



SHOUGANG CONCORD INTERNATIONAL ENTERPRISES CO., LTD.

INVESTORS & ANALYSTS PRESENTATION
Six Months Ended 30 June 2009



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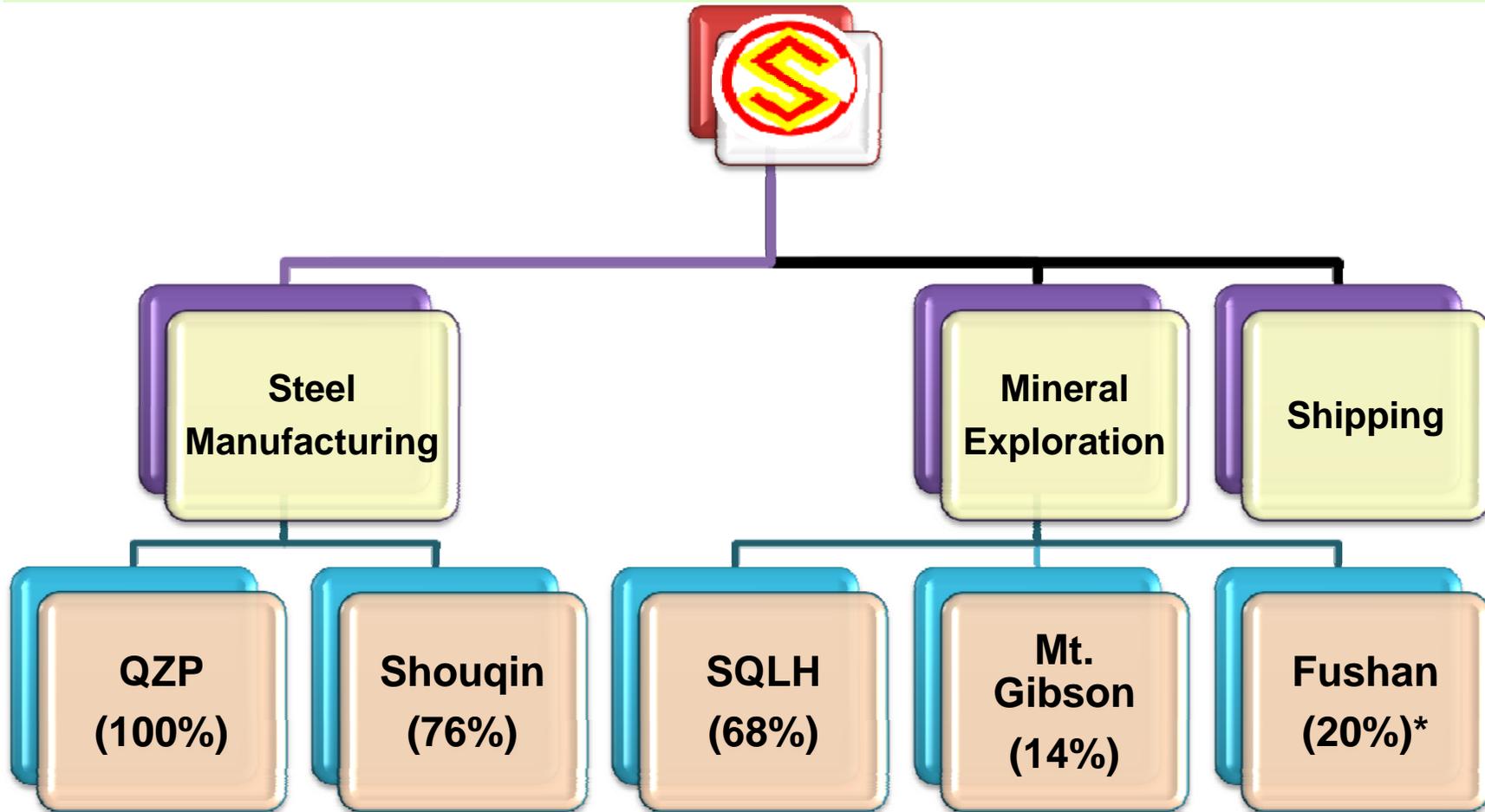


Company Overview

- Hong Kong based red-chip focused on steel manufacturing
- Principal shareholder is Shougang Corporation, a top state-owned steelmaker in China
- Specialized on production of heavy plates (2.3mmt. in FY08)
- A vertically integrated operation from own raw material base (iron ore and coking coal) to manufacturing (iron, steel, slab to plate)



Corporate Structure

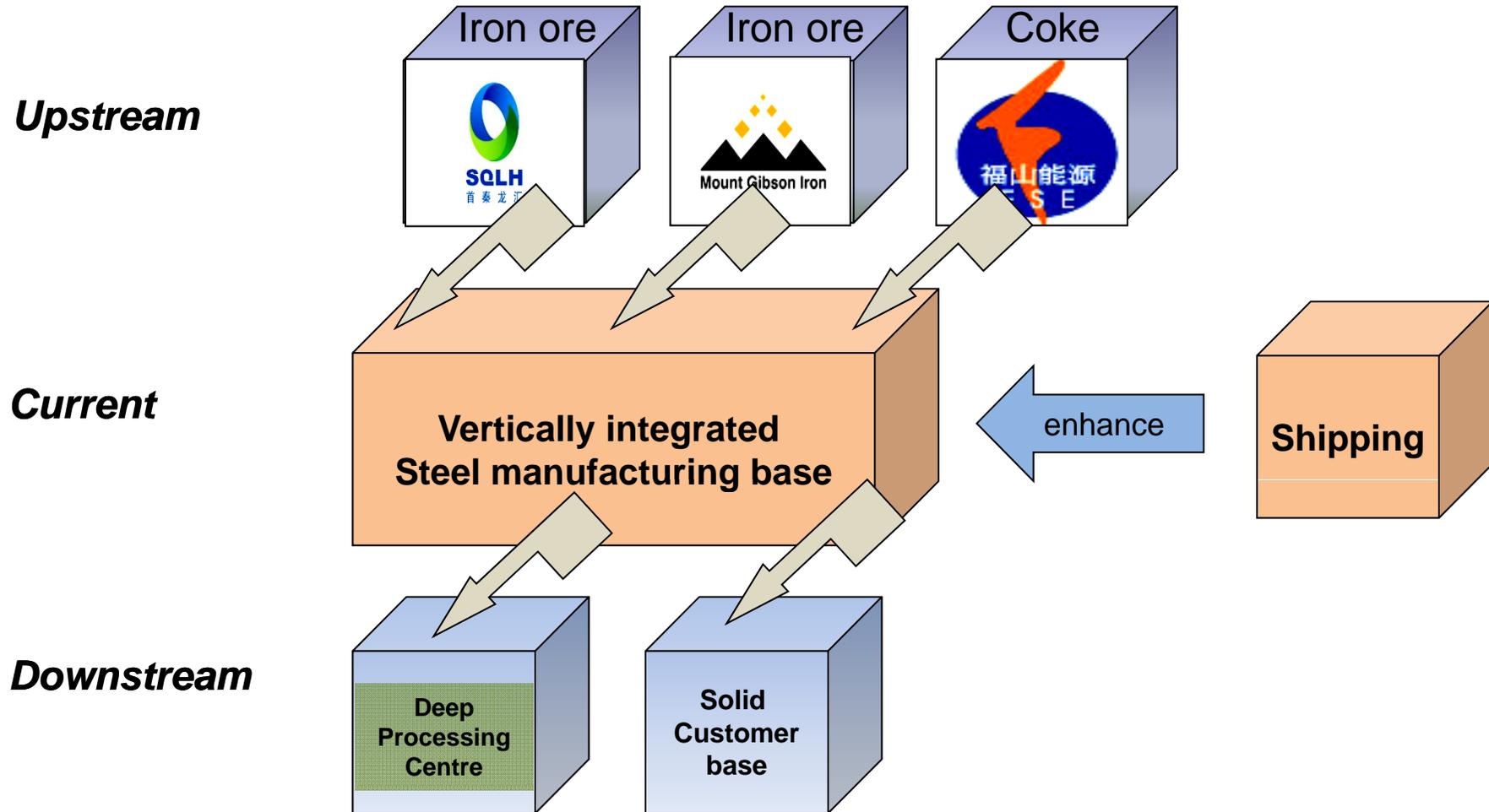


*subject to Shareholders' approval



Vertically Integrated Operations

Our building blocks



1H Financial Highlights

HK\$'M	1H09	1H08	Change
Turnover*	5,586	8,453	-34%
Attributable Profit	(873)	1,092	
<i>Including: Steel Mfg Segment</i>	(800)	1,021	
Core Operating Earnings (Note)	(850)	1,227	
Total assets	23,686	21,338	+11%
<i>Including: Cash and bank</i>	4,193	6,128	
Basic EPS (HK cents)	(12)	15	
Net asset per share (HK\$)	1.13	1.03	+10%

*including discontinued operations

Note: Attributable loss after \$30m. (08:\$56m.) in ESO; \$7m. gain (08:\$83m.) in ARH option, hence core operating loss of \$850m.



Steel: Market Dynamics



POSITIVES

>

NEGATIVES

Monetary easing

Restocking

Demand revival

Raw material cost up

Export down

Prices going up too fast

Slowdown in FAI growth

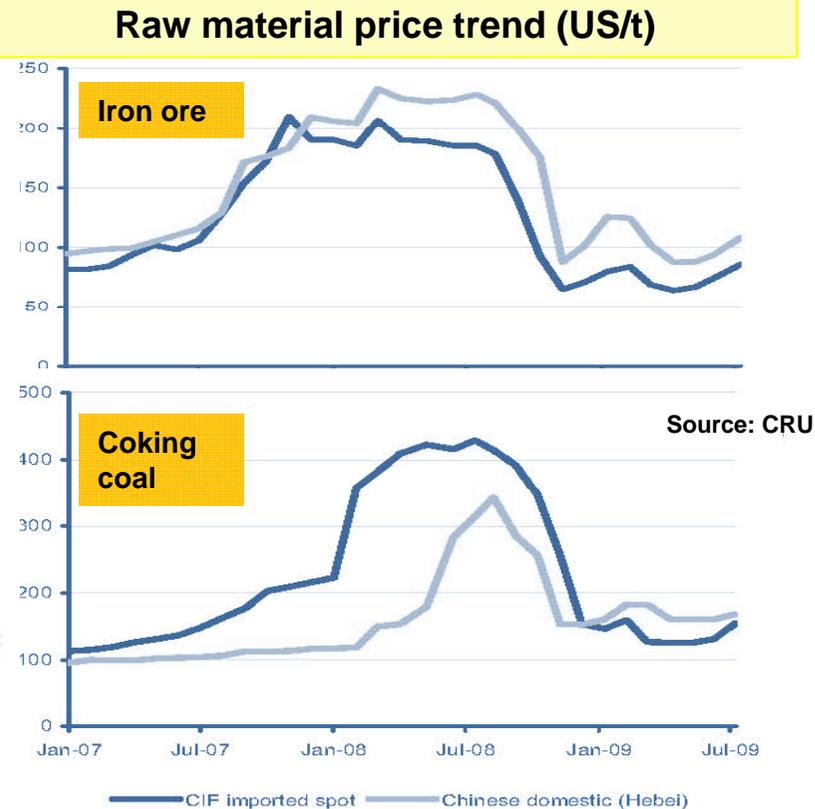
Oversupply

Destocking

Monetary tightening



Steel: Price Trend Review

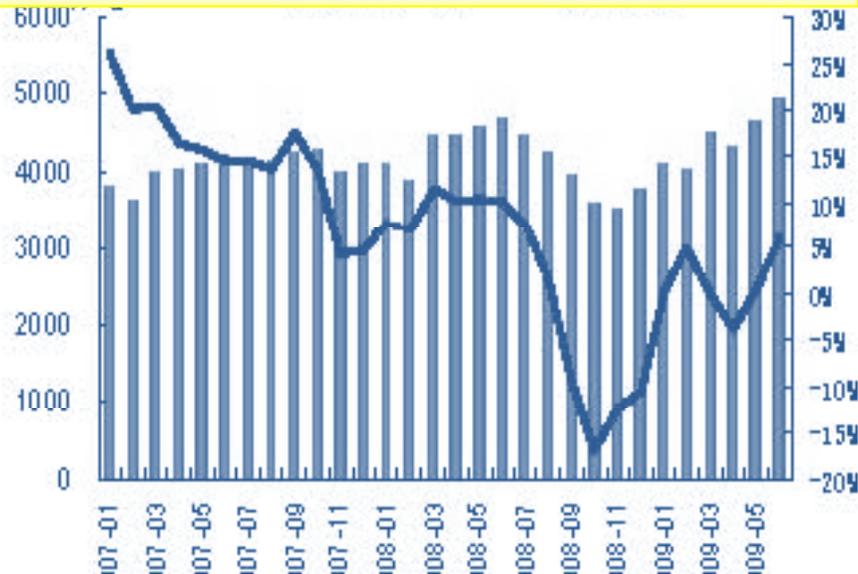


- Volatility comes from changes in market sentiment, we expect prices to stabilize and increase slowly this year
- Cost push is one of the factors

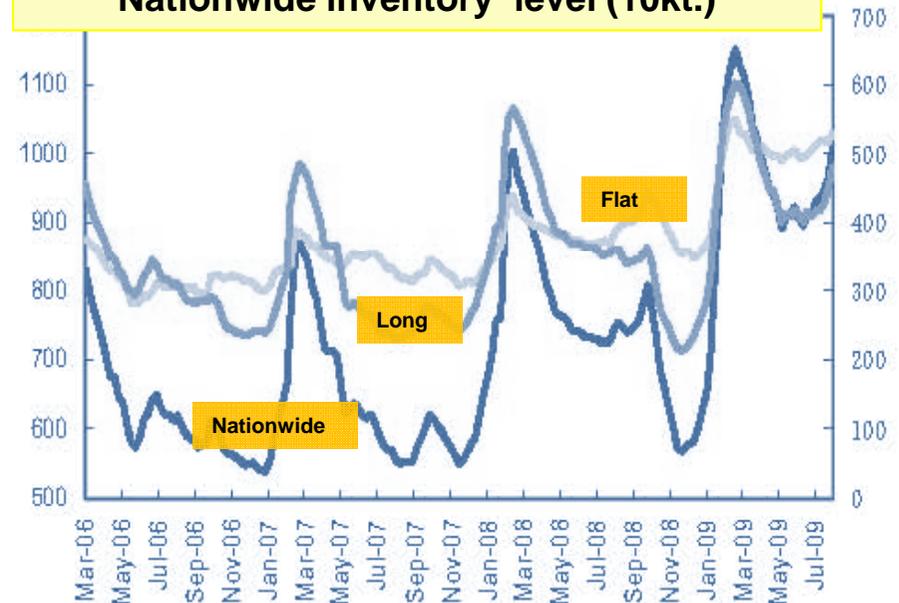


Steel: Production vs. Inventory

Steel production trend (10kt.)



Nationwide inventory level (10kt.)



Source: mysteel.com

- Both production and prices were at trough with high inventory in Apr-09 but have since recovered
- While inventory level has dropped, it is still not low



Steel: 3-phase Recovery

Phase 1 – Government-driven

Loosen monetary Policy
and expand investment

Basic infrastructure
investment up

LONG PRODUCTS
demand up



Phase 2 – Consumer-driven

Stimulate consumption to
consumer end

Autos, home appliances
and light industries up

COLD ROLLED
PRODUCTS demand up



Phase 3 – Market-driven

Improvement in macro
economy

Shipbuilding and heavy
machineries up

FLATS demand up

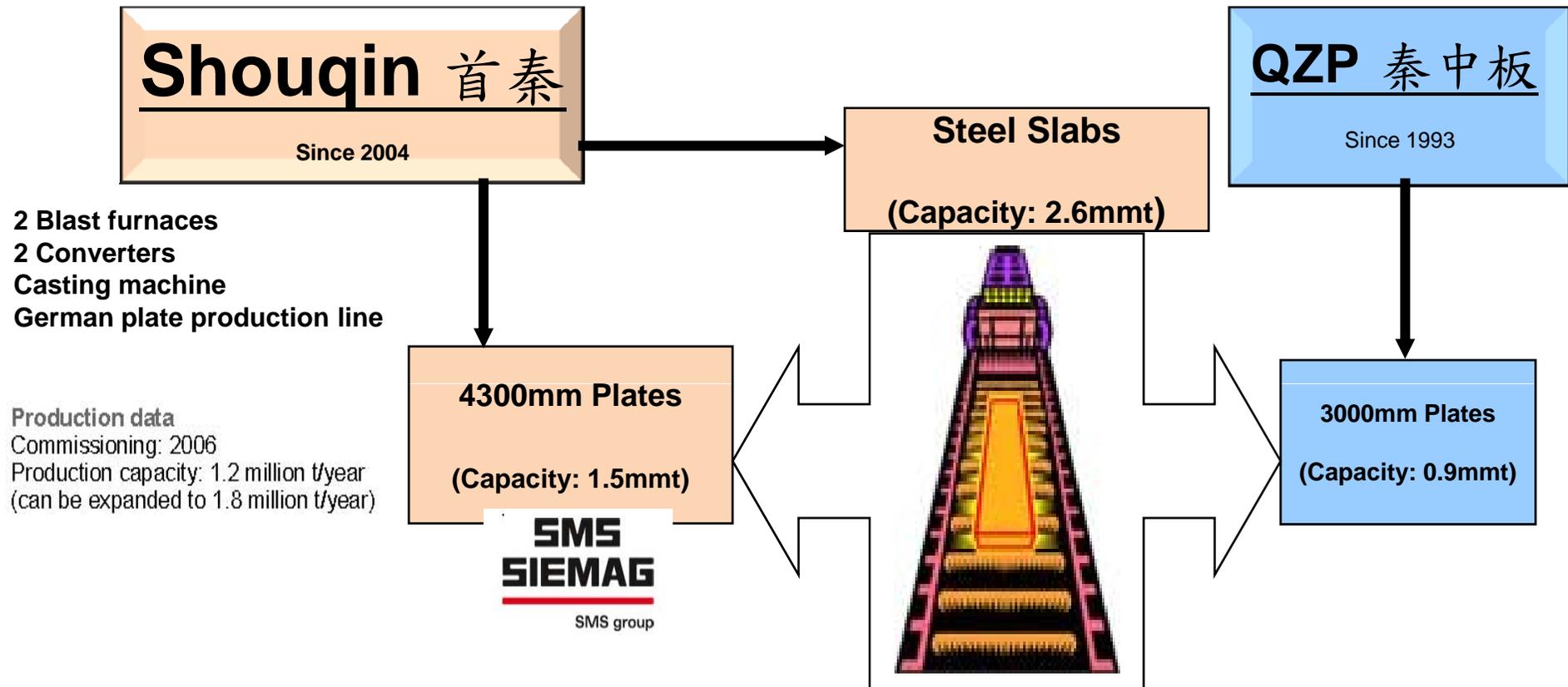


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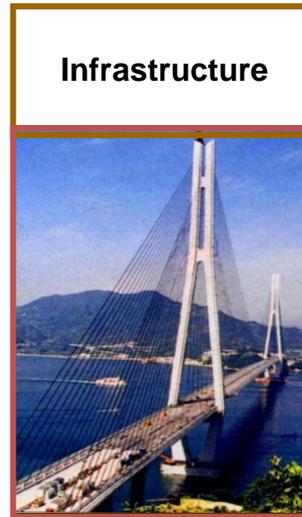
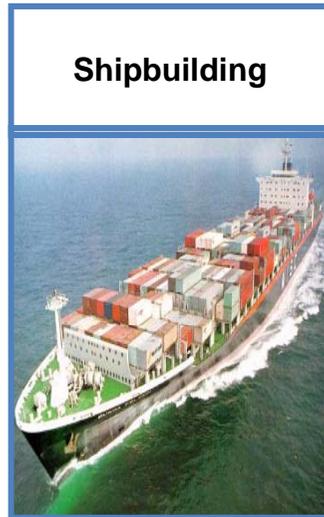
Steel Manufacturing

- Sale of heavy plates



Product Mix Geared to Market

- Riding on Asia growth, especially China



Industry Breakdown on Our Heavy Plate Output

2008
From Q2'09

50%
30%

20%
20%

20%
40%

10%
10%



Serving Top Industry Players

Shipbuilding



Infrastructure and Heavy Machinery



Petrochemical



Quality Leader – High-end Products

- Pipeline Steel Plates (X80 qualified, X100 trial)
- Oil Container Plates (SG610)
- Boiler and Pressure Vessel plates
- Offshore Platform Plates
- Low Carbon Ultra thick Plates
- High Strength Bridge Plates
- **Value adding steel services (coating, blocking, assessing) by Downstream Processing Centre**



Australian Iron Ore (Brownfield)

- upstream, completed in Jan-09

MOUNT GIBSON IRON LIMITED (MGX.AU)*

Pure Iron ore producer with 5.9 mmt. production in FY09, and can potentially ramp up to 8 mmt. (3 mines in W.A.)



Long term Offtake at 10% discount to benchmark

14.3% equity stake



*Book cost approx. HK\$2.8/share



IR09(0809)

Chinese JV on Iron Ore (Brownfield)

- Upstream, set up in May-08

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

- Full scale 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)*

One of the largest coking coal producers in China, production of 5.4 mmt. in 2008 with total proven reserves of over 140 mmt., it owns 3 operating mines and peripheral facilities in Shanxi, China



20% equity stake*



*Subject to approval in EGM on 8 Sep 2009, the shareholding in Fushan will increase to 20% from 11%; book cost approx. HK\$3.1/share

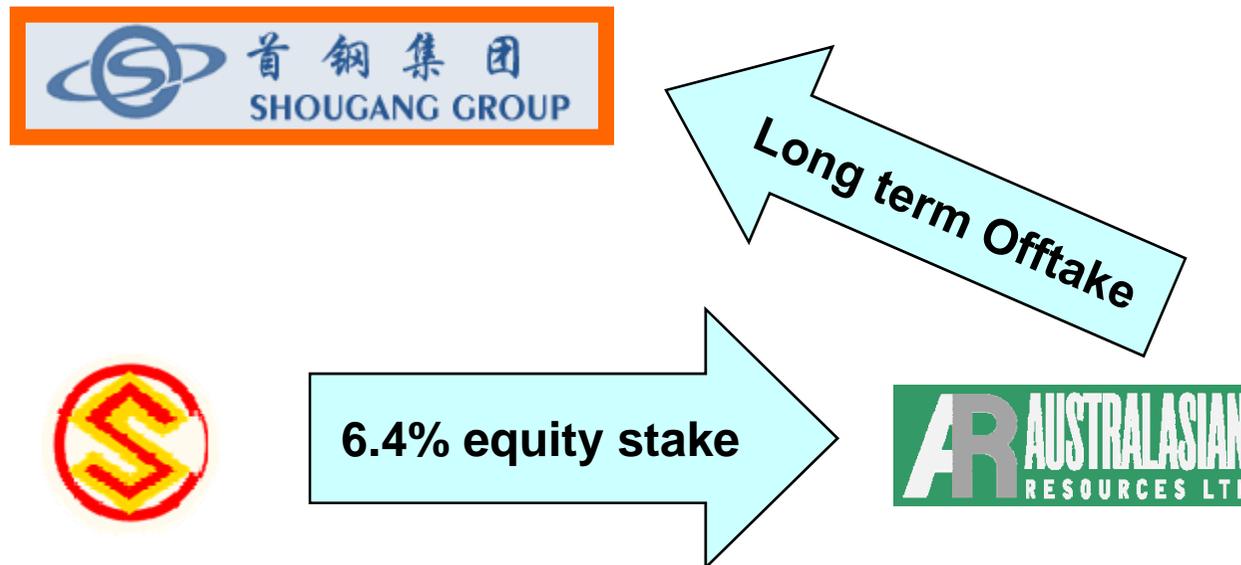


Australian Iron Ore (Greenfield)

- 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



*Book cost approx. HK\$2.5/share



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Summary Balance Sheet

HK\$'M (As at 30 June)	2009	2008	Change
NON-CURRENT ASSETS	15,194	10,342	+47%
<i>(including AFS investments)</i>	3,455	315	+997%
CURRENT ASSETS	8,492	10,996	-23%
<i>(including inventory)</i>	1,499	2,418	-38%
<i>(including bank and cash)</i>	4,193	6,128	-32%
CURRENT LIABILITIES	8,583	8,206	+5%
<i>(including bank borrowings)</i>	4,291	2,635	+63%
NON-CURRENT LIABILITIES	5,085	4,377	+16%
<i>(including bank borrowings)</i>	5,036	4,326	+16%
	<u>10,018</u>	<u>8,755</u>	

- Higher AFS investments with Mt. Gibson/ Fushan
- Lower inventory with lower u/p with provision of HK\$36m.
- Net debt \$6.1b. with net gearing at 32% and cash level of over HK\$4b.



Statement of Cashflow

HK\$'M	1H09	1H08
NET CASH FROM OPERATING ACTIVITIES	31	2,305
NET CASH USED IN INVESTING ACTIVITIES		
Purchase of fixed assets and deposits thereof	(767)	(854)
Purchase of AFS investment/associate	(825)	(416)
Changes in working capital	89	(72)
Others	(2)	(381)
	<u>(1,505)</u>	<u>(1,723)</u>
NET CASH FROM FINANCING ACTIVITIES		
New borrowings raised, net	2,046	2,556
Dividend paid	(232)	(582)
Others	(129)	(191)
	<u>1,685</u>	<u>1,783</u>
NET INCREASE IN CASH	<u>211</u>	<u>2,365</u>

- Positive cash flow from operations with increase in net cash
- Capex shall be maintained at a manageable level



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76%-owned Shouqin

- Integrated Facility



HK\$'M	1H09	1H08	Change
Turnover (note)	4,229	7,298	-42%
<i>Depreciation</i>	297	483	-39%
Gross (loss)/profit	(451)	1,537	-129%
<i>GP%</i>	-10.7%	21.1%	
<i>Interest cost</i>	171	176	-3%
(Loss)/PAT	(724)	1,173	-162%
Attributable to the Group*	(576)	884	-165%

Note: Including sales of slabs to QZP (09: HK\$1,272M, 08:\$2,391M) and turnover of downstream processing centre (09: \$37M)

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



Shouqin: Operational Statistics

In '000t.	1H09	1H08	Change		1H 09	1H 08
(i) Slabs				GP%		
Production	1,116	1,344	-17%	Slabs	4.0%	12.7%
				Plates	-9.3%	21.2%
(ii) Plates				ASP (RmB)		
Production	626	755	-17%	Slabs	3,020	4,100
Sales	620	742	-16%	All Plates	3,740	5,700

Sales in '000 t.			
	1H09	1H08	Change
Ship Plates	226	372	-39%
Pipeline Plates	42	20	+110%
Others	352	350	1%
	620	742	
incl. export	158	149	+6%



100% owned-QZP

- Plate Mill

HK\$'M	1H09	1H08	Change
Turnover	1,427	2,671	-47%
Gross Profit	(161)	294	-155%
GP%	-11.3%	11.0%	
(Loss)/PAT*	(225)	137	-264%



In '000t	1H09	1H08	Change
Sales	312	370	-16%
incl. export	69	135	-49%

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



Production Capacity 2008-10

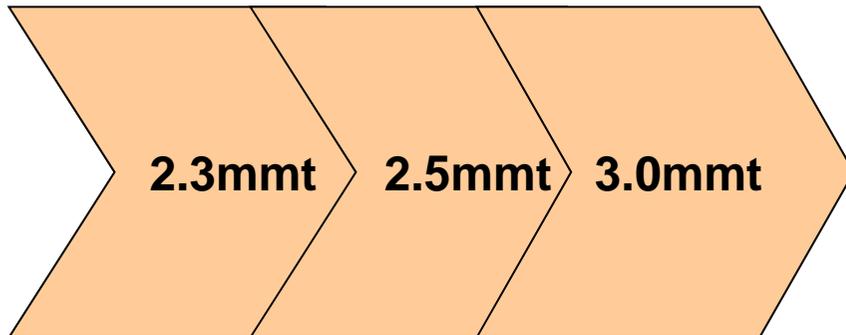
Plates - Combined



2008

2009

2010



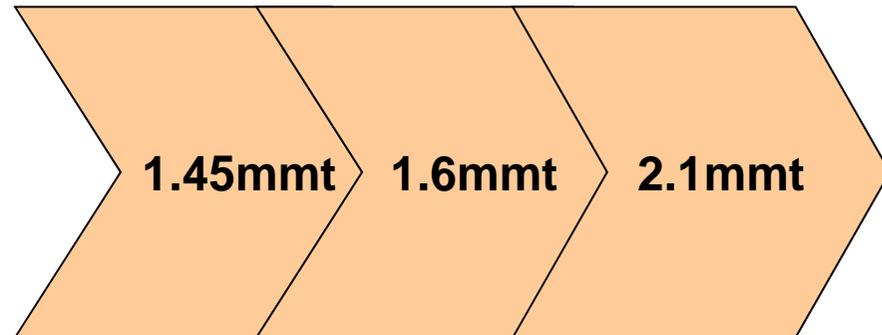
Shouqin only



2008

2009

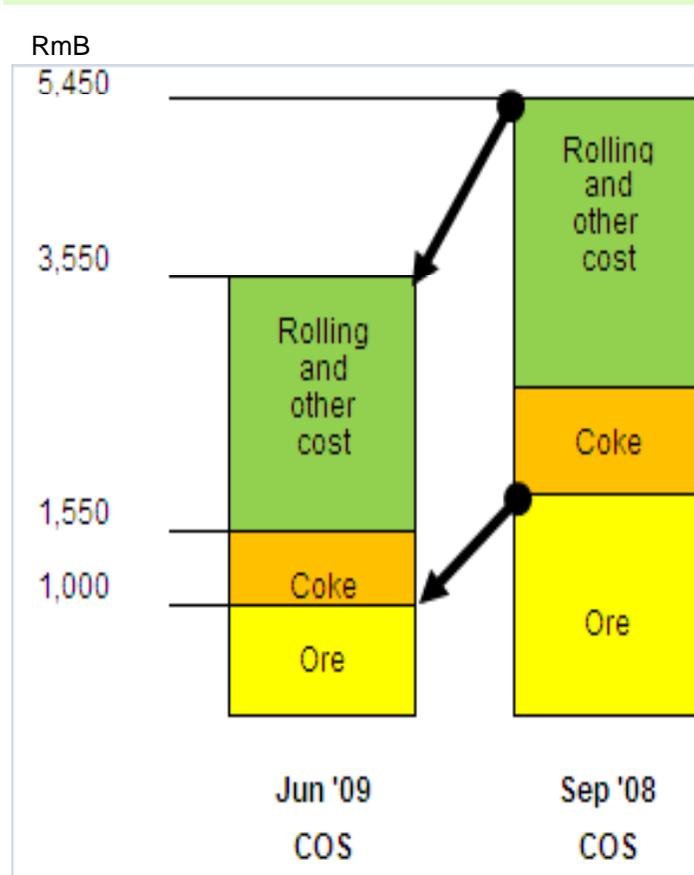
2010



****Actual production is subject to market conditions**



Input Cost Trend



RmB p/t (excl. VAT)	WAV in Jun '09	WAV in Sep '08	Change	Market price end of Aug'09	Required per tonne of steel
Iron Ore	630	1,150	-45.2%	660	1.6
Coke	1,280	2,750	-53.5%	1,450	0.4

- COS is lower than that of LY but is on slightly upward trend
- Remains one of the key risks of the industry
- Partial offset with own raw material source



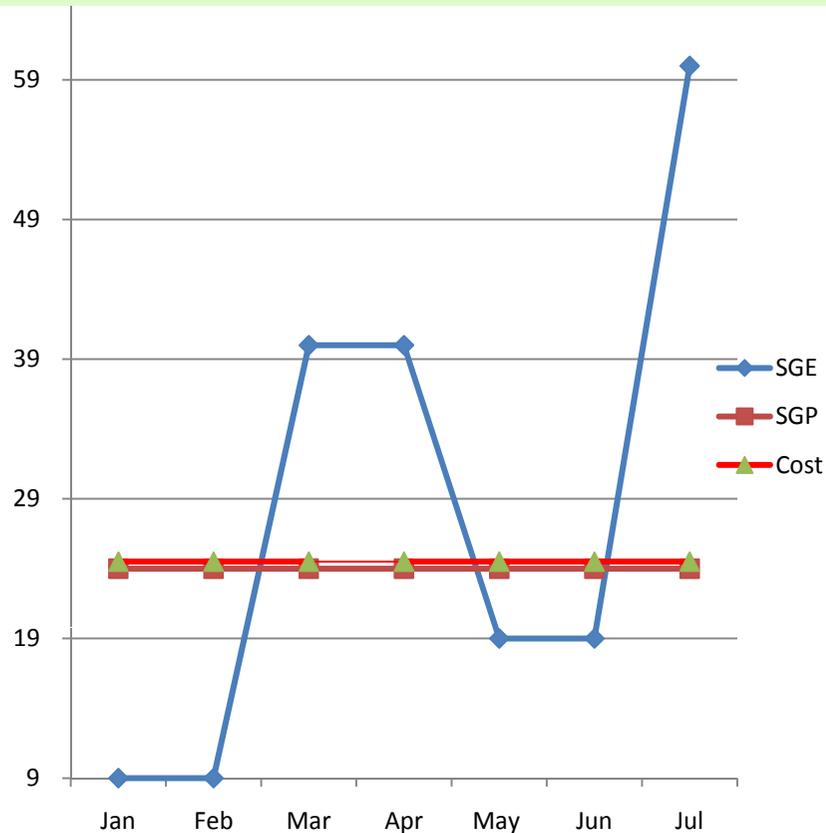
Steel Trading Business

	1H09	1H08	Change
In '000t			
Mt. Gibson ore	2,098		N/A
Steel products	74	149	-50%
ASP (US\$)			
Mt. Gibson ore	65.5		N/A
Steel products	722.0	901.0	-20%
Profit p/t(US\$)			
Mt. Gibson ore	(2.5)		N/A
Steel products	4.7	8.2	-43%
Net profit (HK\$m.)	(41)	11	-473%
Sales/Group	26.5%	12.4%	

- Part of legacy business in steel trading – high turnover low margin
- Commencing trading of Mt. Gibson ore from FY09 under offtake (both FOB/CIF), expect turnaround from 2H09 with spot CFR at around US\$90/t



Shipping – Market Overview



Daily rental trend for our vessels in Jan-Jul 09
(US\$'000)

- Buoyant but volatile market in HY09, rebound in Q209
- Higher supply though lower deliveries and more scrapping may limit contraction in rates in the near future
- Continue our strategy to ride on the curve (one LT one ST charter)

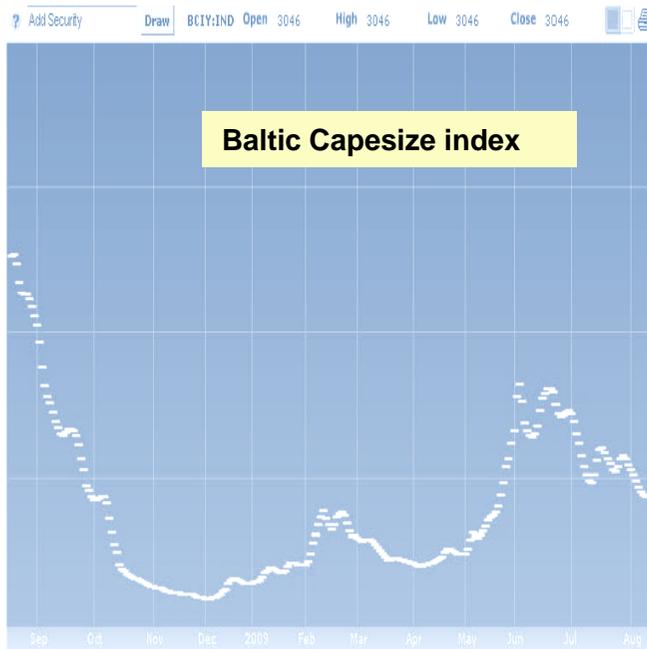


Shipping

- Charter-out of vessels



- 2 capesize vessels on 15-year leases since Sep-97, daily cost US\$24,000
- Acts as a hedge to core business



Source: Bloomberg



HK\$'M	1H09	1H08	Change
Turnover	76	239	-68%
Gross Loss/(profit)	(9)	155	-106%
<i>GP%</i>	-11.8%	64.9%	
(Loss)/PAT	(11)	159	-107%

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Future Plans and Strategy



**Strengthen
Value chain
integration**



**Improve
Product mix**



**Capex restraint and
expense reduction**



**Dedicate
to product quality**



Prospects

- Industry appears to have emerged from a deep trough – with bumps along this path
- Cost leadership strategy prevails; prefer profitability over size
- Securing niche market leadership with quality products; product mix optimization – not solely ship plates
- Robust cash position with strategic investments provide a future pathway to success





SHOUGANG CONCORD INTERNATIONAL ENTERPRISES CO., LTD.

THANK YOU

Please visit our website www.shougang-intl.com.hk for updates

