



東南水泥股份有限公司

SOUTHEAST CEMENT CORPORATION

2017

Southeast Cement Corporation Investor Seminar

Stock ID: 1110

Date: October 26, 2017

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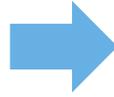
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Investor seminar



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1. Company history

Southeast Cement Corporation was founded by Mr. Chiang-Chang Chen, who was born on the less wealthy, less populated island of Penghu. Mr. Chen traveled to Kaohsiung in pursuit of a career during his youth. He began by working in the construction business, and later invested in a factory located at Banpingshan, Kaohsiung City on December 28, 1956. The factory began operations in March 1958, and for 60 years, the business has been motivated by its conviction towards ongoing improvements, and making top-quality construction materials such as “Southeast Cement,” “Southeast Slag,” “Southeast Waterproof Cement,” etc. under strict quality control while adopting fully automated and computerized procedures. Today, the Company prides itself for pursuing the highest quality and embraces its mission to contribute to quality construction works. The Company continually invests in research and development to improve its products, for which it has won the recognition and trust of both the market and customers, making its products the preferred choice in major public/private constructions.

The Company was listed for trading in October 1994. Mr. Min-Hsien Chen succeeded as the Company’s chairman in January 1999 and was later succeeded by Mr. Min-Duan Chen in October 2009, who both committed to continuing the Company’s legacy.

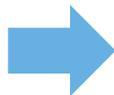
Founder Mr. Chiang-Chang Chen
founded Southeast Cement on December 28, 1956

October 1994
Shares listed on TWSE for
trading

January 1999
Min-hsien Chen
succeeded in the role of
Chairman

October 2009
Mr. Min-Duan Chen
succeeded in the role of
Chairman

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2. Company introduction

Company
introduction

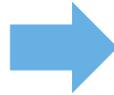
Company profile

- **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.

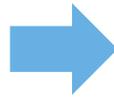
Blast furnace slag

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



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



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

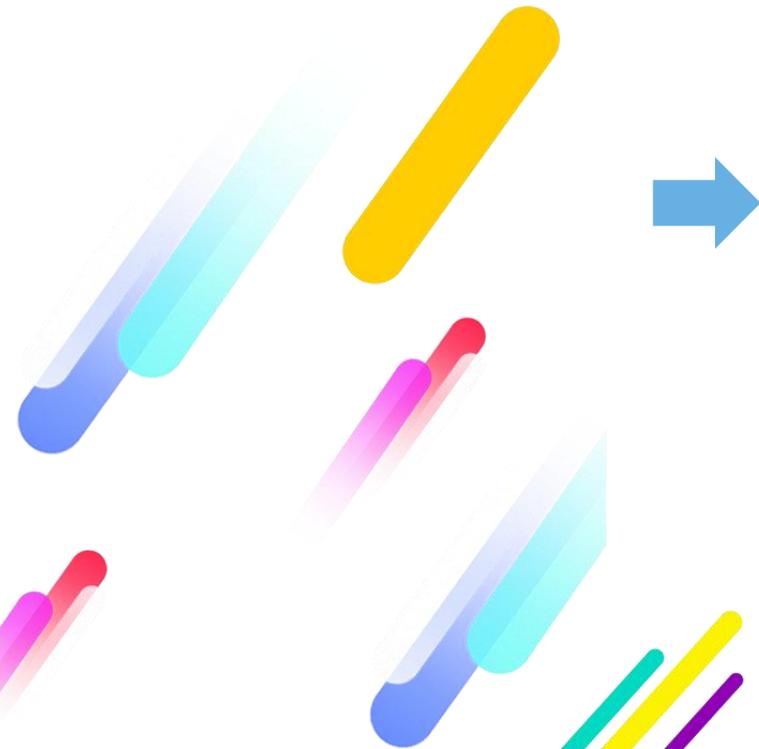


Southeast Asset Development – Project "Chonglan Dongnan Fengge" in Pingtung City



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

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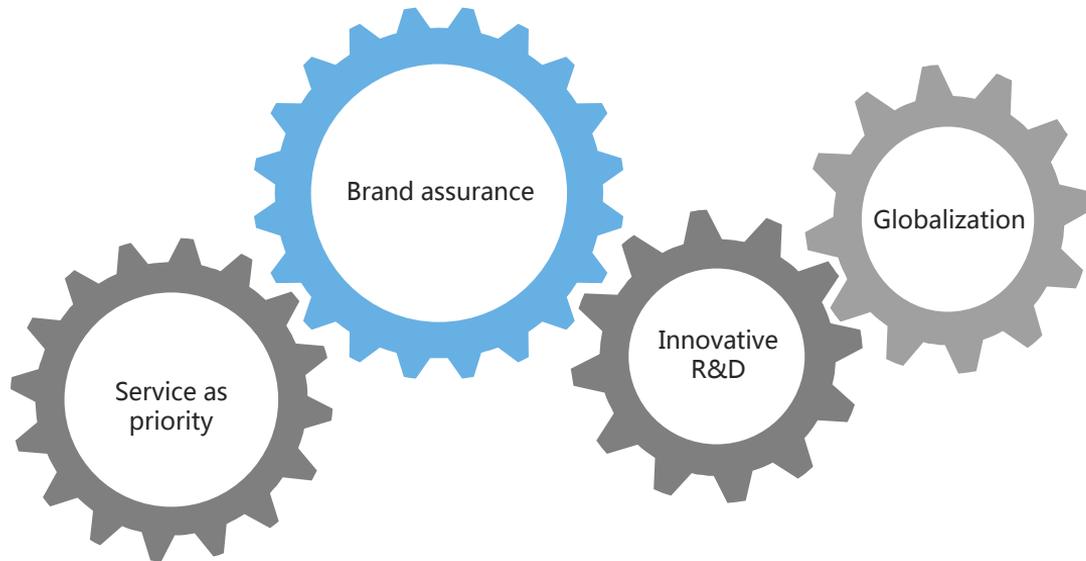
Q&A

5. Overview of land development business



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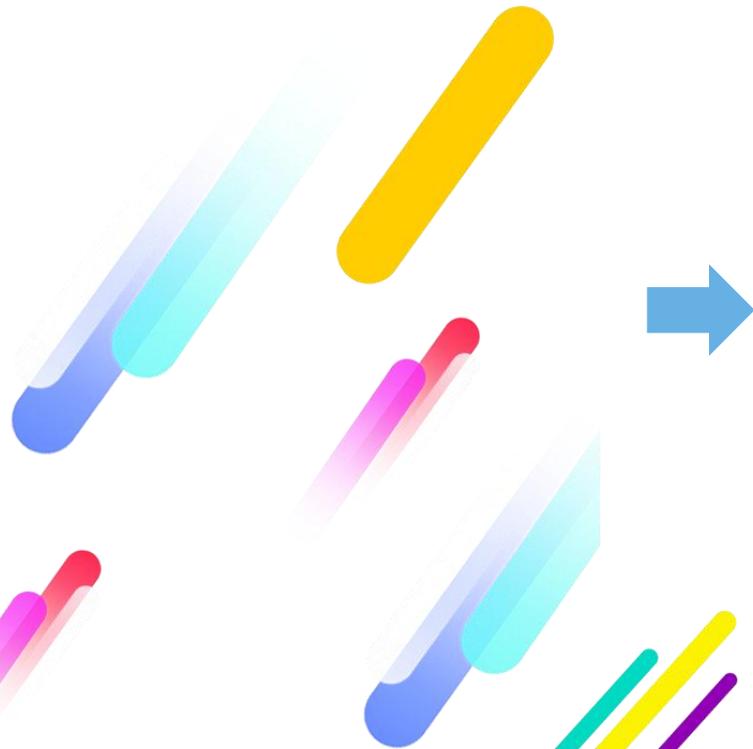
In order to develop the large areas of land the Company had in its possession, Southeast Cement Corporation founded a subsidiary called "Southeast Asset Development Co., Ltd." (Southeast Asset) in May 2015. Group Chairman Mr. Min-Duan Chen assumed the role of Chairman in Southeast Asset, while Mr. Kuan-Hua Chen was appointed President of the subsidiary. The subsidiary's primary business focus was to consolidate land properties owned by Southeast Cement Group and explore ways to make more efficient use of them, such as residential, commercial or other real estate developments.

Southeast Cement Group 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 March 31, 2018.

Southeast Asset inherits the philosophy of its parent company - Southeast Cement Corporation and places "service and brand assurance" as the top priority of its business. The subsidiary primarily develops residential and commercial buildings throughout Kaohsiung, Pingtung and Tainan with a focus on environment friendliness and green features. Its landed property project in Pingtung City has been completed, and given the favorable sales results it has achieved, the project is expected to contribute profit to the subsidiary.

Despite being a new company, Southeast Asset has proven to be a consistent performer with sustainable profit prospects. Its existence contributes diversity and profits to Southeast Cement Group.

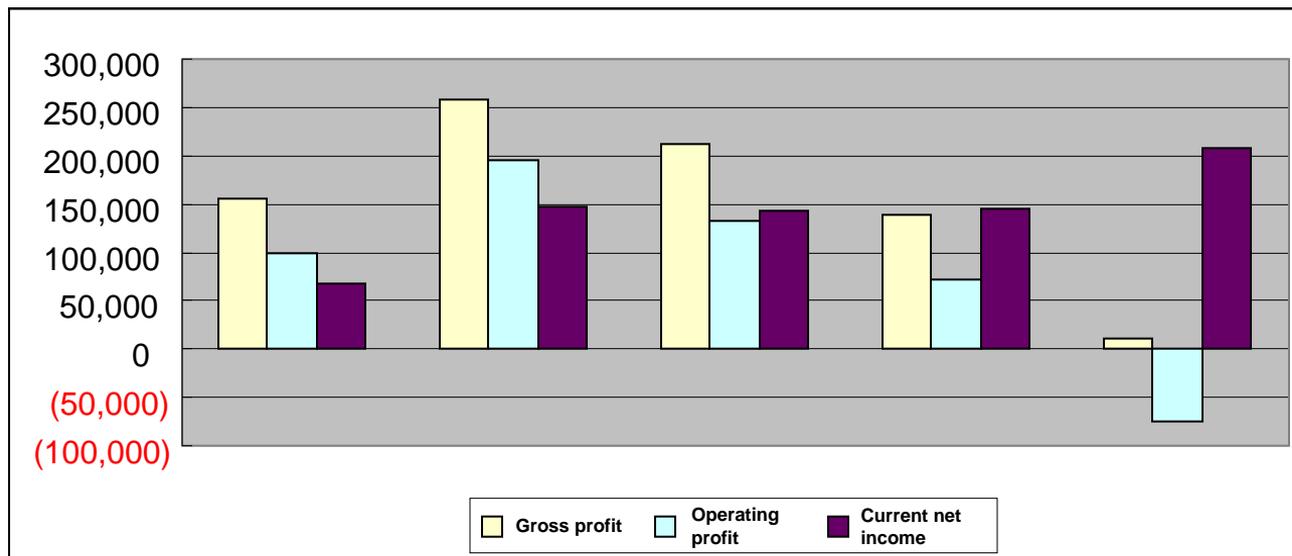
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6. Operating performance

Consolidated income statement



Year	2012	2013	2014	2015	2016
Operating revenues	1,635,019	2,024,604	2,078,224	1,857,289	1,478,515
Gross profit	155,299	257,671	212,334	139,087	10,271
Operating profit	98,776	194,430	131,940	71,282	(75,303)
Current net income	68,573	146,860	142,301	144,466	207,603

6. Operating performance

Consolidated balance sheet

	2016	%	2015	%	2014	%
Cash and cash equivalents	447,029	4.9%	496,486	5.3%	314,885	3.3%
Notes and accounts receivable	295,191	3.2%	428,736	4.6%	464,980	4.8%
Inventory	587,394	6.4%	553,881	5.9%	428,468	4.5%
Current assets	1,998,413	21.7%	1,963,758	20.9%	1,788,502	18.6%
Total assets	9,208,246	100.0%	9,382,538	100.0%	9,602,737	100.0%
Short-term borrowing	0	0.0%	0	0.0%	0	0.0%
Accounts payable	147,893	1.6%	75,984	0.8%	64,545	0.7%
Current liabilities	251,953	2.7%	388,568	4.1%	294,502	3.1%
Long-term liabilities	0	0.0%	0	0.0%	0	0.0%
Total shareholders' equity	8,640,850	93.8%	8,639,693	92.1%	8,859,325	92.3%
Key indicators						
Current ratio	793.17		505.38		607.30	
Quick ratio	557.70		362.16		456.89	

6. Operating performance

2017

Consolidated revenue
performance

	2017 Q2	2016 Q2	Annual growth
Operating revenues	684,516	787,588	-13.1%
Operating costs	712,386	731,647	-2.6%
Gross profit	(27,870)	55,941	-149.8%
Operating expenses	37,586	35,448	6.0%
Operating profit	(65,456)	20,493	-419.4%
Other income/expenses	74,249	196,183	-62.2%
Pre-tax profit	8,793	216,676	-95.9%
Income tax expense	18,825	(18,644)	-201.0%
Current net income	(10,032)	235,320	-104.3%
Other comprehensive income - current	89,767	(27,681)	-424.3%
Total comprehensive income - current	79,735	207,639	-61.6%
Earnings per share	(0.01)	0.24	-104.2%
Closing outstanding shares (,000 shares)	572,000	572,000	0.0%

6. Operating performance

2017 Consolidated balance sheet

	2017 Q2	%	2016 Q2	%
Cash and cash equivalents	443,818	4.77%	390,610	4.11%
Notes and accounts receivable	287,051	3.08%	354,306	3.73%
Inventory	612,176	6.58%	600,697	6.32%
Current assets	1,932,784	20.76%	2,197,446	23.13%
Total assets	9,309,384	100.00%	9,499,279	100.00%
Short-term borrowing		0.00%		0.00%
Accounts payable	184,650	1.98%	165,017	1.74%
Current liabilities	420,726	4.52%	446,822	4.70%
Long-term liabilities		0.00%		0.00%
Total shareholders' equity	8,573,009	92.09%	8,732,738	91.93%
Key indicators				
Current ratio	459.39		491.79	
Quick ratio	311.11		350.78	

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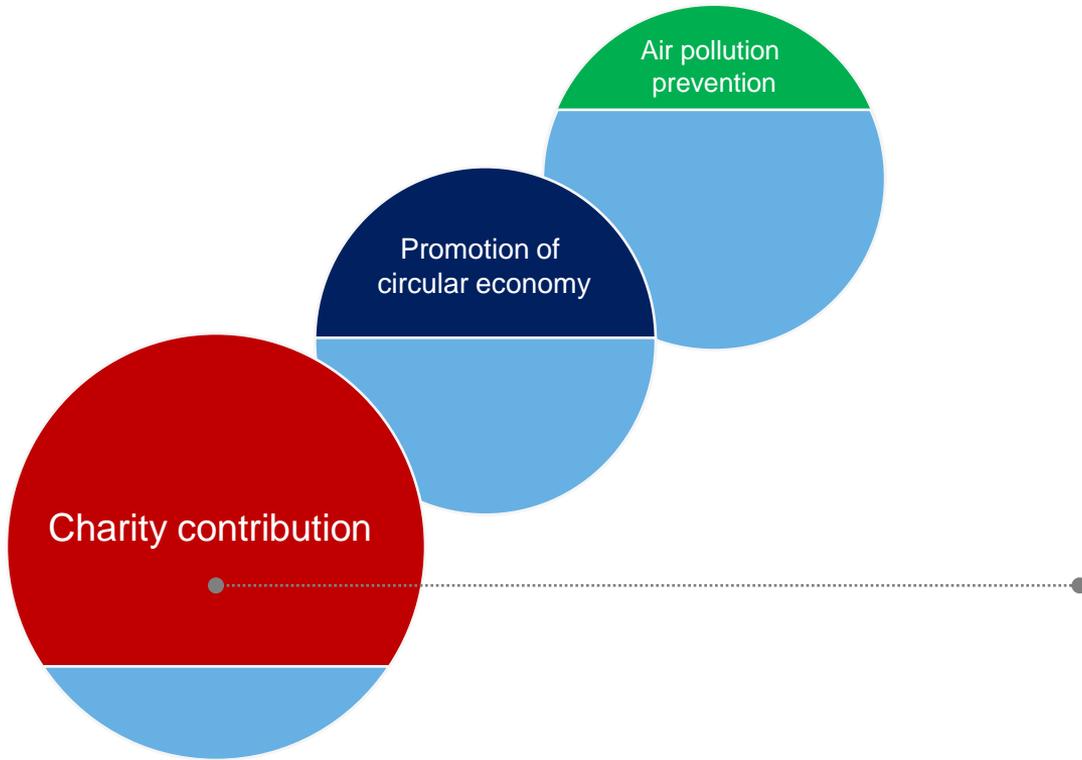
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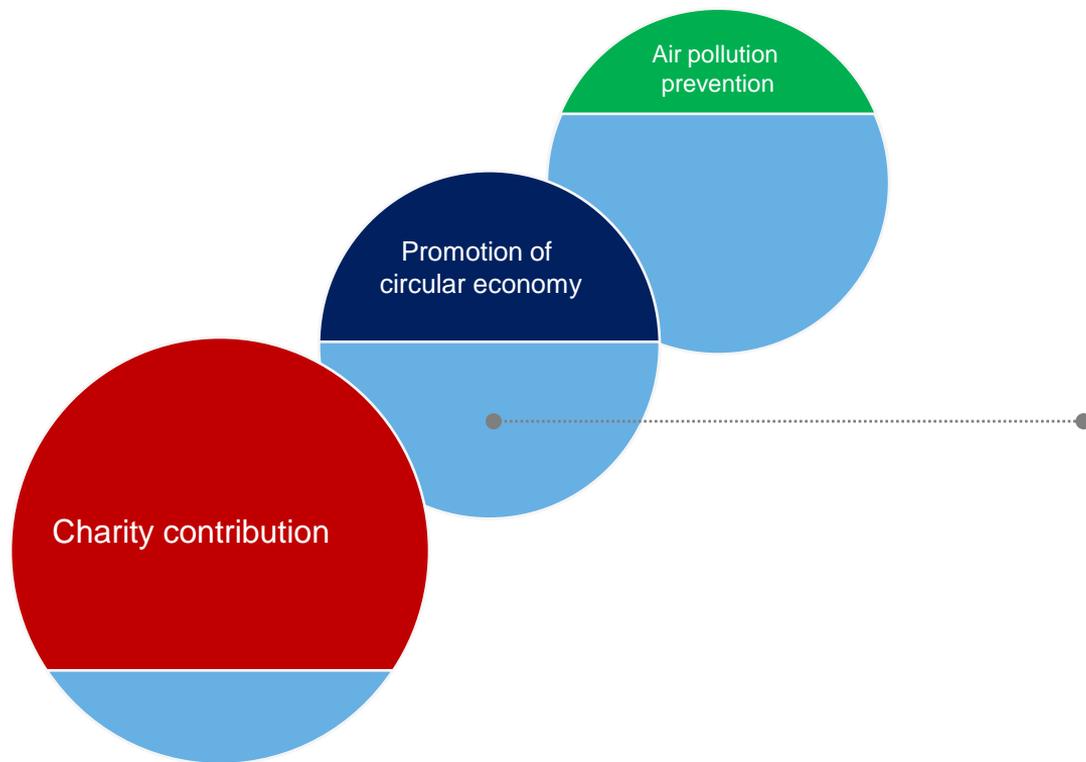
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7. Corporate social responsibilities



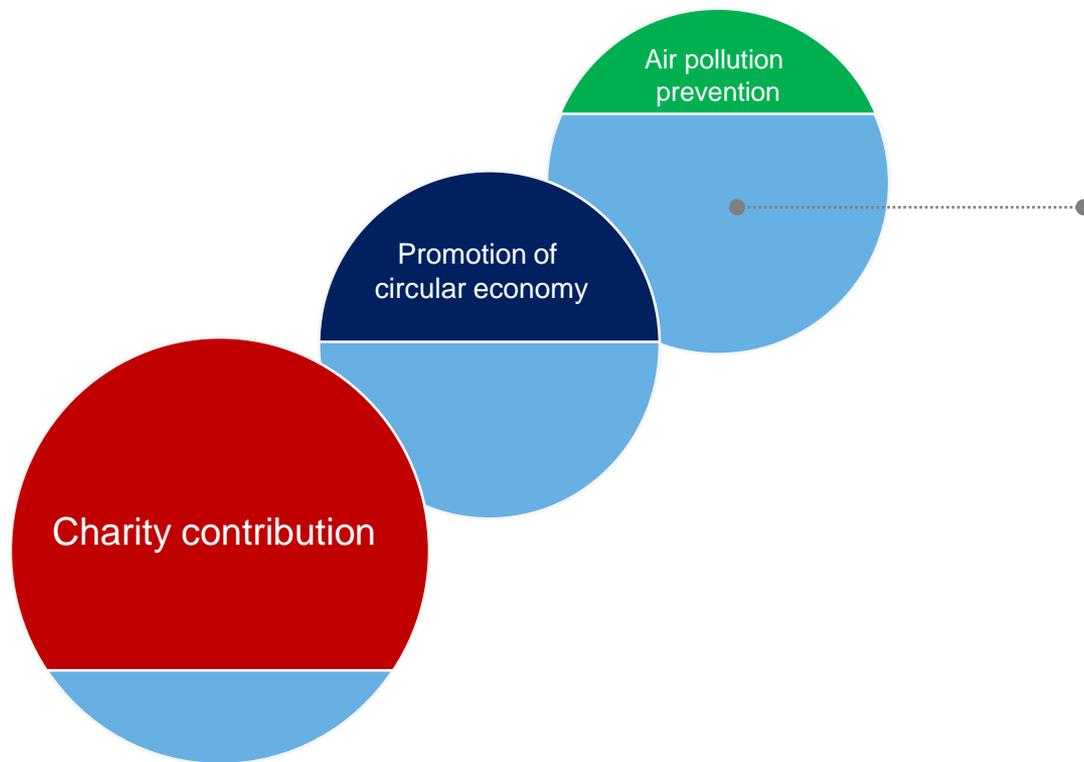
The Company recognizes its corporate social responsibilities and is actively involved in charity activities. It makes donations to disaster relief, public welfare organizations, schools and artistic and cultural events as a means to give back and care for the society. On August 1, 2014, Kaohsiung City suffered the worst gas explosion in history. As a local business, Southeast Cement felt the suffering of local residents and donated NT\$10 million for disaster relief. In addition, Southeast Cement Group organizes two blood donation events per year, and in support of this cause, the group donated a blood donation vehicle and mobilizes employees to help collect nearly one thousand bags of blood each year for Kaohsiung Blood Center. The Company also directs long-term attention to charity works in remote areas. Each year, the Company joins physicians from Kaohsiung Veterans General Hospital in voluntary medical service at in Penghu, sponsors medical schools in making service visits at remote areas, and donates strollers and supplies to remotely located schools and charity organizations. The significant budget, manpower and supplies invested is an indication of the Company's commitment to aiding the less fortunate, which is part of its social responsibilities.

7. Corporate social responsibilities



High-temperature combustion characteristics of a rotary cement kiln makes it the best equipment for waste disposal. Today, the equipment has been burdened with the responsibility of processing industrial waste for the protection of environment in Taiwan. Under the “Cement Industry Development Strategies and Measures” established by the Ministry of Economic Affairs, it is part of the government’s initiatives to assist cement manufacturers in reducing greenhouse gas emission, and adopting the use of low-carbon fuel (alternative fuel) such as waste tires. The Company has been fully supportive of the government’s policies through actions such as: obtaining operational permits required by law, processing and reusing waste, and adopting the use of alternative materials and fuel. All of the above actions are intended to minimize energy, carbon and pollution to the environment, and represent protection efforts that the cement industry may contribute to the environment. However, due to environmental protection-related disputes near the factory premise, the Company has accepted the opinions of Kaohsiung City Environmental Protection Bureau and ceased the use of alternative materials and fuel since January 2016. The cessation has been reported to the Environmental Protection Administration, Executive Yuan, and to Kaohsiung City Environmental Protection Bureau, while the related equipment was removed from site. In the meantime, the Company continues to communicate with stakeholders in an attempt to resolve disputes and avoid further degradation to the Company’s reputation.

7. Corporate social responsibilities



The Company has always regarded air pollution prevention and environmental protection spending as part of its duties to the society since operations commenced. Driven by its attention to the environment, the Company makes plans each year to improve its air pollution prevention measures, and makes adequate budgets to enforce its actions. The series of event that happened in 2016 began with the Company being falsely accused when it had processed and made use of alternative materials/fuel strictly in compliance with regulations. These accusations later resulted in the cessation of business activities that resulted in major losses and treatments that were unfair to the Company. During the period of business cessation, the Company committed enormous resources and manpower to improve air pollution prevention measures, but despite having completed the trial run with test results showing full compliance with emission standards, the Company's motion to resume business activities was still rejected by the Environmental Protection Bureau. These sudden changes of policy have put businesses in confusion and undermined the government's credibility, raising doubts toward the new "circular economy" policy it recently proposed. For the protection of trust and business' rightful interests, it is our hope for the government to maintain consistency in its policies.

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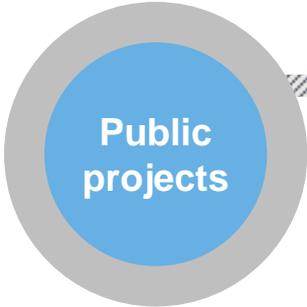
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8. Future prospect



Public projects

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

Following the approval of Special Act for Forward-Looking Infrastructure (draft) at the Legislative Yuan, the government will be budgeting NT\$424.133 billion for the construction of railway systems and NTD\$137.2 billion for urban/suburban constructions. Overall, the infrastructure project includes constructions in 5 main categories: railway, water, green energy, digital, and urban/suburban. The Forward-Looking Infrastructure project will stimulate demand for cement, and given Premier Lai's strong support for the execution of infrastructure spending under a growing economy, the Company expects to profit over the course of the project.

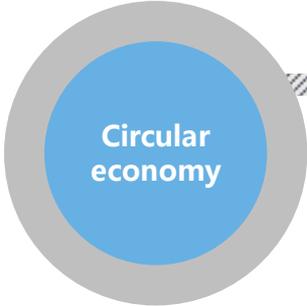
(2) Expansion of marketing channels for core products

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.



Marketing channels

8. Future prospect

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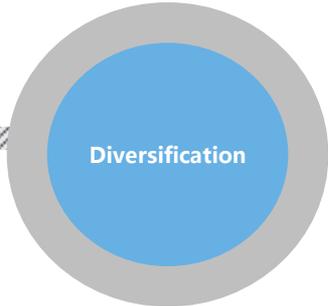
Circular economy

(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 March 31, 2018. 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.

A circular icon with a blue center and a grey outer ring. The text "Diversification" is written in white inside the blue center.

Diversification



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Thanks for Listening!

Q&A