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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)

CLARIFICATION ANNOUNCEMENT

Reference is made to the announcement of the Company published in the morning of 13 April 2012 in relation to the Article which cited the Report. This announcement is made to refute such allegations or comments concerning the Group in the Report.

The Board also noted the recent decreases in the price and unusual trading volume of the shares of the Company. The Board wishes to note that save as disclosed in this announcement, there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under rule 13.23 of the Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

Shareholders and investors are advised to exercise caution when dealing in the shares of the Company.

Reference is made to the announcement of Shougang Fushan Resources Group Limited (the “Company”, which together with its subsidiaries, the “Group”) published in the morning of 13 April 2012 in relation to an article published on Hong Kong Economic Journal on 13 April 2012 (the “Article”) which cited a report issued by Glaucus Research Group (“Glaucus”) on 11 April 2012 (the “Report”). The Company has no information about the identity of Glaucus. As indicated in the Report, Glaucus is a short seller and will make money if the price of the Company’s stock declines. In the circumstances, **the Company recommends the shareholders of the Company and investors to exercise extreme caution in responding to the Report.**

The Report contains certain allegations or comments on the Company, which are groundless or misstatements. This announcement is made to refute such allegations or comments concerning the Group in the Report. On the other hand, the Company reserves its rights to take legal actions against Glaucus.

Allegations or comments concerning the Group in the Report

(1) Overpayment for acquisition of the three mines in Liulin

The Report commented that the Company overpaid for the acquisition of the three coal mines (the “Mines”) from Fortune Dragon Group Limited in 2008 at a price of approximately RMB97 per tonne of reserves.

The Company wishes to note that full details of the transaction have been disclosed in the circular of the Company dated 25 June 2008 (the “Circular”) and an independent valuation report on the Mines has been incorporated in the Circular. Based on the total reserves of the Mines of approximately 200 million tonnes according to JORC Code standards, the Group acquired the Mines at approximately RMB42 per tonne of reserves.

The consideration paid by the Group for the acquisition of the Mines was HK\$10.53 billion. It should be noted that the Mines have already contributed more than HK\$7 billion to the Group’s post-acquisition profit attributable to the owners of the Company up to 31 December 2011.

Besides, the Company considers that the data in respect of other acquisitions as quoted in the Report is not comparable with that of the Mines. The Mines are premium coking coal mines which are scarce and precious resources. Large scale modernization and upgrading programs in the mining operations of the Mines were carried out in 2007. As a result, the total production capacity of the Mines increased to 630 million tonnes per year since 2008. Before the acquisition of the Mines by the Group, the Mines have already come into operation with large scale of production and modernized facilities in place. As such, the value of the Mines should not be compared with those green field mines or mines with small operations or thermal coal mines as quoted in the Report.

After the acquisition of the Mines and following the enlargement of production scale of the Mines, the number of employees engaged by the Group in the People’s Republic of China (the “PRC”) for the Mines increased from approximately 5,400 in 2008 to approximately 6,700 in 2011.

(2) Disposal of shares in the Company by Mr. Wong Lik Ping and Mr. Xing Libin

The Report cited that Mr. Wong Lik Ping (“Mr. Wong”) and Mr. Xing Libin (“Mr. Xing”) disposed of a significant portion of their interests in the Company within 18 months after the completion of acquisition of the Mines by the Group.

The Company is not in a position to comment on any acquisition or disposal of the shares of the Company by any shareholder. However, the Company wishes to note that the current largest shareholder of the Company, i.e. Shougang Holding (Hong Kong) Limited together with its associates, has continuously increased its shareholding in the Company since 2008 from approximately 9.8% to approximately 29.4% to date.

(3) Superior profit margin

The Report alleged that the EBITDA margin of the Company is fabricated.

The Company wishes to emphasize that the financial statements of the Company were prepared in accordance with Hong Kong Financial Reporting Standards and reflected and

gave a true and fair view of the state of affairs of the Group. The high profit margin achieved by the Group was due to the fact that the resources owned by the Group are premium coking coal which is of relatively higher market value than other types of coals. The Group sells its products at market prices (which are published information and are disclosed in various websites) and the customers of the Group are mainly large PRC stated-owned steel manufacturers, such as Hebei Iron & Steel Co. Ltd (河北鋼鐵股份有限公司), Shougang Corporation (首鋼總公司) and Inner Mongolia BaoTou Steel Union Co., Ltd. (內蒙古包鋼鋼聯股份有限公司). The total sales to those companies accounted for 52% of the total sale of the Group for the financial year ended 31 December 2011.

Further, the Group has implemented effective cost control measures since its acquisition of the Mines in 2008, which included continuously improving and modernizing the mining facilities and technological upgrades.

(4) Charity donations

The Report alleged that the donations made by the Company for construction of modern schools went to a for-profit school owned by Mr. Xing.

The Company wishes to note that this allegation is untrue. The donations were made in accordance with a notice issued by the Liulin People's Government of Shanxi province to numerous coal producers in Liulin. The donations were directly paid to the Liulin People's Government. Official receipts had been issued by the Liulin People's Government in respect of the donations made by the Company. The Company considers that the making of donations is a way to contribute to the community.

(5) Frequent changes of chairman

It is mentioned in the Report that the frequent changes of the chairman of the Company is suspicious.

The Company wishes to note that the resignations of the chairmen of the Company in recent years were due to their other personal engagements or retirement. The major decisions of the Company are made by the board of directors of the Company (the "Board") collectively. In the circumstances, the Company considers that the change of the chairman of the Company did not have any significant adverse impact on the businesses of the Group. The operations of the Group remain smooth and efficient. Above all, the financial position of the Group is healthy and strong.

(6) Auditor

The Company is confident that the auditor of the Company has the required professional competence and professionalism. According to the International Accounting Bulletin issued in January 2012, the auditor of the Company ranked the fifth largest network of public accounting firms in the world in terms of revenues in 2011.

(7) Relationship with Mr. Xing

The Report accused that the Group has substantial unusual transactions with Mr. Xing.

The Company wishes to note that after the acquisition of the Mines by the Group, the

transactions between the Group and Mr. Xing constitute connected transactions of the Company. All such transactions were carried out in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), which including obtaining opinion from independent financial advisors and subject to independent shareholders’ approval. The transactions were reviewed by the independent directors of the Company and the auditor of the Company annually so as to ascertain that the transactions were entered into in the ordinary and usual course of business of the Group and were conducted in normal commercial terms and in accordance with the pricing policies of the Company. Such transactions were fair and reasonable and were in the interests of the shareholders of the Company as a whole.

Further, the Company has endeavored to reduce the volume and amount of the connected transactions with Mr. Xing since 2009. For the year ended 31 December 2011, the sales of products/services by the Group to Mr. Xing and his associates and the purchase of products/services by the Group from Mr. Xing and his associates amounted to RMB8,585,000 and RMB14,615,000 respectively, representing approximately 0.15% of the total sales and approximately 0.80% of the cost of sales of the Company for the financial year ended 31 December 2011.

The Board also noted the recent decreases in the price and unusual trading volume of the shares of the Company. The Board wishes to note that save as disclosed in this announcement, there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under rule 13.23 of the Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

Shareholders and investors are advised to exercise caution when dealing in the shares of the Company.

This announcement is made by the order of the Board, of which the directors individually and jointly accept responsibility for the accuracy of the information contained in this announcement.

By Order of the Board
Shougang Fushan Resources Group Limited
Li Shaofeng
Chairman

Hong Kong, 13 April 2012

As at the date of this announcement, the Board comprises Mr. Li Shaofeng (Chairman), Mr. Chen Zhouping (Vice-chairman and Managing Director), Mr. Wong Lik Ping (Vice-chairman), Mr. So Kwok Hoo (Deputy Managing Director), Mr. Chen Zhaoqiang (Deputy Managing Director), Mr. Liu Qingshan (Deputy Managing Director), Mr. Xue Kang (Deputy Managing Director), Mr. Leung Shun Sang, Tony (Non-executive Director), Mr. Zhang Yaoping (Non-executive Director), Mr. Zhang Wenhui (Non-executive Director), Mr. Kee Wah Sze (Independent Non-executive Director), Mr. Choi Wai Yin (Independent Non-executive Director) and Mr. Chan Pat Lam (Independent Non-executive Director).