



SHOUGANG CONCORD INTERNATIONAL ENTERPRISES COMPANY LIMITED



**For the six months ended 30 June 2015
Interim Results Presentation**

Stock : 697

Content

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



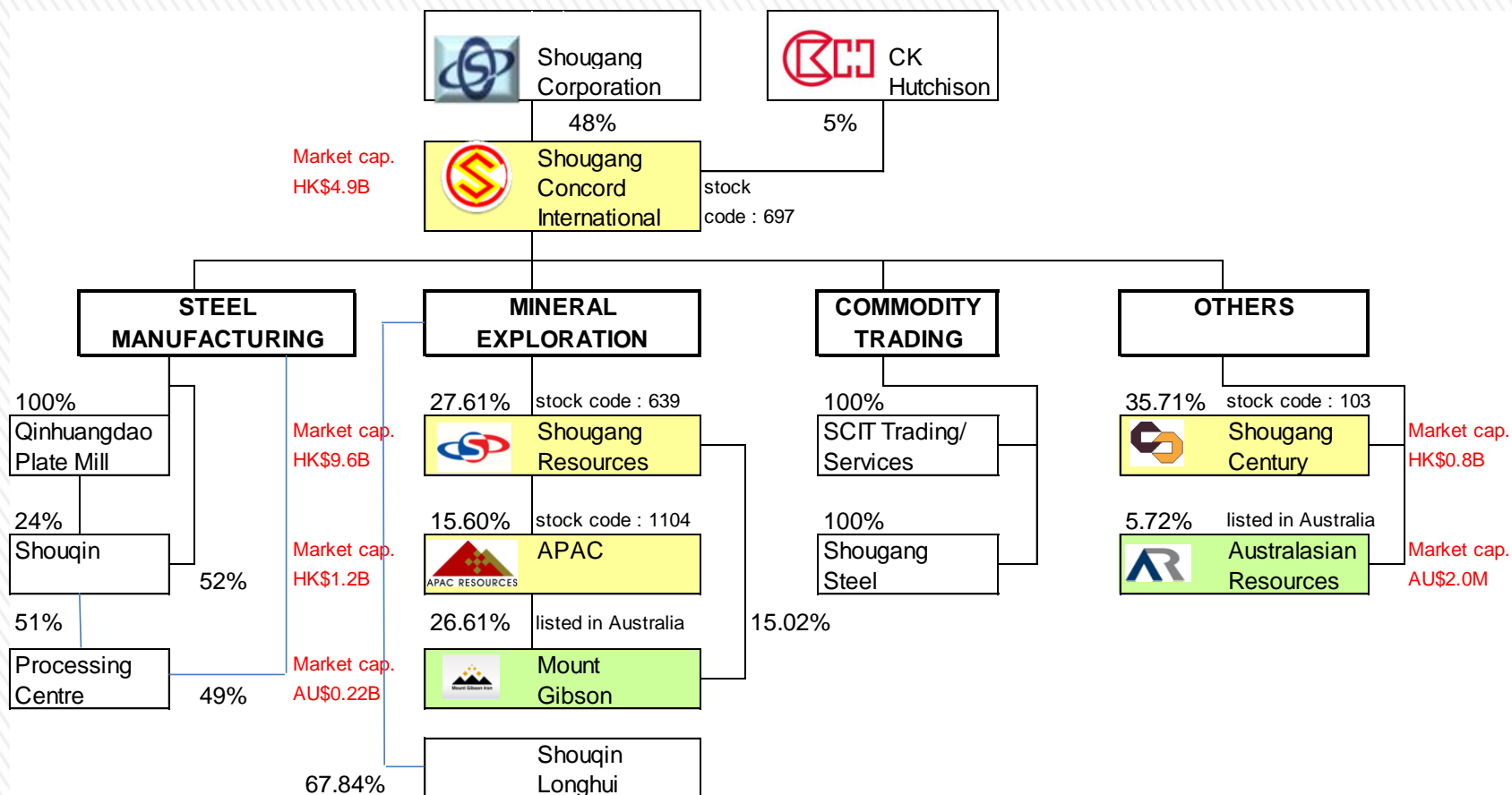
Company overview

- **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 CK Hutchison 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)**



Simplified corporate structure

As at 30 June 2015



SCIT
Trading/Services

Shouqin
Longhui

Production chain

Trading of iron ore



concentrate

Manufacturing and sale of pellet

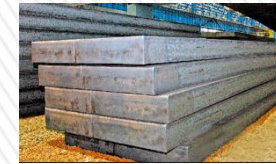


Pellet

Shouqin

Manufacturing and sale of slab & plate

Slab



Main end products

Vessel



Oil pipe



Infrastructure



Industrial machinery



Building structure



Iron Ore

Coking coal



Coke

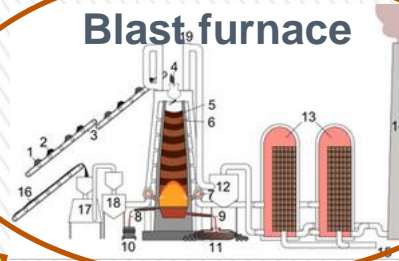
Shougang
Resources

Manufacturing and sale of hard coking coal



After sintering process

Blast furnace



After rolling process



Plate



Processing Centre

Processing of steel

Qinghuangdao
Plate Mill

Manufacturing of plate

Alloy/Limestone

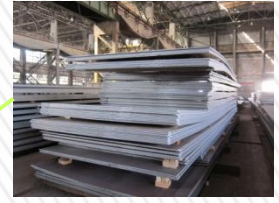
Operation base



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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Crude steel production

World top 10



No. 1

2



3



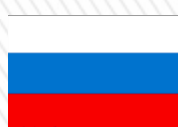
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7



8



9



10



By country

Rank		2014 million tonnes	%
1.	China	823	49.5%
2.	Japan	111	6.7%
3.	US	88	5.3%
4.	India	83	5.0%
5.	S. Korea	71	4.3%
6.	Russia	71	4.3%
7.	Germany	43	2.6%
8.	Turkey	34	2.0%
9.	Brazil	34	2.0%
10.	Ukraine	27	1.6%
	Others	276	16.6%
		1,661	100.0%

By company

Rank	Name of the Producers	Place of incorporation	2014 million tonnes	%
1.	ArcelorMittal	Luxembourg	93.1	5.6%
2.	Nippon Steel & Sumitomo Metal Corporation	Japan	47.5	2.9%
3.	Hebei Steel Group	PRC	47.1	2.8%
4.	Baosteel Group	PRC	43.4	2.6%
5.	POSCO	South Korea	41.4	2.5%
6.	Shagang Group	PRC	35.3	2.1%
7.	Ansteel	PRC	34.4	2.1%
8.	JFE	Japan	34.1	2.1%
9.	Wuhan Steel Group	PRC	33.1	2.0%
10.	Shougang Group	PRC	30.8	1.9%
	Others		1,220.8	73.5%
			1,661.0	100.0%



China and world economy



	Year over Year			
	2013	2014	Projections	
			2015	2016
World Output²	3.4	3.4	3.5	3.8
Advanced Economies	1.4	1.8	2.4	2.4
United States	2.2	2.4	3.1	3.1
Euro Area ³	-0.5	0.9	1.5	1.6
Germany	0.2	1.6	1.6	1.7
France	0.3	0.4	1.2	1.5
Italy	-1.7	-0.4	0.5	1.1
Spain	-1.2	1.4	2.5	2.0
Japan	1.6	-0.1	1.0	1.2
United Kingdom	1.7	2.6	2.7	2.3
Canada	2.0	2.5	2.2	2.0
Other Advanced Economies ⁴	2.2	2.8	2.8	3.1
Emerging Market and Developing Economies⁵	5.0	4.6	4.3	4.7
Commonwealth of Independent States	2.2	1.0	-2.6	0.3
Russia	1.3	0.6	-3.8	-1.1
Excluding Russia	4.2	1.9	0.4	3.2
Emerging and Developing Asia	7.0	6.8	6.6	6.4
China	7.8	7.4	6.8	6.3
India ⁶	6.9	7.2	7.5	7.5
ASEAN-5 ⁷	5.2	4.6	5.2	5.3
Emerging and Developing Europe ⁸	2.9	2.8	2.9	3.2
Latin America and the Caribbean	2.9	1.3	0.9	2.0
Brazil	2.7	0.1	-1.0	1.0
Mexico	1.4	2.1	3.0	3.3
Middle East, North Africa, Afghanistan, and Pakistan	2.4	2.6	2.9	3.8
Saudi Arabia	2.7	3.6	3.0	2.7
Sub-Saharan Africa	5.2	5.0	4.5	5.1
Nigeria	5.4	6.3	4.8	5.0
South Africa	2.2	1.5	2.0	2.1

Source : IMF



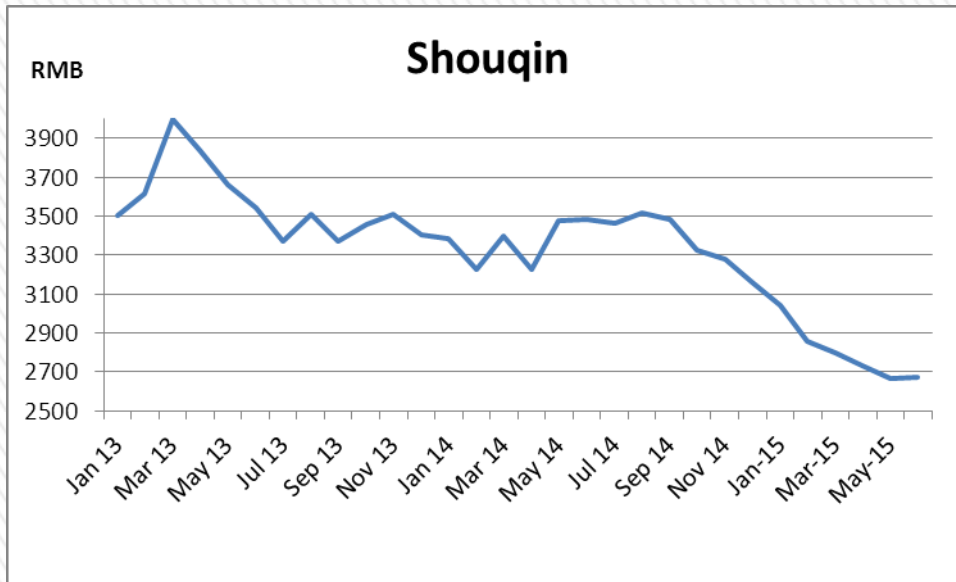
Key Statistics

		<u>1-6/2015</u>	<u>Vs 1-6/2014</u>
Steel Export from PRC (million tonnes)		52.4	+28%
PRC annual crude steel production (million tonnes)		410.0	-1.3%
Steel plate price - (RMB per ton) Northern China	- period average	2,640	-26%
	- period end	2,281	-25%*
Iron ore price - Platts (US\$ per ton) 62% Fe CFR Northern China	- period average	60	-46%
	- period end	60	-17%*
Coke price (RMB per ton)	- period average	862	-21%
	- period end	784	-20%*

*period end price is compared against end of 2014

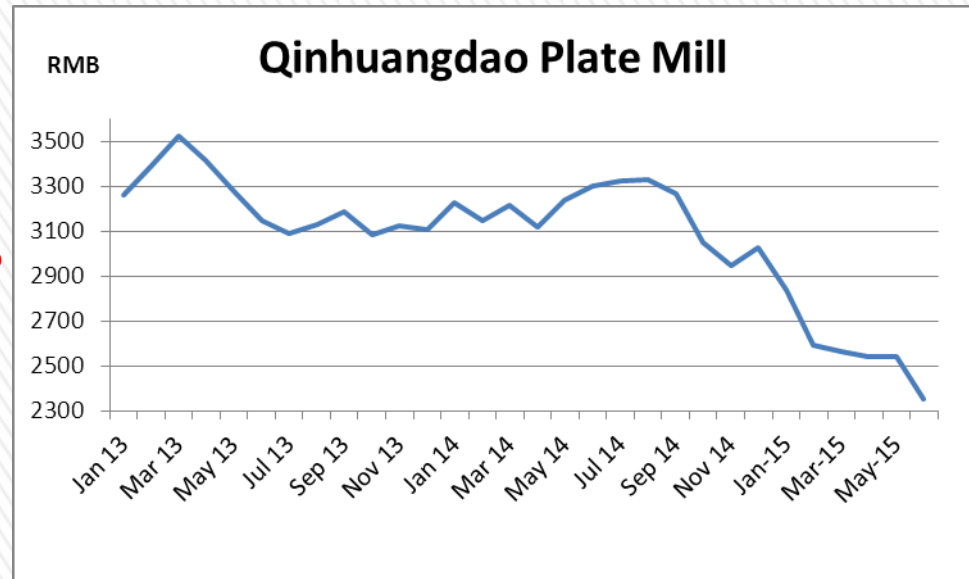


Monthly selling price of plates

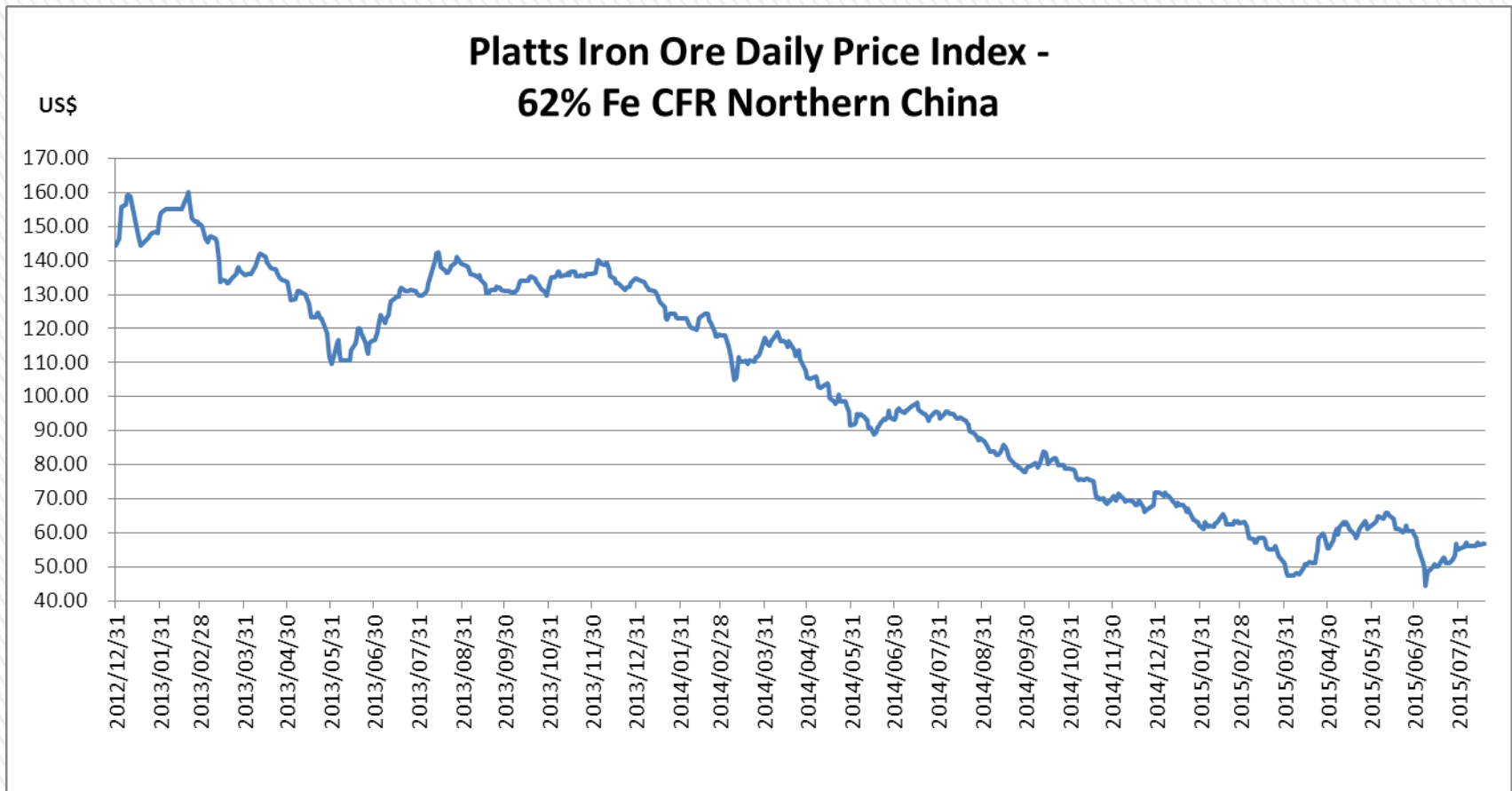


1H 2015 average **RMB2,798**
 1H 2014 average **RMB3,376** ↓ **17.1%**

1H 2015 average **RMB2,577**
 1H 2014 average **RMB3,210** ↓ **19.7%**



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. From the end of 2013 to the lowest of USD45, the price of Iron ore price has been decreased by 2/3.



Coke price

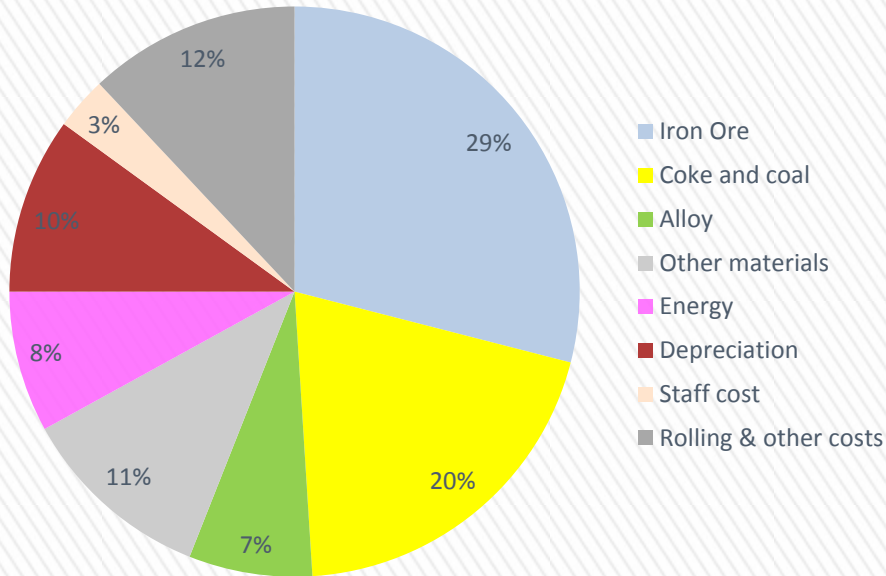


Coke is the second important element in producing slab. One ton of slab production requires 0.4 ton of coke input.

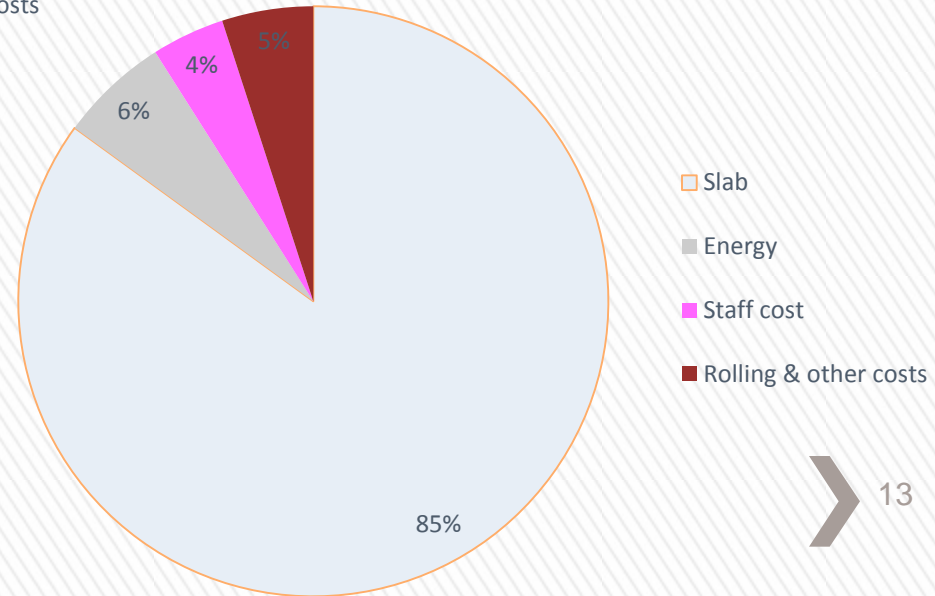


Cost component

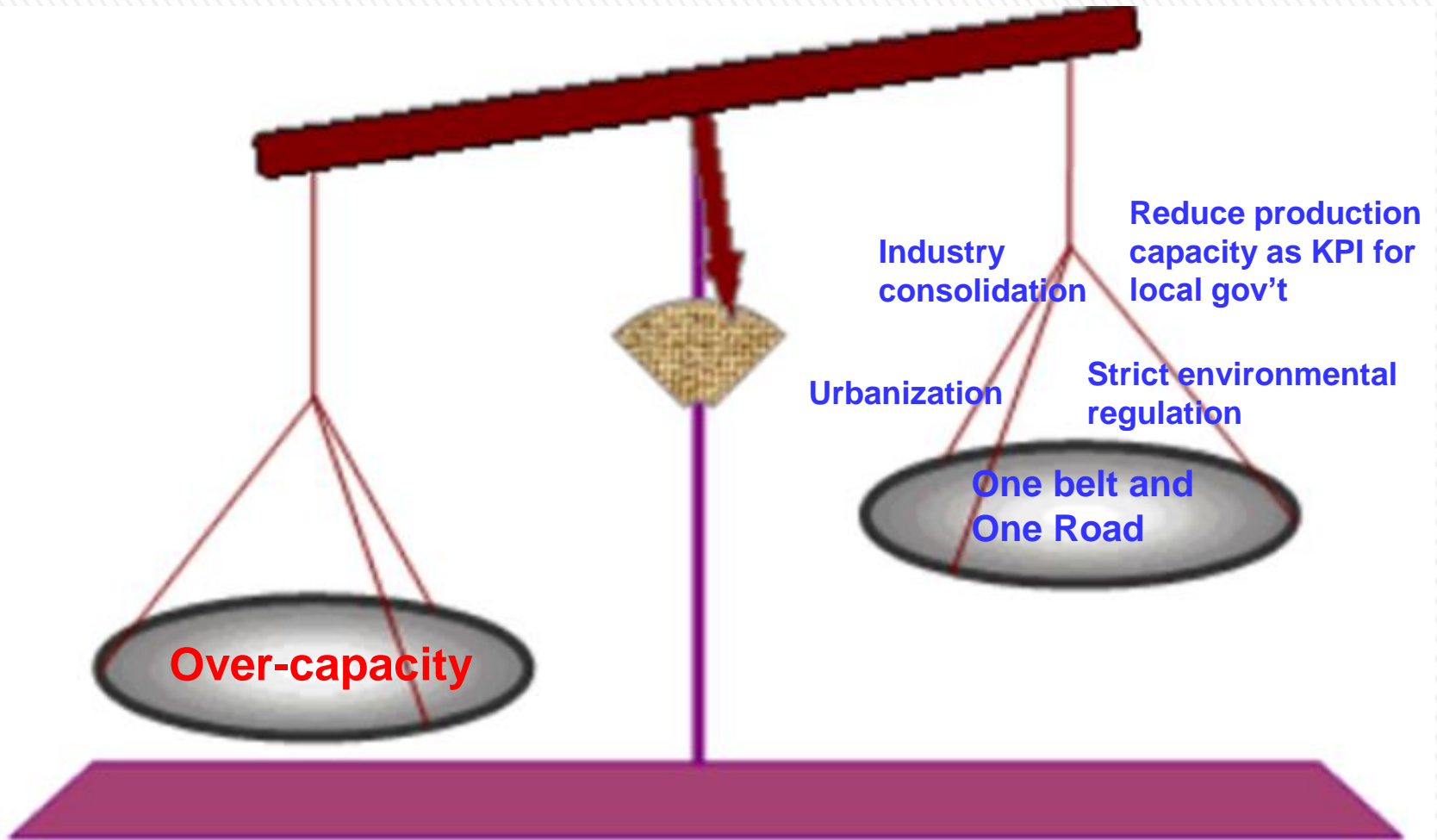
Shouqin



Qinhuangdao Plate Mill



Industry outlook



- **Company Overview**

- **Industry Overview**

- **Financial Highlights**

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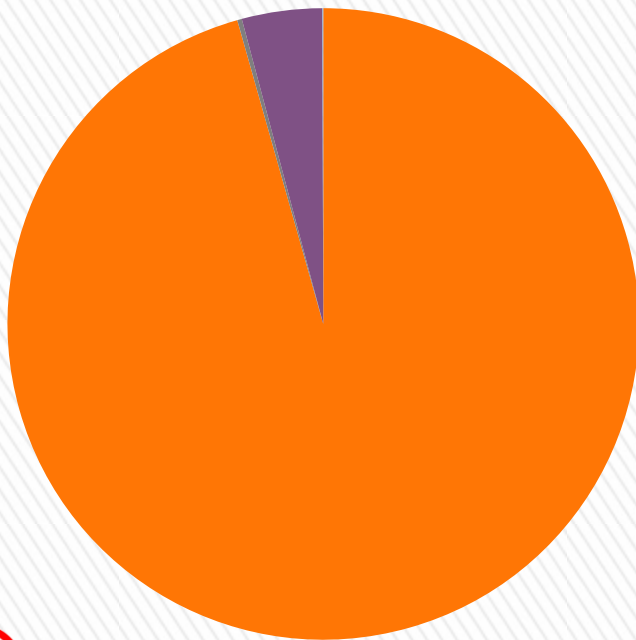
Financial highlights

	2015 Interim HK\$'M	2014 Interim HK\$'M	Change
Turnover	4,212	6,753	-38%
Attributable loss to shareholders	(1,234)	(866)	-43%
Loss per share (HK cents)	(13.77)	(9.66)	-43%
Gross assets	24,982	26,874	-7%
Net asset per share (HK\$)	0.40	0.65	-38%
Total loans to total assets	32.4%	34.7%	-2.3%



Turnover

	Turnover		Change
	2015 interim HK\$' M	2014 interim HK\$' M	
Steel Manufacturing	4,027	4,834	-17%
Mineral exploration	10	502	-98%
Commodity Trading	173	1,414	-88%
Others	2	3	-33%
	4,212	6,753	-38%



- Steel Manufacturing
- Mineral exploration
- Commodity Trading
- Others



Contribution

	2015 interim HK\$'M	2014 interim HK\$'M	Change
Steel Manufacturing	(695)	(729)	5%
Mineral exploration	(10)	(49)	80%
Commodity Trading	17	81	-79%
Fair value change on Mt. Gibson Offtake contract	(27)	(24)	-13%
Impairment loss on investment in			
Shougang Resources	(395)	-	N/M
Share of impairment loss made by SG Resources	(40)	(83)	52%
Share of impairment loss made by SC Century	(33)	-	N/M
Others	(51)	(62)	18%
	<u>(1,234)</u>	<u>(866)</u>	-43%



Profit/(loss) by region



Non-Qinhuangdao area

	2015 interim HK\$'M	2014 interim HK\$'M
Commodity trading	17	81
Share of profit/(loss) from:		
Shougang Resources (before impairment loss)	51	17
Shougang Century (before impairment loss)	(36)	(14)
Others	(15)	(48)
	17	36

	2015 interim HK\$'M	2014 interim HK\$'M
Qinhuangdao area	(756)	(795)
Non-Qinhuangdao area	17	36
Others	(495)	(107)
	(1,234)	(866)
Others		
Impairment loss on goodwill in relation to investment in Shougang Resources	(395)	-
Share of impairment loss made by Shougang Resources	(40)	(83)
Share of impairment loss made by Shougang Century	(33)	-
Fair value changes of offtake agreements with Mt. Gibson	(27)	(24)
	(495)	(107)

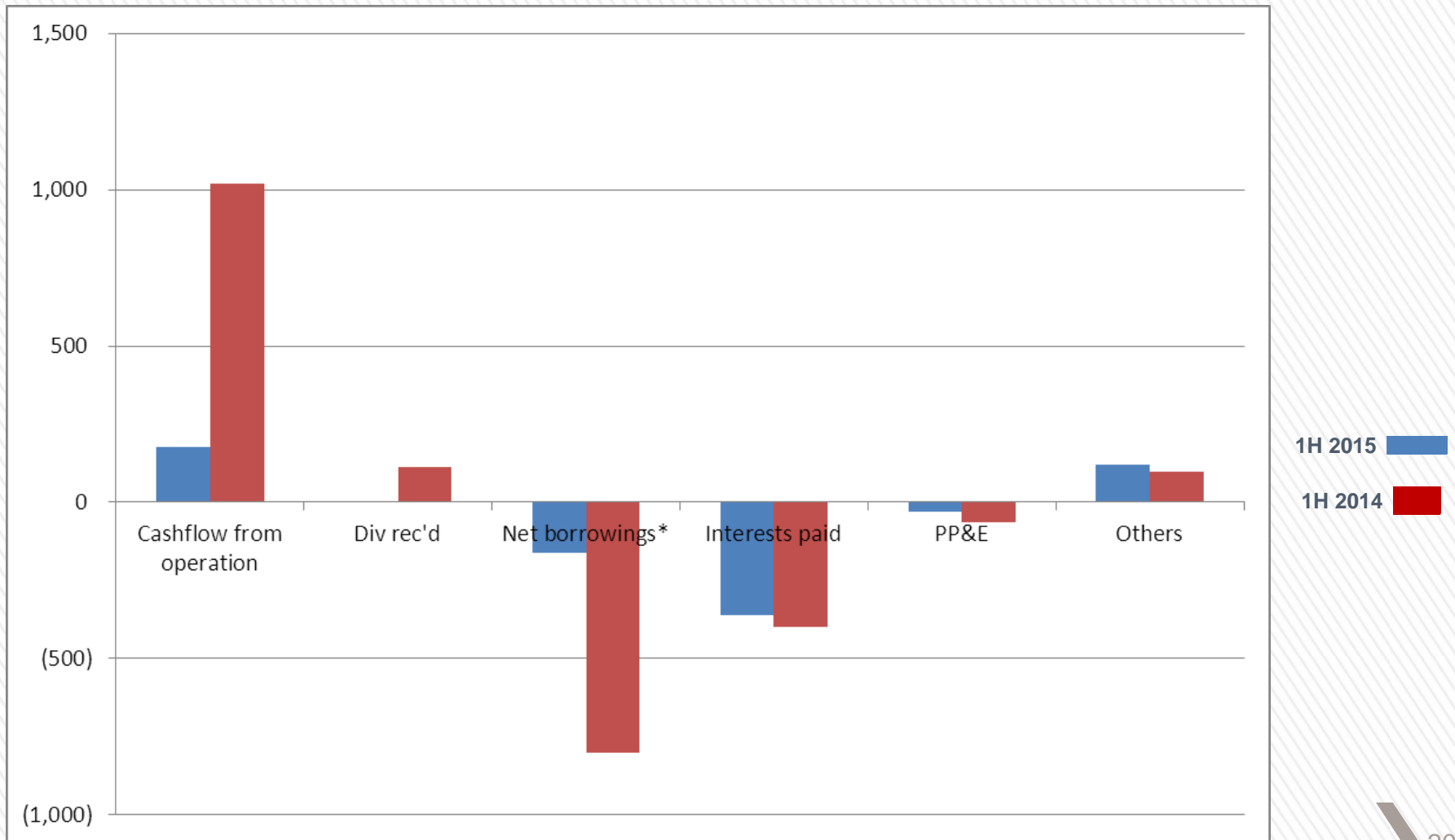
Qinhuangdao area

	2015 interim HK\$'M	2014 interim HK\$'M
Shouqin & Processing Centre	(634)	(690)
Shouqin Longhui	(61)	(66)
Qinhuangdao Plate Mill	(61)	(39)
	(756)	(795)



Cash flow profile

HK\$'M



* Included advances from discounted bills



Cash/Bank balances & Loans

	PRC (excl. HK) 30-Jun-15 HK\$'M	Other than PRC 30-Jun-15 HK\$'M	Group Total 30-Jun-15 HK\$'M	Group Total 31-Dec-14 HK\$'M
Cash and bank balances	1,386	590	1,976	2,236
Loans from banks*	6,050	1,169	7,219	7,975
Loans from parent co.	872	-	872	873
Total loans	6,922	1,169	8,091	8,848
Total assets	17,171	7,811	24,982	25,888
Total loans to total assets	40.3%	15.0%	32.4%	34.2%

* Excluding financing from discounted bills



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Steel manufacturing



Shouqin 首秦

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



QZP 秦中板

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

Sales and production data

	Slabs		Heavy Plates	
	1H	1H	1H	1H
	2015	2014	2015	2014
(i) Production	'000 tonnes	'000 tonnes	'000 tonnes	'000 tonnes
Shouqin	1,224	1,150	865	762
Qinhuangdao Plate Mill	-	-	258	262
Total	1,224	1,150	1,123	1,024
Change	+6%		+10%	
(ii) Sales				
Shouqin [#]	259	299	861	797
Qinhuangdao Plate Mill	-	-	255	260
Total	259	299	1,116	1,057
Change	-13%		+6%	
(iii) Average ASP per ton	RMB	RMB	RMB	RMB
Shouqin	1,984	2,643	2,798	3,376
Qinhuangdao Plate Mill	-	-	2,577	3,210
Overall	1,984	2,643	2,748	3,335
Change	-25%		-18%	

#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 are eliminated on consolidation



Steel manufacturing

- segment results

Shouqin & Processing Centre

	2015 interim HK\$'M	2014 interim HK\$'M	Change
Turnover	3,718	4,523	-18%
GP%	-9.8%	-9.9%	
Attributable loss to the Group	(634)	(690)	8%
Depreciation & Amortization	413	417	-1%
Finance cost	281	288	-2%

Qinhuangdao Plate Mill

Turnover	925	1,195	-23%
GP%	1.2%	1.6%	
Attributable loss to the Group	(61)	(39)	-56%
Depreciation & Amortization	25	21	19%
Financial cost	34	29	17%

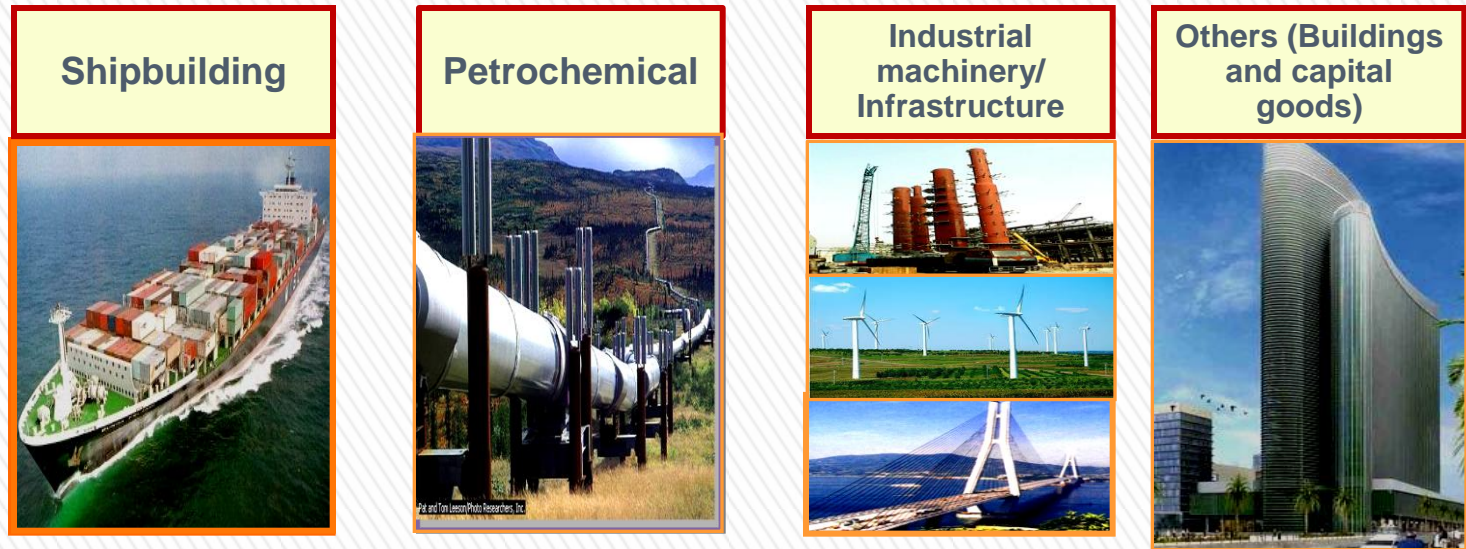
Total attributable loss -

Shouqin + QZP	(695)	(729)	5%
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Note : All figures are shown before elimination of intercompany, except attributable loss which is shown after elimination

Heavy plate output



Industry Breakdown on Our Heavy Plate Output

2015 1H	49%	3%	34%	14%
2014 1H	40%	4%	44%	12%



Mineral exploration: Shougang Resources



27.61% equity stake



SHOUGANG FUSHAN RESOURCES GROUP LTD.

- ◆ Production: Premium Hard Coking Coal >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 Shougang Resources

	2015 interim HK\$'M	2014 interim HK\$'M	
Turnover	1,093	1,702	-35.8%
Raw Coking Coal (tonnes)	89,000	561,000	-84.1%
Price RMB/t (exclude VAT)	315	469	-32.8%
Clean Coking Coal (tonnes)	1,358,000	1,412,000	-3.8%
Price RMB/t (exclude VAT)	624	780	-20.0%
GP %	25.1%	43.9%	-18.8%
Profit attributable to shareholders before impairment loss	229	108	112.0%
Impairment loss	(144)	(300)	52.0%
Profit/(loss) attributable to shareholders	85	(192)	N/M
Dividend per share (HK cents)			
Interim	1.0	1.0	-
Special	15.0	-	N/M
	16.0	1.0	1500.0%

	6/2015 HK\$'M	12/2014 HK\$'M	
Cash & Bank balance	6,080	5,507	10.4%
Loan balance	274	74	270.3%
Gross Assets	24,092	24,000	0.4%
Net assets	17,881	17,927	-0.3%
NAV per share (HK\$)	3.37	3.38	-0.3%
Gearing*	1.4%	0.4%	

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



Mineral exploration

- segment results

	2015 interim HK\$'M	2014 interim HK\$'M	Change
Turnover			
SQLH	122	830	-85%
Represented by:			
Sales vol. ('000t)	140	585	-76%
ASP (RMB)	613	953	-36%
Attributable (loss)/profit			
SQLH	(61)	(66)	8%
Share of Shougang Resources results	51	17	200%
	(10)	(49)	80%



Note: All figures are shown before elimination of intercompany transaction except attributable profit/(loss) which is shown after elimination.

Commodity trading: Mt Gibson iron ore Offtake agreements



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
- ◆ Following the completion of mining activities in the mine of Talling Peak, currently, only the mine of Koolan Island could supply iron ore to the Group under the offtake agreements.
- ◆ However, a slump in Koolan Island occurred in late 2014, which further led to the flooding of the mine subsequently. Affected by this event, all non-essential activities on the Koolan Island have been suspended.



Commodity trading

– segment results

	2015 interim HK\$M	2014 interim HK\$M	Change
Turnover			
Mt. Gibson iron ore	211	1,286	-84%
Others	-	180	-100%
	<u>211</u>	<u>1,466</u>	<u>-86%</u>
Attributable profit	17	81	-79%

Mt. Gibson iron ore			
Volume ('000t)	507	1,713	-70%
ASP (US\$/t)	44	96	-54%
profit (US\$/t)	5.5	6.6	-17%

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



Note: All figures are shown before elimination of intercompany transaction except attributable profit/(loss) which is shown after elimination.

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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