



**SHOUGANG CONCORD INTERNATIONAL
ENTERPRISES COMPANY LIMITED**



**For the year ended 31 December 2015
Final Results Presentation**

Stock : 697

- **Company Overview**

- **Industry Overview**

- **Financial Highlights**

- **Operation Review**



Company overview

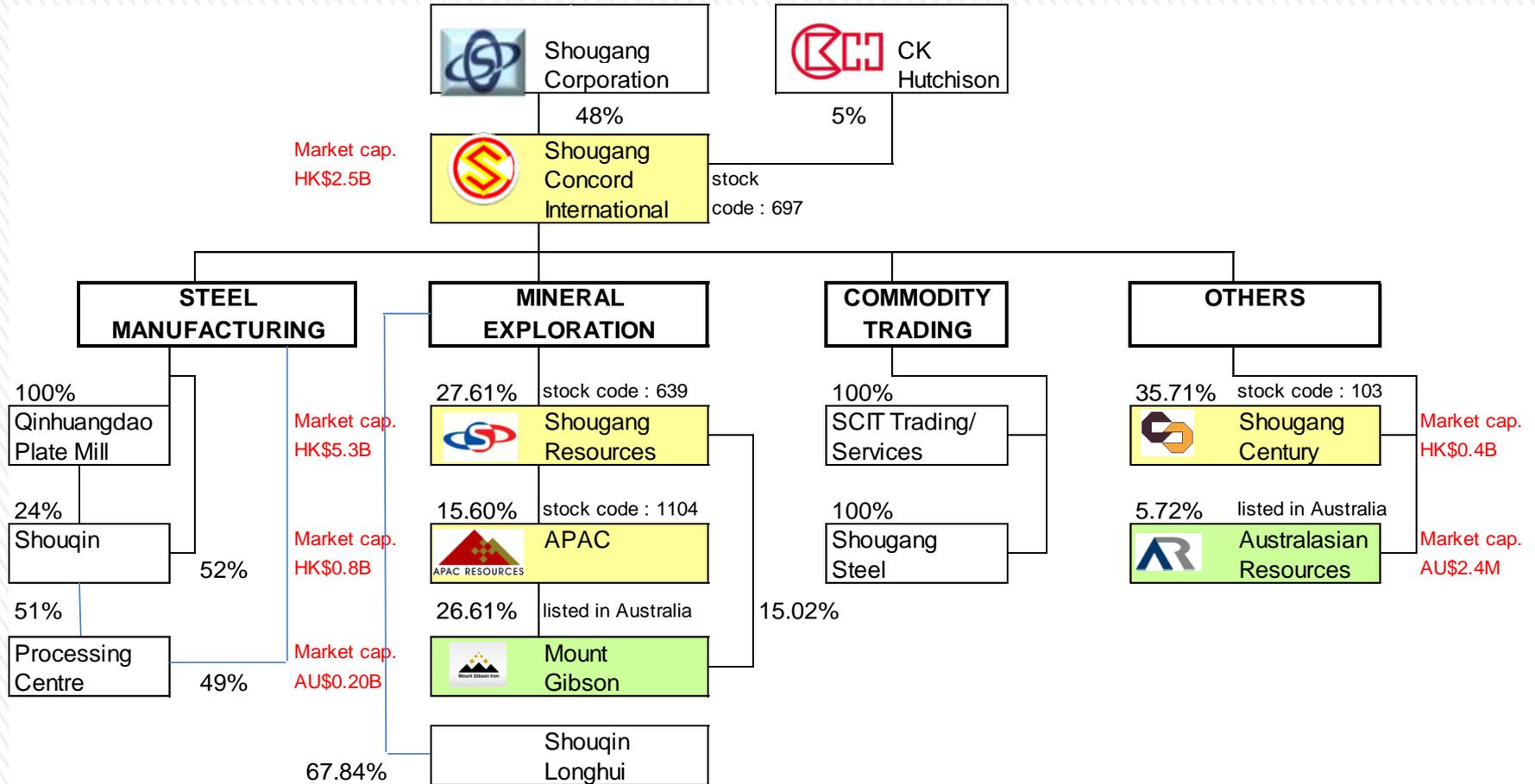
- **Listed in Hong Kong since 1992 through acquisition of Tung Wing Steel (Holdings) Ltd.**
- **Controlling shareholder is Shougang Corporation, which is under the supervision of the Beijing State-Owned Assets Supervision and Administration Commission**
- **Strategic shareholder also includes CK Hutchison 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 31 December 2015



SCIT
Trading/Services

Shouqin Longhui

Production chain

Trading of iron ore



Iron Ore

Coking coal



Shougang Resources

Manufacturing and sale of hard coking coal



Manufacturing and sale of pellet



concentrate



Pellet

Shouqin

Manufacturing and sale of slab & plate

Slab



Main end products

Vessel



Oil pipe



Infrastructure



Industrial machinery



Building structure



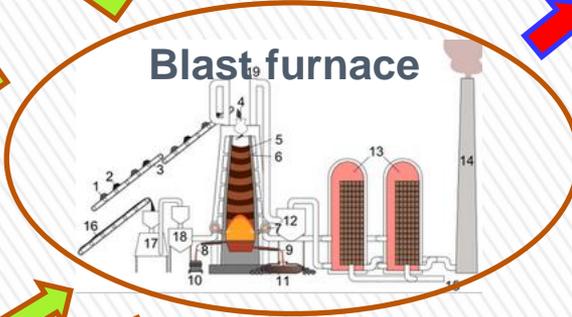
After sintering process

Coke



Alloy/Limestone

Blast furnace



Processing Centre

Processing of steel

After rolling process



Plate

Qinghuangdao Plate Mill

Manufacturing and sale of plate

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**

- **Industry Overview**

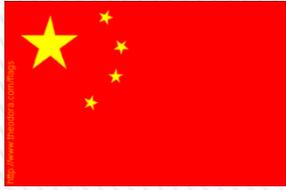
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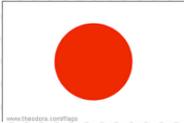
Crude steel production

World top 10



No. 1

2



3



4



5



6



7



8



9



10



By country

Rank		2015 million tonnes	%
1.	China	804	50.3%
2.	Japan	105	6.6%
3.	India	90	5.6%
4.	US	79	4.9%
5.	Russia	71	4.4%
6.	S. Korea	70	4.4%
7.	Germany	43	2.7%
8.	Brazil	33	2.1%
9.	Turkey	32	2.0%
10.	Ukraine	23	1.4%
	Others	249	15.6%
		1,599	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	73.4%
			1,661.0	100.0%

China's production of crude steel in 2015 decreased by 2.3% compared to last year, which was the first-ever decline over the past three decades.

Source : World Steel Association



China and world economy

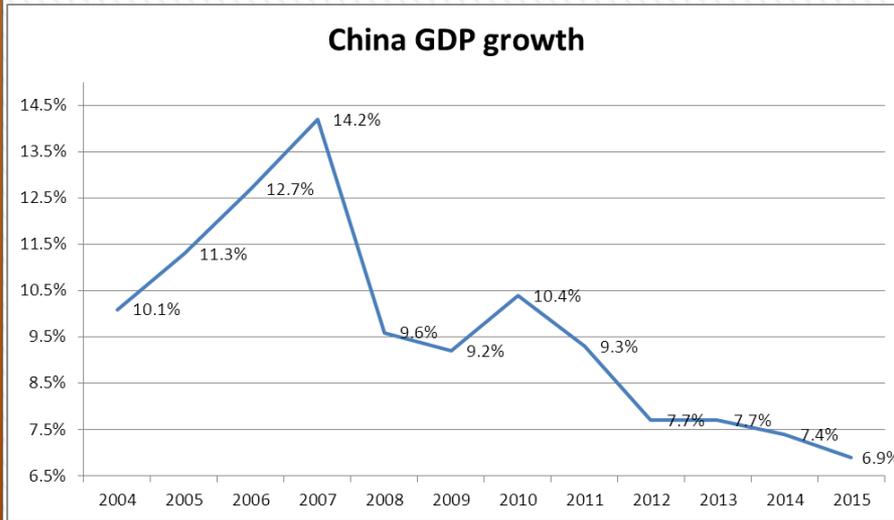


Table 1.1. Overview of the World Economic Outlook Projections
(Percent change, unless noted otherwise)

	2014	Projections	
		2015	2016
World Output	3.4	3.1	3.6
Advanced Economies	1.8	2.0	2.2
United States	2.4	2.6	2.8
Euro Area	0.9	1.5	1.6
Germany	1.6	1.5	1.6
France	0.2	1.2	1.5
Italy	-0.4	0.8	1.3
Spain	1.4	3.1	2.5
Japan	-0.1	0.6	1.0
United Kingdom	3.0	2.5	2.2
Canada	2.4	1.0	1.7
Other Advanced Economies ²	2.8	2.3	2.7
Emerging Market and Developing Economies	4.6	4.0	4.5
Commonwealth of Independent States	1.0	-2.7	0.5
Russia	0.6	-3.8	-0.6
Excluding Russia	1.9	-0.1	2.8
Emerging and Developing Asia	6.8	6.5	6.4
China	7.3	6.8	6.3
India ³	7.3	7.3	7.5
ASEAN-5 ⁴	4.6	4.6	4.9
Emerging and Developing Europe	2.8	3.0	3.0
Latin America and the Caribbean	1.3	-0.3	0.8
Brazil	0.1	-3.0	-1.0
Mexico	2.1	2.3	2.8
Middle East, North Africa, Afghanistan, and Pakistan	2.7	2.5	3.9
Saudi Arabia	3.5	3.4	2.2
Sub-Saharan Africa	5.0	3.8	4.3
Nigeria	6.3	4.0	4.3
South Africa	1.5	1.4	1.3

Source : IMF

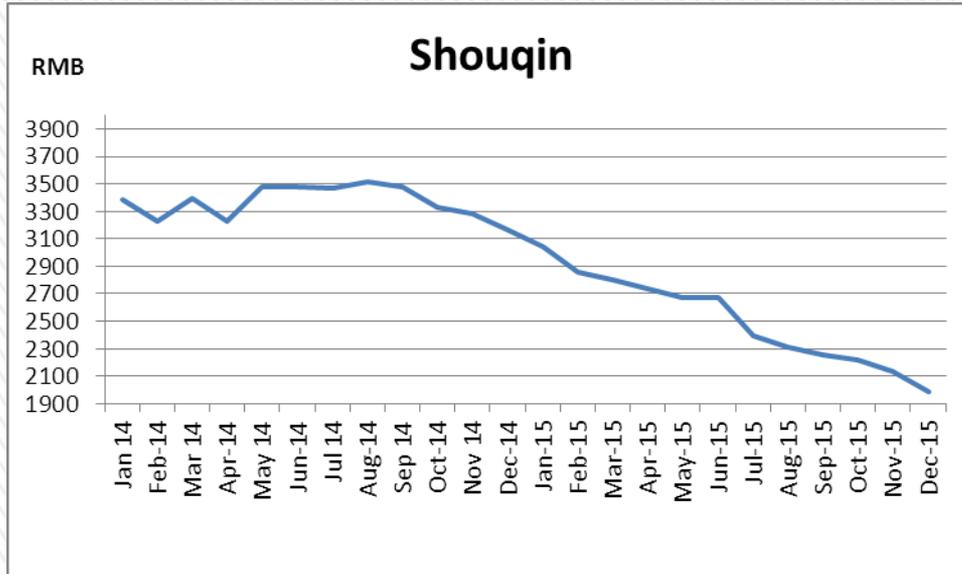


Key Statistics

		<u>2015</u>	<u>Vs 2014</u>
Steel Export from PRC (million tonnes)		112.4	+20%
PRC annual crude steel production (million tonnes)		804.0	-2.3%
Steel plate price - (RMB per ton)	- period average	2,381	-30%
	- period end	2,039	-33%
Iron ore price - Platts (US\$ per ton) 62% Fe CFR Northern China	- period average	56	-42%
	- period end	43	-40%
Coke price (RMB per ton)	- period average	780	-24%
	- period end	631	-35%



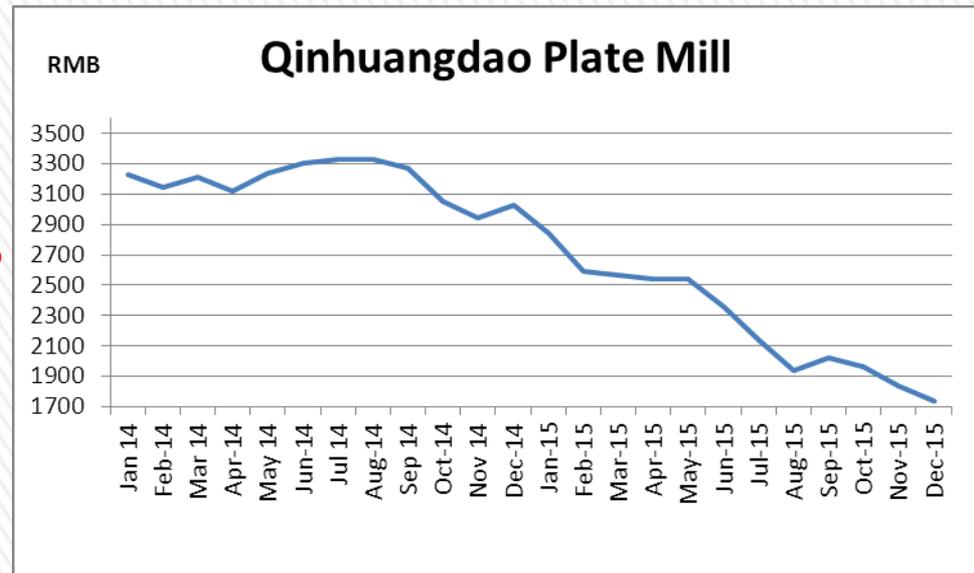
Monthly selling price of plates



2015 average RMB2,523

2014 average RMB3,373

↓ 25.2%



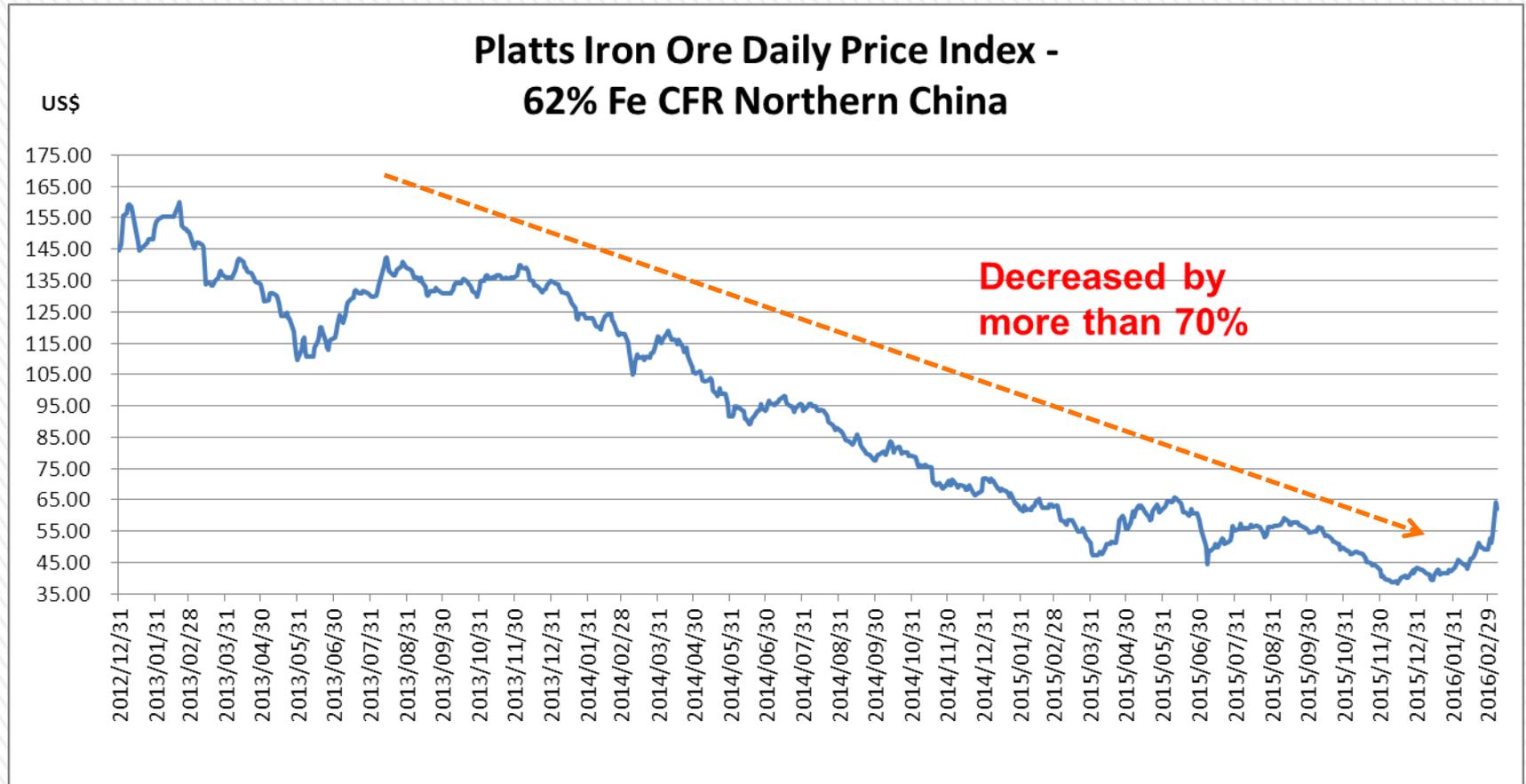
2015 average RMB2,316

2014 average RMB3,189

↓ 27.4%



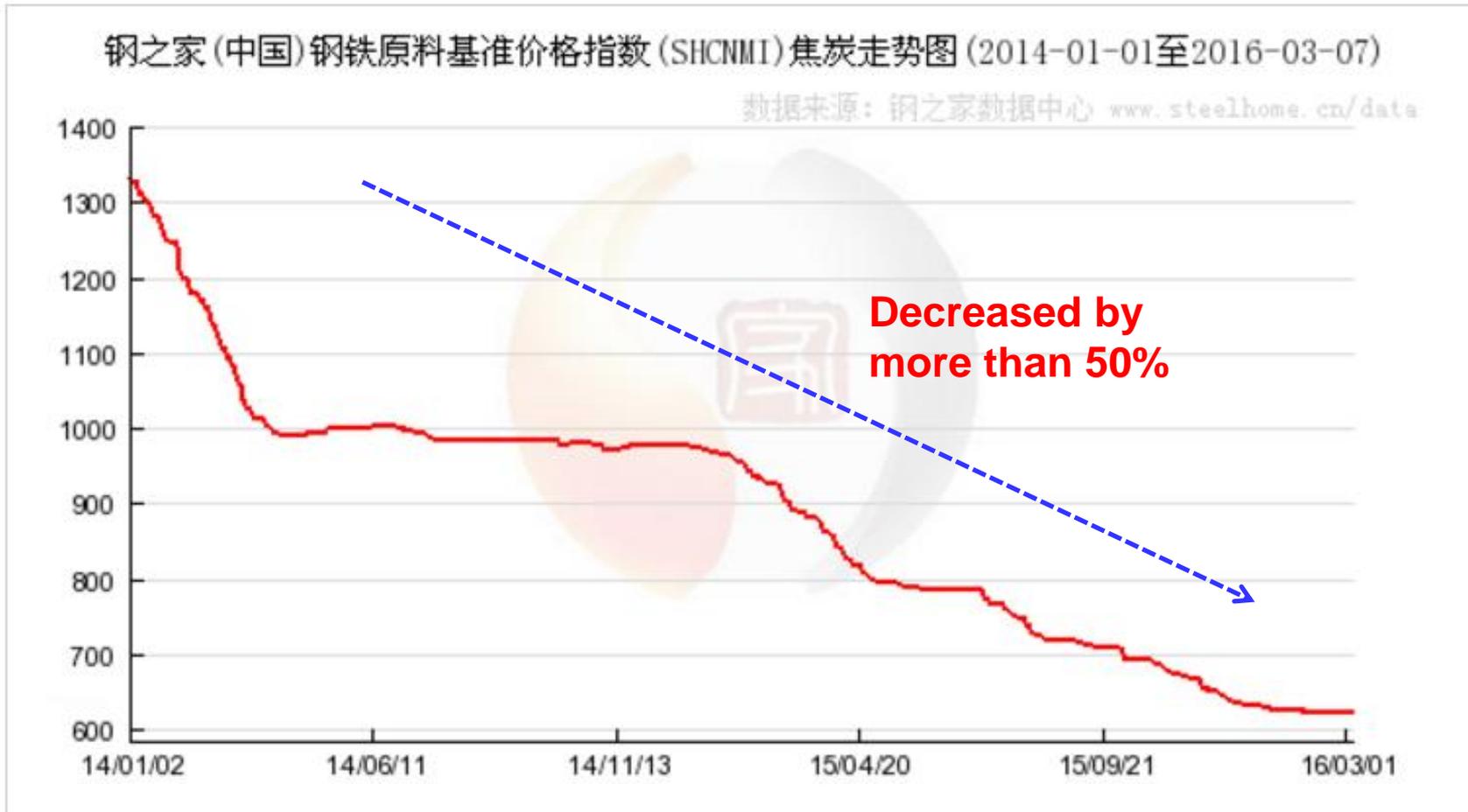
Iron ore price



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



Coke price

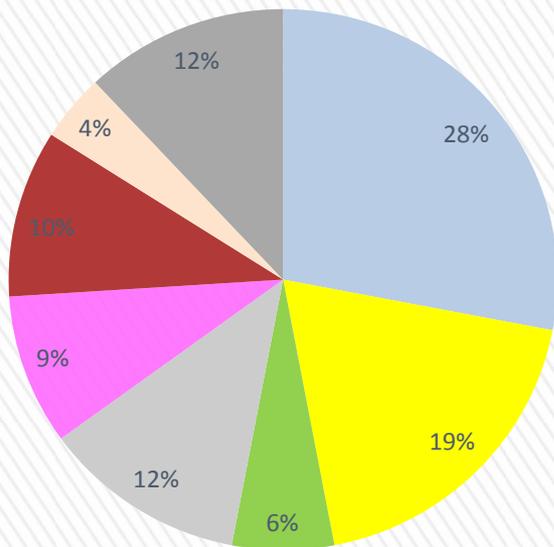


Decreased by
more than 50%

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



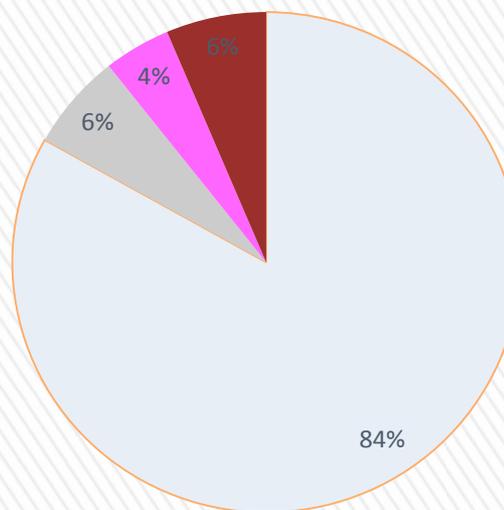
Shouqin



- Iron Ore
- Coke and coal
- Alloy
- Other materials
- Energy
- Depreciation
- Staff cost
- Rolling & other costs

Cost component

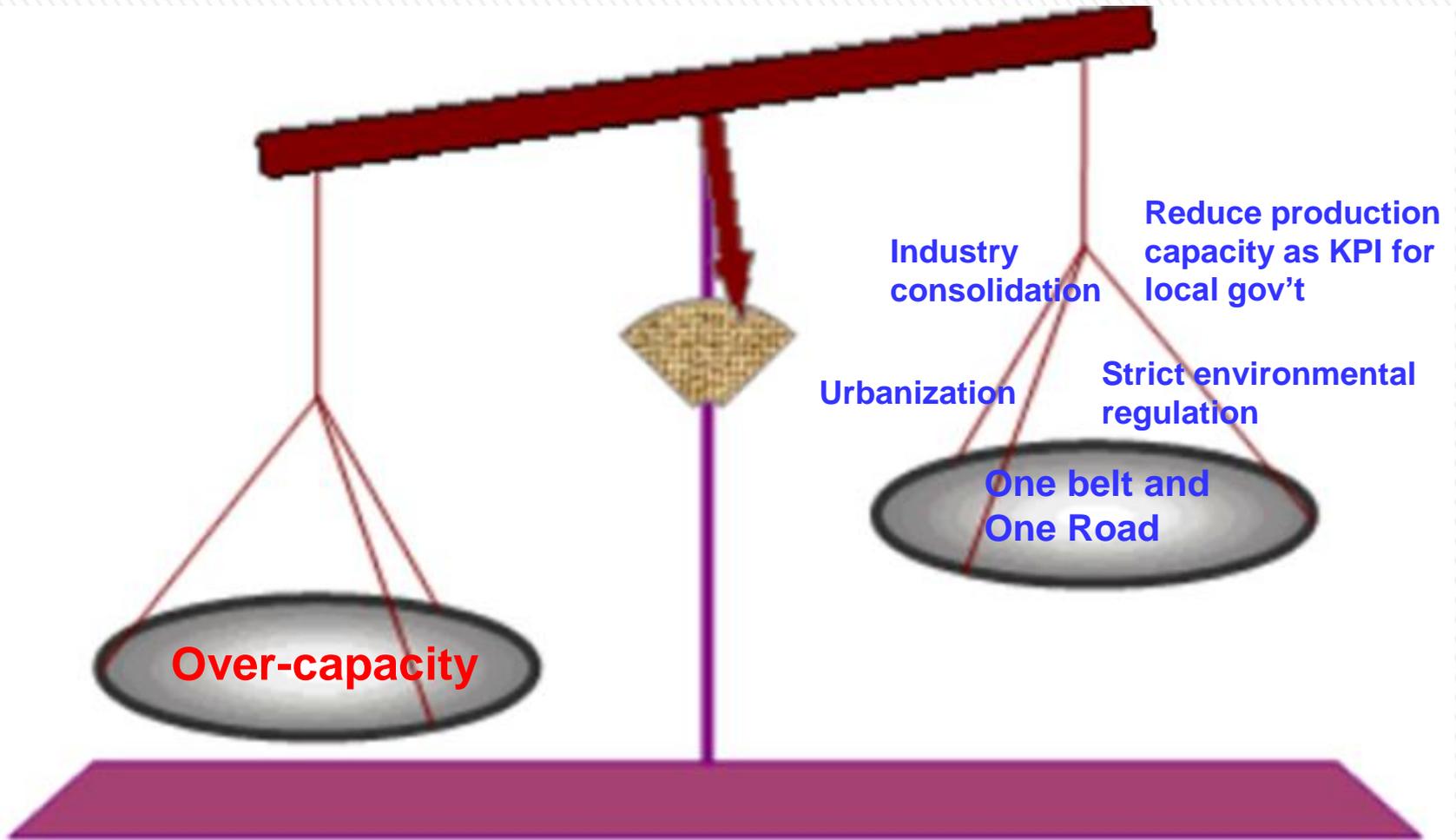
Qinhuangdao Plate Mill



- Slab
- Energy
- Staff cost
- Rolling & other costs



Industry outlook



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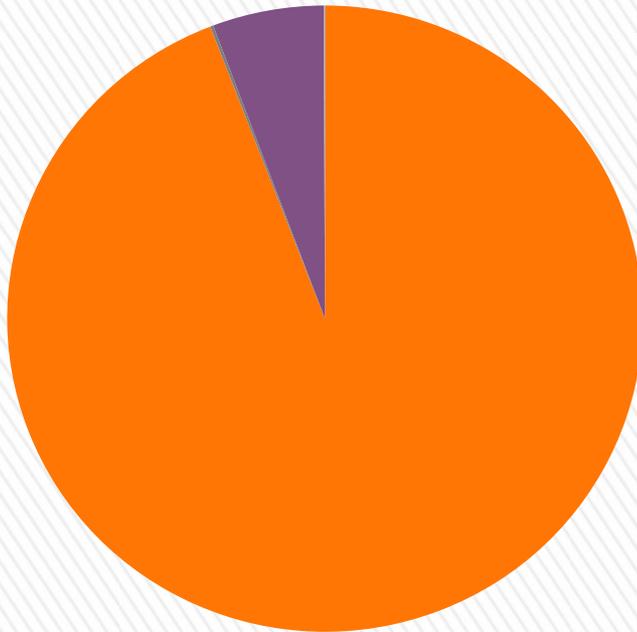


Financial highlights

	2015 HK\$'M	2014 HK\$'M	+ Favourable/ -Unfavourable Change
Turnover	7,273	12,756	-43%
Attributable loss to shareholders	(3,349)	(1,641)	-104%
Loss per share (HK cents)	(37.39)	(18.32)	-104%
Gross assets	21,262	25,888	-18%
Net asset per share (HK\$)	0.15	0.54	-72%
Total loans to total assets	37.8%	34.2%	-3.6%

Turnover

	Turnover		Change
	2015 HK\$' M	2014 HK\$' M	
Steel Manufacturing	6,845	10,073	-32%
Mineral exploration	12	776	-98%
Commodity Trading	412	1,903	-78%
Others	4	4	0%
	7,273	12,756	-43%



- Steel Manufacturing
- Mineral exploration
- Commodity Trading
- Others



Contribution

	2015	2014	+ Favourable/ - Unfavourable Change
	HK\$'M	HK\$'M	
Steel Manufacturing	(1,735)	(1,129)	-54%
Mineral exploration	(167)	(69)	-142%
Commodity Trading	48	86	-44%
Fair value change on Mt. Gibson Offtake contracts	(220)	(141)	-56%
Share of results of Shougang Century (exclude impairment)	(87)	(46)	-89%
Impairment loss on investment in Shougang Resources	(952)	-	N/M
Share of impairment loss made by Shougang Resources	(142)	(227)	37%
Share of impairment loss made by Shougang Century	(48)	(53)	9%
Others	(46)	(62)	26%
	<u>(3,349)</u>	<u>(1,641)</u>	-104%



Profit/(loss) by region



Non-Qinhuangdao area

	2015 HK\$'M	2014 HK\$'M
Commodity trading	48	86
Share of profit/(loss) from: Shougang Resources (before impairment loss)	3	84
Shougang Century (before impairment loss)	(87)	(46)
Others	(46)	(62)
	(82)	62

	2015 HK\$'M	2014 HK\$'M
Qinhuangdao area	(1,905)	(1,282)
Non-Qinhuangdao area	(82)	62
Others	(1,362)	(421)
	(3,349)	(1,641)

	2015 HK\$'M	2014 HK\$'M
Others		
Impairment loss on goodwill in relation to investment in Shougang Resources	(952)	-
Share of impairment loss made by Shougang Resources	(142)	(227)
Share of impairment loss made by Shougang Century	(48)	(53)
Fair value changes of offtake agreements with Mt. Gibson	(220)	(141)
	(1,362)	(421)

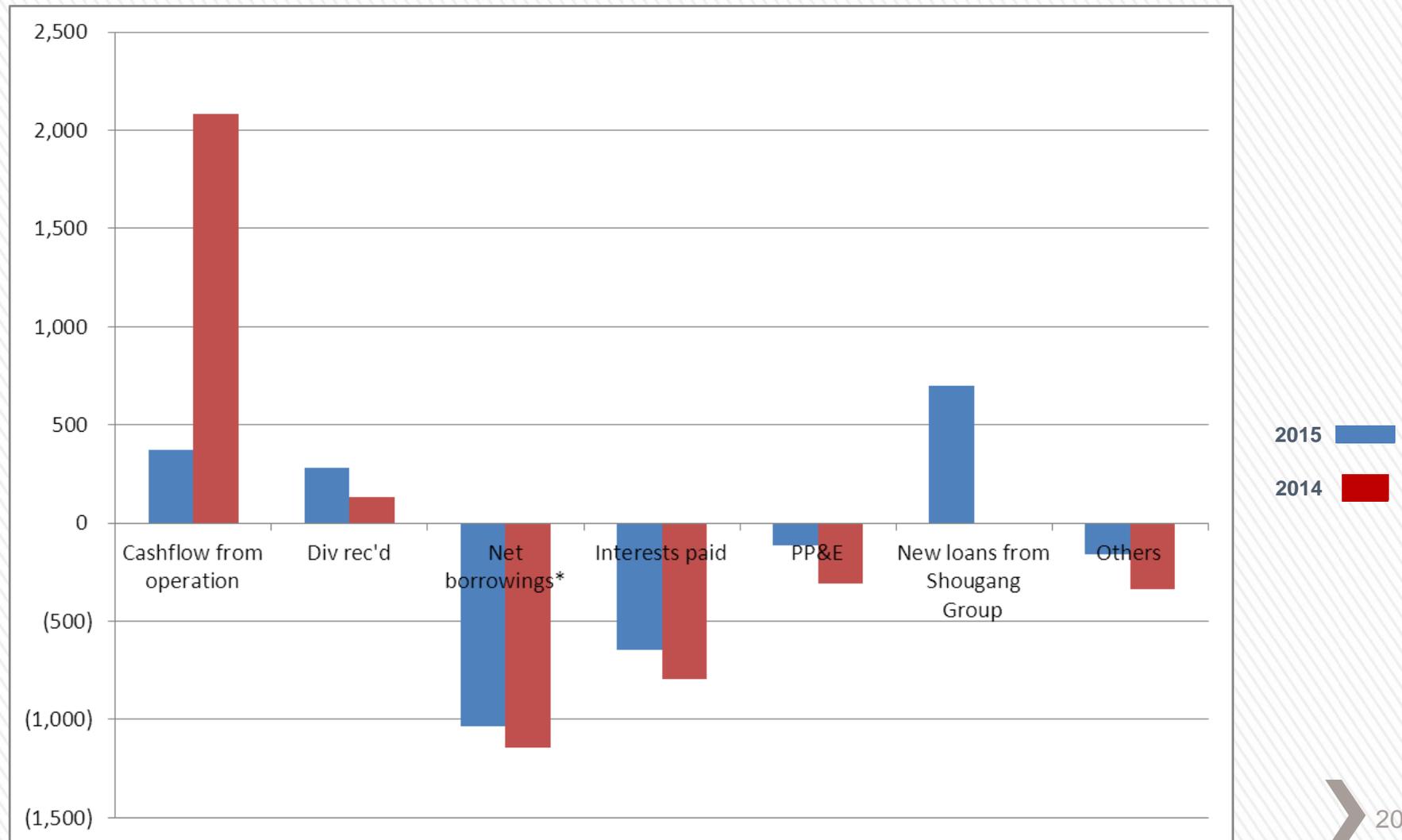
Qinhuangdao area

	2015 HK\$'M	2014 HK\$'M
Shouqin & Processing Centre	(1,525)	(1,060)
Shouqin Longhui	(170)	(153)
Qinhuangdao Plate Mill	(210)	(69)
	(1,905)	(1,282)



Cash flow profile

HK\$'M



* Included advances from discounted bills



Cash/Bank balances & Loans

	PRC (excl. HK) 31-Dec-15 HK\$'M	Other than PRC 31-Dec-15 HK\$'M	Group Total 31-Dec-15 HK\$'M	Group Total 31-Dec-14 HK\$'M
Cash and bank balances	1,009	620	1,629	2,236
Loans from banks*	5,705	905	6,610	7,975
Loans from parent co.	1,431	-	1,431	873
Total loans	7,136	905	8,041	8,848
Total assets	14,857	6,406	21,263	25,888
Total loans to total assets	48.0%	14.1%	37.8%	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	
	2015	2014	2015	2014
(i) Production	'000 tonnes	'000 tonnes	'000 tonnes	'000 tonnes
Shouqin	2,386	2,416	1,616	1,644
Qinhuangdao Plate Mill	-	-	432	530
Total	2,386	2,416	2,048	2,174
Change	-1%		-6%	
(ii) Sales				
Shouqin [#]	574	594	1,620	1,655
Qinhuangdao Plate Mill	-	-	431	532
Total	574	594	2,051	2,187
Change	-3%		-6%	
(iii) Average ASP per ton	RMB	RMB	RMB	RMB
Shouqin	1,760	2,553	2,523	3,373
Qinhuangdao Plate Mill	-	-	2,316	3,189
Overall	1,760	2,553	2,480	3,328
Change	-31%		-25%	

#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 HK\$'M	2014 HK\$'M	Change
Turnover	6,418	9,189	-30%
GP%	-17.9%	-5.6%	
Attributable loss to the Group	(1,525)	(1,060)	-44%
Depreciation & Amortization	814	836	-3%
Finance cost	514	567	-9%

Qinhuangdao Plate Mill

Turnover	1,522	2,306	-34%
GP%	-1.7%	4.0%	
Attributable loss to the Group	(210)	(69)	-204%
Depreciation & Amortization	37	33	12%
Financial cost	68	61	11%

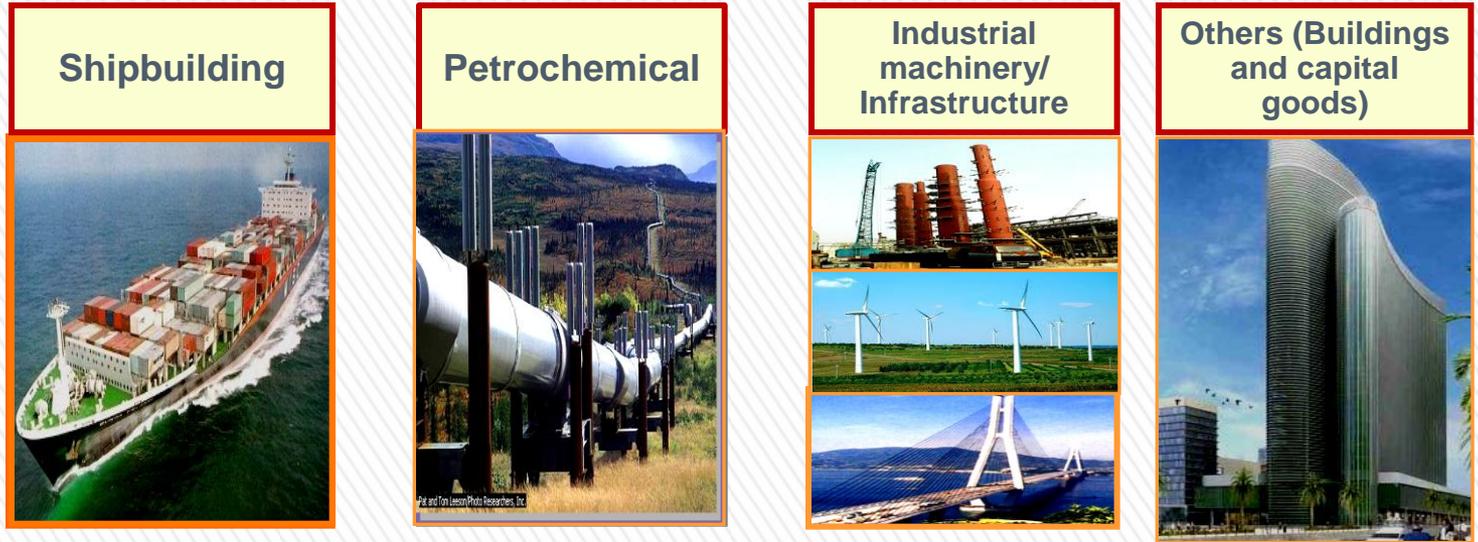
Total attributable loss -

Shouqin + QZP	(1,735)	(1,129)	-54%
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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

	Shipbuilding	Petrochemical	Industrial machinery/Infrastructure	Others (Buildings and capital goods)
2015	37%	3%	42%	18%
2014	44%	5%	42%	9%



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 HK\$'M	2014 HK\$'M	Change
Turnover	1,997	3,255	-38.6%
Raw Coking Coal (tonnes)	281,000	1,011,000	-72.2%
Price RMB/t (exclude VAT)	280	423	-33.8%
Clean Coking Coal (tonnes)	2,606,000	2,999,000	-13.1%
Price RMB/t (exclude VAT)	594	722	-17.7%
GP %	24.5%	40.1%	-15.6%
Profit attributable to shareholders before impairment loss	100	399	-74.9%
Impairment loss	(516)	(824)	37.4%
Loss attributable to shareholders	(416)	(425)	2.1%
Dividend per share (HK cents)			
Interim	1.0	1.0	-
Final	5.0	2.7	85.2%
Special	15.0	-	N/M
	21.0	3.7	467.6%

	12/2015 HK\$'M	12/2014 HK\$'M	Change
Cash & Bank balance	5,118	5,507	-7.1%
Loan balance	-	74	-100.0%
Gross Assets	20,728	24,000	-13.6%
Net assets	15,791	17,927	-11.9%
NAV per share (HK\$)	2.98	3.38	-11.8%
Gearing*	0.0%	0.4%	

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



Mineral exploration

- segment results

	2015 HK\$'M	2014 HK\$'M	Change
Turnover			
SQLH	239	1,433	-83%
Represented by:			
Sales vol. ('000t)	286	1,138	-75%
ASP (RMB)	590	839	-30%
Attributable (loss)/profit			
SQLH	(170)	(153)	-11%
Share of Shougang Resources results			
(before impairment loss)	3	84	-96%
	(167)	(69)	-142%



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 HK\$'M	2014 HK\$'M	Change
Turnover			
Mt. Gibson iron ore	389	1,679	-77%
Others	23	224	-90%
	<u>412</u>	<u>1,903</u>	<u>-78%</u>
Attributable profit	48	86	-44%

Mt. Gibson iron ore			
Volume ('000t)	1,238	2,465	-50%
ASP (US\$/t)	40	92	-57%
profit (US\$/t)	5.8	5.2	12%

- ◆ 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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