Reasons for and benefits of entering into the 2025 Master Sale and Purchase Agreement

As advised by the management of the Group, 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 reputable customer 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 all of its revenue from the sales of clean coking coal and Shougang Group is the largest customer of the Group, sales to which accounted for approximately 46%, 43% and 51% of the Group's total revenue for FY2022, FY2023 and 6M2024, respectively.

LETTER FROM RAINBOW CAPITAL

As the 2021 Master Sales and Purchase Agreement (as supplemented by the Supplemental Master Sales and Purchase Agreement) will expire on 31 December 2024, with a view to continue the transactions under the 2021 Master Sales and Purchase Agreement, on 2 December 2024, the Company entered into the 2025 Master Sale and Purchase Agreement with Shougang Group to renew the term for a further three years from 1 January 2025 (or the date on which the Conditions Precedent are fulfilled, whichever later) to 31 December 2027 (both days inclusive).

Based on the above, we concur with the Directors that the entering into of the 2025 Master Sale and Purchase Agreement and the Transactions are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the 2025 Master Sale and Purchase Agreement

For details of the terms of the 2025 Master Sale and Purchase Agreement, please refer to the section headed “The 2025 Master Sale and Purchase Agreement” in the Letter from the Board. Set out below are the principal terms of the 2025 Master Sale and Purchase Agreement:

- Date:** 2 December 2024
- Parties:** (i) The Company; and
(ii) Shougang Group
- Term:** The period from 1 January 2025 (or the date on which the Conditions Precedent are fulfilled, whichever later) to 31 December 2027 (both days inclusive).
- 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.

LETTER FROM RAINBOW CAPITAL

Pricing terms:

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

- (i) by reference to the prevailing market prices of the Fushan Products (which will be with reference to the well-known coal industry website <https://sxcoal.com>) and materials included under the Shougang Group Products (which will be with reference to the well-known steel industry website <https://index.mysteel.com/price/indexPrice.html> and prices quoted by other suppliers in the industry) or substantially similar products, taking into account of the price of the same or substantially similar products with comparable order quantities and quality being offered on the market;
- (ii) if there are no sufficient comparable transactions, such as machinery, construction and services included under the Shougang Group Products in (i) above, on normal commercial terms comparable to those offered to/received from independent third parties in respect of the same or substantially similar products with comparable order quantities; and
- (iii) if both (i) and (ii) above are not applicable, by reference to the average price of similar products previously supplied by a party, and on normal commercial terms comparable to those offered by the relevant party to independent third parties.

While adopting the above principles with reference to comparable orders, the Company shall conduct comparisons with, to the extent available, a minimum of three comparable orders.

Payment terms:

The various orders for the Sales and Purchases will be based on Individual Agreements. The payment terms for the Transactions will be on normal commercial terms which will be no less favourable to the Group than those available from independent third parties.

LETTER FROM RAINBOW CAPITAL

Conditions precedent:

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

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

Fushan Products comprise clean coking coal products. The Group has been supplying Fushan Products to Shougang Group and/or its associates since 2010.

As part of our due diligence on the 2025 Master Sale and Purchase Agreement, we have randomly obtained and reviewed (i) 12 samples of sales contracts of clean coking coal products between the Group and Shougang Group; and (ii) 15 samples of sales contracts of clean coking coal products between the Group and independent third parties entered into from 2022 to 2024. Given that (i) the above sample sales contracts we have reviewed covered the same Fushan Products under the 2021 Master Sales and Purchase Agreement (as supplemented by the Supplemental Master Sales and Purchase Agreement); (ii) the sample sales contracts were entered into under the period of the 2021 Master Sales and Purchase Agreement (as supplemented by the Supplemental Master Sales and Purchase Agreement); and (iii) a total of 27 samples were selected, obtained and reviewed, we are of the view that the aforesaid samples are adequate and representative. Based on our review, we noted that (i) the prices for the sale of clean coking coal products by the Group were conducted in accordance with the relevant market-based pricing principle which were generally determined with reference to the well-known coal industry website (<https://sxcoal.com>) (the “**Industry Website**”); and (ii) the terms of the sales contracts with Shougang Group were no more favourable than those with independent third parties.

On the other hand, Shougang Group Products include steel, machinery and services (including construction, design and geological survey). The Group has been purchasing the Shougang Group Products from Shougang Group and/or its associates since 2015. The Group has also engaged Shougang Group and/or its associates as contractors for certain construction, exploration and design projects etc. in its usual and ordinary course of business.

LETTER FROM RAINBOW CAPITAL

In respect of the procurement of materials (including steel and machinery), we have randomly obtained and reviewed (i) 9 samples of procurement contracts between the Group and Shougang Group; and (ii) 18 samples of procurement contracts between the Group and independent third parties entered into from 2022 to 2024. Based on our review, we noted that (i) the prices for the procurement of materials by the Group were conducted in accordance with the relevant market-based pricing principle which were generally determined with reference to the well-known steel industry website (<https://index.mysteel.com/price/indexPrice.html>); and (ii) the terms of the procurement contracts with Shougang Group were no less favourable than those with independent third parties. In respect of the procurement of construction services, we have randomly obtained and reviewed 8 samples of procurement contracts between the Group and Shougang Group from 2022 to 2024 and the corresponding tendering fee quotes from other independent suppliers for the same construction services. Based on our review, we noted that the terms of the procurement contracts with Shougang Group were no less favourable than those offered by independent third parties.

Given that (i) the above sample procurement contracts we have reviewed covered the same Shougang Group Products under the 2021 Master Sales and Purchase Agreement (as supplemented by the Supplemental Master Sales and Purchase Agreement); (ii) the sample procurement contracts were entered into under the period of the 2021 Master Sales and Purchase Agreement (as supplemented by the Supplemental Master Sales and Purchase Agreement); and (iii) a total of 35 samples were selected, obtained and reviewed, we are of the view that the aforesaid samples are adequate and representative.

As disclosed in the Letter from the Board, when handling contracts with similar terms with Shougang Group and with independent third parties, the Group will give priority to Shougang Group. We consider that such arrangement is fair and reasonable and is in the interests of the Company and the Shareholders as a whole after taking into account that (i) as discussed in the section headed “1. Information on the Group and Shougang Group” above, Shougang Group has high credibility given it is a long-established state-owned enterprise and was assigned a corporate rating of “AAA” with a stable outlook by CCXI. According to the World Steel Association, Shougang Group ranked ninth among the world’s top 50 steel producing companies in terms of steel production volume in 2023; (ii) the Group has established a long-term business relationship with Shougang Group since 2010; and (iii) the terms to be offered to/ from Shougang Group shall be no less favorable to the Group than those available to/ from independent third parties.

Based on the above, we consider that the terms of the 2025 Master Sale and Purchase Agreement are on normal commercial terms which are fair and reasonable.

LETTER FROM RAINBOW CAPITAL

4. Assessment of the proposed annual caps

Set out below are the historical annual caps and actual transaction amounts (net of VAT) between the Group and Shougang Group and/or its associates under the 2021 Master Sales and Purchase Agreement (as supplemented by the Supplemental Master Sales and Purchase Agreement) for the year/period indicated:

	For the year ended 31 December 2022 <i>(RMB' million)</i>	For the year ended 31 December 2023 <i>(RMB' million)</i>	For the ten months ended 31 October 2024 <i>(RMB' million)</i>
Supply of Fushan Products			
– Annual caps	4,200	5,000	5,400 (for the year ending 31 December 2024)
– Actual transaction amount	3,264.3	2,273.3	1,716.4
– Utilisation rate	77.7%	45.5%	31.8%
Purchase of Shougang Group Products			
– Annual caps	100	110	120 (for the year ending 31 December 2024)
– Actual transaction amount	10.2	11.9	6.8
– Utilisation rate	10.2%	10.8%	5.7%

As shown in the table above, the actual transaction amounts regarding the Group's supply of Fushan Products under the 2021 Master Sales and Purchase Agreement (as supplemented by the Supplemental Master Sales and Purchase Agreement) were approximately RMB3,264.3 million, RMB2,273.3 million and RMB1,716.4 million for FY2022, FY2023 and the ten months ended 31 October 2024, respectively, representing approximately 77.7%, 45.5% and 31.8% of the total annual caps in 2022, 2023 and 2024, respectively. The lower utilisation rates in 2023 and 2024 were primarily attributable to the decrease in the market prices of clean coking coal. As disclosed in the 2023 Annual Report, suffered from weakened Chinese real estate market after the resurgence of liquidity issues among real estate companies and the surge in both total coal imports and coking coal imports, the average benchmark market selling prices of clean coking coal has decreased by approximately 20% YoY for FY2023 and thus the Group's average realised selling price (inclusive of VAT) of clean coking coal has decreased by approximately 19.6% from approximately RMB2,402 per tonne for FY2022 to approximately RMB1,932 per tonne for FY2023.

LETTER FROM RAINBOW CAPITAL

The actual transaction amounts regarding the Group's purchase of Shougang Group Products under the 2021 Master Sales and Purchase Agreement (as supplemented by the Supplemental Master Sales and Purchase Agreement) were approximately RMB10.2 million, RMB11.9 million and RMB6.8 million for FY2022, FY2023 and the ten months ended 31 October 2024, respectively, representing approximately 10.2%, 10.8% and 5.7% of the total annual caps in 2022, 2023 and 2024, respectively. Such low utilisation rates in 2022, 2023 and 2024 were primarily attributable to that other independent suppliers have offered more favourable prices and terms than Shougang Group in the tender for the provision of construction services so that Group has purchased fewer amounts of Shougang Group Products from Shougang Group and/or its associates during the periods.

Pursuant to the 2025 Master Sale and Purchase Agreement, the proposed annual caps for the transactions under the 2025 Master Sale and Purchase Agreement are set out below:

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

Supply of Fushan Products

In assessing the reasonableness of the proposed annual caps of the supply of Fushan Products by the Group to Shougang Group and/or its associates under the 2025 Master Sale and Purchase Agreement, we have discussed with the management of the Group on the basis and assumptions underlying the projections. As advised by the management of the Group, in determining the proposed annual caps for the three years ending 31 December 2027, they have taken into account, among others, (i) the historical transaction amounts and volume between the Group and Shougang Group and/or its associates; (ii) the expected growth in business of the Group and expected demand for Fushan Products; (iii) the market prices of Fushan Products was determined by the average benchmark market selling prices of the Group's clean coking coal products for the ten months ended 31 October 2024; and (iv) limiting the proportion of sales volume attributable to Shougang Group and/or its associates to no more than 55% of the total estimated sales volume of Fushan Products of the Group on an annual basis.

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We have discussed with the management of the Group on each of the above factors and their potential impacts on the proposed annual caps and reviewed the relevant calculations which have also been confirmed and agreed by Shougang Group. As advised by the management of the Group, the proposed annual caps for the supply of the Fushan Products (the “**Supply Caps**”) represent the estimated transaction amounts of clean coking coal. 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:

(i) *Estimated sales volume*

The estimated sales volume of clean coking coal to Shougang Group and/or its associates for each of the three years ending 31 December 2027 is determined with reference to (a) the estimated production volume of clean coking coal for the three years ending 31 December 2027; and (b) the estimated percentage of sales to Shougang Group and/or its associates.

As disclosed in the 2023 Annual Report, the Group has three operating coking coal mines with total approved raw coking coal production capacity of 5.25 million tonnes per annum. 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 of approximately 3.3 million tonnes for FY2023, 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 is determined for the three years ending 31 December 2027. As (a) the production volume of clean coking coal for each of the three years ending 31 December 2027 is estimated with reference to the Group’s historical production volume in 2023; and (b) the amounts of clean coking coal expected to be purchased from third parties are estimated to be 200,000 tonnes, 300,000 tonnes and 400,000 tonnes for the three years ending 31 December 2027 respectively, which are used for blending and sales in case of profit opportunity and such external amounts only represent approximately 5.7%, 8.4% and 10.9% of the Group’s estimated overall sales volume for the three years ending 31 December 2027 respectively, we consider both of the production volume of clean coking coal and the amounts of clean coking coal expected to be purchased externally to be fair and reasonable.

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 Group’s overall sales volume of clean coking coal products (the “**55% Limit**”). Taking into account that (a) Shougang Group is the largest customer of the Company, sales to which accounted for approximately 46%, 43% and 51% of the Group’s total revenue for FY2022, FY2023 and 6M2024, respectively; (b) given the solid financial standing and creditworthiness 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; and (c) the 55% Limit was adopted by the Group in determining the proposed annual caps for the three years ending 31 December 2024 under the Supplemental Master Sales and Purchase Agreement, we consider the 55% Limit adopted by the Group is fair and reasonable.

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Based on the above, we consider the Group's estimated sales volume of clean coking coal to Shougang Group and/or its associates for the three years ending 31 December 2027 to be fair and reasonable.

(ii) Estimated selling price

As advised by the management of the Group, the estimated selling prices for the three years ending 31 December 2027 is determined with reference to the recent average market selling price of clean coking coal products. We have obtained the calculation worksheet from the Group and noted that the average market selling prices (inclusive of VAT) amounted to approximately RMB1,831 per tonne from January 2024 to October 2024, as extracted from the Industry Website.

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.

Based on the above, we consider that the basis for determining the estimated selling price for the three years ending 31 December 2027 to be fair and reasonable.

(iii) Estimated additional freight costs

In determining the proposed annual caps for the supply of Fushan Products, the Company has also considered additional freight costs which represent additional railway transportation costs and ocean freight costs which were projected with reference to the current logistic arrangement, current freight costs per unit and the estimated sales volume of clean coking coal. We have reviewed the breakdown of the actual freight costs paid by the Group in 2024 which were consistent with estimated additional freight costs per unit adopted by the Group in determining the Supply Caps. As such, we consider the estimated additional freight costs to be fair and reasonable.

Taking into account that (i) the estimated sales volumes of clean coking coal to Shougang Group and/or its associates for the three years ending 31 December 2027 are determined with reference to the Group's estimated production volume for the three years ending 31 December 2027 and the estimated percentage of sales to Shougang Group of not more than 55%; (ii) the estimated selling price of clean coking coal products is determined based on its average market selling prices from January 2024 to October 2024; and (iii) the estimated additional freight costs are determined based on the current logistic arrangement and historical costs, we consider the Supply Caps to be fair and reasonable.

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In assessing the fairness and reasonableness of the Supply Caps, we have considered the declining trend of the actual transaction amounts regarding the Group's supply of Fushan Products under the 2021 Master Sales and Purchase Agreement (as supplemented by the Supplemental Master Sales and Purchase Agreement) from 2022 to 2024. Such declining trend is mainly due to (i) the decrease in the average benchmark market selling prices of clean coking coal; and (ii) the production suspension of one of the Group's three premium operating coking coal mines, Xingwu Coal Mine, in the first half of 2024 as it was undergoing a transition of production from the upper coal seam to the lower coal seam. Given that (i) the Group adopted the recent average market selling price of clean coking coal products in 2024 to reflect the latest market trend in determining the Supply Caps; and (ii) the transition of Xingwu Coal Mine was completed in July 2024 and it is expected that the Group's production of coking coal will return to normal from 2025 onwards, to a level similar to that of 2022 and 2023, we consider the Supply Caps to be fair and reasonable.

Purchase of Shougang Group Products

In assessing the reasonableness of the proposed annual caps of the purchase of Shougang Group Products by the Group from Shougang Group and/or its associates (the "**Purchase Caps**") under the 2025 Master Sale and Purchase Agreement, we have discussed with the management of the Group on the basis and assumptions underlying the projections. As advised by the management of the Group, in determining the proposed annual caps for the three years ending 31 December 2027, they have taken into account, among others, (i) the historical transaction amounts and volume between the Group and Shougang Group and/or its associates; (ii) the expected growth in business of the Group and expected demand for Shougang Group Products; and (iii) limiting the proportion of purchase amount from Shougang Group and/or its associates to no more than 20% of the total estimated purchase amount of steel, machinery and services of the Group on annual basis.

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 2025 Master Sale and Purchase Agreement.

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We have discussed with the management of the Group on each of the determining factors and their potential impacts on the Purchase Caps and reviewed the relevant calculations which have also been confirmed and agreed by Shougang Group. Based on our review on the calculation worksheet, we noted that the Purchase Caps for the three years ending 31 December 2027 is determined based on the Group's latest production plan of raw and clean coking coal which would require Shougang Group Products during its usual and ordinary course of business. The increase in the Purchase Caps is mainly attributable to the expected higher demand for steel and machinery which is necessary in the mining and production of clean coking coal. Such demand will be higher in light of Xingwu Coal Mine's operation and production resuming to normal with the improved technology for clean coking coal, together with the other two operating mines, which is expected to allow the Group to reach its approved production capabilities in the next few years along with the Group's overall business growth, and for the continuous maintenance and safe production of the mines. The Company expects to incur additional purchases of approximately RMB220 million for the year ending 31 December 2025 as compared to the average amount of the previous three years, mainly towards the purchase of upgraded materials and machinery for the purpose of compliance with new safety and environmental policies expected to be required by the local and national government authorities. 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 and future development. While there are no solid plans yet, the Group continues to seek for investment opportunities, particularly mine acquisition projects, as well as self-expansion to expand its production capability in order to create greater value for shareholders, which would result in a substantial increase in capital expenditure in the forthcoming years, including the increase in purchase amounts of Shougang Group Products. Based on the Company's internal calculations and projections, the Company estimates that additional purchase amounts attributable to future development would be approximately RMB100 million, RMB600 million and RMB1,000 million for the three years ending 31 December 2027 respectively. The Group has prepared a requirement breakdown on the materials for producing raw coking coal, processing materials for producing of clean coking coal and machinery and relevant services for both of the existing and future development. The Purchase Caps were then projected based on the proportion of no more than 20% of the total purchase amount of steel, machinery and services of the Group on annual basis. Taking into account that (i) Shougang Group is specialised in providing Shougang Group Products; and (ii) 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, as a substantial shareholder of the Company, Shougang Group could provide the Group with a stable supply with good quality of Shougang Group Products, which could further facilitate the Group's business operation and development, we consider such purchase proportion of no more than 20% is acceptable.

A growth rate of 5% per annum is also adopted in determining the Purchase Caps. According to the National Bureau of Statistics of the PRC, the Chinese household disposable income per capita has increased from approximately RMB28,228 in 2018 to approximately RMB39,218 in 2023, representing a compound annual growth rate ("CAGR") of approximately 6.8% during the period. Taking into account that the potential upward adjustments on the construction and related services fee of Shougang Group Products attributable to inflation and the increase in labour costs, we consider it is fair and reasonable to adopt a growth rate of 5% per annum in determining the Purchase Caps in the coming three years.

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Taking into account the Purchase Caps for the procurement of Shougang Group Products is determined with reference to (i) the expected growth in business of the Group and expected demand for Shougang Group Products; and (ii) 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 Caps to be fair and reasonable.

As disclosed above, the actual transaction amounts regarding the Group's purchase of Shougang Group Products under the 2021 Master Sales and Purchase Agreement (as supplemented by the Supplemental Master Sales and Purchase Agreement) were approximately RMB6.8 million for the ten months ended 31 October 2024, which is relatively low as compared to the Purchase Caps. Such relatively low actual transaction amount in 2024 was attributable to the fact that other independent suppliers have offered more favourable prices and terms than Shougang Group in the tender for the provision of construction services and Shougang Group did not participate in certain tenders due to the lack of certain necessary license or they have been engaged in other commitments, etc. As such, the Group has purchased fewer amounts of Shougang Group Products from Shougang Group and/or its associates during the periods. However, in determining the Purchase Caps, the Company has assumed that Shougang Group and/or its associates will continue to participate in the Group's invitation for tender, and may provide more favourable prices and terms than they have before, given that the Group will give priority to Shougang Group and/or its associates in the event that they offer similar terms as other independent third parties. Taking into account that a higher amount of the Purchase Caps than the historical transaction amount could provide flexibility for the Group to purchase Shougang Group Products from Shougang Group when Shougang Group provides more attractive or similar terms than independent third parties, we consider the Purchase Caps to be fair and reasonable.

Overall comment

Generally speaking, in our opinion, it is in the interests of the Group for the Proposed Annual Caps to be as accommodating to the Group's development plan as possible. Provided that the terms of the Transactions are fair and reasonable and the conduct of the 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 Annual Caps are tailored to the Group's future business growth. Based on the above analysis, we are of the view that the Proposed Annual Caps are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

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5. Internal control measures of the Group

In determining the pricing for Individual Agreements with reference to the pricing terms under the 2025 Master Sale and Purchase Agreement, the Group adopts the following internal control methods and procedures:

- (i) For the supply of Fushan Products, the Group's Coal Price Management Team is responsible for setting weekly prices of Fushan Products, with reference to the benchmark market selling prices quoted from the coal industry websites, selling prices of nearby coal mines and customers, information obtained from auctions and connections with other suppliers in the industry, etc. The pricing of orders determined at any time shall be in accordance with such weekly prices of Fushan Products.
- (ii) For the purchase of Shougang Group Products, the Group's Tender Committee is primarily responsible for determining the prices. For tenders and other kinds of procurement alike, in order to obtain sufficient comparables, invitations are sent to suppliers in the shortlist maintained by the Group and determined in advance through the Group's internal policy. The winning bidder and chosen quotation will be decided by the Tender Committee upon consideration of a wide range of factors in addition to price, including but not limited to quality of goods and services, credentials and reputation, past collaboration, qualification and satisfactory results of past orders of the Group with comparable products or order quantities, etc.

In order to protect the interests of the Shareholders, the Group has adopted certain internal control measures to ensure the prices of Fushan Products and Shougang Group Products are fair and reasonable and are in line with the market rates, the details of which are set out as follow:

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

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- (a) 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;
 - (b) the Company will conduct regular reviews of the Sales and Purchases and ensures the transactions contemplated under the Individual Agreements are within the Proposed Annual Caps; and
 - (c) 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.
- (iii) The Company will conduct annual internal reviews of the continuing connected transactions of the Company, to consider:
- (a) effective implementation of the pricing policies and the payment methods, and evaluation of balances of the Proposed Annual Caps; and
 - (b) 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.
- (iv) 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.
- (v) The independent auditor of the Group will also conduct an annual review on the pricing terms under the 2025 Master Sale and Purchase Agreement and Proposed Annual Caps.

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

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

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

The Board shall ensure that Shougang Group does not become the Company's sole or primary source of revenue, so that there is no issue of extreme reliance. Further, to ensure that any risk from transacting with Shougang Group and/or its associates is minimised, the Group will take appropriate measures to consider, among others, the latest financial position of Shougang Group before confirming each sales order. Except Shougang Group, the Group also has a number of other existing 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 with Shougang Group is relatively unlikely given Shougang Group's state-owned status, its substantial shareholding in the Company, as well as the mutual nature and long length of the business relationship between the Group and Shougang Group.

In assessing whether the above internal control measures are in place and effectively implemented, we have obtained and reviewed the Group's internal records and noted that that the limitations and actual transaction amounts of the Group's supply of Fushan Products and the purchase of Shougang Group Products were properly checked and monitored by the Group on a regular basis. In addition, as discussed in the section headed "3. Principal terms of the 2025 Master Sale and Purchase Agreement" above, we have reviewed (i) a total of 27 samples of sales contracts of clean coking coal products between the Group and (a) Shougang Group; or (b) independent third parties entered into from 2022 to 2024; and (ii) a total of 35 samples of procurement contracts of materials and construction services between the Group and (a) Shougang Group; or (b) independent third parties entered into from 2022 to 2024. Based on our review, we noted that the prices of the sale and procurement of the relevant products and services by the Group were conducted in accordance with the relevant market-based pricing principle under the 2021 Master Sales and Purchase Agreement (as supplemented by the Supplemental Master Sales and Purchase Agreement) or through public tender. As such, we are of the view that the internal control measures adopted by the Group for monitoring the transactions contemplated under the 2025 Master Sale and Purchase Agreement are effectively implemented.

Having considered the above, in particular (i) that the market-based pricing policies under the 2025 Master Sale and Purchase Agreement has been adherence in accordance with the Group's internal control procedures; (ii) the ongoing monitoring of the transactions under the 2025 Master Sale and Purchase Agreement; and (iii) the requirements under the Listing Rules for the ongoing review by the independent non-executive Directors and the auditors of the Company of the terms of the transactions under the 2025 Master Sale and Purchase Agreement as discussed below, we concur with the Directors that appropriate and adequate internal control procedures are in place to ensure that the transactions contemplated under the 2025 Master Sale and Purchase Agreement will be appropriately monitored and conducted on commercial terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM RAINBOW CAPITAL

6. 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 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 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.

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 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 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.

LETTER FROM RAINBOW CAPITAL

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that (i) the entering into of the 2025 Master Sale and Purchase Agreement are conducted in the ordinary and usual course of business of the Group; and (ii) the terms of the 2025 Master Sale and Purchase Agreement (including the Proposed Annual Caps) are 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 resolutions to be proposed at the GM to approve the 2025 Master Sale and Purchase Agreement (including the Proposed 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

Name of Director	Capacity in which interests were held	Number of Shares	Total interests as to % of the total number of Shares in issue as at the Latest Practicable Date
Chen Zhaoqiang	Beneficial owner	1,147,000	0.02%
Choi Wai Yin	Beneficial owner	677,421	0.01%
Ding Rucai	Beneficial owner	550,000	0.01%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which the Directors and chief executive were taken or deemed to have under such provisions of the SFO), or were required, pursuant to Section 352 of the SFO, to be recorded in the register required to be kept by the Company, or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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	<i>Note</i>
Funde Sino Life Insurance Co., Ltd	Beneficial owner	1,444,893,466	28.38%	<i>I</i>
Shougang Group	Interests of controlled corporations	919,882,984	18.07%	<i>II</i>
Shoucheng Holdings Limited	Interests of controlled corporations	774,743,327	15.22%	<i>III</i>

Notes:

- I The data shown in the table is based on the disclosure form dated 21 September 2023 (being the latest disclosure form filed up to the Latest Practicable Date) and the announcement of the Company dated 12 November 2024 in relation to the allotment results of rights issue as published on the website of the Stock Exchange. Funde Sino Life Insurance Co., Ltd. was interested in 1,444,893,466 Shares.
- II The data shown in the table is based on the disclosure form dated 13 November 2024 (being the latest disclosure form filed up to the Latest Practicable Date) and the announcement of the Company dated 12 November 2024 in relation to the allotment results of rights issue as published on the website of the Stock Exchange. Shougang Group Co., Ltd. was interested in a total of 919,882,984 Shares held by its subsidiaries, namely: (i) Ultimate Capital Limited (a company indirectly wholly-owned by Shougang Holding (Hong Kong) Limited, holding 620,000,000 Shares); (ii) King Rich Group Limited (a company wholly-owned by Shougang Holding (Hong Kong) Limited, holding 256,128,199 Shares); and (iii) Shougang Holding (Hong Kong) Limited (a company wholly-owned by Shougang Group Co., Ltd., holding 43,754,785 Shares).
- III The data shown in the table is based on the disclosure form dated 21 September 2023 (being the latest disclosure form filed up to Latest Practicable Date) and the announcement of the Company dated 12 November 2024 in relation to the allotment results of rights issue, as published on the website of the Stock Exchange. Shoucheng Holdings Limited was interested in a total of 774,743,327 Shares held by its subsidiaries, namely: (a) Fine Power Group Limited (a company wholly-owned by Shoujing Yifei Holdings Limited which is in turn wholly-owned by Shoucheng Holdings Limited, holding 595,357,358 Shares); and (b) Fair Gain Investments Limited (a company wholly-owned by Shoujing Yifei Holdings Limited which is in turn wholly-owned by Shoucheng Holdings Limited, holding 179,385,969 Shares).

Save as disclosed above, as at the Latest Practicable Date, the Company has not been notified of any other person (other than the Directors and chief executives of the Company) who had an interest or short position in the Shares and/or underlying Shares which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

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 2021 Master Sales and Purchase Agreement and the 2025 Master Sale 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 so acquired, disposed of by or leased to any member of the Group since 31 December 2023, 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 2023, being the date to which the latest audited financial statements of the Company were made up.

8. 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:

Name	Qualification
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, or disposed of by, or leased to any member of the Group, since 31 December 2023, being the date to which the latest audited financial statements of the Group was made up; and did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

9. GENERAL

- (a) The company secretary of the Company is Ms. Kong Ling Yan, who is admitted as a solicitor in Hong Kong and holds a Master's degree in Corporate Governance, a Bachelor's degree in Law, a Bachelors degree in Economics and the Postgraduate Certificate in Laws (PCLL).
- (b) The share registrar of the Company is Tricor Tengis Limited at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (c) The registered office and principal place of business in Hong Kong of the Company 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.

10. DOCUMENT ON DISPLAY

A copy of the following document will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (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 2025 Master Sale and Purchase Agreement.

NOTICE OF GM



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 11:00 a.m. on Monday, 30 December 2024 at 5th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester 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 16 December 2024 issued by the Company of which this notice forms part.

ORDINARY RESOLUTION

“**THAT:**

- (a) the execution of the 2025 Master Sale 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 Annual Caps under the 2025 Master Sale 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 2025 Master Sale and Purchase Agreement and the transactions contemplated thereunder.”

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

Hong Kong, 16 December 2024

NOTICE OF GM

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. Wang Dongming (Deputy Managing Director), Ms. Chang Cun (Non-executive Director), Mr. Shi Yubao (Independent Non-executive Director), Mr. Choi Wai Yin (Independent Non-executive Director), Mr. Chen Jianxiong (Independent Non-executive Director) and Mr. Li Zeping (Independent Non-executive Director).

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 appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised.
- (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 17/F., 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 11:00 a.m. on Friday, 27 December 2024 (Hong Kong time)), or any adjourned meeting thereof (as the case may be).
- (4) The register of members of the Company will be closed from Tuesday, 24 December 2024 to Monday, 30 December 2024 (both days inclusive) to determine the entitlement to attend and vote at the above meeting. During such period no transfer of shares of the Company will be registered. 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 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Monday, 23 December 2024 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 alone be entitled to vote in respect thereto.
- (7) No refreshments or drinks, and corporate gifts or gift coupons will be provided at the meeting.
- (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 meeting of the Company. If any Shareholder has any question relating to this general meeting, please contact the share registrar of the Company as follows:

Tricor Tengis Limited
17/F., Far East Finance Centre,
16 Harcourt Road,
Hong Kong
Email: is-enquiries@hk.tricorglobal.com
Tel: (852)2980 1333
Fax: (852)2810 8185