



**SHOUGANG CONCORD INTERNATIONAL  
ENTERPRISES COMPANY LIMITED**



**For the six months ended 30 June 2016  
Interim Results Presentation**

Stock: 697

- **Company Overview**

- **Industry Overview**

- **Financial Highlights**

- **Operation Review**



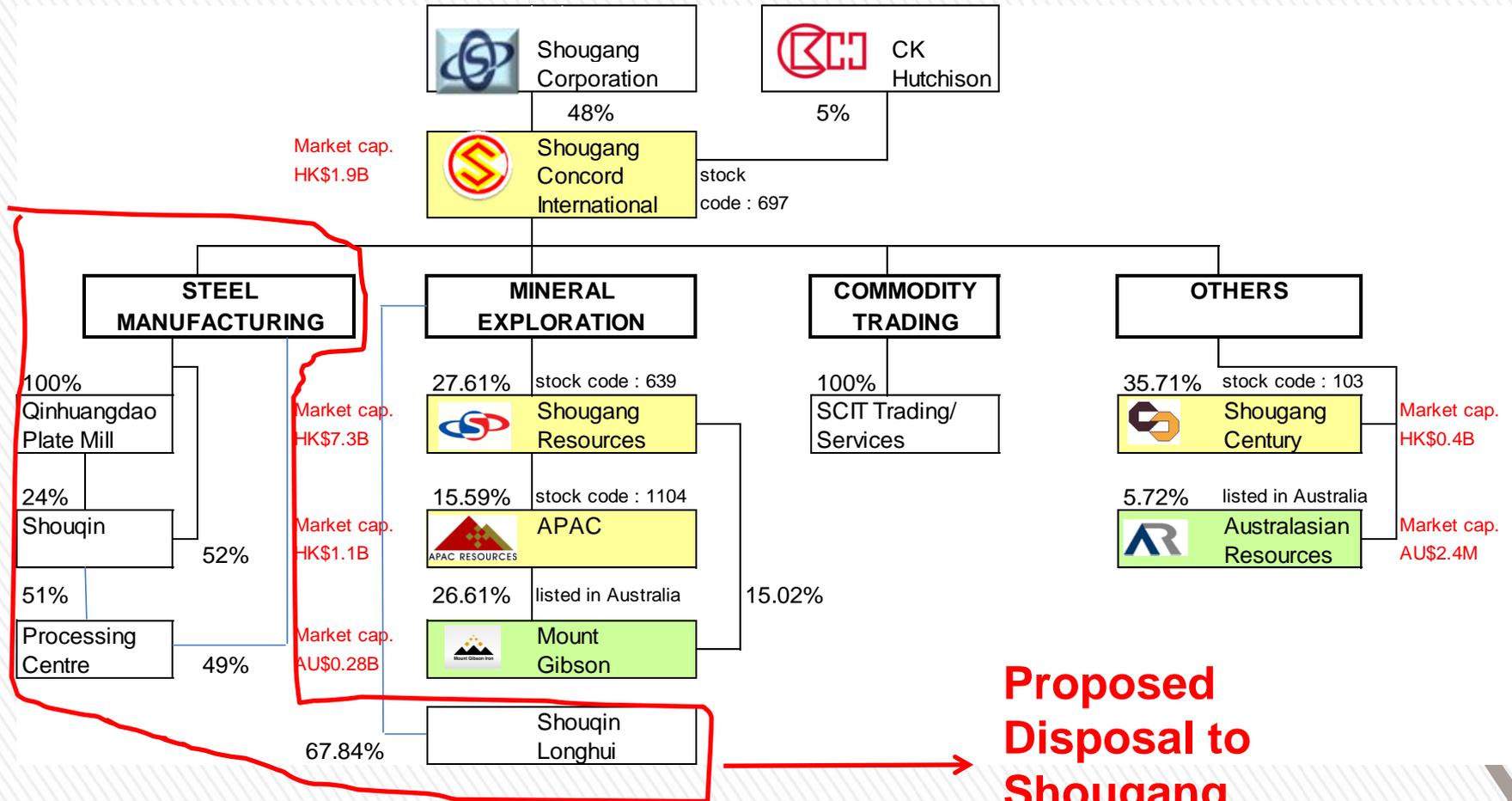
# Company overview

- **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 30 June 2016



**SCIT**  
Trading/Services

**Shouqin Longhui**

# Production chain

Trading of iron ore



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



Iron Ore

Coking coal



Coke



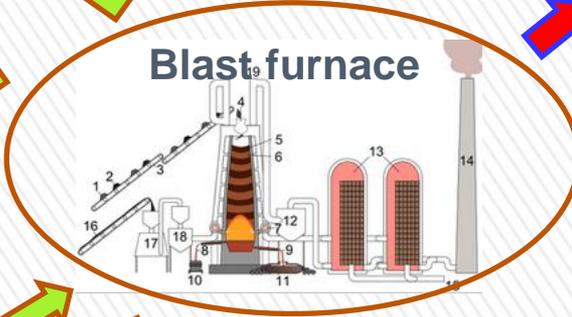
**Shougang Resources**

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 and sale of plate

Alloy/Limestone

# Operation base



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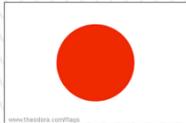
# Crude steel production

## World top 10



No. 1

2



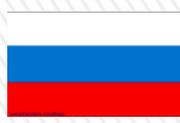
3



4



5



6



7



8



9



10



### By country

Rank		2015 million tonnes	%
1.	China	804	49.6%
2.	Japan	105	6.5%
3.	India	90	5.6%
4.	US	79	4.9%
5.	Russia	71	4.4%
6.	S. Korea	70	4.3%
7.	Germany	43	2.6%
8.	Brazil	33	2.0%
9.	Turkey	32	2.0%
10.	Ukraine	23	1.4%
	Others	271	16.7%
		1,621	100.0%

### By company

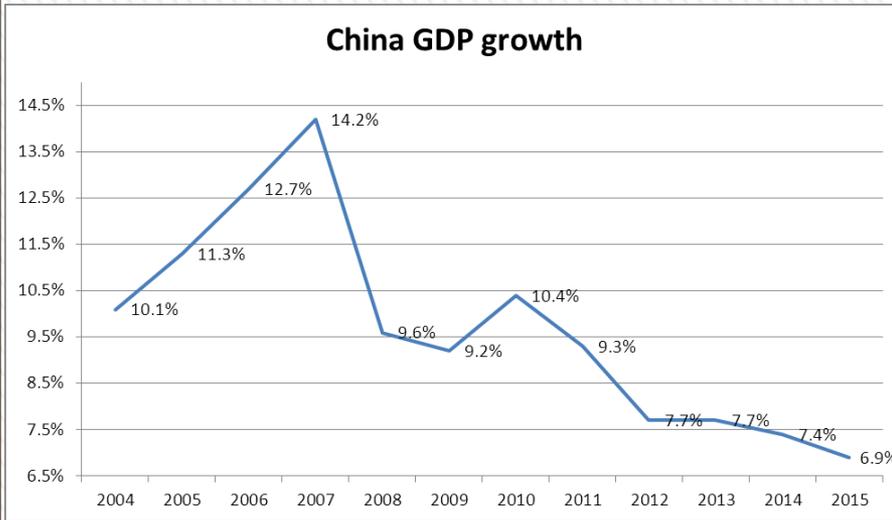
Rank	Name of the Producers	Place of incorporation	2015 million tonnes	%
1.	ArcelorMittal	Luxembourg	97.1	6.0%
2.	Hebei Steel Group	PRC	47.8	2.9%
3.	Nippon Steel & Sumitomo Metal Corporation	Japan	47.4	2.9%
4.	POSCO	South Korea	42.0	2.6%
5.	Baosteel Group	PRC	34.9	2.2%
6.	Shagang Group	PRC	34.2	2.1%
7.	Ansteel	PRC	32.5	2.0%
8.	JFE	Japan	29.8	1.8%
9.	Shougang Group	PRC	28.6	1.8%
10.	Tata Steel Group	India	26.3	1.6%
	Others		1,200.3	74.1%
			1,620.9	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)

	2015	Projections	
		2016	2017
<b>World Output</b>	<b>3.1</b>	<b>3.2</b>	<b>3.5</b>
<b>Advanced Economies</b>	<b>1.9</b>	<b>1.9</b>	<b>2.0</b>
United States	2.4	2.4	2.5
Euro Area	1.6	1.5	1.6
Germany	1.5	1.5	1.6
France	1.1	1.1	1.3
Italy	0.8	1.0	1.1
Spain	3.2	2.6	2.3
Japan	0.5	0.5	-0.1
United Kingdom	2.2	1.9	2.2
Canada	1.2	1.5	1.9
Other Advanced Economies <sup>2</sup>	2.0	2.1	2.4
<b>Emerging Market and Developing Economies</b>	<b>4.0</b>	<b>4.1</b>	<b>4.6</b>
Commonwealth of Independent States	-2.8	-1.1	1.3
Russia	-3.7	-1.8	0.8
Excluding Russia	-0.6	0.9	2.3
Emerging and Developing Asia	6.6	6.4	6.3
China	6.9	6.5	6.2
India <sup>3</sup>	7.3	7.5	7.5
ASEAN-5 <sup>4</sup>	4.7	4.8	5.1
Emerging and Developing Europe	3.5	3.5	3.3
Latin America and the Caribbean	-0.1	-0.5	1.5
Brazil	-3.8	-3.8	0.0
Mexico	2.5	2.4	2.6
Middle East, North Africa, Afghanistan, and Pakistan	2.5	3.1	3.5
Saudi Arabia	3.4	1.2	1.9
Sub-Saharan Africa	3.4	3.0	4.0
Nigeria	2.7	2.3	3.5
South Africa	1.3	0.6	1.2
<b>Memorandum</b>			
European Union	2.0	1.8	1.9
Low-Income Developing Countries	4.5	4.7	5.5
Middle East and North Africa	2.3	2.9	3.3
World Growth Based on Market Exchange Rates	2.4	2.5	2.9

Source : IMF

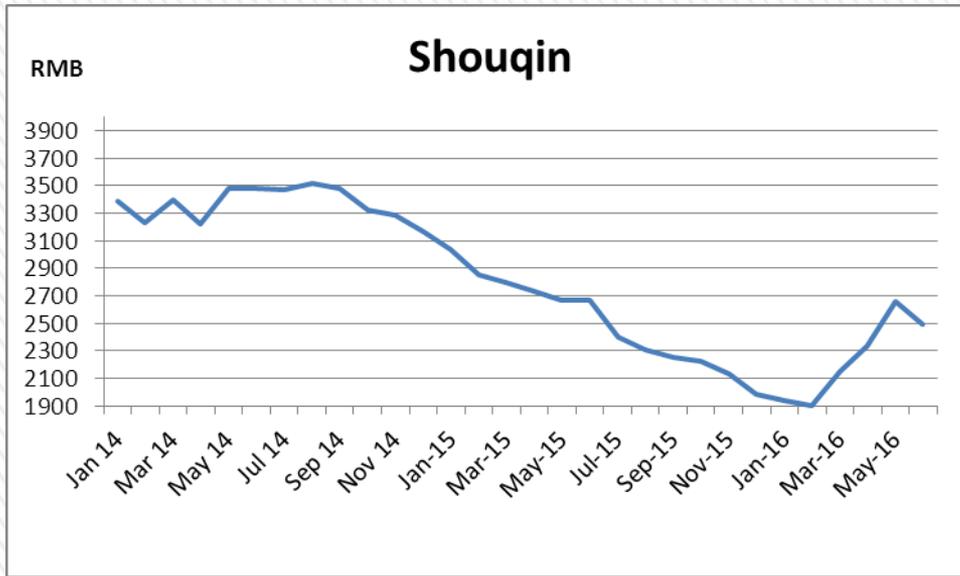


# Key Statistics

		<u>1H 2016</u>	<u>vs 1H 2015</u>
Steel Export from PRC (million tonnes)		57.1	+9%
PRC annual crude steel production (million tonnes)		399.6	-2.5%
Steel plate price - (RMB per ton)	- period average	2,208	-20%
	- period end	2,470	-5%
Iron ore price - Platts (US\$ per ton) 62% Fe CFR Northern China	- period average	52	-13%
	- period end	55	-8%
Coke price (RMB per ton)	- period average	744	-14%
	- period end	857	+9%

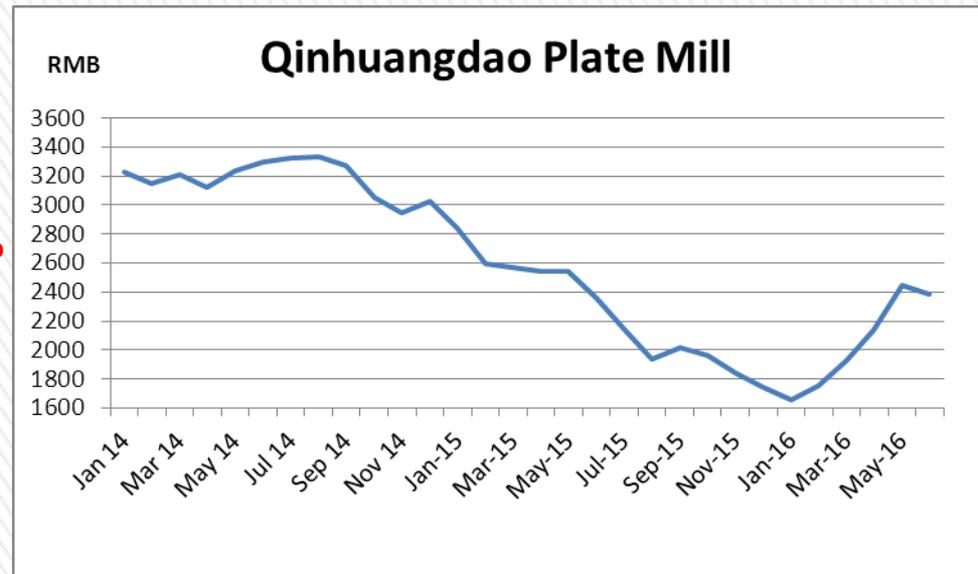


# Monthly selling price of plates



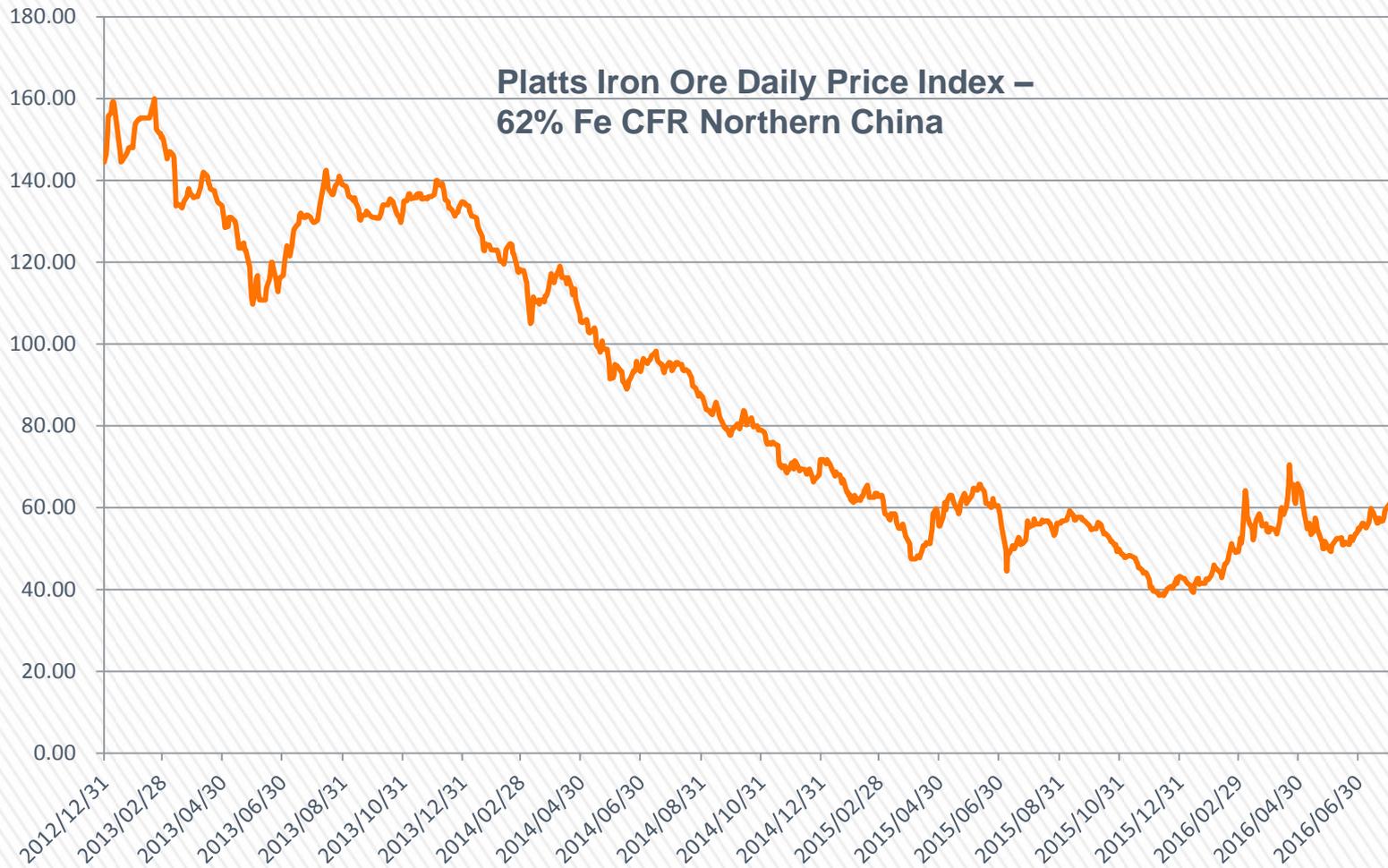
1H 2016 average **RMB2,239**  
 1H 2015 average **RMB2,798** ↓ **20.0%**

1H 2016 average **RMB2,059**  
 1H 2015 average **RMB2,577** ↓ **20.1%**



# Iron ore price

USD per tonne



**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

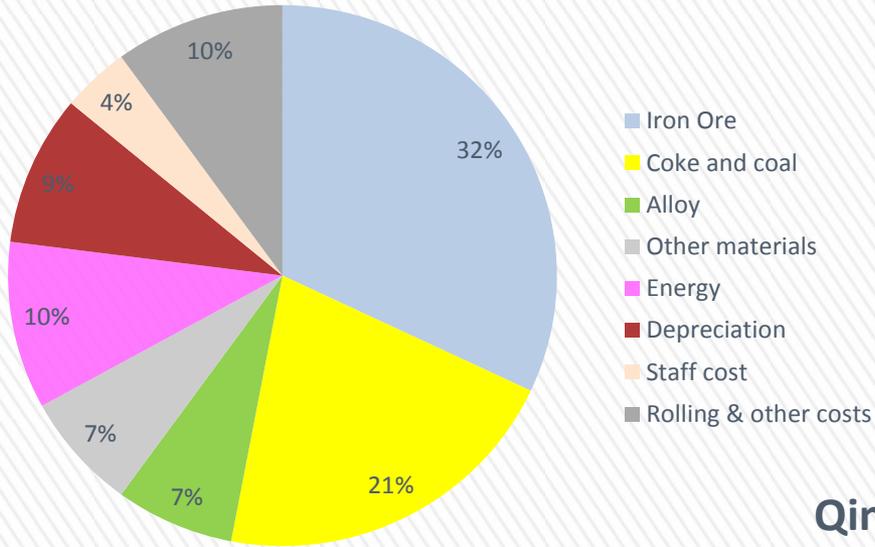


**Coke is the second important element in producing slab. One ton of slab production requires 0.4 ton of coke input.**

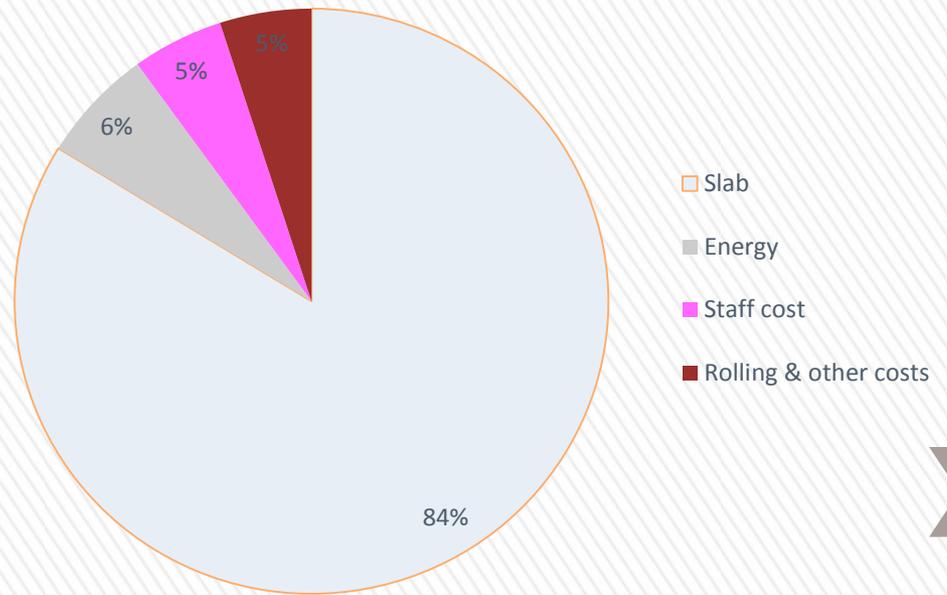


# Cost component

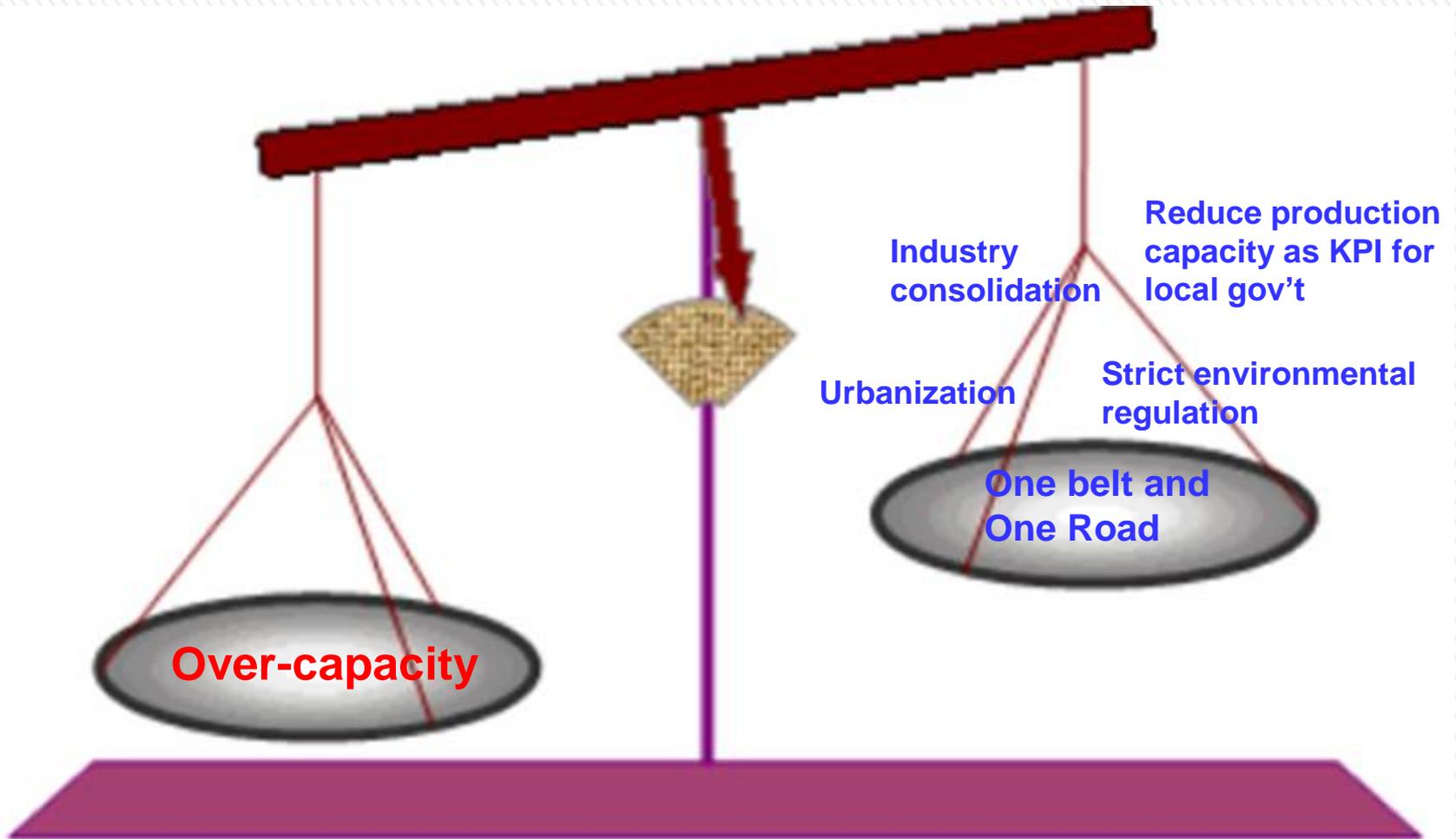
## Shouqin



## Qinhuangdao Plate Mill



# Industry outlook



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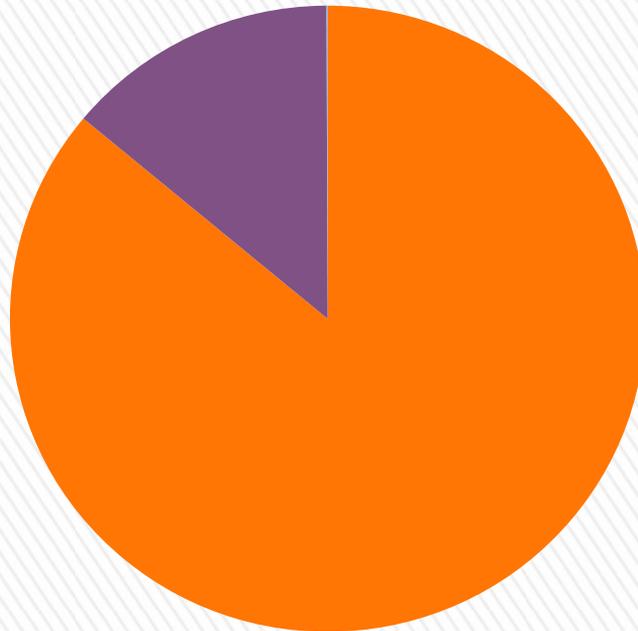
# Financial Highlights

	2016 1H HK\$'M	2015 1H HK\$'M	+ Favourable/ -Unfavourable Change
Turnover	3,425	4,212	-19%
Attributable loss to shareholders	(926)	(1,234)	25%
<b>Loss per share (HK cents)</b>	<b>(10.34)</b>	<b>(13.77)</b>	<b>25%</b>
Gross assets	19,421	24,982	-22%
Net asset per share (HK\$)	0.05	0.40	-88%
Total loans to total assets	37.8%	32.4%	-5.4%



# Turnover

	Turnover				
	2016		2015		Change
	1H		1H		
HK\$' M		HK\$' M			
<b>Steel Manufacturing</b>	<b>2,947</b>	<b>86%</b>	<b>4,027</b>	<b>96%</b>	<b>-27%</b>
<b>Mineral exploration</b>	<b>-</b>	<b>0%</b>	<b>10</b>	<b>0%</b>	<b>-100%</b>
<b>Commodity Trading</b>	<b>476</b>	<b>14%</b>	<b>173</b>	<b>4%</b>	<b>175%</b>
<b>Others</b>	<b>2</b>	<b>0%</b>	<b>2</b>	<b>0%</b>	<b>0%</b>
	<b>3,425</b>	<b>100%</b>	<b>4,212</b>	<b>100%</b>	<b>-19%</b>



- Steel Manufacturing
- Mineral exploration
- Commodity Trading
- Others



# Contribution

	2016 1H HK\$'M	2015 1H HK\$'M	+ Favourable/ - Unfavourable Change
Steel Manufacturing	(509)	(695)	27%
Mineral exploration	(16)	(10)	-60%
Commodity Trading	29	17	71%
Fair value change on Mt. Gibson Offtake contracts	(11)	(27)	59%
Share of results of Shougang Century (exclude impairment)	(17)	(36)	53%
Impairment loss on investment in Shougang Resources	(257)	(395)	35%
Share of impairment loss made by Shougang Resources	(113)	(40)	-183%
Share of impairment loss made by Shougang Century	-	(33)	100%
Others	(32)	(15)	-113%
	<u>(926)</u>	<u>(1,234)</u>	25%



# Profit/(loss) by region



## Non-Qinhuangdao area

	2016 1H HK\$'M	2015 1H HK\$'M
Commodity trading	29	17
Share of profit/(loss) from: Shougang Resources (before impairment loss)	16	51
Shougang Century (before impairment loss)	(17)	(36)
Others	(32)	(15)
	(4)	17

	2016 1H HK\$'M	2015 1H HK\$'M
<b>Qinhuangdao area</b>	(541)	(756)
<b>Non-Qinhuangdao area</b>	(4)	17
<b>Others</b>	(381)	(495)
	(926)	(1,234)
<b>Others</b>		
Impairment loss on goodwill in relation to investment in Shougang Resources	(257)	(395)
Share of impairment loss made by Shougang Resources	(113)	(40)
Share of impairment loss made by Shougang Century	-	(33)
Fair value changes of offtake agreements with Mt. Gibson	(11)	(27)
	(381)	(495)

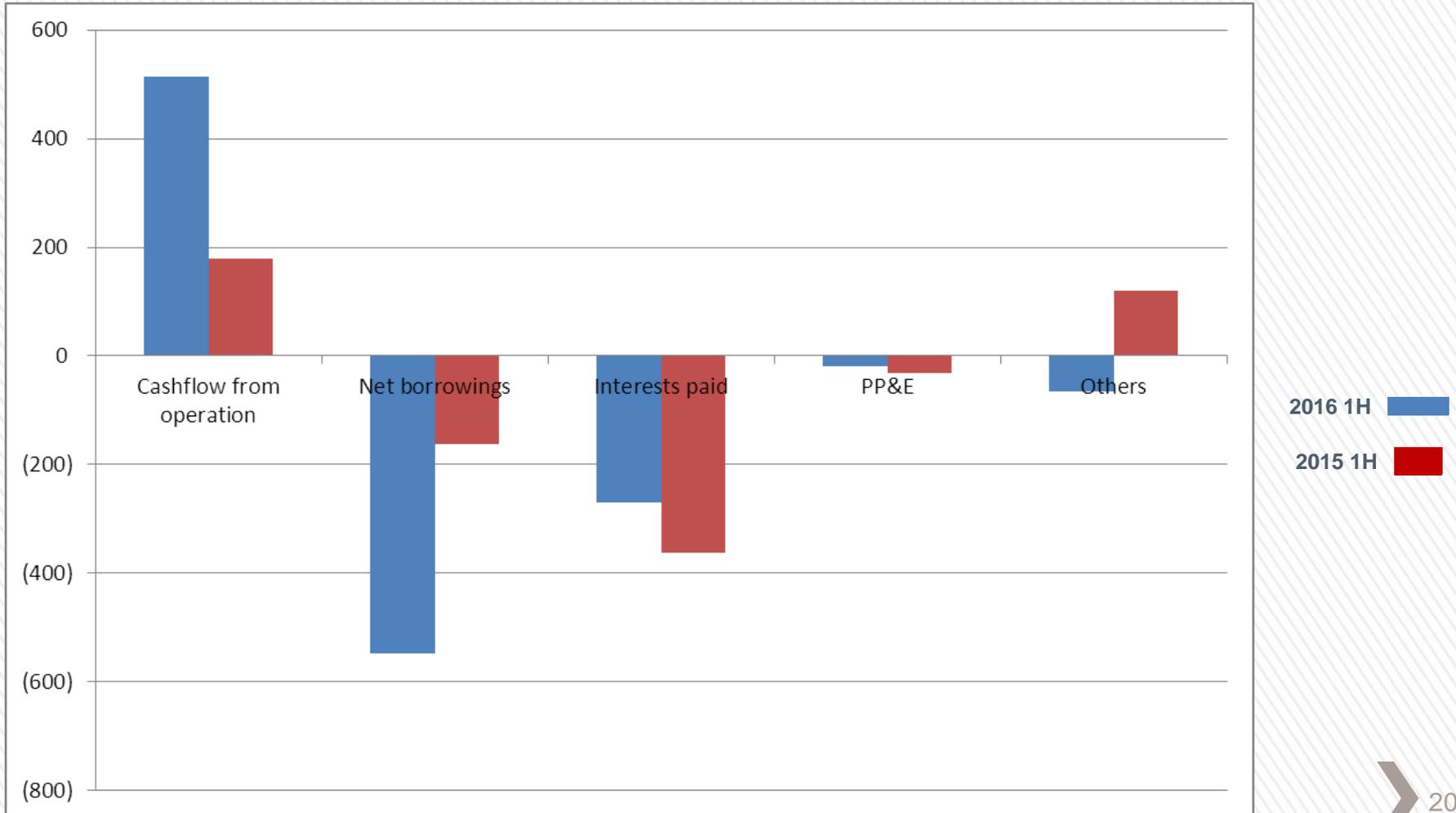
## Qinhuangdao area

	2016 1H HK\$'M	2015 1H HK\$'M
<b>Shouqin &amp; Processing Centre</b>	(444)	(634)
<b>Shouqin Longhui</b>	(32)	(61)
<b>Qinhuangdao Plate Mill</b>	(65)	(61)
	(541)	(756)



# Cash flow profile

HK\$'M



# Cash/Bank balances & Loans

	PRC (excl. HK) 30-Jun-16 HK\$'M	Other than PRC 30-Jun-16 HK\$'M	Group Total 30-Jun-16 HK\$'M	Group Total 31-Dec-15 HK\$'M
Cash and bank balances	743	498	1,241	1,629
Loans from banks*	5,125	821	5,946	6,610
Loans from parent co.	1,401	-	1,401	1,431
<b>Total loans</b>	<b>6,526</b>	<b>821</b>	<b>7,347</b>	<b>8,041</b>
<b>Total assets</b>	<b>13,313</b>	<b>6,108</b>	<b>19,421</b>	<b>21,263</b>
<b>Total loans to total assets</b>	<b>49.0%</b>	<b>13.4%</b>	<b>37.8%</b>	<b>37.8%</b>

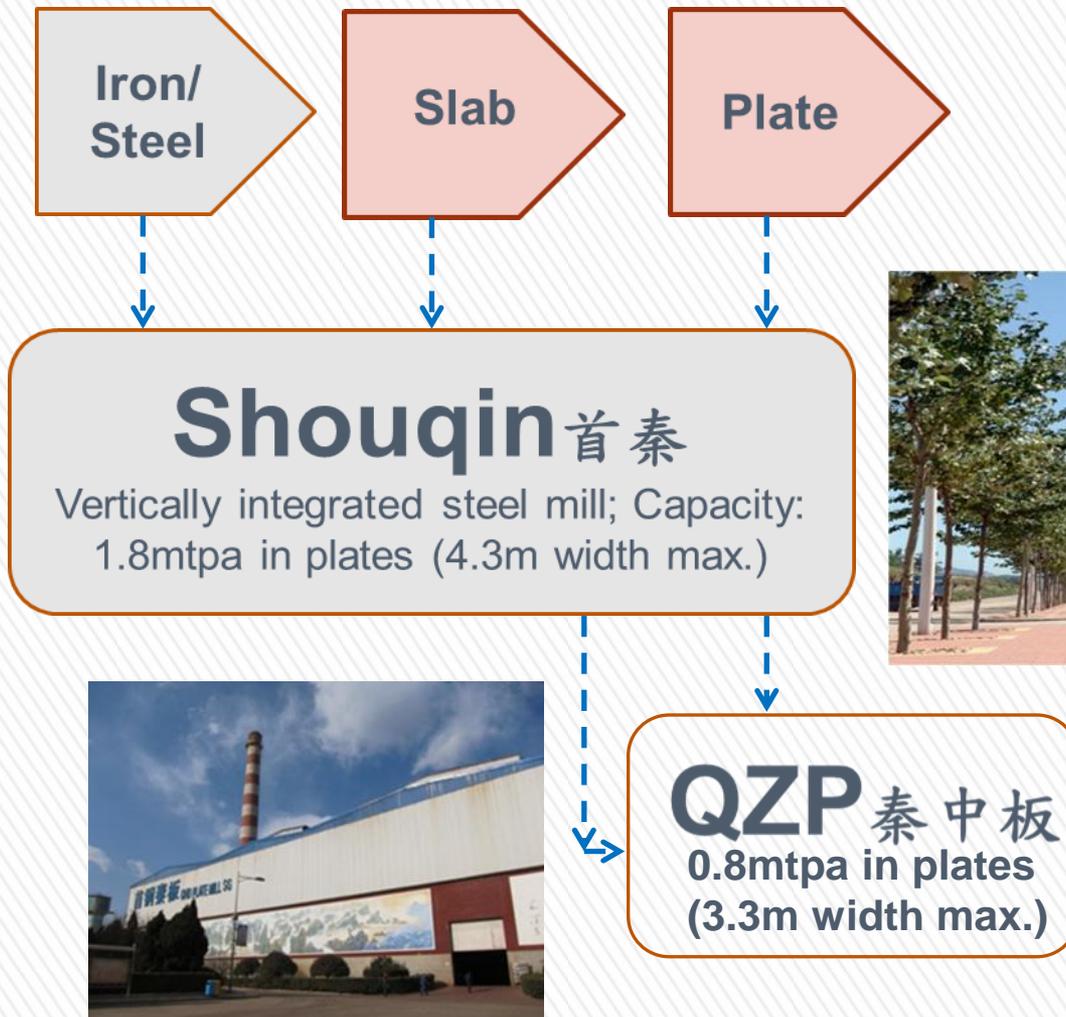
\* Excluding financing from discounted bills



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# Steel manufacturing



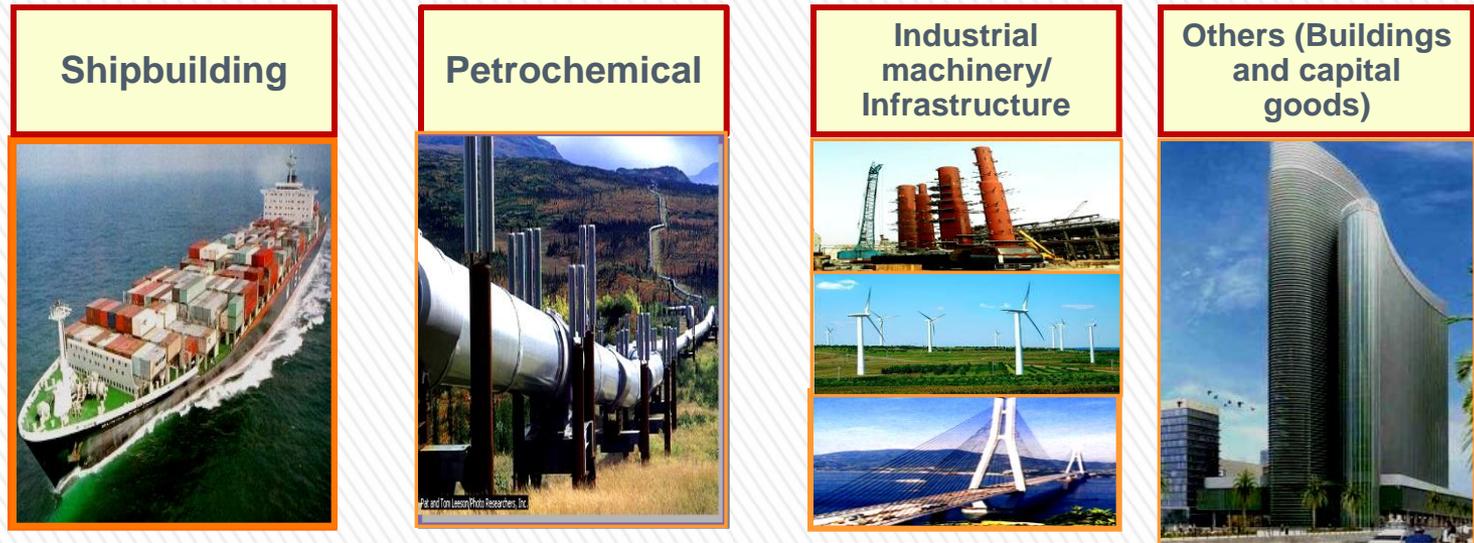
# Sales and production data

	Slabs		Heavy Plates	
	2016 1H	2015 1H	2016 1H	2015 1H
<b>(i) Production</b>	'000 tonnes	'000 tonnes	'000 tonnes	'000 tonnes
Shouqin	1,159	1,224	806	865
Qinhuangdao Plate Mill	-	-	176	258
<b>Total</b>	<b>1,159</b>	<b>1,224</b>	<b>982</b>	<b>1,123</b>
<b>Change</b>	<b>-5%</b>		<b>-13%</b>	
<b>(ii) Sales</b>				
Shouqin <sup>#</sup>	282	259	828	861
Qinhuangdao Plate Mill	-	-	171	255
<b>Total</b>	<b>282</b>	<b>259</b>	<b>999</b>	<b>1,116</b>
<b>Change</b>	<b>+9%</b>		<b>-10%</b>	
<b>(iii) Average ASP per ton</b>	RMB	RMB	RMB	RMB
Shouqin	1,658	1,984	2,239	2,798
Qinhuangdao Plate Mill	-	-	2,059	2,577
<b>Overall</b>	<b>1,658</b>	<b>1,984</b>	<b>2,208</b>	<b>2,748</b>
<b>Change</b>	<b>-16%</b>		<b>-20%</b>	

*#Difference between production and sales of slabs was mainly represented by those consumed by Shouqin internally to produce heavy plates; slabs sales were mainly made towards Qinhuangdao Plate Mill and Processing Centre are eliminated on consolidation*



# Heavy plate output



## Industry Breakdown on Our Heavy Plate Output

<b>2016 1H</b>	<b>15%</b>	<b>3%</b>	<b>60%</b>	<b>22%</b>
<b>2015 1H</b>	<b>49%</b>	<b>3%</b>	<b>34%</b>	<b>14%</b>



# Steel manufacturing

## - segment results

### Shouqin & Processing Centre

	2016 1H HK\$'M	2015 1H HK\$'M	Change
Turnover	2,817	3,718	-24%
GP%	-7.7%	-9.8%	
Attributable loss to the Group	(444)	(634)	30%
Depreciation & Amortization	381	413	-8%
Finance cost	225	281	-20%

### Qinhuangdao Plate Mill

Turnover	755	925	-18%
GP%	-2.4%	1.2%	
Attributable loss to the Group	(65)	(61)	-7%
Depreciation & Amortization	20	25	-20%
Financial cost	32	34	-6%

### Total attributable loss -

Shouqin + QZP	(509)	(695)	27%
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Note : All figures are shown before elimination of intercompany, except attributable loss which is shown after elimination

# Mineral exploration Shougang Resources



27.61% equity stake



## SHOUGANG FUSHAN RESOURCES GROUP LTD.

- ◆ Production of Premium Hard Coking Coal in Shanxi
- ◆ Financially hedged to our coal needs
- ◆ Committed to distribute  $\geq 40\%$  of earnings as dividends



# Coal mines operated by Shougang Resources



# Key data of Shougang Resources

	1H 2016 HK\$'M	1H 2015 HK\$'M	Change
<b>Turnover</b>	678	1,093	-38.0%
Raw Coking Coal (tonnes)	268,000	89,000	201.1%
Price RMB/t (exclude VAT)	239	315	-24.1%
Clean Coking Coal (tonnes)	1,023,000	1,358,000	-24.7%
Price RMB/t (exclude VAT)	497	624	-20.4%
<b>GP %</b>	18.8%	25.1%	-6.3%
<b>Profit attributable to shareholders before impairment loss</b>	102	229	-55.5%
<b>Impairment loss</b>	(409)	(144)	-184.0%
<b>Loss attributable to shareholders</b>	(307)	85	-461.2%
<b>Dividend per share (HK cents)</b>			
Interim	-	1.0	N/A
Special	15.0	15.0	-
	15.0	16.0	-6.3%

	6/2016 HK\$'M	12/2015 HK\$'M	Change
<b>Cash &amp; Bank balance</b>	5,216	5,118	1.9%
<b>Loan balance</b>	5	-	N/A
<b>Gross Assets</b>	20,106	20,728	-3.0%
<b>Net assets</b>	15,318	15,791	-3.0%
<b>NAV per share (HK\$)</b>	2.89	2.98	-3.0%
<b>Gearing*</b>	0.0%	0.0%	

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



# Mineral exploration

## - segment results

	2016 1H HK\$'M	2015 1H HK\$'M	Change
<b>Turnover</b>			
<b>SQLH</b>	-	122	-100%
<b>Represented by:</b>			
<b>Sales vol. ('000t)</b>	-	140	-100%
<b>ASP (RMB)</b>	-	613	-100%
<b>Attributable (loss)/profit</b>			
<b>SQLH</b>	(32)	(61)	48%
<b>Share of Shougang   Resources results   (before impairment loss)</b>	16	51	-69%
	<b>(16)</b>	<b>(10)</b>	<b>-60%</b>



*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

	2016 1H HK\$'M	2015 1H HK\$'M	Change
<b>Turnover</b>			
Iron ore	530	210	152%
	<u>530</u>	<u>210</u>	<u>152%</u>
<b>Attributable profit</b>	<b>29</b>	<b>17</b>	<b>71%</b>
<b>Iron ore</b>			
Volume ('000t)	1,392	507	175%
ASP (US\$/t)	49	44	11%
profit (US\$/t)	2.9	5.5	-47%

- ◆ 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.





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INTERNATIONAL  
ENTERPRISES COMPANY LIMITED**

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