

Stock Code: **2014**

# CHUNG HUNG STEEL CORPORATION

2021.11.24



SOURCE: CHS 2020 CSR

*Competence Honesty Service*

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# AGENDA

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# Company Profile

<b>Name</b>	<b>Chung Hung Steel Corporation</b>
<b>Date of establishment</b>	<b>September 29, 1983</b>
<b>Address</b>	<b>317, Yu Liao Road, Chiao Tou District, Kaohsiung City 82544, Taiwan (R.O.C.)</b>
<b>Paid-in capital</b>	<b>NTD 14,355,444,460</b>
<b>Chairman of the Board</b>	<b>Min-Hsiung Liu</b>
<b>President</b>	<b>Kuei-Sung Tseng</b>
<b>Main products</b>	<b>Hot-rolled coil, Cold-rolled coil, Steel pipe &amp; Tube, Hot-rolled pickled &amp; oiled coil and galvanized steel coil</b>
<b>Mills</b>	<b>Kaohsiung: Hot Rolling Mill, Cold Rolling Mill, Steel Pipe &amp; Tube mills (Da-fa) and Pickling &amp; Galvanizing Mill Changhua(Zhang-bin Industrial Park): Tube mills (Lu-kang)</b>
<b>Main stockholder</b>	<b>China Steel Corporation(40.59%)</b>

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# World Economic Growth Forecast

- IMF released the "World Economic Outlook" in October 2021. It estimated that the global economy will grow by 5.9% in 2021. Although COVID-19 outbreaks in many countries, the global economy is still keep recovering.
- The divergence of short-term economic trends in various countries will have a long last impact on mid-term economic performance, mainly due to differences in vaccine accessibility and the strength of policy support in various countries.
- **The global economy is expected to grow by 4.9% in 2022**, though lower than 5.9% in 2021, but still better than the pre-pandemic level.

# Manufacturing PMI

- The growth of production and orders in United States and Europe are restricted due to the obstacle in the global supply chain, but manufacturing activities are still expanding steadily (index above 50).
- Although Chinese production has been dragged down due to energy and raw material shortages, but it also benefit from improved demand. The Caixin manufacturing PMI rose to the expansion zone again in October; South Korea slowed down slightly due to material shortages and logistics problems.
- The manufacturing momentum accelerated in India, Japan, and the ASEAN after the easing of epidemic control. The October index of the ASEAN was 53.6, which was the first time reaching above 50 since May this year, and also set a new high in the past years.

# Global Crude Steel Production Forecast

- According to the latest report dated Oct. 12, 2021 from World Steel Dynamic (WSD), global crude steel output is expecting to be 1,976 million tons in 2021, and which will increase 1.6% to 2,008 million tons in 2022.
- In addition, China' s crude steel output of 2021 is expected to be 1,065 million tons, with Chinese authority keeps on track of “carbon neutrality policy” in 2022, WSD expects China' s crude steel output will drop 0.5% to 1,060 million tons in 2022.

# Global Steel Demand Forecasts

- Global steel demand will recover to pre-pandemic level much quicker than expected, increasing 4.5% to 1,855 million tons in 2021, according to World Steel Association announced in Oct. 2021.
- With lots backlogged orders, re-building of stocks, and continuing vaccination progresses in developing countries, steel demand releasing from easing of COVID-19 controlling measures, industry activities are likely to recover gradually, expecting global steel demand will increase 2.2% to 1,896 million tons in 2022.

# Taiwan Economic Outlook(1/2)

- The Chief Accounting Office of the Executive Yuan estimated on 8/13 that Taiwan's economic growth rate in 2021 and 2022 will be 5.88% and 3.69% respectively. In addition, according to the latest estimate of the China Economic Research Institute on 10/20, the economic growth rate in 2021 will be revised up by 0.68 percentage points to 5.84%, a record high since 2011, mainly due to better than expected exports and private investment, and economic growth in 2022 the rate is 3.55%.
- The government has promoted the "Three Major Plans for Investment in Taiwan". As of the end of September 2021, it has driven thousands of manufacturers and more than 1.3 trillion yuan of funds to return to Taiwan for investment. At the same time, it actively develops electric vehicles, 5G, green power and renewable energy industries to contribute to the domestic economy, injecting new kinetic energy.

# Taiwan Economic Outlook(2/2)

- The Legislative Yuan has accelerated investment in public construction. In 2022, it has allocated NT\$146.6 billion for public construction design plans, and added NTD 85.7 billion in the third special budget of the forward-looking construction basic plan, for a total of NT\$232.3 billion, an increase of NT\$4.6 billion from the 2021 basis, increasing by 2%.
- On October 28, the Industrial Technology Research Institute announced that the output value of the manufacturing industry in 2021 was NT\$23.06 trillion, with an annual growth rate of 21.26%, which was the second highest growth in history. Looking forward to 2022, the economy of various countries restarts, international demand is strong, and domestic demand is expected to recover, and the domestic economy is expected to continue to grow. It is estimated that the four major sectors of the manufacturing industry maintain a positive outlook, with the overall manufacturing output value reaching NT\$24.12 trillion, an annual growth rate of 4.61%.

# Taiwan Apparent Steel Consumption

- According to Taiwan Steel and Iron Industries Association, the cumulative surface consumption from January to August 2021:
- (1) Hot-rolled steel plate and coils were 2,988,002 tons, a year-on-year increase of 21.3%.
- (2) Cold-rolled steel plate and coils were 1,365,556 tons, a year-on-year increase of 73.5%.
- (3) Galvanized steel sheet and coils were 802,533 tons, a year-on-year increase of 3.2%.

# Steel Imports and Exports Overview

- Imports: The top five major import countries: China, Japan, Korea, India and Vietnam are accounted for about 88.6% of the total imports from January to September 2021 and are accounted for about 89.0% of import value of the same period. They are also the main threat to domestic steel companies.
- Exports: The top five major export countries: China, Vietnam, Japan, Belgium and the United States are accounted for about 49.1% of total exports from January to September 2021 and are accounted for about 49.6% of export value of the same period.
- Main export regions : Among the top 15 countries in export volume, China, Japan and India in the Asia region together accounted for 24.5% as the largest export volume.
- The ASEAN region accounts for 23.6% and is the second largest steel export region, including Vietnam, Malaysia, and Thailand.
- The European region accounted for 17.8%, mainly are Belgium, Spain, Italy and the United Kingdom.

# Steel price trend-Hot Rolled (Domestic & Export)

## 2021 Steel Price Trend Recap and Outlook (Taiwan)

- **1H:** As various countries continuing fiscal stimulus measure, manufacturing sector accelerates to recover, and the world face steel supply shortage, resulting domestic and export price to rise significantly.
- **3Q:** Asia market is influenced by slow season (rain season) and spreading of delta variant, as well as strict pandemic control measure disturbed economic activity, steel price head into a short term correction.
- **4Q(e):** Market participant are affected by congested port and high freight in the short run, slows de-stocking process. The demand of main exporting region (South East Asia) is previously affected by the pandemic, thus export price slightly corrected. Under the condition that Chinese continue to reduce production, it also provide support to Asia steel price, as de-stocking continues and easing of pandemic at foreign countries, steel price will eventually pick up momentum to grow.

# Steel price trend-Hot Rolled (international market)

## 2021 Steel Price Trend Recap and Outlook (International)

- **US:** Benefiting from strong recovery in manufacturing sector, and limiting import by Section 232 tariff, resulting a shortage in US market and cause steel price continue to hit new high. Even though downstream market is in wait and see mode, but as the infrastructure project kicks off, growing demand shall be able to persist.
- **EU :** Covid-19 pandemic among EU countries are stabilizing, with manufacturing sector massively recover, EU also faces steel shortage and price in 1H significantly increased. Due to summer break and chip shortage in 3Q, steel price in correction in the short run.
- **China:** Due to official' s Supply and Price stabilizing policy in 1H, lead to a minor increase in market price. 3Q faces both traditional slow season and shortage in energy supply disturbed steel demand, but we expect further production curb pressure coming by end of year will provide support to steel price.
- **ASEAN:** 1H benefiting from manufacturing sector recovery, local steel price raises by following the international trend. Even though 3Q is affected by rain season and the pandemic, resulting in sharp demand fall back, but we estimate as the pandemic eases and industries returns operation, steel price will likely hit the bottom and bounce back.

# Steel Market Outlook(1/2)

- **According to the latest prediction from WSA, Global steel demand in 2022 will continue to grow 2.2% from 2021' s basis. Moreover, IMF predicted global economic growth in 2022 to be 4.9%; Chung-Hua Institution for Economic Research estimate Taiwanese economic growth rate to reach 3.55%. Above indicated that even many countries are turning from easing to tightening monetary policy, but global economic growth is still maintaining its momentum, and steel demand shall steadily grow.**
- **On the other hand, to realized China' s carbon neutral policy in 2060, it must be committed to reduce its crude steel production volume. Many recent official statement shows China no longer encourages steel export, hence world steel supply and demand shall likely heading toward a new balance.**

# Steel Market Outlook(2/2)

- **On October 30th, US and EU announced to apply “quantitative quota” in replacing Section 232 Tariff on Steel and Aluminum goods. It is expected that after reviving regional trading activity, a new demand gap might be need to be filled, and so we are optimistic about the export of Taiwanese steel to meet the demand in Europe.**
- **Regarding to post pandemic era, the infrastructure project in many countries shall gradually start; the auto industry shall eventually get rid of worries from lack of microchip, and auto production shall raise; certain postponed steel demand due to the pandemic shall also be released gradually hence providing support to steel price.**
- **Forward looking into the future, EU is about the implement carbon boarder adjustment mechanism, and as nations gradually heading toward a carbon neutral, it also represents the coming of high steel price era.**

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# Financial Overview (1/4)

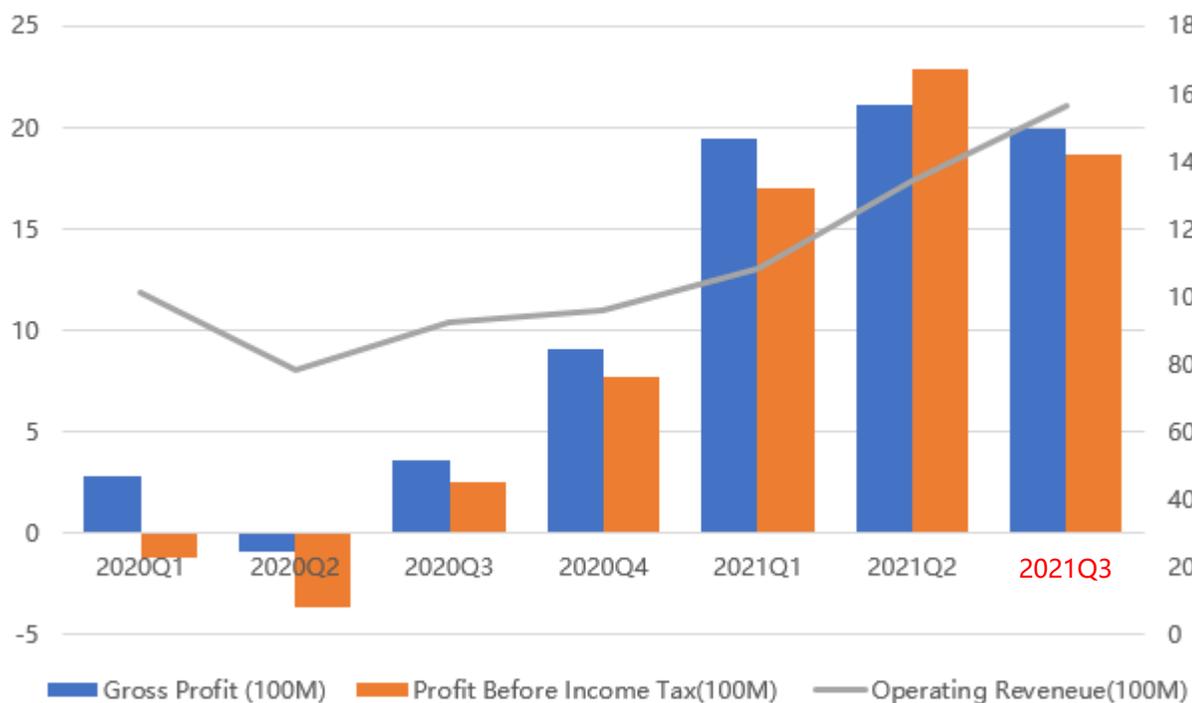
## Financial Performance

(In Thousands of New Taiwan Dollars)

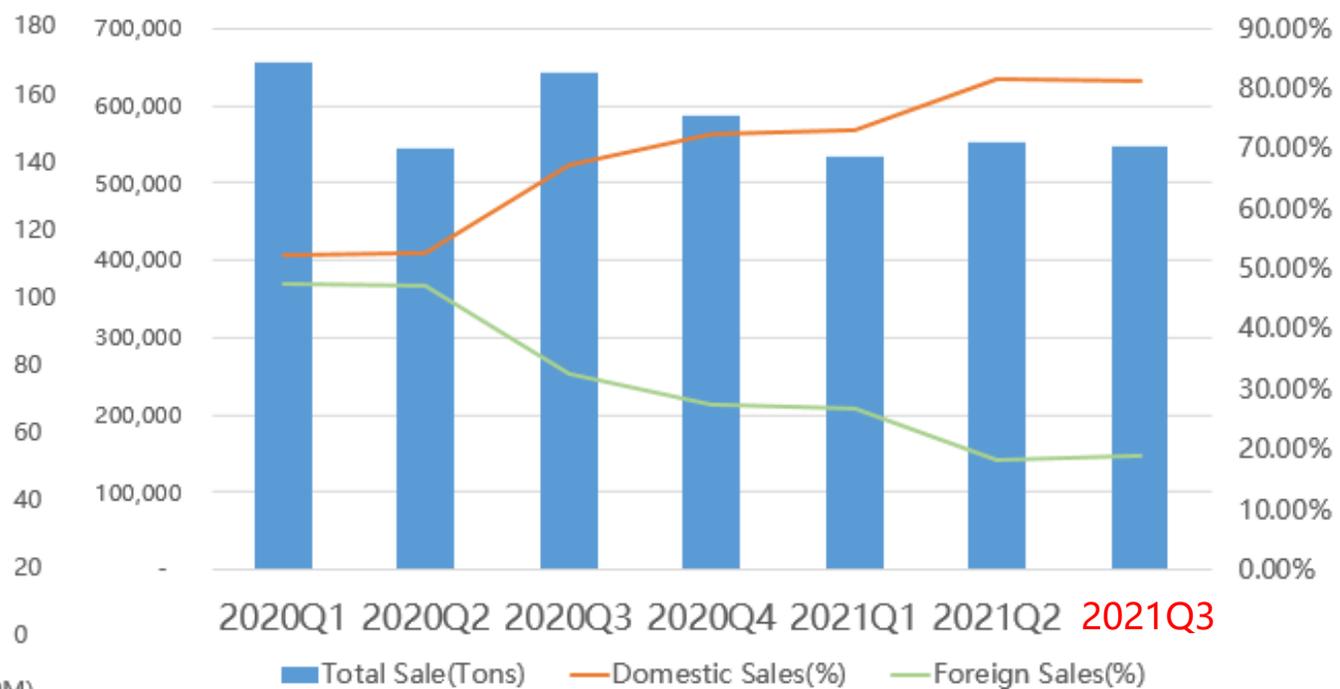
	<b>21'Q3</b>	<b>21'Q2</b>	<b>QoQ</b>	<b>21' Q1~Q3</b>	<b>20' Q1~Q3</b>	<b>YoY</b>
Operating Revenues	15,635	13,397	16.70%	39,863	27,193	46.59%
Gross Profit	1,993	2,115	-5.80%	6,506	544	606.74%
Gross Profit Rate	12.74%	15.79%		16.32%	2.00%	
Profit(Loss) From Operations	1,789	1,867	-4.19%	5,391	-335	1707.95%
Profit(Loss) From Operations Rate	11.44%	13.93%		13.52%	-1.31%	
Profit(Loss) Before Income Tax	1,862	2,286	-18.55%	5,848	-239	2547.08%
Profit(Loss) Before Income Tax Rate	11.91%	17.06%		4.67%	-0.09%	
Net Profit(Loss) for the Period	1,464	2,281	-35.83%	5,444	-239	2378.27%
EPS(NTD)	1.02	1.59		3.79	-0.17	

# Financial Overview (2/4)

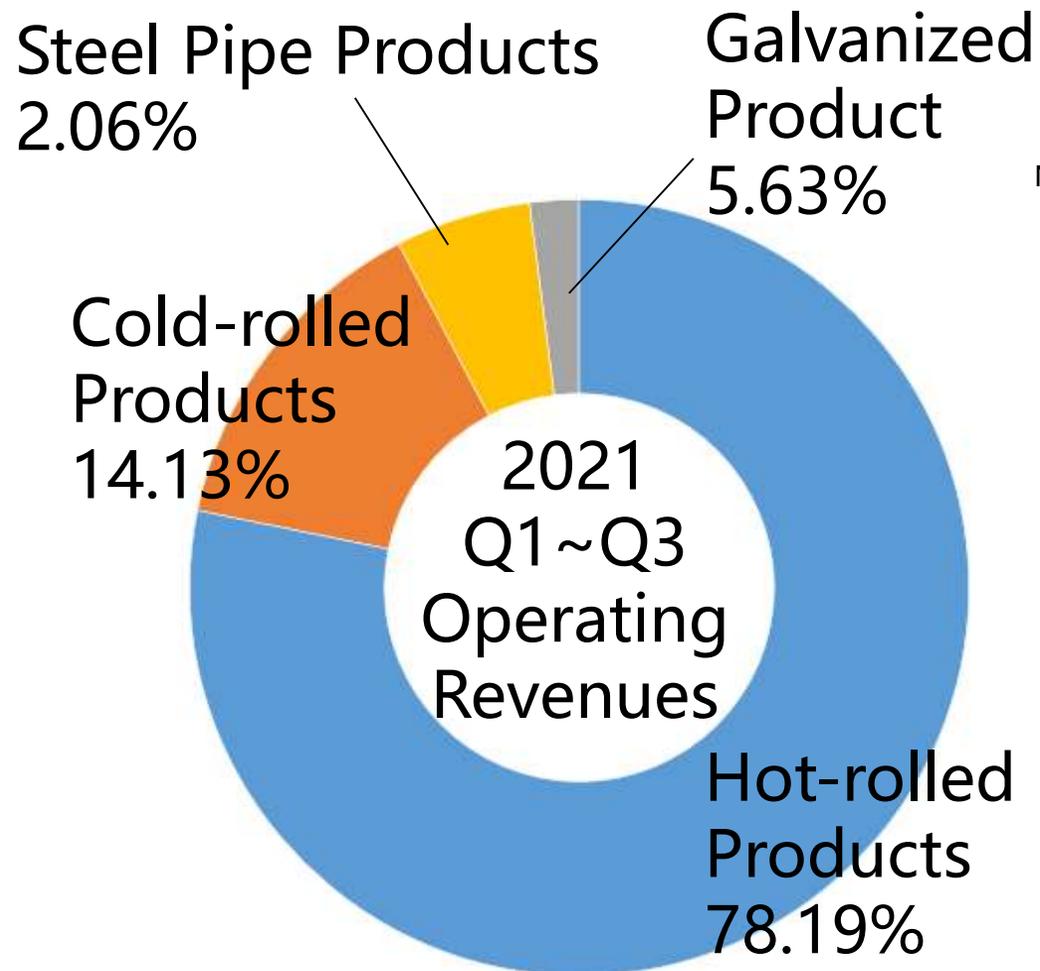
## Trend of Quarterly Profit



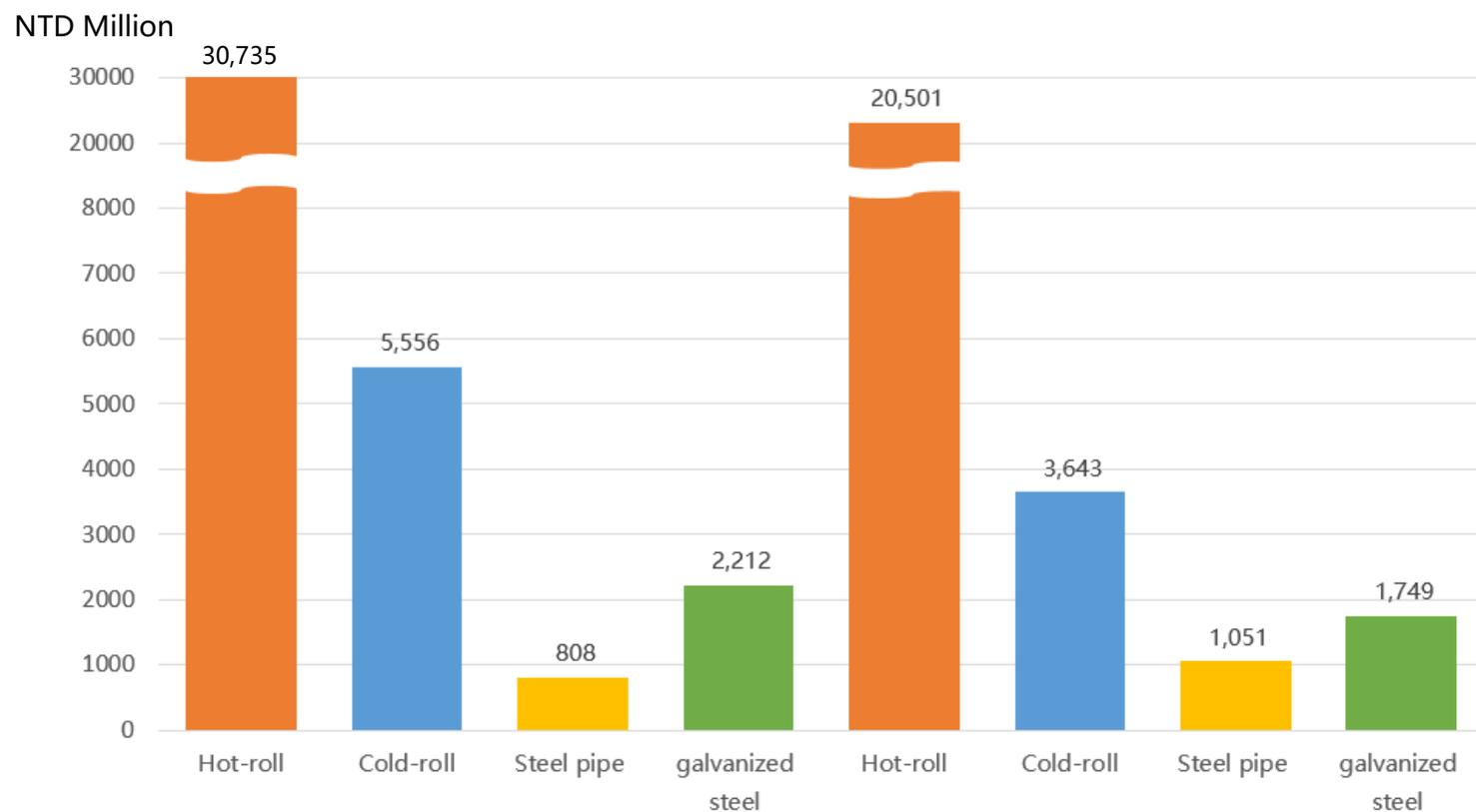
## Quarterly Sales by Products & Domestic and foreign sales ratio



# Financial Overview (3/4)



## Table of Sales by Products

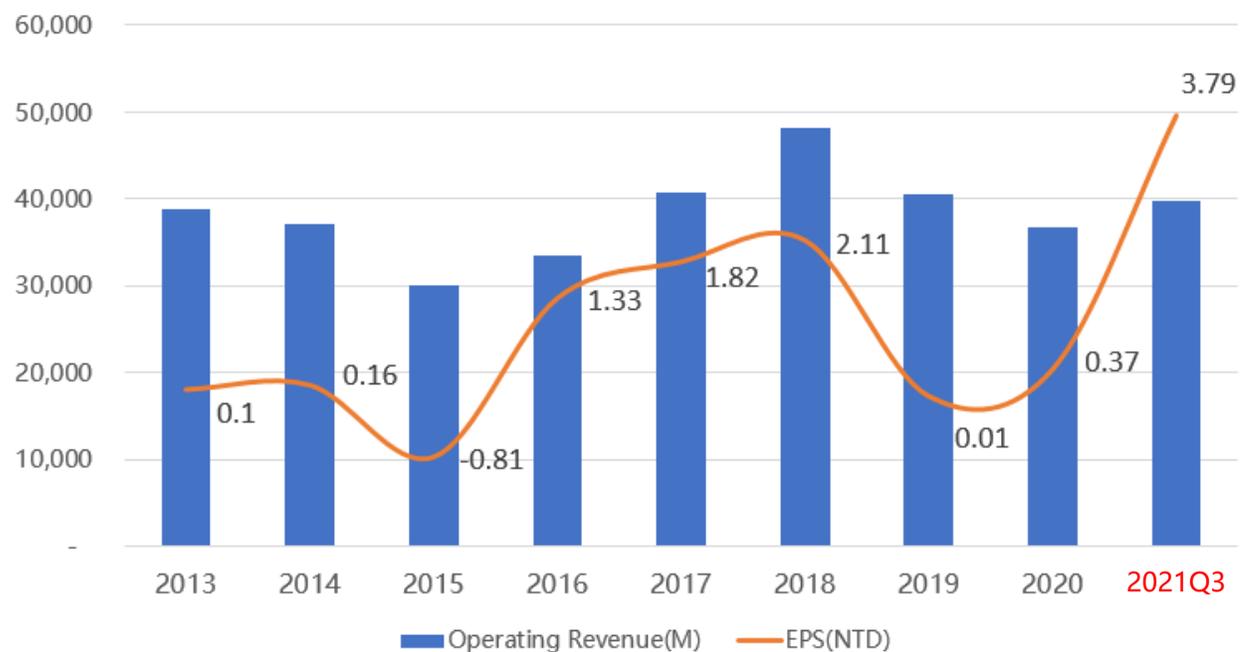


2021 Q1~Q3

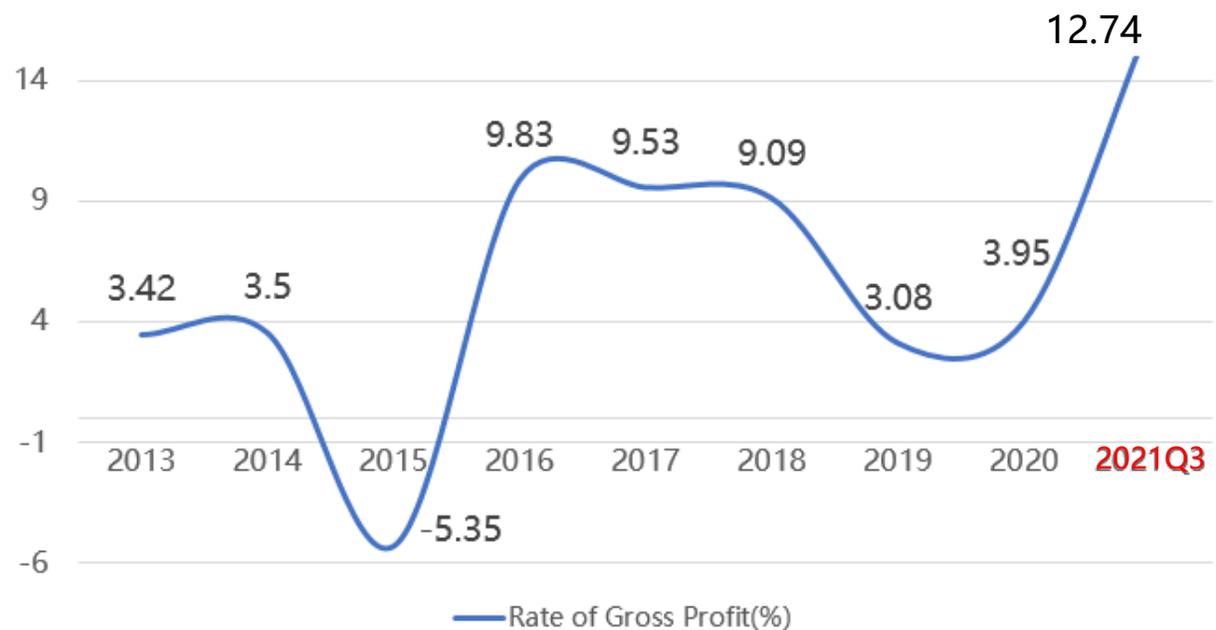
2020 Q1~Q3

# Financial Overview (4/4)

## Operating Revenues & EPS



## Rate of Gross Profit

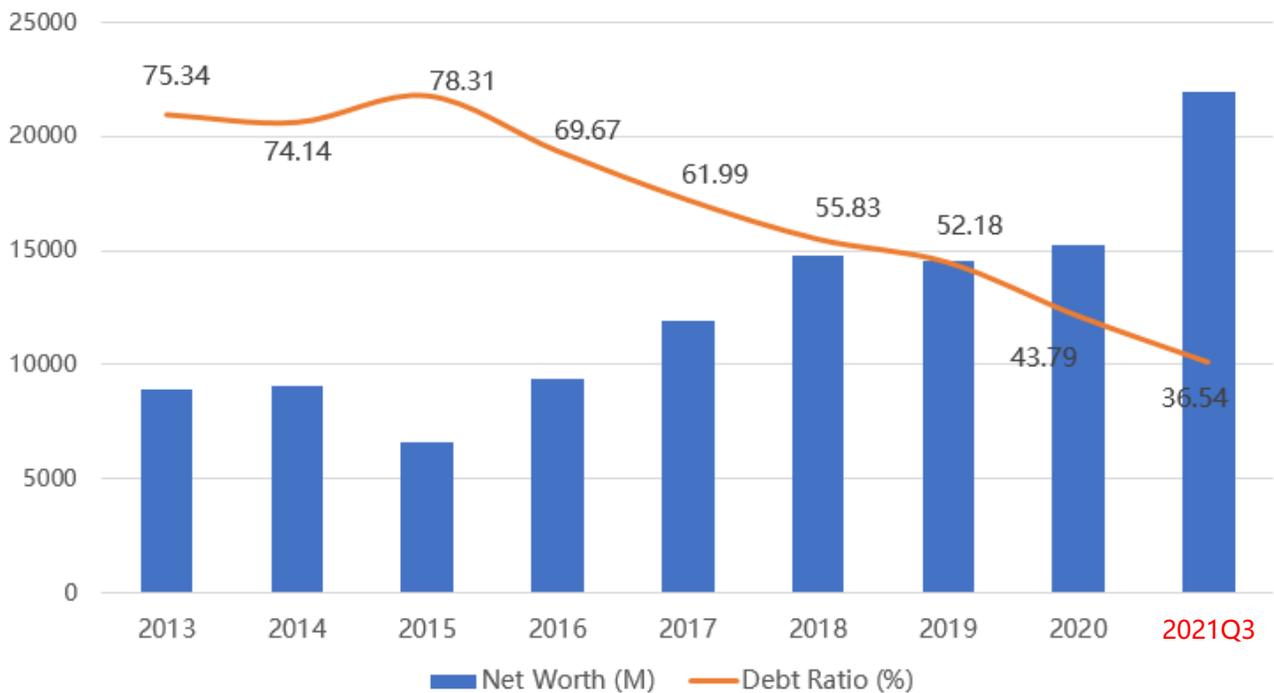


# Credit Rating & Financial Performance

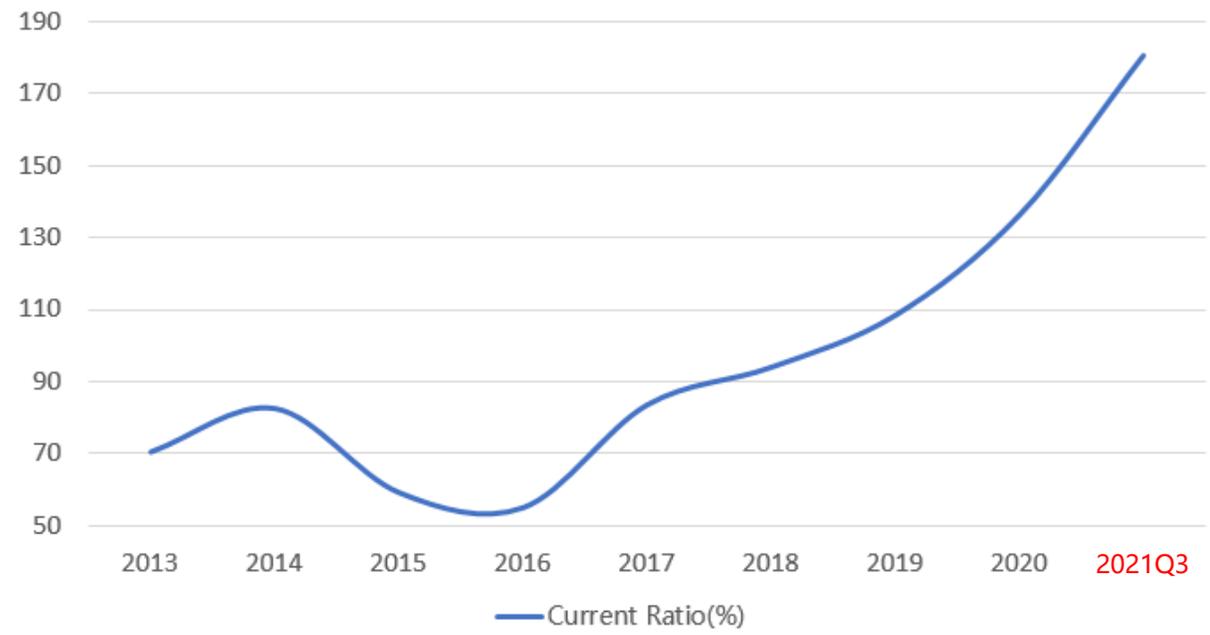
## Credit Rating

Rating Agency	Short-term Rating	Long-term Rating	Outlook
Taiwan Ratings	twA	twA-1	Stable

## Debt Ratio & Net Worth



## Current Ratio



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# Environmental Protection, Safety, Health and Energy Cycle Management

All of CHS's mills have passed ISO 14001, ISO 50001, ISO 45001/CNS 45001.

Mill	ISO 14001	ISO 50001	ISO 45001/ CNS45001
Hot Rolling Mill	✓	✓	✓
Cold Rolling Mill	✓	✓	✓
Pickling & Galvanizing Mill	✓	✓	✓
Steel Pipe & Tube - Dafa Mill	✓	✓	✓
Steel Pipe & Tube - Lukang Mill	✓	✓	✓



All of our employees and contractors in CHS's working area must comply and execute the rule of ISO 14001, ISO 45001 and ISO 50001.

# Resources Cycle Management

## Energy Management

>1 %

The power saving rate of our mills in 2020 is better than 1% (the standard of regulations).

## Water resources Cycle management

99.61 %

The recovery rate of wastewater(process water include) in 2020 is up to 99.61%

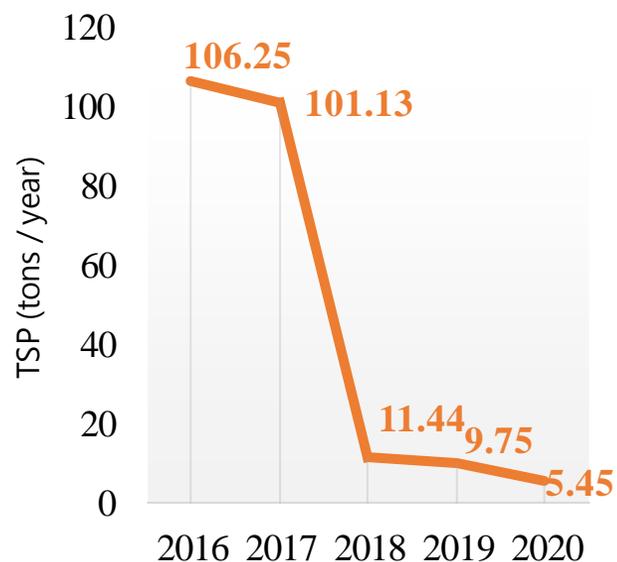
## resourcezation of Business waste

98.94 %

The reuse rate of business waste resourcezation in 2020 is up to 98.94%

# Air Pollutants Management

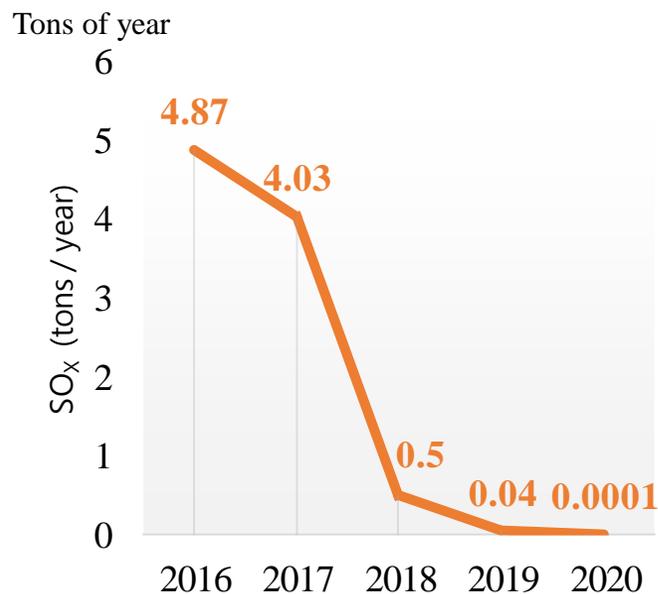
## TSP



**94.87% Reduction**

Compare with 2016, the emission of TSP reduce 94.87% in 2020.

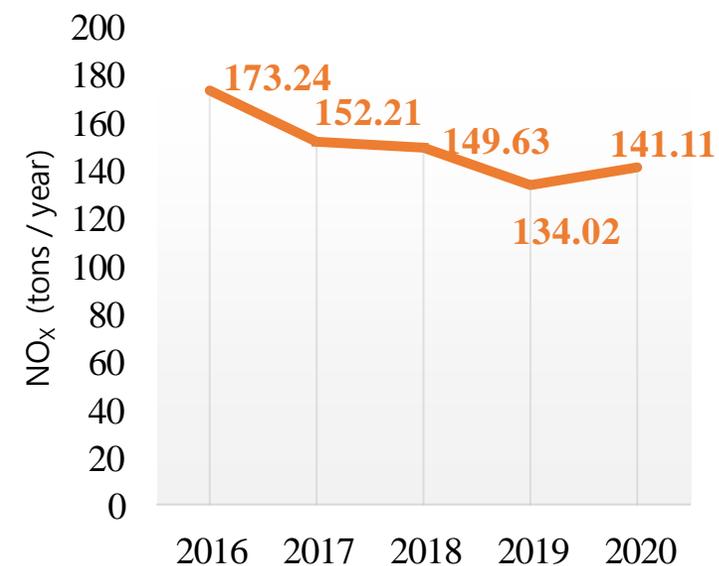
## SO<sub>x</sub>



**100% Reduction**

Compare with 2016, the emission of SO<sub>x</sub> reduce 100% in 2020.

## NO<sub>x</sub>



**18.55% Reduction**

Compare with 2016, the emission of NO<sub>x</sub> reduce 18.55% in 2020.

# Project for the Replacement of Heavy Oil with Natural Gas as the Heating Furnace Fuel

The project for the Replacement of Heavy Oil with Natural Gas as the Heating Furnace Fuel has been passed the examination by Environmental Protection Administration. And the period of this project has seven years (2016/11~2023/10).

Besides trading carbon credit in TW, this project can make our company has carbon credit to make sure the carbon credit of procedure is enough.

## 1<sup>st</sup> steel company in TW

The first steel company has been acquired carbon credit replacement by Environmental Protection Administration in Taiwan.

## 376,556 tons CO<sub>2</sub>e

Cumulative carbon reduction

## 968 Da-an Forest Parks

Amount of absorption

# Occupational Safety Management

**Goal Achieved**  **2020 Goal: ZERO Occupational Accident**  
**2020 Performance: ZERO Occupational Accident**

## Occupational accident statistics

No cases of disabling injuries occurred in 2020, so the frequency of disabling injuries (FR) and the severity of disabling injuries (SR) are both 0, which are lower than the steel manufacturing industry's average in the past five years.

## ↓ The proportion of people with high risk of diseases

Through interviewed by their superior, provided with relevant health guidance from the factory's nurse and factory's doctor in each factory to promote health education and special operation protection measures, the number of employee with high risk of diseases have decreased to **263** in 2020 and decrease **8%** than 2019.

## Industrial Safety Training

CHS has held 29 courses of industrial safety training in 2020. (**94** sessions, **1,615** participants)

## Partner of Supply Chain

To strengthen the safety & health management competence and awareness of contractors, CHS held **3** sessions of work safety exchange meetings attended by contractors and the CHS safety and health management family and **1** session of promotion of occupational safety and disaster prevention in 2020.

## OSH Awards

- ↪ Steel Pipe & Tube – Dafa Mill was honored with Excellence Award for the promotion of occupational safety and health which was presented by the Ministry of Labor.
- ↪ Steel Pipe & Tube – Dafa Mill was recognized as a distinguished unit in the promotion of occupational safety and health by Kaohsiung City Government.
- ↪ The hot-rolling and cold-rolling mills both garnered distinguished achievement awards conducted by the Taiwan Steel & Iron Industries Association for outstanding performance in the field of work safety.

# Corporate Governance



98%

Average rate of attendance  
in board of directors in 2020

6%~20%



7<sup>th</sup> Corporate  
Governance Evaluation



0 Case

Violates the code of  
ethics cases in 2020



E-2/S-2/G-2

ESG credit indicators of  
Taiwan Ratings in 2021  
[indicators 1-5(excellent-inferior)]

Q&A



CSR Report



CHS Financial Report



THANK YOU!