Feng Hsin Steel Co., Ltd.

Presenter: Steven Chen

豐興鋼鐵

Company Profile

(1) Company Founded:	January, 1969
(2) Capital:	NTD5.8 Billion
(3) Number of Employees:	About 800
(4) Location:	Houli,Taichung, Taiwan
(5) Facilities:	85 MT DC Arc Furnace x 1
	100 MT AC Arc Furance x 1
	Rolling Line x 3
(6) 2013 Annual Production:	Semi-Finished Proudct: Billet 1,614,656 MT
	Finished Product ： Merchart Bar 454,797 MT
	Round Bar 433,950 MT
	Re-bar 688,031 MT
	Total 1,576,778 MT
(7) 2013 Net Sales:	NTD 29,899,588 Thousand

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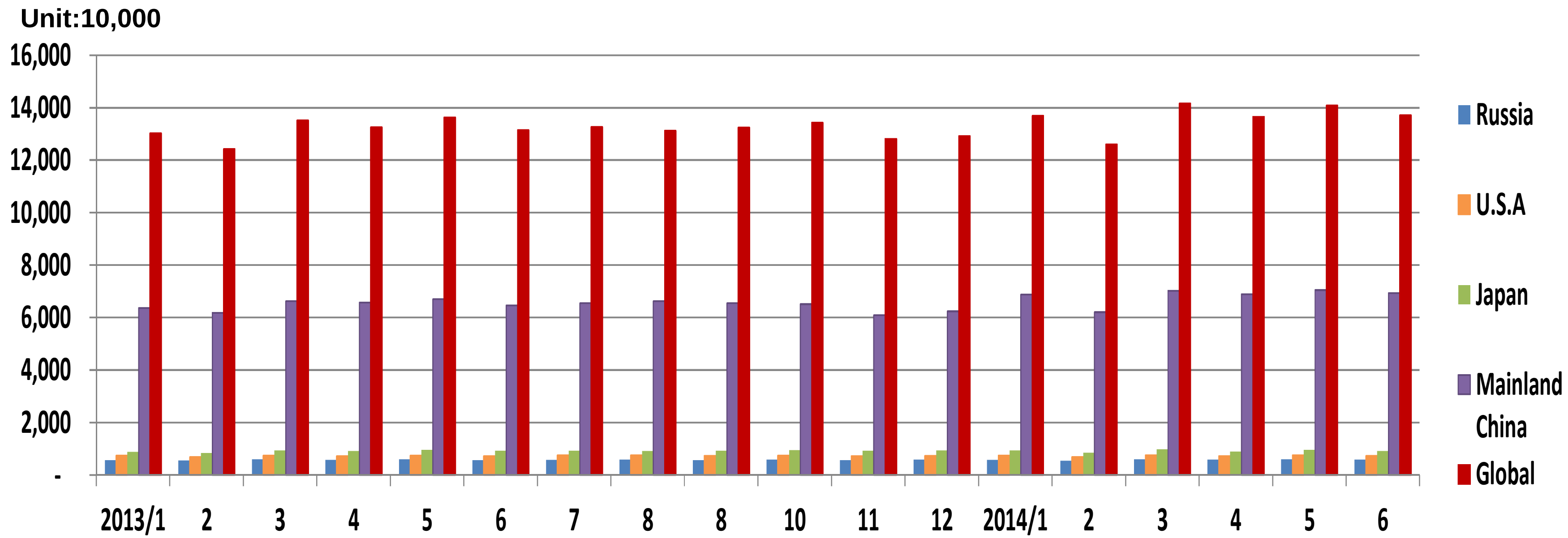
2013-2014 Global Crude Steel Production



Unit: 10,000 ton

Country, yy/mm	2013/1	2	3	4	5	6	7	8	8	10	11	12	2014/1	2	3	4	5	6
Russia	570	551	597	578	604	570	576	588	568	586	569	584	580	541	595	583	595	589
U.S.A	736	681	734	714	736	709	744	747	729	736	710	720	733	680	751	716	747	723
Japan	886	832	945	917	963	928	929	914	929	953	927	934	940	845	972	895	959	912
Mainland China	6,362	6,183	6,629	6,565	6,703	6,466	6,547	6,628	6,542	6,508	6,088	6,235	6,873	6,208	7,024	6,884	7,043	6,929
Global	13,025	12,429	13,520	13,259	13,636	13,146	13,270	13,116	13,249	13,425	12,813	12,919	13,687	12,600	14,167	13,651	14,087	13,712

Date Source：WORLD STEEL

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2014 Jan-June Global Crude Steel Production

Unit: Million Ton

Country	2014 Jan-June	2013 Jan-June	Growth(%)
E.U.	87.4	84.2	4%
Other European Country	18.3	18.2	1%
Independent States	53.9	54.4	-1%
N. America	59.7	58.7	2%
S. America	22.2	22.7	-2%
Africa	7.9	7.8	1%
Middle East	13.8	12.7	9%
Asia	555.5	539.7	3%
China	411.9	400.0	3%
Oceania	2.7	2.8	-4%
65 Countries	821.3	801.2	3%

Date Source: WORLD STEEL

Taiwan Steel Product Import Statistic

Item / Product	2014 Jan-July Monthly Average			2013 Monthly Average	
	Quantity (MT)	Growth	Unit Price (NT$/kg)	Quantity (MT)	Unit Price (NT$/kg)
Scrap	344,772	-2.0%	10.68	351,693	10.85
Billet	70,378	27.9%	16.48	55,043	17.32
Rebar	142	-6.6%	24.24	152	26.29
Angle	2,778	0.9%	36.29	2,752	33.21
Coil(14mm↓)	37,815	-6.8%	19.12	40,588	19.58
Coil(14mm↑)	4,578	33.5%	23.39	3,428	23.02
Bar	25,744	28.8%	32.37	19,986	34.56

Date Source : TSIIA (Taiwan Steel & Iron Industries Association)

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Taiwan Steel Product Export Statistic

Item / Product	2014 Jan-July Monthly Average			2013 Monthly Average	
	Quantity (MT)	Growth	Unit Price (NT$/kg)	Quantity (MT)	Unit Price (NT$/kg)
Billet	44,760	-16.3%	15.52	53,469	15.86
Rebar	10,773	66.3%	18.32	6,477	18.81
Merchar Bar	20,975	75.6%	19.83	11,945	20.76
Coil(14mm↓)	13,565	-3.9%	22.5	14,109	22.48
Coil(14mm↑)	6,283	14.4%	21.54	5,493	22.27
Bar	16,831	3.3%	39.85	16,289	40.36

Date Source: TSIIA

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Mainland China Steel Product Import Statistic

Item / Product	2014 Jan-June Monthly Average		2013 Monthly Average		2012 Monthly Average
	Quantity(MT)	Growth	Quantity(MT)	Growth	Quantity(MT)
Raw Material	232,549	-49.8%	396,913	-14.3%	462,942
Semi-Finished Product	31,728	5.6%	45,994	53.0%	30,059
Finished Product	1,195,427	5.3%	1,177,503	3.7%	1,135,119
Total	1,459,704	-10.3%	1,620,410	-0.5%	1,628,120

Date Source: MYSTEEL

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Mainland China Steel Product Import Statistic

Item / Product	2014 Jan-June Monthly Average		2013 Monthly Average		2012 Monthly Average
	Quantity (MT)	Growth	Quantity (MT)	Growth	Quantity (MT)
Raw Material	18,502	-26.6%	22,064	-12.5%	25,222
Semi-Finished Product	819	132.7%	331	-6.0%	352
Finished Product	6,453,517	39.3%	5,203,727	12.3%	4,633,496
Total	6,472,838	38.9%	5,226,122	12.2%	4,659,070

Date Source: MYSTEEL

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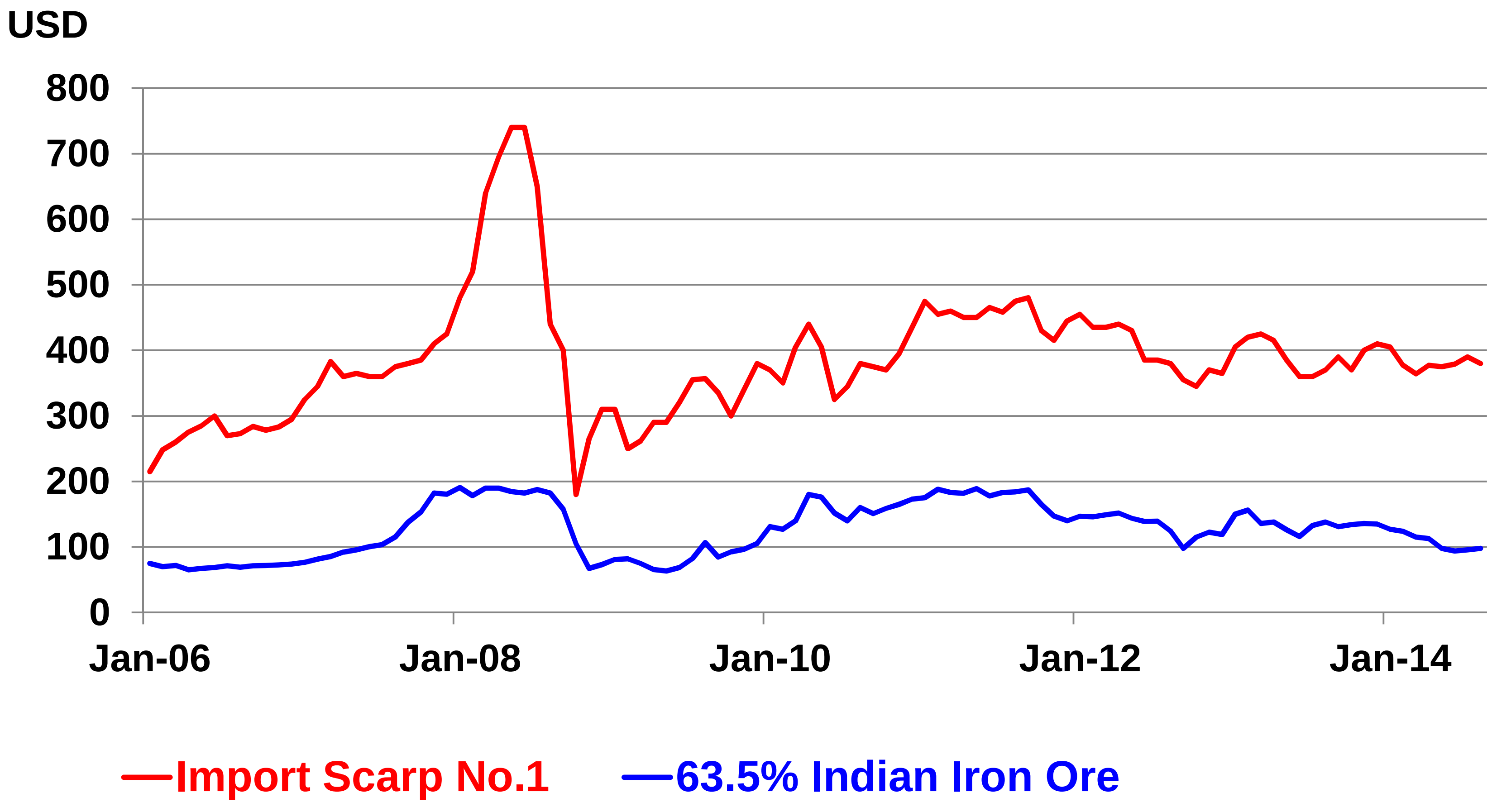
2006 - 2014 International Scrap & Iron Ore Price Trend



Date Source: MYSTEEL、Feng Hsin

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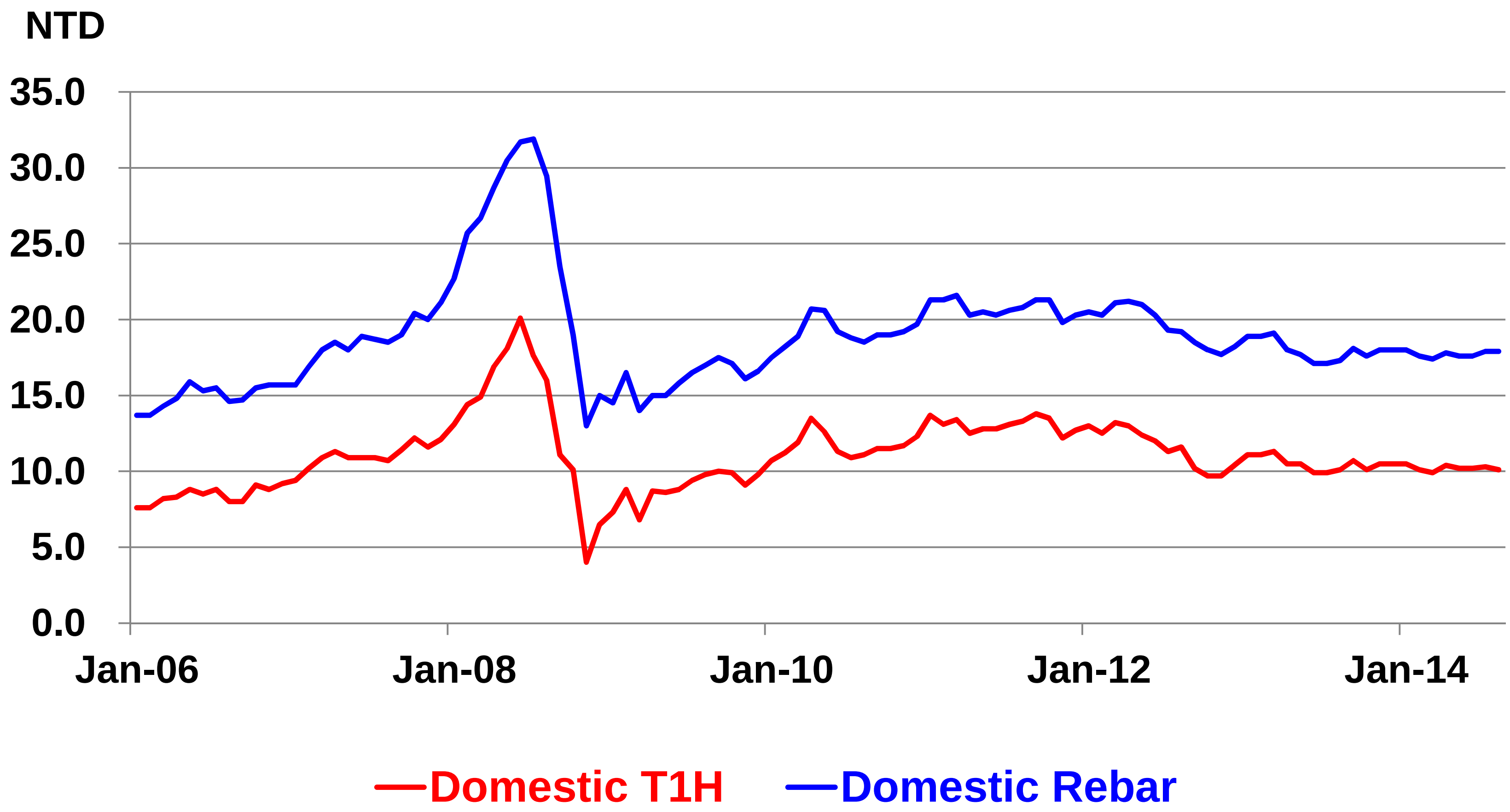
2006 - 2014 Domestic Scarp(T1H) & Rebar Price Trend



Date Source: Feng Hsin

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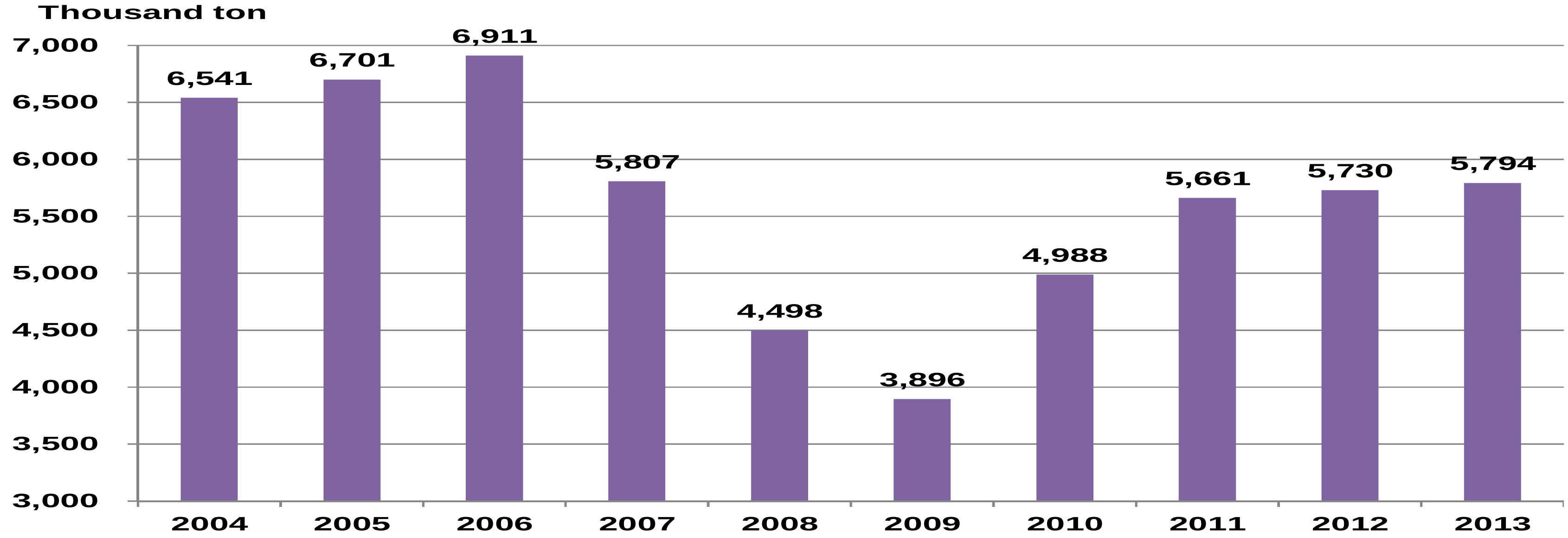
Rebar Apparent Consumption Over the Past 10 Years



Unit: Thousand ton

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Production (A)	6,599	6,758	7,160	6,144	4,865	4,312	5,126	5,843	5,779	5,870
Import (B)	5	5	40	52	8	2	4	3	3	2
Export ©	64	62	290	389	375	418	142	185	53	78
Apparent Consumption (D=A+B-C)	6,541	6,701	6,911	5,807	4,498	3,896	4,988	5,661	5,730	5,794
Growth of Apparent Consumption%	base	102	106	89	69	60	76	87	88	89
Production Capacity(E)	8,971	9,270	9,460	7,888	7,542	8,260	8,600	9,066	9,066	9,066
(A)/(E)	74	73	76	78	65	52	60	64	64	65
Self-Sufficiency % (A)/(D)	101	101	104	106	108	111	103	103	101	101

1.Date Souce: TSIIA Website(Production 、Delivey, Inventroy,Product tpye Import/Export date search)
2.Apperant Consumption is calculated by using 2004 figures as base.

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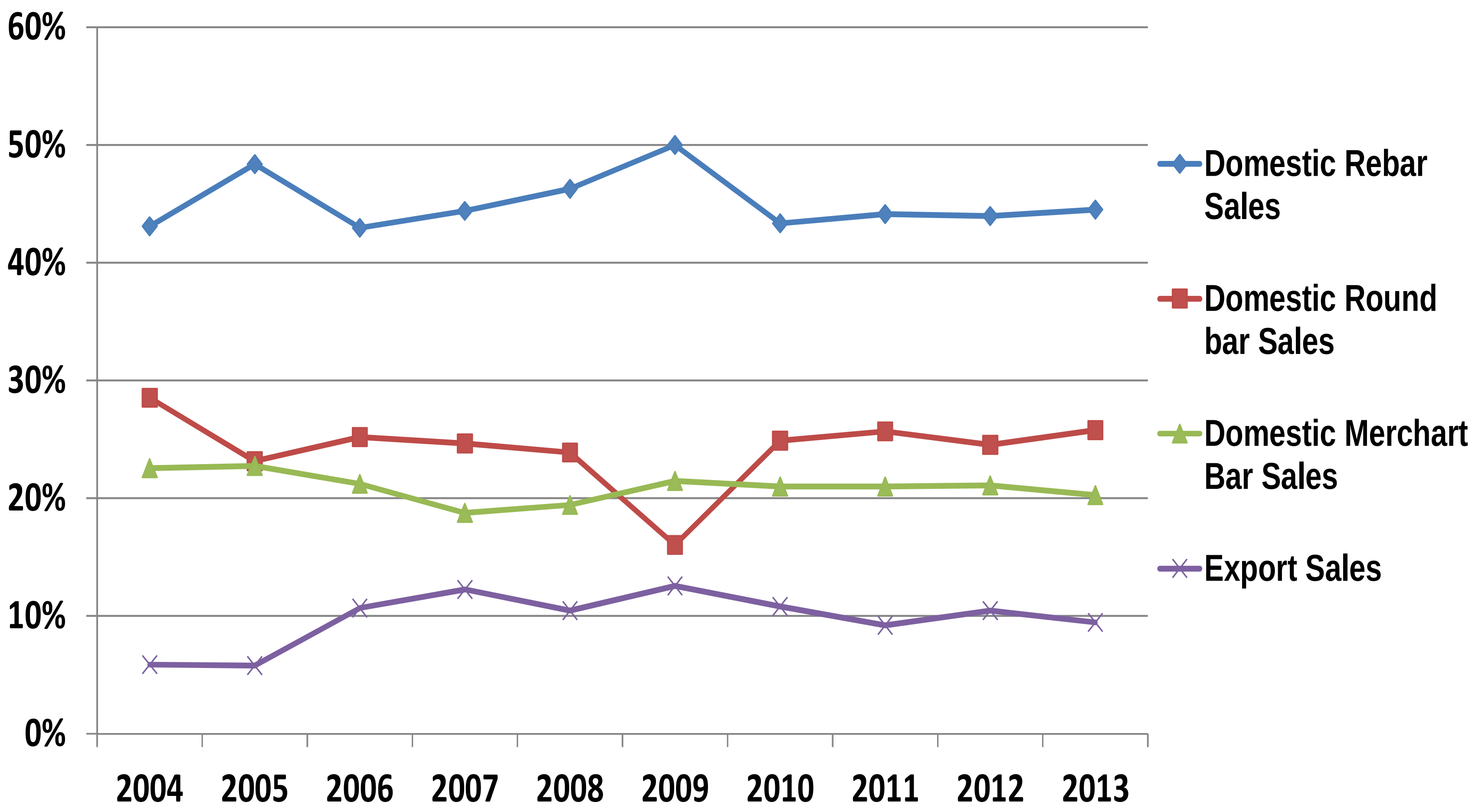
Feng Hsin 2004 - 2013 Product Sales Percentage



Date Source: Feng Hsin

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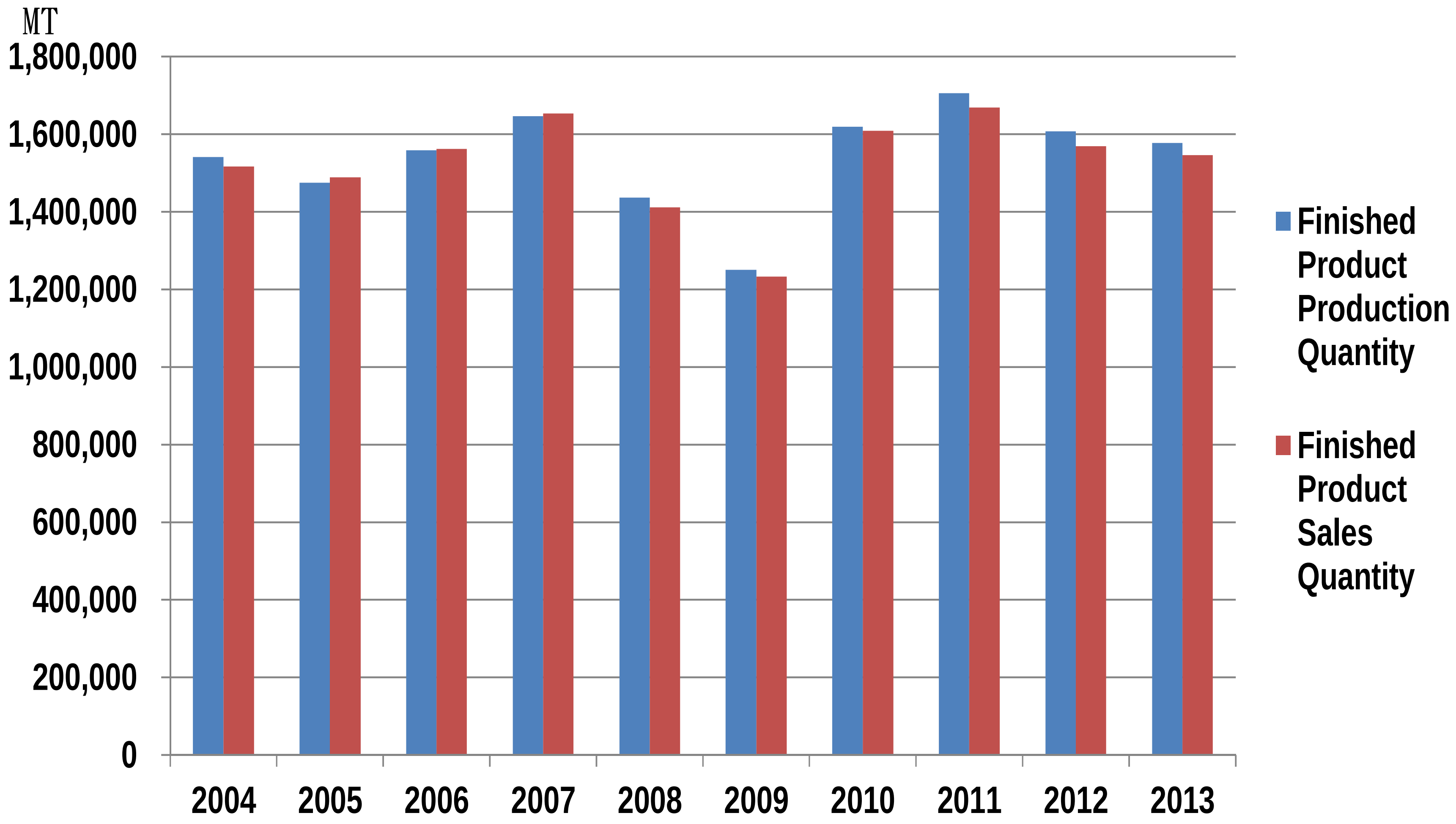
Feng Hsin 2004 - 2013 Production & Sales Comparison



Date Source: Feng Hsin

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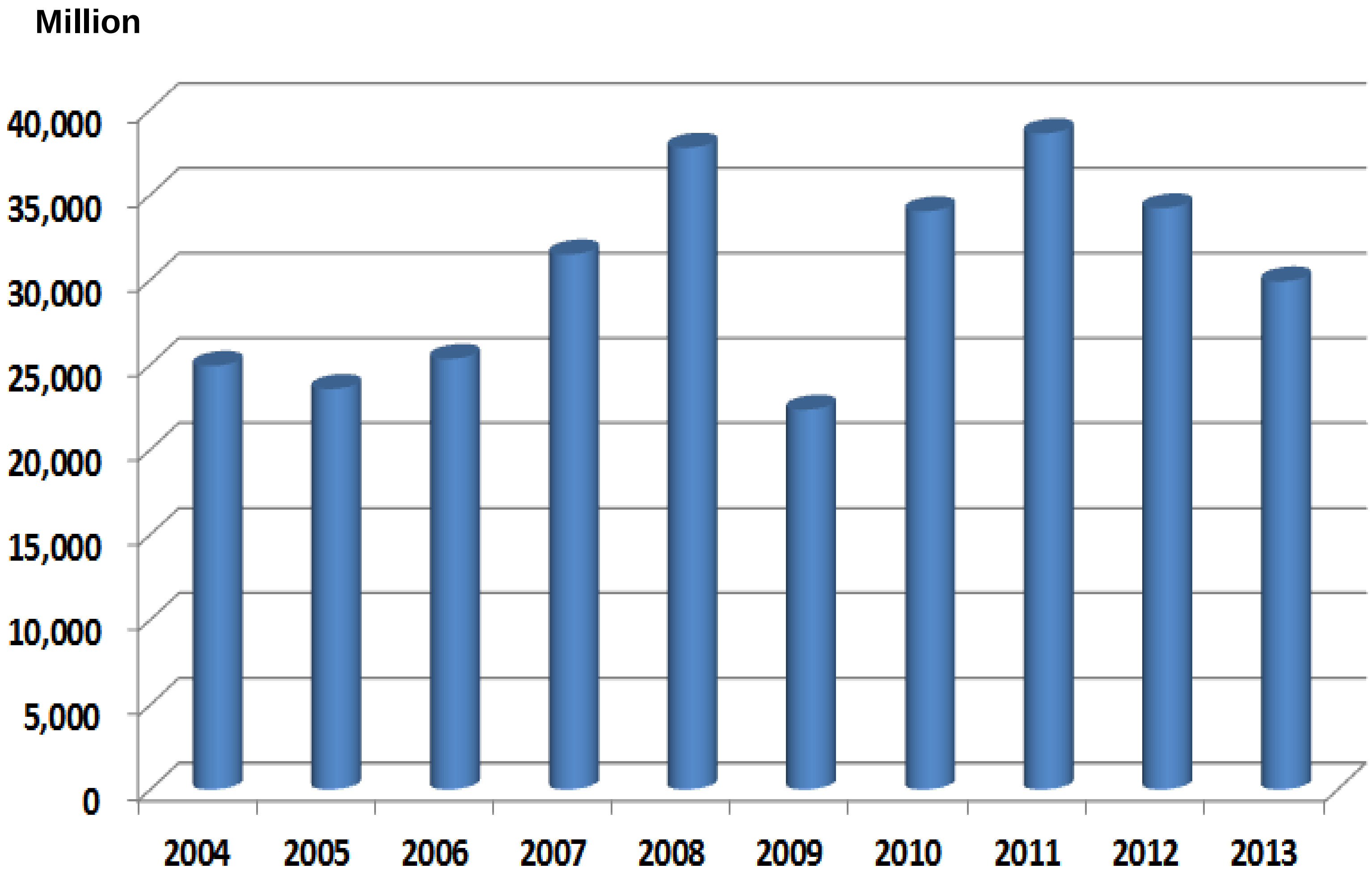
Feng Hsin 2004 - 2013 Operating Profit



Date Source: Feng Hsin

2014 Fist Half Production/Sales Analysis

unit : MT

	Year	2014 First Half		2014 Sales Forecast	Sales Forecast Achievement Rate
	Q'ty / Main Product	Production Quantity	Sales Quantity		
Semi-Finished Product	Billet	830,693			
Finished Product	Merchart Bar	235,499	229,531	446,000	51%
	Round Bar	225,510	226,938	410,000	55%
	Re-Bar	365,416	364,565	708,000	51%
	Total	826,425	821,034	1,564,000	52%

Date Source: Feng Hsin

2014/2013 First Half Operating Income & Pretax Profit Comparison

unit: NTD thousand

	2014 First Half	2013 First Half	Growth %
Net Sales	$15,499,879	$14,895,659	4.06%
Cost of Sales	$14,236,391	$13,799,477	3.17%
Gross Profit	$1,263,488	$1,096,182	15.26%
Operating Expenses	$370,742	$332,937	11.36%
Operating Income	$892,746	$763,245	16.97%
Non-Operating Income	$55,530	$51,705	7.40%
Income from Continuing Operation before Income Tax	$948,276	$814,950	16.36%

Date Source: Feng Hsin

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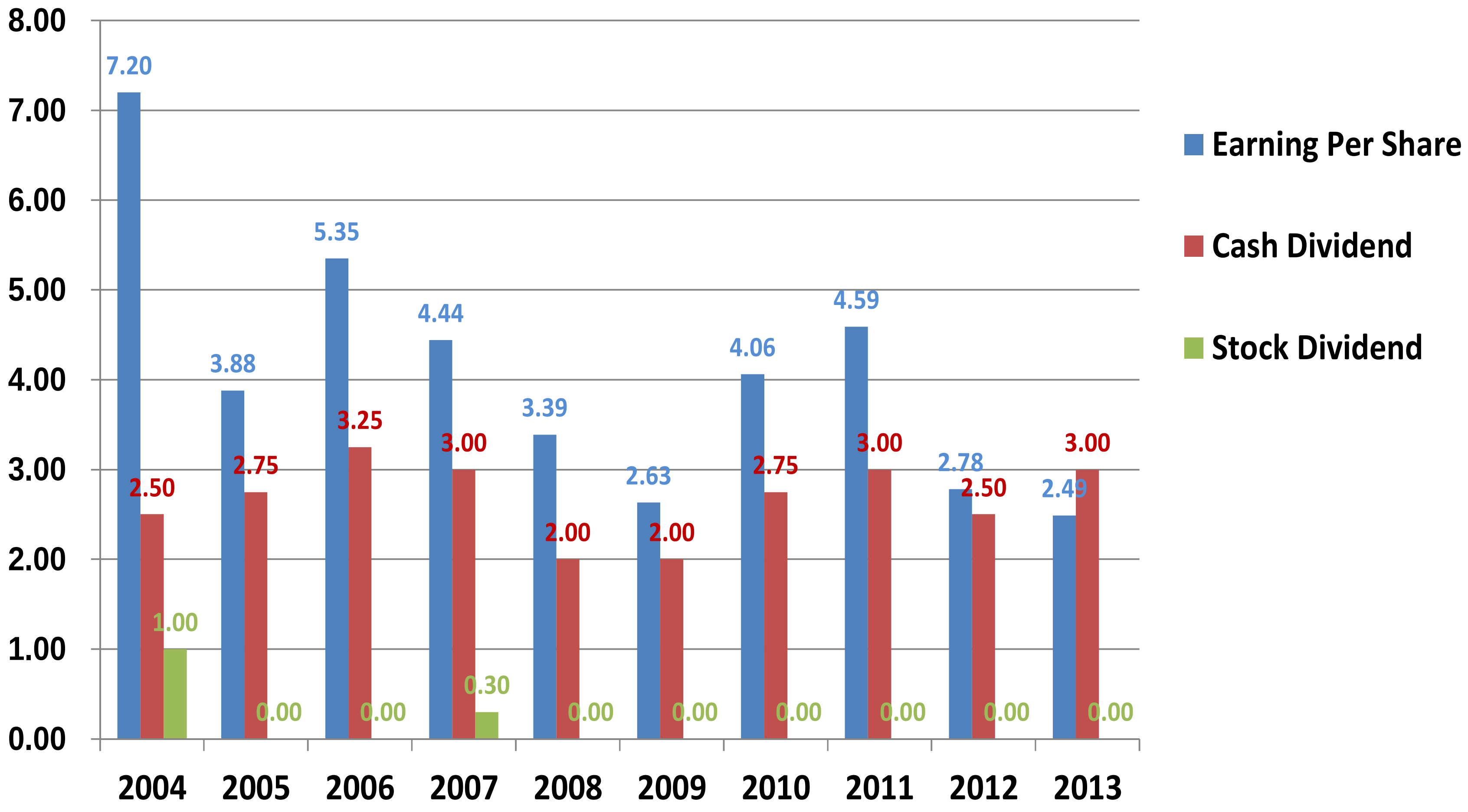
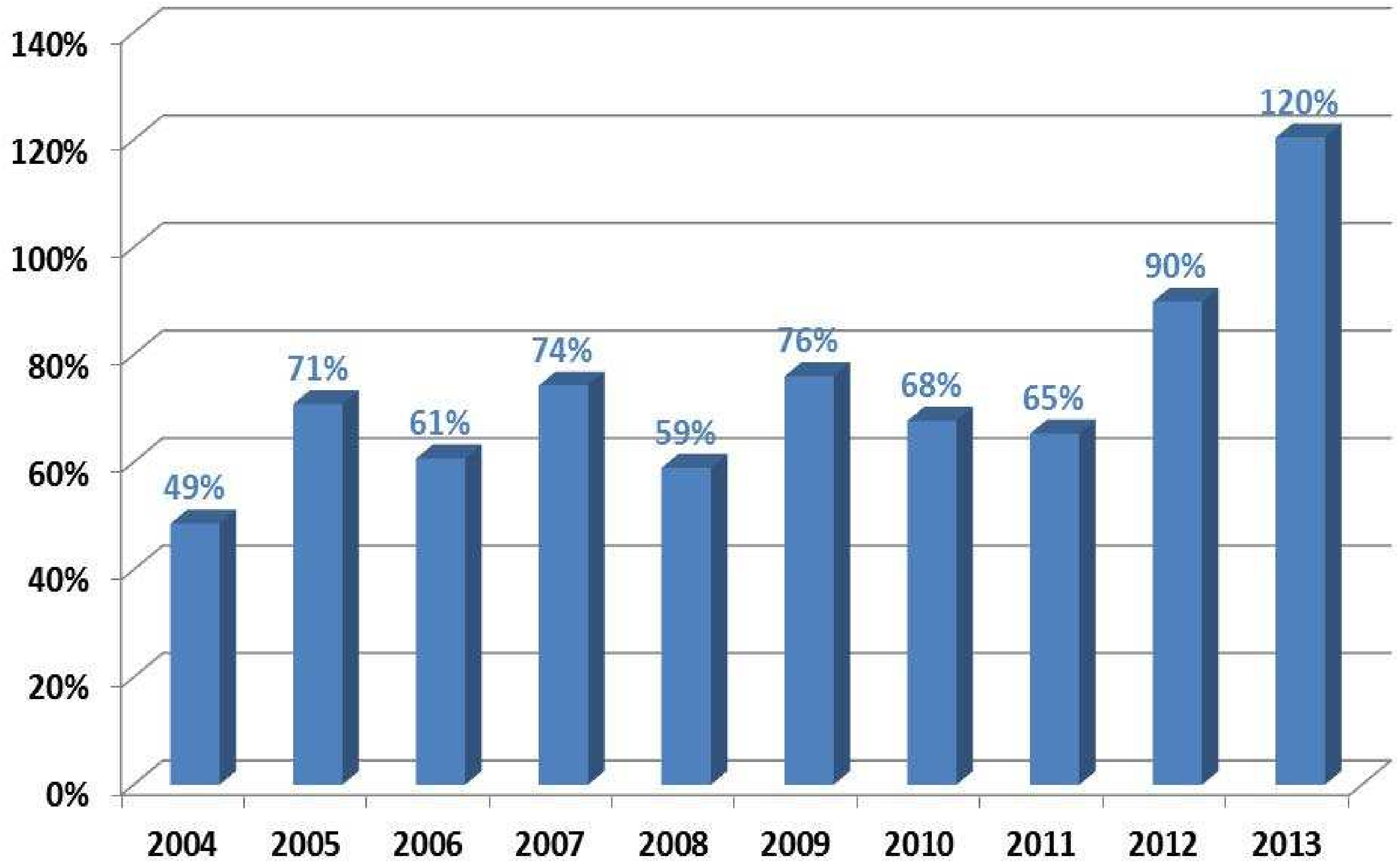
Feng Hsin 2004 - 2013 E.P.S. And Dividend Trend



Date Source: Feng Hsin

Feng Hsin 2004 - 2013 Dividend Rate



Date Source: Feng Hsin

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Feng Hsin Profit and Loss Exhibition for Recent Two Year

Unit: NTD Million

Item\Year	2013		2012		Comparsion	
	Amount	%	Amount	%	Amount	%
Net Sales	29,900	100.00	33,433	100.00	(3,533)	(10.57)
Cost of Sales	27,589	92.27	31,274	93.54	(3,685)	(11.78)
Gross Profit	2,311	7.73	2,159	6.46	152	7.04
Operating Income	1,620	5.42	1,431	4.28	189	13.21
Non-operating Income & Expense	109	0.36	454	1.36	(345)	(75.99)
Income from Continuing Operation before Income Tax	1,729	5.78	1,885	5.64	(156)	(8.28)
Earnings per Share (NTD) before Tax	2.49		2.80		-0.31	

Date Source: Feng Hsin

Feng Hsin Consolidated Balance Sheets

Unit: NTD Thousand

Year / Item	2013		2012	
	Amount	%	Amount	%
Current Assets	10,003,064	51.05%	9,923,554	49.59%
Property,Plant and Equipment	7,610,099	38.83%	8,148,560	40.72%
Non-current Assets	1,947,757	9.94%	1,909,378	9.54%
Other Non-current Assets	35,304	0.18%	27,938	0.14%
Total Assets	19,596,224	100.00%	20,009,430	100.00%
Current Liabilities	2,987,561	15.00%	3,396,302	17.00%
Non-current Liabilities	739,299	4.00%	749,205	4.00%
Total Liabilities	3,726,860	19.00%	4,145,507	21.00%
Capital Stock	5,815,994	30.00%	5,815,994	29.00%
Additional Paid-in Capital	447,280	2.00%	447,280	2.00%
Retained Earnings	9,614,715	49.00%	9,596,755	48.00%
Other Equities	-8,625	-	3,894	-
Treasurey Stock	-	-	-	-
Non-controling Interest(equity)	-	-	-	-
Total Equity	15,869,364	81.00%	15,863,923	79.00%

Date Source: Feng Hsin

Future Production, Marketing and Expansion Strategy

(1).Production

A. Development and expansion of new product to satisfy customer needs.

B. EAF equipment expansion/upgrade to improve billet quality and energy utilization.

(2).Sales

A. Active in public construction bidding to incrase FH rebar's market share.

B. Aiming for long term contract and relationship to steady supply and quality.

C. Building well-established relationship with distributor to improve customer service and to stablize sales and market share.

(3).Future development

To devote to energy utiliztion, improve market share and to expand product category and product adding value.

Taiwan Steel Industry SWOT Analysis

Strength-

1. Comprehensive Industry structure, continuous quality improvement, efficient product delivery time.
2. Producer/distributor/retailer working together to ensure highest efficiency
3. Widespread distributing outlet, lively operation, and quick adoption to market/industry volatility.
4. Comprehensive product mix, high customization availability.

Weakness-

1. Raw material rely on imports, difficulty in sourcing the material and volatility of the international market.
2. Dramatic reduction of public construction, lack of large scale domestic projects for steel demand
3. Low entry barrier, low product differentiation, the market often turned into a price war.
4. Government energy policy unclear, lack of mid/long-term plan. Cost of energy increase, profit of operation decrease.

Opportunity-

1. The rise of South East Asia and China economy lift up market demand and export opportunities.
2. After signing FTA with various countries, Taiwan's steel industry now have a more favorable tax rate.
3. With the signing of ECFA with China, markets are now open for lower or no tax trade that opens up more business opportunities with China.

Threats-

1. If restriction of Chinese import lifted, low price items will affect the middle/lower end market, which will also compress the existence of domestic business.
2. With the increase of production capacity and Taiwan's 0% import tax for steel products, Taiwan has become the export country for most over produced products, which puts a burden on the Taiwanese domestic producers.
3. Exporting of Taiwan's steel products are restricted by different trade laws internationally, often treated unfairly or with anti-dumping.

Thank You

for

Your Attention