



TRANSFORMATION

SHOUGANG CONCORD INTERNATIONAL ENTERPRISES CO., LTD.

FY09 FULL YEAR RESULTS



Index

1

Financial Highlights

2

Corporate Overview

3

Business and Market Review

4

Conclusion

5

Appendix: 1H09 results



1

Overview - Summary

2

Operational Highlights

3

Business and Market Review

4

Conclusion

5

Appendix: 1H Results



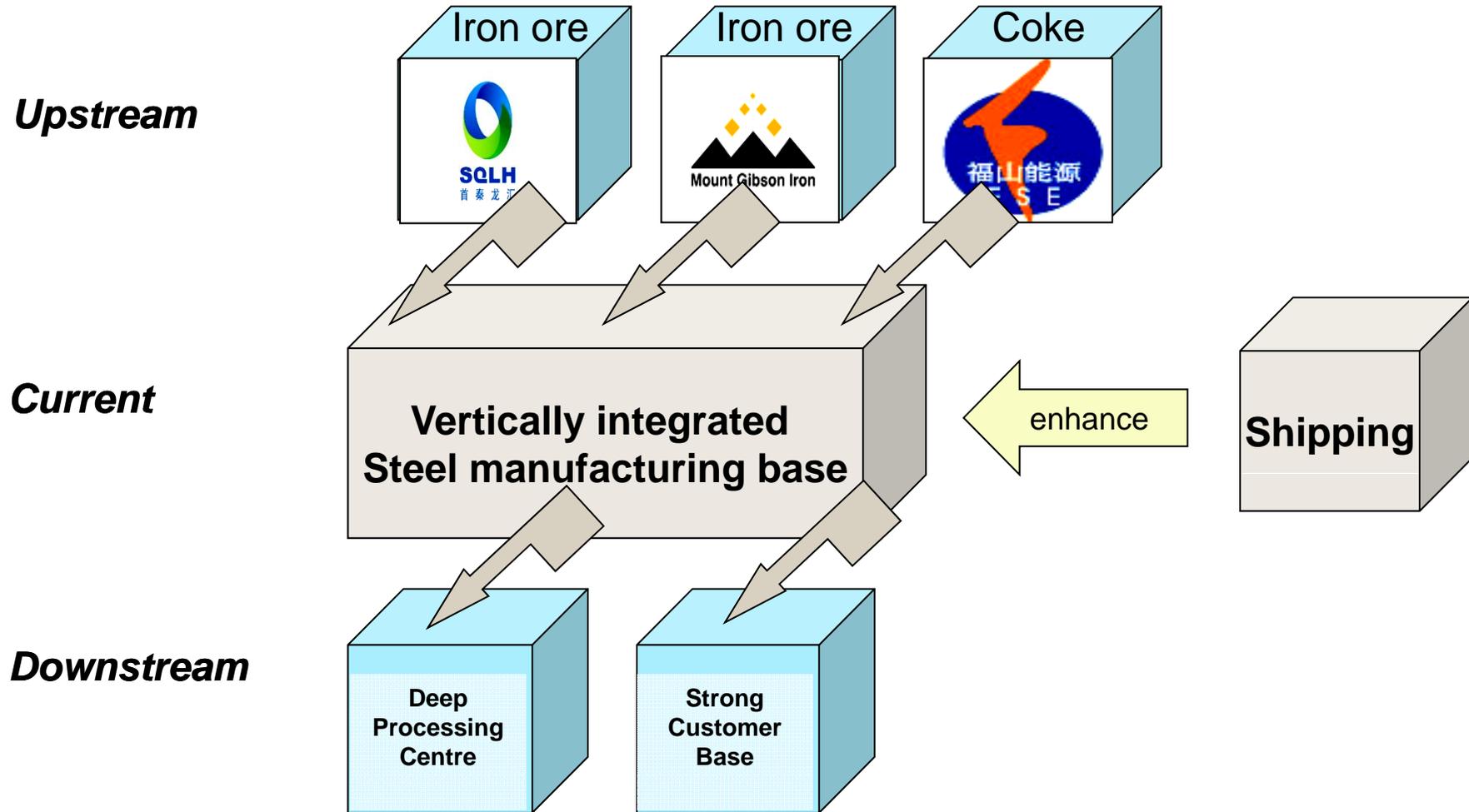
Company overview

- Hong Kong based red-chip focused on heavy plate manufacturing with integration of upstream assets
- Principal shareholder is Shougang Corporation, a Top 10 SOE with >30mmt. steel capacity in FY10
- Heavy plate production was 2mmt. in FY09
- Transformation of earnings profile from FY10 via upstream interests in iron ore and coking coal

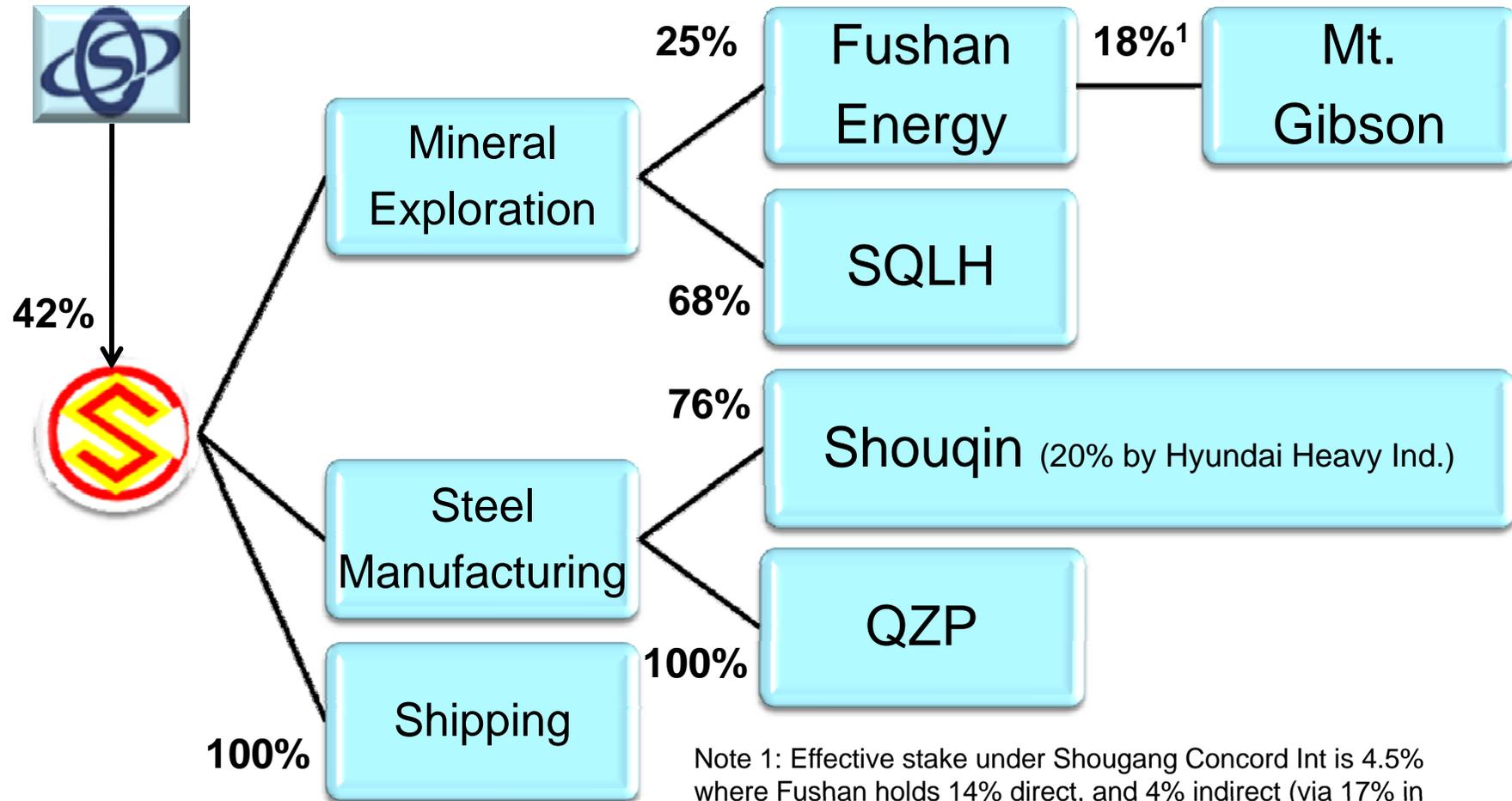


Vertical integration in place

Our building blocks



Corporate structure



Note 1: Effective stake under Shougang Concord Int is 4.5% where Fushan holds 14% direct, and 4% indirect (via 17% in APAC which holds 26%) interest in Mt. Gibson.



Financial Highlights

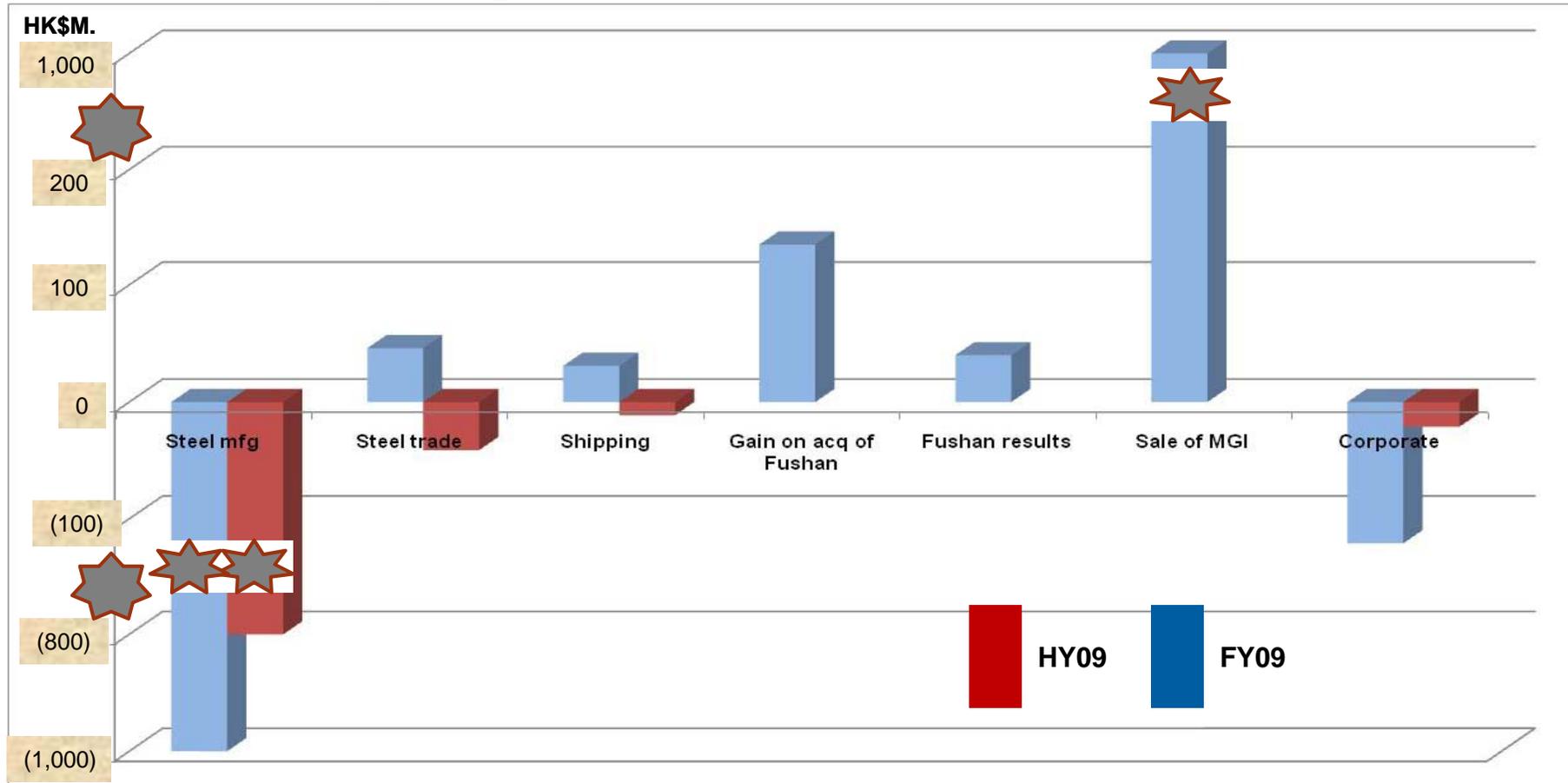
HK\$' M.	2009	2008	Change
Turnover	11,358	17,664	-36%
Including: Steel Mfg Segment	9,129	16,921	-46%
Including: Sales of iron ore	2,026	42	+47X
Attributable Profit	72	1,419	-95%
Including: Steel Mfg Segment	(1,183)	1,489	
Core Operating Earnings (p.9)	(1,136)	1,740	
EBITDA	1,269	2,467	-49%
Total assets	24,247	21,028	+15%
Including: Int. in associates*	6,212	668	+830%
Basic EPS (HK cents)	1	20	-95%

*including share of profit of Fushan Int at HK\$ 40 million

A difficult year but proud of what we have planted that shall bear fruit to our shareholders



Earnings profile FY09



Loss in steel mfg is offset by both gain of asset swap (MGI shares) and pickup of Fushan results



Earnings reconciliation

HK\$ M.	2009	2008
Attributable profit	72	1,420
Adjusting for (gain)/loss:		
Asset realization - Disposal of Mt. Gibson shares, net	(1,114)	-
Negative goodwill on acq on Fushan shares, net	(137)	-
Fair value gain on commodity forward contract with Mt. Gibson	(69)	(25)
Goodwill impairment-QZP	50	-
Impairment loss on ARH shares	-	91
Fair value loss on ARH options	3	147
Employee share option exp	59	111
Asset realization - power plant	-	(4)
Proforma core earnings	(1,136)	1,740

Detailed bases of these one-off items are included in Notes to AFS



Strategic acquisitions FY09

Change in interest	Consideration	Net gain	Strategic intent
Dec-08/Jan-09 Acq 154M. Mt. Gibson shares <i>(0%->14%)</i>	HK\$169m.	nil	Upstream value chain integration in iron ore and offtake <u>Completed in Jan-09</u>
Feb-09 Acq 550m. Shares of Fushan Energy <i>(0%->12%)</i>	HK\$1.1b.	HK\$137m.	Upstream value chain integration in coking coal <u>Completed in Feb-09</u>
Jul-09 Acq 450m. Shares of Fushan Energy <i>(12%->20%)</i>	HK\$2b.	nil	As above <u>Completed in Sep-09</u>
Sep-09 Swap of all Mt. Gibson shares to 214m. Shares of Fushan Energy <i>(20%-> 23%)</i>	Share swap at market price	HK\$1.1b.	(i) Solidify holding in Fushan Energy (ii) Cashflow accretive from dividends <u>Completed in Dec-09</u>
Dec-09 Acq 100m. Shares of Fushan Energy <i>(23%-> 25%)</i>	HK\$720m.	nil	Upstream value chain integration in <u>Completed in Dec-09</u>



1

Overview - Summary

2

Operational Highlights

3

Business and Market Review

4

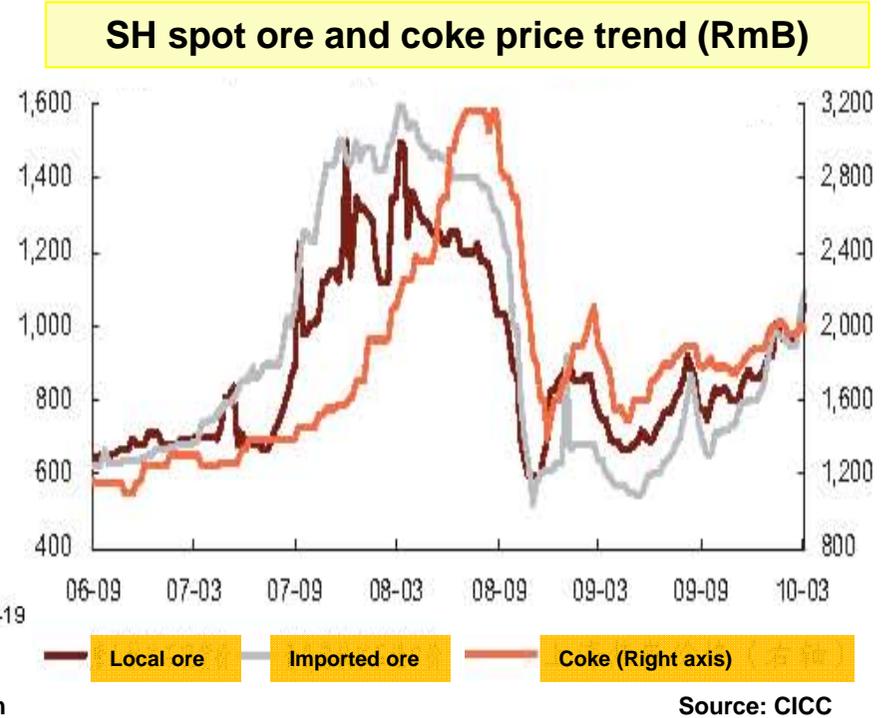
Conclusion

5

Appendix: 1H Results



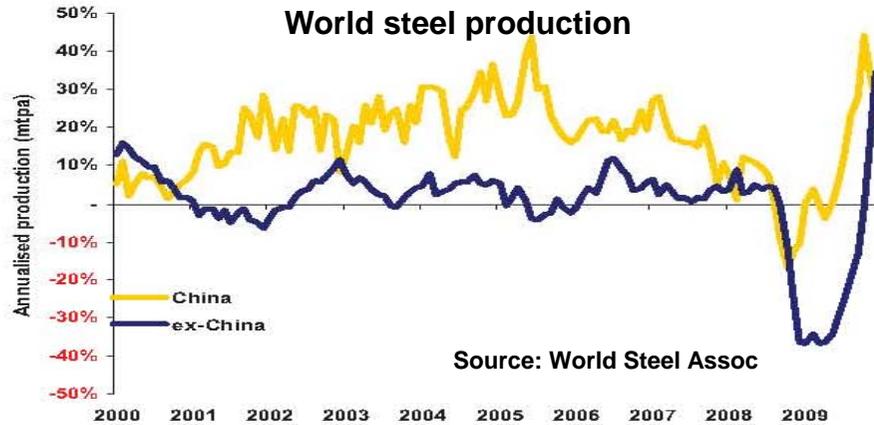
Theme#1: High price/cost



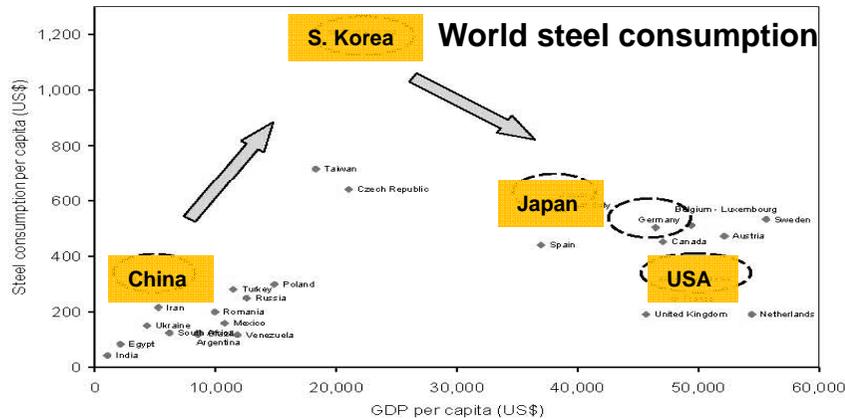
We expect steel prices to increase in FY10 by cost push but still result in a margin squeeze to manufacturers



Theme#2: High production



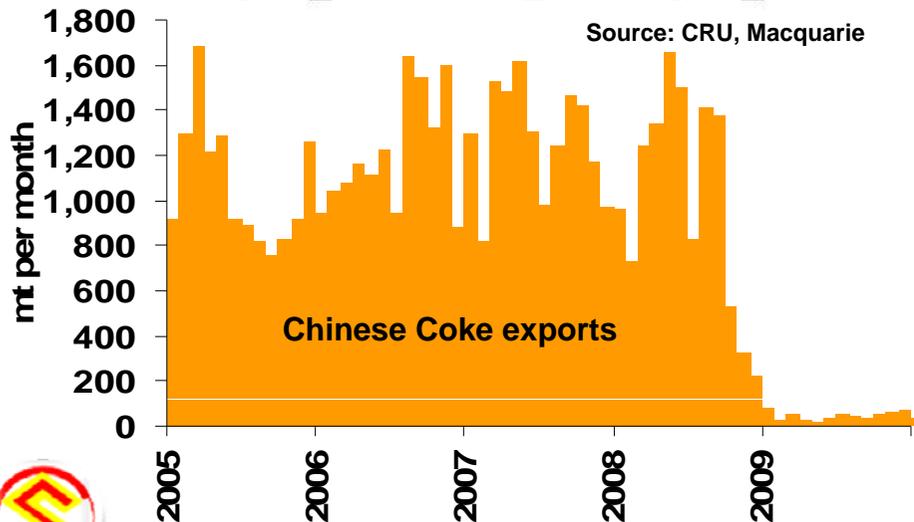
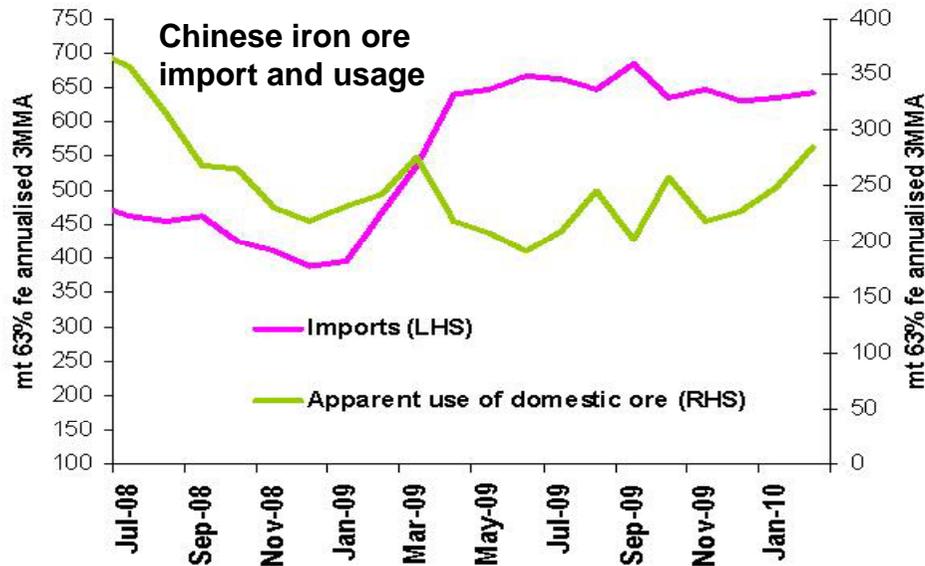
- In China, steel production will rise further in FY10 due to end user demand rising higher than expected
- More capacity is coming and utilization is up (85% in Asia)
- Per capita consumption of steel is still way below Japan/Korea, therefore production can rise even higher in the future



With utilization on the rise, a natural cap is put on where steel prices can go



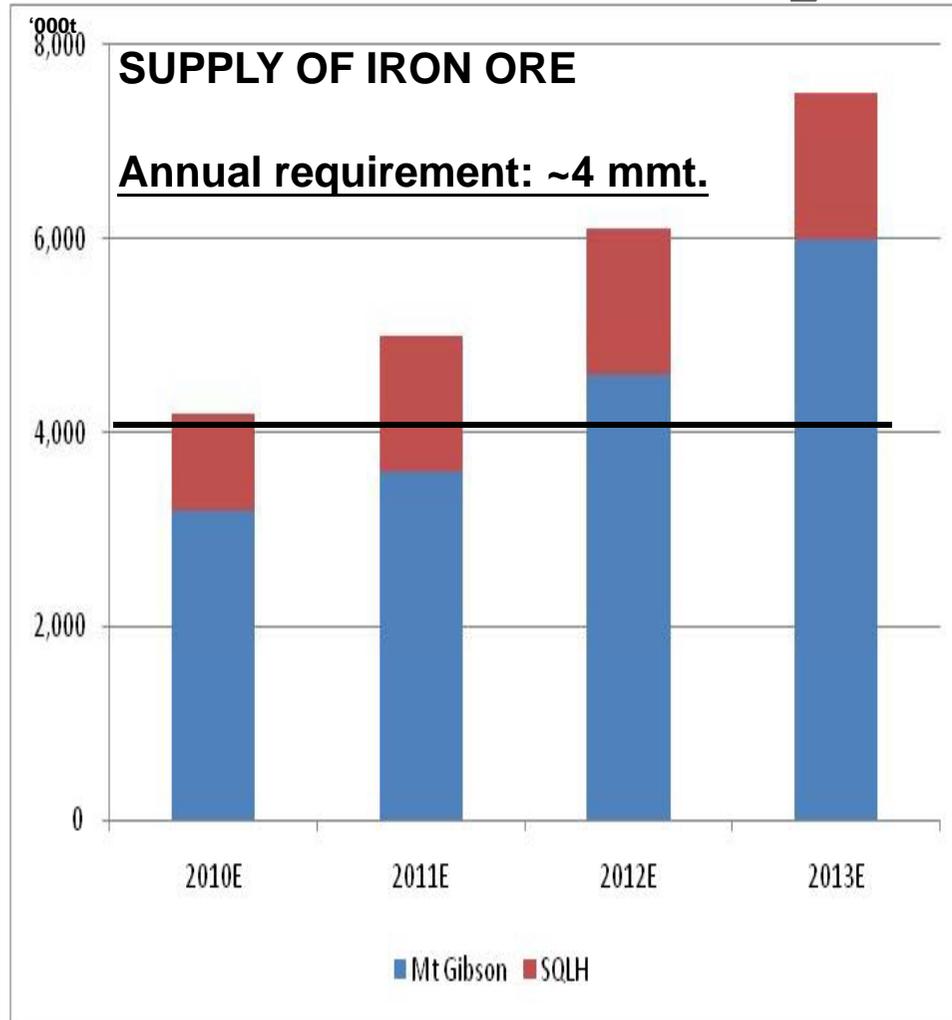
Theme#3: Strong demand for commodities



- Strong demand growth in China could drive raw material prices higher
- Iron ore and coal miners' plan to set contract prices closer to market price could hamper margins for steel manufacturers
- Bottlenecks now, but could reverse as Chinese manufacturers favor lower cost vs. quality raw materials and new supply coming up



Self-sufficiency in Iron ore



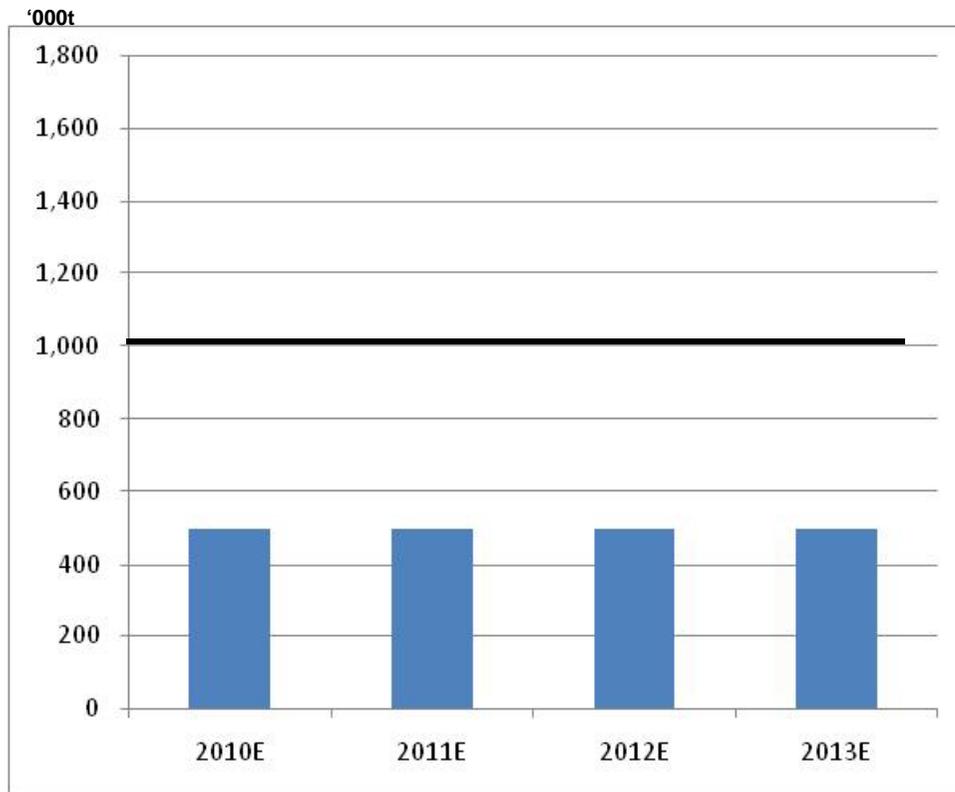
- Net long in iron ore supply from FY10E onwards – financially hedged
- Blending of different types of iron ore is required to maintain efficiency
- Targeted self-sufficiency at 60% from FY11 (~2.4mmt.) – operationally hedged
- Remaining quantities to be sold to spot market



Self-sufficiency in coke

SUPPLY OF COKE

Annual requirement: ~1 mmt.



- Fushan's FY09 production in raw coal was 6.2mmt., equiv. to our ownership in 1.5mmt. – financially hedged
- We do not own any coking plant and thus need to procure coke# but not coking coal
- Targeted self-sufficiency at 50% from FY11 (~0.5mmt.) – operationally hedged

#Roughly 1.3t coking coal can be processed into 1t coke



1

Overview - Summary

2

Operational Highlights

3

Business and Market Review

4

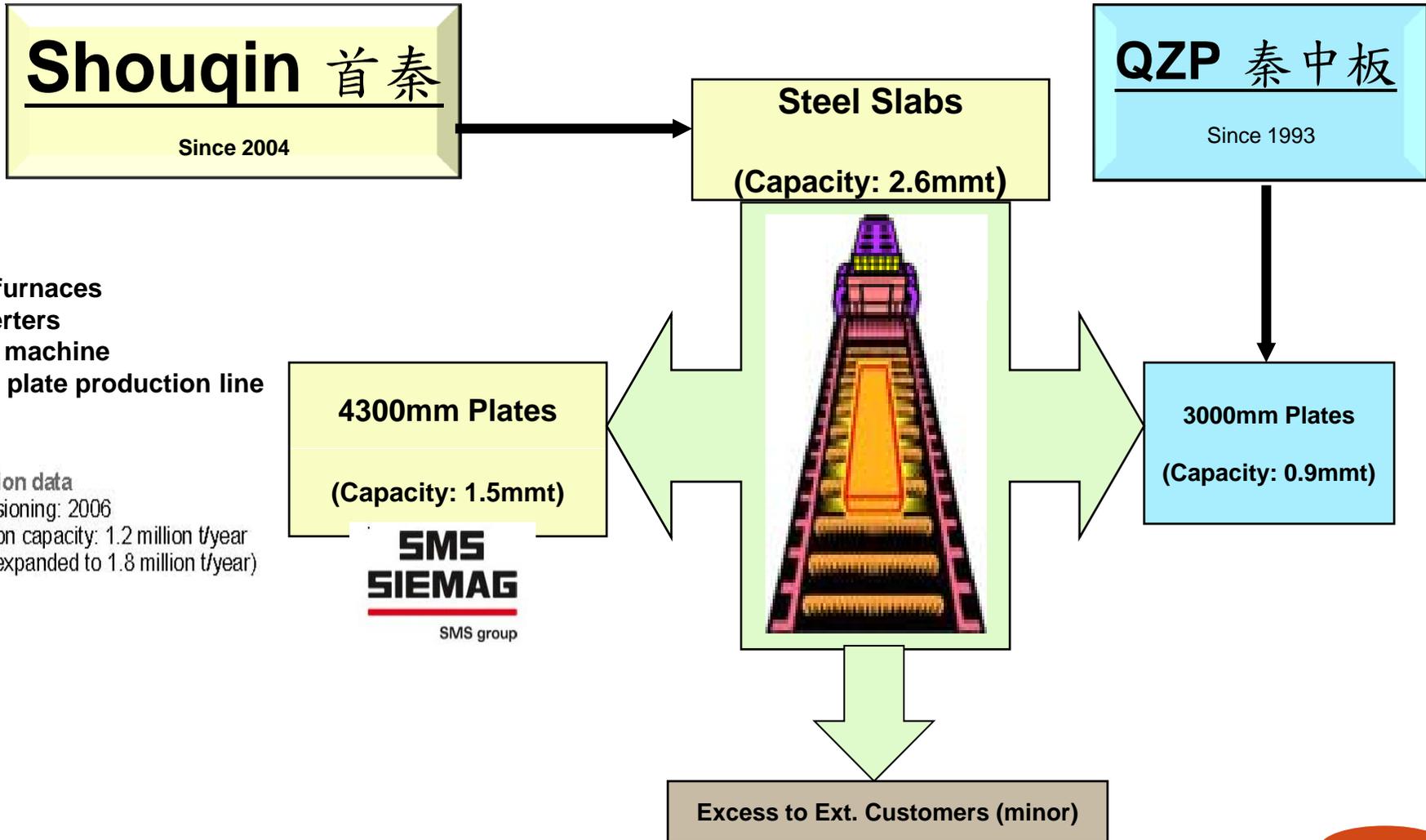
Conclusion

5

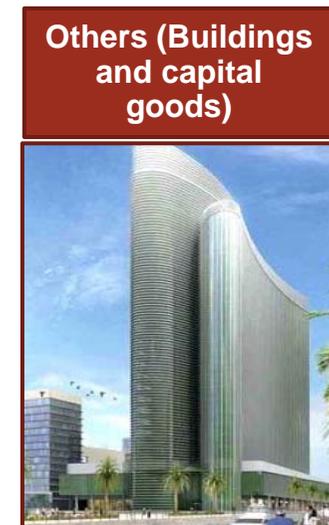
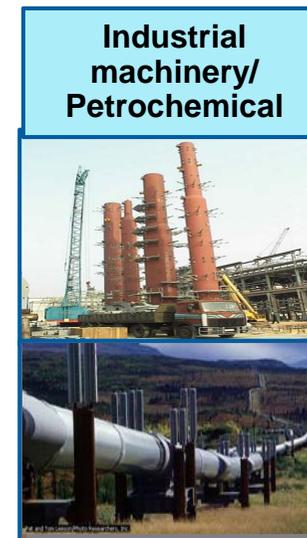
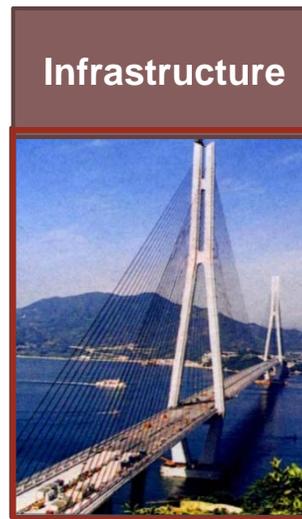
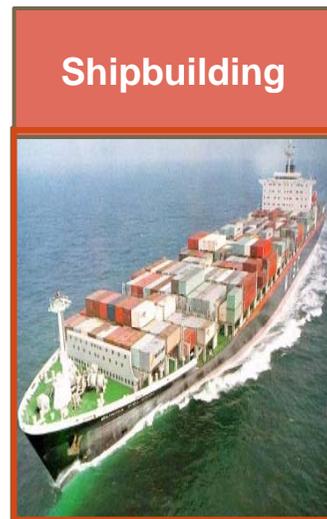
Appendix: 1H Results



Steel Manufacturing



Planned heavy plate output



Industry Breakdown on Our Heavy Plate Output

2009	35%	20%	35%	10%
2010E	25%	25%	40%	10%



Product demand/top customers

Pipeline steel plates

(X65, X70, X80 and above)



- West-East Gas transmission, China-Russia oil pipeline
- 5,000km pipelines are required (around 4 mmt.) p.a. to 2018

Ultra-thick plates



- Demand from new BF, larger boilers and hydro power stations

Top customers



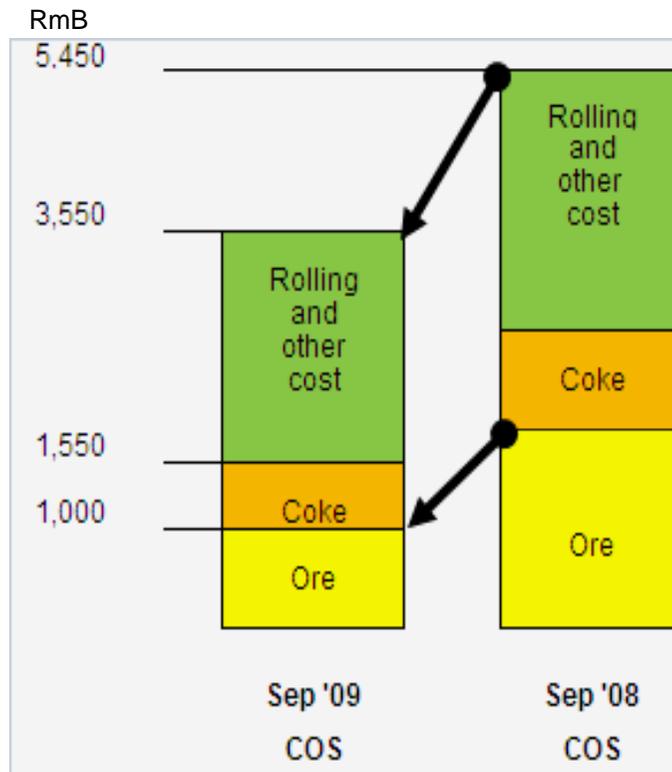
中国铁建



中国石油天然气股份有限公司
PetroChina Company Limited



Input cost trend



RmB p/t excl. VAT	W Av cost Sep '09	W Av cost Sep '08	Change y-o-y	Current price Mar '10	Change from Sep
Iron ore	660	1,150	-43%	950	+44%
Coke	1,630	2,750	-41%	1,800	+10%

Required per ton of steel: Approx. 1.6 t. of iron ore and 0.4 t. of coke

- COS is lower than that of LY but is on an upward trend
- Steel prices up cannot yet outpace rise in COS
- Remains one of the key risks of the industry
- Partial offset with own raw material source



Upstream: Australian iron ore



Lifelong Offtake at 10%
off Hamersley benchmark price

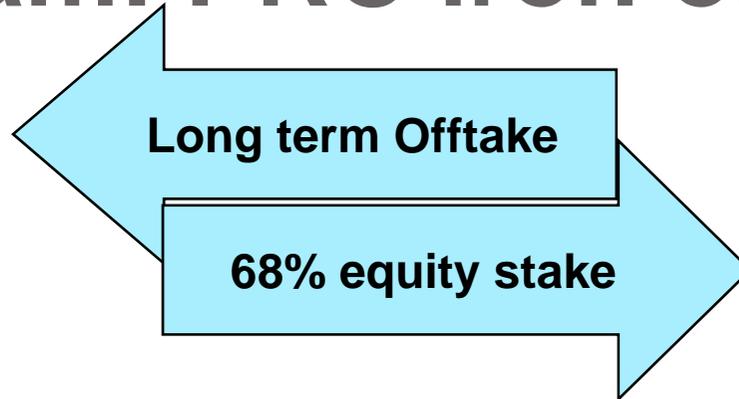


MOUNT GIBSON IRON LIMITED (MGX.AU)

- Production: 7 mmt. capacity (10 mmt. in FY11E); 80% of its available production is under perpetual offtake with us, i.e. about 3.2mmt. in FY10, expected to rise to 6mmt.
- Our cost: 10% off Hamersley benchmark price
- Our sales: most FY10 sales will be on FOB basis at Hamersley price + US\$1/t



Upstream: PRC iron ore



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

- Production: Planned for 1mmt. in concentrate with 2mmt. pelletizing capacity; started in Sep-09
- Strategic location: 25km away from our plant by road
- Operational hedge for blending purposes
- 343kt pellets sold @RmB835 (ex-VAT) in FY-09



Upstream: China coking coal



25% stake

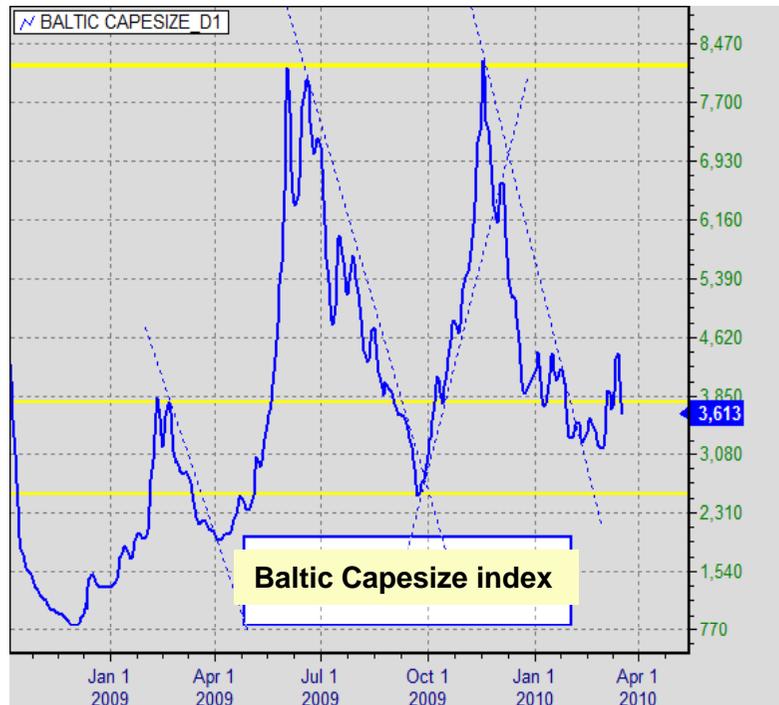


FUSHAN INT. ENERGY GROUP LTD. (639.hk)

- Second largest coking coal producer in Shanxi, PRC
- Production: 6.2mmt. of coking coal in FY09, capacity is expected to double soon
- Financially hedged (expect to be operationally hedged) to our coke needs



Shipping segment



Source: InvestmentTools.com

- 2 capesize vessels on 15-year leases since Sep-97, daily cost US\$24k
- One leased on LT, one at ST charter – all to independent third parties
- Acts as a hedge to steel manufacturing since this segment becomes more profitable when freight rates rise



SG Century: Associate



36% stake



SHOUGANG CONCORD CENTURY (103.hk)

- Engages in manufacture of steel cords for radial tires with plants in China
- Production capacity to triple in 2012 (to 160kt. p.a.) on booming demand for automobiles
- Principal shareholders also include NV Bekaert and Li Ka Shing Foundation Limited; our legacy investment



1

Overview - Summary

2

Operational Highlights

3

Business and Market Review

4

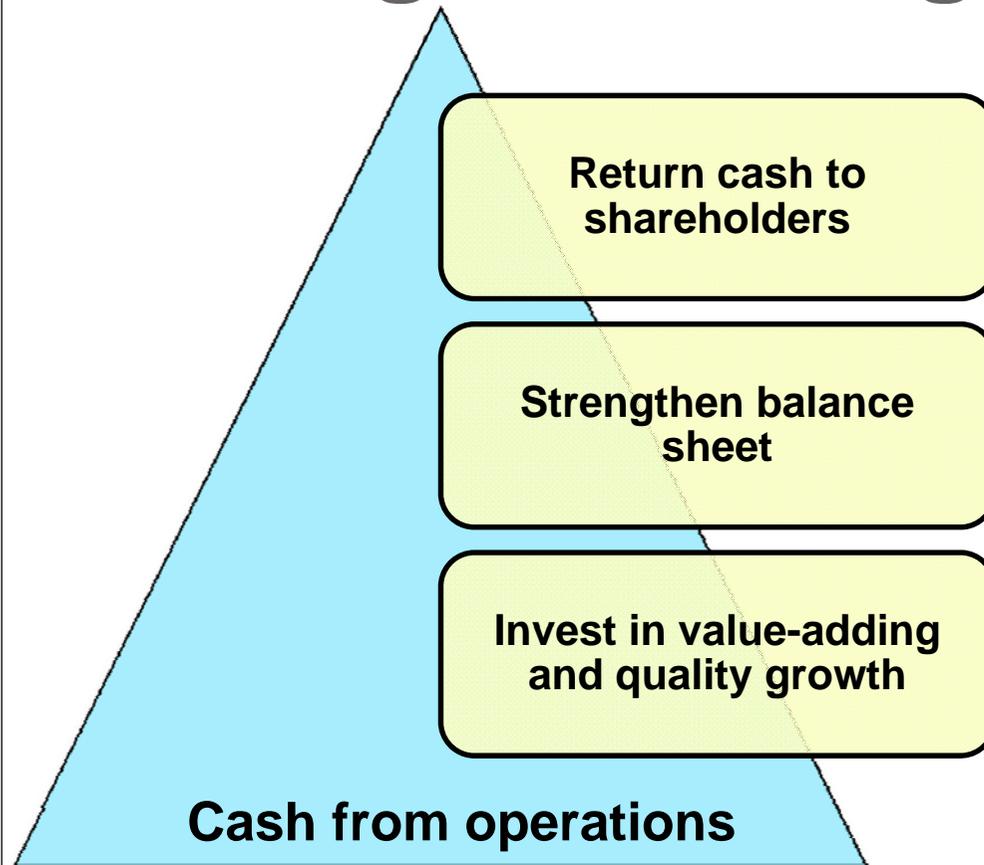
Conclusion

5

Appendix: 1H Results



Management targets



- Prioritize capital on value-adding and quality growth
- Capex reduced to RmB700m. p.a. in current operations
- Target leverage to normalize to 50%
- Commit to resume dividend payout at 35-45% of earnings



Growth by entity/segment

Coking coal	Fushan (25% owned)	<ul style="list-style-type: none"> Capacity >10mmt. in FY10E (Currently 6.3mmt.)
Iron ore	Mt. Gibson (Lifelong offtake)	<ul style="list-style-type: none"> Capacity >10mmt. in FY11E; available to us to grow from 3.3mmt. to 6mmt.(E)
Iron ore	SQLH (68% owned)	<ul style="list-style-type: none"> Capacity >1mmt. in FY11E
	Steel Manufacturing	<ul style="list-style-type: none"> Output at 2.4 mmt. in FY10E (0.9mmt. in 1H10; 1.5mmt. in 2H10)*
<p>* Due to new roughing mill installation, plate production would be lower in 1H10 vs. 2H10</p>		



Does ship-plates matter?

Yes

- Ship plates take up about 25% output FY10-11E (600-650ktp.a.)
- Increased supply both from Korea and China, while Korea can be self-sufficient soon, creating pricing pressure

Well, No...

- Hyundai Heavy commits 300-500ktp.a.
- We can switch output to meet demands from other industries (infrastructure, heavy machinery, etc.)
- New ship order and pricing bottoming out

Transformation of earnings profile is the best response to the challenges ahead with upstream contributions are expected to trump



Business Outlook



- Release of pent-up demand, stimuli-related and end of destocking from global economic recovery
- Demand growth in steel is in a steady upward trend in China



- Stimuli get unwound globally too soon
- Overcapacity in steel cannot be resolved
- High price high cost and low profitability in steel manufacturing

Earnings from upstream could shield us from cost pressure with upside on margin expansion in steel, we are well positioned into and beyond 2010



1

Overview - Summary

2

Operational Highlights

3

Business and Market Review

4

Conclusion

5

Appendix: FY09 Results



Extract of balance sheet

HK\$million	2009	2008	Change
NON-CURRENT ASSETS	18,482	11,165	+66%
<i>(including associates)</i>	6,212	668	+830%
CURRENT ASSETS	5,765	9,863	-42%
<i>(including inventory)</i>	1,620	1,886	-14%
<i>(including bank and cash)</i>	1,653	4,034	-59%
TOTAL ASSETS	24,247	21,028	+15%
TOTAL LIABILITIES	14,506	11,966	+21%
<i>(including bank borrowings)</i>	9,909	7,280	+36%
	<u>9,741</u>	<u>9,062</u>	
Net debt vs. Total capital	46.9%	26.5%	



Steel Mfg: Shouqin (76% owned)

HK\$'M	2009	2008	Change
Turnover ¹	8,770	14,859	-41%
<i>Depreciation</i>	593	483	+23%
<i>Stock impairment</i> ²	210	93	+126%
Gross (loss)/profit	(612)	2,464	
GP%	-7.0%	16.6%	
(Loss)/PAT	(1,151)	1,655	
Attributable to the Group*	(931)	1,279	



Note 1: Including sales of slabs to QZP (09: HK\$2,709M, 08:\$4,750M) and turnover of downstream processing centre (09: \$132M)

Note 2: Stock impairment in FY09 includes HK\$200m. direct cost for loss of productivity in Early '10 due to overhaul work

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

Improvement in 2H09 was unable to cover loss for the year (1H09: Loss HK\$724M)



Shouqin: Operational stat

In '000t.	2009	2008	Change
(i) Slabs			
Production	2,379	2,650	-10%
Sales	936	985	-5%
(ii) Plates			
Production	1,290	1,462	-12%
Sales	1,277	1,444	-12%

	2009	2008
GP%		
Slabs	4.0%	9.2%
Plates	-4.7%	20.6%
ASP*(RmB)		
Slabs	2,957	4,250
All Plates	3,727	6,080

Sales in '000 t.			
	2009	2008	Change
Ship Plates	470	732	-36%
Pipeline Plates	104	51	+104%
Bridge Plates	89	35	+154%
Others	614	661	-7%
	1,277	1,479	-14%



* Ex-VAT of 17%

Steel Mfg: QZP (100% owned)

HK\$'M	2009	2008	Change
Turnover	2,997	5,757	-48%
Gross (loss)/profit	(164)	608	
GP%	-5.4%	10.6%	
(Loss)/PAT*	(278)	208	



In '000t	2009	2008	Change
Sales	763	812	-6%

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

Improvement in 2H09 but still difficult overall (1H09 net loss HK\$225M)



Mineral Exploration Segment

HK\$'M	2009	2008
Turnover SQLH	<i>Sep-Dec</i> → 325	-
Attributable to group		
Disposal of Mt. Gibson shares shares, net	1,115	-
Mt. Gibson offtake SQLH	69 (48)	25 (3)
sub-total	1,136	22
Share of Fushan results	<i>Sep-Dec</i> → 40	-
Gain on acq of Fushan, net	136	-



Profitable operations from quality assets as one of the earnings drivers for the Group



Steel and iron ore trading

	2009	2008	Change
In '000t			
Mt. Gibson ore	3,429	132	25x
Steel products	101	348	-71%
ASP (US\$)			
Mt. Gibson ore	72.8	41.0	78%
Steel products	674.0	1,047.6	-36%
Profit p/t(US\$)			
Mt. Gibson ore	1.7	1.0	70%
Steel products	4.1	7.5	-45%
Net profit (HK\$m.)	44	28	57%

➤ Mainly trades Mt. Gibson iron ore and export of plates from QZP

➤ For iron ore trading, we were doing blended FOB/CIF sales of different costs in FY09 (MT: \$56/t in Jan-Jun '09; LT: \$54/t during Jul-Dec'09)

Turnaround in 2H09, an important earnings driver for the foreseeable future



Shipping: 100%

HK\$'M	2009	2008
Turnover	197	499
Gross Profit	35	330
<i>GP%</i>	17.8%	66.1%
PAT	31	333



- Buoyant but volatile market in the year, rebound since Q209
- Continue our strategy to ride on the curve (one LT one ST charter)-ST at US\$35k/day in Mar-10

Turnaround from loss-making 1H09, profitable at prevailing BCI



SEHK:697



首長國際企業有限公司

SHOUGANG CONCORD INTERNATIONAL ENTERPRISES
COMPANY LIMITED

TRANSFORMATION

SHOUGANG CONCORD INTERNATIONAL ENTERPRISES CO., LTD.

