

Stock code: **2014**

member of CSC Group 中鋼集團



**CHUNG HUNG STEEL**

**CHUNG HUNG STEEL CORPORATION**  
**Q2 Conference**

**2024.06.18**



# Disclaimer

- ☞ The information contained in this presentation and its accompanying announcements is based on present condition and information available at the time the statements were made. The presentation is run exclusively for the purpose of providing information and not for the purpose of investment advice.
- ☞ The Company's actual operations, financial conditions, and perational performance may differ from forecasted information; this may be due to various factors including but not limited to market demand, changes in policies and regulations and overall economic conditions, and other factors or risks beyond the Company' s control.
- ☞ The Company is not responsible for reminding or updating changes or adjustments made to the contents of this presentation, if such changes or adjustments should occur in the future.
- ☞ This presentation has been translated into English from an original Chinese version. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, information in the Chinese-language presentation shall prevail.

# AGENDA

<b>1</b>	<b>Company Profile</b>	<b>1</b>
<b>2</b>	<b>Industry Overview</b>	<b>3</b>
<b>3</b>	<b>Financial Overview</b>	<b>12</b>
<b>4</b>	<b>Evaluation of performance</b>	<b>17</b>

# AGENDA

<b>1</b>	<b>Company Profile</b>	<b>1</b>
<b>2</b>	<b>Industry Overview</b>	<b>3</b>
<b>3</b>	<b>Financial Overview</b>	<b>12</b>
<b>4</b>	<b>Evaluation of performance</b>	<b>17</b>

# 公司簡介

Date of establishment

**1983.09.29**

Chairman of the Board

**Kuei-Sung Tseng**

President

**Min Chu**

Paid-in capital

**NTD  
14,355,444,460**

Address

**317, Yu Liao Rd.,  
Chiao Tou  
District,  
Kaohsiung City  
82544**

Main stockholder

**China Steel Corporation  
(40.59%)**

Main products

**Hot-rolled coil,  
Cold-rolled coil,  
Steel pipe &  
Tube, Hot-rolled  
pickled**

Mills

**Kaohsiung: Hot Rolling Mill, Cold Rolling Mill, Steel Pipe & Tube mills (Da-fa) and Pickling & Galvanizing Mill  
Changhua(Zhang-bin Industrial Park): Tube mills (Lu-kang)**

# AGENDA

1	Company Profile	1
2	<b>Industry Overview</b>	<b>3</b>
3	Financial Overview	12
4	Evaluation of performance	17

# World Economic Growth Forecast

- The IMF released the World Economic Outlook in April 2024, predicting that global economic growth will be 3.2% in 2024, which increases by 0.1% from the previous forecast.
- In an environment of easing inflation and steady economic growth, central banks around the world are expected to gradually halt monetary tightening, according to the report. The likelihood of a hard landing for the global economy has decreased.
- In addition, the economic resilience of the United States and major emerging markets is stronger than expected, coupled with China's successive fiscal stimulus measures, the global economy is expected to continue to grow steadily in 2025, with a growth rate of 3.2%.

# Manufacturing PMI

- **United States** : PMI remains in expansion, amid easing inflation and stronger exports.
- **Europe** : As inflation eases, manufacturing slowly recovers, upcoming rate cuts expected to boost economic momentum.
- **Japan** : Manufacturing demand rebounds, auto exports surge, PMI returns to expansion.
- **South Korea** : PMI bounces back, semiconductor exports increase, continued export growth.
- **China** : As economic policies roll out, supply and demand improve, manufacturing accelerates expansion.
- **India** : Manufacturing expands steadily, export demand grows, PMI stabilizes at a high level.
- **ASEAN** : Production conditions improve, local demand rebounds, PMI trends upward.

# Global Crude Steel Production Forecast

- According to the WSD May report, global crude steel production is expected to be 1,876 million tons in 2023, and reach **1,901 million tons** in 2024, with a year-on-year growth of 1.3%.
- The report pointed out that India's domestic demand is solid and government spending is expected to increase further after the election, which will drive crude steel production to grow. In China, production growth will be restrained due to weak local steel demand. China's crude steel production is expected to decrease by 1.1% in 2024 to **1,010 million tons**.

# Global Steel Demand Forecast

- According to the World Steel Association's April 2024 report, as the impact of inflation gradually subsides and QE policy expectations remain, the steel industry has been boosted. **Global steel demand is expected to grow by 1.7% in 2024, reaching 1,793 million tons.**
- Looking ahead, the World Steel Association expects the residential constructions in most major markets to recover significantly by 2025. Besides, the acceleration of global decarbonization and public infrastructure against rising climate change risks will support global steel demand to grow as well. It is expected global steel demand will continue to grow by 1.2% to 1,815 million tons in 2025.

# Steel price trend-Hot Rolled (international market)

## 2024.Q1-2024.Q2 Steel Price Trend Recap and Outlook (International)

- **2024.Q1** : **In the U.S.**, most local buyers rely on earlier inventory restocking, and destocking at end-user side is slow, steel price trims from high level.
- **In Europe**, although demand is improved, buyers turn to wait-and-see mode due to the impact of imports, steel prices stay rangebound.
- **In Asia**, trading activities slow, buyers remain conservative in purchasing, steel prices fluctuate in a lower range.

# Steel price trend-Hot Rolled (international market)

## 2024.Q1-2024.Q2 Steel Price Trend Recap and Outlook (International)

- **2024.Q2** : **In the U.S.**, although steel mills tried to raise prices to stabilize the market, the previous prices were at a relatively high level and demand was tepid, steel prices remain rangebound. **In Europe**, steel mills were trying to keep price high, with a slight pick-up in restocking at end-user side, the market was stable to slightly rising. **In Asia**, supported by the Chinese government's investigation to VAT-evasion exports, less illegal exporting offers and disappearing cheap prices, steel prices go up from previous low.
- Overall, steel price in many regions are stable to rise currently, after some fluctuations and adjustments in last quarter. **Additionally, the European and American central banks are expected to cut interest rates within this year. The Chinese government has launched long-term treasury bonds and optimized real estate policies, all will lead steel demand to recover steadily.** Furthermore, high steelmaking costs will provide certain support to steel prices, but attention should still be paid to potential disruptions from seasonal factors and geopolitical issues.

# Steel Market Outlook(1/2)

- In terms of macroeconomics, due to the strong recent performances of the U.S. and some countries in the emerging market, the IMF forecasts the world economy will continue growing at 3.2% (last forecast was 3.1%), according to the IMF 's April 2024 World Economic Outlook (WEO). The EU also revised its 2024 economic growth forecast up to 1% on May 15th, with inflation dropping to 2.7%. Compared to the stagnation in 2023, the economic situation has gradually improved. Additionally, with inflation in Europe and the US continuing to slow down, their April core CPI reached 2-year and 3-year lows, respectively. Interest rate cuts are expected to be initiated gradually within the year, and the global economy is anticipated to maintain moderate recovery momentum.
- In terms of steel demand, the World Steel Association (worldsteel) pointed out in its April Short Range Outlook that the global economy remains resilient. As the monetary tightening cycle nears its end, global steel demand is expected to rebound by 1.7% in 2024, reaching 1,793 million tons. Although the construction industry is experiencing a downturn due to high interest rates and high construction costs, investment in public infrastructure and manufacturing facilities is expected to remain strong. In particular, the global green transition is anticipated to be a major factor driving robust infrastructure investment in various countries, which is expected to support a steady increase in global steel demand.

# Steel Market Outlook(2/2)

- On the other hand, China's GDP growth of 5.3% in the first quarter exceeded market expectations, and the Caixin China Manufacturing PMI (51.7) for May 2024 reached the highest since July 2022, indicating overall economic improvement. Additionally, **the Chinese government issued its first ultra-long-term special treasury bonds (30-year term) on May 17th. Coupled with the introduction of new housing policies in various regions,** the establishment of a 300 billion RMB re-lending program for affordable housing by the People's Bank of China, reductions in down payment ratios and lower limits on housing loan interest rates, these measures are expected to support the real estate sector and economic momentum. This is anticipated to promote a stable recovery in steel demand and guide the positive development of the Asian steel market.
- Looking ahead, Considering the easing of overseas inflationary pressures and the commencement of interest rate cut cycles in several countries, demand in downstream industries is expected to accelerate recovery. **As the global green transformation progresses, many governments are actively expanding infrastructure and related investments. Additionally, with China's ongoing "production control" policy for crude steel, it is anticipated that under the healthy supply and demand dynamics in the steel market, steel prices will remain steadily upward.** Moreover, with raw material prices staying high recently and the global push towards carbon neutrality, steel mills are more willing to maintain prices, providing strong support for the bottom line of steel prices.

# AGENDA

1	Company Profile	1
2	Industry Overview	3
<b>3</b>	<b>Financial Overview</b>	<b>12</b>
4	Evaluation of performance	17

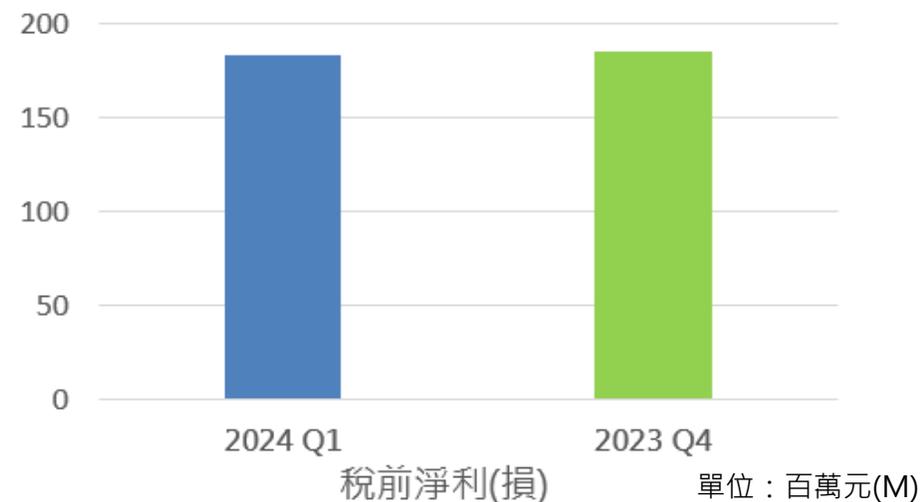
# Financial Overview (1/3)

## Financial Performance

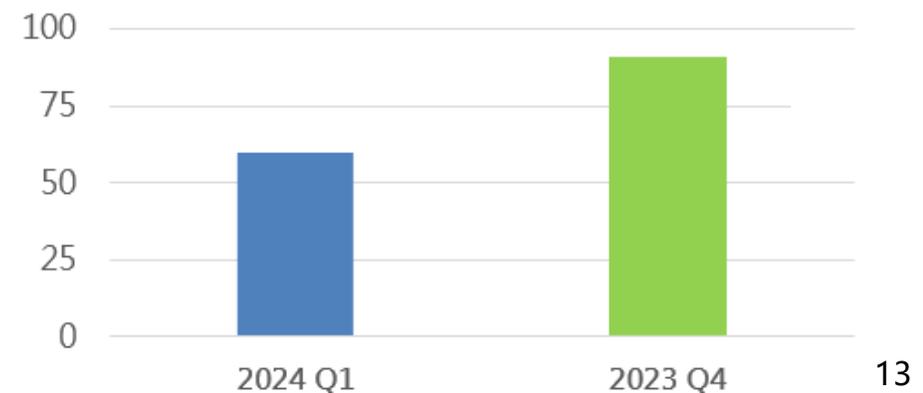
(In Million of New Taiwan Dollars)

	<b>2024 Q1</b>	<b>2023 Q4</b>	<b>QoQ</b>
Operating Revenues	9,148	9,105	0.47%
Gross Profit	183	185	-1.08%
Profit Before Income Tax	60	91	-34.07%
Net Profit for the Period	60	88	-31.82%
Gross Profit Rate	2.00%	2.03%	
Profit Before Income Tax Rate	0.66%	1.00%	
EPS(NTD)	0.04	0.06	

營業毛利 Gross Profit 單位：百萬元(M)

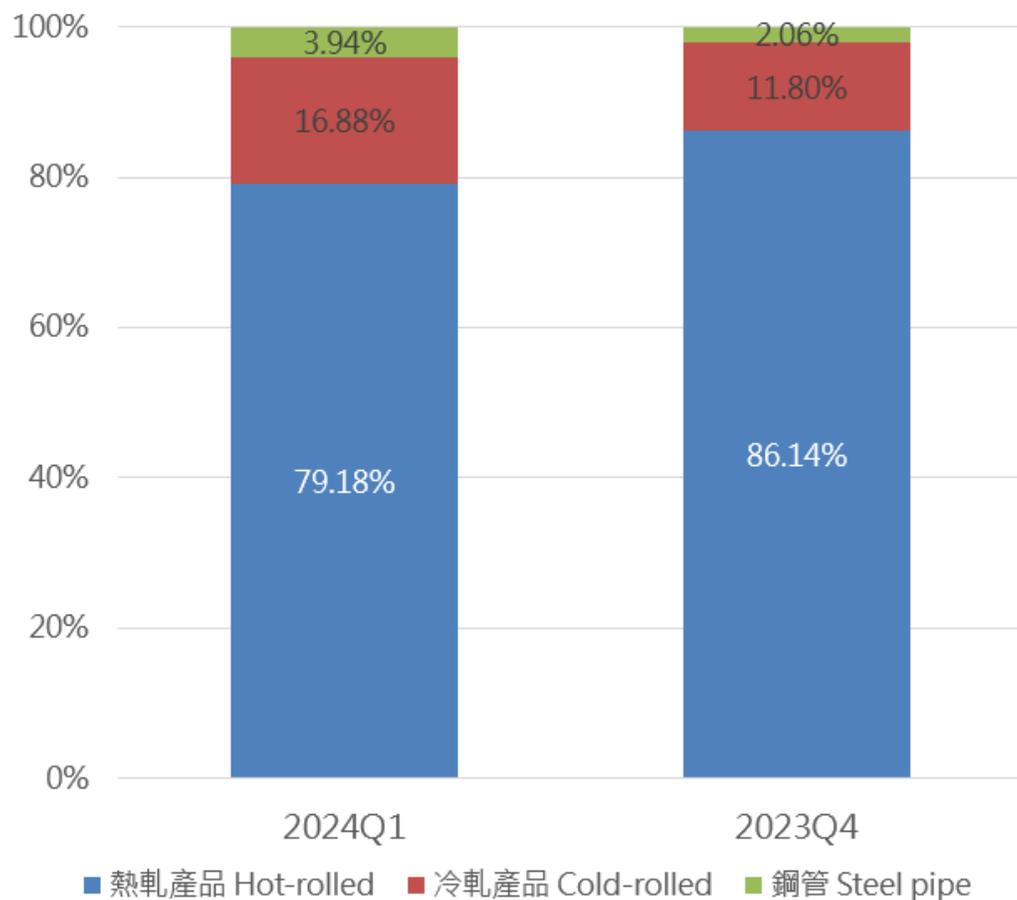


Profit(Loss) Before Income Tax 單位：百萬元(M)

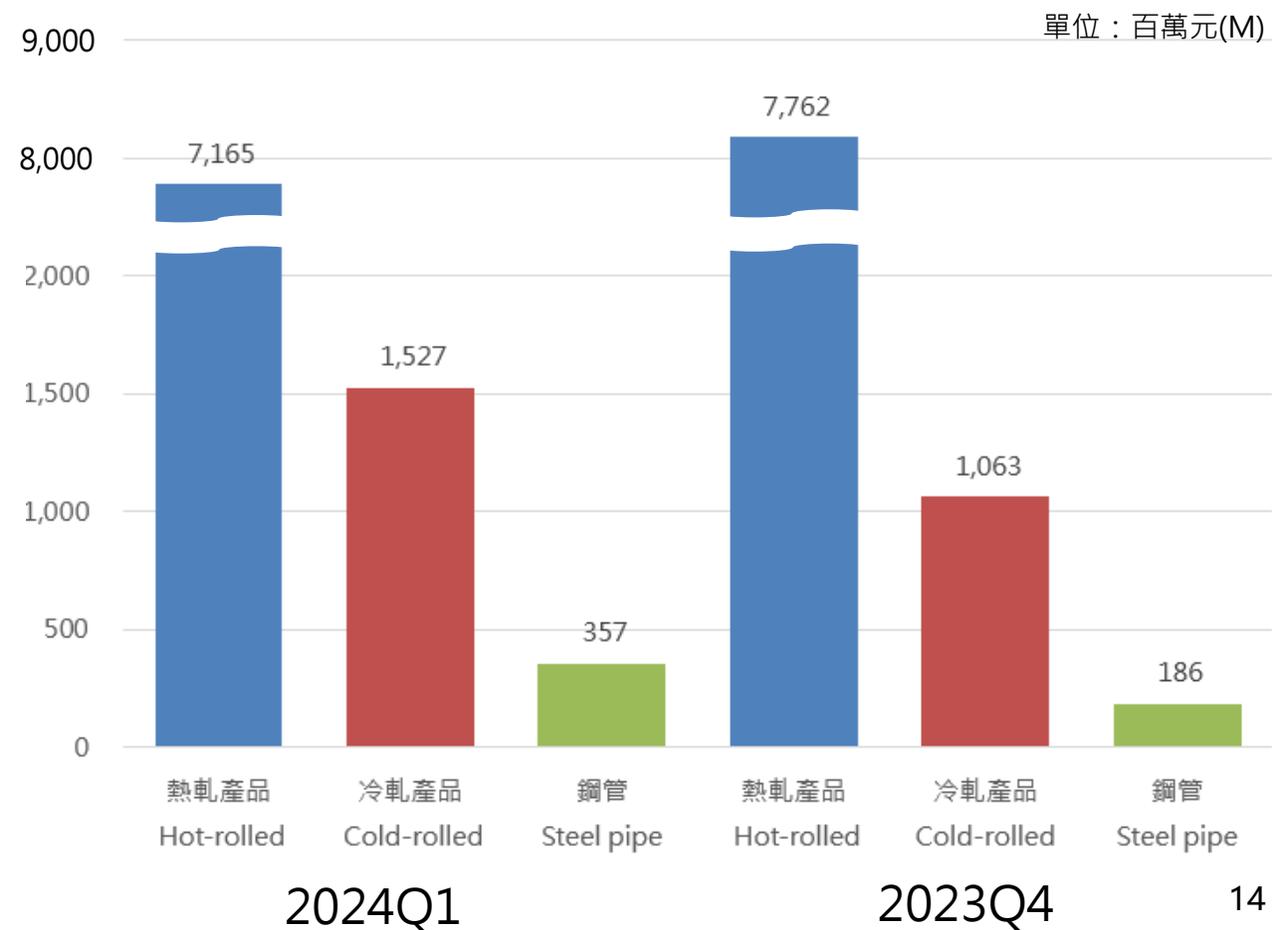


# Financial Overview (2/3)

## Proportion of Annual Sales

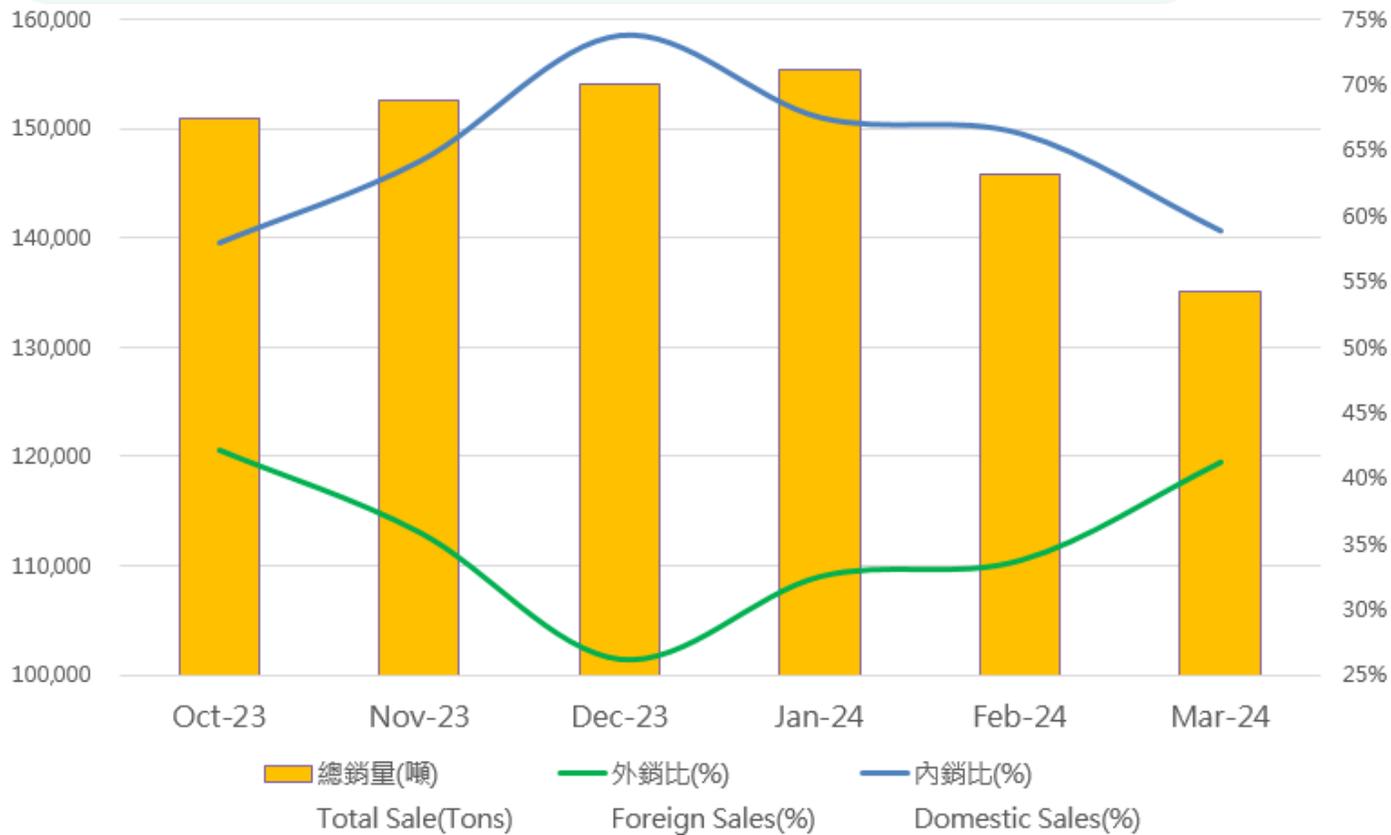


## Table of Sales by Products

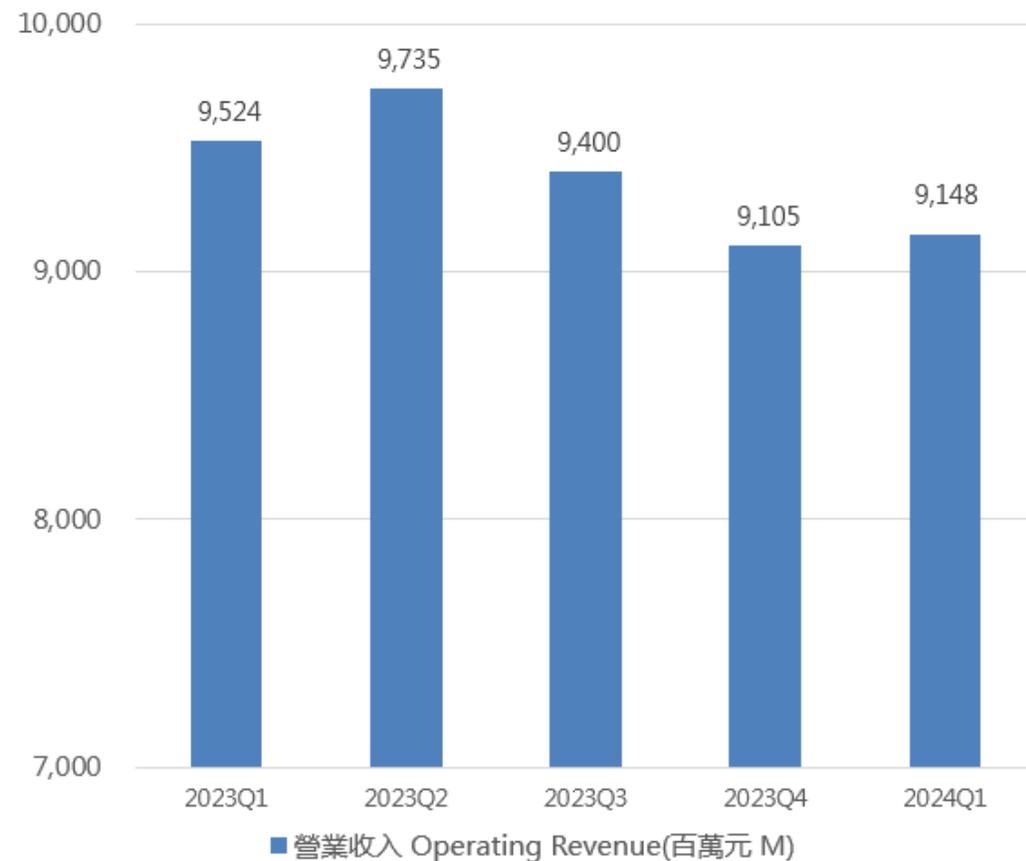


# Financial Overview (3/3)

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

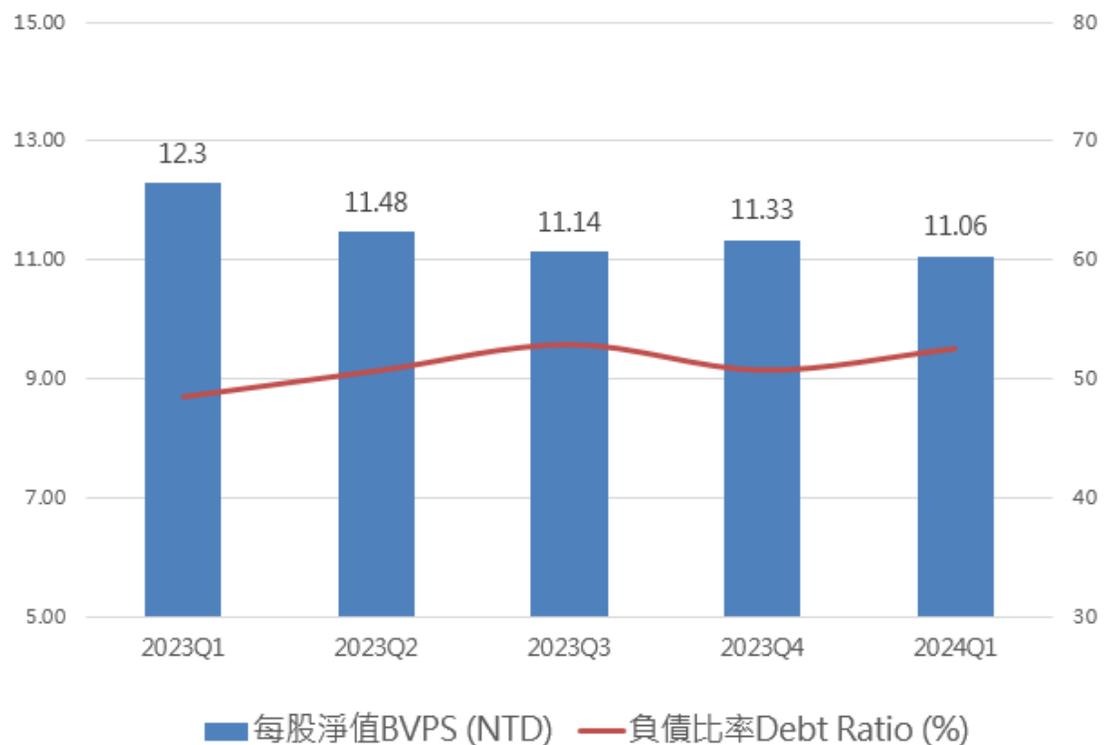


## Operating Revenue

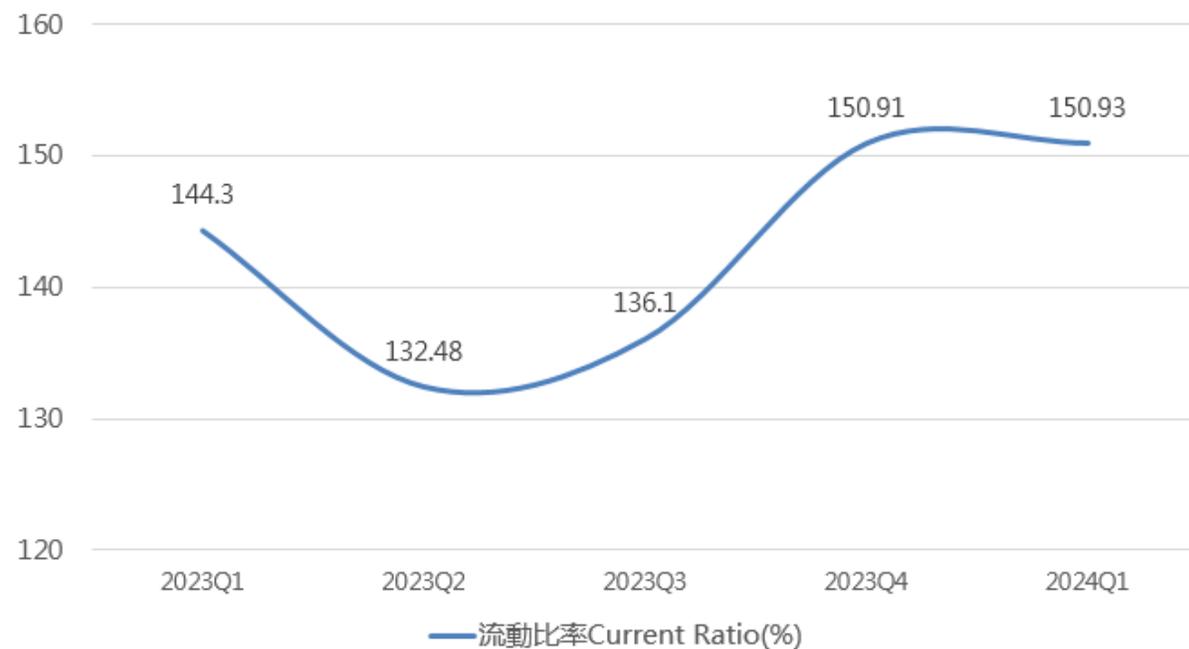


# Financial Performance

## Debt Ratio & Net Worth



## Current Ratio



# AGENDA

- |          |                                  |           |
|----------|----------------------------------|-----------|
| <b>1</b> | <b>Company Profile</b>           | <b>1</b>  |
| <b>2</b> | <b>Industry Overview</b>         | <b>3</b>  |
| <b>3</b> | <b>Financial Overview</b>        | <b>12</b> |
| <b>4</b> | <b>Evaluation of performance</b> | <b>17</b> |

# Credit Rating & Financial Performance



## Credit Rating (2023.09)

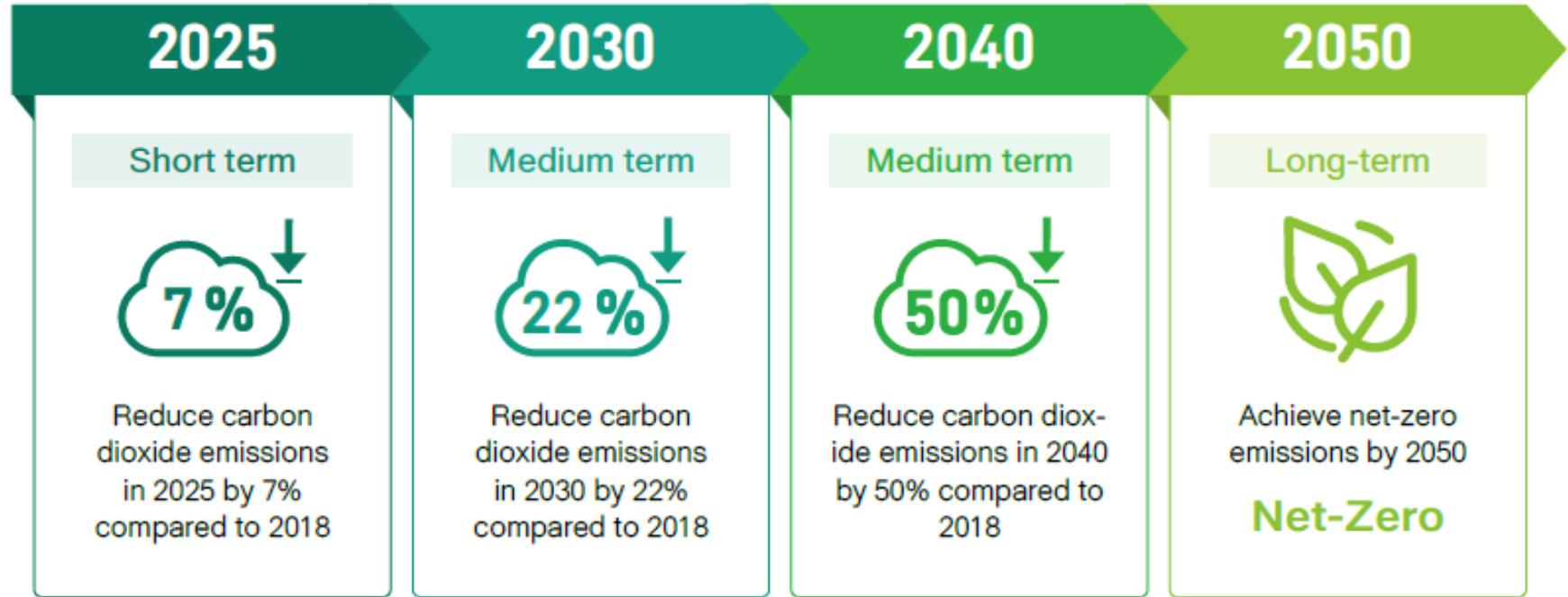
Rating Agency	Short-term Rating	Long-term Rating	Outlook
Taiwan Ratings	twA	twA-1	Stable



## Corporate Governance Evaluation

Session	Grade
10 <sup>th</sup> (2023)	6%~20%
9 <sup>th</sup> (2022)	6%~20%
8 <sup>th</sup> (2021)	6%~20%
7 <sup>th</sup> (2020)	6%~20%

# Pathways to the Net Zero



- Driving energy savings from utilities system.
- Import green electricity

- Heating furnace change to heat accumulating type.
- High-efficiency once-through boiler

- Heating furnace mixed-fuel hydrogen
- Increase the proportion of green electricity

- Heating furnace switched to low-carbon fuel

# Q&A



Sustainability Reports



Financial Reports



Annual Report



THANK YOU!