



東南水泥股份有限公司
SOUTHEAST CEMENT CORPORATION

2018

Southeast Cement Corporation Investor Seminar

Stock ID: 1110

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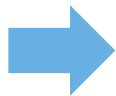
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SOUTHEAST CEMENT CORPORATION

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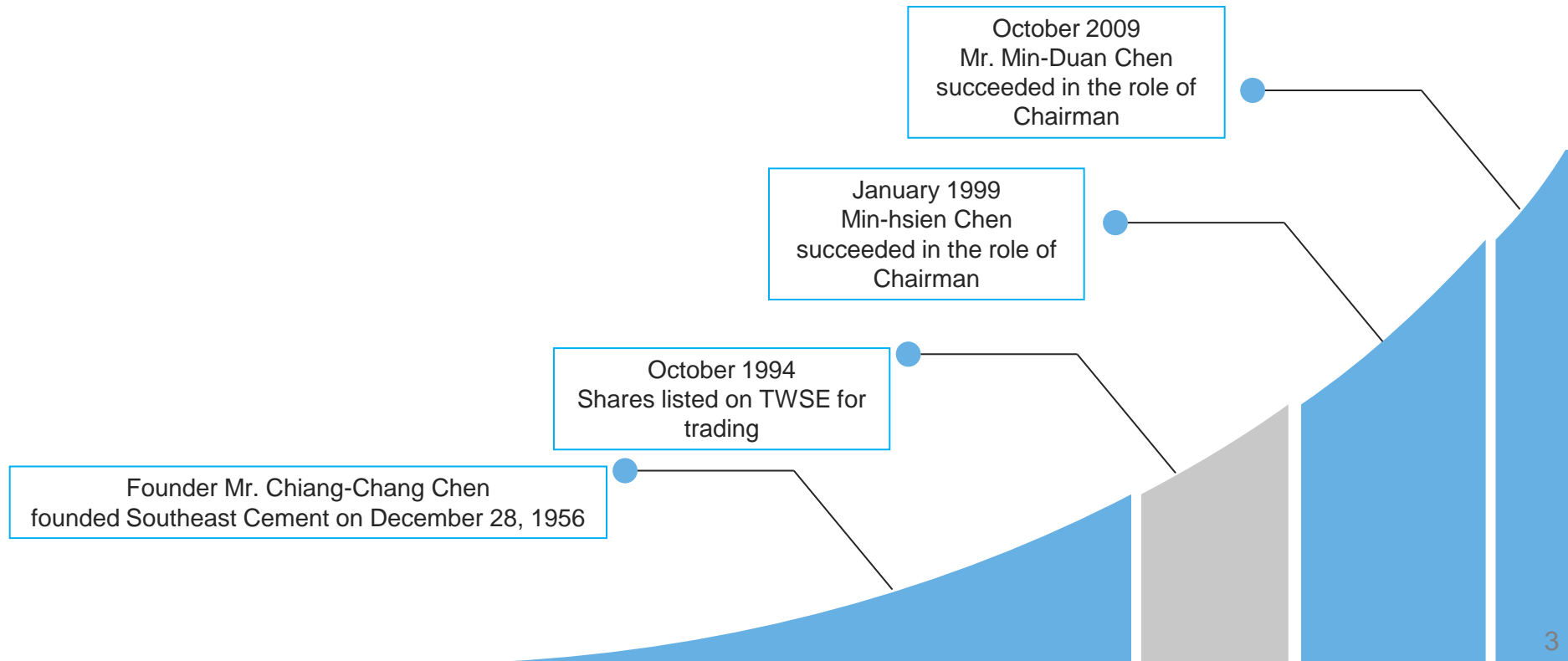
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Future prospects

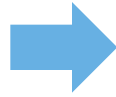
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Q&A

1. Company history



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2. Company introduction

Company
introduction

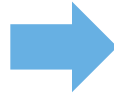
Company profile

- **Company name:** Southeast Cement Corporation
- **Date of establishment:** December 28, 1956
- **Date of listing:** October 22, 1994
- **Paid-up capital:** NT\$5,720,007,970
- **Employee count:** 114
- **Chairman:** Min-Duan Chen
- **President:** Chang-Chih Wu
- **Main products:** Portland cement and water-quenched blast furnace slag
- **Business coverage:** cement production and trade, house and land leasing, land development, cable TV

Investments and affiliated enterprises

Southeast Investment Co., Ltd., Southeast Paper Manufacturing Co., Ltd., Southeast International (Mauritius) Co., Ltd., Southeast Asset Development Co., Ltd., Southeast Construction Co., Ltd., Chia Huan Tung Cement Corporation, CHC Resources Corporation, Penghu Cable TV Co., Ltd., Penghu Bay Co., Ltd., Taiwan Vessels Co., Ltd., Nan Hsia Timber Co., Ltd.

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3. Main products and application

Type 1 Portland cement

Bagged cement
Bulk cement

Type 2 Portland cement

Bulk cement

Southeast waterproof cement

Bagged cement

Water-quenched blast furnace slag

Bulk



3. Main products and application

Type 1 Portland Cement

Referred to as general cement and is the most common type supplied in the market. It is suitable for any structural and concrete work that is not exposed to sulfate soil or groundwater. Southeast Cement Corporation has been dedicated to the local market since it was founded in 1956. It manufactures Portland cement of excellent stability and quality under the Southeast brand, for which it has earned the trust of its customers.

Type 2 Portland Cement

Applicable for
(1) Construction works with prolonged exposure to sea breeze or corrosion by seawater, such as: breakwater, tetra pod, port, caisson, and coastal constructions.
(2) Mass concrete constructions, such as: dam, bridge, reservoir etc.
(3) Underground foundations, such as: building basement, underpass, tunnel, and underground mass railway transit system.

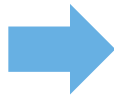
Blast furnace slag

Steel factories produce molten residues in the form of silicate and aluminate when smelting iron; these residues are quenched into granular form, which are known as blast furnace slag. These blast furnace slag granules are first dried then ground into powder form of appropriate fineness. It is used mainly as a concrete additive, or as a cementitious material to replace part of the cement content, or mixed with cement to create Portland slag cement. The raw materials of Southeast slag are water-quenched slag granules sourced from China Steel Corporation. The slag contains no other additive or waste whatsoever, and has been well-known for its consistent and reliable quality.

CNS Mark

Southeast cement has been certified for the CNS Mark for more than 50 years in the near-60 years that the CNS Mark has been in existence in Taiwan. Our persistence on quality is the strongest commitment we can offer to consumers.

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4. Introduction to product R&D and application



(1). Southeast waterproof cement

To accommodate Taiwan's humid and rainy climate, Southeast Cement has invested significantly in the development of waterproof products for many years. One of the successes the Company has achieved in this respect is "Southeast Waterproof Cement" which, despite being water-impermeable, is air-permeable. These characteristics can effectively protect buildings from corrosion by acid rain and moisture, which may cause problems such as water leakage, weathering, cracking and erosion of steel structure. The product is free of toxic elements and hazard; it improves endurance of buildings and hence assures residents better safety and higher quality lifestyle.

4. Introduction to product R&D and application



Purpose of waterproof cement

- ➔ Infiltration-resistant
- ➔ Mold-resistant
- ➔ Crack-resistant
- ➔ Inhibits efflorescence
- ➔ Works with tile or paint surface

4. Introduction to product R&D and application

Actual applications of waterproof cement



Long Tern Construction - Project "Let's Smile" in Kaohsiung City



Ling Chu Construction - Project "My Ocean" in Kaohsiung City



Hsing Jing Construction - Project located at Fengjia 2nd Street, Kaohsiung City.

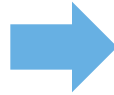


Southeast Asset Development –
Project "Chonglan Dongnan Fengge" in Pingtung City



Chiao Jin Construction - Landed property project
located at Kongzhai Street, Kaohsiung City

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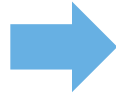
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5. Overview of land development business

1. The subsidiary by the name of "Southeast Asset Development Co., Ltd." was duly incorporated in May 2015, with Mr. Chen Min-Tuan serving as the Chairman and Mr. Chen Kuan-Hua serving as the General Manager.
2. Under the supreme guiding philosophy of "satisfactory service is the supreme priority to guarantee quality with our own brand name", the Company has set up strongholds in Kaohsiung, Pingtung and Tainan, through investment in construction of environmental protection-oriented green buildings for residential and commercial purposes.
3. In 2017, the Company launched a construction project covering 39 ground-to-rooftop buildings (single family houses) anticipated at NT\$400 million sales turnover with more than 90 percent sold up.
4. The Company is scheduled to set up Singaporean-styled mansions in a total of 56 housing units in Pingtung City by Quarter IV, Year 2018 with total sales turnover anticipated at NT\$400 million. In Quarter I, 2019, the Company is further scheduled to build 41 ground-to-rooftop buildings (single family houses) which will bring in approximately NT\$700 million in sales turnover.
5. In the Asia New Bay Area, Kaohsiung, the Company owns 8.35 hectares for which the redistricting is scheduled to be completed by January 31, 2019. By then, the Company will retain a final area of 16,129.6 ping, where the site coverage rate is 60% and the bulk rate [floor area ratio (FAR)] is 490%. The land has been classified into the purposes of use in "7A Special Trading Purposes" and could be used for 36 different business lines including an international conference center, financial center, cinema business, international tourist hotels, mega-shopping center, recreational centers, retail sales, and catering services, except a residential zone.

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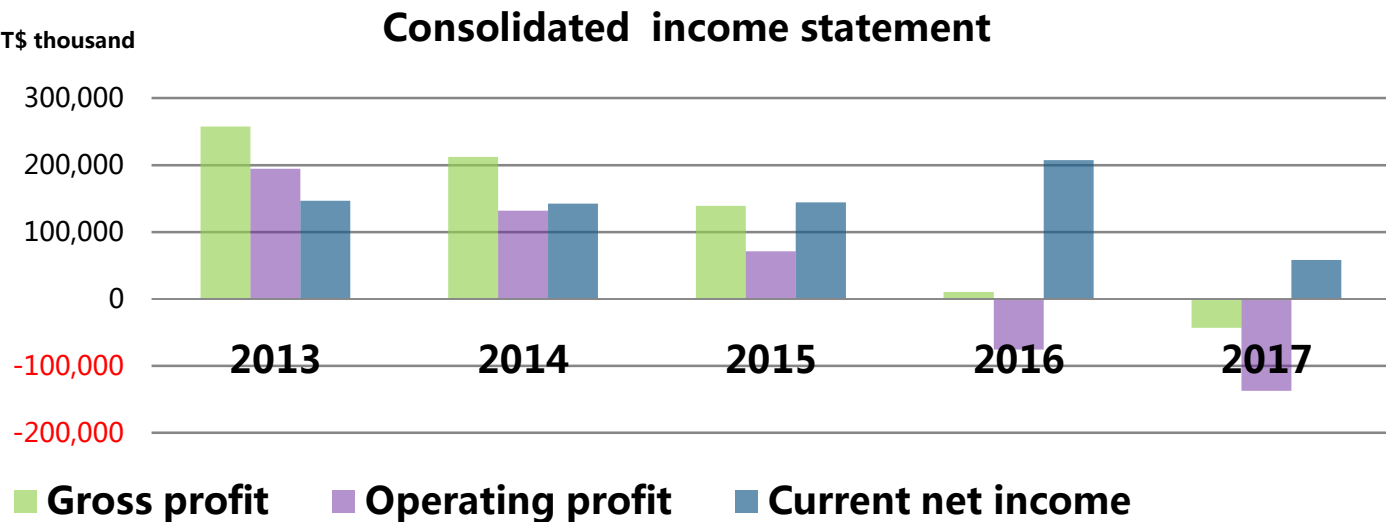
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6. Operating performance



Year	2013	2014	2015	2016	2017
Operating revenues	2,024,604	2,078,224	1,857,289	1,478,515	1,716,725
Gross profit	257,671	212,334	139,087	10,271	(43,205)
Operating profit	194,430	131,940	71,282	(75,303)	(137,175)
Current net income	146,860	142,301	144,466	207,603	58,307

6. Operating performance

Consolidated balance sheet

	2017	%	2016	%	2015	%
Cash and cash equivalents	369,847	3.9%	447,029	4.9%	496,486	5.3%
Notes and accounts receivable	337,127	3.6%	295,191	3.2%	428,736	4.6%
Inventory	408,198	4.4%	587,394	6.4%	553,881	5.9%
Current assets	2,117,646	22.6%	1,998,413	21.7%	1,963,758	20.9%
Total assets	9,365,291	100.0%	9,208,246	100.0%	9,382,538	100.0%
Short-term borrowing	150,000	1.6%	0	0.0%	0	0.0%
Accounts payable	208,603	2.2%	147,893	1.6%	75,984	0.8%
Current liabilities	460,946	4.9%	251,953	2.7%	388,568	4.1%
Long-term liabilities	0	0.0%	0	0.0%	0	0.0%
Total shareholders' equity	8,579,809	91.6%	8,640,850	93.8%	8,639,693	92.1%

6. Operating performance

2018

Consolidated revenue
performance

	2018 Q2	2017 Q2	Annual growth
Operating revenues	792,194	684,516	15.7%
Operating costs	724,213	712,386	1.7%
Gross profit	67,981	(27,870)	-
Operating expenses	51,465	37,586	36.9%
Operating profit	16,516	(65,456)	-
Other income/expenses	36,662	74,249	-50.6%
Pre-tax profit	53,178	8,793	504.8%
Income tax expense	(2,244)	18,825	-
Current net income	55,422	(10,032)	-
Other comprehensive income - current	19,066	89,767	-78.8%
Total comprehensive income - current	74,488	79,735	-6.6%
Earnings per share	0.10	(0.01)	-
Closing outstanding shares (,000 shares)	572,000	572,000	-

6. Operating performance

2018 Consolidated balance sheet

	2018 Q2	%	2017 Q2	%
Cash and cash equivalents	188,136	2.01%	443,818	4.77%
Notes and accounts receivable	366,937	3.93%	287,051	3.08%
Inventory	646,066	6.91%	612,176	6.58%
Current assets	2,236,281	23.93%	1,932,784	20.76%
Total assets	9,345,258	100.00%	9,309,384	100.00%
Short-term borrowing	49,987	0.53%	0	0.00%
Accounts payable	115,415	1.24%	184,650	1.98%
Current liabilities	475,767	5.09%	420,726	4.52%
Long-term liabilities	0	0.00%	0	0.00%
Total shareholders' equity	8,537,031	91.35%	8,573,009	92.09%

6. Operating performance

Consolidated Operating Revenues by Department in the 1st Half of the year

NT\$ thousands

Dept.	1 st half 2018	Percentage	1 st half 2017	Percentage	Growth rate
Cement	597,475	75.42%	582,746	85.13%	2.53%
Slag powder	115,511	14.58%	74,526	10.89%	54.99%
Leasehold	27,527	3.47%	27,244	3.98%	1.04%
Others	51,681	6.52%	0	0.00%	0.00%
Total	792,194	100.00%	684,516	100.00%	15.73%

6. Operating performance

Consolidated Gross Profitability by Department in the 1st Half of the year

NT\$ thousands			
Dept.	1 st half 2018	1 st half 2017	Differential discrepancy
Cement	26,440	(27,932)	54,372
Slag powder	14,726	(10,240)	24,966
Leasehold	13,046	10,302	2,744
Others	13,769	0	13,769
Total	67,981	(27,870)	95,851

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7. Corporate social responsibilities

(I) Public charity to the society:

1. Rendering medical emergency rescues to society via Kaohsiung Veterans General Hospital.
2. Rendering financial sponsorship to Kaohsiung Veterans General Hospital with charity medical treatment services, medical promotion and medical care services.
3. Rendering financial sponsorship to Kaohsiung Blood Donation Center in the blood contribution.
4. Financially sponsored the fitness walking program of the communities.
5. Rendering financial sponsorship toward warmth in the winter and parent-child programs to the needy.

(II) Environmental management:

1. Successful acquisition of ISO14001 Environmental Management System.
2. Discontinuance of the rotary kiln manufacturing process to no longer use any coal in 2017.
3. Successful reduction of effluent waste water by 52% in 2017 in comparison with 2016.

7. Corporate social responsibilities

(III) Circulatory economy

1. Through the efforts to update equipment & facilities and improve the manufacturing process, the Company anticipates to reduce use electricity up to 1.57 million.
2. In 2017, the Company conserved power consumption by 0.94%, a huger number compared with 0.84% in 2016.
3. In 2017, the Company successfully recycled up to 90% of effluent waste water.
4. In 2017, we adopted desulphurization gypsum (FDG) for the power plant. Thanks to such policy, we reduced the use of imported gypsum by up to 23,508 M.T. in that year.
5. Also in 2017, we successfully recycled the lubricant for machinery & equipment, up to 2,100 liters which was used for lubrication for chains.

7. Corporate social responsibilities

(IV) Friendly workplace

1. Here at the Company, we insist on equal pay for equal work policy, absolutely free of a discrimination by gender.
2. Throughout 2017, there was not a single incident involving discrimination, sexual harassment, infringement upon human rights or an impact upon the society.
3. Throughout 2017, the Company maintained a clean and unstained record in violation of labor related laws, without any record of penalty imposed upon labor inspection at all.
4. In entire Year 2017, there was not any single case of occupational disease.

7. Corporate social responsibilities

(V) Customers and supply chains:

1. The Company successfully acquired ISO9001 quality record.
2. The Company's products prove 100% satisfactory to the CNS national standards/criteria.
3. In all aspects of services to customers, the Company was appraised and rated above 95 points.
4. For all of 2017, the Company did not run into any significant impact from a supplier.

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8. Future prospect

A blue circle with a grey border containing the text "Public projects".

Public projects

(1) The government's active support for Forward-Looking Infrastructure

In 2018, other than the master budget, the government (Cabinet) worked out special annual budgets to launch Massive Infrastructure Programs focusing on rail construction, marine-oriented environmental green energy, digital and urban-rural development with a total of NT\$73.1 billion budget for that year alone, to boost industrial innovation and economic growth.

Under the Cabinet's Massive Infrastructure Programs for period 2018~2025, the total budget comes to NT\$44.117 billion whereunder the demand for cement might increase by 19.2 million tons, with up to 2.40 million tons of additional cement in demand every year. That means the Company might benefit from the overall gain in the aspect of cement.

(2) Expansion of marketing channels for core products

The Company will strive for opportunities to participate in the infrastructure projects and market its products to the private construction market. In the meantime, efforts will be made to improve product quality and customer service, and develop the competitive advantage needed to secure main customers.

A blue circle with a grey border containing the text "Marketing channels".

Marketing channels

8. Future prospect



Circular economy

(3) Resource reuse in a circular economy - slag cement



The Company currently manufactures two types of product: cement and blast furnace slag. In light of the government's recent energy/carbon reduction efforts, there should be increasing demand for these products on green buildings. "Slag cement" is currently one of the popular products used in construction projects. "Slag cement" is made by blending water-quenched blast furnace slag with Portland cement in a high-performance mixer, and features many advantages such as high tensile strength, durability, compactness and resistance to chloride attack. The major earthquake in Tainan last year has brought the public's attention to the issue of . Since then, all construction works have included a soil treatment process that strengthens the foundation and prevents buildings from damage of soil liquefaction in the event of earthquake. In response to this trend, the Company plans to introduce "Southeast Slag Cement" into its existing product line in the future to meet market demands in southern Taiwan.

(4) Diversification through property management



The Company owns 8.35 hectares of land within Asia New Bay Area, which is currently undergoing the 80th land readjustment by Kaohsiung City Government. The land readjustment is expected to be completed by January 31, 2019. The Company expects to profit from the active use of this property; in addition, it also presents an opportunity for Southeast Group to diversify into real estate development or other businesses, thereby enabling the Company to transform over time.



Diversification



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Thanks for Listening!

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