

SHOUGANG CONCORD INTERNATIONAL ENTERPRISES CO., LTD.

For the year ended 31 December 2012



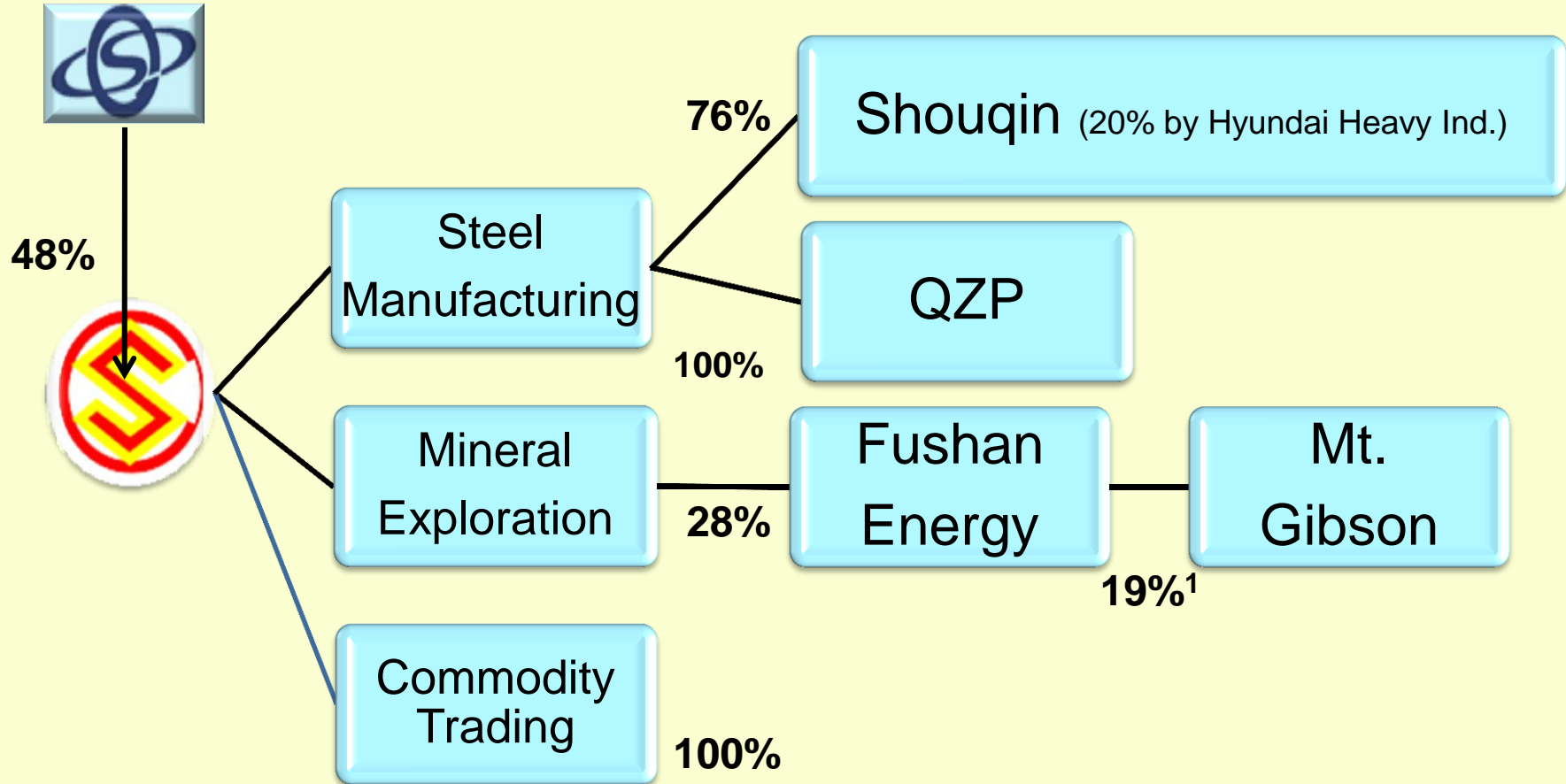
Annual Results Presentation

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**
- **A vertically integrated operation from raw material base (iron ore and coking coal) to manufacturing (iron, steel, slab to plate)**



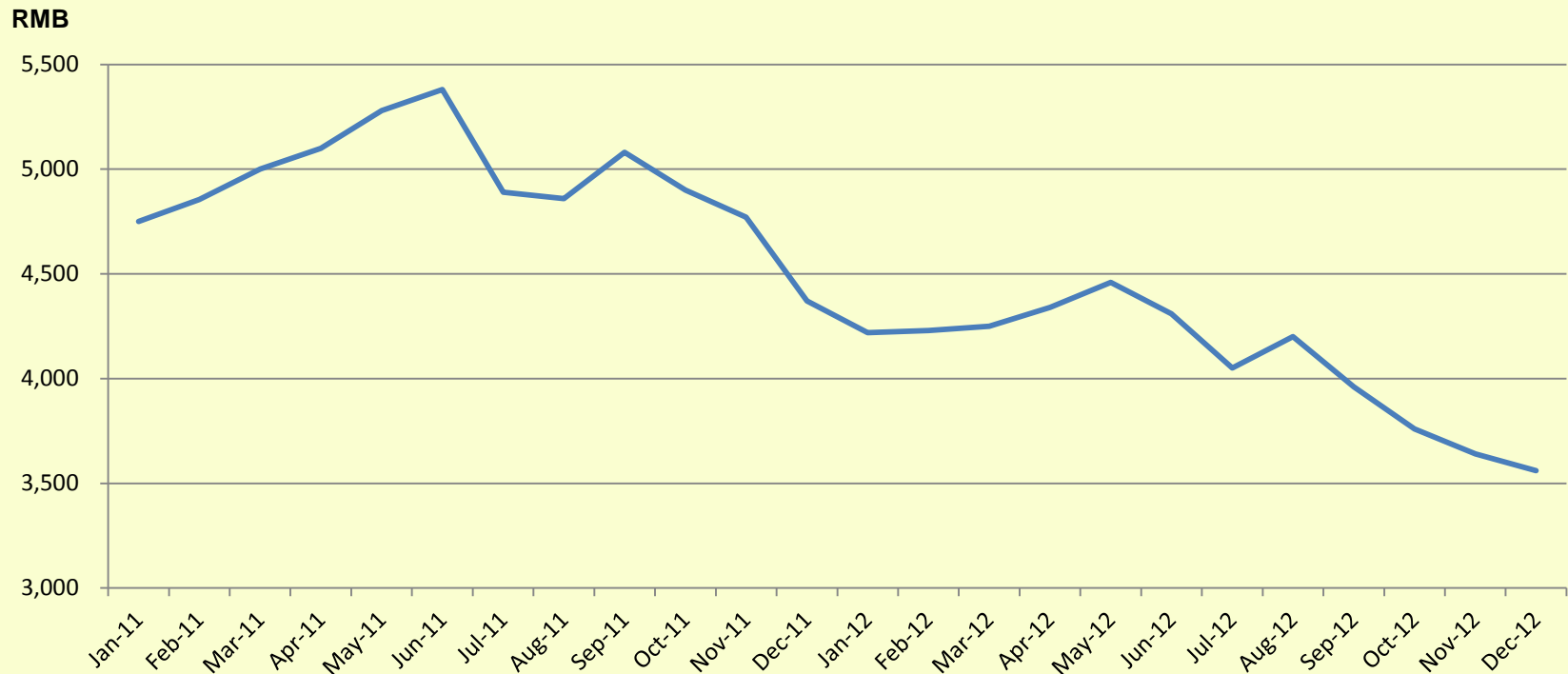
Corporate Structure



1: Effective stake should be 15% direct, and 4% indirect (via 14% in APAC which holds 26%)



Steel Price (Net of VAT)



Due to excessive production and imbalance of supply and demand , steel price was weak during the year of 2012

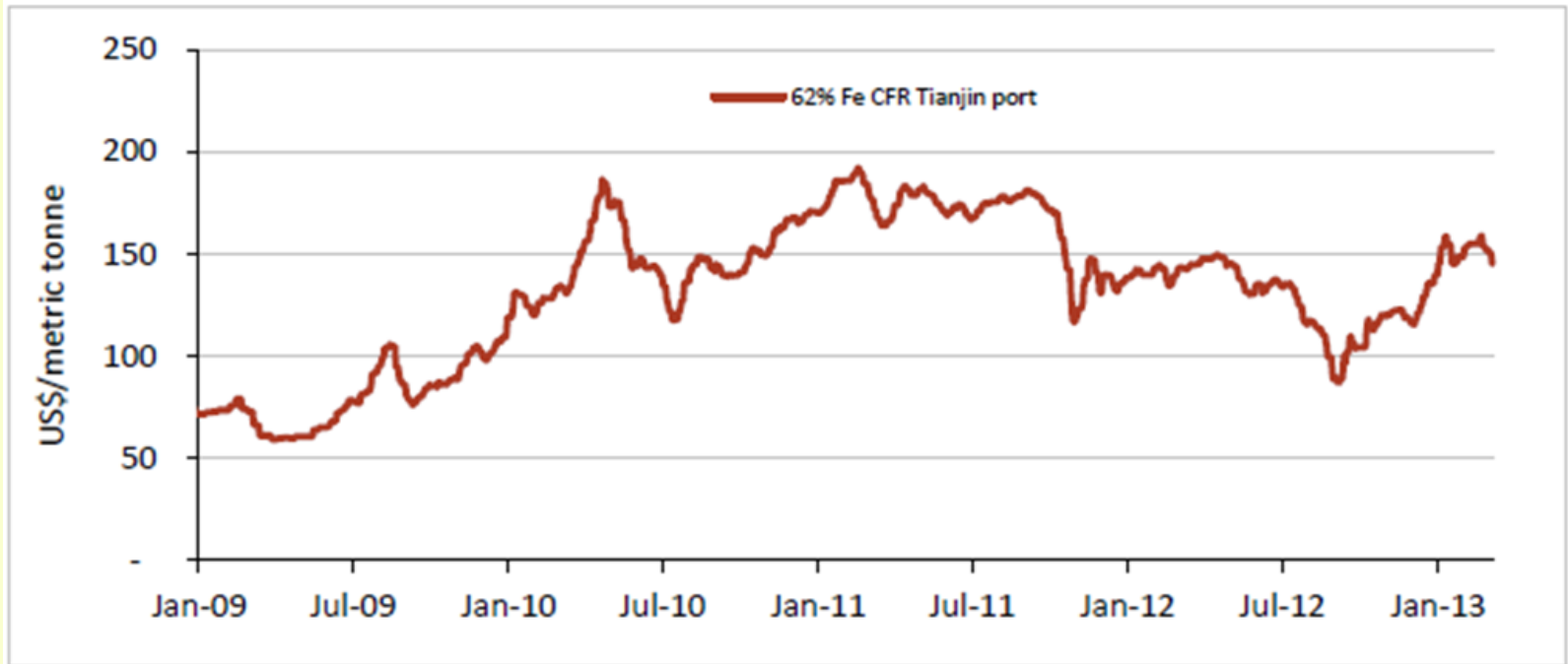
Source : Shouqin



Iron Ore Price

2009 - 2012YTD Charts

62% Fe CFR Tianjin port (US\$/t)

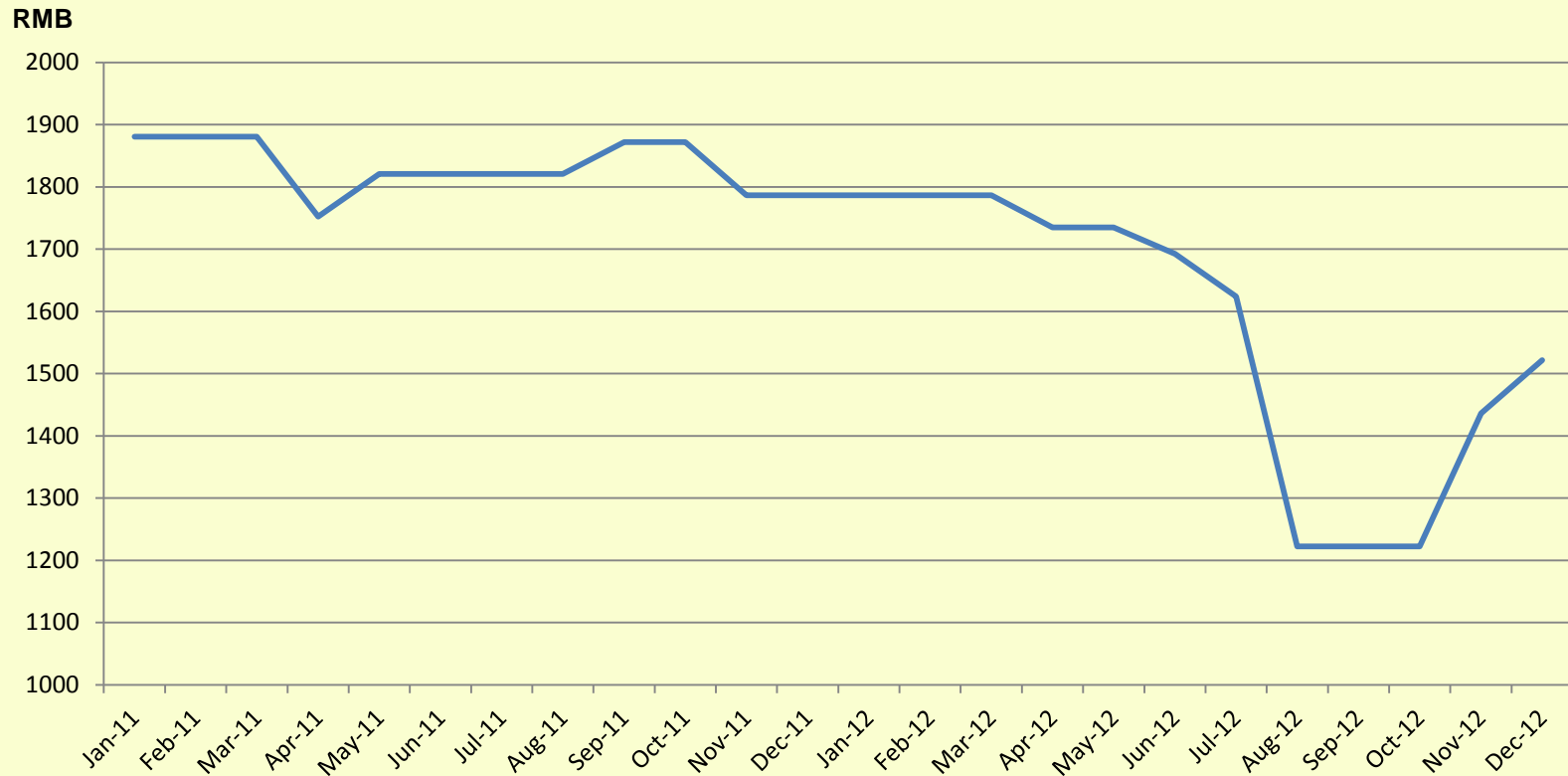


Source : Macquaire

Iron ore is the most important raw material in producing steel, one ton of steel plate requires 1.6 tonnes of iron ore



Coke Price



**Coke price is the second important element in producing steel.
One ton of steel plate requires 0.4 ton of coke.**

Source : Shouqin



Financial Highlights

HK\$'M	2012	2011	Change
Turnover	16,216	21,249	-24%
Attributable (loss)/profit	(1,947)	152	N/A
Including Mineral exploration segment	174	630	-72%
Steel Mfg segment	(1,648)	(617)	N/A
EBITDA	(323)	1,599	N/A
Net debt to total capital	46.6%	44.3%	2.3%
Basic EPS (HK cents)	(21.75)	1.78	N/A
Net asset per share (HK\$)	0.90	1.13	-20%



Turnover and net profit/(loss)

HK\$' M	Turnover			Profit/(loss)		
	2012	2011	Change	2012	2011	Change
Steel Manufacturing	11,245	14,282	-21%	(1,648)	(616)	-168%
Mineral exploration	625	1,488	-58%	174	630	-72%
Commodity Trading	4,337	5,462	-21%	(41)	79	N/A
Others	9	17	-47%	(402)	156	N/A
	<u>16,216</u>	<u>21,249</u>	<u>-24%</u>	<u>(1,917)</u>	<u>249</u>	<u>N/A</u>
Discontinued operation -						
Shipping	76	94	-19%	(30)	(97)	69%
	<u>16,292</u>	<u>21,343</u>	<u>-24%</u>	<u>(1,947)</u>	<u>152</u>	<u>N/A</u>



Consolidated Balance Sheet

HK\$'M (As at 31 Dec)	2012	2011	Change
NON-CURRENT ASSETS	20,716	21,857	-5%
Including: Associates	7,585	7,574	0%
Including: Fixed assets, net	12,052	12,581	-4%
CURRENT ASSETS	8,670	11,704	-26%
Including : Bank and cash	2,342	2,473	-5%
LIABILITIES	20,923	22,446	-7%
Including: Bank borrowings	10,743	12,350	-13%
SHAREHOLDERS' EQUITY	8,093	10,148	-20%
Non controlling interest	370	967	-62%



Net Debt and Leverage Profile

Net Debt and Leverage Profile

HK\$'M	31-Dec-12	31-Dec-11
Total debt	10,743	12,350
From parent and related co	869	1,010
Sub-total	<u>11,612</u>	<u>13,360</u>
Cash and bank	2,435	2,940
Net debt	9,177	10,258
Net debt to total capital	47%	44%
Net debt to total assets	31%	31%

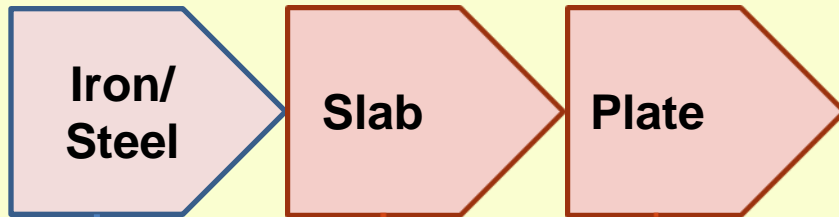


Cash Flow Profile

HK\$'M



Steel Manufacturing



Shouqin 首秦

Vertically integrated steel mill; Capacity:
3.6mtpa in slabs* and 1.8mtpa in plates
(4.3m width max.)

QZP 秦板

Re-roller
0.8mtpa in plates
(3m width max.)



Sales and production data

In '000 mt.	Slabs		Heavy Plates	
For the year ended 31 December	2012	2011	2012	2011
(i) Production				
Shouqin	2,473	2,553	1,623	1,759
Qinhuangdao Plate Mill	-	-	585	609
Total	2,473	2,553	2,208	2,368
Change	-3%		-7%	
(ii) Sales				
Shouqin#	701	571	1,619	1,753
Qinhuangdao Plate Mill	-	-	547	566
Total	701	571	2,166	2,319
Change	+23%		-7%	

#Difference between production and sales of slabs is mainly represented by those consumed by Shouqin internally to produce heavy plates; slabs sales mainly made towards Qinhuangdao Plate Mill and are eliminated on consolidation



Steel Manufacturing

Shouqin HK\$'M	2012	2011	Change
Turnover (note)	10,890	13,375	-19%
Dep. & Amortization	734	732	0%
Finance cost	579	418	39%
Stock impairment	115	48	140%
Gross (loss)/profit	(1,003)	(18)	N/A
GP%	-9.2%	-0.1%	N/A
Net loss*	(1,907)	(785)	143%
EBITDA	(594)	389	N/A
Attributable to the Group	(1,490)	(560)	166%
QZP			
Turnover	2,898	3,792	-24%
Dep. & Amortization	33	47	-30%
Financial cost	55	47	17%
Stock impairment	12	3	300%
Gross (loss)/profit	7	100	-93%
GP%	0.2%	2.6%	-2.4%
Net loss*	(158)	(57)	177%
EBITDA	70	73	-4%



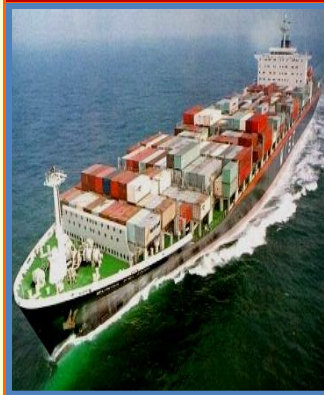
Note: Including sales of slabs to QZP HK\$2,385M (FY:2011: HK\$2,705M) and turnover of down stream processing centre at HK\$291M (FY 11 : HK\$688M)

All figures are shown before elimination of intercompany, except *attributable loss which is shown after elimination (Shouqin: 76% owned. QZP: 100% owned)



Heavy Plate Output

Shipbuilding



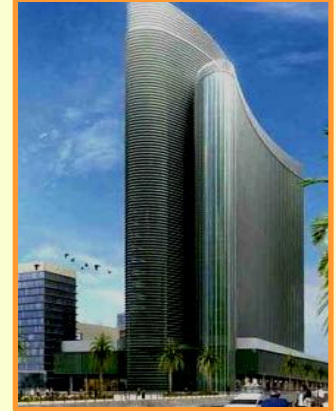
Petrochemical



**Industrial machinery/
Infrastructure**



**Others (Buildings
and capital
goods)**



Industry Breakdown on Our Heavy Plate Output

FY11

30%

20%

40%

10%

FY12

25%

15%

50%

10%



Mineral Exploration

HK\$'M	2012	2011	Change
Turnover			
SQLH (Note 1)	1,543	2,550	-39%
Represented by:			
Sales vol. ('000t)	1,100	1,586	-31%
ASP (HK\$)	1,325	1,578	-16%
Attributable (loss)/profit to group*			
SQLH (Note 2)	(312)	(32)	N/A
Share of Fushan results	469	554	-15%
Gain on deemed acq.	17	108	-84%
	<u>174</u>	<u>630</u>	<u>-72%</u>

Note: Including sales of pellets to Shouqin at HK\$881M (2011: HK\$1,062M)

Impairment loss on mining assets and PP&E in the amount of HK\$57M and HK\$184M respectively has been made by SQLH.

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



Commodity Trading: Mt Gibson ore



Lifelong Offtake at below
Platts price



MOUNT GIBSON IRON LIMITED (MGX.AU)

- ◆ Supplier for trading business
- ◆ Production: lifelong offtake contract with us since Jul '09 for 80% production, about 4 mmt. In FY12, covering 70% of Talling Peak and 100% of Koolan Island.
- ◆ Pricing based on Platts (1-month lagging)
- ◆ 3.4 mmt. sold in 2012



Mineral Exploration: Fushan



28% equity stake



SHOUGANG FUSHAN RESOURCES GROUP LTD.

- ◆ Production: Premium HCC >6mmt. p.a. in Shanxi
- ◆ Financially hedged to our coal needs
- ◆ Committed to distribute $\geq 40\%$ of earnings as dividends



Commodity Trading

	2012	2011	Change
Mt. Gibson ore			
Volume ('000)	3,359	2,933	15%
ASP (US\$/t)	123	163	-25%
(loss)/profit (US\$/t)	(1.4)	4.2	N/A
Turnover (HK\$M)			
Mt. Gibson ore	3,269	3,715	-12%
Others	1,067	1,747	-39%
	<u>4,336</u>	<u>5,462</u>	<u>-21%</u>
Net (loss)/profit (HK\$M)	(41)	80	N/A

◆ Mainly trades Mt. Gibson iron ore, coal and steel products

◆ Unfavorable swings in iron ore price hurt profits as cost is determined on 1-month lag; generally weak trading environment



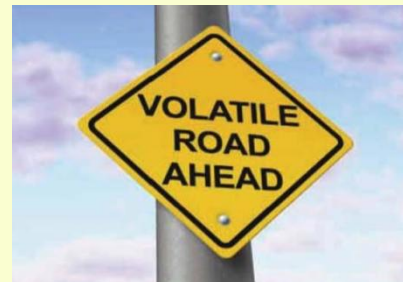
Discontinue Operation - Shipping

- ◆ 15-year leases (sale-and-leaseback) on 2 vessels ended in Q312
- ◆ This segment loss was HK\$30M for 2012(HK\$97M – 2011)



Conclusion

- ◆ Extremely difficult operating environment with most large steel mills suffering losses
- ◆ Overcapacity and excessive production are still key issues, demand growth also slows currently
- ◆ Upstream contribution continues to help the difficult steel manufacturing segment
- ◆ Consider opportunities to expand upstream and re-allocate capital to value-adding growth although we predict volatile road ahead



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Annual Results Presentation

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