



SHOUGANG CONCORD INTERNATIONAL ENTERPRISES CO., LTD.

ANALYST & INVESTOR PRESENTATION
For the year ended 31 December 2008



Forward-looking Statements

This presentation contains “Forward-looking statements” that are not historical in nature. These forward-looking statements, which include, without limitation, statements regarding Shougang Concord International Enterprises Co., Ltd.’s future results of operations, financial condition or business prospects, are based on the current beliefs, assumptions, estimates and projections of the directors and management of the Company about the business, the industry and the markets in which the Company operates in. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control and are difficult to predict. Actual results could differ materially from those expressed, implied or forecasted in these forward-looking statements for a variety of factors.



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Highlights - financial results

HK\$'M. unless otherwise	2008	2007	Change
Turnover	17,674	11,478	+54%
Core operating profit	1,764	1,229	+44%
Attributable profit	1,419	1,404	+1%
EBITDA	2,467	2,238	+10%
EPS (HK cents)	19.65	22.12	-11%



Attributable profit vs. COP

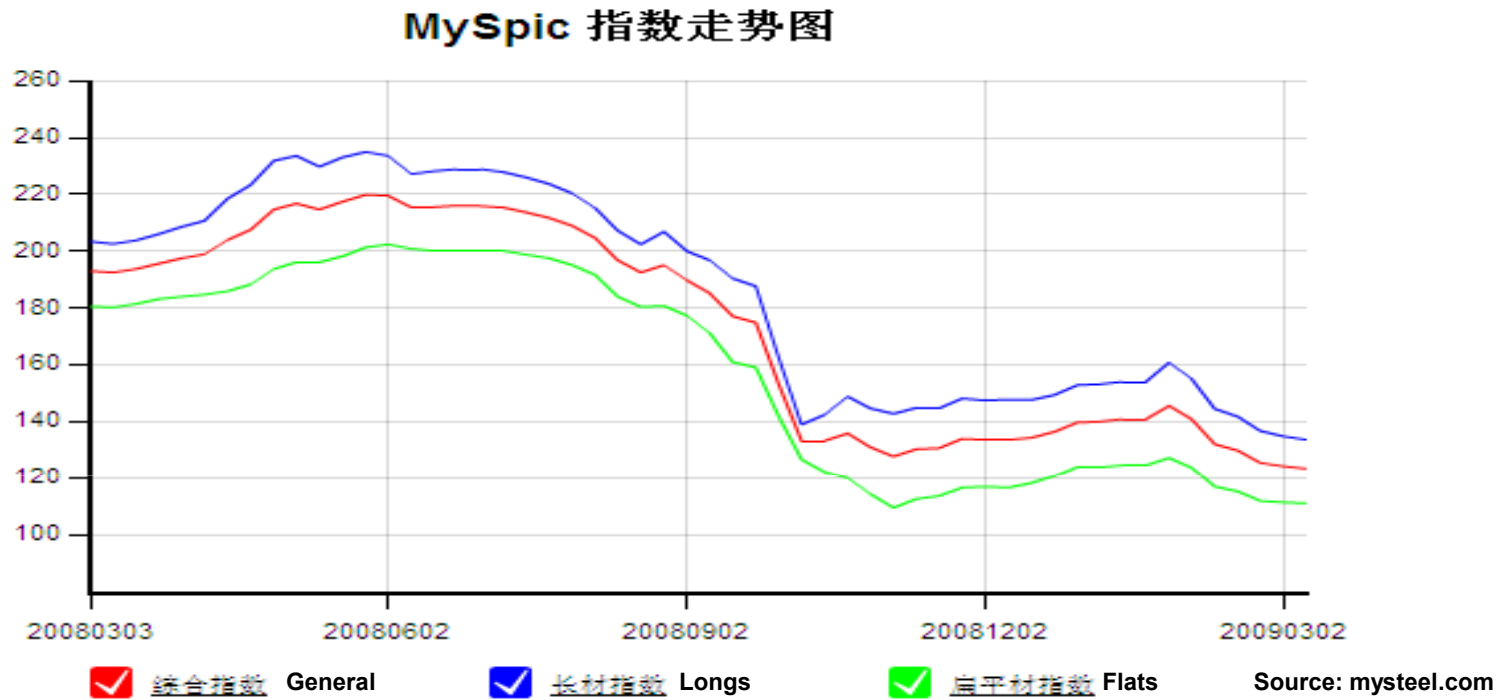
HK\$'M	2008	2007
Attributable profit*	1,419	1,404
Adjusting for (gain)/loss:		
Fair value adjustment on ARH options	147	(150)
Impairment charges on ARH shares	91	--
Employee share option expenses	111	60
Asset realizations:		
Electricity generation	(4)	--
Kitchen and laundry installation	--	7
20% interest in Shouqin	--	(92)
Core Operating profit	1,764	1,229

 **43%**

*including HK\$117 million (07: nil) in provision for stock impairment



Steel Price Trend – *MySpic Index*



- Plate export price once rose to US\$1,400 (Jul, 08) and returned to US\$820 per ton in Jan-09 (similar to Q4, 07)
- Downtrend may last for a while before going up again



Dividends proposed/paid

HK cents	2008	2007
Normal final - proposed/paid	3	4
Normal interim - paid	2	--
Special - paid	--	4
Total	5	8
<i>Normal div as a % Basic EPS</i>	<i>25%</i>	<i>18%</i>

Normal policy:

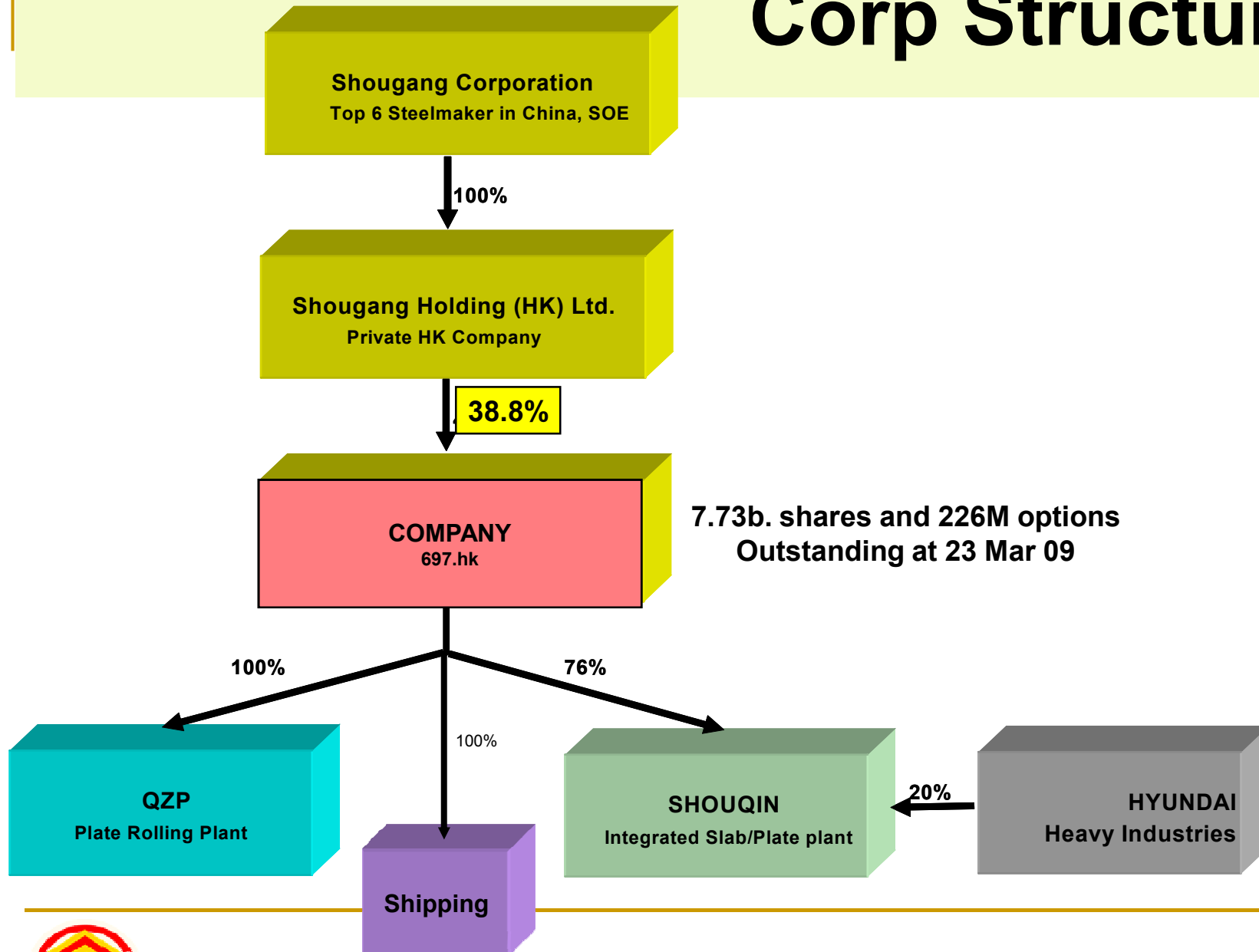
40% of distributable profit

Implications:

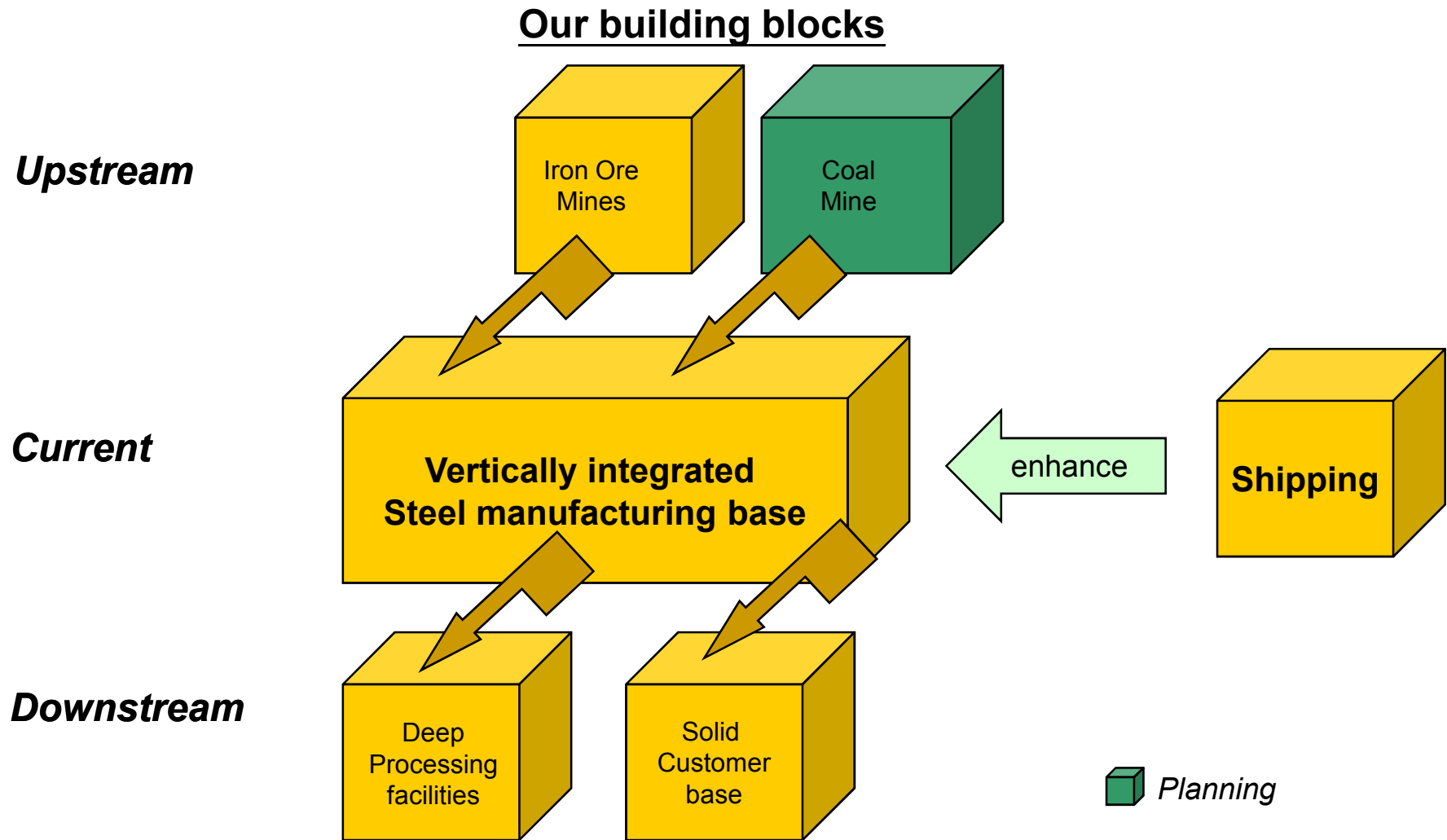
- (i) Unrealized gains are not distributable
- (ii) Share repurchase reduces distributable profit
- (iii) Payout may amend on future cash needs



Corp Structure

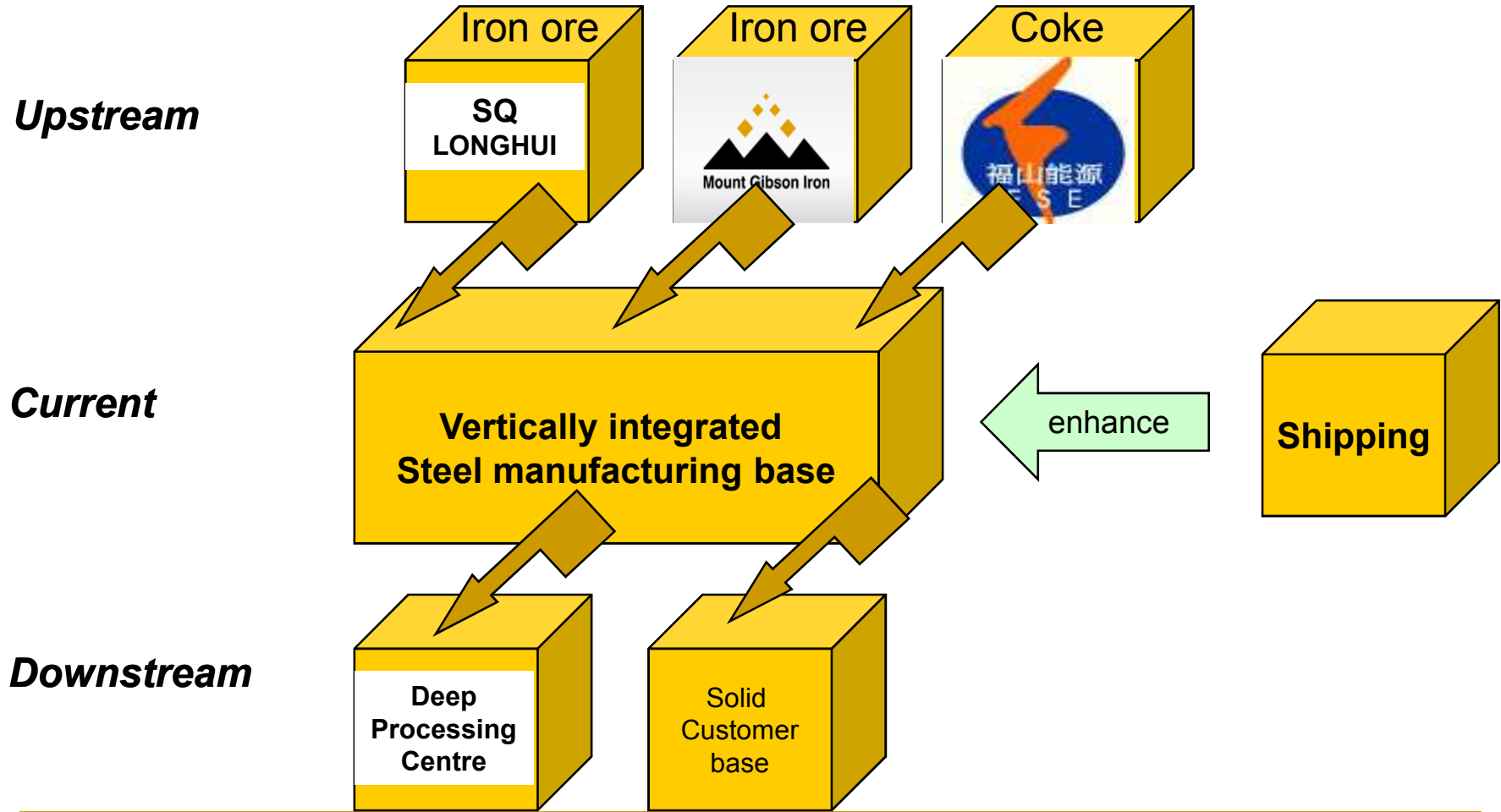


Strategy on Core Businesses



“We’ve walked our talk”

Our building blocks

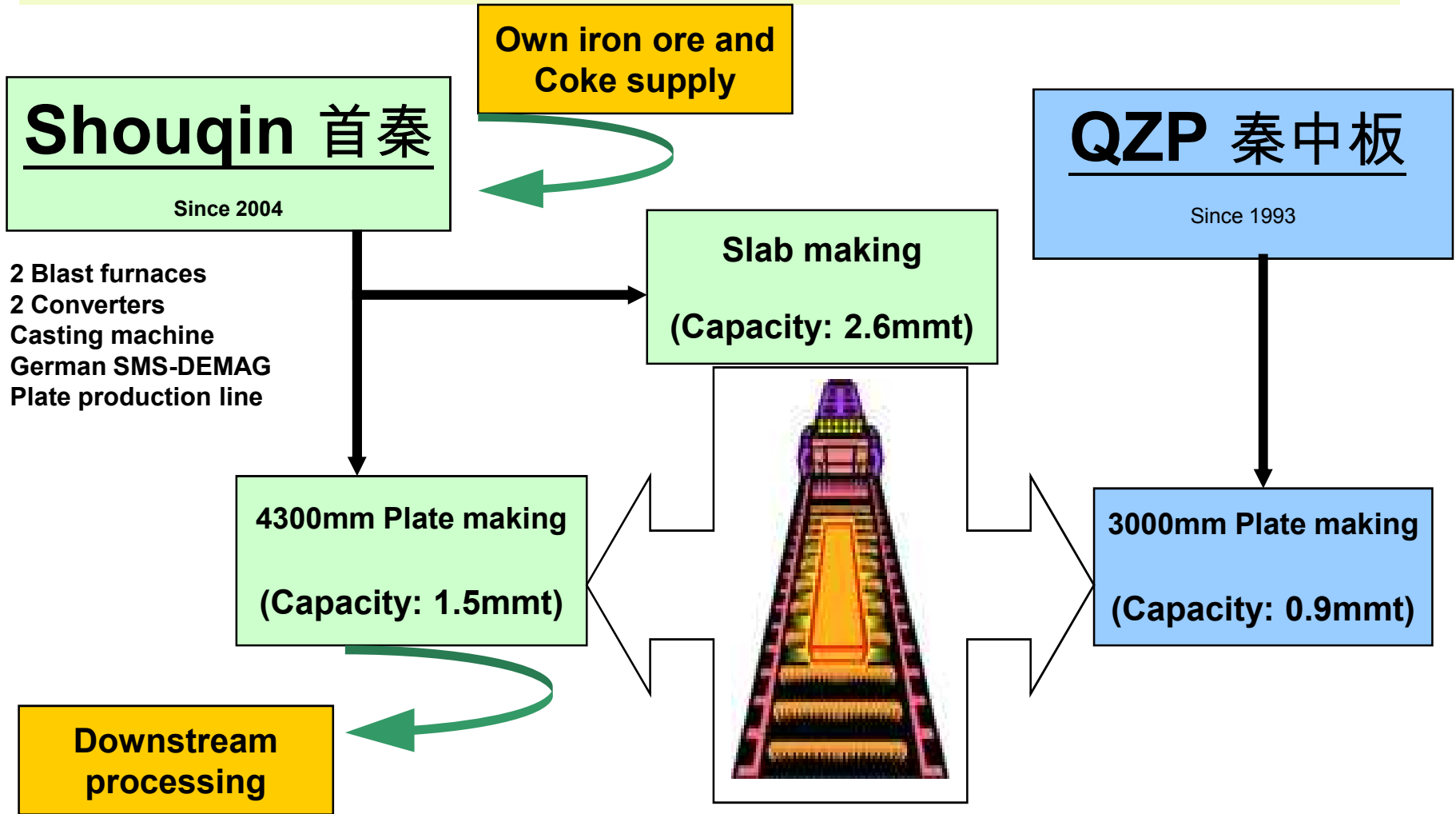


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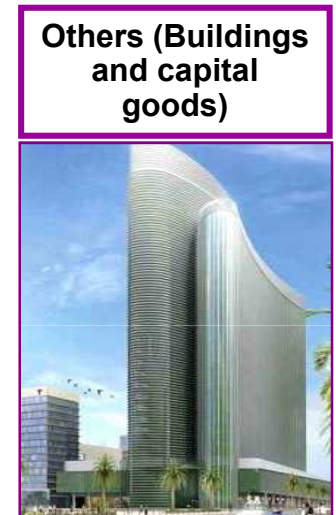
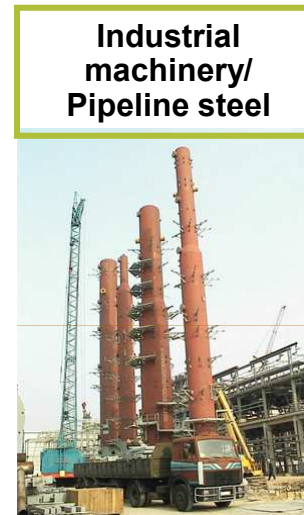
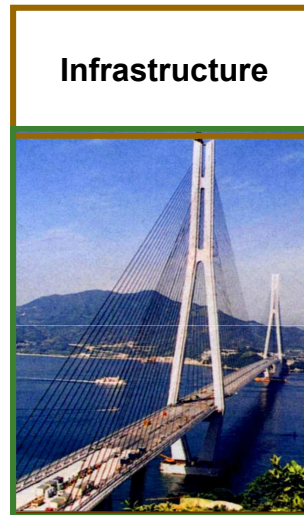
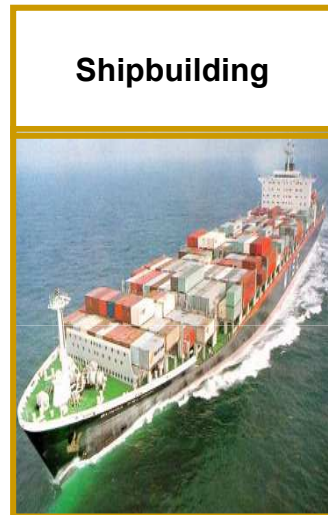
Steel Manufacturing

- Sale of heavy plates



Product Mix Geared to Market

- Riding on Asia growth, especially China



Industry Breakdown on Our Heavy Plate Output

2008	50%	20%	20%	10%
From Q2'09	30%	20%	40%	10%



Steel plate procurement plan by HHI

In '000t	2009E	2008A	Change
Posco/Dongkuk	1,368	1,130	21%
China	1,114	590	89%
Japan	573	566	1%
Others	127	123	3%
	<u>3,182</u>	<u>2,409</u>	32%

Source: IR Presentation, HHI

- The above steel plate procurement for shipbuilding was officially announced by HHI in early Feb-09
- Growth in demand is mainly satisfied from increased procurement from China, principally from Shouqin



Serving Top Industry Players

Shipbuilding



Petrochemical



Infrastructure and Heavy Machinery



Quality Leader – High-end products

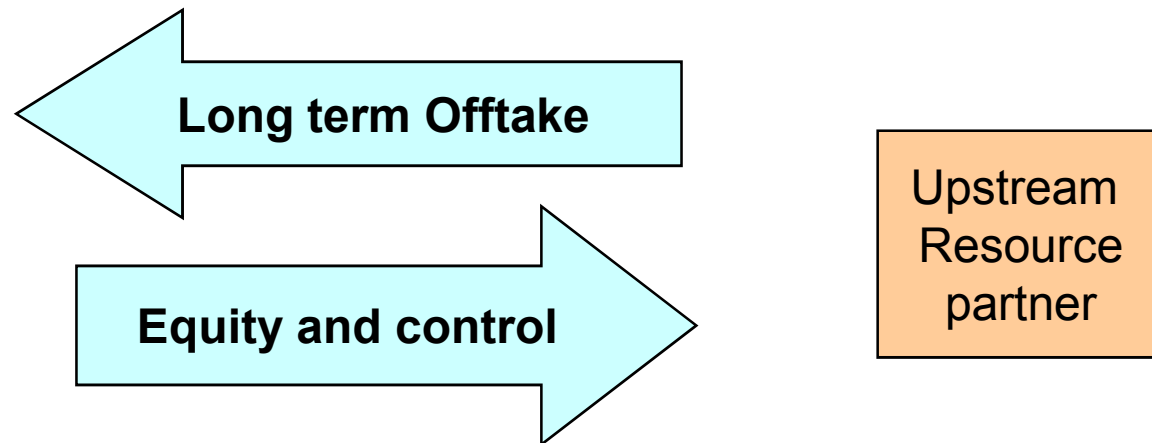
- Pipeline Steel Plates (X70 and X80)
- Blast Furnace Shell Plates (90mm)
- Boiler and Pressure Vessel plates (60-100mm)
- Offshore Platform Plates
- Low Carbon Ultra thick Plates (100-120mm)
- High Strength Bridge Plates
- **Value adding steel services (coating, blocking, assessing) by Downstream Processing Centre**



Upstream investments

- Our objectives

- Develop captive raw material base to start raising self-sufficiency level
- Win-win for both parties involved

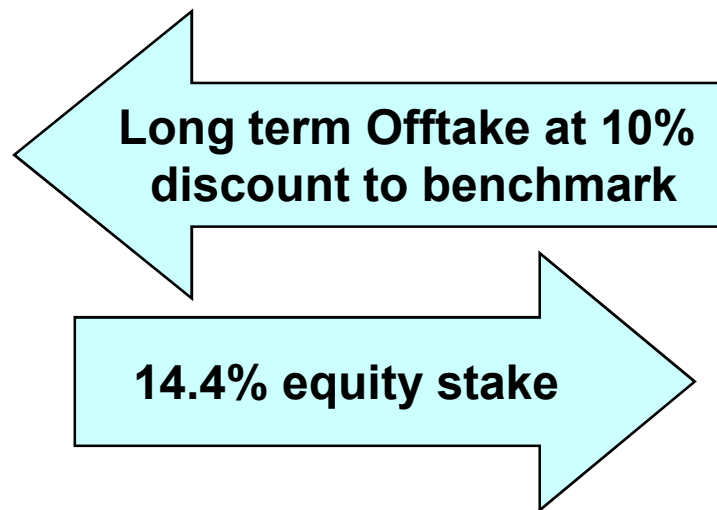


Australian Iron Ore (Brownfield)

- upstream, completed in Jan-09

MOUNT GIBSON IRON LIMITED (MGX.AU)

Pure Iron ore producer with 5 mmt. production in 2008, and can potentially ramp up to 8 mmt. (3 mines in W.A.)



*LT Offtake arrangement at 80% available production; MT arrangement at US\$56/wmt for all available

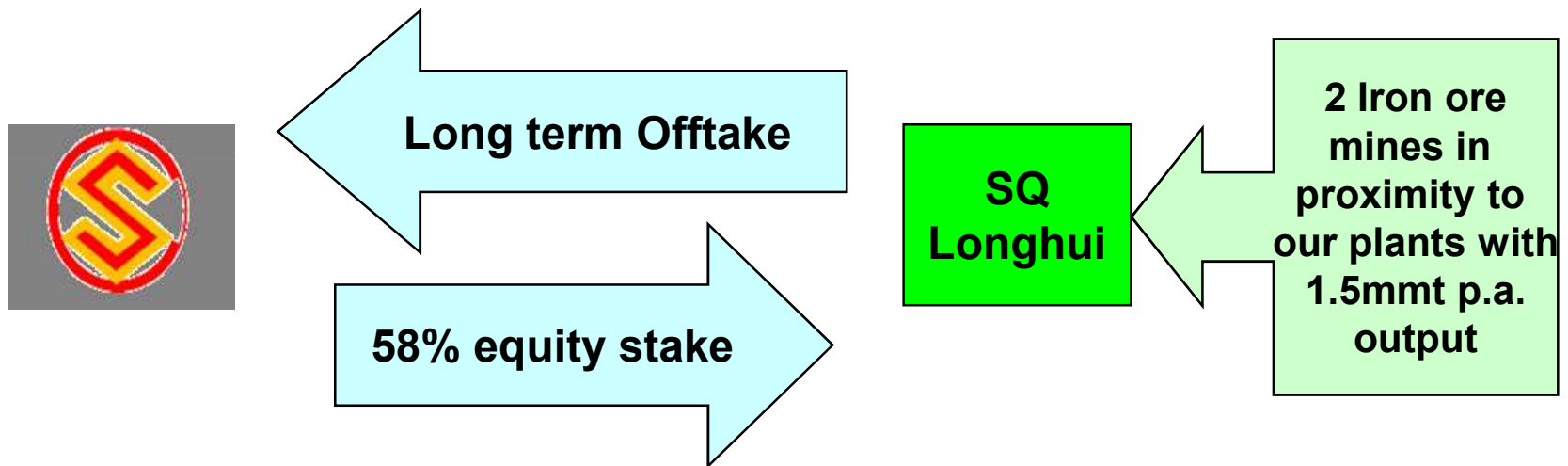


Chinese JV on Iron ore

- Upstream, set up in May-08

SHOUQIN-LONGHUI MINERAL CO., LTD. 首秦龙汇矿业

- Production to start by end of FY09
- Total planned capex at RmB1.2b. with 60/40 D/E



Chinese coking coal (Brownfield)

- upstream, completed in Feb-09

FUSHAN INTL ENERGY GROUP LTD. (639.hk)

Second largest coking coal producer in China with production of about 5 mmt. in 2008, with total proven reserves of over 140 mmt., owns 3 mines and peripheral facilities in Shanxi, China



12% equity stake

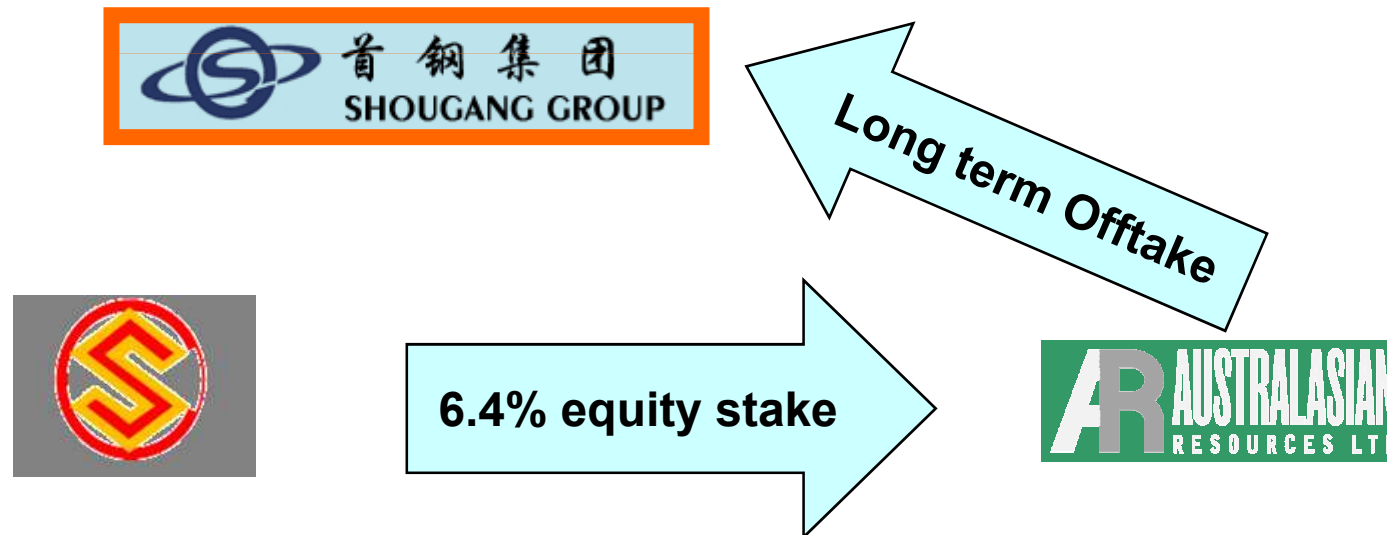


Australian Iron Ore (Greenfield)

- Upstream, invested in Jul-07

AUSTRALASIAN RESOURCES LIMITED (ARH.AU)

- Equity stake plus options as sweeteners
- Greenfield project in Pilbara, W.A. with current reserves of 859mmt., pending feasibility updates



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Summary Balance Sheet

HK\$'M	2008	2007	Change
NON-CURRENT ASSETS	11,165	9,586	16.5%
CURRENT ASSETS	9,863	6,978	41.3%
<i>(including inventory)</i>	1,886	1,299	45.2%
<i>(including Bank and cash)</i>	4,034	3,257	23.9%
CURRENT LIABILITIES	7,778	7,604	2.3%
<i>(including loans & borrowings)</i>	3,142	4,266	-26.3%
NON-CURRENT LIABILITIES	4,188	1,016	312.2%
<i>(including loans & borrowings)</i>	4,138	965	328.8%
	<u>9,062</u>	<u>7,944</u>	

- Higher inventory (net of \$117M provisions) while Inventory turnover at 6x (07: 11x)
- Net debt \$3.3b. (07: \$1.9b.) but net gearing still healthy at 26% (07: 18%)



Summary Profit & Loss

HK\$'M	2008	2007
Continuing operations		
REVENUE	17,465	10,926
Cost of sales	<u>(14,025)</u>	<u>(8,738)</u>
GROSS PROFIT	3,440	2,188
Finance costs	(449)	(348)
Change in value AFS inv/derivatives	(300)	170
Gain on disposal of Shouqin		104
Other expenses, net	(837)	(475)
PROFIT BEFORE TAX	<u>1,854</u>	<u>1,639</u>
Income tax expenses	(39)	(25)
Profit for the year from continuing operations	1,815	1,614
Profit for the year from discontinued operations	11	59
Profit for the year	1,826	1,673
Attributable to shareholders	1,419	1,404
Minority interests	<u>407</u>	<u>269</u>

- Consolidated GP stands at 20%
- Higher finance cost due to higher loan amounts/ interest rate
- Dragged by non-operational items (Fair value on non-cash items)
- Effective tax rate stands at 2%



Statement of cashflow

HK\$'M	2008	2007
NET CASH FROM OPERATING ACTIVITIES	1,673	1,112
NET CASH USED IN INVESTING ACTIVITIES		
Purchase of fixed assets and deposits thereof	(1,807)	(1,391)
Proceeds from sale of 20% Shouqin	-	412
Purchase of associate/financial investments	(913)	(212)
Others	(328)	247
	<u>(3,048)</u>	<u>(944)</u>
NET CASH FROM FINANCING ACTIVITIES		
New borrowings raised, net	2,681	(814)
Proceeds from issue of shares	105	2,052
Dividend paid	(727)	(123)
Others	(33)	253
	<u>2,026</u>	<u>1,368</u>
NET INCREASE IN CASH	651	1,536
CASH AT BEGINNING OF YEAR, net	3,383	1,790
CASH AT END OF YEAR*	<u>4,034</u>	<u>3,326</u>

- Strong cash flow from operations, 50% higher than that of 2007
- Capex shall be maintained at a manageable level

* Including restricted bank deposits



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76%-owned Shouqin

- integrated facility



HK\$'M	2008	2007	Change
Turnover	14,859	9,142	+63%
Gross Profit	2,581	1,569	+64%
GP%	17.4%	17.2%	
Profit after tax	1,655	976	+70%
Attributable to the Group*	1,279	731	+75%



548m.

Note: All figures are shown before elimination of intercompany sales except *attributable to the group which is shown after elimination



Shouqin: Op Statistics



In '000 mt.	Slabs		Heavy Plates	
	2008	2007	2008	2007
Production	2,650	2,425	1,462	1,218
Sales	985	1,310	1,444	1,076

Mainly sales to QZP

Sales volume in '000 tons		
	2008	2007
Ship Plates	732	401
Pipeline Plates	51	7
Others	661	668
	<u>1,444</u>	<u>1,076</u>

	2008	1H 08	2007
GP%			
Heavy plates	20.6%	21.2%	21.2%
ASP (RmB, net VAT)			
Slabs	4,250	4,100	3,160
Heavy plates	6,080	5,700	4,230

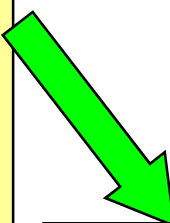


100% owned-QZP

- Plate Mill



HK\$'M	2008	2007	Change
Turnover	5,757	3,909	+47%
Gross Profit	608	368	+65%
GP%	10.6%	9.4%	
Profit after tax*	208	201	+3%



In '000t	2008	2007	Change
Sales	763	812	-6%

*Note: All figures are shown before elimination of intercompany sales except profit after tax * which is shown after elimination*



Production Growth 2008-10

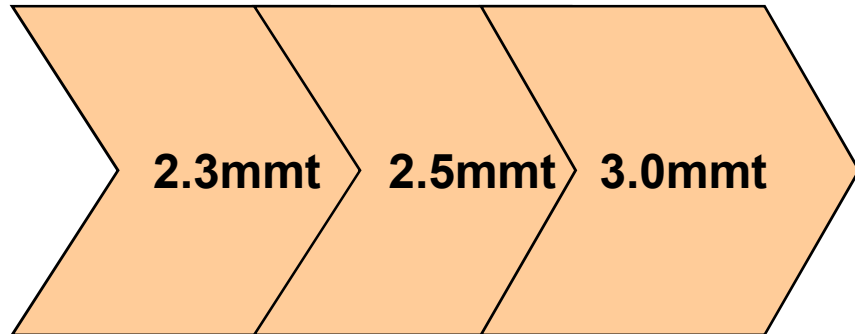
Plates - Combined



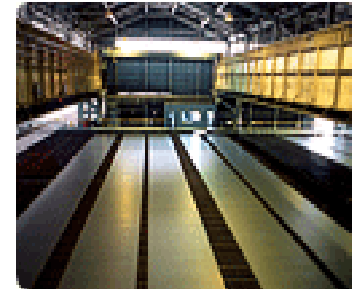
2008

2009

2010



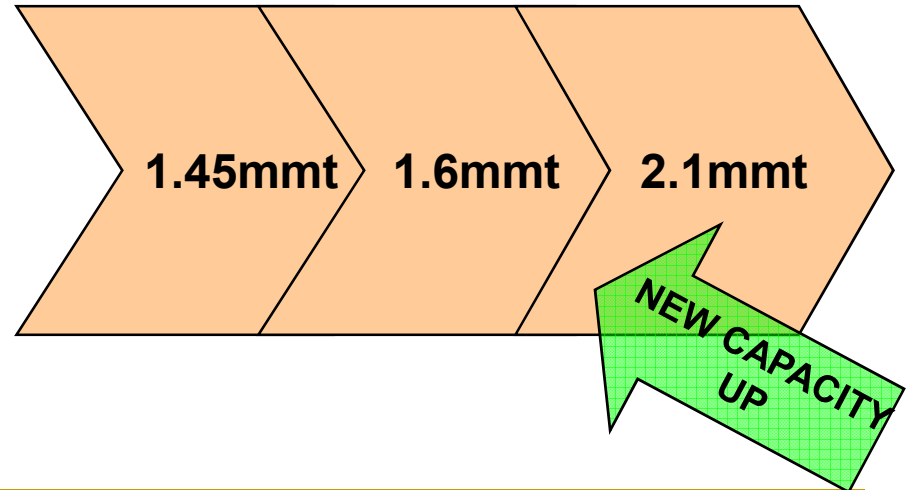
Shouqin only



2008

2009

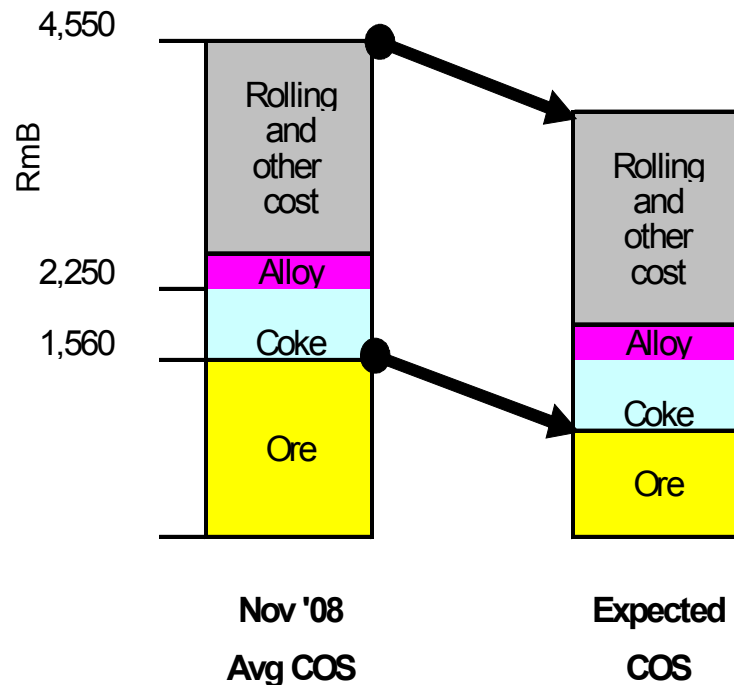
2010



**Subject to market conditions



Impact of Input Price Decrease



RmB Per tonne	WAV in Nov '08	Market Price in Mar'09	Change	Required per tonne of steel
Iron Ore	970	600	-38.1%	1.6-1.7
Coke	1,720	1,500	-12.8%	0.35-0.4

- Input cost decrease has helped drive down COS to compensate ASP drop
- With iron ore and coke down, COS will have dropped by 15% already vs. Nov '08, when holding others constant



Shipping

- Charter-out of vessels

SG ENTERPRISE



SG PROSPERITY

- Two capesize on 15 year leases since Sep-97, daily cost US\$24,000
- As hedge to imported raw materials

HK\$'M	2008	2007	Change
Turnover	499	374	+33%
Gross Profit	330	226	+46%
<i>GP%</i>	<i>66.1%</i>	<i>60.4%</i>	
Profit after tax	333	227	+47%



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Future plans and strategy



**Expand
Value chain
integration**



**Improve
Product mix and
variety**



**Implement
Stringent cost
control**



**Dedicate
to product quality**



Prospects

- Currently a challenging time in general, where no one is immune from; “rays of recovery” are seen
- Cost leadership strategy prevails; prefer profitability over size
- Securing niche market leadership with quality products; product mix optimization – not solely ship plates
- Steel remains fundamental to our lives – long term strategy in preparation of recovery





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