



Hai-Kwang Enterprise Corporation

2017 3rd Quarter Results

<http://www.haikwang.com.tw/>



Disclaimer

Except for historical information contained herein, the matters set forth in this presentation are forward-looking statements that are subject to significant risks and uncertainties and actual results may differ materially from those contained in any forward-looking statements.

The forward-looking statements in this release reflect the current belief of Coretronic as of the date of this release and Coretronic undertakes no obligation to update these forward-looking statements for events or circumstances that occur subsequent to such date.



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1、An Introduction to Hai-Kwang





(1) 、 Company Profile

- Foundation : Feb,1969.
- Capital : NT1,812,645,220.
- Major business : Manufacture and sale of Deformed Bar
- Facilities :
 - Steel mill : 59,504 square meters ; annual capacity 65,000 tons.
 - Rolling mill : 49,587 square meters ; annual capacity 65,000 tons.
- Subsidiaries
 - 億昌鋼鐵廠 : acquired 64% of shareholding ; 46, 281 square meters ; Plans new fab.
 - 証統環保科技公司 : acquired 51% of shareholding ; Plans new fab.
- Investee : Taiwan Steel Union— resource recollection and reutilization ; acquired 9.7% of shareholding



(2) 、 Our operation and Business Objectives

- Quality [**Pragmatic**]
- Stable [Steady and steadfast]
- Innovation [Pursuing excellence]
- Service [Customer satisfaction]



2、Industrial Overview





(1) 、 Industry Demand and Supply

International market

- Internationally, the world's crude steel capacity of about 2.3 billion tons, but the actual demand of about 1.6 billion tons, product utilization rate of about 70%.
- China's crude steel capacity accounts for more than half of the world, with a capacity of about 1.2 billion tons and an actual output of about 800 million tons. The China steel market is the world's steel market.
- Under the stringent environmental protection policies, China's products are expected to reduce their capacity by 200 million tons from 2017 to 2018 years. The actual supply of about 120 million tons to reduce, promote the gradual rise in international steel prices.
- In the future, continuous with the China's environmental protection policies. Effectively reduce excess supply, with the emerging economies continue to increase demand, the steel market is gradually recovering.



(1) 、 Industry Demand and Supply

Taiwan market

■ Taiwan Deformed Bar market status

1. There are three sources: construction project, government public works, Enterprise plant construction.
2. Annual demand from 600~700million tons slipped to 400~500 million tons.

■ Taiwan Deformed Bar supply

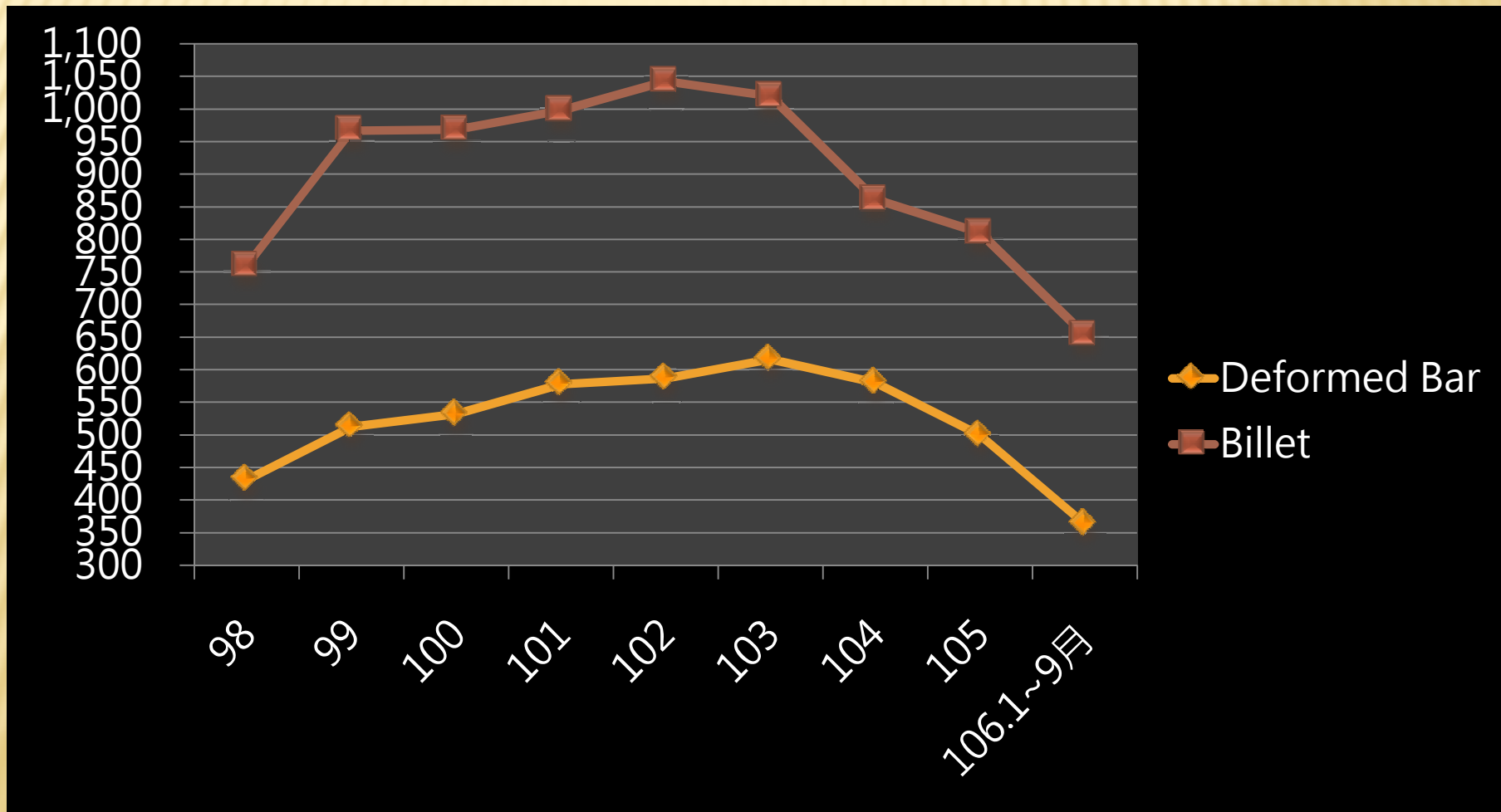
1. Due to the particularity of transportation costs, North and South have their own regional leading company.
2. Annual supply of about 5.8 million tons.
3. In recent years, due to the advantages of electric furnace steel plant has always been the single rolling mill gradually with draw from the market.



(1) Industry Demand and Supply

1. Supply

Unit : 1 thousand tons

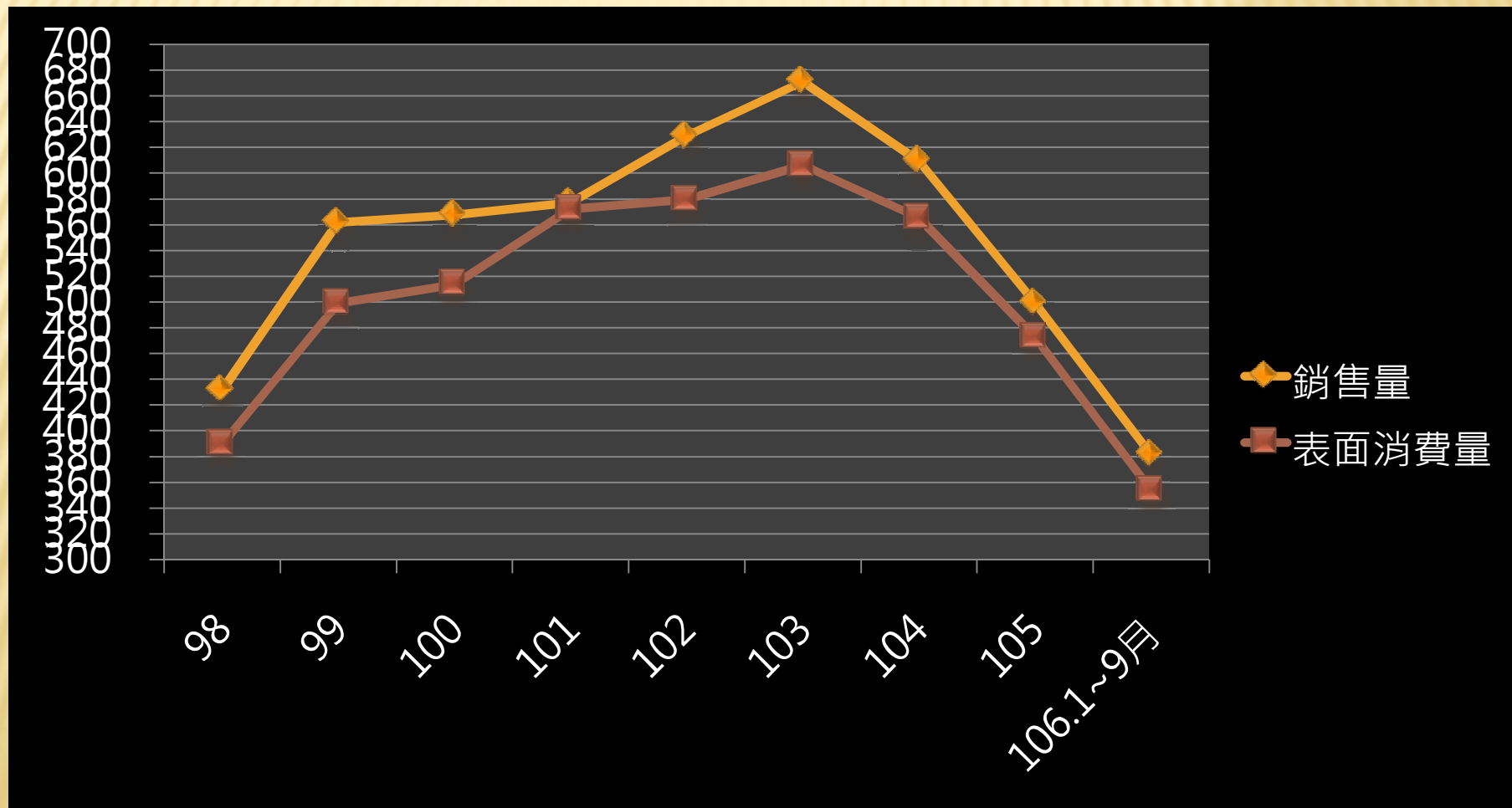




(1) Industry Demand and Supply

2 Demand

Unit : 1 thousand tons





(2) 、 Capacity and Competition

Unit : 1 thousand tons

| | Rolling mill | Electric stove plant | Total |
|---------------------|-----------------------------------------------|---------------------------------------------------|-------|
| Number of Companies | 21 | 10 | 31 |
| Annual capacity | 509 | 547 | 1,056 |
| Companies | 東：新寶元 北：東周、金陵、 長榮 南：永誠、志一、 漢泰、源鋼… | 北：東和、聯成、羅東 中：豐興、慶欣欣、建順 南：海光、威致、協勝發、 龍慶…… | |



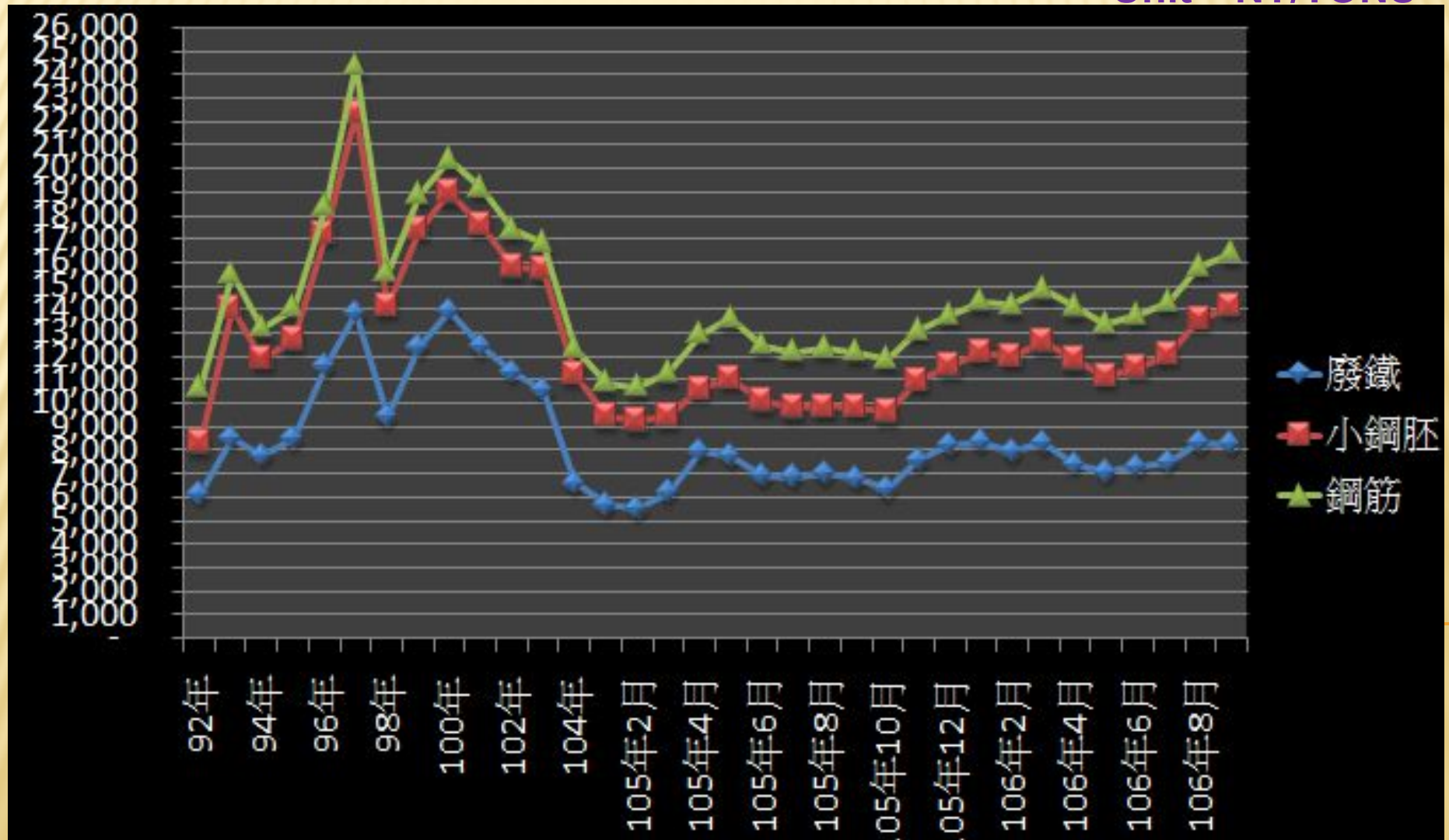
(3) 、 Market share- Deformed Bar

| | Taiwan | HAI-Kwang | | TUNG HO | | FENG HSIN | | WHI CHIH | |
|-------------|-----------|-----------|--------------|-----------|--------------|-----------|--------------|-----------|--------------|
| Unit : Tons | Shipments | Shipments | market share | Shipments | market share | Shipments | market share | Shipments | market share |
| 2006 | 7,190,519 | 779,523 | 10.8% | 807,154 | 11.2% | 670,929 | 9.3% | 393,032 | 5.5% |
| 2007 | 6,195,902 | 787,251 | 12.7% | 774,221 | 12.5% | 734,045 | 11.8% | 388,234 | 6.3% |
| 2008 | 5,224,004 | 718,936 | 13.8% | 754,249 | 14.4% | 657,660 | 12.6% | 479,261 | 9.2% |
| 2009 | 4,311,682 | 667,099 | 15.5% | 618,073 | 14.3% | 621,660 | 14.4% | 277,669 | 6.4% |
| 2010 | 4,987,902 | 632,102 | 12.7% | 775,849 | 15.6% | 698,127 | 14.0% | 216,322 | 4.3% |
| 2011 | 5,135,200 | 683,000 | 13.3% | 825,450 | 16.1% | 736,769 | 14.3% | 267,734 | 5.2% |
| 2012 | 5,719,500 | 645,600 | 11.3% | 868,330 | 15.2% | 689,959 | 12.1% | 248,818 | 4.4% |
| 2013 | 5,793,800 | 644,000 | 11.1% | 830,085 | 14.3% | 687,967 | 11.9% | 262,610 | 4.5% |
| 2014 | 6,059,600 | 604,700 | 10.0% | 929,340 | 15.3% | 724,948 | 12.0% | 196,614 | 3.2% |
| 2015 | 5,654,100 | 584,700 | 10.3% | 895,014 | 15.8% | 663,703 | 11.7% | 141,892 | 2.5% |
| 2016 | 4,724,600 | 383,300 | 8.1% | 675,903 | 14.3% | 595,055 | 12.6% | 325,032 | 6.9% |



(4) Market Price

Unit : NT/TONS





3、Operational Overview





(1) 、 Production and Sale Status

1. Production Status

| Output | October | | Monthly average | | For the Nine Months Ended September 30 | |
|---------------------|---------|--------|-----------------|--------|----------------------------------------|---------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Billet (tons) | 37,963 | 23,537 | 29,255 | 23,581 | 254,584 | 209,835 |
| Deformed Bar (tons) | 35,273 | 31,795 | 28,443 | 29,449 | 249,153 | 274,333 |



(1) Production and Sale Status

2. Utilization rate

| | 2017 1rd | 2017 2rd | 2017 3rd |
|-----------------|-------------|-------------|-------------|
| Billet | 59% | 65% | 76% |
| Deformed Bar | 66% | 65% | 74% |



(1) Production and Sale Status

3. Sale Status- Deformed Bar

| | October | | For the Nine Months Ended September 30 | | Monthly average | |
|-----------------------------------------------------|---------|---------|----------------------------------------|-----------|-----------------|---------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Shipments (tons) | 32,561 | 30,228 | 240,340 | 284,748 | 26,704 | 31,639 |
| Net Revenue (In Thousands of New Taiwan Dollars) | 508,870 | 381,133 | 3,445,322 | 3,509,728 | 382,814 | 389,970 |



(2) 、 Financial Status

1 、 Consolidated Income Statement

(In Thousands of New Taiwan Dollars, Except Par Value)

| | For the Nine Months Ended September 30,2017 | 2016 | 2015 | 2014 | 2013 |
|-----------------------------------------|------------------------------------------------------|-----------|-----------|------------|------------|
| NET REVENUE | 3,445,322 | 4,760,166 | 8,023,635 | 10,940,111 | 11,842,149 |
| GROSS PROFIT | 18,708 | 78,716 | (120,936) | 20,407 | 167,906 |
| INCOME FROM OPERATIONS | (109,526) | (69,599) | (273,895) | (156,720) | (23,685) |
| NON-OPERATING INCOME AND EXPENSES | 11,794 | 309,862 | 39,075 | (19,935) | (45,264) |
| NET INCOME | (117,336) | 203,804 | (196,586) | (147,662) | (59,823) |
| EARNINGS PER SHARE | (0.52) | 0.65 | (1.16) | (0.89) | (0.38) |



(2) Financial Status

(In Thousands of New Taiwan Dollars)

| | September 30, 2017 | 2016 | 2015 | 2014 | 2013 |
|------------------------------------------------------|-----------------------|-----------|-----------|-----------|-----------|
| Total current assets | 2,669,628 | 2,304,540 | 2,238,008 | 3,746,585 | 3,347,976 |
| Property, plant and equipment | 3,333,758 | 3,420,998 | 3,527,321 | 3,898,890 | 3,634,952 |
| Other noncurrent assets | 710,483 | 196,512 | 297,522 | 285,876 | 360,174 |
| Total assets | 6,713,869 | 5,922,050 | 6,062,851 | 7,931,351 | 7,343,102 |
| Total current liabilities | 2,131,174 | 1,387,779 | 2,026,903 | 3,534,114 | 2,563,943 |
| Total noncurrent liabilities | 742,491 | 762,640 | 1,095,096 | 1,245,399 | 1,478,041 |
| Total liabilities | 2,873,665 | 2,150,419 | 3,121,999 | 4,779,513 | 4,041,984 |
| Capital stock | 1,812,645 | 1,726,329 | 1,726,329 | 1,726,329 | 1,726,329 |
| Capital surplus | 268,471 | 268,297 | 268,292 | 268,292 | 268,292 |
| Retained earnings | 490,278 | 671,508 | 555,909 | 768,274 | 922,782 |
| Others Equity | 792,565 | 620,056 | 0 | 0 | 0 |
| Equity attributable to shareholders of the parent | 3,363,959 | 3,286,190 | 2,550,530 | 2,762,895 | 2,917,403 |
| Noncontrolling Interests | 476,245 | 485,441 | 390,322 | 388,943 | 383,715 |



4、Development Plan





Outlook

■ Waste Recycling

Develop waste as a deformed bar raw materials material to reduce costs and increase processing revenue.

1. Textile Sludge Recycling : Completed finish the project test will enter the case re-use stage.
2. Incinerator fly Recycling : In early 2018 to enter the demonstration verification program, The feasibility assessment of the Competent Authority will be completed in mid-2018.

■ Subsidiaries produces fastener

Has completed the design and planning, is entering the stage of construction, It is expected to begin production in 2018 Q4.



Q&A



Thanks For Your Attention!

Hai-Kwang Enterprise Corporation

