



首長國際企業有限公司

SHOUGANG CONCORD INTERNATIONAL ENTERPRISES COMPANY LIMITED

(STOCK CODE: 697)

# 2018 Interim Results Presentation

2018.08.30



首長國際企業有限公司

SHOUGANG CONCORD INTERNATIONAL ENTERPRISES COMPANY LIMITED

# Company Overview



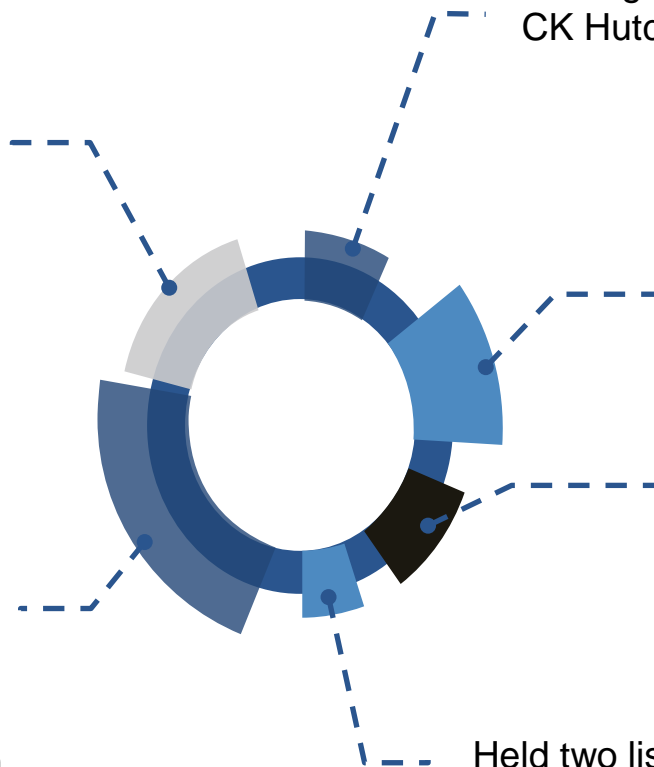
# Company Overview



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SHOUGANG CONCORD INTERNATIONAL ENTERPRISES COMPANY LIMITED

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

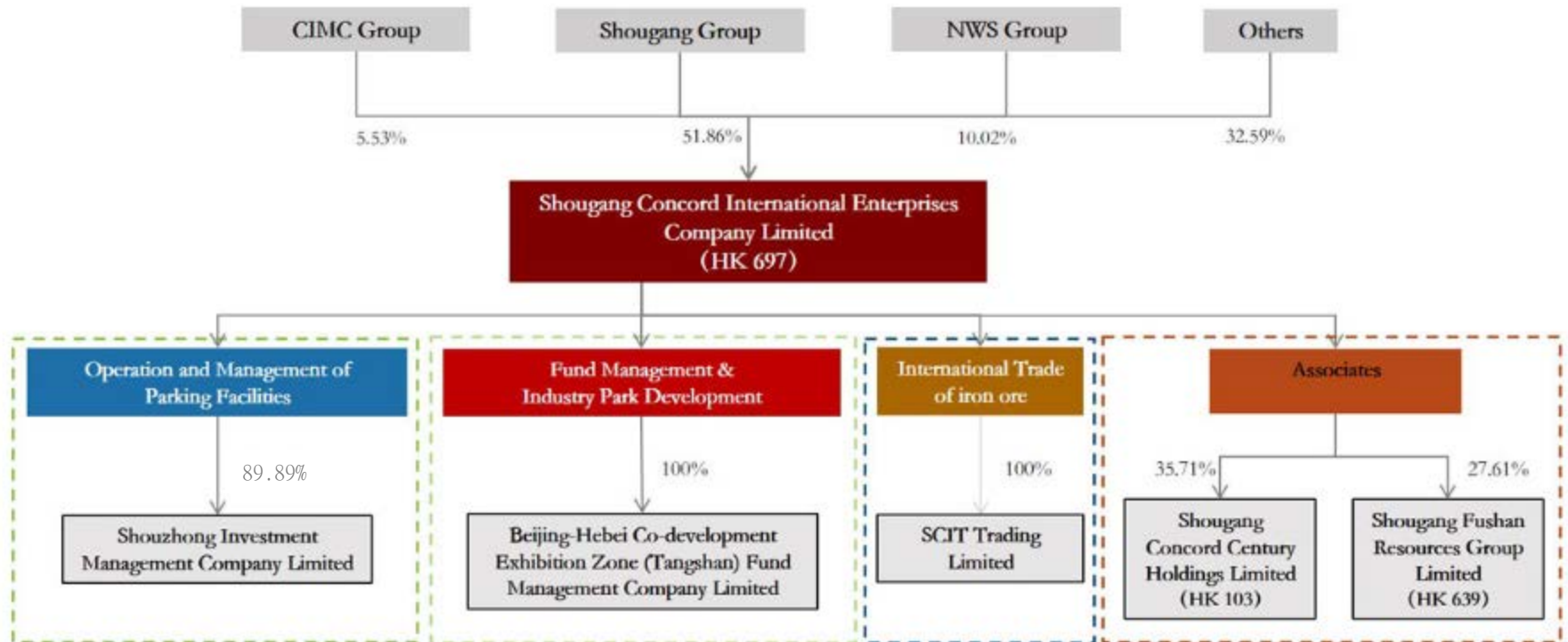
Held two listed associates, Shougang Fushan Resources Group Limited and Shougang Concord Century Holdings Limited.

# Simplified corporate structure



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As at 30 June, 2018





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# Company Business





## Scale



As of 30 June 2018, there are **17** funds managed by Jingji with a total subscription scale of RMB**14** billion.

## Scope



Focus on car parks based infrastructure and the renovation of old parks. It will consider investments in health care based consumer upgrades, new energy auto parts and equipment manufacturing, as well as advanced technologies.

## Prospect



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.

## Business Growth



The Group expects that in the foreseeable future, the management fee income and investment return from the provision of private fund management services will achieve sustainable and rapid-growth revenue.

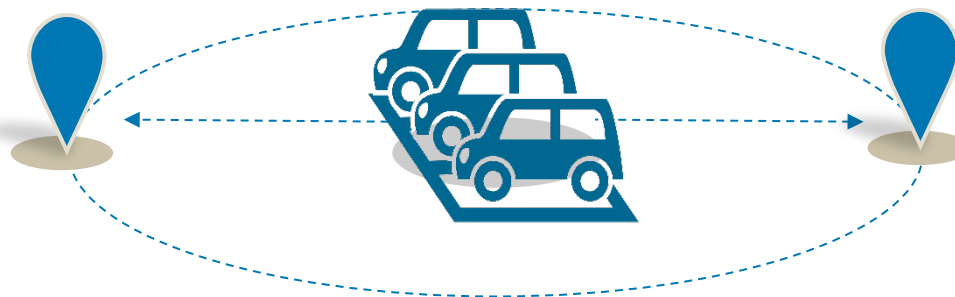
# Car park operation



- The business of Shouzhong is to manage car parking system operation in the PRC with a special focus on smart car parking.
- Thanks to the strong demand for automobiles and the requirements of governance on large-scale cities, the car park facilities investment and operation business are 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,

The Group currently has **9** car park projects in the PRC and operates approximately **5,800** car parking lots in total.

The new airport in Beijing will have **4,200** parking lots and is expected to be put into operation by the end of 2019.

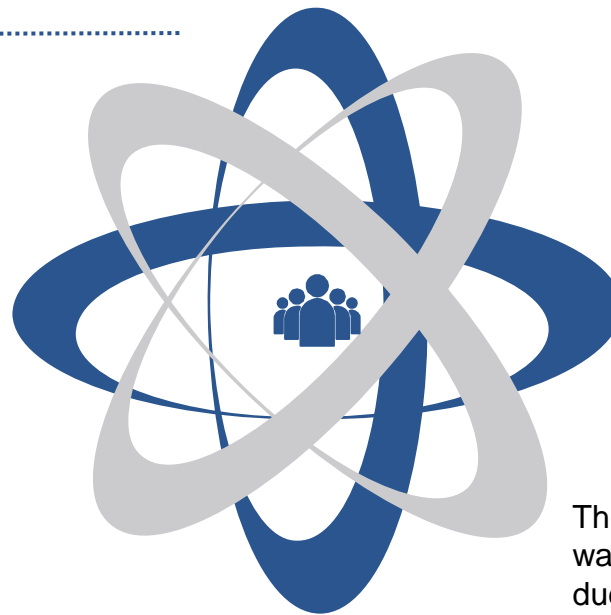


Shouzhong owns the car parking operation rights of a major project in the new airport in Beijing held by a joint venture through the investment in 48.125% of the equity interest in Beijing Shouzhong Car Parking Management Company Limited, for a term of 20 years with an option to extend for a further 5 years.

The trading business of the Group mainly involves the trading of iron ore imported by the PRC.

## Demands

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.



## Strategy

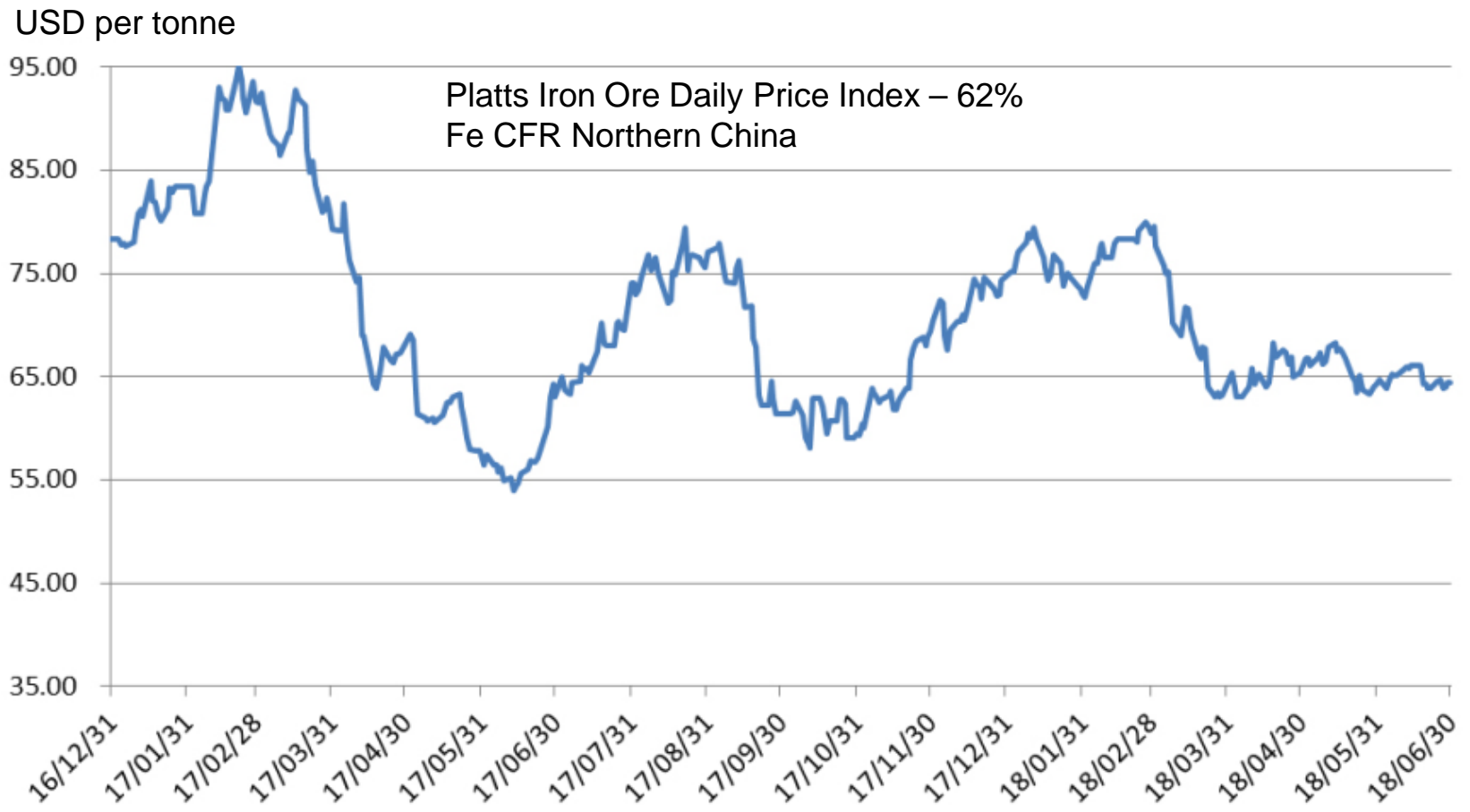
Base on the state of the trading business, the Group decided to strictly control the risk of ore trading and gradually reduce the revenue from ore trading as well as the volume of ore transactions, and increase the gross profit margin of ore trade. This segment contributed net profit of HK\$40 million for the period, while net profit of HK\$15 million was recorded for the same period last year.

## Gross Profit Margin

The business of trading of imported iron ore was difficult to generate profit to the Group due to the traditional back to back trading of mainstream minerals. For this reason, our trading team has utilised tools of iron ore future/ swap since this year to hedge the operation risks of trading business. The Group will continue to adjust its trading business model to accommodate the changing market conditions.



# Iron ore price





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# Financial Highlight



# Financial Highlight



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|   | Ended 30 June         |                              | +Favourable / -<br>Unfavourable<br>Change |
|---|-----------------------|------------------------------|---|
|   | 2018<br>(HK\$'M)      | 2017<br>(HK\$'M)             |   |
| <b>Turnover</b>                                   | <b>818</b>            | 1,306                        | -37.4%                                    |
| <b>Gross profit margin</b>                        | <b>6.3%</b>           | 0.9%                         | +5.4<br>percent points                    |
| <b>Profit (loss) attributable to shareholders</b> | <b>218</b>            | 142                          | +53.5%                                    |
| <b>Earnings (loss) per share (HK cents)</b>       | <b>1.18</b>           | 1.57                         | -24.8%                                    |
|   | As at<br>20 June 2018 | As at<br>21 December<br>2017 |   |
| <b>Gross assets</b>                               | <b>7,851</b>          | 8,186                        | -4.01%                                    |
| <b>Net assets attributable to shareholders</b>    | <b>7,361</b>          | 7,025                        | +4.8%                                     |
| <b>Gearing ratio</b>                              | <b>0.96%</b>          | N/A                          | N/A                                       |



|  | Ended 30 June    |                  | Change |
|--|------------------|------------------|--------|
|  | 2018<br>(HK\$'M) | 2017<br>(HK\$'M) |        |
| <b>1. Trading business</b>   | <b>40</b>        | 15               | 233%   |
| <b>2. Car park operation business</b>  | <b>(9)</b>       | -                | -      |
| <b>3. Private fund management business</b>   | <b>20</b>        | -                | -      |
| <b>Subtotal</b>  | <b>51</b>        | 15               | 325%   |
| <b>4. Share of results of associates</b>   |                  |                  |        |
| <b>Shougang resources</b>  | <b>163</b>       | 170              | -4%    |
| <b>Shougang Century</b>  | <b>(8)</b>       | 9                | -189%  |
| <b>Subtotal</b>  | <b>155</b>       | 179              | -13%   |
| <b>5. Others</b>   |                  |                  |        |
| <b>Fair value gain/loss on iron ore<br/>    offtake agreements with Mt. Gibson</b> | <b>20</b>        | (24)             | 183%   |
| <b>Share of results of a joint venture</b>   | <b>(5)</b>       | -                | -      |
| <b>Exchange gain/(loss)</b>  | <b>7</b>         | (5)              | 240%   |
| <b>Corporate and others</b>  | <b>(10)</b>      | (23)             | 50%    |
| <b>Subtotal</b>  | <b>12</b>        | (52)             | 124%   |
| <b>Profit attributable to shareholders</b>   | <b>218</b>       | 142              | 54%    |

# Statement of Financial Position

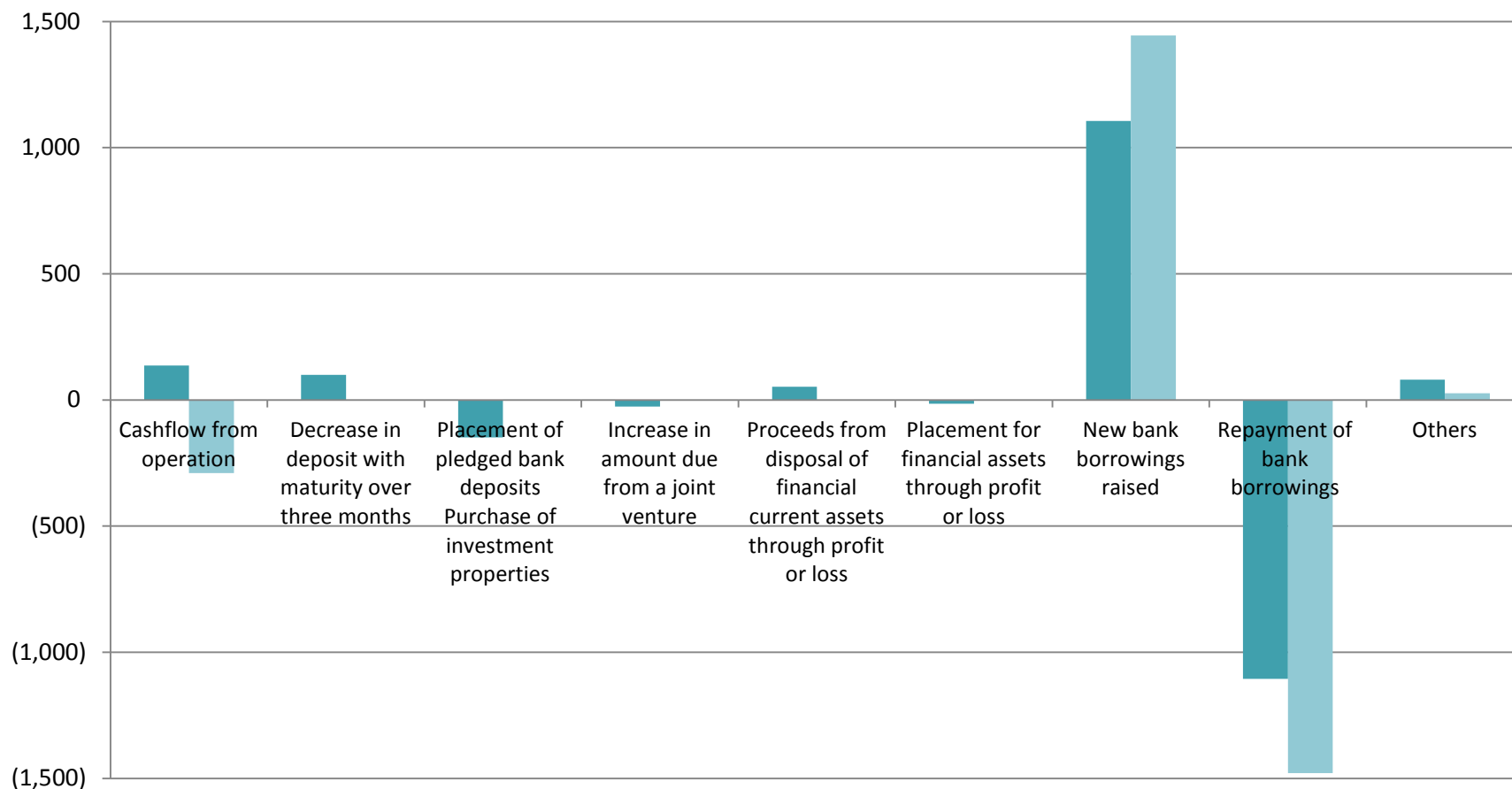


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|  | 2018<br>30 June<br>(HK\$'M) | 2017<br>31<br>December<br>(HK\$'M) | Change |
|--|-----------------------------|------------------------------------|--------|
| <b>Non-current assets</b>                | <b>5,969</b>                | 5,683                              | 5%     |
| <b>Including: Associates</b>             | <b>5,201</b>                | 5,073                              | 3%     |
| <b>Current assets</b>                    | <b>1,882</b>                | 2,504                              | -25%   |
| <b>Including: Bank balances and cash</b> | <b>1,570</b>                | 1,490                              | 5%     |
| <b>Liabilities</b>                       | <b>427</b>                  | 943                                | -55%   |
| <b>Including: Bank borrowings</b>        | <b>-</b>                    | -                                  | -      |
| <b>Shareholder's equity</b>              | <b>7,361</b>                | 7,025                              | 5%     |
| <b>Non-controlling interest</b>          | <b>62</b>                   | 219                                | -93%   |



## HK\$ million



2018

2017

# Cash/Bank balances & Loans



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|                                     | 2018<br>30 June<br>(HK\$'M) | 2017<br>31 December<br>(HK\$'M) |
|-------------------------------------|-----------------------------|---------------------------------|
| <b>Cash and bank deposits</b>       | <b>1,570</b>                | 1,490                           |
| <b>Loans from related companies</b> |                             |                                 |
| - Financial leasing loans           | 71                          | -                               |
| <b>Total loans</b>                  | <b>71</b>                   | -                               |
| <b>Shareholder's funds</b>          | <b>7,361</b>                | 7,025                           |
| <b>Gearing ratio</b>                | <b>0.96%</b>                | N/A                             |



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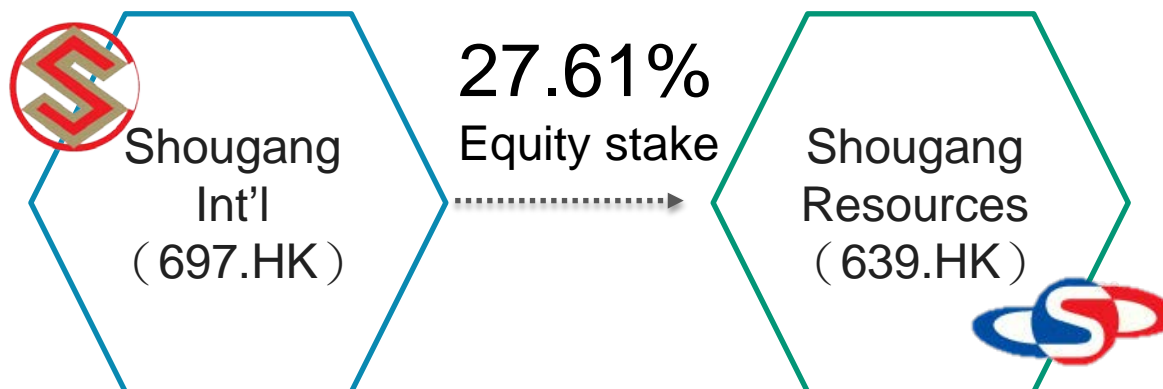
# About Shougang Resources





## Shougang Fushan Resources Group Ltd.

- ✓ Production of Premium Hard Coking Coal in Shanxi
- ✓ Committed to distribute  $\geq 40\%$  of earnings as dividends
- ✓ During the period, Shougang International has shared a profit of HK\$163 million from Shougang Resources



# Coal mines operated by Shougang Resources



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## Jinjazhuang Coal Mine

Mining area: 6.35 sq.km.

In-place reserves: 64.18Mt

Recoverable reserves: 43.80Mt

Planned raw coal production capacity at present:  
2.1Mt per annum



Mining area: 11.63 sq.km.

In-place reserves: 63.23Mt

Recoverable reserves: 46.34Mt

Planned raw coal production capacity at present:  
2.1Mt per annum

## Xingwu Coal Mine



Mining area: 13.91 sq.km.  
In-place reserves: 78.34Mt  
Recoverable reserves: 52.21Mt  
Planned raw coal production capacity at present:  
2.1Mt per annum

## Zhaiyadi Coal Mine



Liulin County

Source: Technical Review Report prepared by  
John T. Boyd Company dated 31 December 2007

# Key data of Shougang Resources



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|  | Ended 30 June    |                  |        |   | 2017                        |                                    |        |
|--|------------------|------------------|--------|---|-----------------------------|------------------------------------|--------|
|  | 2018<br>(HK\$'M) | 2017<br>(HK\$'M) | Change |   | 2018<br>30 June<br>(HK\$'M) | 2017<br>31<br>December<br>(HK\$'M) | Change |
| <b>Turnover</b>                            | <b>1,978</b>     | 1,918            | 3%     | <b>Cash &amp; Bank balance</b>  | <b>4,519</b>                | 4,864                              | -7%    |
| <b>Raw coking coal ('000 tonnes)</b>       | <b>512</b>       | 730              | 30%    | <b>Loan balance</b>   | -                           | -                                  | -      |
| <b>Price RMB/t (include VAT)</b>           | <b>733</b>       | 703              | 4%     | <b>Gross assets</b>   | <b>22,297</b>               | 21,695                             | 3%     |
| <b>Clean coking coal ('000 tonnes)</b>     | <b>1,100</b>     | 1000             | 10%    | <b>Net assets attributable to shareholders</b>                                | <b>15,775</b>               | 15,935                             | -1%    |
| <b>Price RMB/t (include VAT)</b>           | <b>1,366</b>     | 1,467            | -7%    | <b>NAV per share (HK\$)</b>   | <b>2.98</b>                 | 3.01                               | -1%    |
| <b>Gross profit margin</b>                 | <b>53%</b>       | 60%              | -12%   | <b>Gearing*</b>   | <b>0%</b>                   | <b>0%</b>                          | -      |
| <b>Profit attributable to shareholders</b> | <b>638</b>       | 662              | -4%    | <b>*Gearing ratio is defined as total borrowings divided by total equity.</b> |                             |                                    |        |
| <b>Dividend per share (HK cents)</b>       |                  |                  |        |   |                             |                                    |        |
| Interim                                    | <b>8.3</b>       | 3                |        |   |                             |                                    |        |
| Final                                      | -                | 13.5             |        |   |                             |                                    |        |
| Special                                    | -                | -                |        |   |                             |                                    |        |



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# Event after the reporting period



# Event after the reporting period



| Date                      | Event   |
|---------------------------|---|
| 2018/07/13                | Shoushi Company, a non-wholly owned subsidiary of the Company, entered into the Partnership Agreement with Shougang Fund, for the establishment of 北京首獅銘智瑾信經濟諮詢企業（有限合夥）(Beijing Shoushi Ming Zhi Jin Xin Economic Consulting Firm (Limited Partnership)) in the form of limited partnership.  |
| 2018/07/24                | <ul style="list-style-type: none"><li>• The Company entered into (i) the Jingxi Subscription Agreement with Jingxi Holdings; and (ii) the Rocket Subscription Agreement with Rocket Parade. Pursuant to the Connected Subscription Agreements, the Company has conditionally agreed to allot and issue, and Jingxi Holdings and Rocket Parade have conditionally agreed to subscribe for an aggregate of 3,400,000,000 new Shares under the specific mandate.</li><li>• The Company entered into the Subscription Agreement with ORIX Asia, pursuant to which the Company has conditionally agreed to allot and issue, and ORIX Asia has conditionally agreed to subscribe for an aggregate of 1,503,741,731 new Shares under the specific mandate.</li></ul> |
| 2018/07/24                | The Company conditionally entered into the Fund Subscription Agreement with Shoushi Company (as general partner of the Partnership) pursuant to which, the Company (or its designated subsidiary) conditionally agreed to participate in the Partnership as a limited partner for a capital commitment of RMB135 million and to enter into the Proposed Partnership Agreement.  |
| 2018/07/26-<br>2018/07/27 | Mr. Liang Hengyi (梁衡義), an executive Director & managing director of the Company had acquired 2,216,000 shares of the Company on the open market.   |
| 2018/08/12                | The Company, Jingji Capital and Shougang Fund entered into the Framework Agreement in relation to the formation of the Funds. Pursuant to the Framework Agreement, not more than 15 funds shall be established. The expected aggregate total size of the Funds shall not exceed RMB30 billion.  |



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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# Thank you !

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