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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, stockbroker 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)

PROPOSALS FOR
GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES
RE-ELECTION OF RETIRING DIRECTORS
ADOPTION OF THE NEW SHARE OPTION SCHEME AND
TERMINATION OF THE EXISTING SHARE OPTION SCHEME
AND
NOTICE OF ANNUAL GENERAL MEETING

A notice of annual general meeting of Shougang Fushan Resources Group Limited to be held at 11:00 a.m. on Friday, 25 May 2012 at Concord Room, 8th Floor, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong is set out on pages 22 to 25 of this circular. Whether or not you are able to attend the meeting, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the share registrars of the Company, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable and in any event not later than 48 hours before the time appointed for holding the meeting or any adjournment 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 meeting or any adjourned meeting (as the case may be) should you so wish.

13 April 2012

DEFINITIONS

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

“Annual General Meeting”	the annual general meeting of the Company to be held at 11:00 a.m. on Friday, 25 May 2012 at Concord Room, 8th Floor, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong or any adjournment thereof
“associate(s)”	has the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended from time to time
“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”	has the same meaning as ascribed to it under the Listing Rules
“controlling shareholder”	has the same meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Eligible Participant(s)”	any full-time or part-time employees, executives, officers or directors (including executive and non-executive directors) of the Company or any of the Subsidiaries or any of the Invested Entities and any advisors, consultants, agents, suppliers, customers and distributors who, in the sole opinion of the Board, will contribute or have contributed to the Company and/or any of the Subsidiaries and/or any of the Invested Entities
“Existing Share Option Scheme”	the share option scheme adopted by the Company on 20 June 2003
“Group”	the Company and its Subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Invested Entity(ies)”	any entity in which any member of the Group holds any equity interest

DEFINITIONS

“Latest Practicable Date”	5 April 2012, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange and any amendments thereto
“New Share Option Scheme”	the share option scheme which is proposed to be adopted by the Company at the Annual General Meeting, further information and summary of the principal terms are set out in Appendix II to this circular
“Option(s)”	option(s) to subscribe for Shares granted and/or to be granted pursuant to the New Share Option Scheme
“PRC”	the People’s Republic of China but excluding, for the purpose of this circular, Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary(ies)”	subsidiary(ies) for the time being of the Company within the meaning of the Companies Ordinance
“Takeovers Code”	Code on Takeovers and Mergers
“%”	per cent.

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)

Directors:

Li Shaofeng (*Chairman*)
Chen Zhouping (*Vice-chairman and Managing Director*)
Wong Lik Ping (*Vice-chairman*)
So Kwok Hoo (*Deputy Managing Director*)
Chen Zhaoqiang (*Deputy Managing Director*)
Liu Qingshan (*Deputy Managing Director*)
Xue Kang (*Deputy Managing Director*)
Leung Shun Sang, Tony (*Non-executive Director*)
Zhang Yaoping (*Non-executive Director*)
Zhang Wenhui (*Non-executive Director*)
Kee Wah Sze (*Independent non-executive Director*)
Choi Wai Yin (*Independent non-executive Director*)
Chan Pat Lam (*Independent non-executive Director*)

Registered Office:

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

13 April 2012

To the Shareholders

Dear Sir or Madam,

**PROPOSALS FOR
GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES
RE-ELECTION OF RETIRING DIRECTORS
ADOPTION OF THE NEW SHARE OPTION SCHEME AND
TERMINATION OF THE EXISTING SHARE OPTION SCHEME
AND
NOTICE OF ANNUAL GENERAL MEETING**

(1) INTRODUCTION

The purpose of this circular is to provide the Shareholders with details regarding the proposals for (i) granting of general mandates to the Directors to issue and repurchase the Shares; (ii) re-election of retiring Directors; and (iii) adoption of the New Share Option Scheme and termination of the Existing Share Option Scheme. Such proposals will be dealt at the Annual General Meeting.

LETTER FROM THE BOARD

(2) GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

At the Annual General Meeting, separate ordinary resolutions will be proposed to renew the general mandates given to the Directors (i) to allot, issue and otherwise deal with Shares not exceeding in aggregate 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of such resolution; (ii) to repurchase Shares comprising the aggregate nominal amount of which does not exceed 10% of the aggregate nominal amount of the issued share capital of the Company at the date of passing of such resolution; and (iii) to add the aggregate amount of the Shares repurchased by the Company to the general mandate to the Directors to allot new Shares of up to 20% of the issued share capital of the Company.

The mandates to issue and repurchase Shares granted at the annual general meeting held on 19 May 2011 will lapse at the conclusion of the Annual General Meeting. Resolutions Nos. 5 to 7 set out in the notice of Annual General Meeting will be proposed at the Annual General Meeting to renew these mandates. With reference to these resolutions, the Directors wish to state that they have no present intention to issue any new Shares pursuant to the relevant mandates.

Based on 5,377,397,842 Shares in issue as at the Latest Practicable Date and assuming that no further Shares are repurchased or issued prior to the Annual General Meeting, subject to the passing of the relevant ordinary resolutions to approve the mandate to issue Shares at the Annual General Meeting, the Directors will be authorised to allot and issue up to a limit of 1,075,479,568 Shares under the general mandate to issue Shares.

If approved by the Shareholders at the Annual General Meeting, the general mandate to issue Shares will continue in force until the earlier of (i) the conclusion of the next annual general meeting of the Company following the passing of the resolution referred to herein; or (ii) the revocation or variation of the general mandate to issue Shares by an ordinary resolution of the Shareholders in general meeting.

The explanatory statement, required by the Listing Rules to be sent to the Shareholders in connection with the proposed general mandate to repurchase the Shares (the "Repurchase Mandate") is set out in the Appendix I to this circular which contains all the information reasonably necessary to enable the Shareholders to make an informed decision on whether to vote for or against the relevant resolutions.

(3) RE-ELECTION OF RETIRING DIRECTORS

In accordance with clauses 94 and 103(A) of the Company's articles of association, Messrs. Li Shaofeng, Chen Zhouping, Wong Lik Ping, So Kwok Hoo, Zhang Yaoping and Zhang Wenhui will retire and, being eligible, offer themselves for re-election at the Annual General Meeting.

Details of the retiring Directors who are proposed to be re-elected at the Annual General Meeting are set out as follows:

Mr. Li Shaofeng, aged 45, holds a bachelor degree in Automation from University of Science and Technology Beijing. Mr. Li was appointed an Executive Director and the Chairman of the Company in October 2011 and is the chairman of each of the Executive Committee and the Nomination Committee and a member of the Remuneration Committee of the Company. He joined Shougang Corporation, the ultimate

LETTER FROM THE BOARD

holding company of Shougang Holding (Hong Kong) Limited (“Shougang Holding”), in 1989 and is the vice chairman and managing director of Shougang Holding, the managing director of Shougang Concord International Enterprises Company Limited (“Shougang International”) and a director of each of Ultimate Capital Limited (“Ultimate Capital”) and Fine Power Limited (“Fine Power”). Each of Shougang Holding, Shougang International, Ultimate Capital and Fine Power is a substantial shareholder of the Company within the meaning of Part XV of the SFO. Mr. Li is the chairman of each of Shougang Concord Century Holdings Limited, Shougang Concord Technology Holdings Limited, Shougang Concord Grand (Group) Limited and Global Digital Creations Holdings Limited. He is also a non-executive director of Sinocop Resources (Holdings) Limited, a Hong Kong listed company. Mr. Li is a director of Mount Gibson Iron Limited (“Mount Gibson”), a company listed on the Australian Securities Exchange, and was an alternate director to Mr. Cao Zhong, an ex-director of Mount Gibson, from November 2011 to February 2012. Save as disclosed above, Mr. Li does not hold any directorships in other Hong Kong or overseas listed public companies in the last three years and does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company. He has extensive experience in management of, and investments in, listed companies, sino-foreign joint ventures and steel industry.

A service contract was entered into between Mr. Li and a wholly-owned subsidiary of the Company commencing on 20 October 2011. Under the service contract, Mr. Li is entitled to a monthly salary of HK\$350,000 or such other salary and discretionary bonus as may be determined by the Board from time to time. For the period from 20 October 2011 (the date of appointment of Mr. Li as an Executive Director of the Company) to 31 December 2011, Mr. Li’s monthly salary is HK\$350,000 and his discretionary bonus is HK\$2,000,000. Such salary and bonus were determined with reference to the then prevailing market conditions, the performance of the Company as well as Mr. Li’s individual performance. As at the Latest Practicable Date and within the meaning of Part XV of the SFO, Mr. Li does not have any interests in the Shares.

In relation to the proposed re-election of Mr. Li as a Director, there is no information which is discloseable nor is/was he involved in any of the matters required to be disclosed pursuant to any of the requirements of the provisions under Rules 13.51(2)(h) to (v) of the Listing Rules, and there is no other matter that needs to be brought to the attention of the Shareholders.

Mr. Chen Zhouping, aged 46, graduated from the School of Economics and Management, Beijing Tsinghua University and is a member of the Chinese Institute of Certified Public Accountants. Mr. Chen was appointed a Non-executive Director of the Company in January 2009 and was re-designated as an Executive Director and the Vice-chairman and Managing Director of the Company in May 2010. He is a member of the Executive Committee of the Company. Mr. Chen is a deputy managing director of each of Shougang Holding and Shougang International, and a director of each of Ultimate Capital and Fine Power. Each of Shougang Holding, Shougang International, Ultimate Capital and Fine Power is a substantial shareholder of the Company within the meaning of Part XV of the SFO. Mr. Chen is also a non-executive director of Mount Gibson. Save as disclosed above, Mr. Chen does not hold any directorships in other Hong Kong or overseas listed public companies in the last three years and does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company. He has extensive experience in steel industry, engineering design, human resources and management.

LETTER FROM THE BOARD

A service contract was entered into between Mr. Chen and a wholly-owned subsidiary of the Company commencing on 10 May 2010. Under the service contract, Mr. Chen is entitled to a monthly salary of HK\$350,000 or such higher salary and discretionary bonus as may be determined by the Board from time to time. For the financial year ended 31 December 2011, Mr. Chen's monthly salary is HK\$350,000 and his discretionary bonus is HK\$8,000,000. Such salary and bonus were determined with reference to the then prevailing market conditions, the performance of the Company as well as Mr. Chen's individual performance. As at the Latest Practicable Date and within the meaning of Part XV of the SFO, Mr. Chen had a beneficial interest of 6,000,000 underlying Shares attached to the share options granted by the Company.

In relation to the proposed re-election of Mr. Chen as a Director, there is no information which is discloseable nor is/was he involved in any of the matters required to be disclosed pursuant to any of the requirements of the provisions under Rules 13.51(2)(h) to (v) of the Listing Rules, and there is no other matter that needs to be brought to the attention of the Shareholders.

Mr. Wong Lik Ping, aged 51. Mr. Wong was appointed an Executive Director and the Chairman of the Company in September 2001 and was re-designated as the Vice-chairman of the Company in March 2009. He is a member of each of the Executive Committee and the Nomination Committee of the Company. Mr. Wong is the chairman and an executive director of Theme International Holdings Limited, a listed company in Hong Kong. He is also a member of the Shenzhen Committee of Chinese People's Political Consultative Conference. Save as disclosed above, Mr. Wong does not hold any directorships in other Hong Kong or overseas listed public companies in the last three years and does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company. He has extensive experience in trading business, financial industry and investments in a wide range of businesses including mine industry in the PRC.

A service contract was entered into between Mr. Wong and a wholly-owned subsidiary of the Company commencing on 1 January 2010. Under the service contract, Mr. Wong is entitled to a monthly salary of HK\$350,000 or such higher salary and discretionary bonus as may be determined by the Board from time to time. For the financial year ended 31 December 2011, Mr. Wong's monthly salary is HK\$350,000 and his discretionary bonus is HK\$8,000,000. Such salary and bonus were determined with reference to the then prevailing market conditions, the performance of the Company as well as Mr. Wong's individual performance. As at the Latest Practicable Date and within the meaning of Part XV of the SFO, Mr. Wong had a beneficial interest of 4,500,000 underlying Shares attached to the share options granted by the Company.

In relation to the proposed re-election of Mr. Wong as a Director, there is no information which is discloseable nor is/was he involved in any of the matters required to be disclosed pursuant to any of the requirements of the provisions under Rules 13.51(2)(h) to (v) of the Listing Rules, and there is no other matter that needs to be brought to the attention of the Shareholders.

Mr. So Kwok Hoo, aged 58, holds bachelor degrees in applied science with major in chemical engineering and business administration in Canada. Mr. So was appointed an Executive Director of the Company in March 1998 and was re-designated as a Deputy Managing Director of the Company in January 2010. He is a member of the Executive Committee of the Company. Mr. So is a non-executive director of APAC Resources Limited, a listed company in Hong Kong. Save as disclosed above, Mr.

LETTER FROM THE BOARD

So does not hold any directorships in other Hong Kong or overseas listed public companies in the last three years and does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company. He has extensive experience in marketing of electrochemical and industrial products sales in Asia Pacific Region together with property investment experience in Hong Kong.

A service contract was entered into between Mr. So and a wholly-owned subsidiary of the Company commencing on 1 January 2010. Under the service contract, Mr. So is entitled to a monthly salary of HK\$250,000 or such higher salary and discretionary bonus as may be determined by the Board from time to time. For the financial year ended 31 December 2011, Mr. So's monthly salary is HK\$250,000 and his discretionary bonus is HK\$3,500,000. Such salary and bonus were determined with reference to the then prevailing market conditions, the performance of the Company as well as Mr. So's individual performance. As at the Latest Practicable Date and within the meaning of Part XV of the SFO, Mr. So had a beneficial interest of 4,000,000 Shares and of 3,500,000 underlying Shares attached to the share options granted by the Company.

In relation to the proposed re-election of Mr. So as a Director, there is no information which is discloseable nor is/was he involved in any of the matters required to be disclosed pursuant to any of the requirements of the provisions under Rules 13.51(2)(h) to (v) of the Listing Rules, and there is no other matter that needs to be brought to the attention of the Shareholders.

Mr. Zhang Yaoping, aged 44, attended Party School of the Central Committee of C.P.C. in the PRC where he studied economic management. Mr. Zhang was appointed a Non-executive Director of the Company in January 2010. He was an officer of the board of directors' office of a coal mining company in Shanxi Province, the PRC and currently is the chairman of board of secretary as well as a member of the board of directors and the vice president of administration of such company. Save as disclosed above, Mr. Zhang does not hold any directorships in other Hong Kong or overseas listed public companies in the last three years and does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company. Mr. Zhang has extensive experience in the field of energy resources industries and steel trading in the PRC.

An engagement letter was entered into with Mr. Zhang for a term of three years commencing on 1 January 2010. Under the engagement letter, Mr. Zhang is entitled to a director's fee as may be determined by the Board from time to time. For the financial year ended 31 December 2011, the director's fee of Mr. Zhang is HK\$300,000. For the financial year ending 31 December 2012, the director's fee of Mr. Zhang will be HK\$420,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Zhang. Such director's fees were determined with reference to Mr. Zhang's experience and duties as well as the then prevailing market conditions. As at the Latest Practicable Date and within the meaning of Part XV of the SFO, Mr. Zhang had a beneficial interest of 4,500,000 underlying Shares attached to the share options granted by the Company.

In relation to the proposed re-election of Mr. Zhang as a Director, there is no information which is discloseable nor is/was he involved in any of the matters required to be disclosed pursuant to any of the requirements of the provisions under Rules 13.51(2)(h) to (v) of the Listing Rules, and there is no other matter that needs to be brought to the attention of the Shareholders.

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Mr. Zhang Wenhui, aged 56, graduated from the University of Science and Technology Beijing. Mr. Zhang was appointed a Non-executive Director of the Company in May 2010. He is a deputy managing director of each of Shougang Holding and Shougang International, and a director of each of Ultimate Capital and Fine Power. Each of Shougang Holding, Shougang International, Ultimate Capital and Fine Power is a substantial shareholder of the Company within the meaning of Part XV of the SFO. Mr. Zhang joined Shougang Corporation in 1982 and had been working in various companies under Shougang Corporation during the period from 1990 to 2001. Save as disclosed above, Mr. Zhang does not hold any directorships in other Hong Kong or overseas listed public companies in the last three years and does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company. He has extensive experience in management and company operations.

An engagement letter was entered into with Mr. Zhang with a term commencing on 10 May 2010 and expiring on 31 December 2012. Under the engagement letter, Mr. Zhang is entitled to a director's fee as may be determined by the Board from time to time. For the financial year ended 31 December 2011, the director's fee of Mr. Zhang is HK\$300,000. For the financial year ending 31 December 2012, the director's fee of Mr. Zhang will be HK\$420,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Zhang. Such director's fees were determined with reference to Mr. Zhang's experience and duties as well as the then prevailing market conditions. As at the Latest Practicable Date and within the meaning of Part XV of the SFO, Mr. Zhang does not have any interests in the Shares.

In relation to the proposed re-election of Mr. Zhang as a Director, there is no information which is discloseable nor is/was he involved in any of the matters required to be disclosed pursuant to any of the requirements of the provisions under Rules 13.51(2)(h) to (v) of the Listing Rules, and there is no other matter that needs to be brought to the attention of the Shareholders.

(4) ADOPTION OF THE NEW SHARE OPTION SCHEME AND TERMINATION OF THE EXISTING SHARE OPTION SCHEME

Termination of Existing Share Option Scheme

The Existing Share Option Scheme was adopted by the Shareholders on 20 June 2003 for a period of 10 years from the date of adoption and will expire on 20 June 2013. The Existing Share Option Scheme is the only share option scheme adopted by the Company as at the Latest Practicable Date. The Board considers that it is in the interest of the Company to terminate the Existing Share Option Scheme and adopt the New Share Option Scheme so as to continue to provide incentives or rewards to the Eligible Participants thereunder for their contributions to the Group.

The Board proposes for the approval of the Shareholders at the Annual General Meeting that, subject to approval and adoption of the New Share Option Scheme by the Shareholders at the Annual General Meeting, the Existing Share Option Scheme be terminated and in such event no further options be granted under the Existing Share Option Scheme, but the provisions of the Existing Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted prior to the termination and options granted prior to such termination shall continue to be valid and exercisable in accordance with the Existing Share Option Scheme.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company has 267,200,000 outstanding options granted under the Existing Share Option Scheme.

Adoption of New Share Option Scheme

At the Annual General Meeting, an ordinary resolution will be proposed to the Shareholders to approve and adopt the New Share Option Scheme to replace the Existing Share Option Scheme.

The purpose of the New Share Option Scheme is to enable the Company to grant Options to Eligible Participants as incentives or rewards for their contributions to the Group and/or any of the Invested Entities.

The New Share Option Scheme will take effect on the date of its adoption at the Annual General Meeting and is conditional upon:

- (a) the passing of an ordinary resolution to approve the New Share Option Scheme by the Shareholders at the Annual General Meeting and to authorize the Board to grant the Options thereunder and to allot, issue and deal with the Shares which fall to be issued by the Company pursuant to the exercise of the Options under the New Share Options Scheme; and
- (b) the Listing Committee of the Stock Exchange granting approval to the listing of, and permission to deal in, such number of Shares to be issued by the Company pursuant to the exercise of Options which may be granted under the New Share Option Scheme.

Under the provisions of the New Share Option Scheme, the Board may offer to grant any Options subject to such terms and conditions in relation to the minimum period of the Options to be held and/or the performance targets to be achieved before such Options can be exercised and/or any other terms as the Board may determine in its absolute discretion. The Board is of the view that the flexibility given to the Board to impose the minimum period for which the Options have to be held and performance targets and other conditions that have to be achieved before the Options can be exercised, will place the Group in a better position to attract and retain human resources that are valuable to the growth and development of the Group as a whole.

Subject to the provisions of the New Share Option Scheme and the Listing Rules, the Board will also have discretion in determining the exercise price in respect of any Option.

None of the Directors are appointed as trustees of the New Share Option Scheme or have a direct or indirect interest in the trustees of the New Share Option Scheme.

The Board considers that it is not appropriate or helpful to Shareholders to state the value of the Options that can be granted under the New Share Option Scheme as if they had been granted at the Latest Practicable Date. The Board believes that any statement regarding the value of the Options as at the Latest Practicable Date will not be meaningful to the Shareholders, since the Options to be granted shall not be assignable, and no holder of the Options shall in any way sell, transfer, charge, mortgage or create any interest (legal or beneficial) in favour of any third party over or in relation to any Option.

LETTER FROM THE BOARD

In addition, the calculation of the value of the Options is based on a number of variables such as exercise price, exercise period, interest rate, expected volatility and other relevant variables. The Board believes that any calculation of the value of the Options as at the Latest Practicable Date based on a great number of speculative assumptions would not be meaningful and would be misleading to the Shareholders.

As at the Latest Practicable Date, there were 5,377,397,842 Shares in issue. Assuming that no Shares will be issued and/or repurchased from the Latest Practicable Date to the date of the Annual General Meeting on which the New Share Option Scheme is expected to be conditionally approved and adopted by the Shareholders, the maximum number of Shares that can be issued upon exercise of the Options that may be granted under the New Share Option Scheme is 537,739,784 Shares, representing approximately 10% of the Shares in issue. However, under the New Share Option Scheme, the Company may subject to the approval of Shareholders in general meeting renew such 10% limit.

Application will be made to the Listing Committee of the Stock Exchange for the approval of the listing of, and permission to deal in, the Shares that may be issued pursuant to the exercise of the Options that may be granted under the New Share Option Scheme.

With respect to the operation of the New Share Option Scheme, the Company will, where applicable, comply with the relevant requirements under Chapter 17 of the Listing Rules.

A summary of the principal terms of the New Share Option Scheme is set out in Appendix II to this circular. A copy of the New Share Option Scheme will be available for inspection at 7th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong during normal business hours on any weekdays (except public holidays and any weekday on which Typhoon Signal No. 8 or above is hoisted or a Black Rainstorm Warning is given in Hong Kong at any time during 9:00 a.m. to 5:00 p.m.) from the date of this circular up to and including the date of the Annual General Meeting and at the Annual General Meeting.

(5) ANNUAL GENERAL MEETING

A notice of the Annual General Meeting is set out in this circular. At the Annual General Meeting, in addition to the ordinary businesses of the meeting, resolutions will be proposed to approve the general mandates for the issue and repurchase by the Company of its own Shares; and adoption of the New Share Option Scheme and termination of the Existing Share Option Scheme respectively.

A form of proxy for the Annual General Meeting is enclosed herewith. Whether or not you are able to attend the Annual General Meeting, you are requested to complete the form of proxy and return it to the share registrars of the Company, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as practicable but in any event not later than 48 hours before the time appointed for holding the Annual General Meeting or any adjournment 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 Annual General Meeting or any adjourned meeting (as the case may be) should you so wish.

LETTER FROM THE BOARD

To the best of the Director's knowledge, information and belief having made all reasonable enquiries, none of the Shareholders is required to abstain from voting on the relevant resolutions to be proposed at the Annual General Meeting.

(6) 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.

(7) RECOMMENDATION

The Directors consider that the proposals for (i) granting of general mandates to the Directors to issue and repurchase Shares; (ii) re-election of retiring Directors; and (iii) adoption of the New Share Option Scheme and termination of the Existing Share Option Scheme are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend all Shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the Annual General Meeting in respect thereof.

Yours faithfully,
For and on behalf of
Shougang Fushan Resources Group Limited
Li Shaofeng
Chairman

This is an explanatory statement given to all Shareholders relating to a resolution to be proposed at the Annual General Meeting for approving the Repurchase Mandate.

This explanatory statement contains all the information required pursuant to Rule 10.06(1)(b) and other relevant provisions of the Listing Rules which is set out as follows:

1. SHAREHOLDERS' APPROVAL

All proposed repurchases of shares by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by special approval of a particular transaction. The Company's sole listing is on the Stock Exchange.

2. SOURCE OF FUNDS

Repurchases must be funded out of funds legally available for the purpose in accordance with the memorandum and articles of association of the Company and the Companies Ordinance. The Companies Ordinance provides that the amount of capital repaid in connection with a share repurchase may only be paid from the distributable profits of the Company and/or the proceeds of a new issue of Shares made for the purpose of the repurchase to such extent allowable under the Companies Ordinance.

3. EXERCISE OF THE REPURCHASE MANDATE

The Shares proposed to be repurchased by the Company must be fully paid up. Under the Listing Rules, the total number of shares which a company is authorised to repurchase on the Stock Exchange is shares representing up to a maximum of 10% of the existing issued share capital as at the date of the resolution granting such general mandate. Exercise in full of the Repurchase Mandate, on the basis of 5,377,397,842 Shares in issue as at the Latest Practicable Date and assuming no Shares are issued and repurchased by the Company prior to the Annual General Meeting, could result in up to 537,739,784 Shares, which represents 10% of the issued share capital of the Company as at the Latest Practicable Date, being repurchased by the Company during the period from the passing of the resolution granting the Repurchase Mandate up to the conclusion of the next annual general meeting of the Company or the expiration of the period within the next annual general meeting of the Company as required by the applicable laws of Hong Kong to be held, or when revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever occurs first.

4. REASONS FOR REPURCHASE

The Directors believe that it is in the best interests of the Company and the Shareholders to have a general authority from Shareholders to enable the Directors to purchase Shares on the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the net value of the Company and its assets and/or its earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders.

5. FUNDING OF REPURCHASES

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with the memorandum and articles of association of the Company and the applicable laws of Hong Kong.

The exercise in full of the Repurchase Mandate might have a material adverse impact on the working capital or gearing position of the Company as compared with the position disclosed in its most recent audited accounts for the year ended 31 December 2011. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital or gearing position of the Company.

6. GENERAL

- (a) None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates has any present intention, in the event that the Repurchase Mandate is approved by the Shareholders to sell the Shares to the Company or its Subsidiaries.
- (b) The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of Hong Kong.
- (c) If on exercise of the power to repurchase Shares pursuant to the Repurchase Mandate, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for purposes of the Takeovers Code. As a result, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of a repurchasing company and thereby become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, Shougang Holding and its associates were interested in approximately 29% of the issued share capital of the Company. In the event that the Repurchase Mandate is exercised in full and no further Shares are issued during the proposed repurchase period, the interest held by Shougang Holding and its associates in the issued share capital of the Company will increase to approximately 33%. Such increase in the interest held by Shougang Holding and its associates in the Company would possibly give rise to an obligation to make a mandatory offer under the Takeovers Code. However, the Directors have no present intention to repurchase Shares to such extent that would give rise to Shougang Holding an obligation to make a mandatory offer under the Takeovers Code.

- (d) The Company had repurchased a total of 3,166,000 Shares on the Stock Exchange during the six months preceding the Latest Practicable Date. Details of which are set out below:

Date of repurchases	Number of the Shares repurchased	Highest price paid per Share <i>HK\$</i>	Lowest price paid per Share <i>HK\$</i>
20 December 2011	950,000	2.58	2.55
21 December 2011	1,266,000	2.62	2.54
29 December 2011	840,000	2.64	2.59
9 January 2012	110,000	2.73	2.64
Total:	<u>3,166,000</u>		

Save as disclosed above, the Company had not purchased any Shares (whether on the Stock Exchange or otherwise) during the six months immediately preceding the Latest Practicable Date. The Company will not repurchase its Shares if public float is less than 25%.

- (e) No connected person has notified the Company that he or she has a present intention to sell Shares to the Company, and no connected person has undertaken not to sell any of Shares held by him or her to the Company, in the event that the Repurchase Mandate is approved by the Shareholders.
- (f) The highest and lowest prices at which the Shares have traded on the Stock Exchange during each of the previous twelve months were as follows:

	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2011		
April	6.280	5.360
May	5.690	4.630
June	5.030	4.070
July	4.980	4.370
August	4.510	3.000
September	3.860	2.400
October	3.670	1.980
November	3.450	2.720
December	3.210	2.530
2012		
January	3.200	2.500
February	3.530	3.030
March	3.320	2.600
April (up to the Latest Practicable Date)	2.860	2.610

The following is a summary of the principal terms of the New Share Option Scheme to be adopted at the Annual General Meeting:

1. PURPOSE

The purpose of the New Share Option Scheme is to enable the Company to grant options to Eligible Participant(s) as incentives or rewards for their contribution or potential contribution to the Company and/or any of the Subsidiaries and/or any of the Invested Entities.

2. WHO MAY JOIN

The Board may, at its discretion, offer Eligible Participants, being full-time or part-time employees, executives, officers or directors (including executive and non-executive directors) of the Company or any of the Subsidiaries or any of the Invested Entities and any advisors, consultants, agents, suppliers, customers and distributors who, in the sole opinion of the Board, will contribute or have contributed to the Company and/or any of the Subsidiaries and/or any of the Invested Entities, options to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph 5 below. Upon acceptance of the option, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant.

3. MAXIMUM NUMBER OF SHARES

The maximum number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other share option scheme(s) of the Company (which for this purpose, excludes the Existing Share Option Scheme) must not exceed 10% of the Shares in issue on the date of approval and adoption of the New Share Option Scheme by the Shareholders. Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of such share option scheme(s) will not be counted for the purpose of the 10% limit.

Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (a) refresh this limit at any time to 10% of the Shares in issue as at the date of the approval by the Shareholders in general meeting (options previously granted under any share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with such schemes or exercised options) will not be counted for the purpose of calculating the limit as refreshed); and/or
- (b) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board whereupon the Company shall send a circular to the Shareholders containing, amongst others, a generic description of the specified participants who may be granted such options, the number and terms of the options to be granted and the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option scheme(s) of the Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any scheme(s) of the Company if this will result in the 30% limit being exceeded.

4. MAXIMUM NUMBER OF OPTIONS TO ANY ONE INDIVIDUAL

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the New Share Option Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant.

Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting and/or other requirements prescribed under the Listing Rules from time to time.

5. PRICE OF SHARES

The subscription price for a Share in respect of any particular option granted under the New Share Option Scheme (which shall be payable upon exercise of the option) shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day (and for this purpose shall be taken to be the date of the Board meeting at which the Board resolves to grant the proposed options); (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of a Share.

6. GRANTING OPTIONS TO CONNECTED PERSONS

Any grant of options to a director, chief executive or substantial shareholder of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding the independent non-executive Director who is the grantee of the options).

If the Board determines to offer to grant options to a substantial shareholder (as defined in the Listing Rules) of the Company or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the offer of such grant:

- (a) representing in aggregate over 0.1% of the Shares in issue on the date of the grant; and

- (b) having an aggregate value in excess of HK\$5 million, based on the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the date of each grant,

such further grant of options shall be subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting on a poll at which all connected persons of the Company shall abstain from voting in favour of the resolution concerning the grant of such options, and/or such other requirements prescribed under the Listing Rules from time to time. A connected person of the Company will be permitted to vote against the grant only if his intention to do so has been stated in the circular.

7. RESTRICTIONS ON THE TIME OF GRANT OF OPTIONS

A grant of options may not be made after a price-sensitive event has occurred or a price-sensitive matter has been the subject of a decision until such price-sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, no options shall be granted during the period commencing one month immediately preceding the earlier of (a) the date of the Board meeting for the approval of the Company's annual results, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (b) the deadline for the Company to publish an announcement of results for any year or half-year period in accordance with the Listing Rules, and where the Company has elected to publish them, any quarterly or any other interim period, and ending on the date of actual publication of the results announcement.

8. RIGHTS ARE PERSONAL TO GRANTEE

An option and an offer to grant an option shall be personal to the grantee and the grantee shall not in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option or any offer relating to the grant of an option or attempt to do so.

9. TIME OF EXERCISE OF OPTION

There is no general requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. The date of grant of any particular option is the date when the duplicate offer document constituting acceptance of the option duly signed by the grantee, together with a remittance in favour of the Company of HK\$1.00 by way of consideration is received by the Company, such date must be on or before the 30th day after the option is offered to the relevant grantee. The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of adoption of the New Share Option Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the New Share Option Scheme shall be valid and effective for a period of 10 years after the date of adoption of the New Share Option Scheme by the Shareholders by an ordinary resolution at a general meeting.

10. PERFORMANCE TARGET

The Board has the discretion to require a particular grantee to achieve certain performance targets specified at the time of grant before any option granted under the New Share Option Scheme can be exercised.

11. RIGHTS ON CEASING TO BE AN ELIGIBLE PARTICIPANT AND DEATH

- (a) In the event of the grantee ceasing to be an Eligible Participant for any reason other than on his death, ill-health, injury, disability or the termination of his relationship with the Company and/or any of the Subsidiaries and/or any of the Invested Entities on one or more of the grounds specified in paragraph 12 below, the grantee may exercise the option up to his entitlement (to the extent not already exercised) up to the date of cessation of being an Eligible Participant or such longer period as the Board may determine. In relation to a grantee who is an Eligible Participant by reason of his employment with the Company or any of the Subsidiaries or any of the Invested Entities, the date of cessation of being an Eligible Participant shall be the last actual working day with the Company or the relevant Subsidiary or the relevant Invested Entity whether salary is paid in lieu of notice or not.
- (b) In the case of the grantee ceasing to be an Eligible Participant by reason of death, ill-health, injury or disability and none of the events which would be a ground for termination of his relationship with the Company and/or any of the Subsidiaries and/or any of the Invested Entities under paragraph 12 below has occurred, the grantee or legal personal representative(s) of the grantee shall be entitled within a period of 12 months or such longer period as the Board may determine from the date of cessation of being an Eligible Participant or death to exercise the option in full (to the extent not already exercised).

12. LAPSE OF OPTION ON MISCONDUCT, BANKRUPTCY OR DISMISSAL ETC.

If a grantee ceases to be an Eligible Participant by reason of the termination of his relationship with the Company and/or any of the Subsidiaries and/or any of the Invested Entities on any one or more of the grounds that he or she has been guilty of serious misconduct; or has been convicted of any criminal offence involving his integrity or honesty or in relation to an employee of the Company and/or any of the Subsidiaries and/or any of the Invested Entities; or has become insolvent, bankrupt or has made any arrangements or compositions with his creditors generally; or on any other ground as determined by the Board that would warrant the termination of his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Company or the relevant Subsidiary or the relevant Invested Entity, his option will lapse automatically and not be exercisable on the date of termination of his relationship with the Company and/or any of the Subsidiaries and/or any of the Invested Entities.

13. RIGHTS ON TAKEOVER

If a general offer is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional, the grantee (or his legal personal representative(s)) shall be entitled to exercise his option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

14. RIGHTS ON SCHEME OF ARRANGEMENT FOR THE COMPANY

If, pursuant to the Companies Ordinance, a compromise or arrangement between the Company and its members and/or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to all the grantees (together with a notice of the existence of the provisions of this paragraph) on the same day as it despatches to members and/or creditors of the Company a notice summoning the meeting to consider such a compromise or arrangement, and thereupon each grantee shall be entitled to exercise all or any of his options in whole or in part at any time prior to 12 noon (Hong Kong time) on the business day immediately preceding the date of the meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there are more than one meeting for such purpose, the date of the first meeting. With effect from the date of such meeting, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavour to procure that the Shares issued as a result of the exercise of options in such circumstances shall for the purposes of such compromise or arrangement form part of the issued share capital of the Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement.

15. RIGHTS ON WINDING-UP

In the event of a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it despatches such notice to each member of the Company give notice thereof to all grantees and thereupon, each grantee or his legal personal representative(s) shall be entitled to exercise all or any of his options at any time not later than two business days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate exercise price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid and register the grantee as holder thereof.

16. LAPSE OF THE OPTIONS

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (a) the expiry date relevant to that option;
- (b) the expiry of any of the periods referred to in paragraph 11(b), 13, 14 or 15 above;
- (c) the date on which the scheme of arrangement of the Company referred to in paragraph 14 above becomes effective;
- (d) the date of commencement of the winding-up of the Company (as determined in accordance with the Companies Ordinance);

- (e) the date on which the grantee ceases to be an Eligible Participant by reason of the termination of his relationship with the Company and/or any of the Subsidiaries and/or any of the Invested Entities on any one or more of the grounds specified in paragraph 11(a) or 12 above. A resolution of the Board or the board of directors of the relevant Subsidiary or the board of directors of the relevant Invested Entity to the effect that the relationship of a grantee has or has not been terminated on one or more of the grounds specified in paragraph 11(a) or 12 above shall be conclusive; and
- (f) the date on which the grantee commits a breach of paragraph 8 above or the options are cancelled in accordance with paragraph 20 below.

17. RANKING OF SHARES

The Shares to be allotted upon the exercise of an option shall not carry voting rights until completion of the registration of the grantee (or such other person nominated by the grantee) as the holder thereof. Subject to the aforesaid, the Shares to be allotted upon the exercise of an option shall rank *pari passu* in all aspects with and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation of the Company as attached to the fully-paid Shares in issue on the date of issue.

18. EFFECT OF ALTERATIONS TO CAPITAL

In the event of a capitalisation issue, rights issue, open offer (if there is a price dilutive element), sub-division or consolidation of shares, or reduction of capital of the Company, such corresponding alterations (if any) shall be made in the number of Shares subject to any outstanding options and/or the exercise price of each outstanding option as the auditors of the Company or an approved independent financial adviser shall certify in writing to the Board to be in their opinion fair and reasonable and in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005. Any such alterations will be made on the basis that a grantee shall have the same proportion of the equity capital of the Company for which any grantee of an option was entitled to subscribe pursuant to the options held by him before such alteration and the aggregate subscription price payable on the full exercise of any option shall remain as nearly as possible the same as (and in any event not greater than) it was before such event. No such alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

19. ALTERATION OF NEW SHARE OPTION SCHEME

The New Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (a) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; or

- (b) any material alteration to the terms and conditions of the New Share Option Scheme or any change to the terms of options granted (except any alterations which take effect automatically under the terms of the New Share Option Scheme),

shall first be approved by the Shareholders in general meeting provided that if the proposed alteration shall adversely affect an option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the New Share Option Scheme. The amended terms of the New Share Option Scheme shall still comply with Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the New Share Option Scheme must be approved by the Shareholders in general meeting.

20. CANCELLATION OF OPTIONS

Any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. Where the Company cancels options, the grant of new options to the same grantee may only be made under the New Share Option Scheme with available unissued options (excluding the cancelled options) within the limit approved by the Shareholders.

21. TERMINATION OF THE NEW SHARE OPTION SCHEME

The Company may by resolution in general meeting or the Board may at any time resolve to terminate the New Share Option Scheme and in such event no further option shall be offered but the provisions of the New Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior to the termination or otherwise as may be required in accordance with the provisions of the New Share Option Scheme. Options granted prior to such termination shall continue to be valid and exercisable in accordance with the New Share Option Scheme.

22. DISCLOSURE IN ANNUAL AND INTERIM REPORTS

The Company shall disclose details of the New Share Option Scheme and other schemes of the Company and its Subsidiaries in its annual and interim reports of the Company in compliance with the Listing Rules in force from time to time.

NOTICE OF ANNUAL GENERAL MEETING



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 the Annual General Meeting of Shougang Fushan Resources Group Limited (the “Company”) will be held at 11:00 a.m. on Friday, 25 May 2012 at Concord Room, 8th Floor, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong for the following purposes:

AS ORDINARY BUSINESS

1. To receive the report of the directors and the audited financial statements for the year ended 31 December 2011.
2. To declare a final dividend for the year ended 31 December 2011.
3. To re-elect the retiring directors.
4. To appoint auditor and to authorise the directors to fix its remuneration.

AS SPECIAL BUSINESS

5. To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

“THAT:

- (a) subject to paragraph (c) below, the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and it is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;

NOTICE OF ANNUAL GENERAL MEETING

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue; (ii) the exercise of rights of subscription or conversion under the terms of any warrants issued by the Company or any securities which are convertible into shares of the Company; (iii) any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; or (iv) any scrip dividend on shares of the Company in accordance with the articles of association of the Company, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this resolution; and

(d) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; and
- (iii) the revocation or variation of this resolution by any ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the directors of the Company to holders of shares of the Company or any class thereof on the register on a fixed record date in proportion to their then holdings of such shares or any class thereof (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any territories outside Hong Kong).”

6. To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

“THAT:

- (a) subject to paragraph (c) below, the exercise by the directors during the Relevant Period of all the powers of the Company to repurchase issued shares in the capital of the Company on The Stock Exchange of Hong Kong Limited, and that the exercise by the directors of all the powers of the Company to repurchase such shares subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, be and it is hereby generally and unconditionally approved;

NOTICE OF ANNUAL GENERAL MEETING

- (b) in addition, the approval in paragraph (a) above shall authorise the directors on behalf of the Company during the Relevant Period to procure the Company to purchase its shares at a price determined by the directors;
- (c) the aggregate nominal amount of shares repurchased or agreed conditionally or unconditionally to be repurchased by the Company pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this resolution, and the authority pursuant to paragraph (a) shall be limited accordingly; and
- (d) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; and
- (iii) the revocation or variation of this resolution by any ordinary resolution of the shareholders of the Company in general meeting.”

7. To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

“**THAT** conditional upon the passing of resolution no. 6 as set out in the notice convening this meeting of which this resolution forms part, the aggregate nominal amount of the shares in the Company which are repurchased by the Company pursuant to and in accordance with the said resolution no. 6 shall be added to the aggregate nominal amount of the shares in the Company that may be allotted or agreed conditionally or unconditionally to be allotted by the directors pursuant to and in accordance with resolution no. 5 as set out in the notice convening this meeting of which this resolution forms part.”

8. To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

“**THAT:**

- (a) subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting approval of the listing of, and permission to deal in, the shares of the Company (not exceeding 10% of the Company’s issued share capital on the date of this resolution) which may fall to be issued upon the exercise of the options to be granted under the new share option scheme of the Company (the “New Share Option Scheme”), the rules of which are contained in the document marked “A” produced to the meeting and signed by the Chairman of the meeting for identification purposes, the New Share Option Scheme be and is hereby approved and adopted and

NOTICE OF ANNUAL GENERAL MEETING

the directors of the Company be and are hereby authorized to grant options and to allot, issue and deal with the shares which fall to be issued pursuant to the exercise of any option granted under the New Share Option Scheme and to take all such steps as may be necessary or expedient in order to give full effect to the New Share Option Scheme; and

- (b) the existing share option scheme adopted by the Company pursuant to an ordinary resolution passed by the shareholders of the Company on 20 June 2003 (the “Existing Share Option Scheme”) be and is hereby terminated with effect from the date on which the New Share Option Scheme shall become unconditional and effective, and shall cease to have any further effect except that the Existing Share Option Scheme will remain in full force and effect to the extent necessary to give effect to the exercise of any option granted under the Existing Share Option Scheme prior to its termination, or otherwise to the extent as may be required in accordance with the rules of the Existing Share Option Scheme.”

By Order of the Board
Cheng Man Ching
Company Secretary

Hong Kong, 13 April 2012

Notes:

- (1) With respect to Resolution 2 above, the board of directors of the Company recommended a final dividend of HK13 cents per ordinary share for the year ended 31 December 2011 payable to shareholders whose names appear on the register of members of the Company at the close of business on Friday, 1 June 2012. In order to qualify for the proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the share registrars of the Company, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 1 June 2012 for registration. The final dividend is expected to be paid on or about Tuesday, 19 June 2012.
- (2) With respect to Resolution 3 above, Messrs. Li Shaofeng, Chen Zhouping, Wong Lik Ping, So Kwok Hoo, Zhang Yaoping and Zhang Wenhui will retire from office at the above meeting pursuant to the articles of association of the Company and, being eligible, offer themselves for re-election at the above meeting.
- (3) Any member 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.
- (4) 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 any officer, attorney or other person duly authorised to sign the same.
- (5) In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notorially certified copy of such power or authority, must be deposited with the share registrars of the Company, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting thereof (as the case may be).
- (6) The register of members of the Company will be closed from Thursday, 24 May 2012 to Friday, 25 May 2012 (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 registrars of the Company, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 23 May 2012 for registration.
- (7) Completion and return of the form of proxy will not preclude members 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.
- (8) Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members of the Company in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.