



**CHUNG HUNG STEEL**

Stock code: **2014**

**CHUNG HUNG STEEL CORPORATION**  
**CSC Group Joint Conference**

**2023.12.21**



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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>Kuei-Sung Tseng</b>
<b>President</b>	<b>Min Chu</b>
<b>Main products</b>	<b>Hot-rolled coil, Cold-rolled coil, Steel pipe &amp; Tube, Hot-rolled pickled</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

- The IMF released the World Economic Outlook in October 2023, **predicting that global economic growth in 2023 will remain at 3.0%, and will be 2.9% in 2024, reflecting overall stability.**
- The report highlights that **the strong resilience of the global economy in an environment of rising interest rates.** Moreover, inflationary pressure has improved significantly, with the U.S. CPI falling to 3.2% in October and the European CPI reaching to 2.4% in November, marking a two-year low.
- Furthermore, on November 7th, the IMF raised China's economic growth forecast for this year and the next to 5.4% and 4.6% respectively, which means **China's economic growth will exceed expectations under the support of official bullish policies.**

# Manufacturing PMI

- **United States** : The UAW strike ended smoothly, domestic demand gradually recovered, and PMI returned to expansion.
- **Europe** : PMI consolidated at a low level, but inflation has slowed down significantly. The central bank has suspended interest rate hikes, pending the recovery of industrial demand.
- **Japan** : PMI consolidated weakly. It is expected that the period of destocking in the electronic industry will end in 2024, and business confidence will rebound.
- **South Korea** : PMI consolidated upward, the semiconductor industry continued to improve, and exports increased significantly.
- **China** : PMI consolidated, with the support of official bullish policies, the economy is expected to gradually recover.
- **India** : The PMI has dropped slightly from high level, but domestic demand remains strong. The government continues to attract foreign investment, and the overall economy will maintain growth.
- **ASEAN** : Affected by the previous weakening of external demand, the PMI consolidated downward, but inflation slowed down significantly, which may be conducive to a subsequent recovery in demand.

# Global Crude Steel Production Forecast

- According to the WSD's report released in November, global crude steel production is expected to be 1,887 million tons in 2023, increasing by 1.1% year-on-year to reach 1,908 million tons in 2024.
- In addition, WSD anticipates that China's economy might not be able to support an increase in its steel consumption. China's crude steel production is forecasted to decrease by 1.5% in 2024 to 1,025 million tons.

# Global Steel Demand Forecasts

- According to the World Steel Association's October 2023 report, the impact of high inflation gradually subsides, coupled with the recovery of the automobile industry and increased infrastructure investments from governments, **global steel demand is expected to grow by 1.8% in 2023, reaching 1,815 million tons.**
- Specifically, the Indian economy remains robust, with growth in the construction sector, government spending on infrastructure, and a recovery in private investment driving steel demand to grow by 8.6% in 2023. In ASEAN, while exports have slowed due to weaker overseas demand, steel demand is expected to be driven by infrastructure investment and domestic demand.
- Looking forward to 2024, steel demands in developed economies and the EU region are expected to rebound as the terminal destocking cycle ends. Alongside with stable growth in India and the ASEAN region, **WSD anticipates global steel demand to continue growing by 1.9% to 1,849 million tons.**

# Taiwan Apparent Steel Consumption

- According to Taiwan Steel and Iron Industries Association, the cumulative apparent steel consumption from January to September 2023 :
  - (1) **Hot-rolled** steel plate and coils were 2,567,628 tons, a year-on-year increase of 2.9%.
  - (2) **Cold-rolled** steel plate and coils were 734,142 tons, a year-on-year decrease of 20.3%.
  - (3) **Galvanized** steel sheet and coils were 700,352 tons, a year-on-year decrease of 26.4%.

# Taiwan Steel Imports and Exports Overview

- **Imports** : The top five major import countries, China, Japan, Korea, Indonesia and Vietnam, account for approximately 95% of the total import quantity from January to October 2023, and 92.4% of import value during the same period. They also pose as the main threats to domestic steel industries.
- **Exports** : The top five major export countries, Belgium, Japan, Malaysia, Vietnam and Spain, account for about 47.7% of total exports from January to October 2023, and 44.3% of export value during the same period.
- **Main export regions** : The European region accounts for 29.4% and is the largest steel export region, including Belgium, Spain, Italy, Portugal, and the United Kingdom.
- The ASEAN region accounts for 21.2%, including Malaysia, Vietnam, and Thailand.
- The Asia region accounts for 19.8%, including Japan, China, and Bangladesh.

# Steel price trend-Hot Rolled (international market)

## 2023.Q3-2023.Q4 Steel Price Trend Recap and Outlook (International)

- **2023.Q3** : **In the U.S.** steel Market, concerns about a potential strike by the UAW have made buyers more cautious, causing steel prices to gradually approach the bottom. **In Europe**, both supply and demand have weakened, but steel prices continue to receive support due to high cost.
- **In China**, the authorities reduced reserve requirements and interest rates to alleviate liquidity pressure and restore market confidence. The government also made timely adjustments to optimize real estate policies. As a result, the steel market has maintained stable operation and is expected to benefit from the recovery.

# Steel price trend-Hot Rolled (international market)

## 2023.Q3-2023.Q4 Steel Price Trend Recap and Outlook (International)

- **2023.Q4** : With the end of the UAW strike and a combination of low inventories and cautious purchasing by downstream customers from the last quarter, steel prices in the U.S. steel market have rebounded sharply from the low level in September. Meanwhile, some European steel mills who faced losses have sequentially idled blast furnaces and start to increase price to reflect production costs. Following by the effect of production cuts, steel price gradually goes up. In China, buoyed by the issuance of additional sovereign bonds announced in October, market confidence has significantly revitalized. Coupled with production restrictions due to winter air quality controls and the resilience of downstream demand, the steel market has achieved a balance between supply and demand, leading to a notable uptick in steel prices.
- Overall, with the elimination of seasonal factors, fundamental demand in the manufacturing sector has steadily emerged, improving the global steel market sentiment. Supported by high raw material prices, steel mills in various countries are more willing to raise prices, and steel prices have shown a clear upward trend. Additionally, as global inflation improves and interest rate hikes are nearing an end, governments are expected to implement more economic stimulus. It is anticipated that steel prices in the first quarter of 2024 will rise steadily, boosted by downstream restocking activities.

# Steel Market Outlook(1/2)

- In terms of macroeconomics, according to the latest World Economic Outlook report by the IMF, global economic growth in 2023 is projected to remain at 3.0%. This indicates that the global economy is displaying strong resilience in an environment of increasing interest rates. Additionally, **the combination of a decreasing overall inflation rate in the EU and U.S. regions and a stronger-than-expected recovery in China is anticipated to boost market sentiment in the Asian region, contributing to a steady increase in global economic growth by 2.9%.**
- In terms of steel demand, according to the October Short Range Outlook for Steel Demand released by the World Steel Association (worldsteel), global steel demand for 2023 is projected to increase by 1.8% to 1,814.5 million tons. Furthermore, **the automobile industries in the EU and U.S. are expected to continue their recovery. Coupled with active infrastructure developments in many countries and the end of the destocking cycle in the manufacturing sector, worldsteel anticipates that global steel demand will rise by 1.9% to 1,849.1 million tons in 2024. Specifically, the growth in India and the ASEAN regions is expected to be 7.7% and 5.2% respectively.**

# Steel Market Outlook(2/2)

- On the other hand, steel mills in various countries arranged maintenance or reduced production previously, in response to increasing cost pressures. European mills, including ArcelorMittal, also idled blast furnaces and increased prices. The effects of production cuts are gradually becoming apparent. On October 24th, the Chinese government announced a plan to issue an additional CNY1 trillion in sovereign bonds to boost the economy. With the daily average crude steel output in October revealed by the National Bureau of Statistics, hitting a yearly low. **It is expected that the steel supply and demand in China will reach a balance, and the steady growth policy will take effect gradually, thereby assisting the rebound of the Asian steel market.**
- Looking ahead, with the significant improvement in global inflation and the interest rate cycle nearing its end, governments may redirect their focus toward economic development and the growth of industrial demand. This shift is expected to stimulate the recovery of global consumption and investment demand. Anticipating a stable recovery in the global economy and steel demand, the global steel market shall remain positive in 2024. Furthermore, as the world continues its progress toward the goal of "carbon neutrality," entering an era of carbon pricing, low steel prices may no longer be seen again in the future.

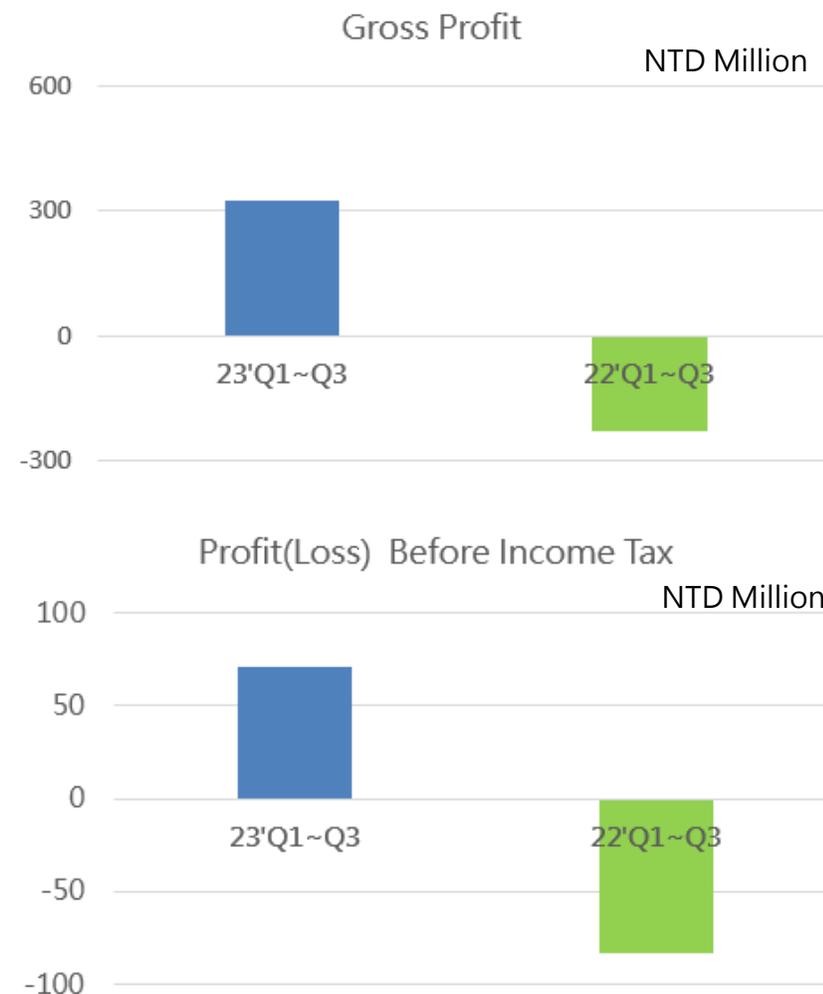
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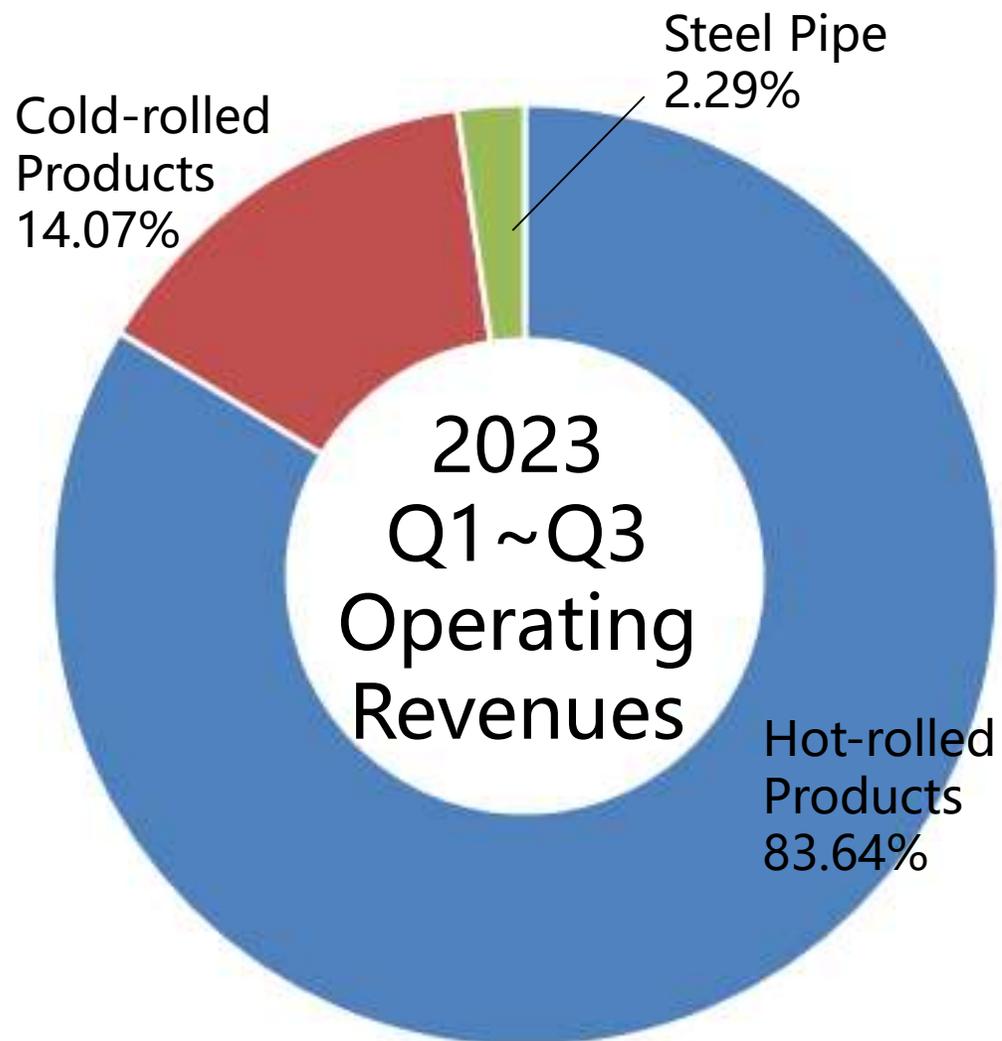
# Financial Overview (1/3)

## Financial Performance

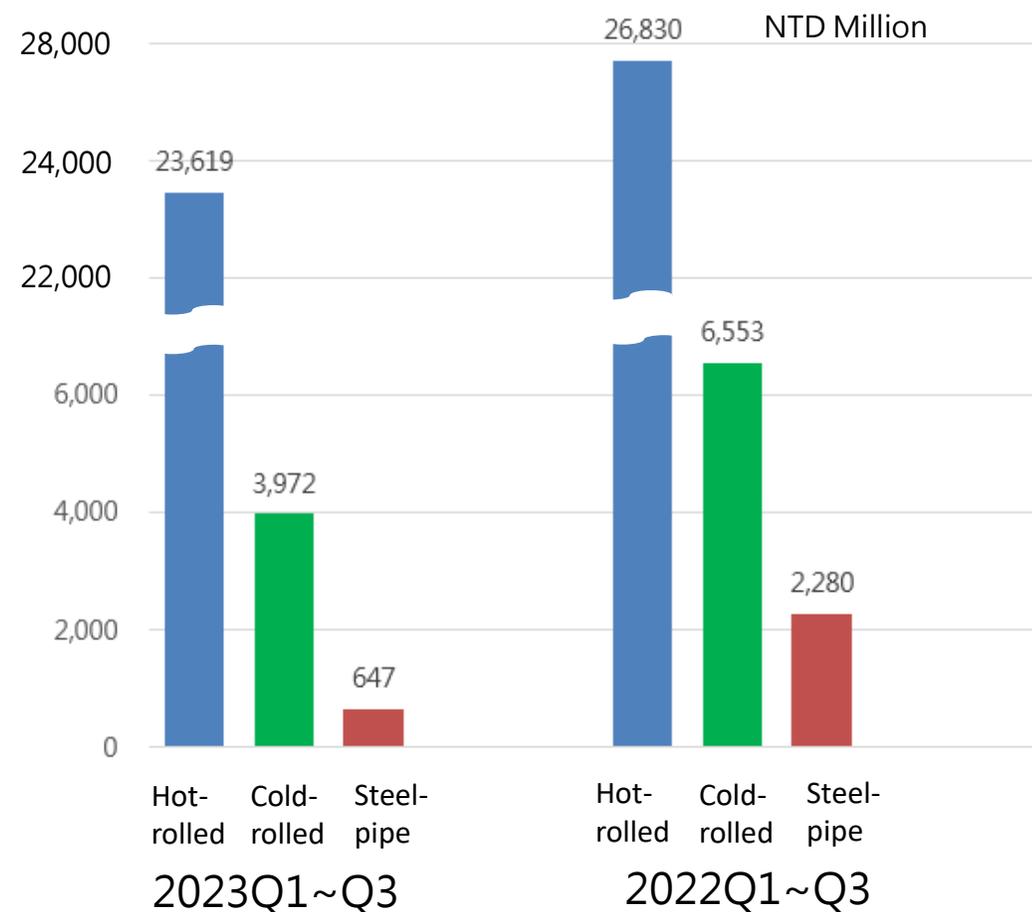
(In Million of New Taiwan Dollars)	23'Q1~Q3	22'Q1~Q3	YoY
Operating Revenues	28,659	36,321	-21.10%
Gross Profit	327	(230)	242.17%
Gross Profit Rate	1.14%	-0.63%	
Profit(Loss) Before Income Tax	71	(83)	185.54%
Profit(Loss) Before Income Tax Rate	0.25%	-0.23%	
Net Profit(Loss) for the Period	71	56	26.79%
EPS(NTD)	0.05	0.04	



# Financial Overview (2/3)

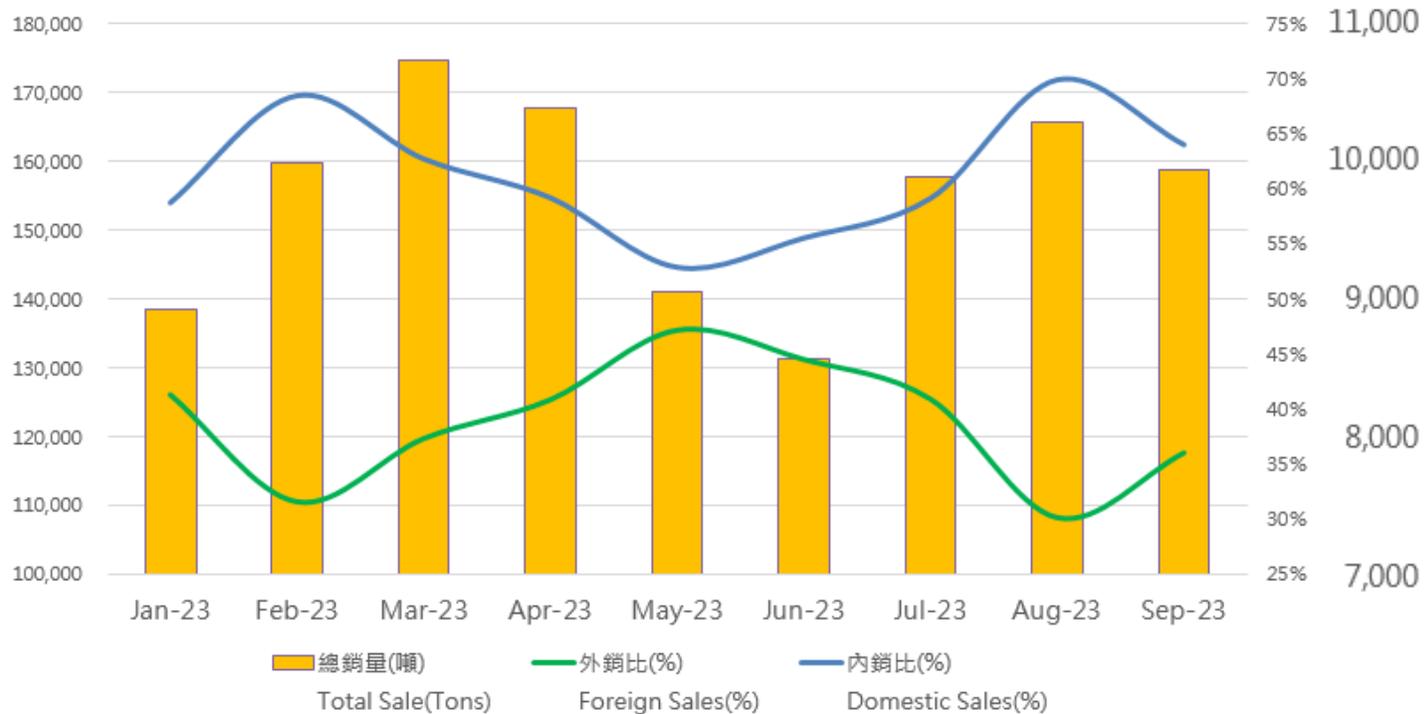


## Table of Sales by Products

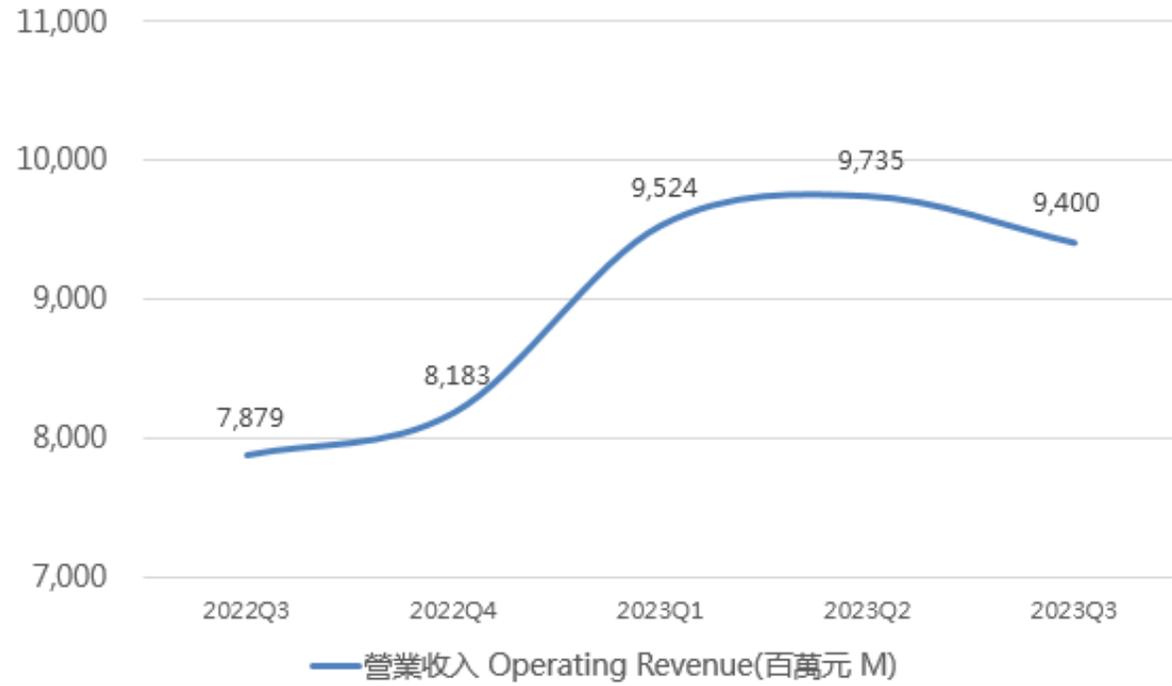


# Financial Overview (3/3)

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

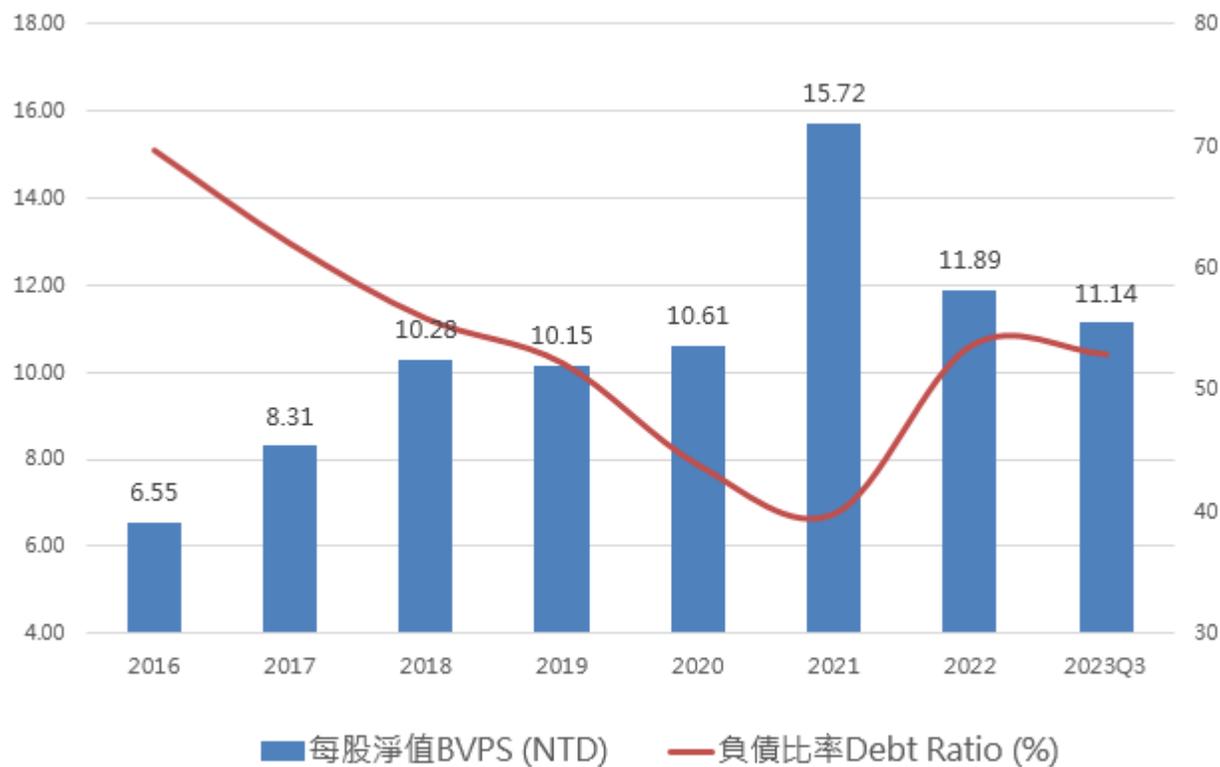


## Operating Revenue

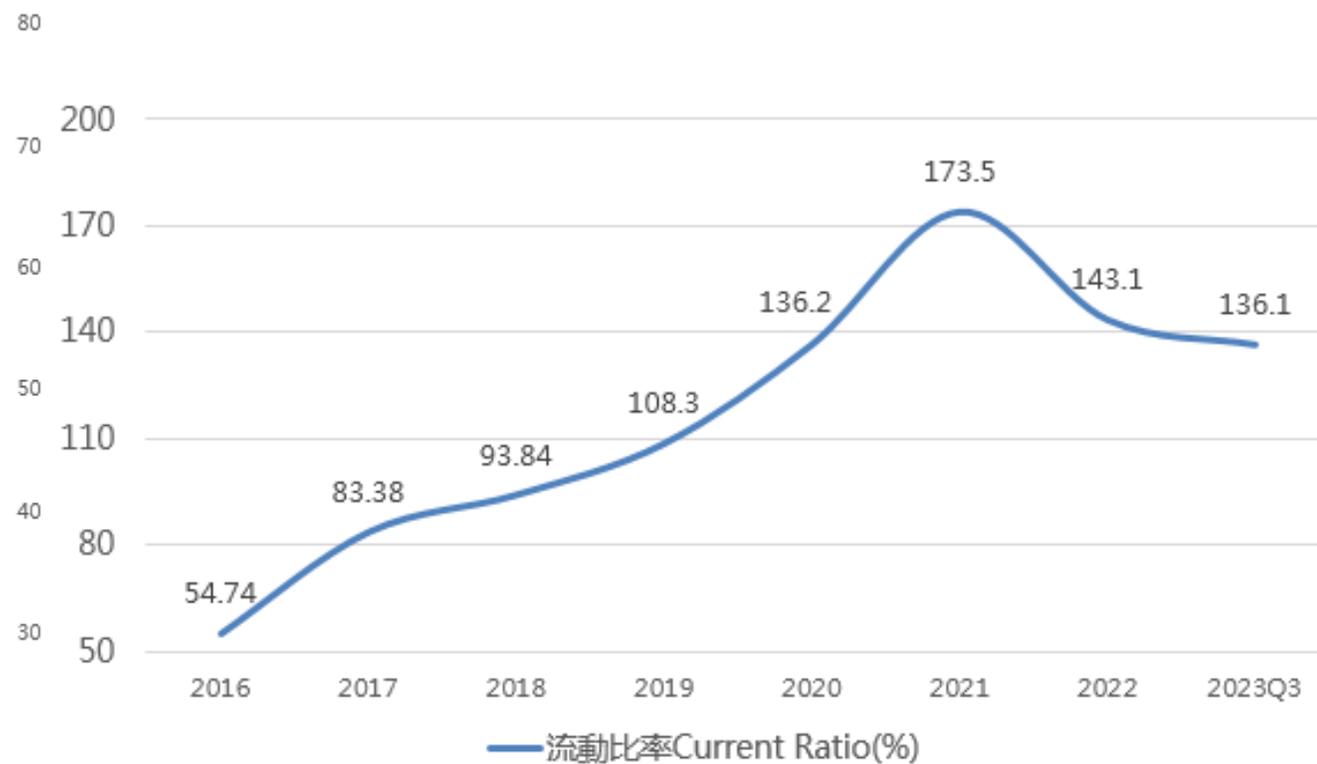


# Financial Performance

## Debt Ratio & Net Worth



## Current Ratio



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# Environmental

CHS attaches great importance to environmental and climate change issues, and achieves the goal of environmental sustainability by implementing carbon emission reductions, introducing carbon footprint inspections, and following TCFD framework for management.



Green house gas emissions reduce 4% compare to 2018 (basic year)



Hot rolling mill products (HRB, HRC) complete carbon footprint inventory and external verification



Follow the TCFD framework for climate-related financial disclosures



No environmental fines for three consecutive years



# Focus on climate change issues and support TCFD

CHS committed to corporate sustainability. In order to be in line with international companies and jointly find ways to mitigate climate change, the company follows the TCFD assessment method in the sustainability report to fully disclose the risks and opportunities related to climate change. CHS signed to support TCFD.

## CHUNG HUNG STEEL



### Risk Management Team

- Notify all units to conduct risk assessments (including notifying the Sustainability Core Team to perform climate risk assessments).

### Sustainability Working Group

- Reference the TCFD framework to assess climate risks and opportunities
- Each unit is requested to develop strategies and assess the impacts of risks and opportunities, which is confirmed by responsible supervisors.

### Risk Management Team

- The Risk Management Committee will compile the risk assessment results and corresponding strategies from each unit for approval by the President.
- Reported to the Board of Directors

### Board of Directors

- Oversee the achievements of risk management and the progress of climate-related strategies and goals.



# Social

CHS is committed to improving employee health, safety and health performance, and attaches importance to human rights policies to build a friendly and safe workplace. In addition, CHS has been deeply involved in social welfare for many years and contributes to the society through volunteer services and charity donations.



Human right training  
525 attendance,  
total 1,462 hours



Zero major  
work-related  
safety incidents



The amount of  
charitable  
donations  
increased 96%



Happiest Enterprise  
2022 by Labor Affairs  
Bureau of Kaohsiung  
City Government

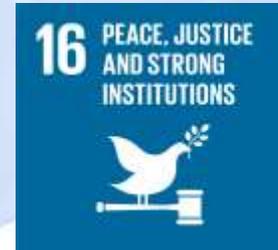
# Governance



Second scale  
(6%~20%) of  
Corporate  
Governance  
Evaluation



established a  
Risk Management  
Working Group  
to enhance  
risk management



0 case  
violates  
the code of  
ethics cases

twA/twA-1  
Credit rating by  
Taiwan Ratings

E-2/S-2/G-2  
ESG Credit rating

Sustainability-linked  
Loan  
Signed the Sustainability-  
linked loan with E.SUN  
Bank and the total of 9  
banks

# Rewards



The Pickling & Galvanizing Department received **"Special Honors Award in the Other Category."** for safety and health performance



The Cold Rolling Department received the **"Gold Safety Award in the Rolling Category"** for safety and health performance



**Golden** in Corporate Sustainability Report of Taiwan Corporate Sustainability Awards.



**Excellent enterprise** for OSH index for sustainability report of Occupational Safety and Health Administration, Ministry of Labor



The Pickling & Galvanizing Department has been named an **Excellent Occupational Safety and Health Unit** by the Ministry of Labor and Kaohsiung City



Appreciation for inter-department greenhouse gas reduction and cooperation program

Q&A



ESG Report



CHS Financial Report



THANK YOU!