



**SHOUGANG CONCORD INTERNATIONAL
ENTERPRISES COMPANY LIMITED**



**For the year ended 31 December 2014
Final Results Presentation**

Stock: 697

Content

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



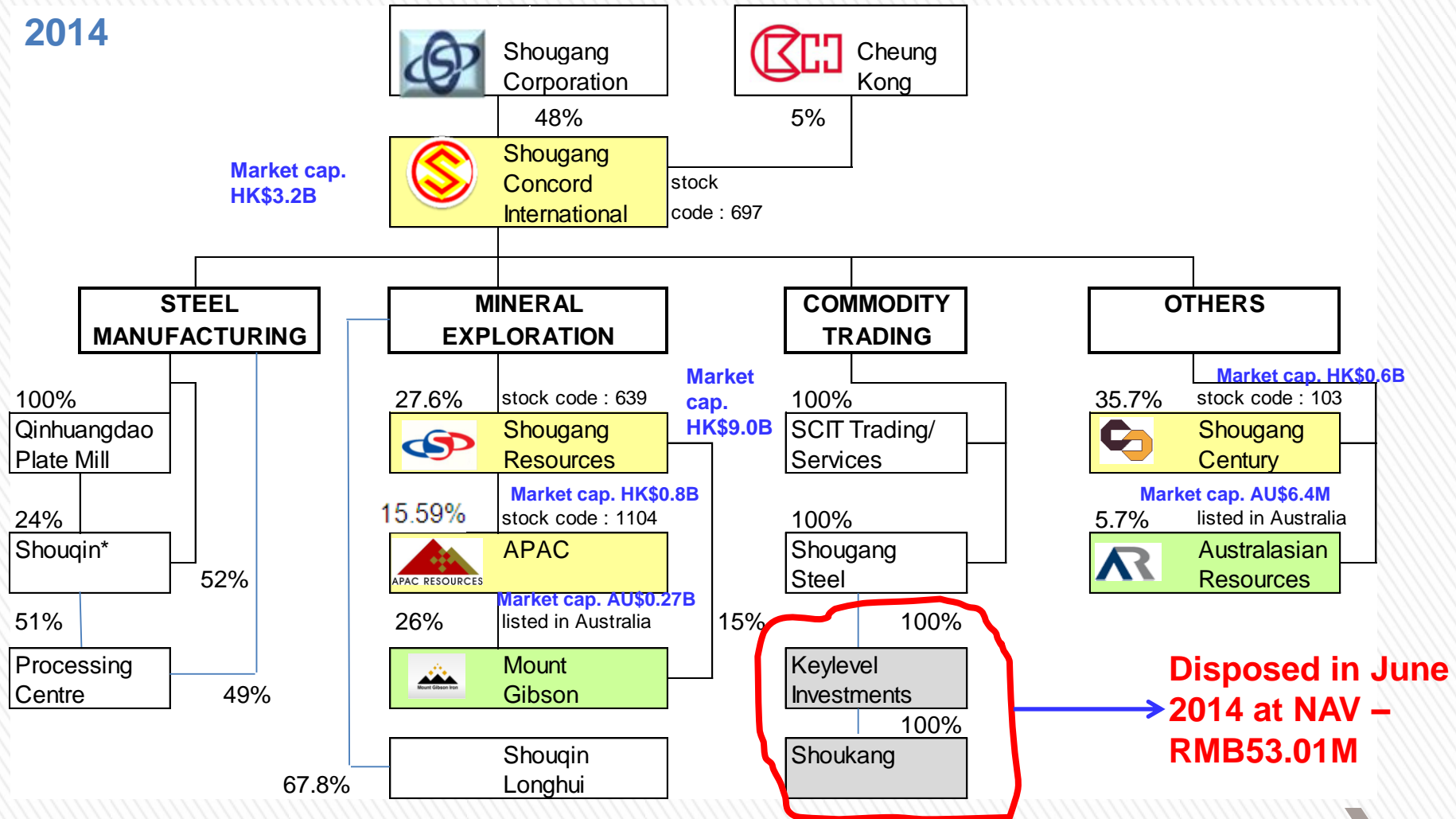
Company overview

- **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 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 31 December 2014



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

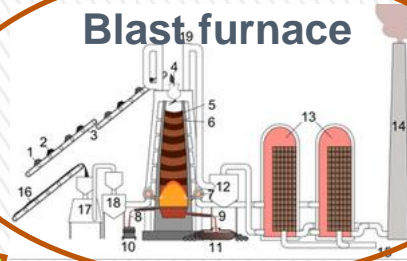


Shougang Resources

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 and sale of plate

Alloy/Limestone

Operation base



- **Company Overview**

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Global steel production

World top 10 producers



No. 1

2



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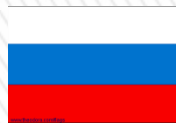
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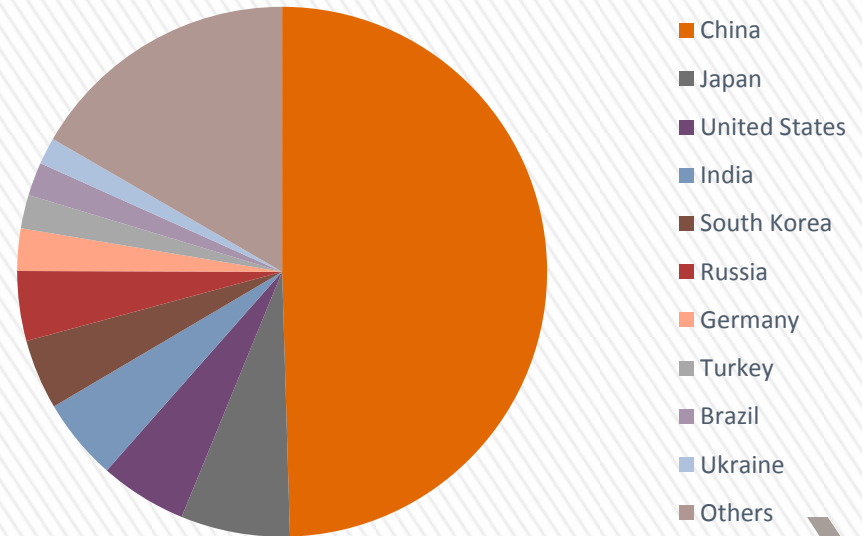


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Crude steel production







	2014 million tonnes	%
China	823	49.5%
Japan	111	6.7%
United States	88	5.3%
India	83	5.0%
South Korea	71	4.3%
Russia	71	4.3%
Germany	43	2.6%
Turkey	34	2.0%
Brazil	34	2.0%
Ukraine	27	1.6%
Others	277	16.6%
	1,661	100.0%



The crude steel production of China increased from 129 million tonnes in 2000 to 823 million tonnes in 2014, represent a CAGR of 14.2%

7 Source : World Steel Association

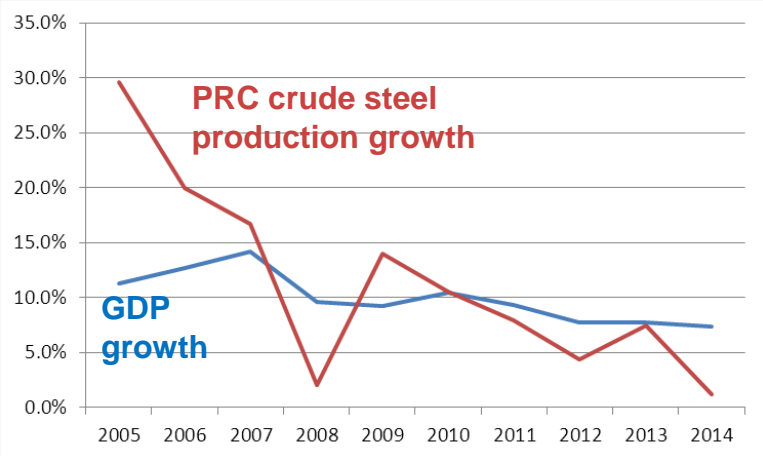
World top 10 producers

<u>Rank</u>	<u>Name of the Producers</u>	<u>Place of incorporation</u>	2013 <u>crude steel production</u> <u>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.



China and world economy



	Year over Year			
	2012	2013	Projections	
			2014	2015
World Output¹	3.4	3.3	3.3	3.8
Advanced Economies	1.2	1.4	1.8	2.3
United States	2.3	2.2	2.2	3.1
Euro Area	-0.7	-0.4	0.8	1.3
Germany	0.9	0.5	1.4	1.5
France	0.3	0.3	0.4	1.0
Italy	-2.4	-1.9	-0.2	0.8
Spain	-1.6	-1.2	1.3	1.7
Japan	1.5	1.5	0.9	0.8
United Kingdom	0.3	1.7	3.2	2.7
Canada	1.7	2.0	2.3	2.4
Other Advanced Economies ²	2.0	2.3	2.9	3.1
Emerging Market and Developing Economies³	5.1	4.7	4.4	5.0
Commonwealth of Independent States	3.4	2.2	0.8	1.6
Russia	3.4	1.3	0.2	0.5
Excluding Russia	3.6	4.2	2.0	4.0
Emerging and Developing Asia	6.7	6.6	6.5	6.6
China	7.7	7.7	7.4	7.1
India ⁴	4.7	5.0	5.6	6.4
ASEAN-5 ⁵	6.2	5.2	4.7	5.4
Emerging and Developing Europe	1.4	2.8	2.7	2.9
Latin America and the Caribbean	2.9	2.7	1.3	2.2
Brazil	1.0	2.5	0.3	1.4
Mexico	4.0	1.1	2.4	3.5
Middle East, North Africa, Afghanistan, and Pakistan	4.8	2.5	2.7	3.9
Sub-Saharan Africa	4.4	5.1	5.1	5.8
South Africa	2.5	1.9	1.4	2.3

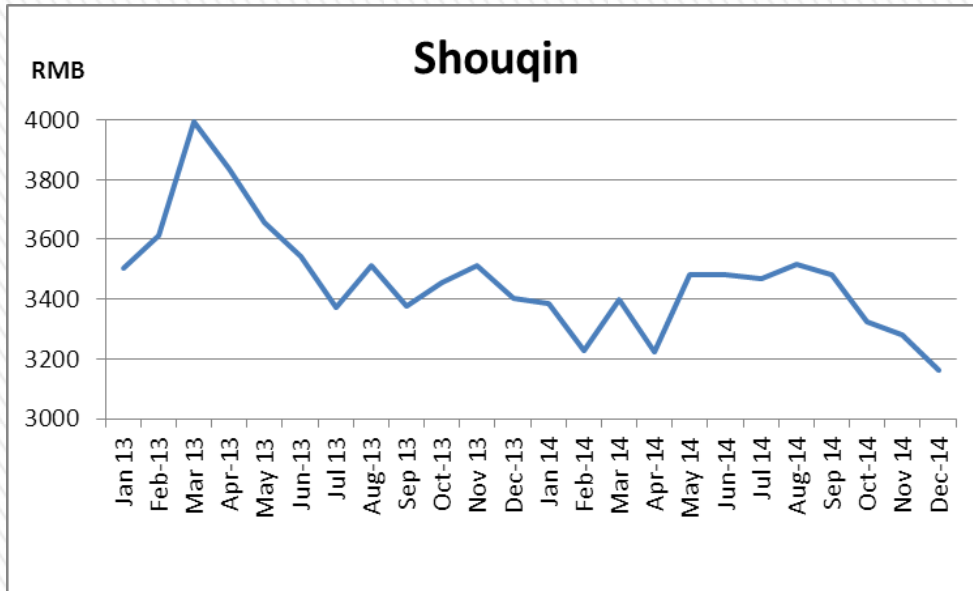
Source : IMF



Key Statistics

		<u>2014</u>	<u>Vs 2013</u>
Steel Export from PRC (million tonnes)		93.8	+51%
PRC annual crude steel production (million tonnes)		822.7	+1%
Iron ore import to PRC (million tonne)		932.5	+14%
Iron ore price - Platts (US\$ per ton) 62% Fe CFR Northern China	- period average	97	-28%
	- year end	72	-47%
Coke price (RMB per ton)	- period average	1,032	-23%
	- year end	974	-27%

Monthly selling price of plates

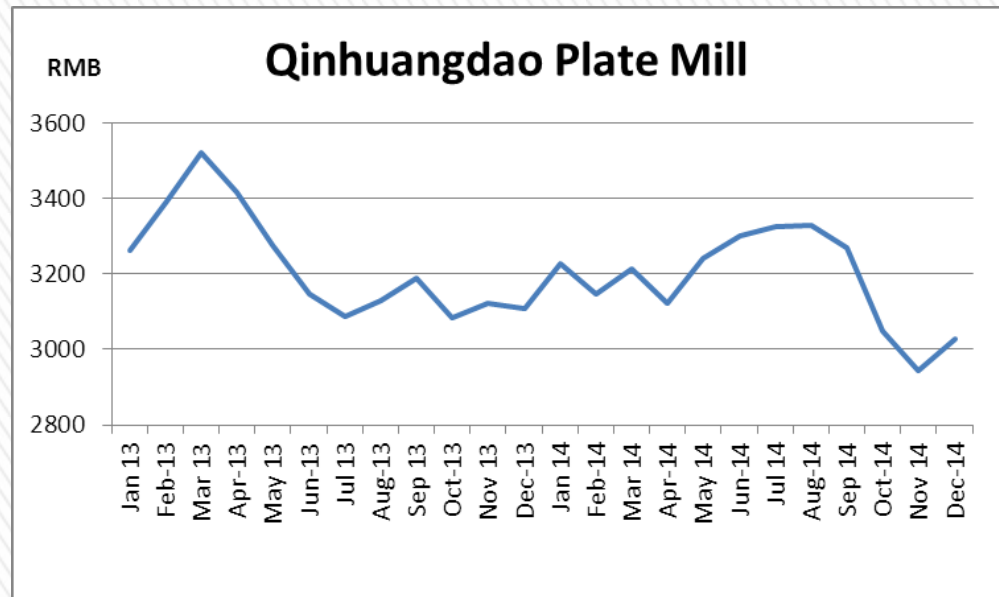


2013 average RMB3,572

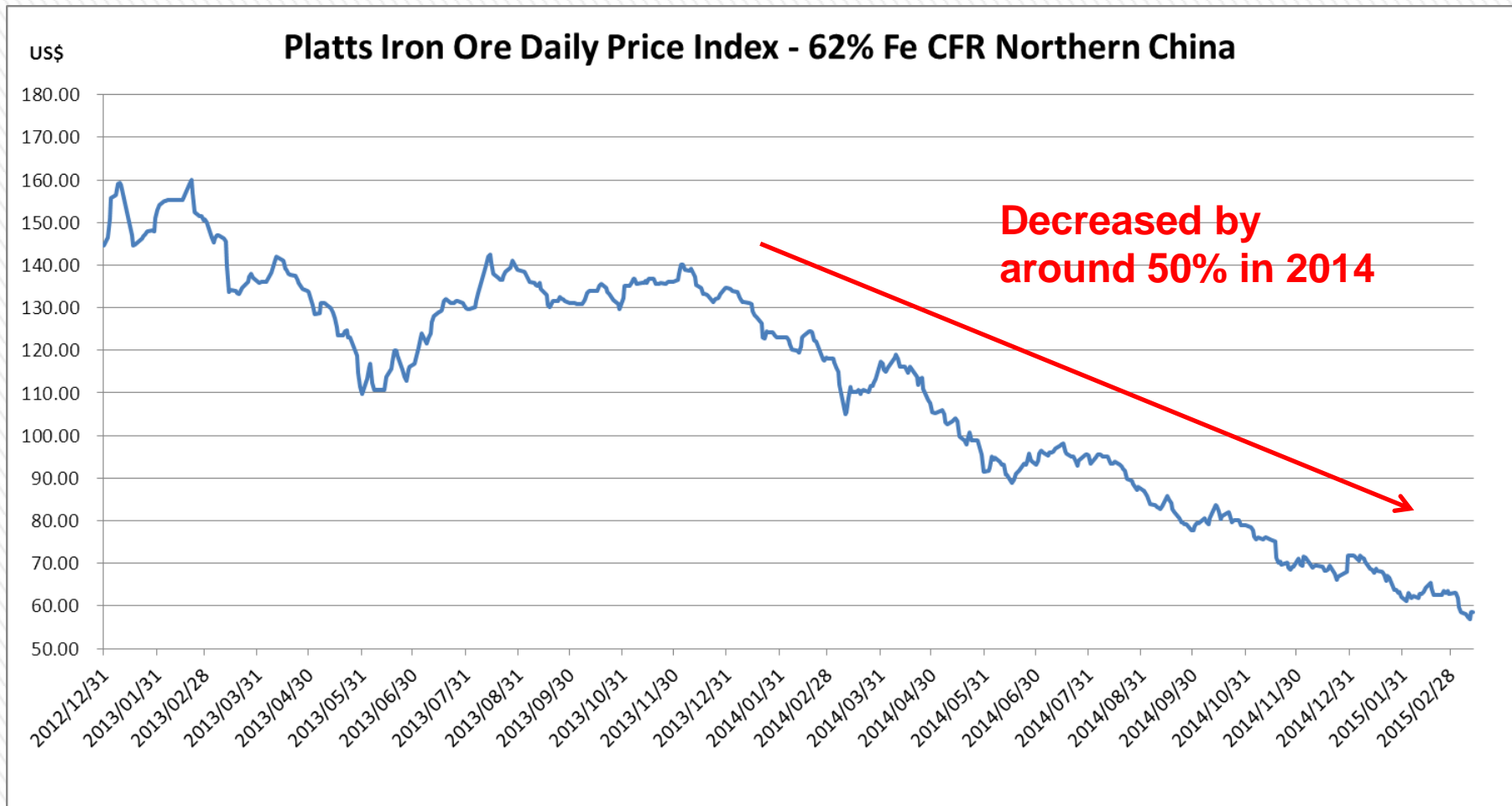
2014 average RMB3,373 ↓ 5.6%

2013 average RMB3,227

2014 average RMB3,189 ↓ 1.2%



Iron ore price



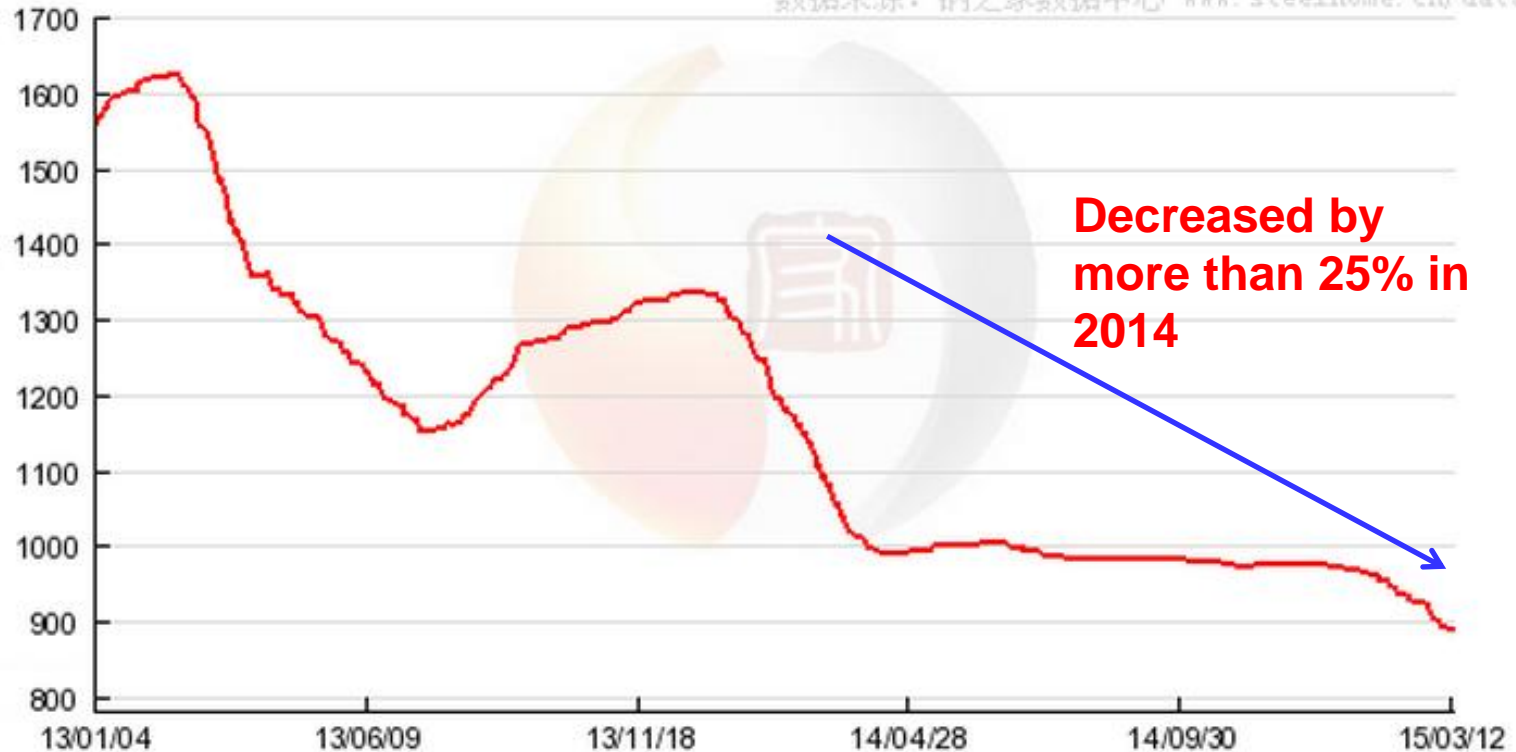
Iron ore is the most important raw material in producing slab, one ton of slab production requires 1.6 tonnes of iron ore input. Iron ore price dropped from USD135 at the end of 2013 to the latest below USD60 level, down by more than 55%.



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2015-03-16)

数据来源: 钢之家数据中心 www.steelhome.cn/data



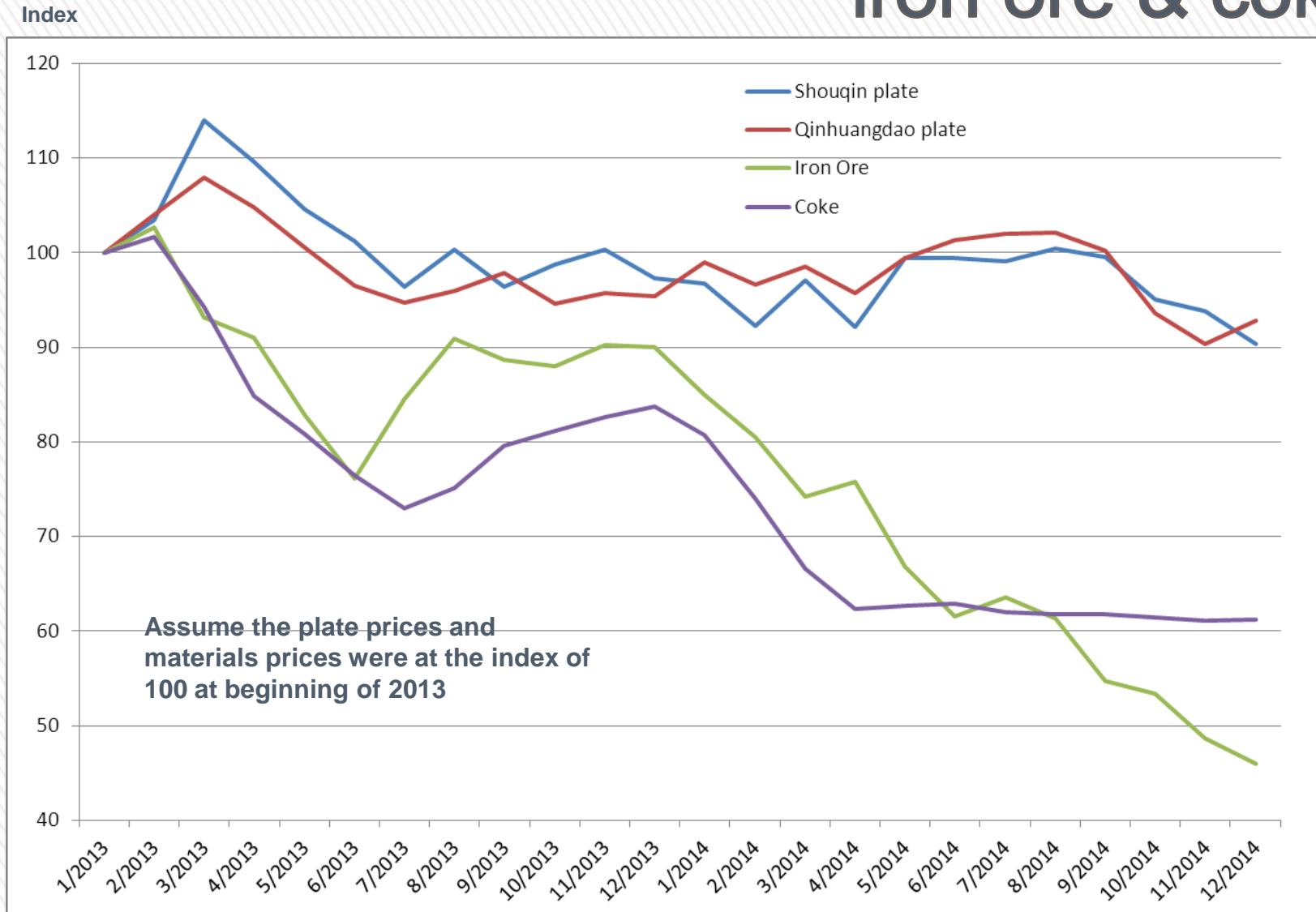
Decreased by
more than 25% in
2014

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

Source : Steel home

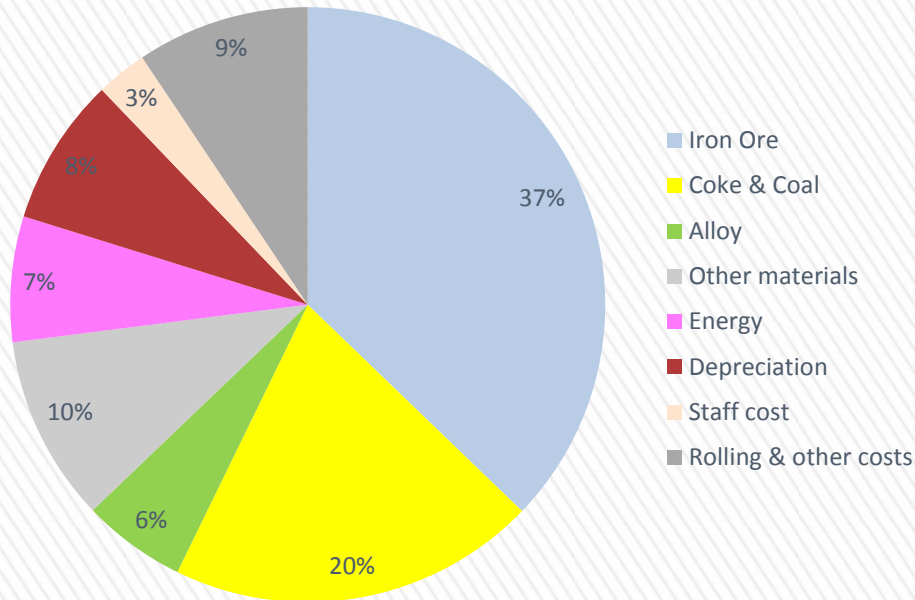


Price trend of steel plate, iron ore & coke

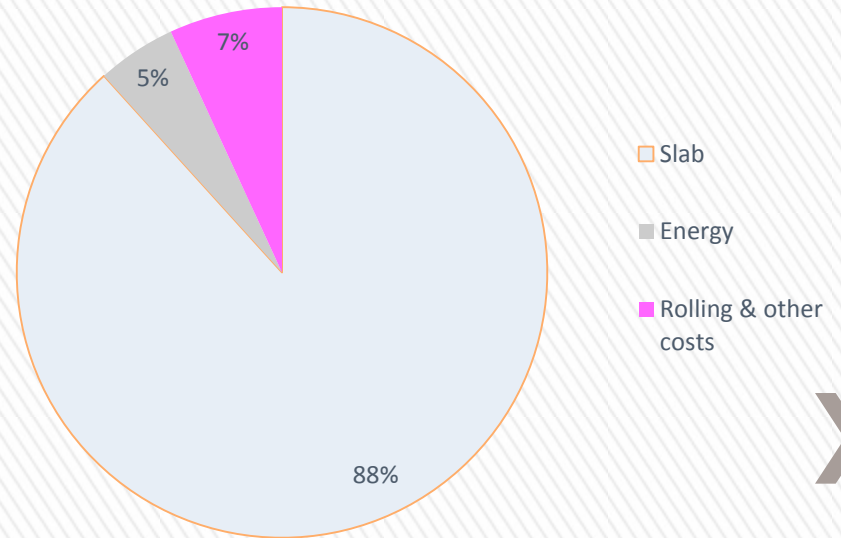


Cost component

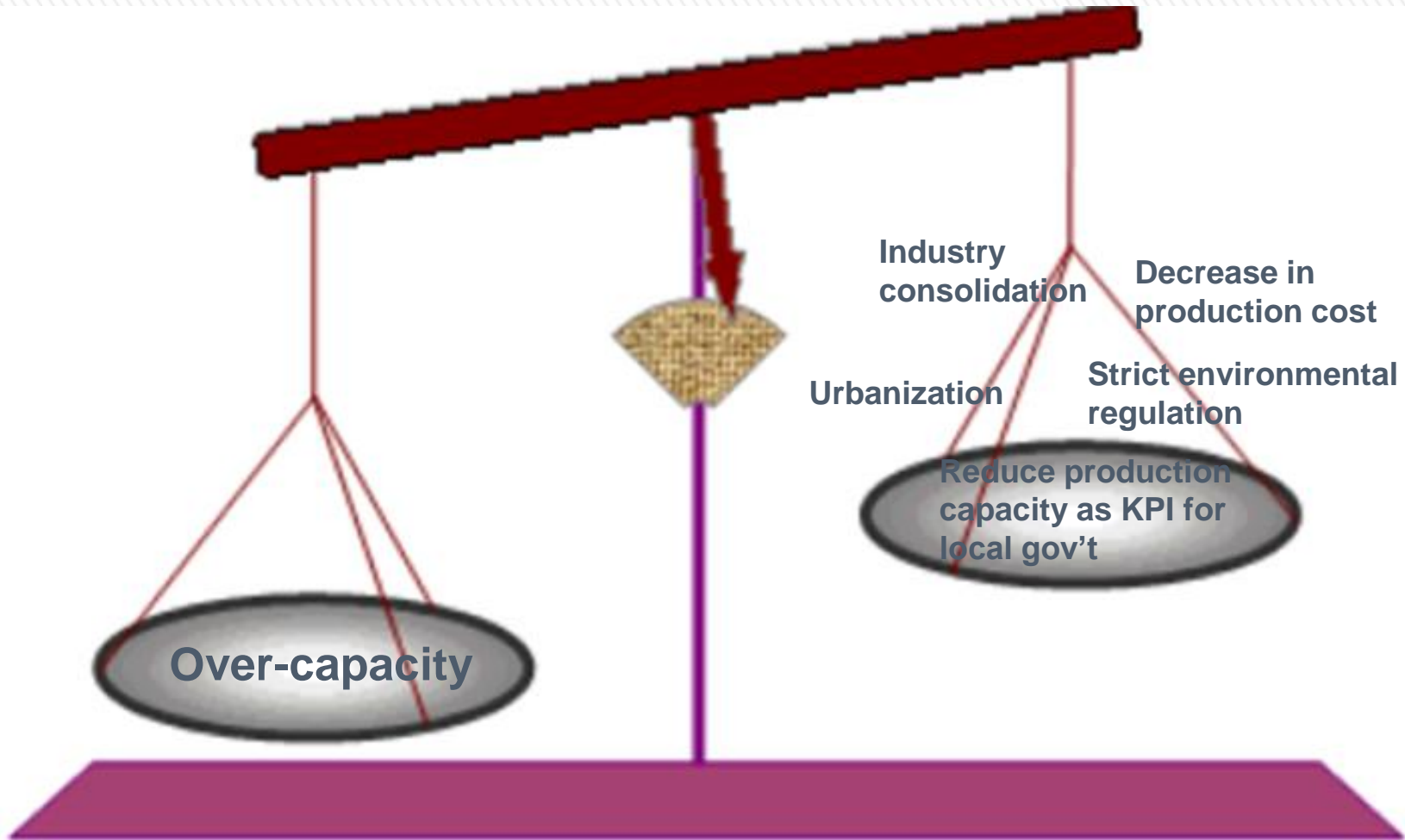
Shouqin



Qinhuangdao Steel Mill



Industry outlook



- **Company Overview**

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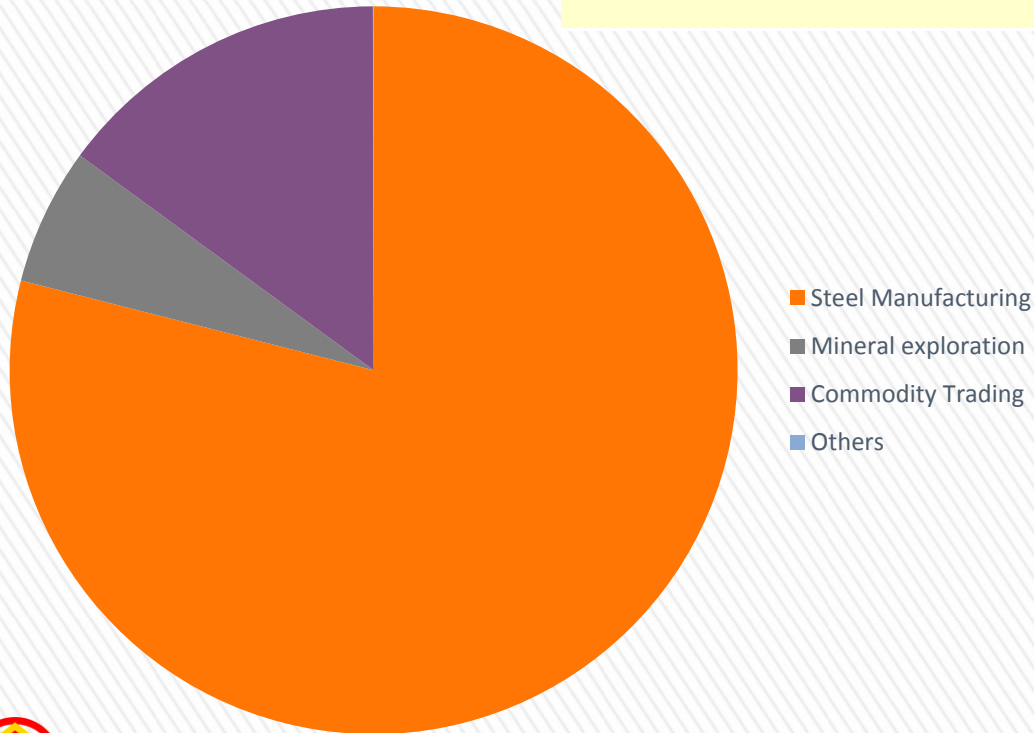
Financial Highlights

	2014 HK\$'M	2013 HK\$'M	Change
Turnover	12,756	15,266	-16%
Attributable loss to shareholders	(1,641)	(1,396)	-18%
Loss per share (HK cents)	(18.32)	(15.58)	-18%
Gross assets	25,888	28,569	-9%
Net asset per share (HK\$)	0.54	0.76	-29%
Total loans to total assets	34.2%	36.6%	-2.4%



Turnover

	Turnover		Change
	2014 HK\$' M	2013 HK\$' M	
Steel Manufacturing	10,073	10,614	-5%
Mineral exploration	776	222	250%
Commodity Trading	1,903	4,427	-57%
Others	4	3	33%
	12,756	15,266	-16%



Contribution by segment

	2014 HK\$'M	2013 HK\$'M	Change
Steel Manufacturing	(1,129)	(1,502)	25%
Mineral exploration	(69)	13	N/M
Commodity Trading	86	326	-74%
Fair value change on Mt. Gibson Offtake contract	(141)	(160)	12%
Share of impairment losses made by associates	(280)	-	N/M
Others	(108)	(73)	-48%
	<u>(1,641)</u>	<u>(1,396)</u>	-18%



Profit/(loss) by region



Non-Qinhuangdao area

	2014 HK\$'M	2013 HK\$'M
Commodity trading	86	326
Share of profit/(loss) from: Shougang Resources (before impairment & exchange related loss)	111	283
Shougang Century (before impairment loss)	(46)	(6)
Others	(62)	(67)
	89	536

	2014 HK\$'M	2013 HK\$'M
Qinhuangdao area	(1,282)	(1,772)
Non-Qinhuangdao area	89	536
Share of exchange related gain/(loss) of SG Resources	(27)	-
Share of impairment loss on goodwill made by SG Resources	(227)	-
Share of impairment loss on PPE made by Shougang Century	(53)	-
Fair value changes of offtake contract with Mt. Gibson	(141)	(160)
	(1,641)	(1,396)

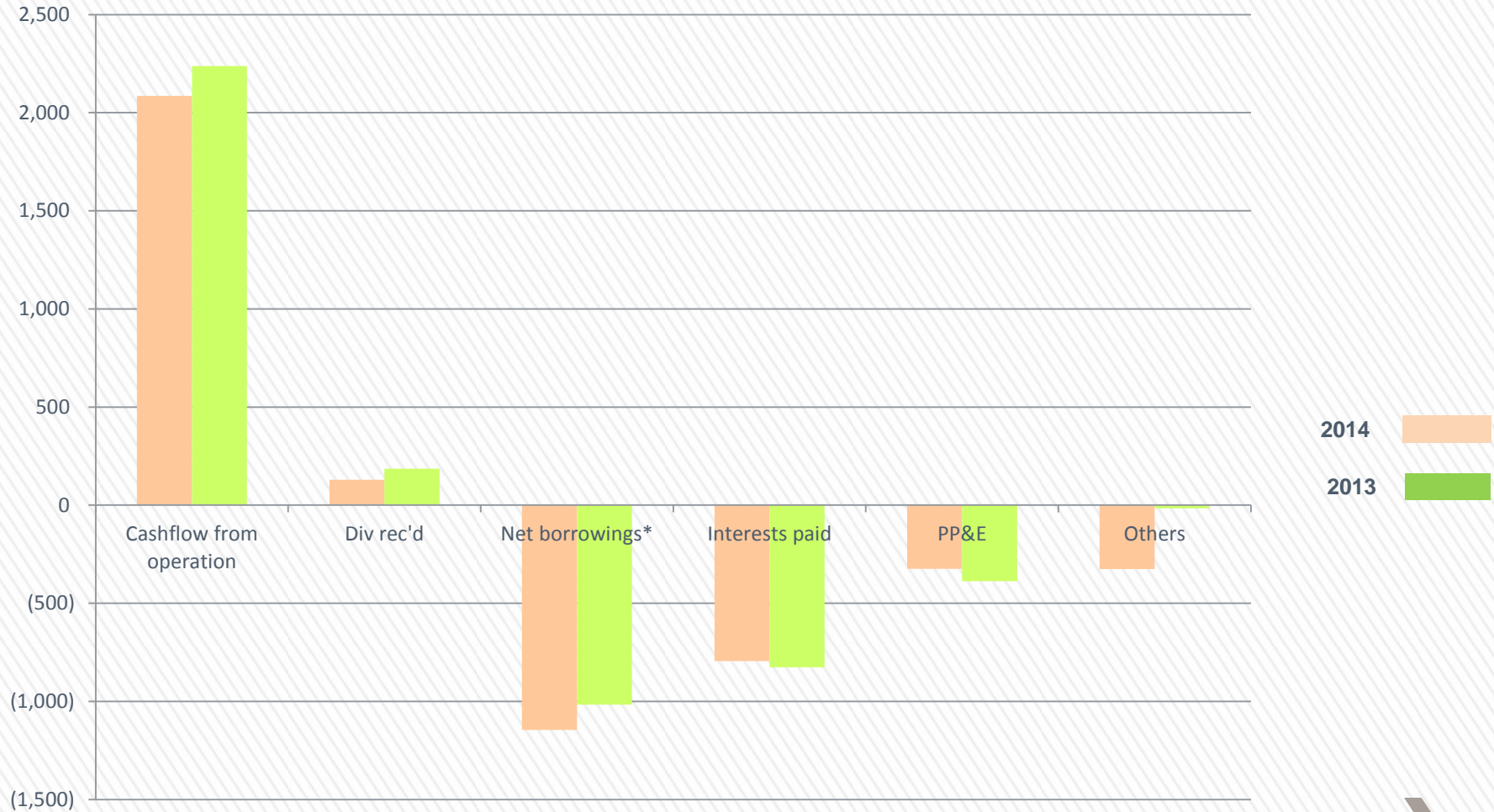
Qinhuangdao area

	2014 HK\$'M	2013 HK\$'M
Shouqin & Processing Centre	(1,060)	(1,367)
Shouqin Longhui	(153)	(270)
Qinhuangdao Plate Mill	(69)	(135)
	(1,282)	(1,772)



Cash flow profile

HK\$'M



*included advances from discounted bills



Cash/Bank balances & Loans

	PRC (excl. HK) 31-Dec-14 HK\$'M	Other than PRC 31-Dec-14 HK\$'M	Group Total 31-Dec-14 HK\$'M	Group Total 31-Dec-13 HK\$'M
Cash and bank balances	1,415	821	2,236	2,612
Loans from banks*	6,642	1,333	7,975	9,550
Loans from parent co.	873	-	873	893
Total	7,515	1,333	8,848	10,443
Total assets	17,371	8,517	25,888	28,569
Total loans to total assets	43.3%	15.7%	34.2%	36.6%

* 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 秦板

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



Sales and production data

	Slabs		Heavy Plates	
	2014	2013	2014	2013
(i) Production	'000 tonnes	'000 tonnes	'000 tonnes	'000 tonnes
Shouqin	2,416	2,367	1,644	1,663
Qinhuangdao Plate Mill	-	-	530	620
Total	2,416	2,367	2,174	2,283
Change	+2%		-5%	
(ii) Sales				
Shouqin [#]	594	575	1,655	1,663
Qinhuangdao Plate Mill	-	-	532	614
Total	594	575	2,187	2,277
Change	+3%		-4%	
(iii) Average ASP per ton	RMB	RMB	RMB	RMB
Shouqin	2,553	2,755	3,373	3,572
Qinhuangdao Plate Mill	-	-	3,189	3,227
Overall	2,553	2,755	3,328	3,479
Change	-7%		-4%	

#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

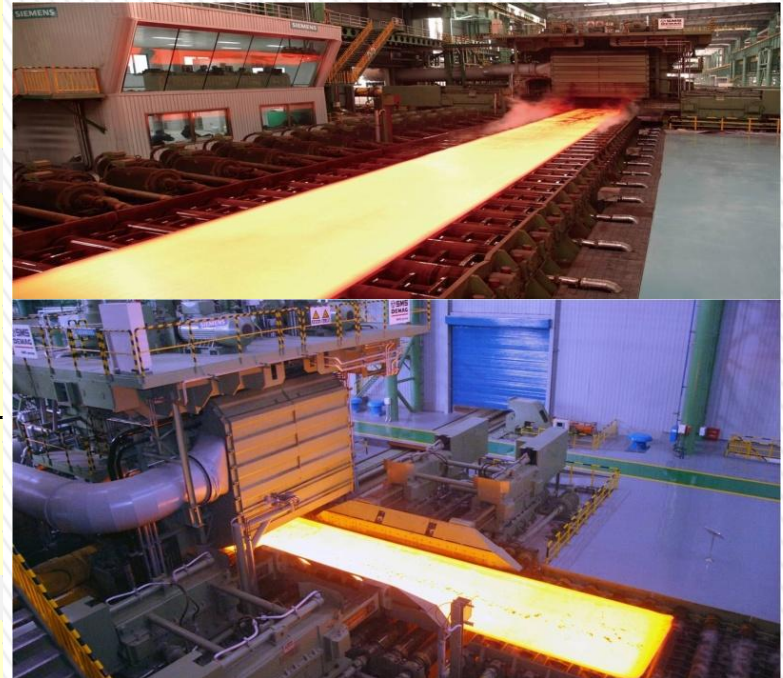
Shouqin & Processing Centre

	2014	2013	Change
	HK\$'M	HK\$'M	
Turnover	9,189	9,766	-6%
GP%	-5.6%	-9.4%	
Net loss	(1,395)	(1,799)	22%
Attributable to the Group	(1,060)	(1,367)	22%
Depreciation & Amortization	836	831	1%
Finance cost	593	616	-4%

Qinhuangdao Plate Mill

Turnover	2,306	2,671	-14%
GP%	4.0%	1.5%	
Net loss	(69)	(135)	49%
Attributable to the Group	(69)	(135)	49%
Depreciation & Amortization	33	32	3%
Financial cost	61	43	42%

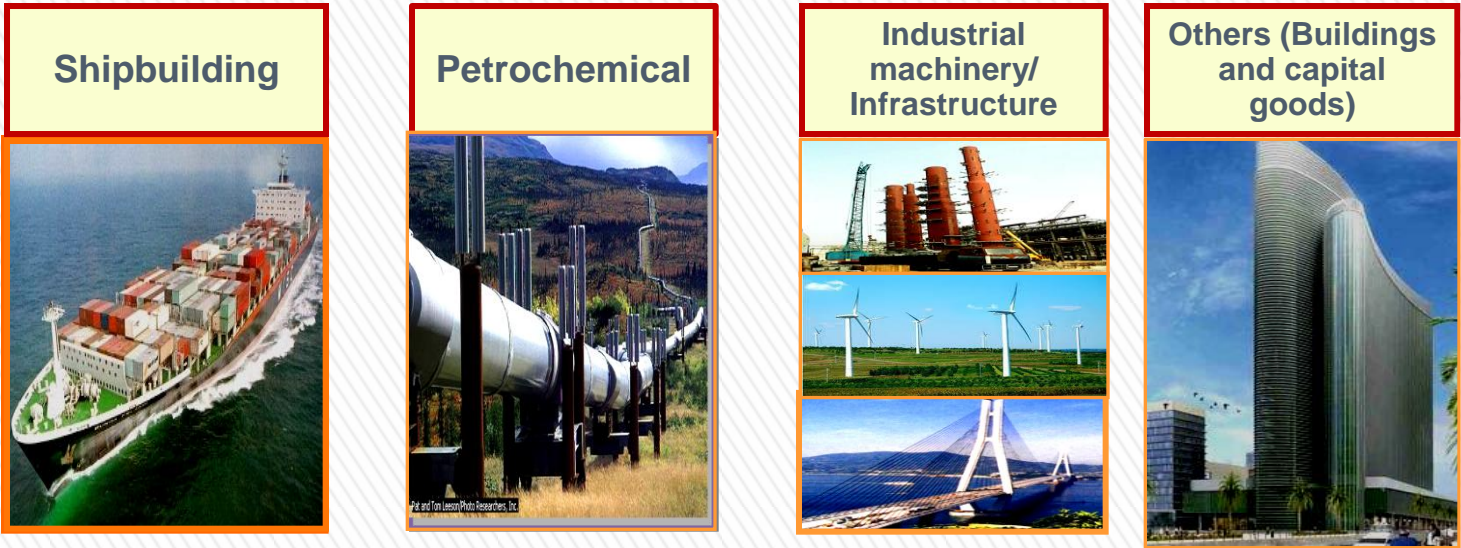
Total attributable loss - Shouqin + QZP	(1,129)	(1,502)	25%
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Note : All figures are shown before elimination of intercompany, except attributable loss which is shown after elimination



Heavy plate output



Industry Breakdown on Our Heavy Plate Output

	Shipbuilding	Petrochemical	Industrial machinery/Infrastructure	Others (Buildings and capital goods)
2014	44%	5%	42%	9%
2013	16%	9%	67%	8%



Customers portfolio



Mineral exploration: Shougang Resources



27.6% equity stake

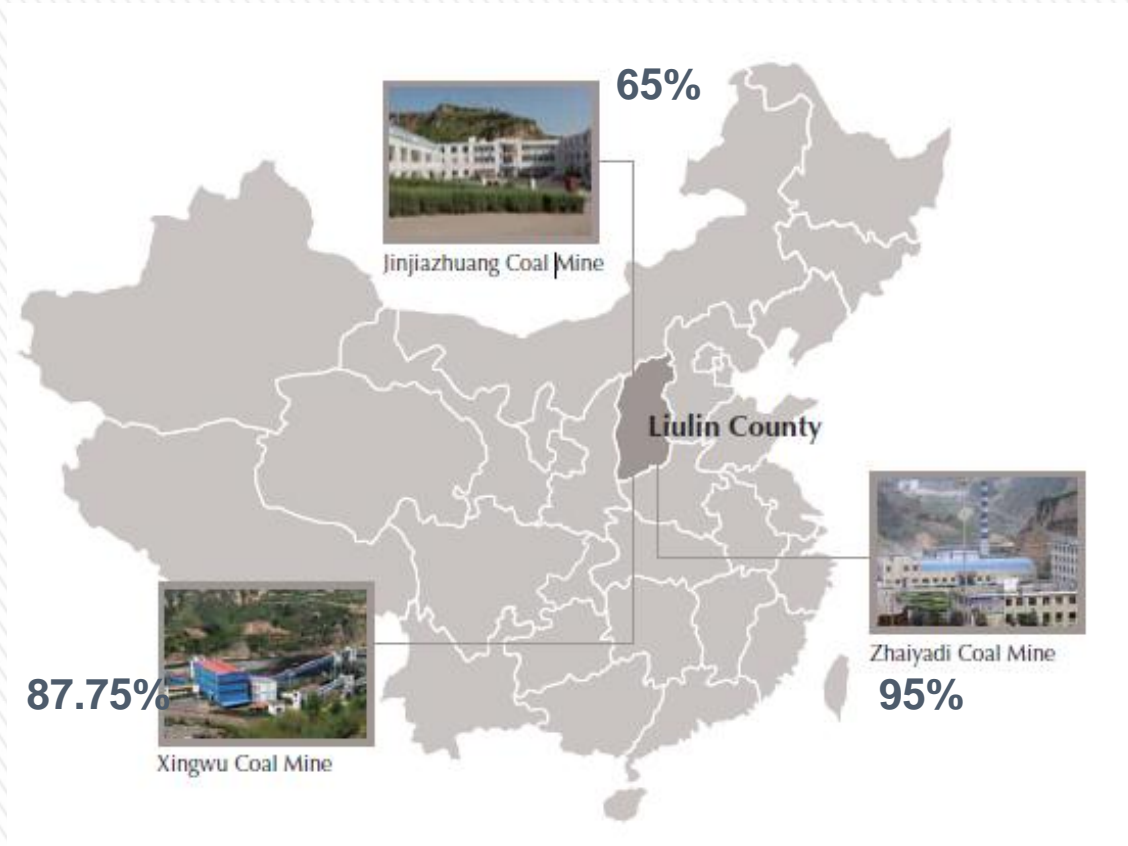


SHOUGANG FUSHAN RESOURCES GROUP LTD.

- ◆ 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

	2014 HK\$'M	2013 HK\$'M	
Turnover	3,255	4,268	-23.7%
Raw Coking Coal (tonnes)	1,011,000	1,959,000	-48.4%
Price RMB/t (exclude VAT)	423	540	-21.7%
Clean Coking Coal (tonnes)	2,999,000	2,534,000	18.4%
Price RMB/t (exclude VAT)	722	920	-21.5%
GP %	40.1%	50.9%	-10.8%
Profit before goodwill impairment & exchange related gain/(loss)	495	968	-48.9%
Impairment loss on goodwill	(824)	-	N/M
Exchange related (loss)/gain	(96)	147	N/M
Net (Loss)/Profit	(425)	1,115	N/M
Dividend per share (HK cents)			
Interim	1.0	2.7	-63.0%
Final	2.7	7.8	-65.4%
	3.7	10.5	-64.8%

	12/2014 HK\$'M	12/2013 HK\$'M	
Cash & Bank balance	5,507	5,793	-4.9%
Loan balance	74	580	-87.2%
Gross Assets	24,000	26,871	-10.7%
Net assets	17,927	19,927	-10.0%
Gearing*	0.4%	2.7%	

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



Mineral exploration

- segment results

	2014 HK\$'M	2013 HK\$'M	Change
Turnover			
SQLH	1,433	642	123%
Represented by:			
Sales vol. ('000t)	1,138	432	163%
ASP (RMB)	869	1,019	-15%
Attributable (loss)/profit to group			
SQLH	(153)	(270)	43%
Share of Shougang Resources results	84	283	-70%
	<u>(69)</u>	<u>13</u>	<u>N/M</u>



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



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. As a result of the suspension, no offtake transactions under the offtake agreements can be effectuated until the operations of the Koolan Island mine resume.



Commodity trading

– segment results

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

	2014 HK\$M	2013 HK\$M	Change
Turnover			
Mt. Gibson iron ore	1,679	3,835	-56%
Others	224	592	-62%
	<u>1,903</u>	<u>4,427</u>	<u>-57%</u>
Net profit	86	326	-74%



Mt. Gibson iron ore			
Volume ('000t)	2,465	3,695	-33%
ASP (US\$/t)	92	133	-31%
profit (US\$/t)	5.2	11.5	-55%



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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