



SHOUGANG CONCORD INTERNATIONAL ENTERPRISES COMPANY LIMITED

For the six months ended 30 June 2014
Interim Results Presentation

Stock : 697

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- **Company Overview**
- **Industry Overview**
- **Financial Highlights**
- **Operation Review**



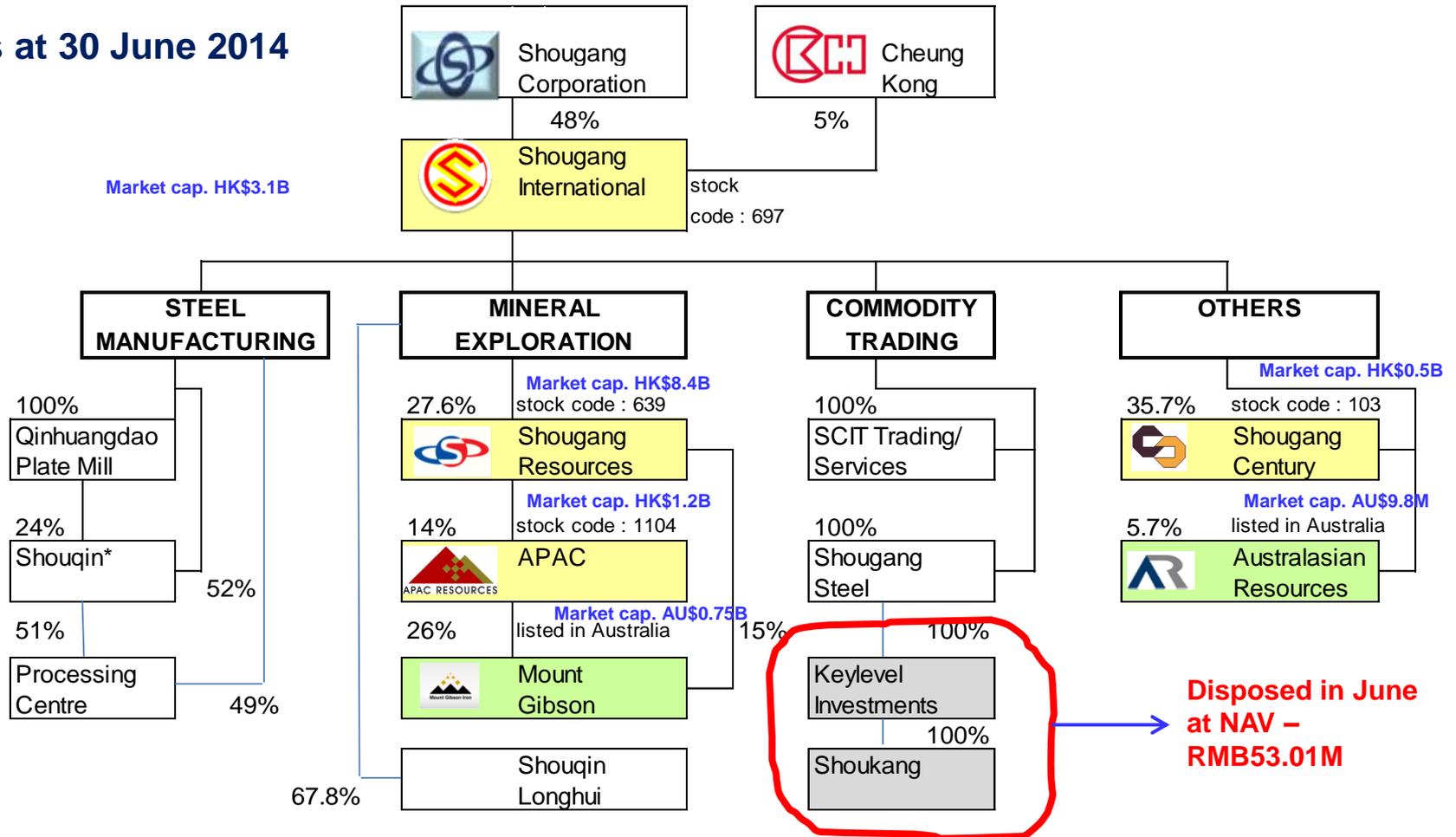
Company overview

- 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

As at 30 June 2014



Operation base



Shanxi, Liulin County
- **Hard coking coal**
- **via Shougang Resources**



Hebei, Qinhuangdao
- **Steel plate**



Shandong & Zhejiang
- **Steel Cord**
- **via Shougang Century**



From Australia to PRC
- **Trading of iron ore**



- **Company Overview**

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No. 1

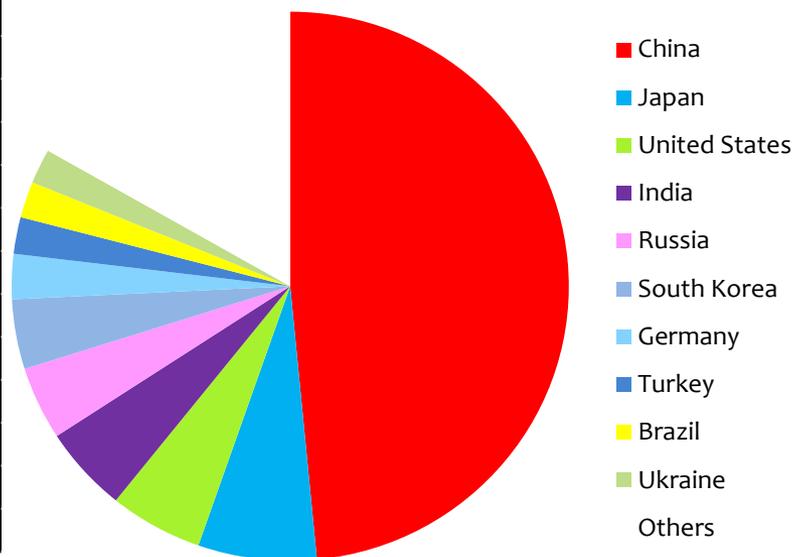
Global steel production

World top 10 producers



Crude steel production (million tonnes)

	2013	%	2012	%
China	779	48.5%	725	46.7%
Japan	111	6.9%	107	6.9%
United States	87	5.4%	89	5.7%
India	81	5.1%	77	5.0%
Russia	69	4.3%	70	4.5%
South Korea	66	4.1%	69	4.4%
Germany	43	2.7%	43	2.8%
Turkey	35	2.2%	36	2.3%
Brazil	34	2.1%	35	2.3%
Ukraine	33	2.0%	33	2.1%
Others	269	16.7%	269	17.3%
	1,607	100.0%	1,553	100.0%



The crude steel production of China increased from 129 million tonnes in 2000 to 779 million tonnes in 2013, represent a CAGR of 14.8



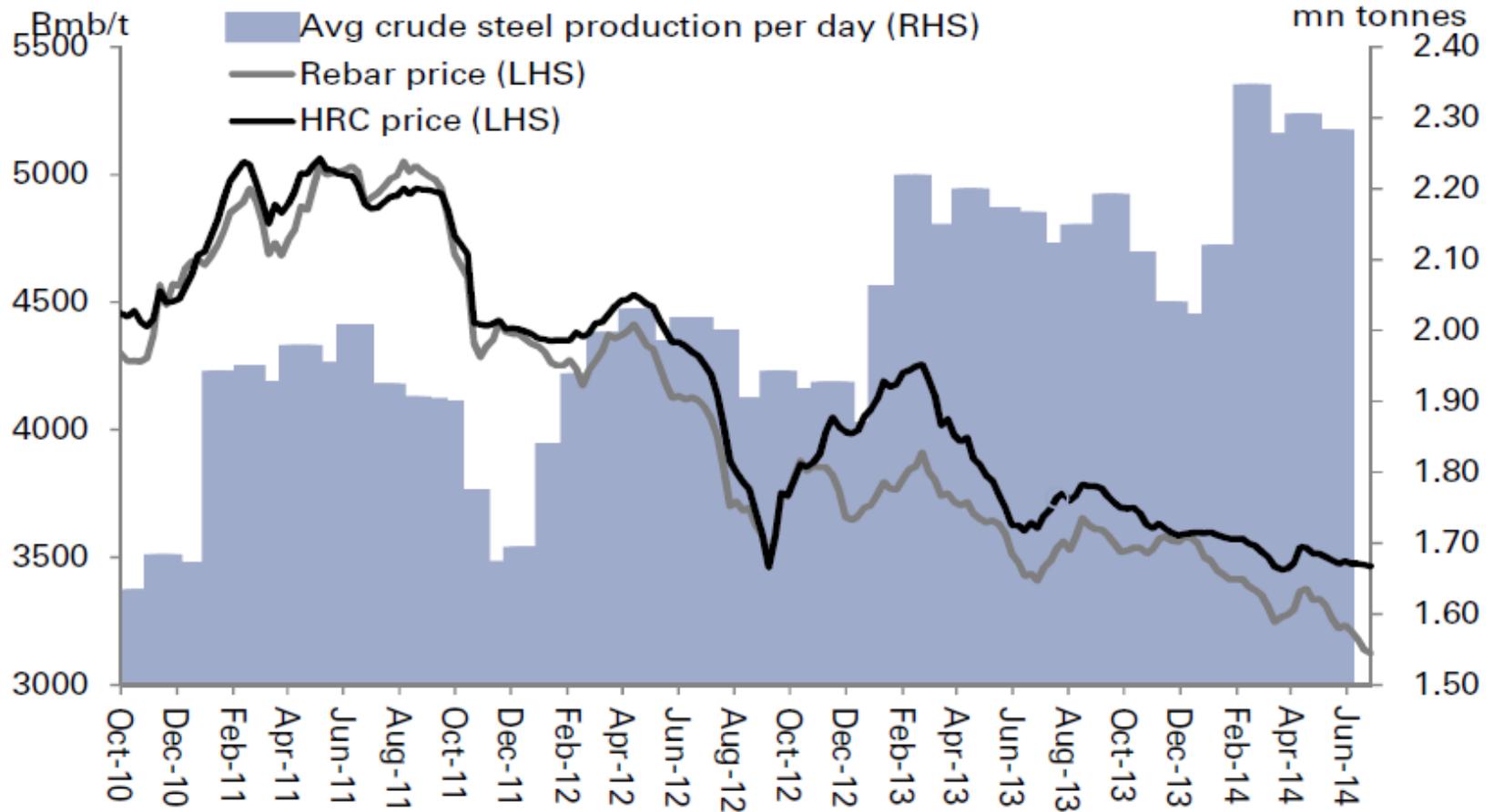
World top 10 producers

<u>Rank</u>	<u>Name of the Producers</u>	<u>Place of incorporation</u>	<u>2013 crude steel production million tonnes</u>	<u>%</u>
1.	ArcelorMittal	Luxembourg	96.1	6.0%
2.	Nippon Steel & Sumitomo Metal Corporation	Japan	50.1	3.1%
3.	Hebei Steel Group	PRC 	45.8	2.9%
4.	Baosteel Group	PRC 	43.9	2.7%
5.	Wuhan Steel Group	PRC 	39.3	2.4%
6.	POSCO	South Korea	38.4	2.4%
7.	Shagang Group	PRC 	35.1	2.2%
8.	Ansteel	PRC 	33.7	2.1%
9.	Shougang Group	PRC 	31.5	2.0%
10.	JFE	Japan	31.2	1.9%
	Others		1,161.9	72.3%
			1,607.0	100.0%

Shougang Concord Int'l is a member of Shougang Corporation. Shougang Corporation is the 9th largest steel producer in the world and the 6th largest steel producer in the PRC.



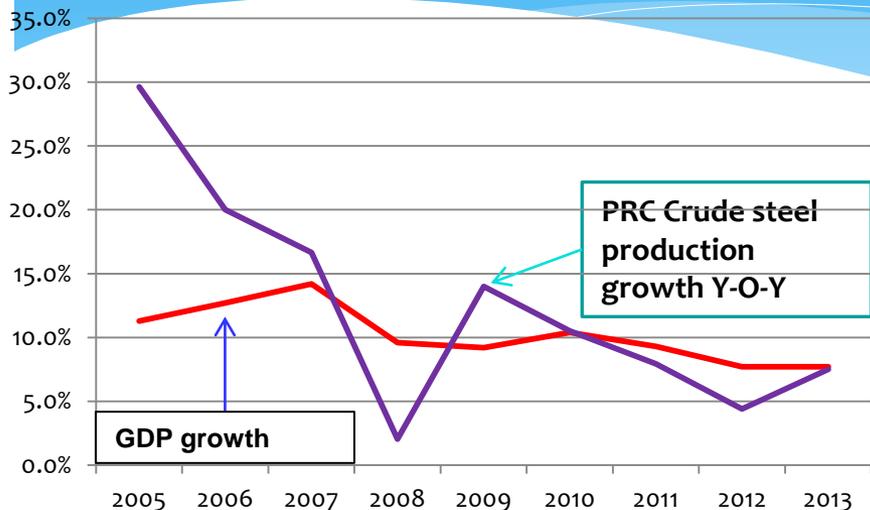
Daily Crude Steel Production in PRC



Source: NBS, Mysteel.



China and world economy



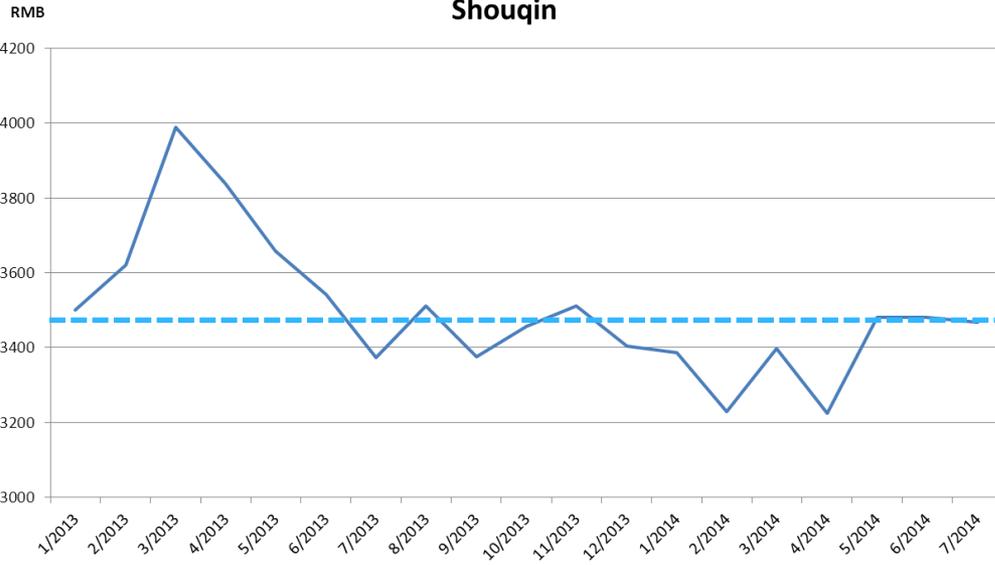
	2012	2013	Projections	
			2014	2015
World Output¹	3.2	3.0	3.6	3.9
Advanced Economies	1.4	1.3	2.2	2.3
United States	2.8	1.9	2.8	3.0
Euro Area ²	-0.7	-0.5	1.2	1.5
Germany	0.9	0.5	1.7	1.6
France	0.0	0.3	1.0	1.5
Italy	-2.4	-1.9	0.6	1.1
Spain	-1.6	-1.2	0.9	1.0
Japan	1.4	1.5	1.4	1.0
United Kingdom	0.3	1.8	2.9	2.5
Canada	1.7	2.0	2.3	2.4
Other Advanced Economies ³	1.9	2.3	3.0	3.2
Emerging Market and Developing Economies⁴	5.0	4.7	4.9	5.3
Commonwealth of Independent States	3.4	2.1	2.3	3.1
Russia	3.4	1.3	1.3	2.3
Excluding Russia	3.3	3.9	5.3	5.7
Emerging and Developing Asia	6.7	6.5	6.7	6.8
China	7.7	7.7	7.5	7.3
India ⁵	4.7	4.4	5.4	6.4
ASEAN-5 ⁶	6.2	5.2	4.9	5.4
Emerging and Developing Europe	1.4	2.8	2.4	2.9
Latin America and the Caribbean	3.1	2.7	2.5	3.0
Brazil	1.0	2.3	1.8	2.7
Mexico	3.9	1.1	3.0	3.5
Middle East, North Africa, Afghanistan, and Pakistan	4.2	2.4	3.2	4.4
Sub-Saharan Africa	4.9	4.9	5.4	5.5
South Africa	2.5	1.9	2.3	2.7
<i>Memorandum</i>				
European Union	-0.3	0.2	1.6	1.8
Low-Income Developing Countries	5.7	6.1	6.3	6.5
Middle East and North Africa	4.1	2.2	3.2	4.5

¹Indonesia, Malaysia, Philippines, Thailand, and Vietnam.



Monthly selling price of plates

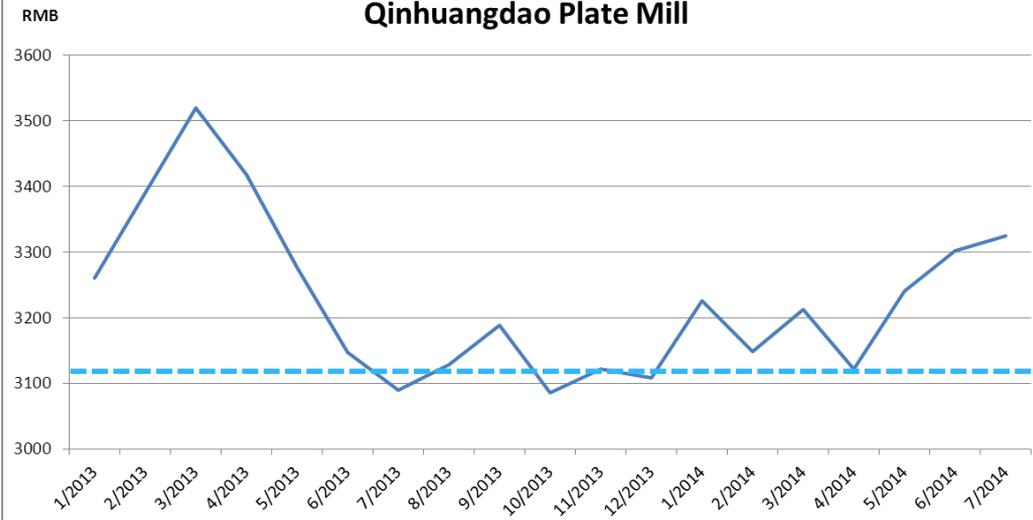
Shouqin



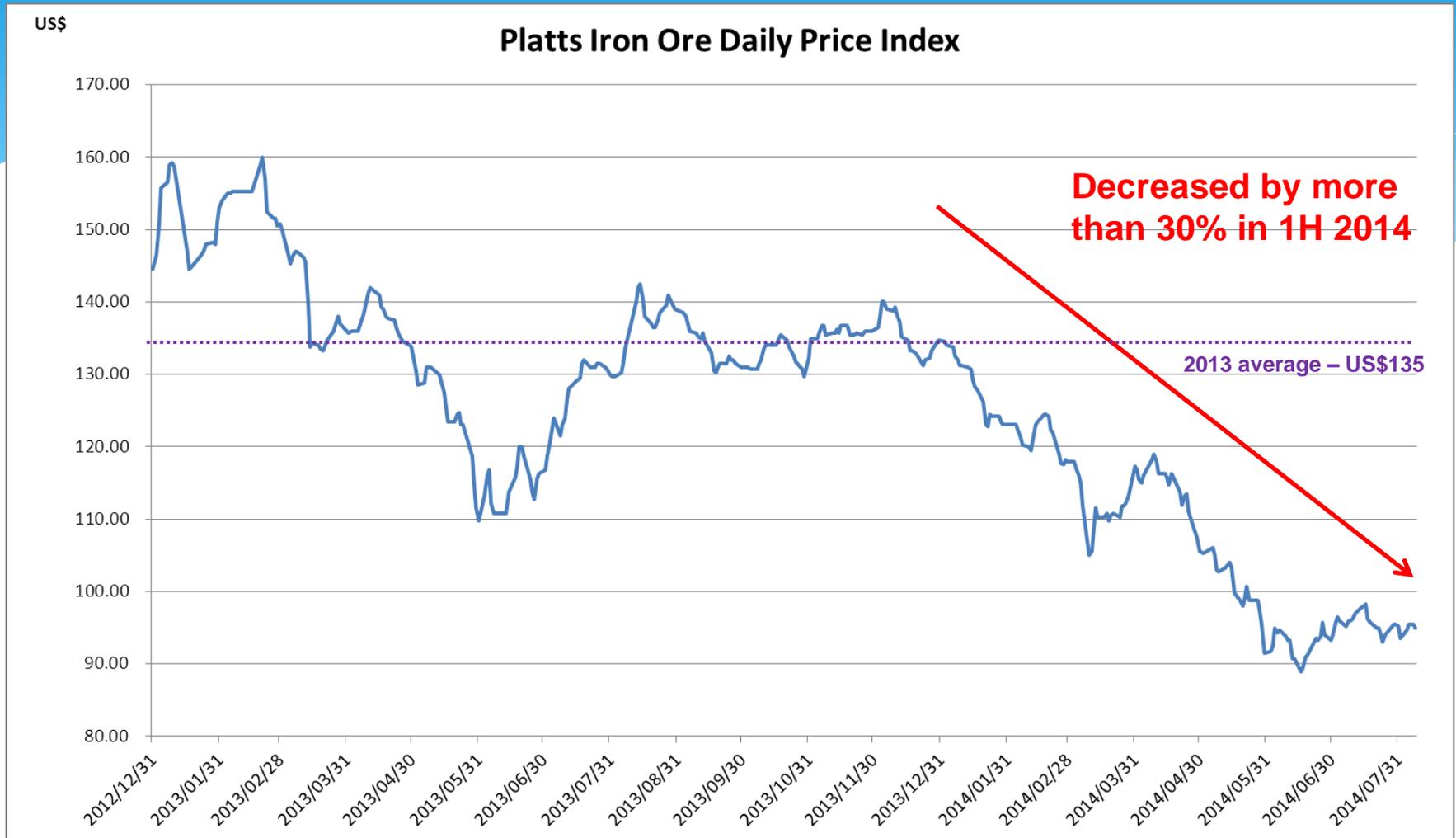
2H 2013 average **RMB3,439**

2H 2013 average **RMB3,121**

Qinhuangdao Plate Mill



Iron ore price



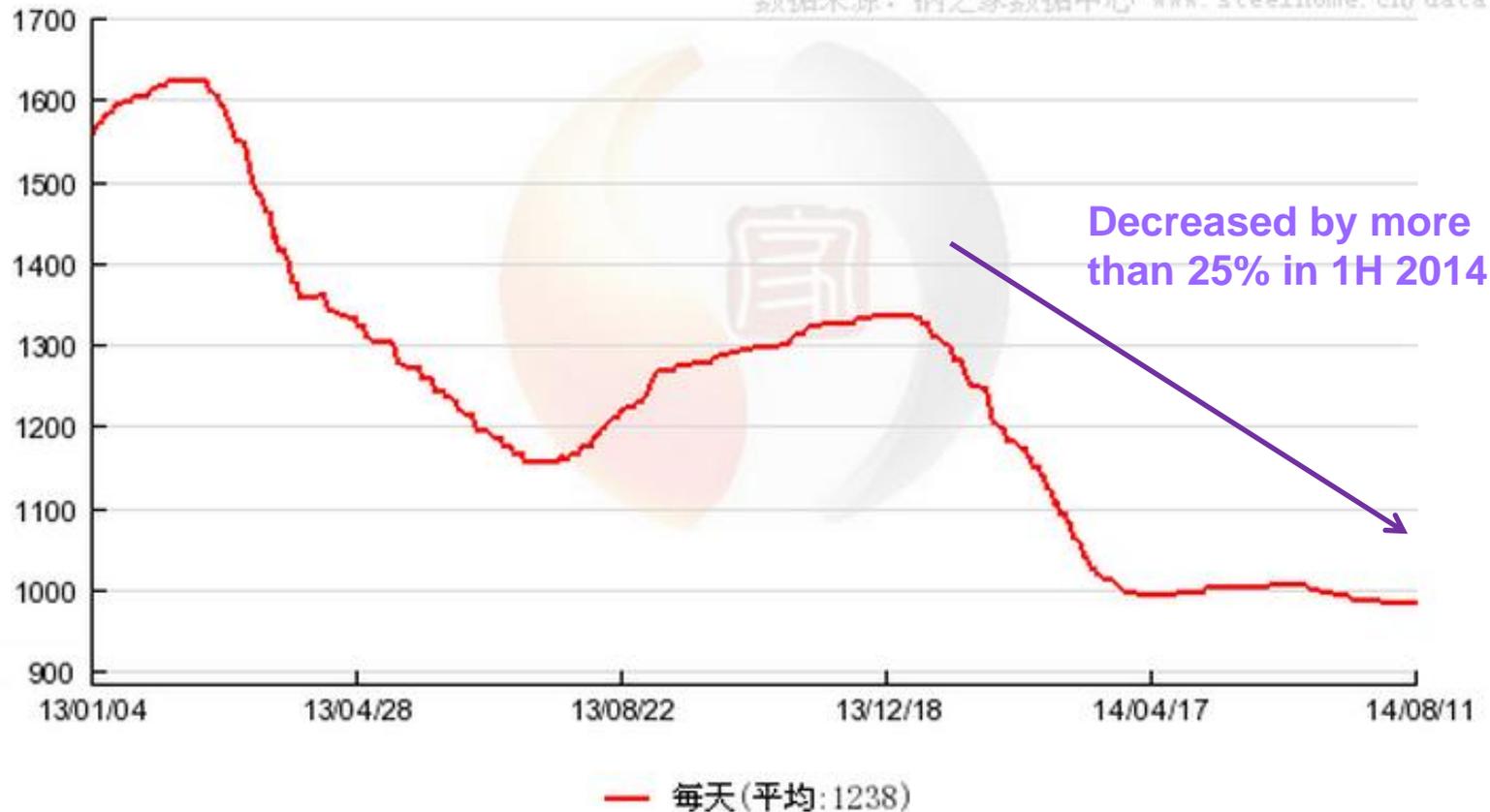
Iron ore is the most important raw material in producing slab, one ton of slab production requires 1.6 tonnes of iron ore input. Iron ore price dropped from USD135 at the end of 2013 to the latest USD90 level, down by more than 30%.



Coke price

钢之家(中国)钢铁原料基准价格指数(SHCNMI)焦炭走势图(2013-01-01至2014-08-12)

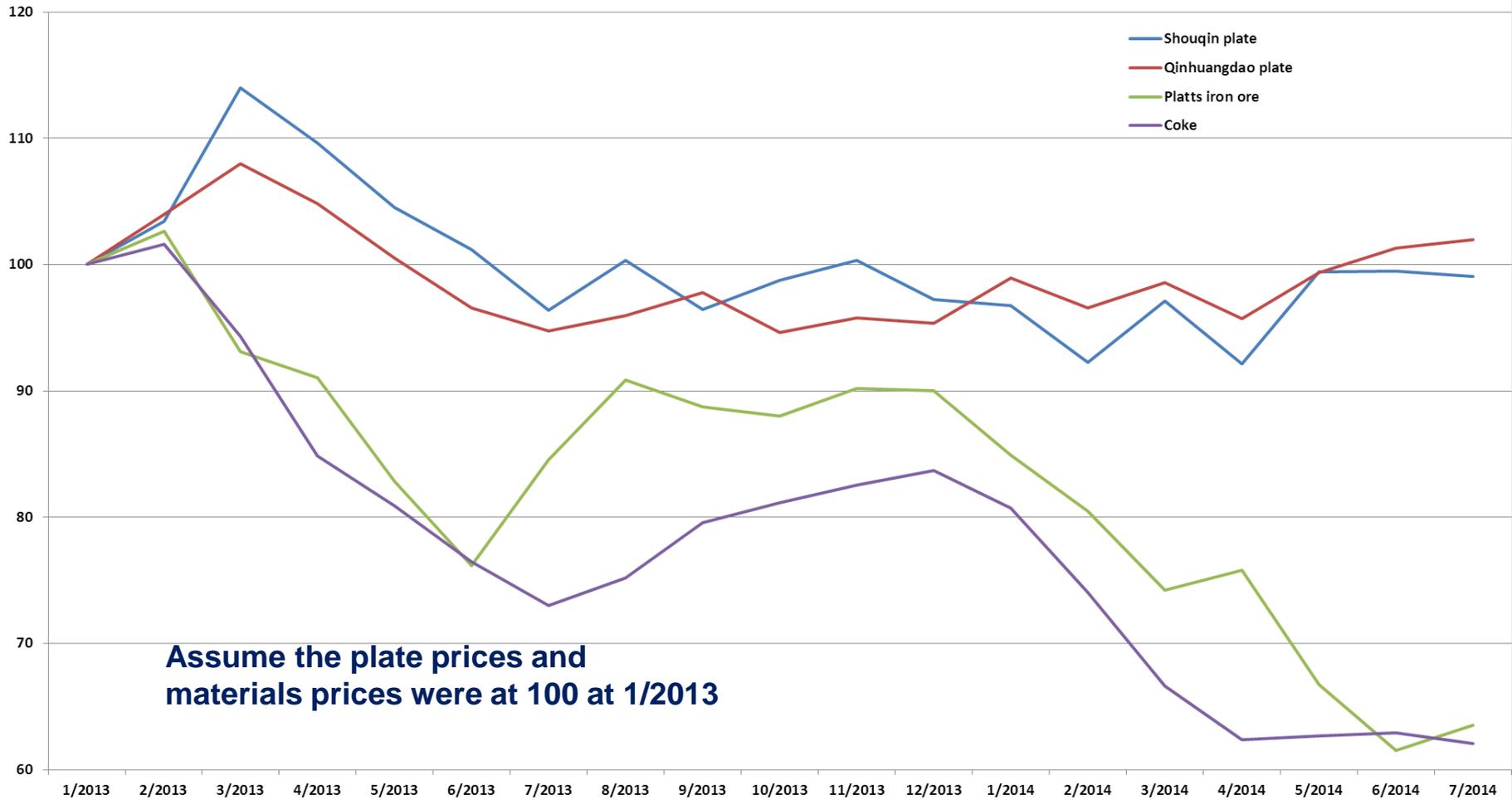
数据来源: 钢之家数据中心 www.steelhome.cn/data



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

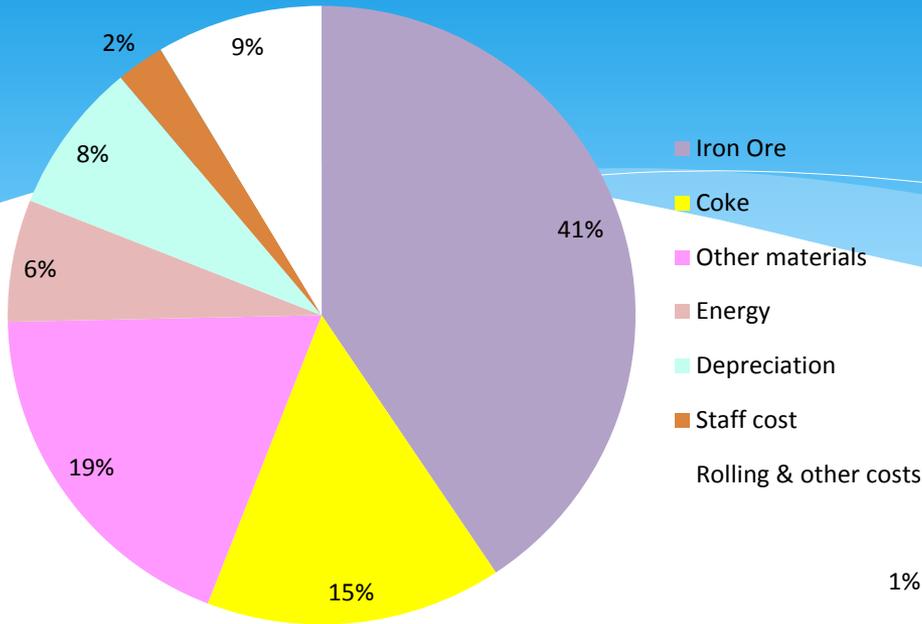


Price trend of steel plate, iron ore & coke

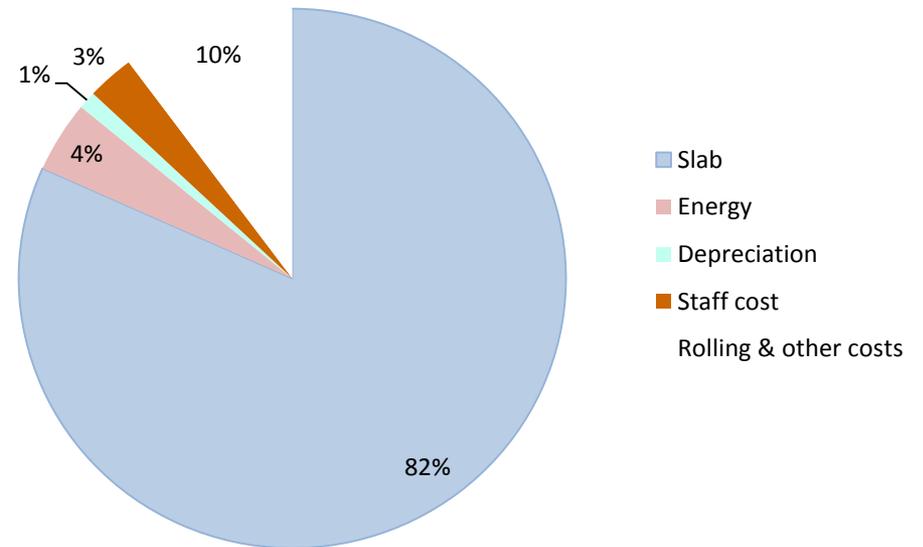


Cost component

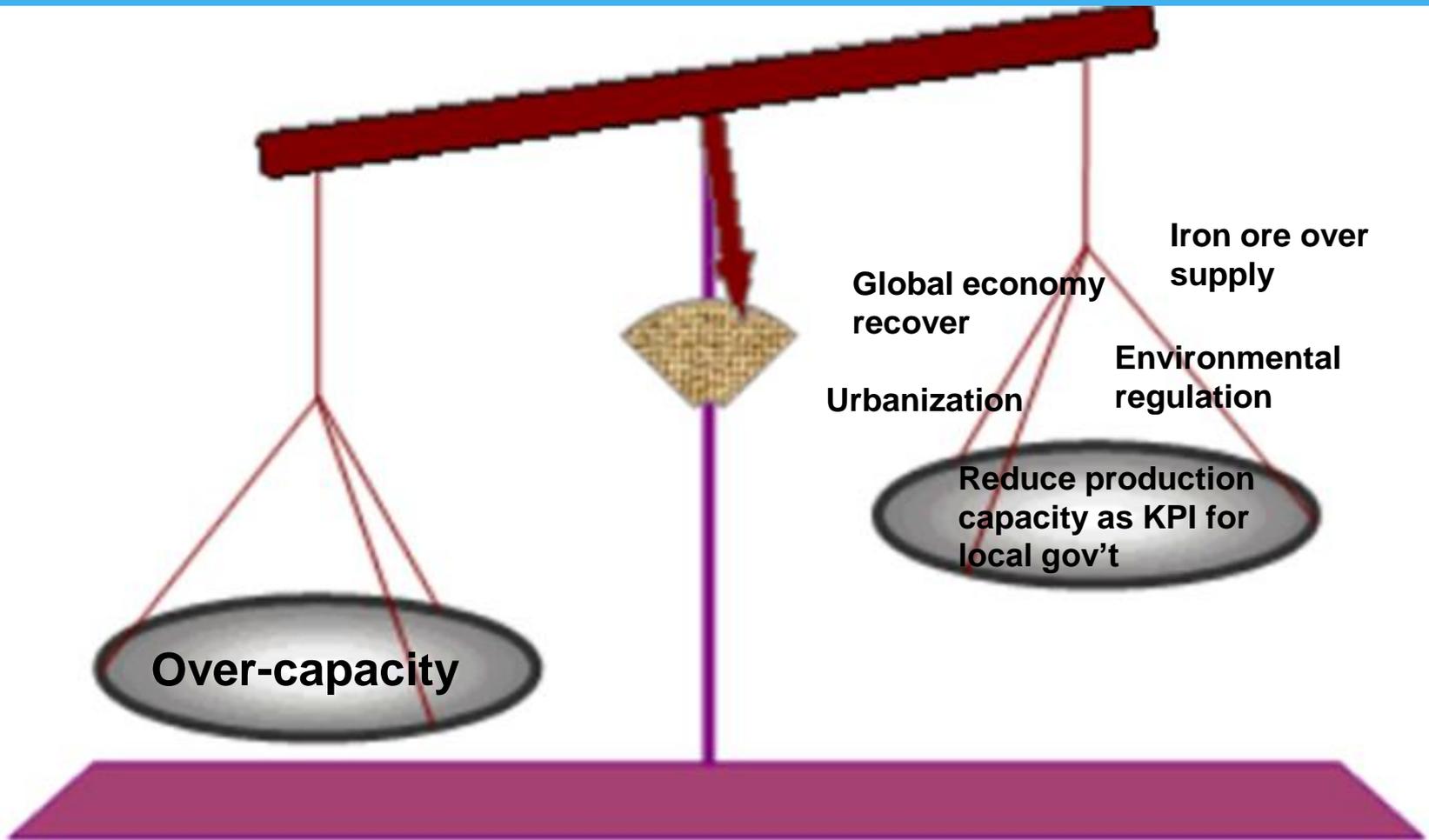
Shouqin



Qinhuangdao Plate Mill



Industry outlook





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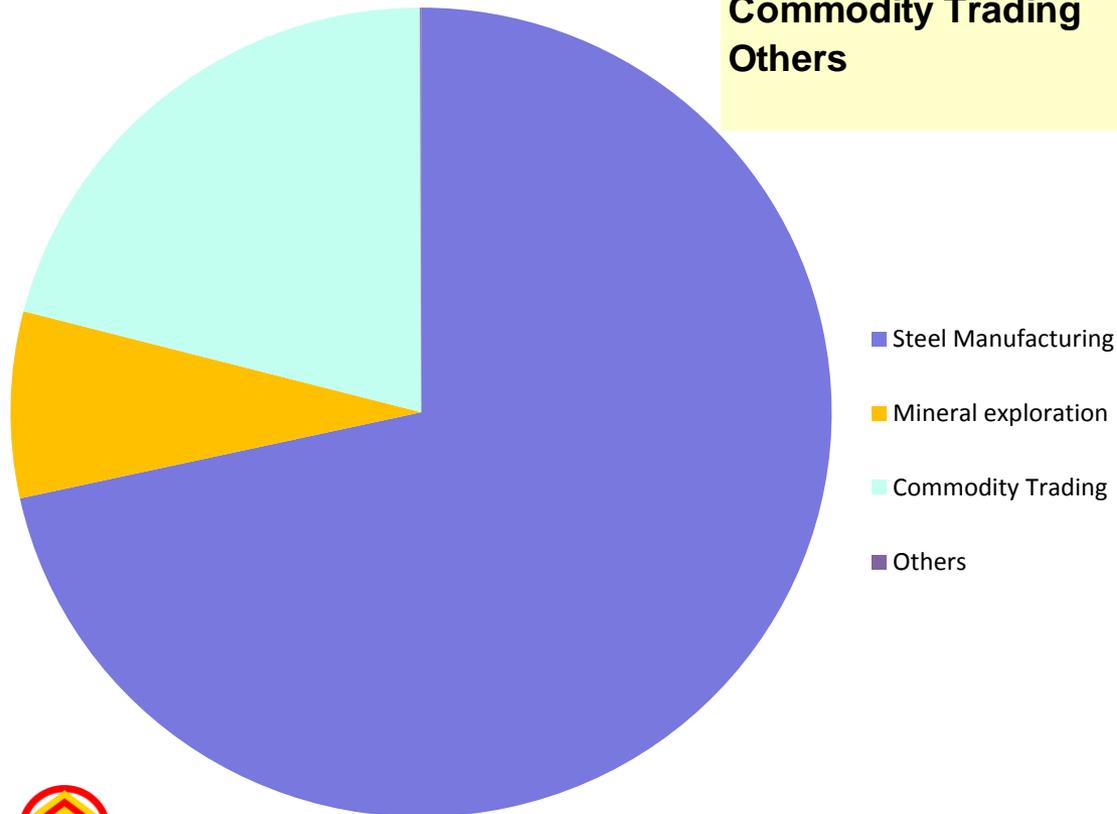
Financial Highlights

	1H 2014 HK\$'M	1H 2013 HK\$'M	Change
Turnover	6,753	7,509	-10%
Attributable loss to shareholders	(866)	(728)	-19%
Including loss from principal business : Steel manufacturing segment	(729)	(780)	7%
Basic Loss per share (HK cents)	(9.66)	(8.13)	-19%
Net asset per share (HK\$)	0.65	0.80	-19%
Total loans to total assets	34.7%	37.6%	-2.9%



Turnover

HK\$' M	Turnover				Change
	1H 2014		1H 2013		
Steel Manufacturing	4,834	72%	5,601	74%	-14%
Mineral exploration	502	7%	53	1%	847%
Commodity Trading	1,414	21%	1,853	25%	-24%
Others	3	0%	2	0%	50%
	6,753	100%	7,509	100%	-10%



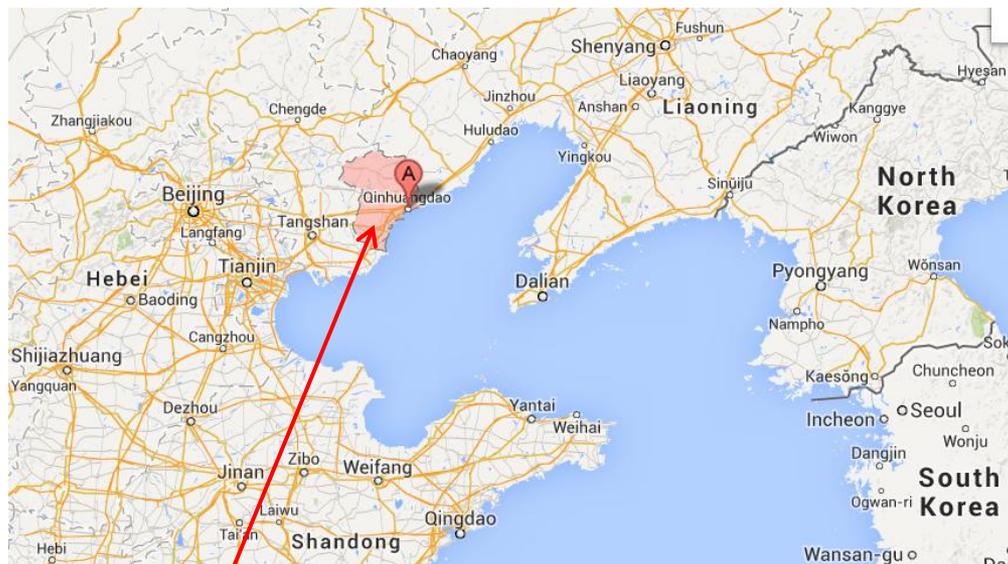
Core operating loss

	1H 2014 HK\$'M	1H 2013 HK\$'M	Change
Loss before share of results in associates	(765)	(771)	1%
Share of results in associates (before impairment)	6	139	-96%
Group core operating loss	(759)	(632)	-20%
Non-cash/non-recurring items	(24)	(96)	75%
Share of impairment made by an associate	(83)	-	N/M
Loss attributable to shareholders	<u>(866)</u>	<u>(728)</u>	-19%

By Business:	1H 2014 HK\$'M	1H 2013 HK\$'M	Change
Steel Manufacturing	(729)	(780)	7%
Mineral exploration	(49)	67	N/M
Commodity Trading	81	119	-32%
Fair value change on Mt. Gibson Offtake contract	(24)	(95)	75%
Share of goodwill impairment made by an associate	(83)	-	N/M
Others	(62)	(39)	-59%
	<u>(866)</u>	<u>(728)</u>	-19%



Profit/(loss) by region



	1H2014 HK\$'M	1H2013 HK\$'M
Shouqin & Processing Centre	(690)	(719)
Shouqin Longhui	(66)	(81)
Qinhuangdao Plate Mill	(39)	(61)
	(795)	(861)

	1H 2014 HK\$'M	1H 2013 HK\$'M
Qinghuangdao area	(795)	(861)
Non-Qinghuangdao area	69	207
Share of unrealized exchange related gain/(loss) of SG Resources	(33)	21
Share of goodwill impairment made by SG Resources	(83)	-
Fair value changes of offtake contract with Mt. Gibson	(24)	(95)
	(866)	(728)

	1H 2014 HK\$'M	1H 2013 HK\$'M
Commodity trading	81	119
Share of profit/(loss) from: Shougang Resources (before impairment & unrealized exchange related loss)	50	127
Shougang Century	(14)	(11)
Others	(48)	(28)
	69	207



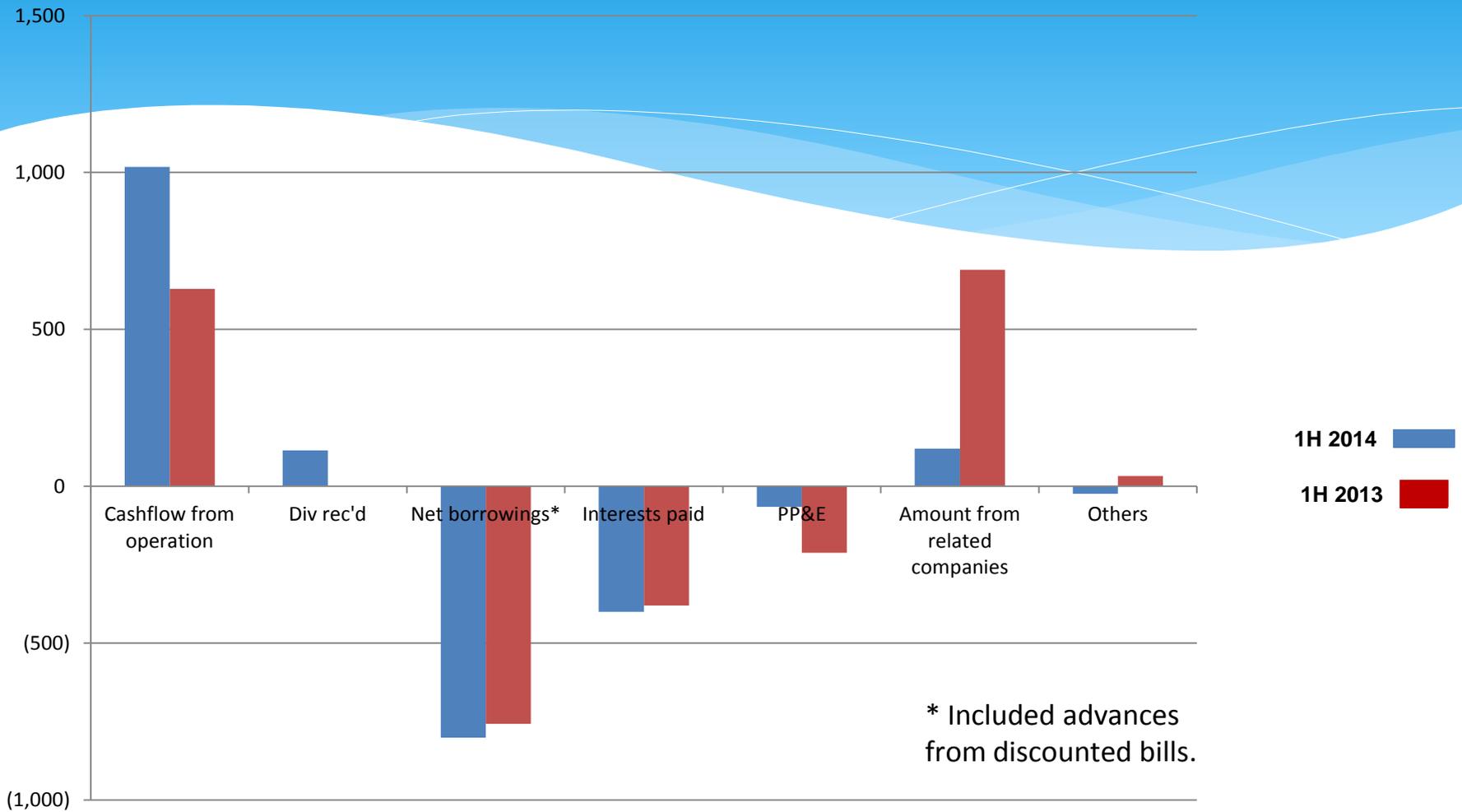
Statement of financial position

	30 Jun 2014 HK\$'M	31 Dec 2013 HK\$'M	Change
NON-CURRENT ASSETS	19,386	20,404	-5%
Including: Associates	7,442	7,777	-4%
Including: Fixed assets, net	10,791	11,440	-6%
CURRENT ASSETS	7,488	8,165	-8%
Including : Bank balances and cash	2,492	2,527	-1%
LIABILITIES	21,516	21,950	-2%
Including: Bank borrowings	8,519	9,596	-11%
SHAREHOLDERS' EQUITY	5,788	6,802	-15%
Non-controlling interest	(430)	(183)	N/M



Cash flow profile

HK\$'M



Cash/Bank balances & Loans

	PRC (excl. HK) 30-Jun-14 HK\$'M	Other than PRC 30-Jun-14 HK\$'M	Group Total 30-Jun-14 HK\$'M	Group Total 31-Dec-13 HK\$'M
Cash and bank balances	1,667	907	2,574	2,612
Loans from banks*	6,887	1,573	8,460	9,550
Loans from parent co.	871	-	871	893
Total	7,758	1,573	9,331	10,443
Total assets	17,662	9,213	26,875	28,569
Total loans to total assets	43.9%	17.1%	34.7%	36.6%

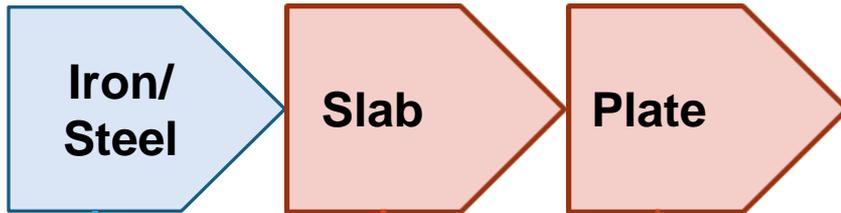


* Excluding financing from discounted bills

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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

	Slabs		Heavy Plates	
	1H 2014	1H 2013	1H 2014	1H 2013
(i) Production	'000 tonnes	'000 tonnes	'000 tonnes	'000 tonnes
Shouqin	1,150	1,191	762	864
Qinhuangdao Plate Mill	-	-	262	317
Total	1,150	1,191	1,024	1,181
Change	-3%		-13%	
(ii) Sales				
Shouqin [#]	299	273	797	874
Qinhuangdao Plate Mill	-	-	260	307
Total	299	273	1,057	1,181
Change	+10%		-11%	
(iii) Average ASP per ton	RMB	RMB	RMB	RMB
Shouqin	2,643	2,838	3,376	3,692
Qinhuangdao Plate Mill	-	-	3,210	3,334
Overall	2,643	2,838	3,335	3,599
Change	-7%		-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 Processing Centre and are eliminated on consolidation

Steel manufacturing

- segment results

Shouqin & Processing Centre

	1H 2014	1H 2013	Change
	HK\$'M	HK\$'M	
Turnover (Note)	4,523	5,168	-12%
GP%	-9.9%	-9.6%	
Net loss*	(908)	(946)	4%
Attributable to the Group	(690)	(719)	4%
Depreciation & Amortization	417	409	2%
Finance cost	288	298	-3%

QZP

Turnover (Note)	1,121	1,489	-25%
GP%	2.9%	2.8%	
Net loss	(39)	(61)	36%
Attributable to the Group	(39)	(61)	36%
Depreciation & Amortization	21	17	24%
Financial cost	29	27	7%

Total attributable loss - Shouqin + QZP	(729)	(780)	7%
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Note : All figures are shown before elimination of intercompany, except *attributable loss which is shown after elimination



Heavy plate output

Shipbuilding



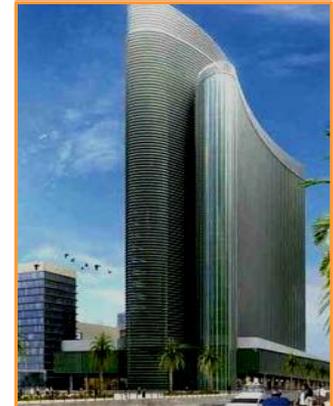
Petrochemical



**Industrial machinery/
Infrastructure**



**Others (Buildings
and capital
goods)**



Industry Breakdown on Our Heavy Plate Output

1H 2014

40%

4%

44%

12%

1H 2013

10%

10%

70%

10%



Customers portfolio



中国石油



中国船舶工业集团公司
CHINA STATE SHIPBUILDING CORPORATION



哈尔滨电气集团公司
HARBIN ELECTRIC CORPORATION



上海电气
SHANGHAI ELECTRIC



首钢总公司



中国一重
CFHI



中国海洋石油总公司
CHINA NATIONAL OFFSHORE OIL CORP.



上海振华港机
Shanghai Zhenhua Port Machinery Co.Ltd



Mineral exploration: Shougang Resources



27.6% equity stake



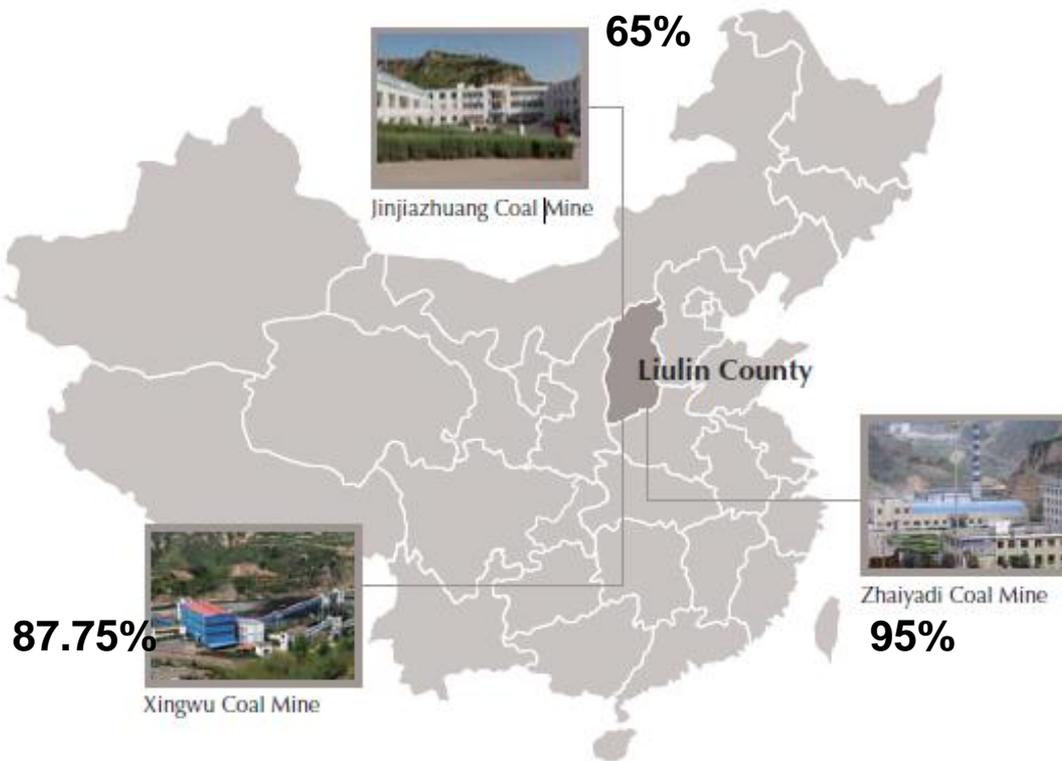
HK:639

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



Coal mines operated by Shougang Resources



Annual production of around 2.1 million tonnes for each mine



Key data of Chouqang Resources

	1H 2014 HK\$'M	1H 2013 HK\$'M	
Turnover	1,702	2,322	-26.7%
Raw Coking Coal (tonnes)	561,000	1,324,000	-57.6%
Price RMB/t	469	565	-17.0%
Clean Coking Coal (tonnes)	1,412,000	1,121,000	26.0%
Price RMB/t	780	990	-21.2%
GP %	43.9%	55.3%	-11.4%
Profit before goodwill impairment & exchange related gain/(loss)	228	508	-55.1%
Goodwill impairment	(300)	-	N/M
Unrealised exchange related (loss)/gain	(120)	74	N/M
Net (Loss)/Profit	(192)	582	N/M
Dividend per share (HK cents)			
Interim	1.0	2.7	-63.0%

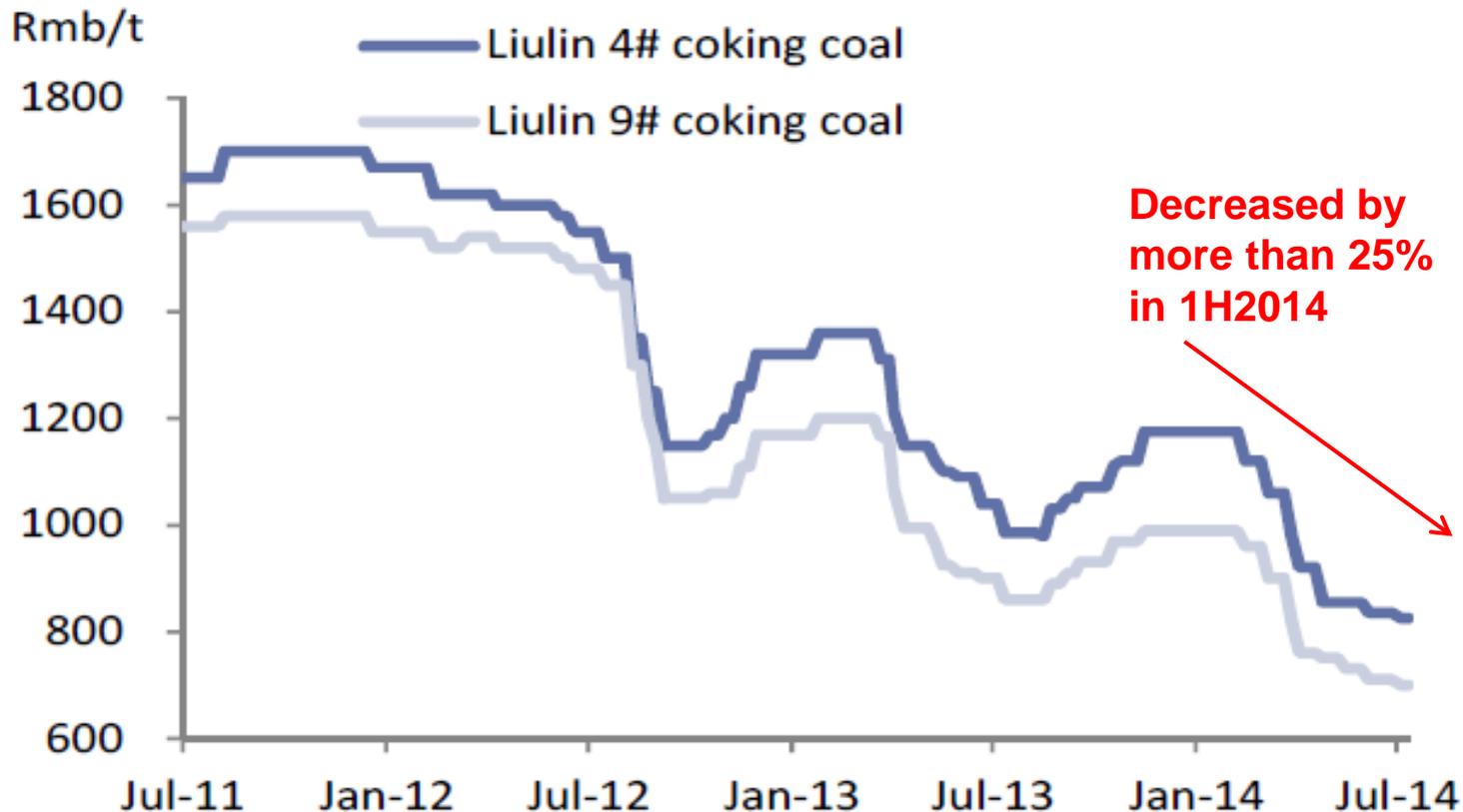
	6/2014 HK\$'M	12/2013 HK\$'M	
Cash & Bank balance	5,265	5,793	-9.1%
Loan balance	330	580	-43.1%
Gross Assets	25,106	26,871	-6.6%
Net assets	18,831	19,927	-5.5%
Gearing*	1.6%	2.7%	

* Gearing ratio is defined as total borrowings divided by total equity.



Coking coal price

Coking coal prices in Shanxi's Liulin region



Source: SXCoal.



Mineral exploration

- segment results

	1H 2014 HK\$'M	1H 2013 HK\$'M	Change
Turnover			
SQLH (Note)	830	309	169%
Represented by:			
Sales vol. ('000t)	585	207	183%
ASP (RMB)	953	1,033	-8%
Attributable (loss)/profit to group			
SQLH	(66)	(81)	19%
Share of Shougang Resources results	17	148	-89%
	<u>(49)</u>	<u>67</u>	N/M



Note: All figures are shown before elimination of intercompany



Commodity trading: Mt. Gibson iron 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
- ◆ After negotiation between Management and Mt. Gibson, from 2013 onwards, the offtake pricing method was changed to base on the daily average price of the Platts iron ore price index in the month of sales delivery instead of one month prior to sales delivery



- ◆ Greatly reducing the impact of bimonthly price fluctuations that may bring a loss

Commodity trading

– segment results

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

	1H 2014 HK\$M	1H 2013 HK\$M	Change
Turnover			
Mt. Gibson iron ore	1,286	1,410	-9%
Others	180	444	-59%
	<u>1,466</u>	<u>1,854</u>	<u>-21%</u>
Net profit (HK\$M)	81	119	-32%



Mt. Gibson iron ore			
Volume ('000t)	1,713	1,289	33%
ASP (US\$/t)	96	141	-32%
profit (US\$/t)	6.6	11.9	-45%



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.





**SHOUGANG CONCORD
INTERNATIONAL
ENTERPRISES COMPANY LIMITED**

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