



Shougang Concord International Enterprises Company Limited

For the year ended 31 December 2017

Annual Results Presentation

Stock code : 697

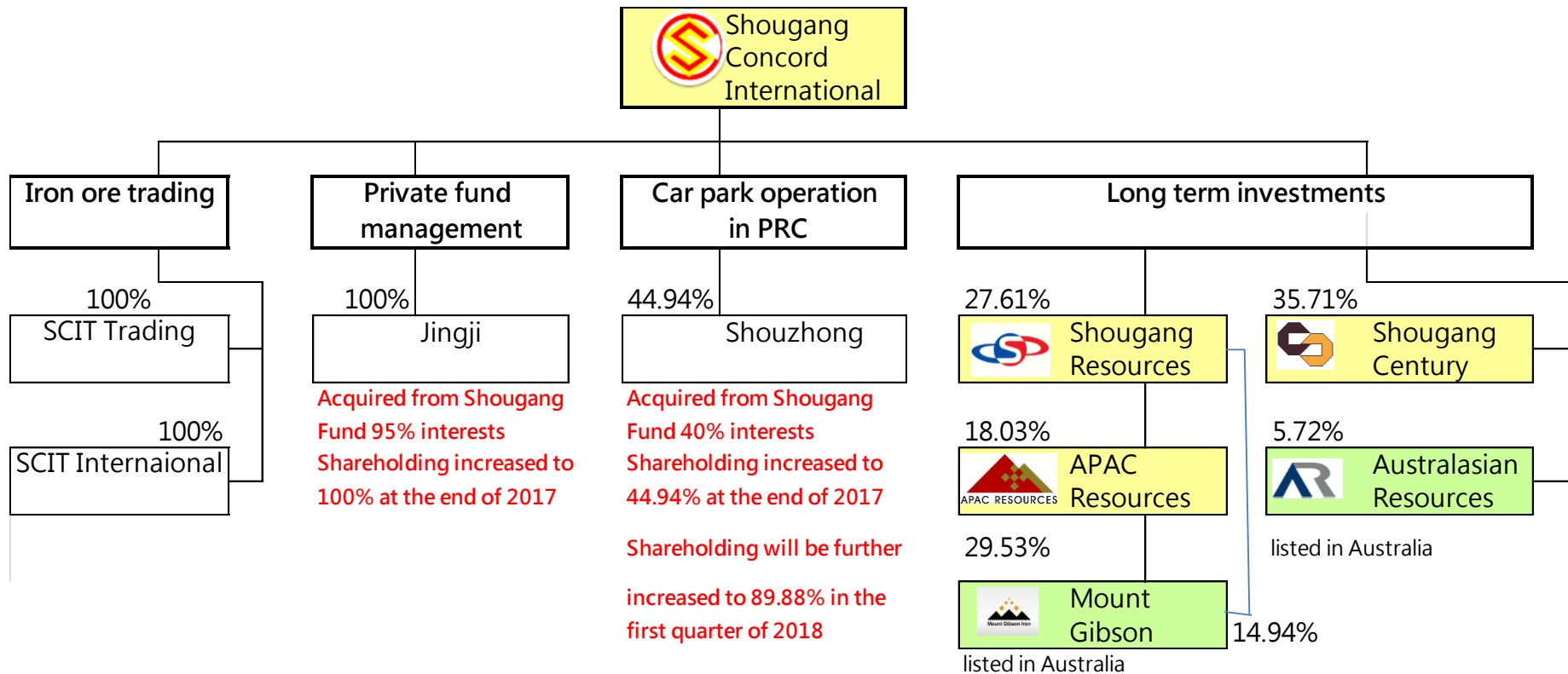
- **Company overview**
- **Company business**
- **Financial highlights**
- **About Shougang Resources**
- **About the offtake agreements
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Company overview

- **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.**
- **Disposal of Qinhuangdao Business completed on 30 December 2016. Ended the steel operations which had been running for over two decades.**
- **Acquired the business of private fund management and car park operation before end of 2017, together with the original trading of iron ore business, these are the core businesses of the Group and held two listed associates, Shougang Fushan Resources Group Limited and Shougang Concord Century Holdings Limited.**

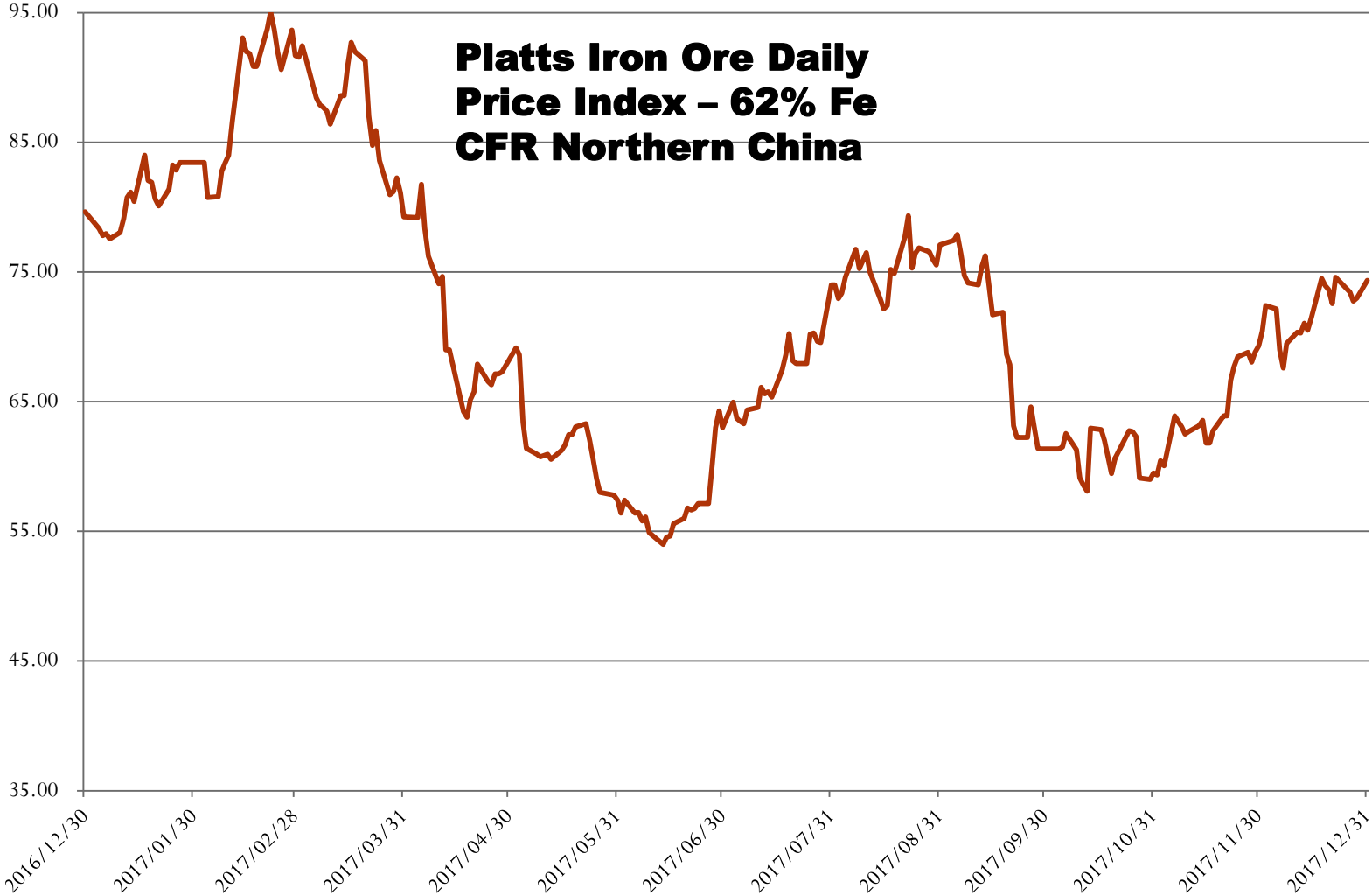
Simplified corporate structure

As at 31 December, 2017



Iron ore price

USD per tonne



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Private fund management

- **By the end of 2017, there are 14 funds managed by Jingji with a total scale of RMB10.5 billion and fund holders had contributed RMB 6.2 billion.**
- **The scope of fund investment mainly includes infrastructure, new energy and environmental protection.**
- **In recent years, the private fund industry has experienced the promising prospects with its on-going rapid increase of fund scale in the PRC. The growing momentum of the private fund market in the PRC will continue to be strong.**
- **The Group expects that in the foreseeable future, the management fee income from the provision of private fund management services will achieve sustainable and rapid-growth revenue.**

Car park operation

- **The business of Shouzhong is to manage car parking system operation in the PRC with a special focus on smart car parking.**
- **Shouzhong has been actively expanding its business in car park since its establishment. It currently has 8 car parking projects in the PRC and operates approximately 5,400 car parking lots in total.**
- **In addition, Shouzhong also owns the car parking operation rights of a major project in the new airport in Beijing held by a joint venture through the investment in 48.125% of the equity interest in Beijing Shouzhong Car Parking Management Company Limited, for a term of 20 years with an option to extend for a further 5 years. The new airport in Beijing will has 4,200 parking lots and is expected to be put into operation by the end of 2019.**
- **The car park facilities investment and operation business in the PRC have a rosy outlook thanks to the strong demand for automobiles and the requirements of governance on large-scale cities and are also our principal business to expand in the future. It is expected that the car park facilities investment and operation business of the Group will witness a rapid development by targeting the markets, both domestic and overseas.**

Iron ore trading

- **The trading business of the Group mainly involves the trading of iron ore imported by the PRC. Iron ore is a vital raw material for the manufacturing of steel, while steel is one of the important material widely applied in our daily life, including development of infrastructures, real estates, shipbuilding, railways, industrial machineries, automobiles and home appliances, etc. Currently, the steel production of the PRC accounts for approximately 50% of the world's production, which makes the PRC the world's leading steel manufacturer and iron ore consumer. With better quality, imported iron ore helps reducing substantial mining and processing costs for steel manufacturing, therefore, there is strong demand for imported iron ore in the PRC.**
- **The trading of iron ore imported by the PRC was facing increasing difficulties. Based on actual conditions, the Group adjusted its business mode and started to adopt hedging tools such as iron core futures/ swap to reduce the operational risks of its trading business.**
- **Mt. Gibson has also announced the recovery plan for Koolan Island mine during the period, which states that Mt. Gibson decided to resume the production of Koolan Island mine based on its results of feasibility study and technical assessments on Koolan Island mine. The preliminary results shows that the mine has a reserve of iron core (66% Fe) of 12,800,000 tonnes and an estimated term of 3.5 years. It is expected that the mine will restart the sales of iron core at the beginning of 2019. In addition, the potential production of 7,000,000 tonnes for the second phase is still under assessment. Under the offtake agreements, the Group is required to purchase 80% of Koolan Island's annual production. It is expected that Koolan Island mine will contribute more turnover to the Group after resuming production.**

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Financial highlights

| | 2017 HK\$'M | 2016 HK\$'M | + Favourable/ -Unfavourable Change |
|---|----------------|----------------|--|
| Turnover | 3,816 | 1,036 | 268% |
| Gross profit margin | 0.2% | 4.8% | -4.6% |
| Profit (loss) attributable to shareholders | | | |
| Continuing operations | 57 | (476) | 112% |
| Discontinued operations | - | (1,145) | 100% |
| | 57 | (1,621) | 104% |
| Earnings (loss) per share (HK cents) | | | |
| Continuing operations | 0.56 | (5.27) | 111% |
| Discontinued operations | - | (12.67) | 100% |
| | 0.56 | (17.94) | 103% |
| Gross assets | 8,186 | 5,847 | 40% |
| Net assets attributable to shareholders | 7,025 | 4,705 | 49% |
| Net assets per share attributable to shareholders (HK\$) | 0.39 | 0.53 | -26% |
| Gearing ratio | N/A | 1.2% | N/A |

Turnover

- Continuing Operations

| | Turnover | | | | Change |
|------------------|-----------------|-------------|-----------------|-------------|-------------|
| | 2017 HK\$' M | | 2016 HK\$' M | | |
| Trading business | 3,812 | 100% | 1,032 | 100% | 269% |
| Others | 4 | 0% | 4 | 0% | 0% |
| | <u>3,816</u> | <u>100%</u> | <u>1,036</u> | <u>100%</u> | <u>268%</u> |

| | 2017 | 2016 | Change |
|---|-------|-------|--------|
| Mainly included trading of Iron ore: | | | |
| Sales volume ('000t) | 7,375 | 2,400 | 207% |
| ASP (US\$/t) | 67 | 54 | 24% |

Contribution

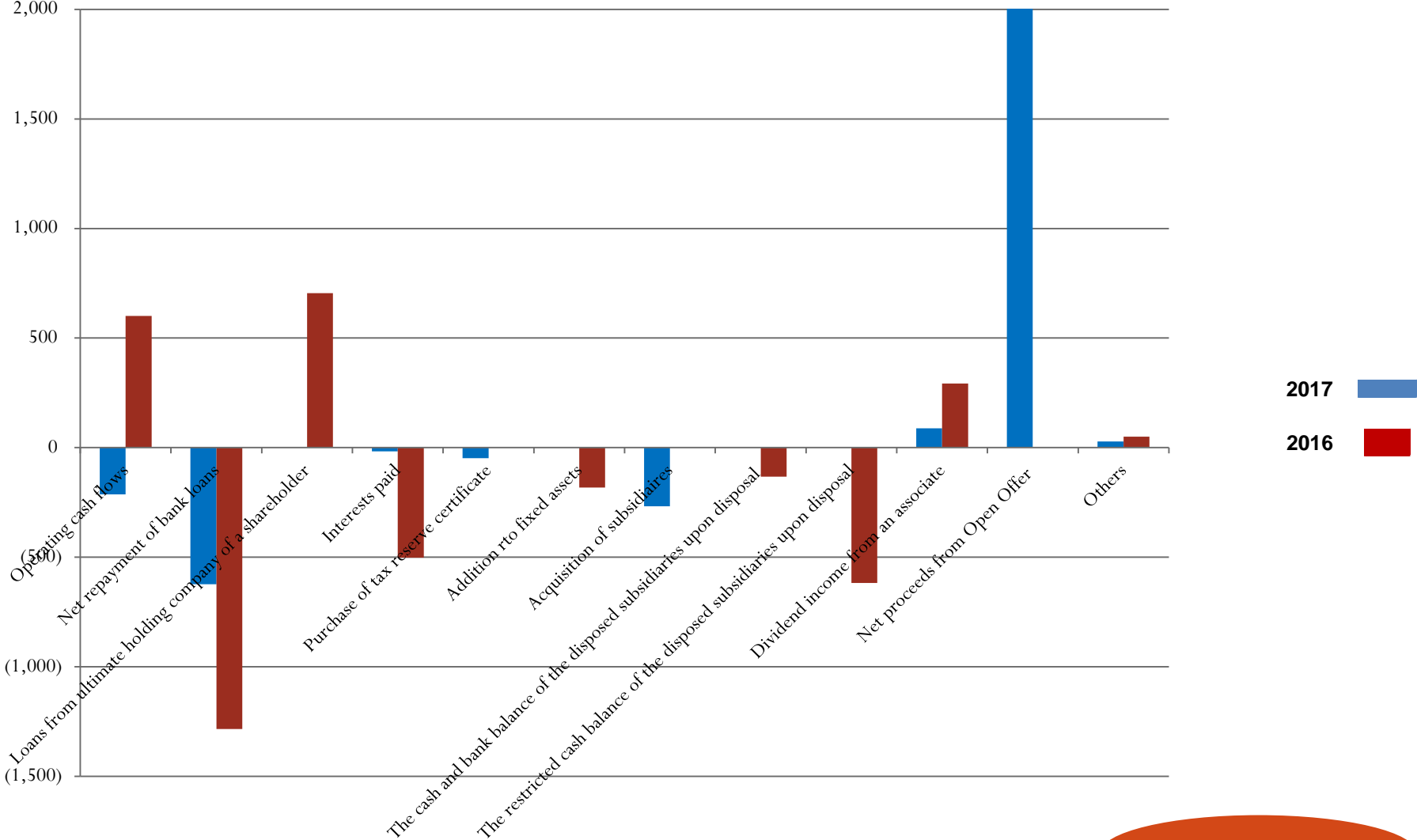
| | 2017 HK\$'M | 2016 HK\$'M | + Favourable/ - Unfavourable Change |
|---|----------------|----------------|---|
| Continuing Operations: | | | |
| Trading Business | (99) | 35 | -383% |
| Fair value change on Mt. Gibson Offtake contracts | (49) | (131) | 63% |
| Impairment loss on investment in Shougang Resources | - | (257) | 100% |
| Exchange difference | (8) | (16) | 50% |
| Others | (36) | (116) | 69% |
| | <u>(192)</u> | <u>(485)</u> | 60% |
| Share of results of Associates: | | | |
| Shougang Resources | 273 | 5 | 5360% |
| Shougang Century | (24) | 4 | -700% |
| | <u>249</u> | <u>9</u> | 2667% |
| Profit (loss) from Continuing Operations | <u>57</u> | <u>(476)</u> | 112% |
| Loss from Discontinued Operations | <u>-</u> | <u>(1,145)</u> | 100% |
| Profit (loss) attributable to shareholders | <u>57</u> | <u>(1,621)</u> | 104% |

Statement of Financial Position

| | 31 Dec 2017 HK\$'M | 31 Dec 2016 HK\$'M | Change |
|------------------------------------|--------------------------|--------------------------|--------|
| NON-CURRENT ASSETS | 5,683 | 4,877 | 17% |
| Including: Associates | 5,073 | 4,654 | 9% |
| CURRENT ASSETS | 2,504 | 970 | 158% |
| Including : Bank balances and cash | 1,490 | 561 | 166% |
| LIABILITIES | 943 | 1,142 | -17% |
| Including: Bank borrowings | 0 | 617 | -100% |
| SHAREHOLDERS' EQUITY | 7,025 | 4,705 | 49% |
| Non-controlling interest | (219) | 0 | N/A |

Cash flow

HK\$ million



Cash/Bank balances & Loans

| | 2017 HK\$'M | 2016 HK\$'M |
|------------------------|----------------|----------------|
| Cash and bank balances | 1,490 | 561 |
| Bank loans | - | 617 |
| Shareholders' funds | 7,025 | 4,705 |
| Gearing ratio | - | 1.2% |

*Gearing ratio is defined as bank loans less cash and bank balances divided by shareholders' funds.

At the end of 2017, all the bank loans have been repaid after completion of the Open Offer.

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Shougang Resources



27.61% equity stake



HK:639

SHOUGANG FUSHAN RESOURCES GROUP LTD.

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

Coal mines operated by Shougang Resources



Key data of Shougang Resources

| | 2017 HK\$'M | 2016 HK\$'M | Change |
|---|----------------|----------------|---------|
| Turnover | 3,472 | 1,810 | 91.8% |
| Raw Coking Coal (tonnes) | 932,000 | 483,000 | 93.0% |
| Price RMB/t (exclude VAT) | 585 | 340 | 72.1% |
| Clean Coking Coal (tonnes) | 2,073,000 | 2,115,000 | -2.0% |
| Price RMB/t (exclude VAT) | 1,185 | 657 | 80.4% |
| GP % | 54.0% | 33.5% | 20.5% |
| Profit (loss) attributable to shareholders before impairment loss | 1,081 | 234 | 362.0% |
| Impairment loss (net of reversal of deferred tax and M.I.) | - | (122) | -100.0% |
| Profit (loss) attributable to shareholders | 1,081 | 112 | 865.2% |
| Dividend per share (HK cents) | | | |
| Interim | 3.0 | - | N/A |
| Final | 7.2 | 3.0 | 140.0% |
| Special | 6.3 | 15.0 | -58.0% |
| | 16.5 | 18.0 | -8.3% |

| | 2017 HK\$'M | 2016 HK\$'M | Change |
|---|----------------|----------------|--------|
| Cash & Bank balance | 5,027 | 3,901 | 28.9% |
| Loan balance | - | - | - |
| Gross Assets | 21,695 | 19,104 | 13.6% |
| Net assets attributable to shareholders | 15,935 | 14,519 | 9.8% |
| NAV per share (HK\$) | 3.01 | 2.74 | 9.9% |
| Gearing* | 0.0% | 0.0% | |

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

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Iron ore offtake agreements



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 at the moment. In April 2017, Mt. Gibson announced the restoration plan for Koolan Island Mine based on its results of feasibility study and technical assessments on Koolan Island. It is expected the mine will restart the sales of iron ore in early 2019.

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Event after the reporting period

On 12 March 2018, the Company and Shouzhong (Hong Kong) Limited (“Shouzhong HK), a wholly-owned subsidiary of the Company, entered into an agreement with CIMC Transportation Equipment (International) Holdings Limited (“CIMC Transportation”) pursuant to which Shouzhong HK will acquire from CIMC Transportation 44.94382% shareholding of Shouzhong Investment Management Co., Ltd (“Shouzhong Investment”) for the consideration of RMB209,884,269. An aggregate of 1,047,931,056 shares of the Company will be issued to CIMC Transportation or its designated person(s) to satisfy the consideration. The consideration shares will represent approximately 5.526% of the total number of issued shares of the Company as enlarged by the issue of the Consideration Shares. Shouzhong Investment is principally engaged in the business of car park operation in the PRC. Shouzhong Investment was owned as to 44.94382% by the Group at the end of 2017 and was a non-wholly owned subsidiary of the Group. The transaction was completed on 23 March 2018 and 1,047,931,056 shares of the Company was issued to CIMC Transportation on 26 March 2018 at the issue price of HK\$0.2475 per share. Shouzhong was then owned as to 89.88764% by the Group.

Change in the shareholding structure of the Company

Assuming there is no change to the total number of issued shares of the Company between the date of the Agreement and the issue of the Consideration Shares, the effect on the shareholding structure of the Company as a result of the issue of the Consideration Shares will be as follows:

| Shareholders | Shareholding as at the date of this announcement | | Shareholding after completion of the issue of the Consideration Shares | |
|--|---|----------------------|---|----------------------|
| | Shares | % of shareholding | Shares | % of shareholding |
| Shougang Group and its subsidiaries | 11,733,903,865 | 65.495 | 11,733,903,865 | 61.876 |
| CIMC Transportation or its designated person(s) | – | 0 | 1,047,931,056 | 5.526 |
| Other shareholders | 6,181,888,589 | 34.505 | 6,181,888,589 | 32.598 |
| Total | 17,915,792,454 | 100.00% | 18,963,723,510 | 100.00% |

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**

Thank you!

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