

2019



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



Investor Seminar


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Company Highlights

1. Company history

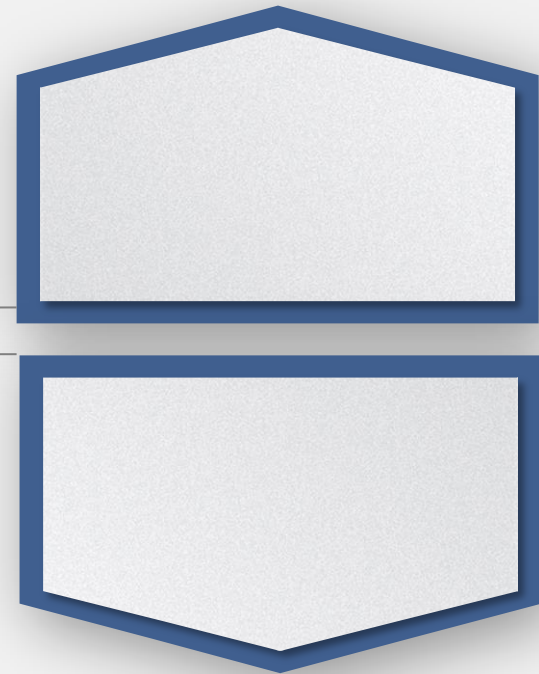


Company profile

- 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: 106
- Chairman: Min-Duan Chen
- President: Chang-Chih Wu
- Main products: Portland cement, Portland slag cement and water-quenched blast furnace slag
- Business coverage: cement production and trade, house and land leasing, land development, cable TV and recycling business.

Investments and affiliated enterprises

Southeast Investment Co., Ltd., Southeast Paper Manufacturing Co., Ltd., Southeast Asset Development Co., Ltd., Southeast Gao Liang Recycling 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.



3. Main products and application



01

Type 1 Portland cement

Bagged cement, Bulk cement

02

Type 2 Portland cement

Bulk cement

03

Portland slag cement

Bagged, Bulk

04

Southeast waterproof cement

Bagged cement

05

Water-quenched blast furnace slag

Bulk

3. Main products and application

01

Type 1 Portland cement

- Referred to as general cement, it 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.

02

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 a dam, bridge, reservoir, etc.
(3) Underground foundations, such as a building basement, underpass, tunnel and the underground mass railway transit system.

03

Portland slag cement

- A mixture of Portland cement and blast furnace slag that meets CNS15286 standard.
- Properties: lower hydration heat, high compressive strength in the later period, durability and low cost.
- Applications: soil improvement, dam engineering, maritime engineering, tunnel engineering, and sewer, bridge and river bank engineering.
- Bagged slag cement: suitable for tile work. Easy to work with due to the longer final setting time, and able to prevent efflorescence and molds.

04

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.

05

CNS Mark

- Southeast cement has been certified with 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 in terms of quality is the strongest commitment and promise that we can offer consumers.

4. Introduction to new products and applications



**Infiltration
-resistant**

**Mold-
resistant**

**Crack-
resistant**

**Inhibits
efflorescence**

**Works with tile or
paint surface**

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 three years ago in this respect was the "Southeast Waterproof Cement" which, despite being water-impermeable, is air-permeable. These characteristics can effectively protect buildings from corrosion due to acid rain or moisture, which may cause problems such as water leakage, weathering, cracking or erosion of the steel structure. The product is free from toxic elements or hazards. It improves the endurance of buildings, hence assuring residents by providing better safety and a lifestyle of higher quality.

Actual applications of waterproof cement

01. Long Terng Construction - Project "Let's Smile" in Kaohsiung City

02. Southeast Asset Development - Project "Dongnan Fengge" in Pingtung City

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

04. Lung Chu Construction - "My Ocean" project in Kaohsiung City

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

06. Long Terng Construction - Project at Zhizhen Road

07. Long Terng Construction - Project THSR

08. Ray Young Construction - Project at Guoqing Street

09. Long Terng Construction - Project at Wenbin Road

10. Truedreams Construction - Factory construction project in the Tongluo Science Park

11. Long Terng Construction - Project at Kongzhai

12. Long Terng Construction - Project at Mingcheng 4th Road

4. Introduction to new products and applications



High
compressive
strength

Excellent
durability

Low cost

Inhibits
efflorescence

Mold-
resistant

A mixture of Portland cement and blast furnace slag that meets CNS15286 standard. Lower hydration heat, high compressive strength in the later period, durable and low cost Suitable for tile and stone work. As calcium hydroxide is consumed in the pozzolania reaction of slag powder in the product, this effectively inhibits efflorescence. Moreover, as it is low on alkali content, thus inhibiting the alkali-aggregate reaction, it can prevent molding.

5. Overview of the land development business

01

The subsidiary "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.

02

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 investments in the construction of environmental protection-oriented green buildings for residential and commercial purposes.

03

In 2017, the Company launched a construction project covering 39 ground-to-rooftop buildings (single family houses) in Pingtung which anticipated a sales turnover of NT\$400 million with sold-out.

04

This year (2019), the Company has set up Singaporean-styled mansions, a total of 56 housing units, in Pingtung City with the total sales turnover anticipated at NT\$420 million. The Company has also scheduled to build residence buildings, 109 units in Xinxing Dist., Kaohsiung City in total, anticipating a NT\$750 million sales turnover. The Company is also scheduled to build 41 ground-to-rooftop buildings (single family houses) in Dongshan Dist., Tainan City, with the total sales turnover anticipated at NT\$360 million next year. Furthermore, the Company has scheduled to design and plan the construction of 16 mixed-use houses as well as 106 units of residential buildings, with the anticipated sales turnover of NT\$1.2 billion. It is also planning to apply for its license in November of this year.

05

In the Asia New Bay Area, Kaohsiung, the Company owns 8.35 hectares, the redistricting of which is scheduled to be completed by March 26, 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 with the purposes of use in "7A Special Trading Purposes," it 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. It is now welcoming investments.



Industry Highlights

1. Ready mixed concrete market

The cement industry depends heavily on domestic economic development. Since the implementation of the Forward-Looking Construction plans and major engineering construction of the Executive Yuan, the budget of the public sector has been increasing steadily and the number of construction projects has grown in 2019. With the increase of factory buildings due to the US-China trade war which brings the return of Taiwanese investment, there has been a steady growth of demand for cement and ready-mixed concrete. The domestic supply and demand of the cement market are stable.

△Shipment amount of concrete in Taiwan: Comparison between 2019 H₁ and 2018 H₁

2019 H1			2018 H1			Annual Growth in amount (%)	Annual growth in sales volume (%)
Annual (thousand m ³)	Unit price (NTD/m ³)	Sales volume (Thousand NTD)	Annual (thousand m ³)	Unit price (NTD/m ³)	Sales volume (Thousand NTD)		
19,691	1,801	35,457,329	19,123	1,679	32,110,986	+568 thousand m ³ +2.97%	NT\$ 3,346,343 thousand +10.42%

2. Housing Market

△Area of construction initiated in the Taiwan Region: Comparison between 2019 H1 and 2018 H1

	2019 H ₁ (m ²)	2018 H ₁ (m ²)	Percentage difference (%)
Northern region	6,099,372	5,807,552	5.02%
Central region	3,701,553	2,766,398	33.80%
Southern region	2,920,750	2,695,946	8.34%
Eastern region and others	626,708	1,130,181	-44.50%
Total	13,348,383	12,400,077	+7.65%

Construction and Planning Agency, Ministry of the Interior

3. Cement Industry

△ With the advantage of lower-priced cement, imported cement has taken up a larger market share in the past 3 years.

Unit: ton

	2016	2017	2018	2019 H1
Import volume (cement + clinker)	1,397,585	1,837,594	2,075,073	1,266,571
Domestic cement consumption	10,245,815	10,173,998	10,683,015	5,699,846
Market share	13.6%	18.1%	19.4%	22.2%



Operating Highlights

1. H1 production and sales analysis

Sales regions: Southern region, with Kaohsiung, Pingtung and Tainan as the main sales targets, off-shore islands and the Central region

Unit: ton

	Production		Sales	
Type	Cement	Slag	Cement	Slag
2019 H1	280,842	74,510	275,054	73,712
2018 H1	237,811	84,761	257,392	85,327
Differential discrepancy	+18.9%	-12.1%	+6.86%	-13.6%

The cement market in the southern region is expected to prosper due to the contracting of new major construction projects and the promotion of the Forward-Looking Construction plan, such as the construction of an oil reservoir at the Kaohsiung Intercontinental Container Terminal, dredging at levee of the Tsoying Naval Base, planning of the Gangshan-Luzhu extension section of the Kaohsiung Rapid Transit, Tainan railway underground project, Southern Taiwan Science Park, plant constructions at the Luzhu Science Park, and civil constructions. These have greatly contributed to the sales volume of cement and slag powder.



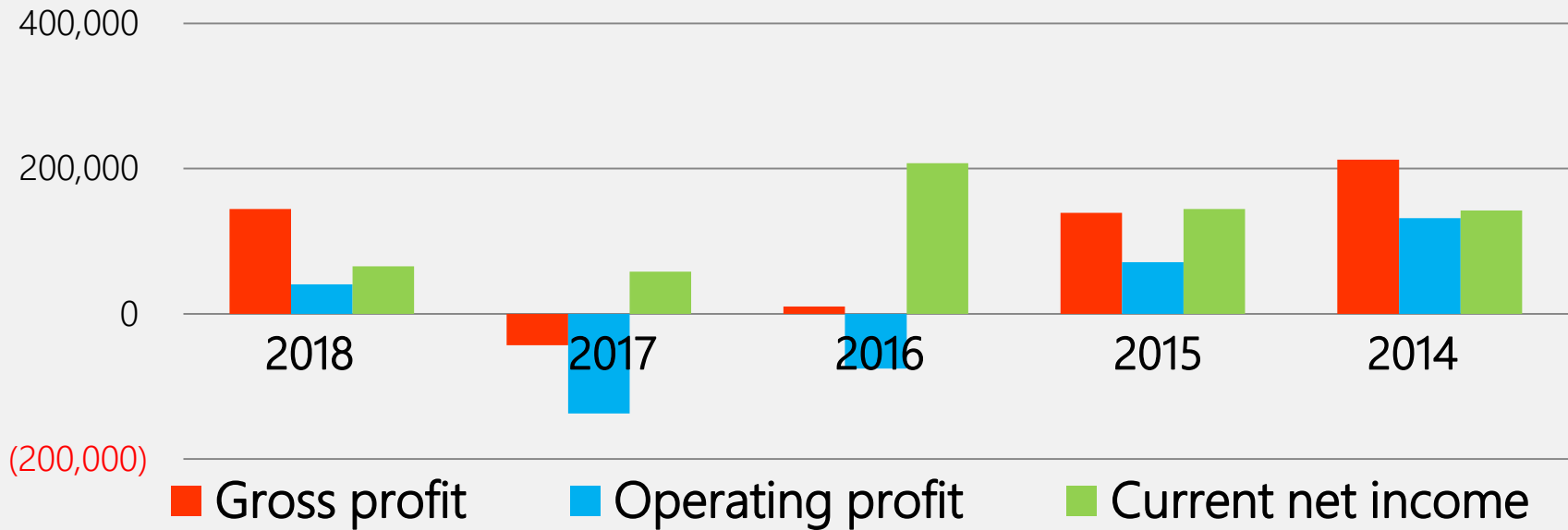
Financial Highlights

1. Operation results



Unit: thousand dollars

Consolidated Income



Year	2018	2017	2016	2015	2014
Operating revenues	1,676,187	1,716,725	1,478,515	1,857,289	2,078,224
Gross profit	144,454	-43,205	10,271	139,087	212,334
Operating profit	40,497	-137,175	-75,303	71,282	131,940
Current net income	65,589	58,307	207,603	144,466	142,301

1. Operation results

Consolidated balance sheet

	2018	%	2017	%	2016	%
Cash and cash equivalents	214,502	2.3%	369,847	3.9%	447,029	4.9%
Notes and accounts receivable	382,764	4.1%	337,127	3.6%	295,191	3.2%
Inventory	560,186	6.1%	408,198	4.4%	587,394	6.4%
Current assets	2,029,986	22.0%	2,117,646	22.6%	1,998,413	21.7%
Total assets	9,247,751	100.0%	9,365,291	100.0%	9,208,246	100.0%
Short-term borrowing	49,985	0.5%	150,000	1.6%	0	0.0%
Accounts payable	222,210	2.4%	208,603	2.2%	147,893	1.6%
Current liabilities	412,748	4.5%	460,946	4.9%	251,953	2.7%
Long-term liabilities	0	0.0%	0	0.0%	0	0.0%
Total shareholders' equity	8,512,138	92.0%	8,579,809	91.6%	8,640,850	93.8%

1. Operation results

Consolidated revenue performance

2019

	2019 Q2	2018 Q2	Annual growth (decline)
Operating revenues	781,597	792,194	(1.3%)
Operating costs	747,413	724,213	3.2%
Gross profit	34,184	67,981	(49.7%)
Operating expenses	40,675	51,465	(21.0%)
Operating profit	(6,491)	16,516	(139.3%)
Other income/expenses	38,314	36,662	4.5%
Pre-tax profit	31,823	53,178	(40.2%)
Income tax expense	6,787	(2,244)	(402.5%)
Current net income	25,036	55,422	(54.8%)
Other comprehensive income - current	92,061	19,066	382.9%
Total comprehensive income - current	117,097	74,488	57.2%
Earnings per share	0.04	0.10	(60.0%)
Closing outstanding shares (,000 shares)	572,000	572,000	-

1. Operation results

Consolidated Operating Revenues by the Department in H1

Unit: thousand NTD

Department	2019 H1	Percentage	2018 H1	Percentage	Growth rate
Cement	635,318	81.28%	597,475	75.42%	6.33%
Slag powder	107,469	13.75%	115,511	14.58%	(6.96%)
Leasehold	26,638	3.41%	27,527	3.47%	(3.23%)
Others	12,172	1.56%	51,681	6.52%	(76.44%)
Total	781,597	100.00%	792,194	100.00%	(1.34%)

1. Operation results

2018 H1 Consolidated Gross Profitability by the Department in H1

Unit: thousand NTD

Department	2019 H1	2018 H1	Differential discrepancy
Cement	22,291	26,440	(4,149)
Slag powder	3,957	14,797	(10,840)
Leasehold	13,297	13,046	251
Others	(5,361)	13,698	(19,059)
Total	34,184	67,981	(33,797)

2. Key financial performance indicators

Consolidated statements of recent years

	2018	2017	2016	2015	2014
Debt Asset ratio (%)	7.95	8.39	6.16	7.92	7.74
Current Ratio (%)	491.82	459.41	793.17	505.38	607.30
Return on Assets (%)	0.71	0.63	2.24	1.53	1.50
Return On Equity (%)	0.77	0.68	2.40	1.65	1.62
Profit margin (%)	3.91	3.40	14.04	7.78	6.85
Earnings per share (NTD)	0.12	0.11	0.19	0.25	0.26
Cash dividends per share (NTD)	0.1	0.1	0.1	0.2	0.3



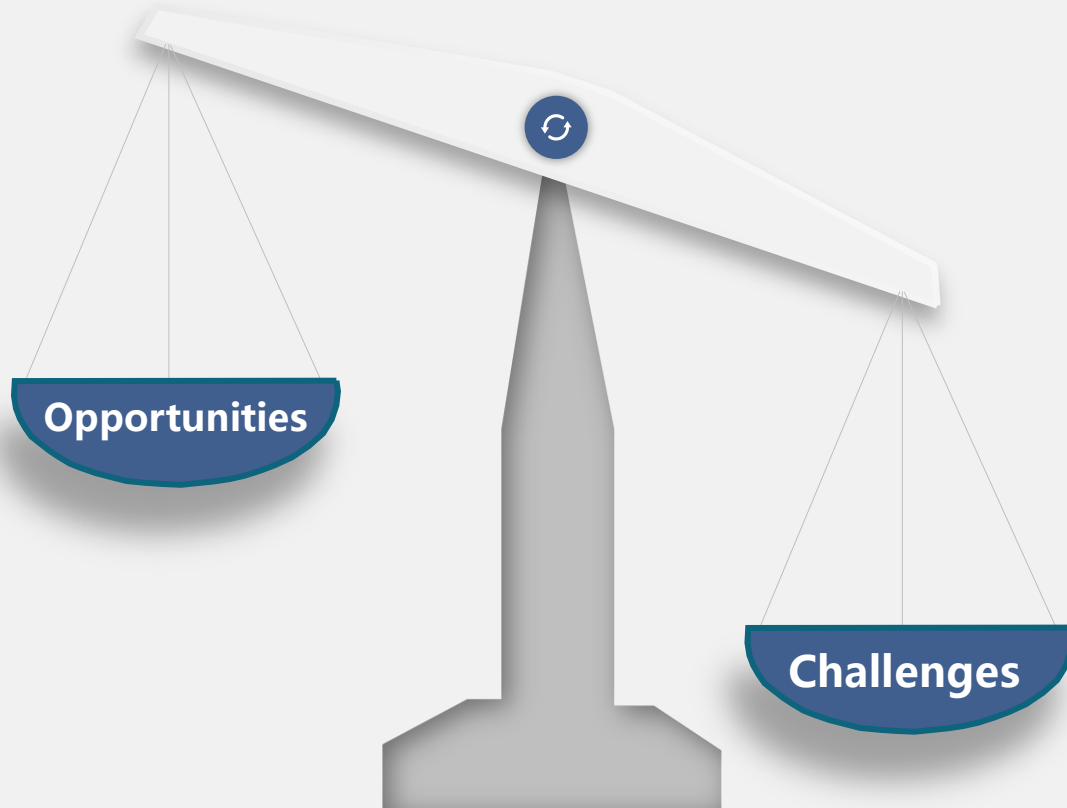
Future prospects



The Company's operations are still based on the production and sales of existing products. Also, we continue to develop new products in response to the market demands, improve the production process, upgrade equipment to improve production efficiency, develop sales channels for new products, open up new markets, improve customer service and reinforce quality control, ensuring our competitive advantage and market status.



2. Opportunities and Challenges



01

Opportunities:

Environmental protection is being emphasized more and more. If the government wishes to reduce residential and industrial waste, a business opportunity for environmental protection exists. Along with the low birth rate, it is expected that there will be a shortage of construction workers. Therefore, it will be a market trend to develop products such as dry-mix mortar to reduce construction costs.

02

Challenges:

With the tightening of the laws and regulation regarding environmental protection, the production cost is expected to rise. The situation was made tougher as imported cement invaded domestic market at competitive prices. Moreover, due to an anticipated rise in the cost of raw materials, labor and electricity, the Company has drawn up prudent plans to respond to the situation.

Strength

- ①The Company has been operating for more than 60 years and has earned the trust of its customers.
- ②Warehouses are located near highways with convenient locations, so the Company stands in a more advantageous position compared to other companies in the industry.

Weaknesses

- ①The domestic cement industry has reached its matured stage. The market demand is starting to decrease.
- ②The Tightening of the laws and regulations regarding environmental protection, and the rise of public environmental awareness.
- ③Low-cost imported cement is invading the domestic market.



Resources are reused in a circular economy Slag cement and controlled low strength materials (CLSM)

- The Company is planning to launch a new slag cement product in 2019 H2. "Slag cement" is made by blending water-quenched blast furnace slag with Portland cement in a high-performance mixer, which promotes the sales of cement and water-quenched blast furnace slag.
- The Company has established Southeast Gao Liang Recycling Co., Ltd, with CLSM as its main product. Non-hazardous wastes are collected and used as CLSM pallets after processing. It is expected to come into full operation in 2020 H2, officially making the Company a resource reusing company in a circular economy.



Q&A

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Thanks for Listening



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