



SHOUGANG CONCORD INTERNATIONAL ENTERPRISES COMPANY LIMITED

Stock code : 697

FOR THE SIX MONTHS ENDED 30 JUNE 2013

INTERIM RESULTS PRESENTATION



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- **Company Overview**
- **Industry Overview**
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- **Operation Review**

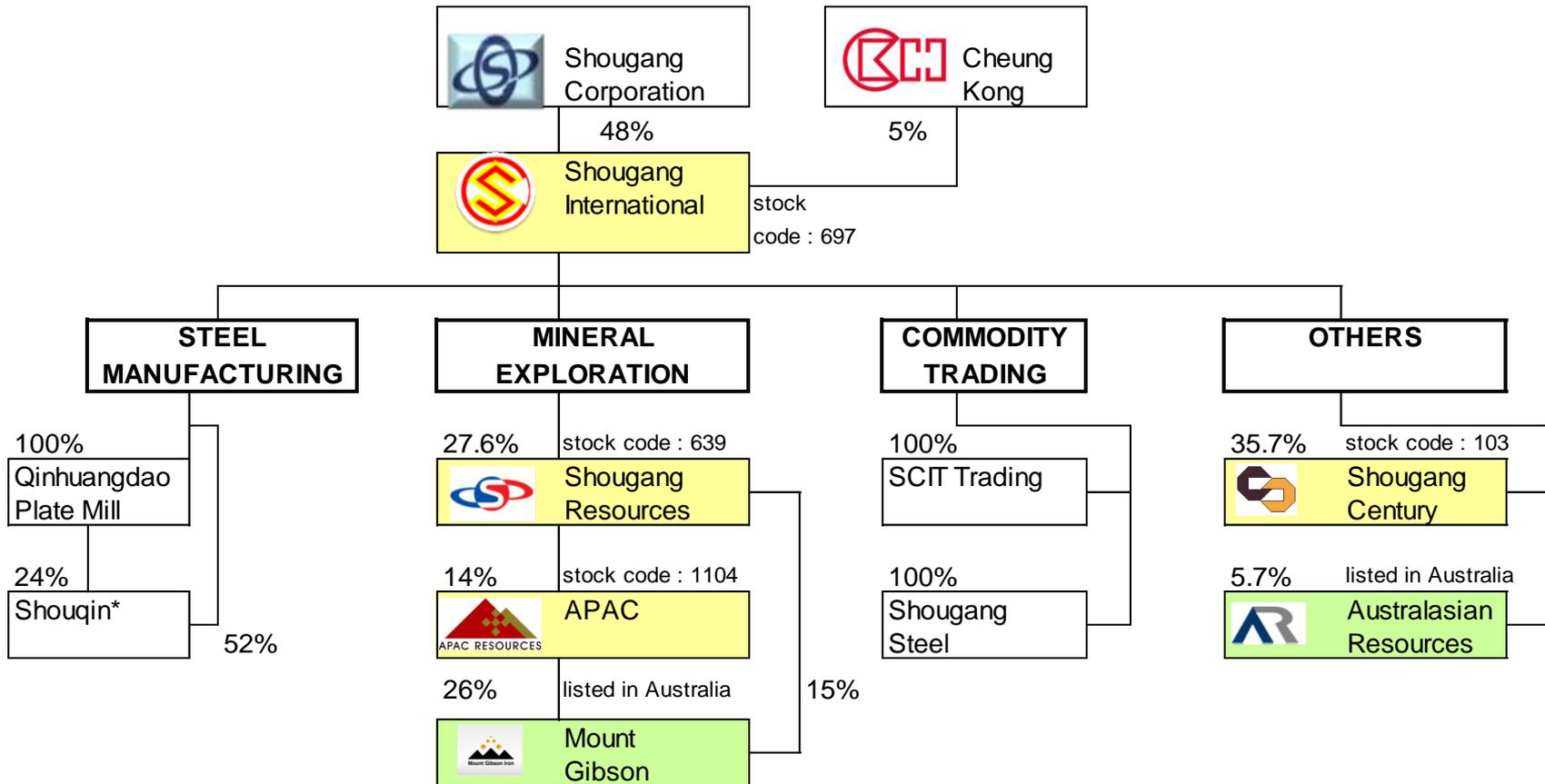


Company Overview

- **Listed in Hong Kong since 1992 through acquisition of Tung Wing Steel (Holdings) Ltd.**
- **Controlling shareholder is Shougang Corporation, which is under the supervision of the Beijing State-Owned Assets Supervision and Administration Commission.**
- **Strategic shareholder also includes Cheung Kong (Holdings) Ltd.**
- **Specialized on steel manufacturing and production of heavy plates in PRC**
- **A vertically integrated operation from raw material base (iron ore and coking coal) to manufacturing (iron, steel, slab to plate)**



Corporate Structure



* Shouqin is a JV between Shougang Corp. (4%), Shougang Concord Int'l (76%) and Hyundai Heavy Ind. (20%)



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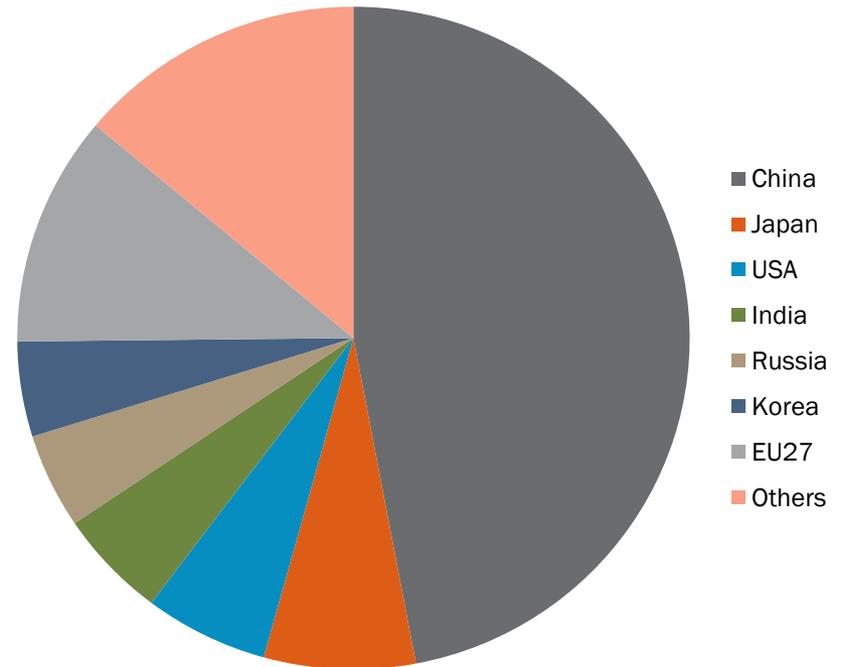


Global Steel Production

For the year of
2012

**Crude steel
Production**
(in 100
million tonnes) %

China	7.1	46.9%
Japan	1.1	7.1%
USA	0.9	5.9%
India	0.8	5.1%
Russia	0.7	4.7%
Korea	0.7	4.7%
EU27	1.7	11.0%
Others	2.1	14.6%
World Total	15.1	100.0%



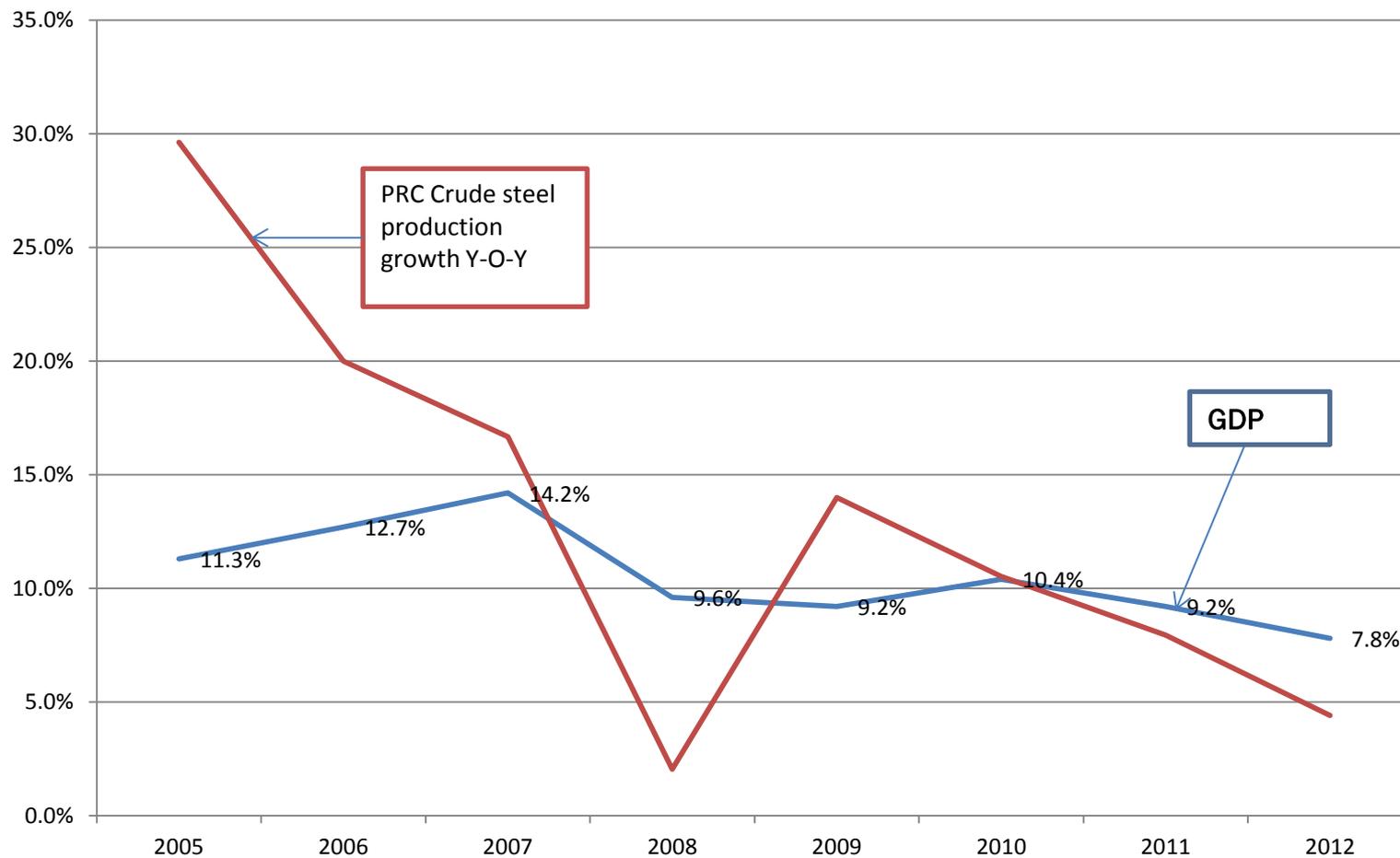
The crude steel production of China increased from 1.3 hundred million tonnes in 2000 to 7.1 hundred million tonnes in 2012, represent a CAGR of 15.4%.



World Economy

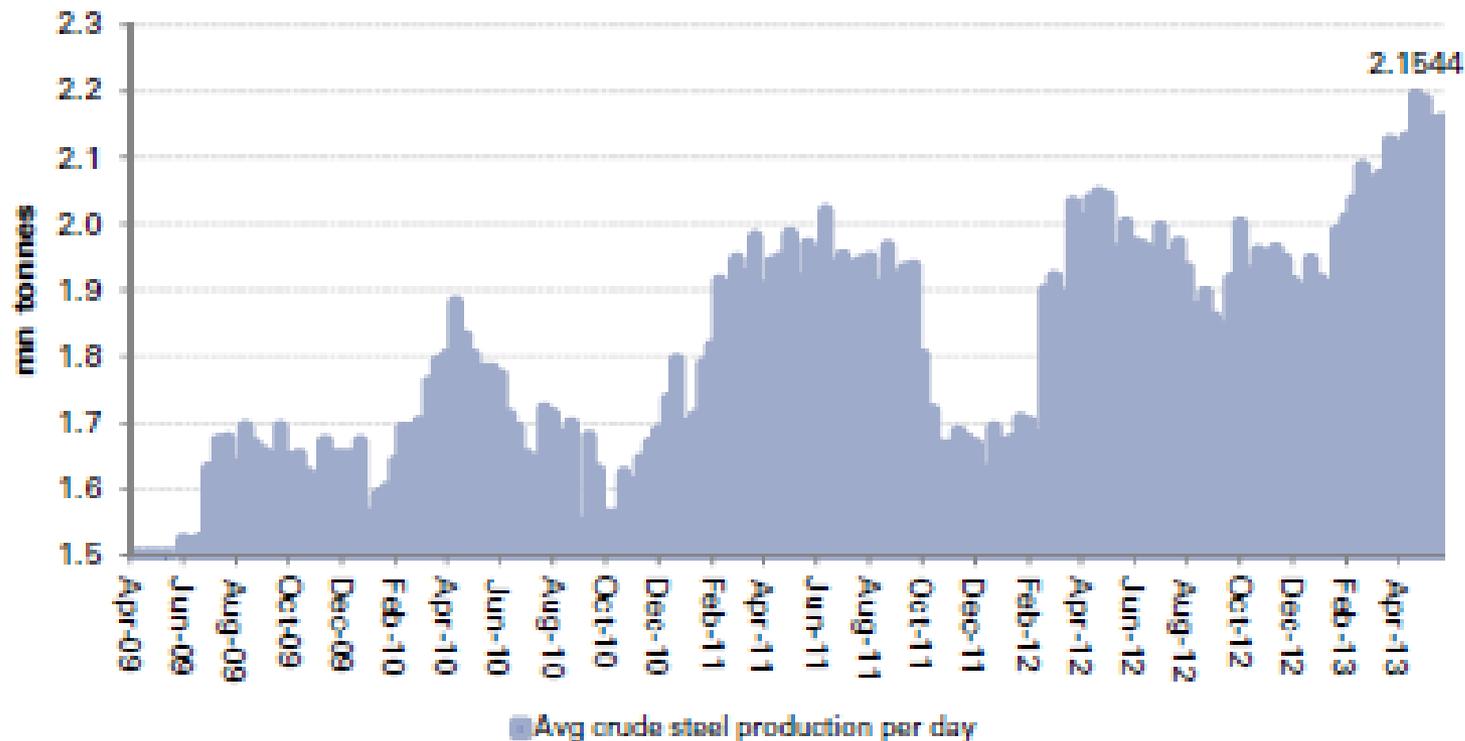


China Economy



Daily Crude Steel Production

China's average steel production per day

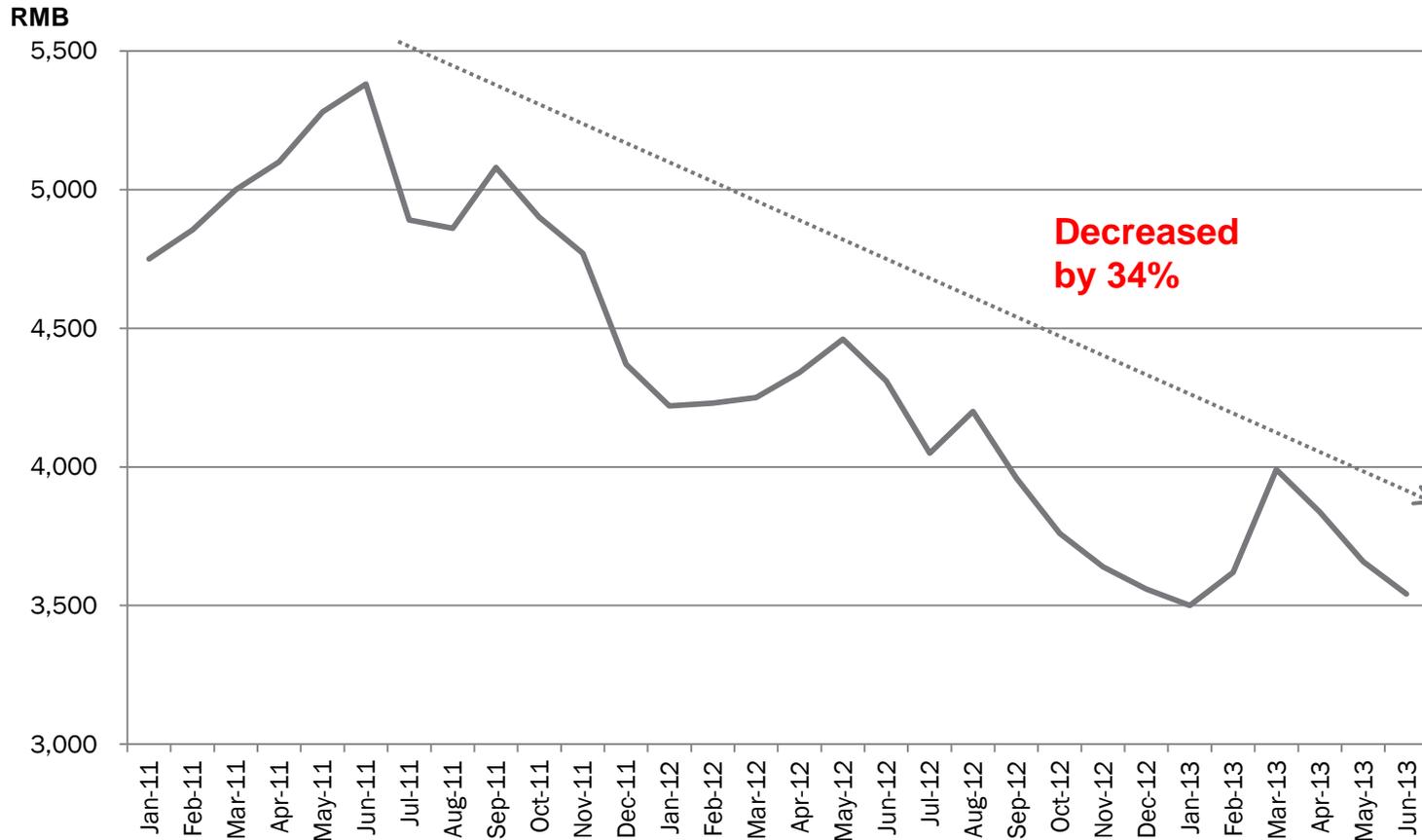


Source: CISA

China's daily steel production in the first 10 days of June implies annualized production of around 785 mn tonnes



Steel Price (Ex-VAT)



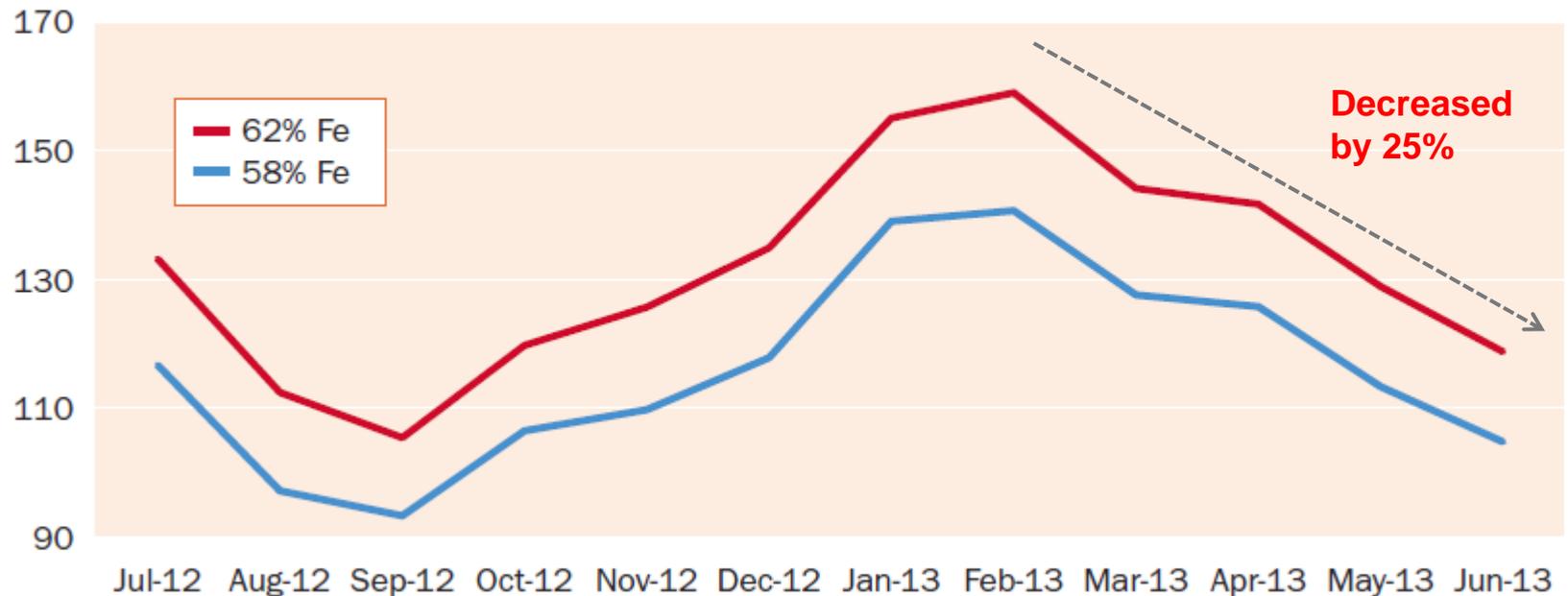
Due to excessive production and imbalance of supply and demand , steel price was still weak during the first half of 2013

Source : Shouqin



Iron Ore Price

Platts 62% & 58% Fe iron ore monthly averages CFR China (\$/dmt)



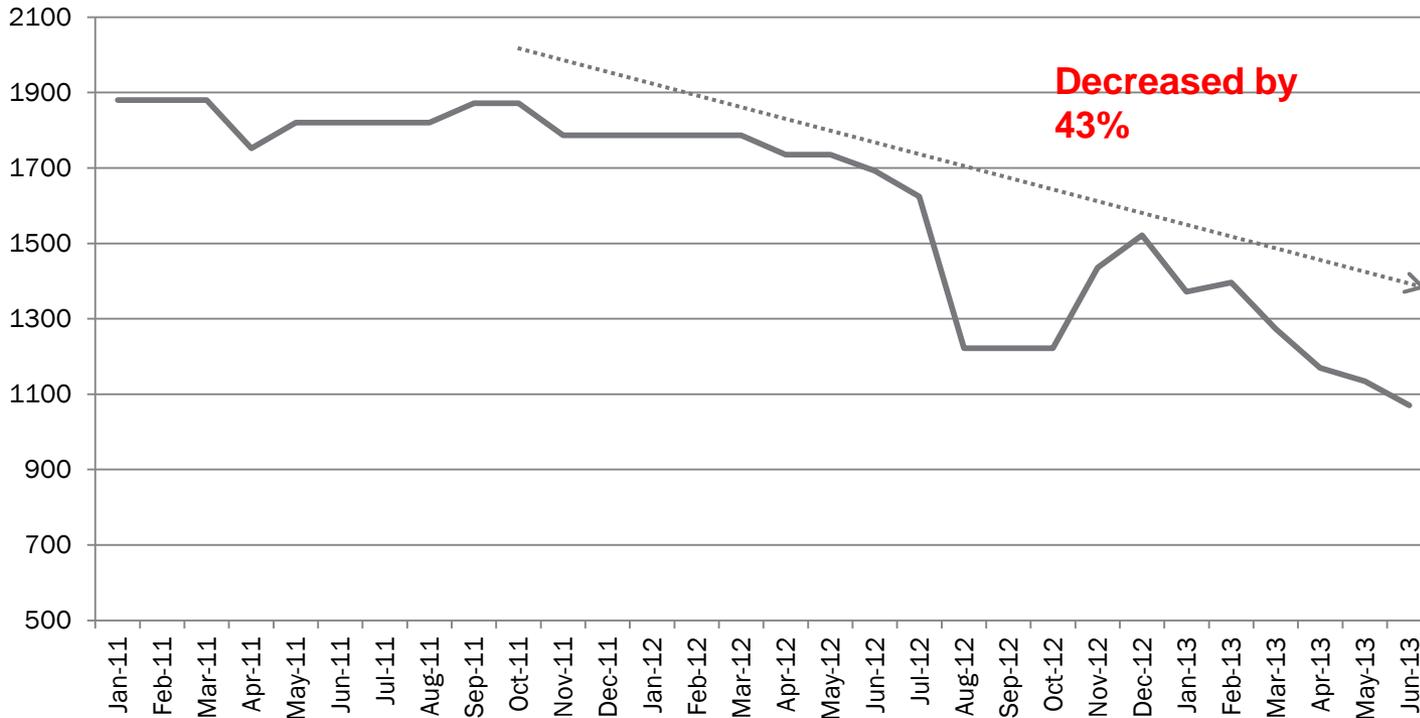
Source: Platts

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



Coke Price

RMB



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

Source : Shouqin



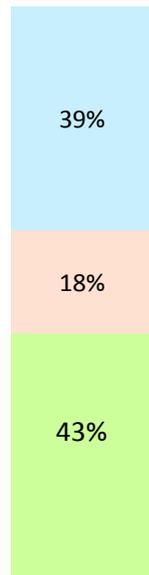
Cost structure

1H 2013

Cost Structure

Overall steel manufacturing cost will change as a result of increase/(decrease) in iron ore and coke price

- Rolling cost & others
- Coke
- Iron Ore

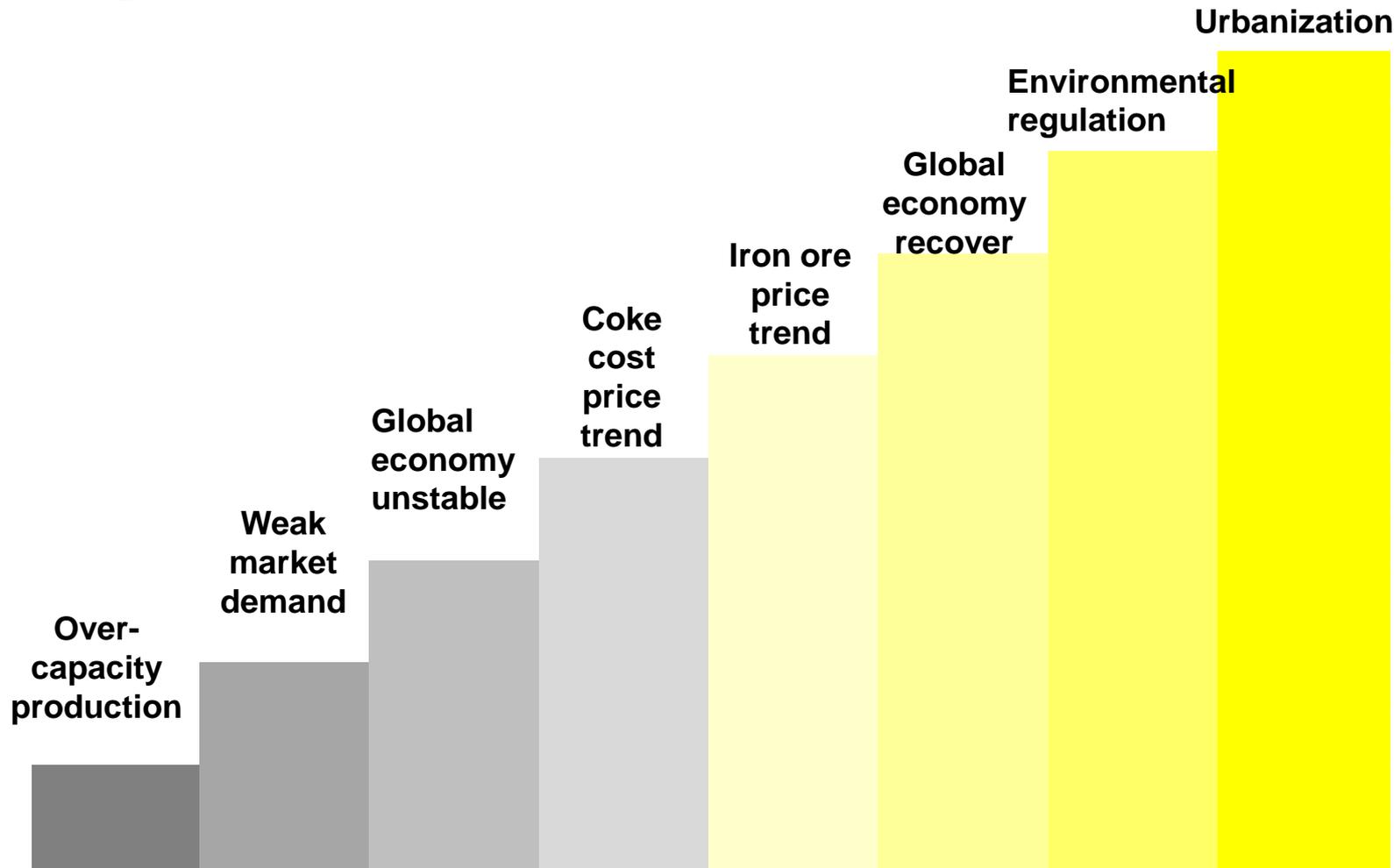


Coke	Iron Ore									
	-40%	-30%	-20%	-10%	0%	+10%	+20%	+30%	+40%	
-40%	-24%	-20%	-16%	-12%	-7%	-3%	1%	6%	10%	
-30%	-23%	-18%	-14%	-10%	-5%	-1%	3%	8%	12%	
-20%	-21%	-17%	-12%	-8%	-4%	1%	5%	9%	14%	
-10%	-19%	-15%	-10%	-6%	-2%	3%	7%	11%	15%	
0%	-17%	-13%	-9%	-4%	0%	4%	9%	13%	17%	
+10%	-15%	-11%	-7%	-3%	2%	6%	10%	15%	19%	
+20%	-14%	-9%	-5%	-1%	4%	8%	12%	17%	21%	
+30%	-12%	-8%	-3%	1%	5%	10%	14%	18%	23%	
+40%	-10%	-6%	-1%	3%	7%	12%	16%	20%	24%	



Industry Outlook

Negative **Positive**



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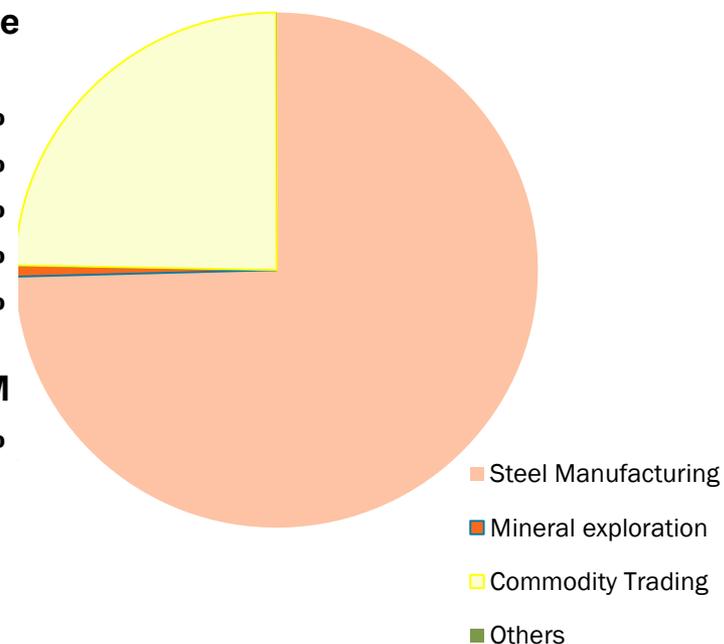


Turnover

HK\$' M

Turnover

	1H 2013		1H 2012		Change
Steel Manufacturing	5,601	74%	6,054	72%	-7%
Mineral exploration	53	1%	446	5%	-88%
Commodity Trading	1,853	25%	1,964	23%	-6%
Others	2	0%	6	0%	-67%
	7,509	100%	8,470	99%	-11%
Discontinued operation - Shipping	-	0%	54	1%	N/M
	7,509	100%	8,524	100%	-12%



Core operating Loss

HK\$' M	1H 2013	1H 2012	Change
Core operating loss before share of results in associates	(771)	(832)	7%
Share of results in associates	139	234	-41%
Group core operating loss	(632)	(598)	-6%
Non-recurring items/Impairment provision	(96)	(21)	N/M
Loss attributable to shareholders	<u>(728)</u>	<u>(619)</u>	-18%

By Business:	1H 2013	1H 2012	Change
Steel Manufacturing	(780)	(747)	-4%
Mineral exploration	67	244	-73%
Commodity Trading	119	(1)	N/M
Fair value change on Mt. Gibson Offtake contract	(95)	(20)	N/M
Others	(39)	(73)	47%
	<u>(728)</u>	<u>(597)</u>	-22%
Discontinued operation - Shipping	-	(22)	N/M
	<u>(728)</u>	<u>(619)</u>	-18%



Financial Highlights

HK\$'M	1H 2013	1H 2012	Change
Turnover	7,509	8,470	-11%
Attributable loss to shareholders	(728)	(619)	-18%
Including loss from principal business : Steel manufacturing segment	(780)	(747)	-4%
Basic Loss per share (HK cents)	(8.13)	(6.92)	-17%
Net asset per share (HK\$)	0.80	1.05	-24%
Net debt to total capital	46.1%	46.0%	0.1%



Statement of financial position

HK\$'M	30 Jun 2013	31 Dec 2012	Change
NON-CURRENT ASSETS	20,452	20,716	-1%
Including: Associates	7,469	7,585	-2%
Including: Fixed assets, net	11,976	12,052	-1%
CURRENT ASSETS	7,885	8,670	-9%
Including : Bank and cash	2,279	2,342	-3%
LIABILITIES	21,082	20,923	1%
Including: Bank borrowings	9,855	10,743	-8%
SHAREHOLDERS' EQUITY	7,175	8,093	-11%
Non controlling interest	80	370	-78%



Net Debt and Leverage Profile

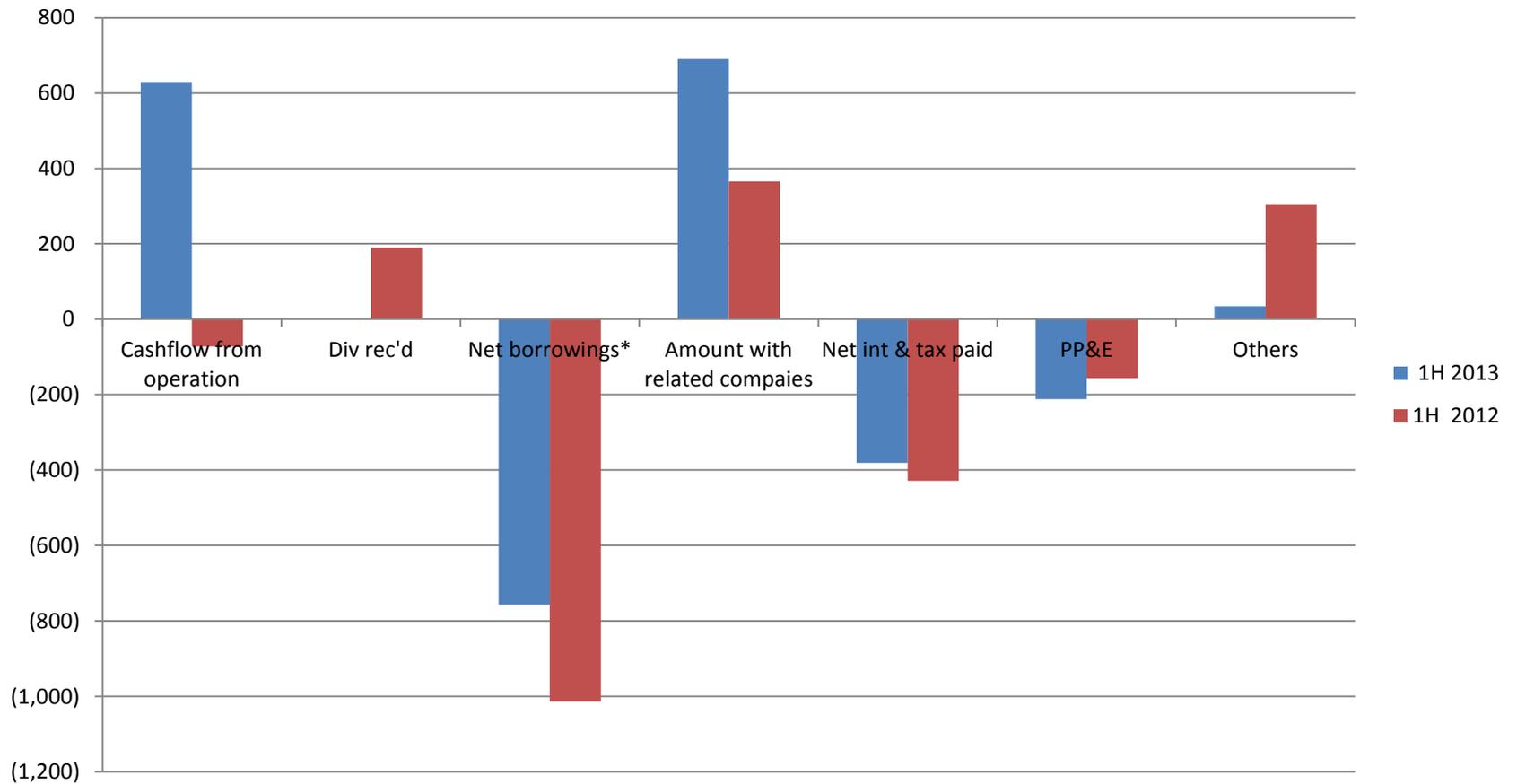
	30-Jun-13	31-Dec-12
HK\$'M		
Debt from banks*	9,785	10,490
Debt from parent co.	883	869
Total	10,668	11,359
Cash and bank balance	2,438	2,435
Net debt	8,230	8,924
Net debt to total capital	46%	46%
Net debt to total assets	29%	30%

* Excluding financing from discounted bills



Cash Flow Profile

HK\$'M



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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

For the six month ended 30 June	Slabs		Heavy Plates	
	2013	2012	2013	2012
(i) Production (in '000 mt.)				
Shouqin	1,191	1,306	864	857
Qinhuangdao Plate Mill	-	-	317	292
Total	1,191	1,306	1,181	1,149
Change	-9%		3%	
(ii) Sales (in '000 mt.)				
Shouqin [#]	273	319	874	850
Qinhuangdao Plate Mill	-	-	307	258
Total	273	319	1,181	1,108
Change	-14%		7%	
(iii) Average ASP per ton (RMB)				
Shouqin	2,838	3,293	3,692	4,280
Qinhuangdao Plate Mill	-	-	3,334	3,860
Overall	2,838	3,293	3,599	4,182
Change	-14%		-14%	

#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

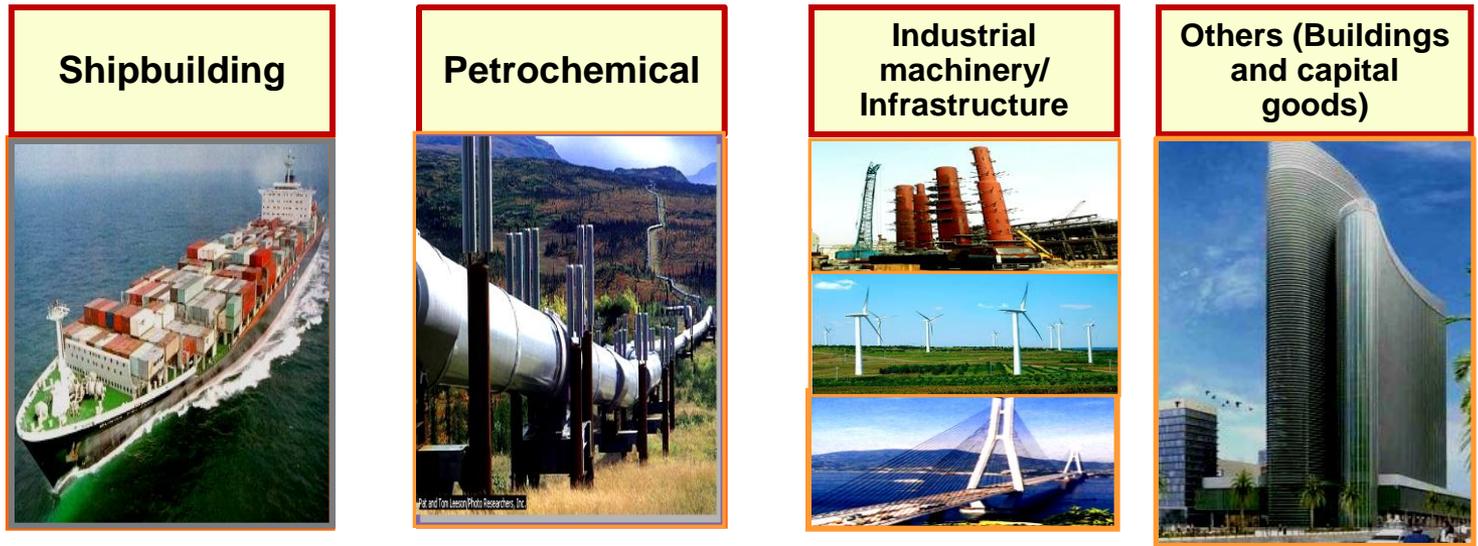
Shouqin HK\$'M	1H 2013	1H 2012	Change
Turnover (Note)	5,168	5,861	-12%
Gross loss	(498)	(406)	-23%
GP%	-9.6%	-6.9%	
Net loss*	(947)	(838)	-13%
Attributable to the Group	(720)	(660)	-9%
Depreciation & Amortization	409	375	9%
Finance cost	298	291	2%
QZP HK\$'M			
Turnover	1,489	1,566	-5%
Gross profit/(loss)	30	(3)	N/M
GP%	2.8%	-0.2%	
Net loss	(61)	(88)	31%
Attributable to the Group	(61)	(88)	31%
Depreciation & Amortization	17	23	-28%
Financial cost	27	31	-13%
Total attributable loss - Shouqin + QZP	(781)	(748)	-4%



Note : All figures are shown before elimination of intercompany transactions



Heavy Plate Output



Industry Breakdown on Our Heavy Plate Output

1H2012	25%	25%	45%	10%
1H2013	10%	10%	70%	10%



Mineral Exploration: Fushan



27.6% equity stake



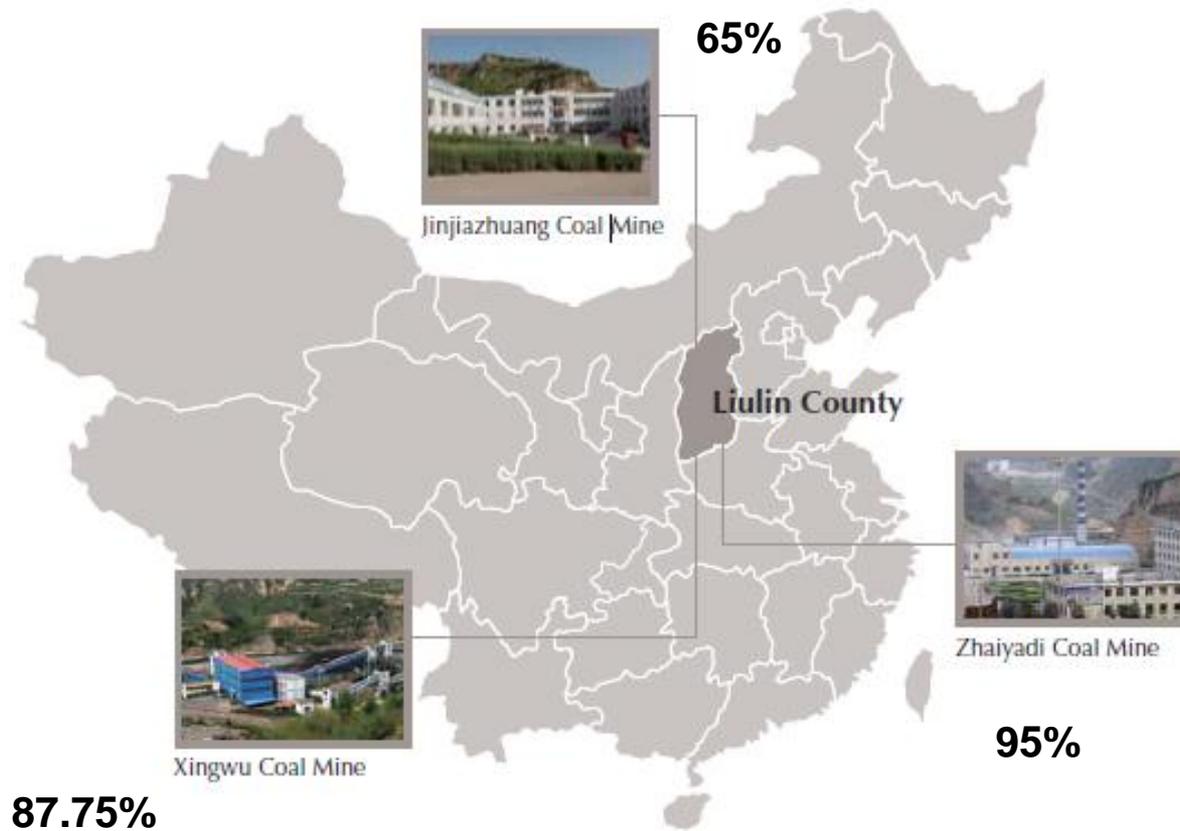
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SHOUGANG FUSHAN RESOURCES GROUP LTD.

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



Coking Coal mines operated by Fushan

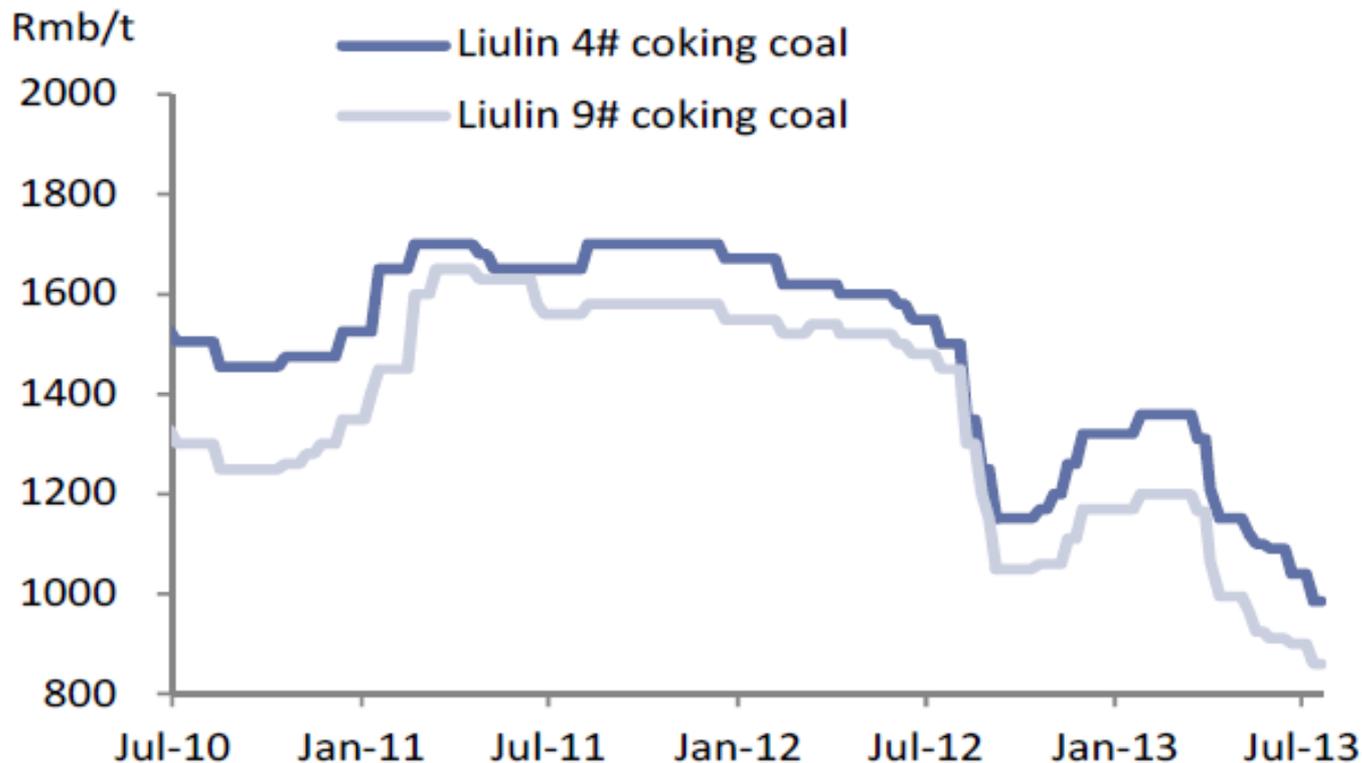


Annual production of around 2.1 million tonnes for each mine



Coking Coal Price

Coking coal prices in Shanxi's Liulin region



Source: SXCoal.



Mineral Exploration

HK\$'M	1H 2013	1H 2012	Change
Turnover			
SQLH (Note)	309	991	-69%
Represented by:			
Sales vol. ('000t)	207	690	-70%
ASP (HK\$)	1,296	1,372	-6%
Attributable (loss)/profit to group			
SQLH	(81)	(36)	-125%
Share of Fushan results	148	262	-44%
Deemed gain on share of add'l Fushan's net assets as a result of shares repurchases by Fushan	-	18	N/M
	<u>67</u>	<u>244</u>	<u>-73%</u>

Note: All figures are shown before elimination of intercompany transactions



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 production in 2 mines namely, Talling Peak and Koolan Island
- ◆ Management re-negotiated with Mt. Gibson and offtake pricing has been changed to base on the monthly average daily Platts index in the current month instead of the preceding month for which the iron ore is trading from 2013 onwards



Commodity Trading

	1H 2013	1H 2012	Change
Mt. Gibson ore			
Volume ('000)	1,289	1,399	-8%
ASP (US\$/t)	141	133	6%
profit/(loss) (US\$/t)	11.9	(0.8)	N/M
Turnover (HK\$M)			
Mt. Gibson ore	1,410	1,443	-2%
Others	444	529	-16%
	1,854	1,972	-6%
Net profit/(loss) (HK\$M)	119	(1)	N/M

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



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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