



首長國際企業有限公司
香港聯交所股份代號: 697



Forward looking

**SHOUGANG CONCORD
INTERNATIONAL
ENTERPRISES CO., LTD.**

Six months ended 30 June 2011

Index

1

Overview-Summary

2

Review of Segments

3

Group Outlook

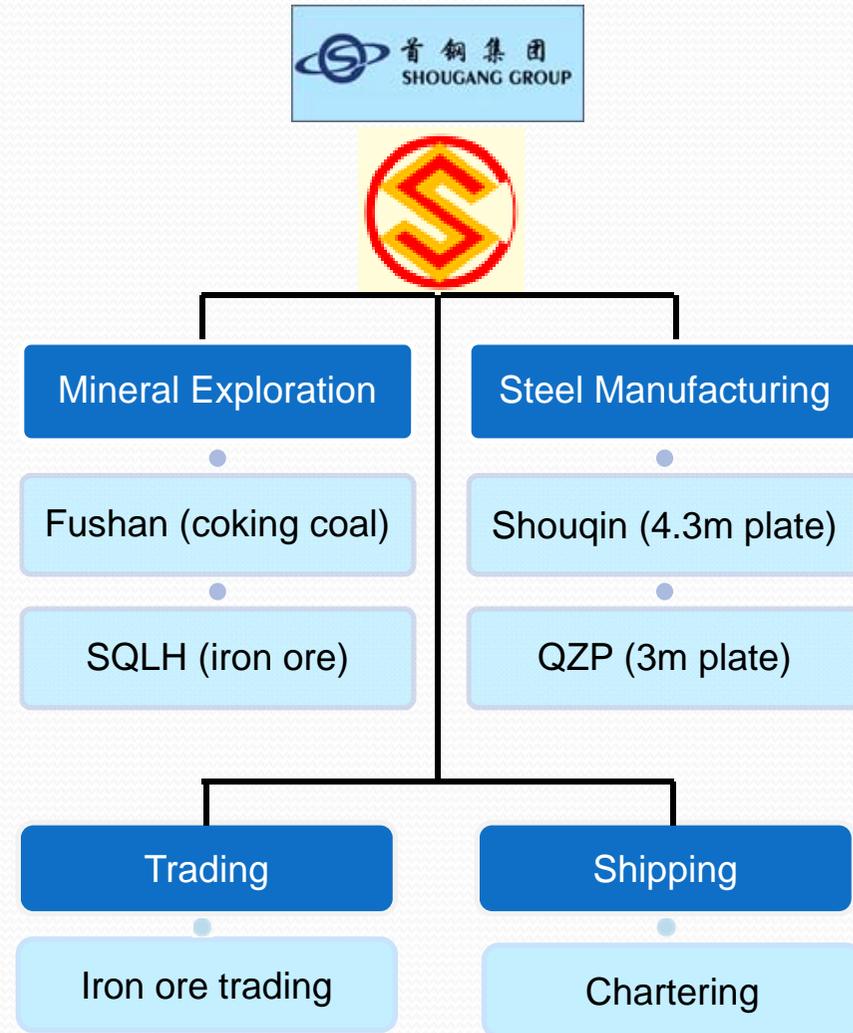
4

Appendix-Financials



Group overview

- ◆ Hong Kong based red-chip in heavy plate manufacturing with interests in upstream assets
- ◆ An integral part of Shougang Corporation (47% holding*), SOE with >35mmt. steel capacity (No. 5 in China, FY10)
- ◆ All around earnings profiles including upstream interests (iron ore and coking coal), steel manufacturing and trading businesses along the entire value chain



*42% as of 30 Jun 2011. 47% from July 2011.

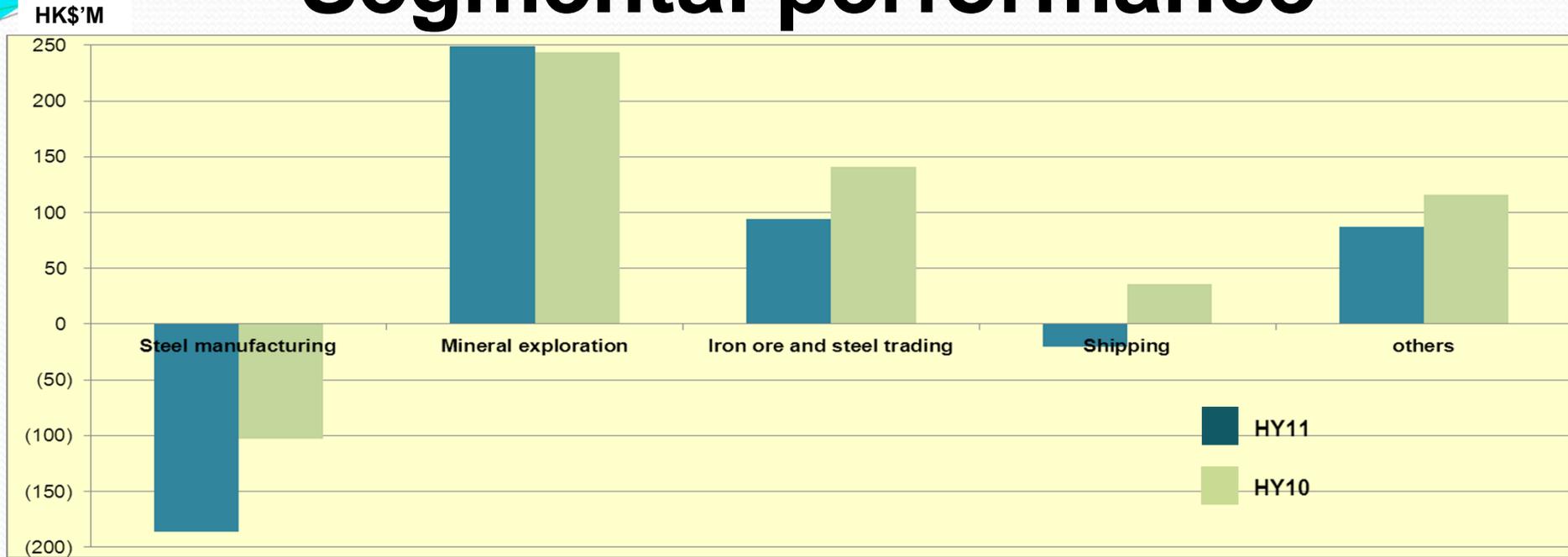
Financial highlights

HK\$'M	1H11	1H10	Change
Turnover	10,445	6,948	50%
Attributable Profit/(loss)	214	434	-51%
<i>Including: Mineral exploration</i>	249	244	2%
<i>Including: Steel manufacturing</i>	(187)	(103)	82%
<i>Including: Mt. Gibson offtake gain</i>	120	147	-18%
EBITDA	958	1,005	-5%
Basic EPS (HK cents)	2.6	5.3	-51%
Net assets	9,698	9,022	7%
Net asset per share (HK\$)	1.19	1.10	8%

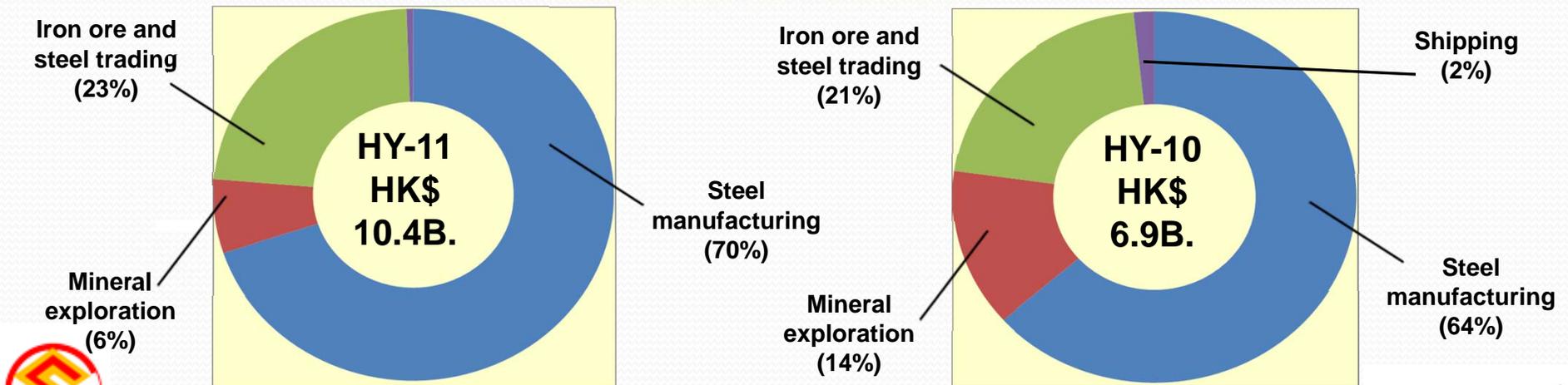
Weak steel manufacturing is compensated by contribution from upstream (mineral exploration) segment



Segmental performance

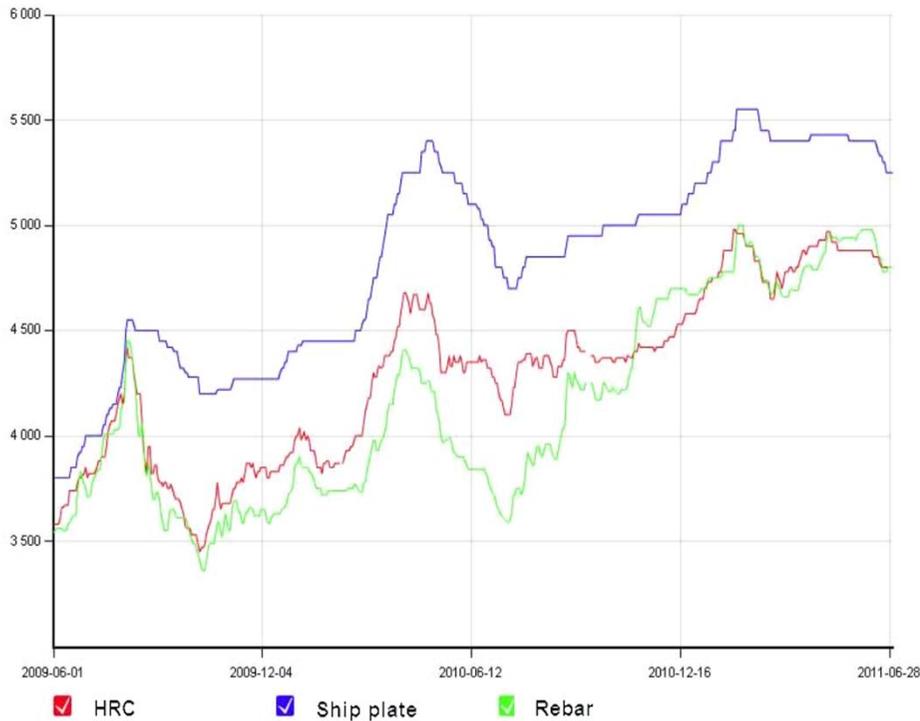


Turnover by segment in %



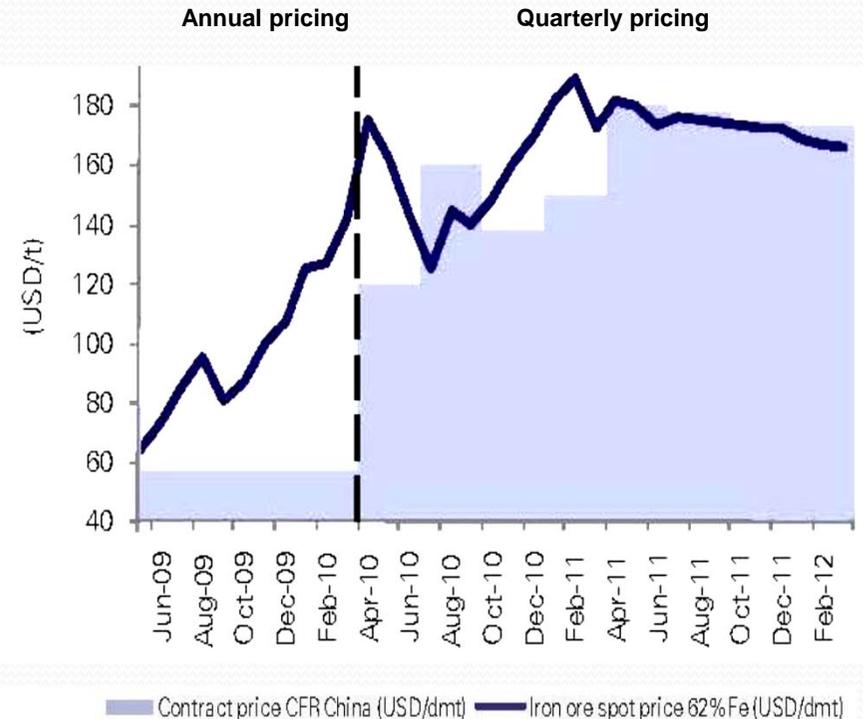
Theme #1: High price/cost

Shanghai Trade price (RmB/t)



Source: mysteel, Deutsche Bank, Platts

Avg. Iron ore prices rising by 50% (US\$/t)



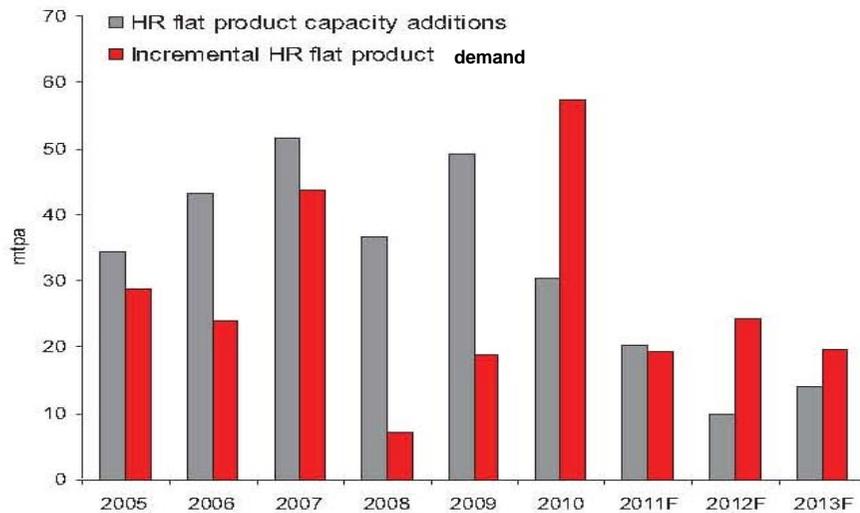
Source: Platts, SGX AsiaClear and Deutsche Bank calculations. Iron ore futures pricing as of 29 July 2011

Steel prices are higher but raw material cost has risen even faster, resulting in margin squeeze

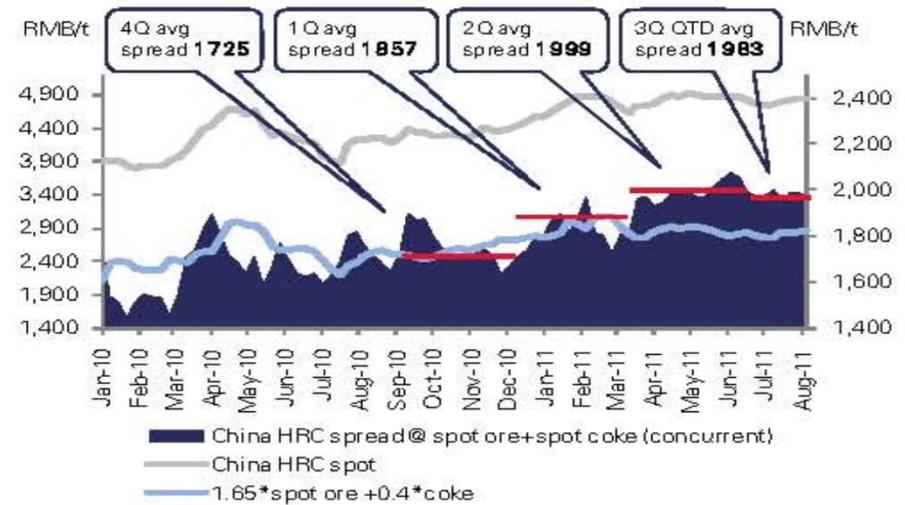


Theme# 2: Turnaround coming?

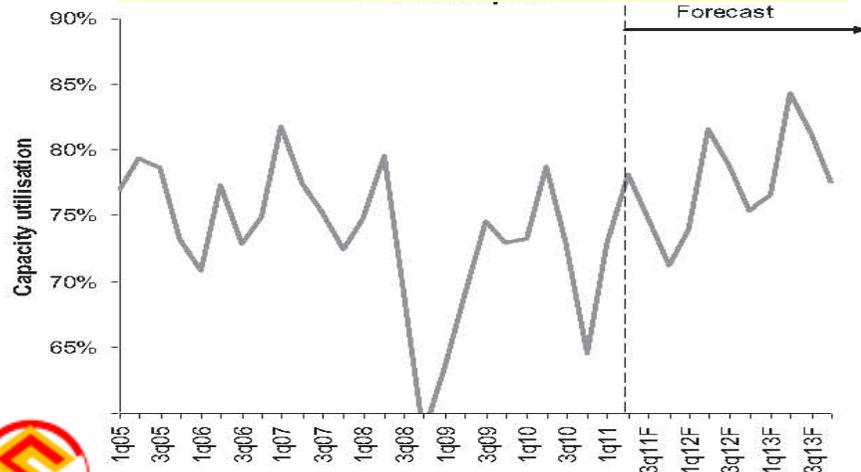
HR flat: Capacity addition vs. demand increase



HR spread (Price-RM) trend ('10-3Q'11)



HR flat utilization



HR profitability forecast (to Q2'12)



Source: mysteel, Macquarie, Platts, Deutsche Bank

Steel manufacturing



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



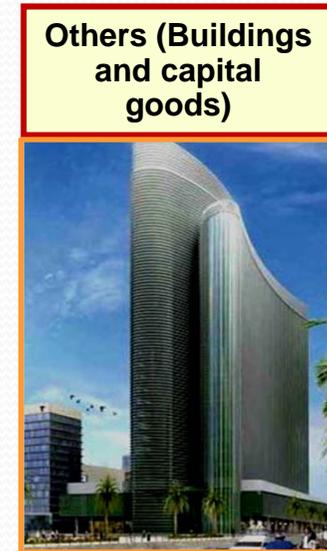
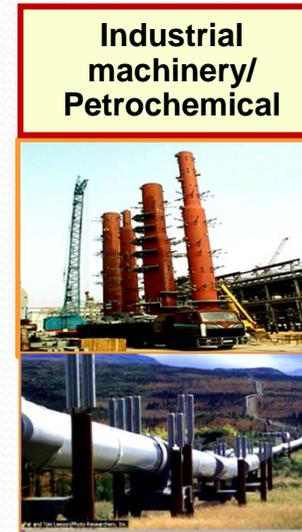
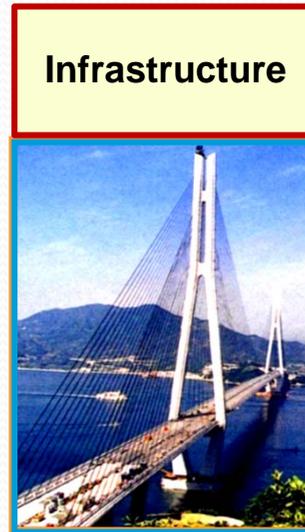
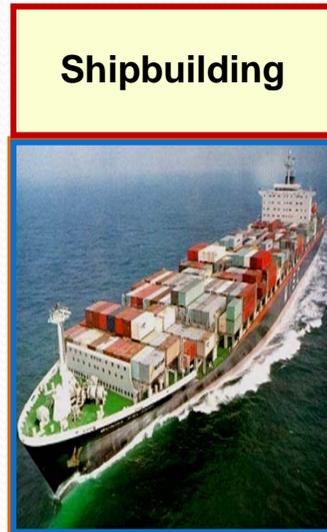
QZP 秦板
 Re-roller
 0.8mtpa in plates
 (3m width max.)

Top Customers



*Shouqin owns 3 slab casters with total capacity of 3.6mmt., while the raw steel capacity (limited by size of blast furnace) is only 2.6mmt. Therefore, fully utilized casters means approx. 2.6mmt. in slabs currently.

Planned Heavy Plate Output



Industry Breakdown on Our Heavy Plate Output

FY10	40%	20%	30%	10%
FY11E	30%	20%	40%	10%



Mineral exploration: Fushan



27%* equity stake



SHOUGANG FUSHAN RESOURCES GROUP LTD.

- ◆ Production: Raw coal 3.55mmt (HY11) in Shanxi, PRC
- ◆ Current GP >70%; expansion plan in pipeline
- ◆ Financially hedged to our coke needs
- ◆ Committed to distribute $\geq 40\%$ of earnings as dividends

*24.4% as of 30 June 2011. 27.2% from July 2011.



Mineral exploration: SQLH



68% equity stake



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

- ◆ Production: Planned for 1mmt. in concentrate with 2mmt. pelletizing capacity; pellet plant started in Sep '09
- ◆ 8% GP in HY11 due to operational redesign and maintenance that affected production
- ◆ 0.7mt. pellets sold at HK\$1,572/t (RmB1,321, ex-VAT) in HY11



Trading: Mt. Gibson Iron ore



Lifelong Offtake at below
Platts price



MOUNT GIBSON IRON LIMITED (MGX.AU)

- ◆ Production: 7 mmt. capacity (10 mmt. in FY11E); 80% of its *available production** is under lifelong offtake with us since Jul '09, about 3.2mmt. in FY11E
- ◆ Our cost: Commission and operating adjustments off Netback Platts price
- ◆ 1.25mmt. sold at spread of about HK\$67/t (US\$8.6) in HY11

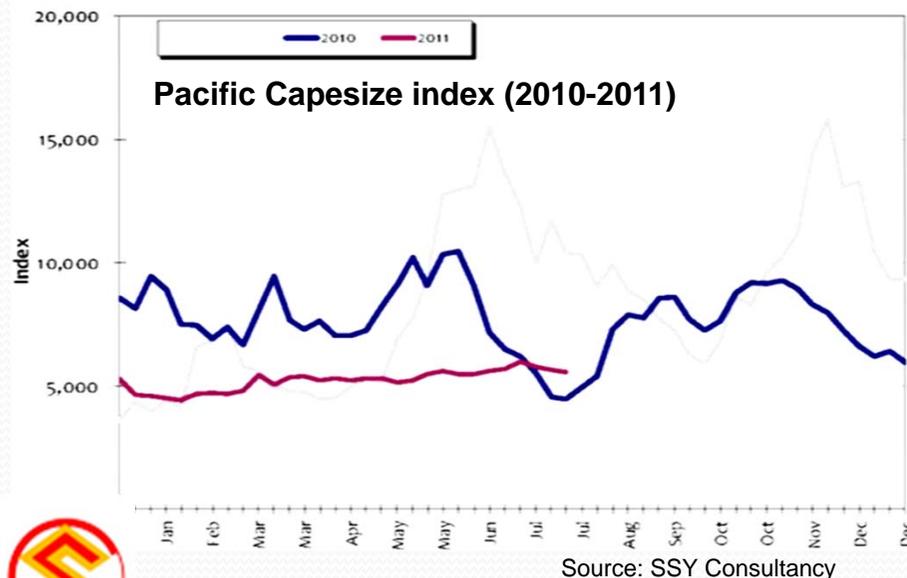


*Available production does not include Extension Hill. It represents approximately 70% of Talling Peak and of Koolan Island currently.

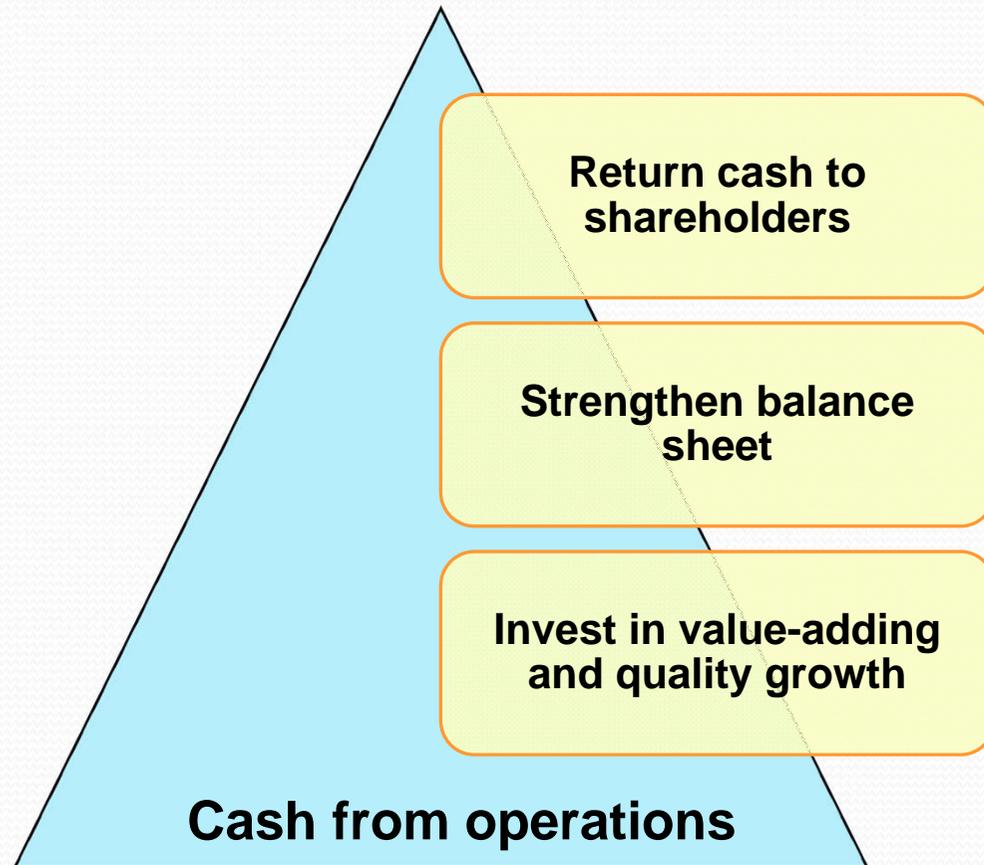
Shipping



- ◆ 2 capesize vessels on 15-year leases (sale-and-leaseback) till Q3,'12, daily cost HK\$187k(US\$24k)
- ◆ Market remains depressing; outlook slightly negative in the next 12-18 months
- ◆ Acts as a hedge to steel manufacturing for importing of raw materials



Management targets



- ◆ Prioritize capital on value-adding and quality growth
- ◆ Capex reduced to below HK\$660m. (RmB550m.) p.a. (approx. 70% are final payments of finished works)
- ◆ Target leverage to normalize to 50%
- ◆ Resume long term dividend payout at 30-40% of earnings



Growth by entity/segment

Coking coal	<p>Fushan (27% owned*)</p>	<ul style="list-style-type: none"> • Coal output >6mmt. with upcoming new capacity
Iron ore	<p>Mt. Gibson (Lifelong offtake)</p>	<ul style="list-style-type: none"> • Ore capacity at 10mmt. in FY11, 3.2mmt. to us
Iron ore	<p>SQLH (68% owned)</p>	<ul style="list-style-type: none"> • Pellet output at 2 mmt in FY11E (FY10: 1.7mmt.)
	<p>Steel Manufacturing</p>	<ul style="list-style-type: none"> • Plate output at 2.4 mmt. in FY11E (FY10: 1.8mmt.)



* From end of July 2011

Conclusion on steel industry

Raw material (Iron ore and coking coal)

Supply progressively increases

Price dwindles downwards



Steel demand vs. capacity

Capacity addition slows with some elimination enforced

Incremental demand exceeds capacity growth



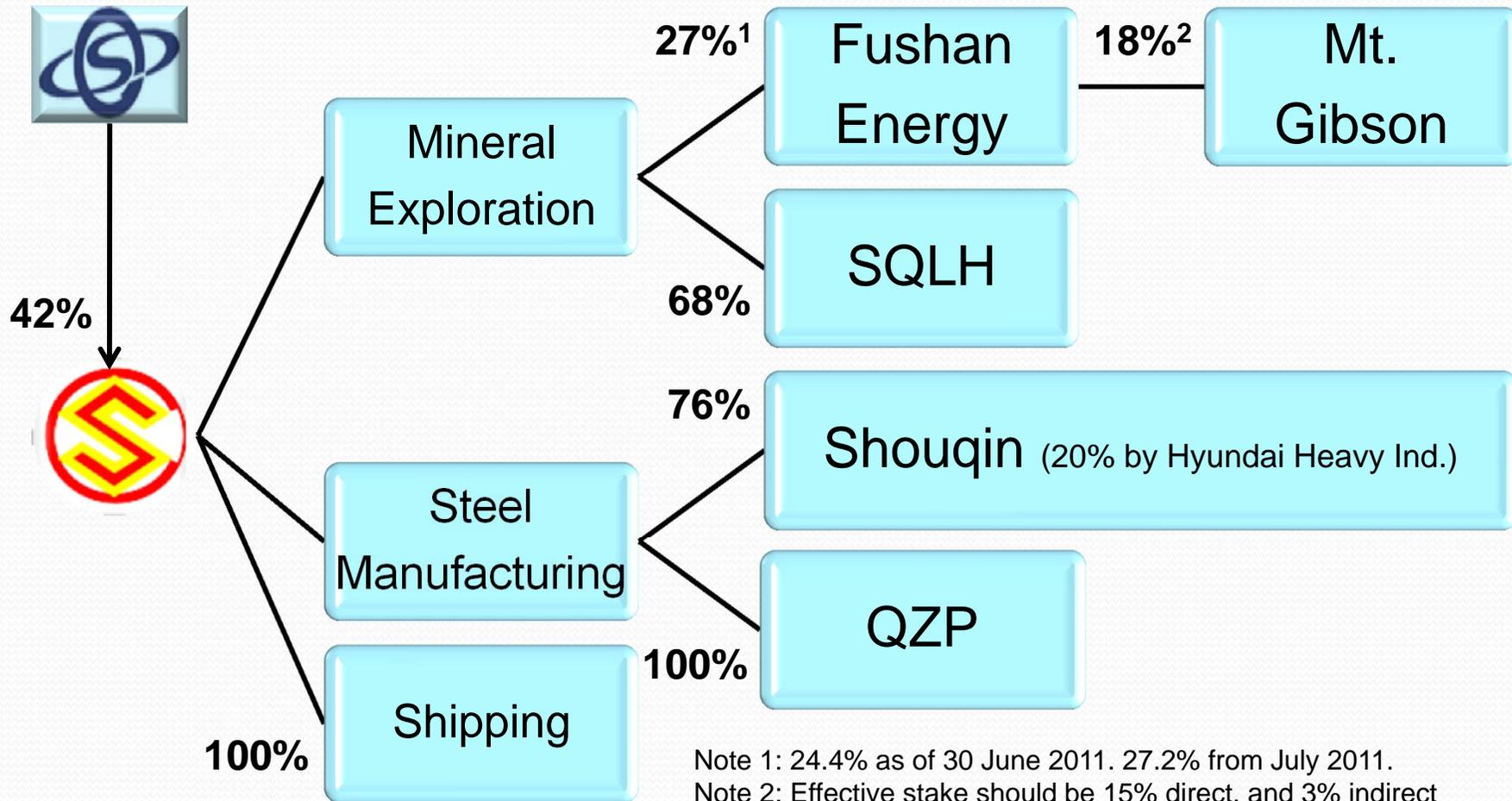
Capacity utilization

Higher utilization

Improved profitability



Corporate structure



Note 1: 24.4% as of 30 June 2011. 27.2% from July 2011.
 Note 2: Effective stake should be 15% direct, and 3% indirect (via 14% in APAC which holds 25%)



Extract of balance sheet

HK\$'M (As at 30 June)	2011	2010	Change
NON-CURRENT ASSETS	20,453	19,198	7%
<i>Including: Associates</i>	6,889	6,285	10%
<i>Including: Fixed assets, net</i>	12,644	11,780	7%
CURRENT ASSETS	10,041	8,421	19%
<i>Including: Bank and cash</i>	2,217	2,004	11%
LIABILITIES	19,697	17,416	13%
<i>Including: Bank borrowings</i>	10,582	10,750	-2%
SHAREHOLDERS' EQUITY	9,698	9,022	7%
Non controlling interest	<u>1,099</u>	<u>1,181</u>	-7%
Leverage ratios:			
<i>Net debt/(capital+debt)</i>	41.2%	44.2%	-7%
<i>Net debt/capital</i>	86.3%	96.9%	-11%



Mineral exploration

- Upstream operations

HK\$'M	1H11	1H10	Change
Turnover - SQLH (note)	669	956	-30%
Gross profit	56	166	-66%
GP%	8.4%	17.4%	
Attributable (loss)/profit			
SQLH (68%)*	(16)	54	
Fushan (24%)	265	189	40%
	<u>249</u>	<u>243</u>	2%



Note: Including sales of pellets to Shouqin at HK\$431M (HY10: HK\$269M)

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



SHOUGANG FUSHAN



Steel manufacturing

SHOUQIN

HK\$'M	1H11	1H10	Change
Turnover (note)	6,789	4,676	45%
<i>Depreciation</i>	370	288	28%
Gross profit	192	211	-9%
<i>GP%</i>	2.8%	4.5%	
Loss	(175)	(65)	
Attributable loss*	(146)	(33)	

QZP

Turnover	2,137	1,712	25%
<i>Depreciation</i>	53	63	-16%
Gross profit	74	9	722%
<i>GP%</i>	3.5%	0.5%	
Loss	(41)	(69)	
Sub-total	(187)	(103)	



Note: Including sales of slabs to QZP HK\$1,520M (HY10: HK\$1,798M) and turnover of downstream processing centre at \$396M (HY10: \$165M)

All figures are shown before elimination of intercompany, except *attributable loss which is shown after elimination



Operational statistics

In '000t.	1H11	1H10	Change
(i) Slabs			
Production	1,280	1,137	13%
Sales (note)	326	553	-41%
(ii) Plates			
SHOUQIN			
Production	855	504	70%
Sales	849	505	68%
QZP			
Production	334	334	0%
Sales	319	304	5%



Note: Difference between production and sales of slabs is mainly represented by those consumed by Shouqin internally to produce heavy plates; slab sales are mainly made towards QZP (HY11: 319kt; HY10: 450kt), and are eliminated on consolidation.



Iron ore and steel trading

	1H11	1H10	Change
Mt. Gibson ore			
Ext. sales vol. ('000t.)	1,254	1,421	-12%
ASP (US\$)	166	114	46%
Net profit p/t - in US\$	8.7	13.4	-35%
Net profit p/t - in HK\$	67.5	103.9	
Turnover (HK\$M.)			
Mt Gibson ore	1,702	1,255	36%
Steel products etc.	268	210	28%
Coke trades	443		N/A
	<u>2,413</u>	<u>1,465</u>	65%
Net profit (HK\$M.)¹			
Mt Gibson ore	88	140	-37%
Others	6	2	>100%
	<u>94</u>	<u>142</u>	

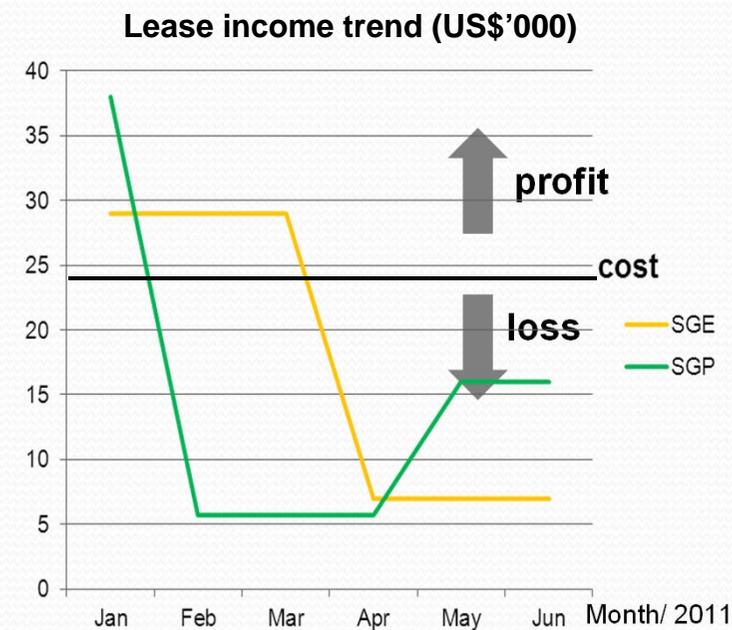
- ◆ Mainly trades Mt. Gibson iron ore, steel products and coke
- ◆ Lower output from Mt. Gibson due to flooding. Some lump trades in Q2 also negatively impacted margin. New trades help drive profits



Note 1: The split is for illustration only.

Shipping

HK\$'M	1H11	1H10	Change
Turnover	66	115	-43%
Gross profit/(loss)	(17)	38	
GP%	-25.8%	33.0%	
(Loss)/net profit	(20)	36	





首長國際企業有限公司
香港聯交所股份代號: 697



Forward looking

**SHOUGANG CONCORD
INTERNATIONAL
ENTERPRISES CO., LTD.**

Six months ended 30 June 2011