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**首鋼福山資源集團有限公司**

**SHOUGANG FUSHAN RESOURCES GROUP LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 639)**

**CONTINUING CONNECTED TRANSACTION  
MASTER FACILITY AGREEMENT**

On 7 December 2018, the Company entered into the Master Facility Agreement with Jinshan Energy, pursuant to which the Company has conditionally agreed to provide or procure its subsidiaries to provide the Facilities to Jinshan Energy and its subsidiaries for a term of 3 years.

As at the date of this announcement, Jinshan Energy is owned as to 67.17% by the Group, and as to 27% by Beijing Shougang, and as to 5.83% by two independent third parties.

Beijing Shougang is a wholly-owned subsidiary of Shougang Group and Shougang Group is the holding company of Shougang International, a substantial shareholder of the Company. Accordingly, Jinshan Energy is a connected subsidiary of the Company and the transactions contemplated under the Master Facility Agreement constitute continuing connected transactions for the Company.

As the applicable percentage ratios calculated with reference to the annual cap under the Master Facility Agreement exceed 0.1% but are less than 5%, the Master Facility Agreement is subject to the reporting, announcement and annual review requirements, but is exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

## **THE MASTER FACILITY AGREEMENT**

### **Date**

7 December 2018

### **Parties**

- (1) The Company (together with its subsidiaries, as the Lender); and
- (2) Jinshan Energy (together with its subsidiaries, as the Borrower)

### **Major terms of the Master Facility Agreement**

- Subject matter : The Lender will provide the Facilities to the Borrower from time to time during the term of the Master Facility Agreement to enable Jinshan Energy to meet its operation and development needs.
- The Group will finance the Facilities amount under the Master Facility Agreement by internal resources.
- Term of the Master Facility Agreement : A period of 3 years commencing from the Master Facility Agreement becoming effective.
- Principal and accrued interest amount of the Master Facility Agreement : The Facilities to be granted are revolving and subject to the maximum daily outstanding amount (including accrued interest) of up to RMB90,000,000 (equivalent to approximately HK\$102,564,000).
- Interest rate : Interest rate shall be the base lending rate announced by the People's Bank of China from time to time. The exact interest rate shall be fixed by the parties and detailed in the individual loan agreement to be entered into between the Lender and the Borrower.

- Repayment : Interest is generally payable at maturity together with the principal. The exact repayment terms of the Facilities will be set out in the individual loan agreement to be entered into between the Lender and the Borrower but the repayment period shall not be beyond the expiry of the Master Facility Agreement.
- Security : The Facilities are unsecured.
- Conditions precedent of the Master Facility Agreement : The Board having approved the Master Facility Agreement.

## ANNUAL CAP

The Company expects that during the term of the Master Facility Agreement, the Facilities to be provided by the Lender to the Borrower will be subject to the maximum daily outstanding amount of RMB90,000,000. Such amount was determined after arm's length negotiations between the parties with reference to (i) the historical transaction amount between the parties; and (ii) the financing needs of Jinshan Energy.

## Historical figures

Set out below are the loans provided by the Group to Jinshan Energy for the three years ended 31 December 2017 and the eleven months ended 30 November 2018:

	For the year ended 31 December			For the eleven months ended
	2015	2016	2017	30 November 2018
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
Maximum annual amount of the loans	38.3	42.6	42.1	45.7

The historical loans provided by the Group to Jinshan Energy was not a continuing connected transaction for the Company for the purpose of Chapter 14A of the Listing Rules at the time when the respective loan agreement was entered into.

## **Basis of determining interest rate**

The range of interest rate is determined after arm's length negotiations between the parties with reference to the prevailing lending rate published by the People's Bank of China. The exact interest rate to be charged for each of the advance to be provided to the Borrower will be determined by the Lender at the relevant time after taking into account: (a) the prevailing market interest rate; and (b) the trend of the lending rate.

## **INTERNAL CONTROL POLICY OF THE GROUP**

To ensure that the transactions contemplated under the Master Facility Agreement will be conducted in accordance with its terms and conditions, the internal audit department of the Company will review the transactions with Shougang Group and/or its subsidiaries on a periodic basis to ensure that (i) the transactions are conducted in accordance with the terms of the Master Facility Agreement; (ii) the pricing terms are in accordance with the pricing policy of the Master Facility Agreement and the policy of the Group; and (iii) the annual caps have not been exceeded.

The transactions contemplated under the Master Facility Agreement is subject to the review by the independent non-executive Directors on an annual basis, who will confirm in the annual report whether the transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the Master Facility Agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole. In addition, the transactions will also be subject to the review on an annual basis by the auditors of the Group, who will confirm to the Directors as to whether there is anything which has come to their attention that causes them to believe that such continuing connected transactions: (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the annual cap.

## **INFORMATION REGARDING THE PARTIES**

The Company and its subsidiaries are principally engaged in coking coal mining, production and sales of coking coal products in the PRC.

Jinshan Energy is a sino-foreign equity joint venture established in the PRC and is principally engaged in the business of investment holding and production and sale of coal products in the PRC.

## **REASONS AND BENEFITS OF ENTERING INTO THE MASTER FACILITY AGREEMENT**

Jinshan Energy is a non-wholly owned subsidiary of the Group and the Master Facility Agreement is being entered into to enable the Group to provide financial assistance to Jinshan Energy for its operation and development requirements.

In view of the satisfactory cash flow and healthy financial position of the Group, the Directors consider that the provision of Facilities by the Company to its non-wholly owned subsidiary, Jinshan Energy, can save finance costs as a whole and meet the development and financial needs of the Group in other development projects through fully utilizing its internal funding strength, promoting reasonable allocation of resources and increasing its funding utilization rate.

The Directors (including the independent non-executive Directors) consider that the Master Facility Agreement and the continuing connected transactions contemplated thereunder are entered into by the Group in its ordinary course of business, on normal commercial terms, are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Jinshan Energy is owned as to 67.17% by the Group, and as to 27% by Beijing Shougang, and as to 5.83% by two independent third parties.

Beijing Shougang is a wholly-owned subsidiary of Shougang Group and Shougang Group is the holding company of Shougang International, a substantial shareholder of the Company. Accordingly, Jinshan Energy is a connected subsidiary of the Group and the transactions contemplated under the Master Facility Agreement constitute continuing connected transactions for the Company.

As the applicable percentage ratios calculated with reference to the annual cap under the Master Facility Agreement exceed 0.1% but are less than 5%, the Master Facility Agreement is subject to the reporting, announcement and annual review requirements, but is exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

## **GENERAL**

Mr. Ding Rucai (chairman of the Company and executive Director) and Mr. Li Shaofeng (managing director of the Company and executive Director) hold directorships in certain subsidiaries of Shougang Group, and are considered to be interested in the Master Facility Agreement and have abstained from voting on the relevant board resolutions of the Company for the approval of the Master Facility Agreement.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“associates”	has the meaning ascribed to it under the Listing Rules;
“Beijing Shougang”	Shougang Holding Company Limited*(首鋼控股有限責任公司), a limited liability company established in the PRC and is a wholly-owned subsidiary of Shougang Group;
“Board”	the board of directors of the Company;
“Borrower”	Jinshan Energy and/or its subsidiaries;
“Company”	Shougang Fushan Resources Group Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange;
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules;
“Directors”	directors of the Company;
“Facilities”	the revolving credit facilities with the maximum daily outstanding balance (including accrued interest) of up to RMB90,000,000 (equivalent to approximately HK\$102,564,000) to be provided by the Lender to the Borrower in accordance with the Master Facility Agreement;

“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Jinshan Energy”	Jinshan Energy Group Limited*(山西金山能源有限公司), a sino-foreign equity joint venture established in the PRC with limited liability and is owned as to 67.17% by the Group;
“Lender”	The Company and/or its subsidiaries (excluding Jinshan Energy and its subsidiaries);
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Master Facility Agreement”	the agreement dated 7 December 2018 entered into between the Company and Jinshan Energy;
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, does not include Hong Kong, Macao Special Administrative Region and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	the holder(s) of the ordinary share(s) of the Company;
“Shougang Group”	Shougang Group Co., Ltd.*(首鋼集團有限公司), a stated-owned company established in the PRC, the holding company of Shougang International, a substantial shareholder of the Company as at the date of this announcement;
“Shougang International”	Shougang Concord International Enterprises Company Limited, a company listed on the main board of the Stock Exchange (Stock Code: 697), a substantial shareholder of the Company and is a subsidiary of Shougang Group;

“Stock Exchange” The Stock Exchange of Hong Kong Limited; and

“%” per cent.

Unless otherwise specified in this announcement, translations of RMB into HK\$ are made in this announcement, for illustration only, at the rate of HK\$1.00 to RMB0.8775. No representation is made that any amounts in RMB or HK\$ could have been or could be converted at that rate or at any other rate or at all.

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

Hong Kong, 7 December 2018

*As at the date of this announcement, the Board comprises Mr. Ding Rucai (Chairman), Mr. Li Shaofeng (Managing Director), Mr. So Kwok Hoo (Deputy Managing Director), Mr. Chen Zhaoqiang (Deputy Managing Director), Mr. Liu Qingshan (Deputy Managing Director), Mr. Leung Shun Sang, Tony (Non-executive Director), Ms. Chang Cun (Non-executive Director), Mr. Kee Wah Sze (Independent Non-executive Director), Mr. Choi Wai Yin (Independent Non-executive Director), Mr. Chan Pat Lam (Independent Non-executive Director) and Mr. Japhet Sebastian Law (Independent Non-executive Director).*

\* *For identification purpose only*