



東南水泥股份有限公司

SOUTHEAST CEMENT CORPORATION

# 2022 Investor Seminar

Stock ID : 1110      Report time : 2022/11/30

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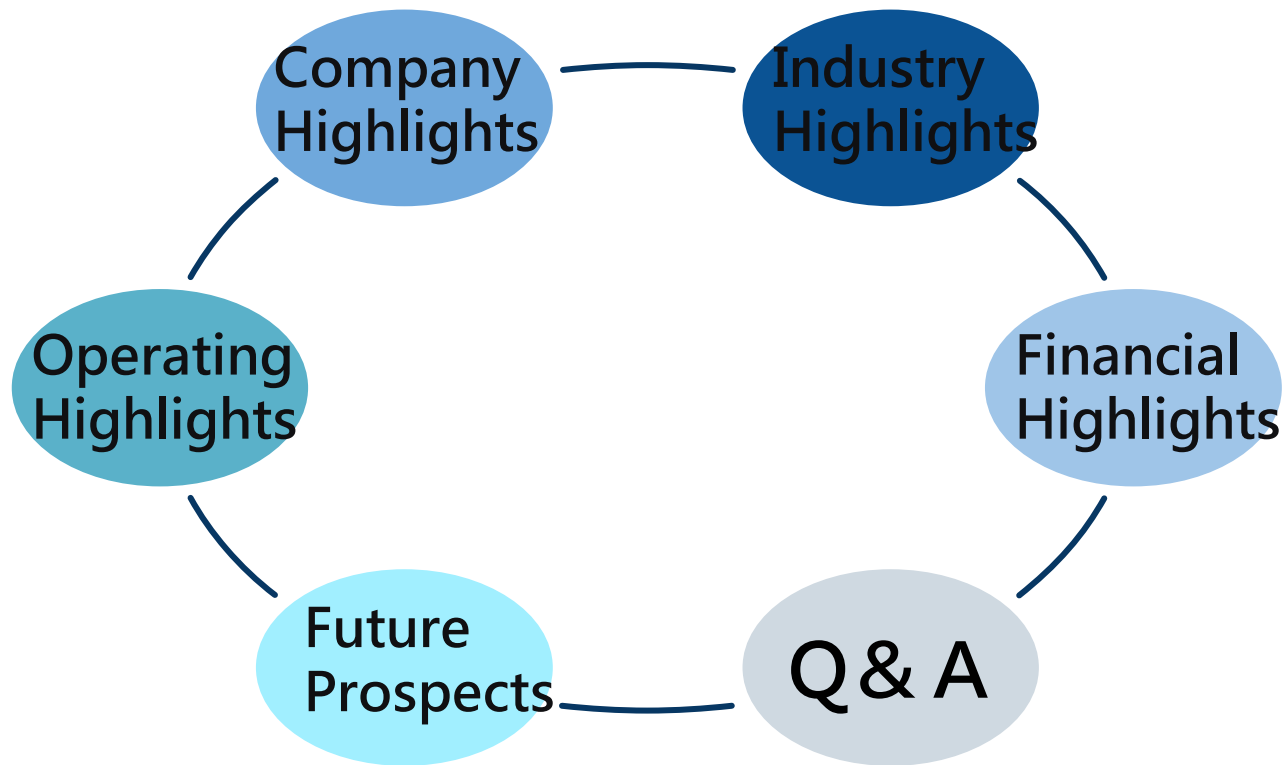
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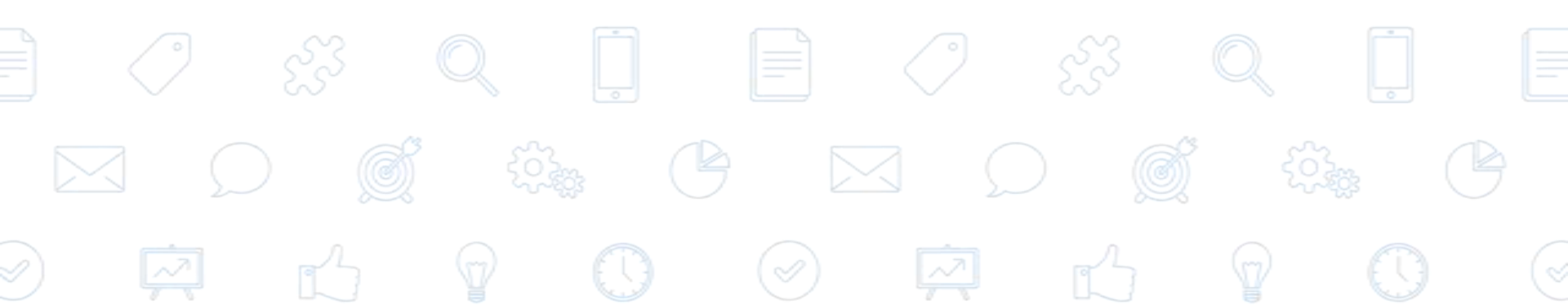
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**Content**



**HELLO!**





# Company Highlights



# COMPANY HISTORY

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

October 1994  
Shares listed on TWSE for trading

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

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



# Company Profile

## 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: 104
- ◆ Chairman: Min-Tuan Chen
- ◆ President: Kuan-Hua Chen
- ◆ 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.
  - ❖ Dong Nai Construction Co., Ltd.
  - ❖ Southeast Gao Liang Recycling Co., Ltd.
  - ❖ Southeast Milo International Co., Ltd.
  - ❖ Southeast Construction Co., Ltd.
  - ❖ CHC Resources Corporation
  - ❖ Nan Hsia Timber Co., Ltd.
- 

# MAIN PRODUCTS AND APPLICATION

Type 1  
Portland  
cement

Bagged  
cement,  
Bulk cement,  
Fibc bag

Type 2  
Portland  
cement

Bulk  
cement,  
Fibc bag

Portland  
slag cement

Bagged,  
Bulk, Fibc  
bag

Southeast  
waterproof  
cement

Bagged  
cement

Water-  
quenched  
blast  
furnace slag

Bulk



# MAIN PRODUCTS AND APPLICATION

## 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.

## 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.

## 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.
- ✓ Bulk slag cement : 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.



# MAIN PRODUCTS AND APPLICATION

## 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.

## 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 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.

## CNS Mark

- ✓ The CNS Mark is MOEA. product quality certification system. Southeast cement has been certified with the CNS Mark for more than 50 years. Our persistence in terms of quality is the strongest commitment and promise that we can offer consumers.



# OVERVIEW OF THE LAND DEVELOPMENT BUSINESS

The subsidiary "Southeast Asset Development Co., Ltd." was duly incorporated in May 2015, Changed its name to "Dong Nai Construction Co. Ltd." in June 2022 with Mr. Chen Min-Tuan serving as the Chairman and Mr. Chen Kuan-Hua serving as the General Manager.

**The construction is based on the spirit 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.**

Two projects in Pingtung City have been built and completed for sale in 2017 and 2019

Self-built and joint-built cases under construction

The 41 households in the Dongan case in Dongshan District of Tainan are expected to be completed in February 2023.

The 27 households in the Yannan section of Kaohsiung City's Yannan District are expected to be completed by March 2023.

Self-built and joint planning cases

Kaohsiung City, Renwu District, New Hougang West section planning 16 households on the road and 126 households on the 15th floor residential collection has obtained a building license to apply for changes

in design is expected to be completed in December 2025.

A total of 140 residential units are planned for the 5th floor of Hwa Hsia in the Dalyan section of Pingtung City, which has already obtained the building license and is expected to be completed in June 2024.

A total of 20 homes are planned to be built in Wufu, Chaozhou Township, Pingtung County, and the project is expected to be completed in May 2024.

A total of 144 residential units are planned to be built on the 5th floor of Fuchun section of Chaozhou Township, Pingtung County, and are expected to be completed in October 2024.

## OVERVIEW OF THE LAND DEVELOPMENT BUSINESS

- ▶ In April 2022, we established a subsidiary "Southeast Milo International Co. Ltd.". The Group holds 51% of the shares as a professional team for the future development of revitalized assets.

### **Asset activation section**

- ▶ The land in Kaohsiung Asia New Bay Area has been rezoned to 16,129.6 pings and was originally used as a parking lot, and a land lease has been signed with our subsidiary, Southeast Milo International Co., Ltd.. In order to establish a market segmentation, the overall planning will be carried out in the form of a park, which is expected to be developed in two areas, A and B. A large manufacturer will be stationed in area A (on the side of Fuxing Road), while 8 to 12 roadside stores and a three-dimensional parking lot are planned in area B (on the side of Chenggong Road), which is expected to attract first-tier chain brands from home and abroad to station there.

# Circular Economy Business Overview

- ▶ Southeast Gao Liang Recycling Co., Ltd. was established in 2019, and its Renwu plant has been completed to produce Controlled Low Strength Backfill Material (CLSM for short), which is mainly used as CLSM pellets after processing by recycling harmless business waste.
- ▶ The Renwu plant will sell 54,758 cubic meters of ready-mixed concrete in the third quarter of 2022. Due to the increasing demand of construction projects in Kaohsiung area, the sales volume will increase year by year in the future, and the environmental protection has become the key point of domestic economic development in recent years, we expect to spend more than 800 million yuan to build a new Dafa plant in Kaohsiung Dafa Industrial Zone, and expand the existing Kaohsiung plant in Renwu area and add a new intelligent production line. In the future, the Dafabet plant will receive waste from the general business and produce recycled concrete granules, which will be handed over to the Kaohsiung plant for making CLSM and other cement products to achieve effective reuse of resources.
- ▶ The EIA of the Dafabet plant has been approved, and is currently in the process of applying for the establishment permit, plant and equipment construction, trial operation, and operation permit. It is expected that the plant construction and equipment importation will be completed in the fourth quarter of 2023 and the application for commissioning will be made in the first quarter of 2024 after the application for operation permit is obtained.

# Industry Highlights



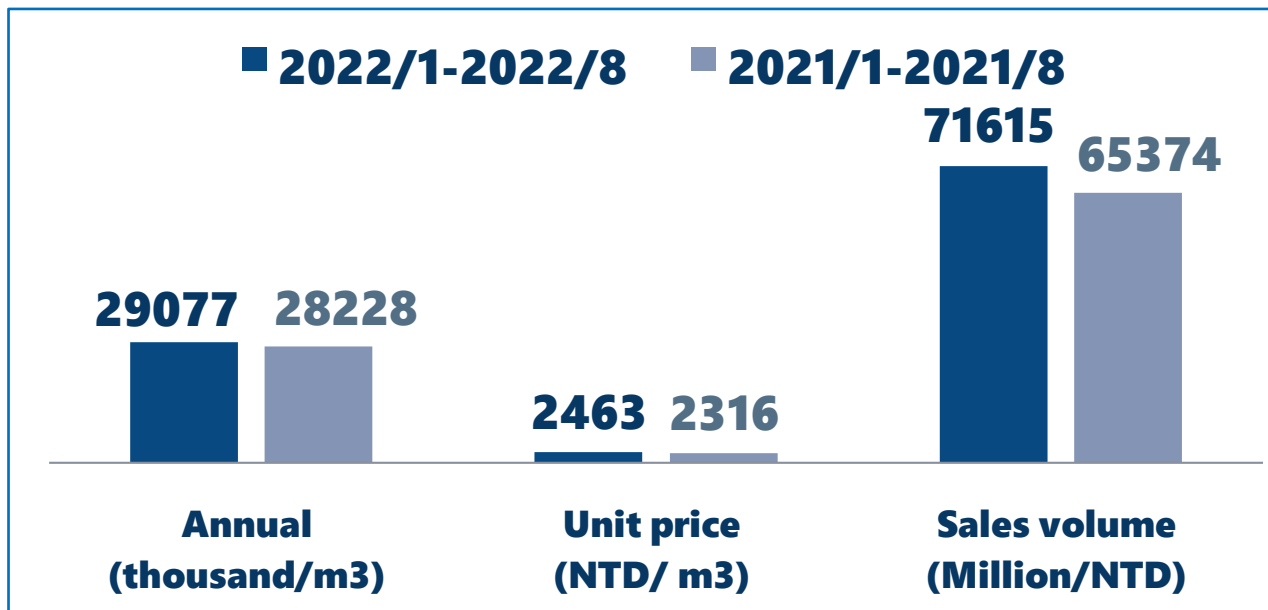
## Industry Overview :

Kaohsiung City's social housing project  
public works contracting in the Qiaotou Science Park  
TSMC's factory construction  
Renwu Industrial Park development  
MRT Red Line extension project  
MRT Yellow Line project contracting  
Zuoying Military Port tunnel and dock project  
and civil construction projects are still active and the area  
of construction is growing  
which helps cement shipments grow steadily



# READY MIXED CONCRETE MARKET

## Shipment amount of concrete in Taiwan : Comparison between 2022/1-2022/8 and 2021/1-2021/8



Department of Statistics, MOEA

Annual growth in amount(%) +849 thousand/m3 +3.01%

Annual growth in sales volume(%) +147 thousand/m3 +6.35%

# HOUSING MARKET

## Area of construction initiated in the Taiwan Region: Comparison between 2022/01-2022/08 and 2021/01-2021/08

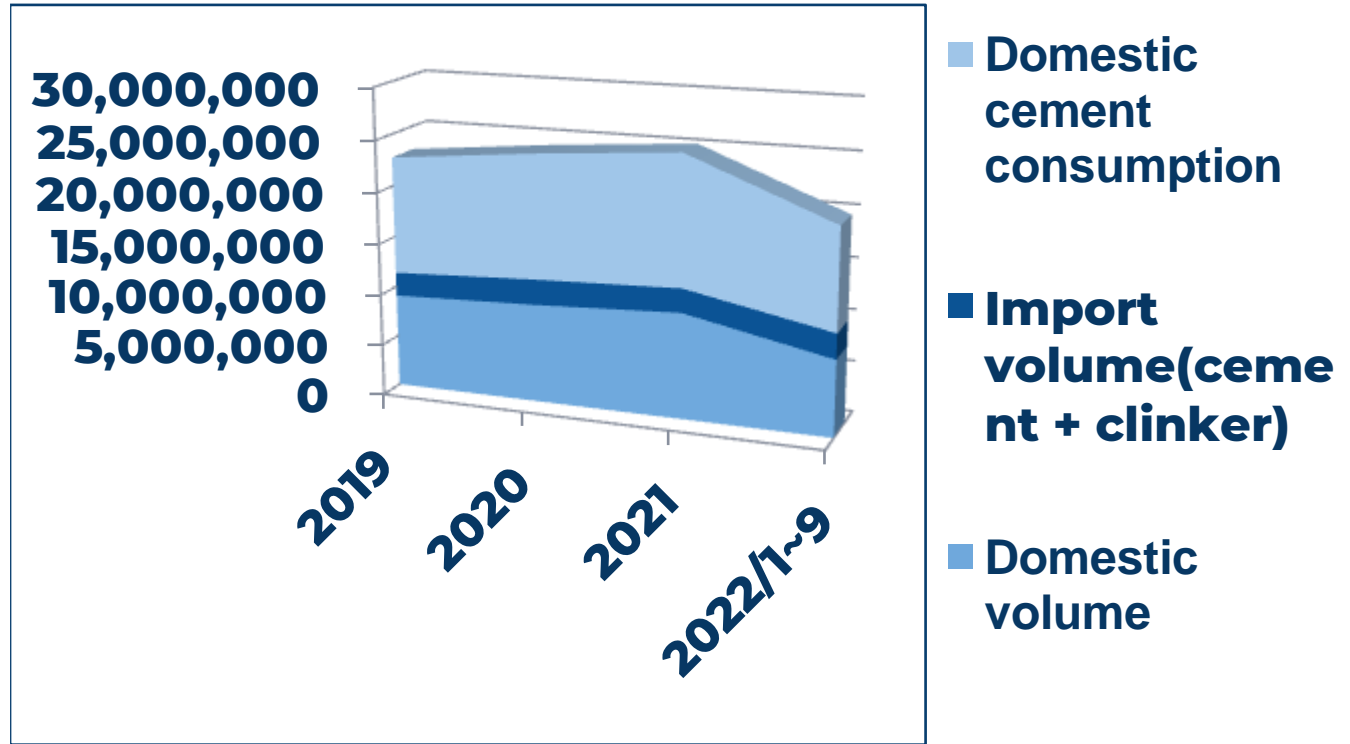
Unit: square meters

	2022/1-2022/8	2021/1-2022/8	Percentage difference(%)
Northern region	10,429,359	7,528,632	+38.53%
Central region	6,042,983	5,887,098	+2.65%
Southern region	6,367,178	4,897,336	+30.01%
Eastern region and others	735,798	1,083,430	-32.09%
Total	23,575,318	19,396,496	+21.54%



# CEMENT INDUSTRY

Unit: ton



△ 2022 Importers take advantage of low cost to increase imports have seriously eroded the domestic cement market.



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# OPERATING HIGHLIGHTS

# Q3 PRODUCTION AND SALES ANALYSIS

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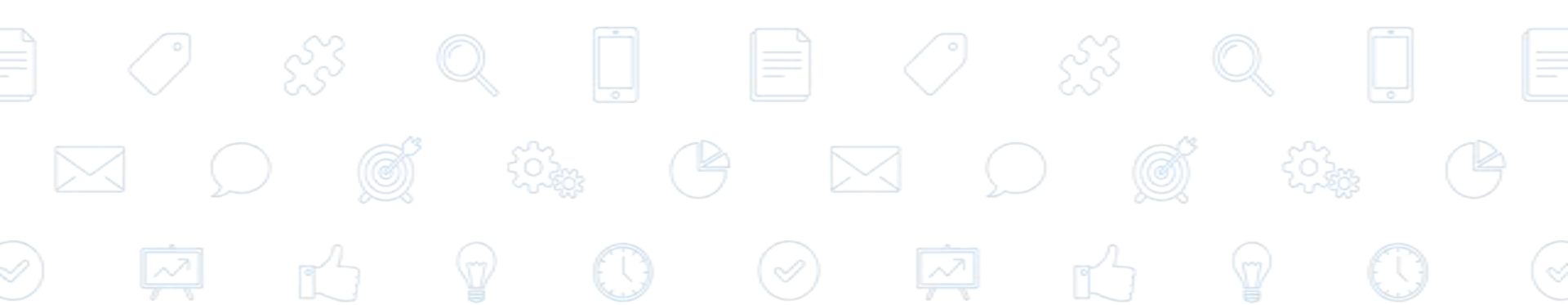
	Production		Sales	
Type	Cement	Slag	Cement	Slag
2022/1- 2022/9	<b>310,843</b>	<b>88,876</b>	<b>345,089</b>	<b>101,342</b>
2021/1- 2022/9	<b>386,364</b>	<b>113,695</b>	<b>405,893</b>	<b>110,433</b>
Differential discrepancy	<b>-19.55%</b>	<b>-21.83%</b>	<b>-14.98%</b>	<b>-8.23%</b>

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

# **SOUTHERN REGION MARKET ANALYSIS**

Currently, the TSMC plant construction project in Nanzhi, the development of the Renwu Industrial Park, the MRT Red Line extension project, the MRT Yellow Line project contracting project, the Zuoying Military Port tunnel and dock project, the construction of the Yida Hospital in Pingtung, and the Tainan North Outer Ring Road project...etc. continue to be in progress, contributing to the steady growth of cement and Slag powder shipments.





# **FINANCIAL HIGHLIGHTS**

## Operation results Consolidated income statement

Unit: thousand dollars

	2022/1- 2022/9	2021	2020	2019
Operating revenues	1,231,013	1,846,785	1,590,986	1,584,940
Gross profit	98,688	134,568	67,372	82,289
Operating profit	(8,900)	12,054	(30,573)	(8,509)
Current net income	15,893	133,811	16,949	33,243

# Operation results

# Consolidated balance sheet

Unit: thousand dollars

	2022/9/30	%	2021	%	2020	%	2019	%
Cash and cash equivalents	190,975	1.7%	419,504	3.8%	176,743	1.8%	207,931	2.1%
Notes and accounts receivable	350,485	3.1%	341,504	3.1%	415,858	4.2%	397,060	4.1%
Inventory	974,321	8.6%	841,074	7.7%	884,310	9.0%	650,957	6.7%
Current assets	1,986,120	17.6%	2,053,373	18.7%	1,963,779	19.9%	2,026,192	20.8%
Total assets	11,279,466	100.0%	10,958,500	100.0%	9,865,320	100.0%	9,740,348	100.0%
Short-term borrowing	1,180,000	10.5%	1,240,000	11.3%	235,000	2.4%	200,000	2.1%
Accounts payable	197,578	1.8%	194,523	1.8%	223,854	2.3%	199,813	2.1%
Current liabilities	1,783,137	15.8%	1,683,431	15.4%	723,920	7.3%	661,655	6.8%
Non-current liabilities	911,508	8.1%	564,360	5.1%	592,681	6.0%	507,709	5.2%
Total shareholders' equity	8,584,821	76.1%	8,710,709	79.5%	8,548,719	86.7%	8,570,984	88.0%

# Operation results Consolidated revenue performance

Unit: thousand NTD

	2022/1- 2022/9	2021/1- 2021/9	Annual growth (decline)
Operating revenues	1,231,013	1,343,659	(8.38%)
Operating costs	1,132,325	1,260,713	(10.18%)
Gross profit	98,688	83,486	18.21%
Operating expenses	107,588	84,278	27.66%
Operating profit	(8,900)	(792)	(1,023.74%)
Other income/expenses	28,382	129,316	(78.05%)
Pre-tax profit	19,482	128,524	(84.84%)
Income tax expense	(3,589)	(12,875)	72.12%
Current net income	15,893	115,649	(86.26%)
Other comprehensive income - current	(76,532)	(14,100)	(442.78%)
Total comprehensive income - current	(60,639)	101,549	(159.71%)
Earnings per share	0.07	0.21	(66.67%)
Closing outstanding shares(thousand shares)	572,000	572,000	-



# Operation results **Consolidated Gross Profitability by the Department in Q3**

Unit: thousand NTD

Department	2022/1- 2022/9	Percentage	2021/1- 2021/9	Percentage	Growth rate
Cement	944,709	76.74%	944,138	70.27%	0.06%
Slag powder	121,239	9.85%	136,887	10.19%	(11.43%)
Leasehold	46,097	3.75%	44,429	3.30%	3.75%
Construction	-	-	196,920	14.66%	(100.00%)
Ready mixed concrete	118,968	9.66%	11,885	0.88%	900.99%
Others	-	-	9,400	0.70%	(100.00%)
<b>Total</b>	<b>1,231,013</b>	<b>100.0%</b>	<b>1,343,659</b>	<b>100.0%</b>	<b>(8.38%)</b>

# Operation results **Consolidated Operating Revenues by the Department in Q3**

Unit: thousand NTD

Department	2022/1-2022/9	2021/1-2021/9	Differential discrepancy
Cement	66,300	33,684	32,616
Slag powder	2,033	11,662	(9,629)
Leasehold	16,030	16,081	(51)
Construction	-	20,240	(20,240)
Ready mixed concrete	14,325	(196)	14,521
Others	-	2,015	(2,015)
<b>Total</b>	<b>98,688</b>	<b>83,486</b>	<b>15,202</b>

## Operation results **Consolidated financial analysis for the most recent year**

	2021	2020	2019
Debt Asset ratio (%)	20.51	13.35	12.01
Current Ratio (%)	121.98	271.27	306.23
Return on Assets (%)	1.37	0.22	0.39
Return On Equity (%)	1.55	0.20	0.39
Profit margin (%)	7.25	1.07	2.10
Earnings per share (NTD)	0.25	0.04	0.06
Cash dividends per share (NTD)	0.2	0.1	0.1



# FUTURE □ PROSPECTS

# OPERATING STRATEGY



# CIRCULAR ECONOMY

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

### Customer Oriented Quality Improvement

Ready-mixed concrete and reinforcing steel are indispensable materials for construction. The application and evaluation of material source control, proportioning design, production control, end-of-pipe verification and quality control techniques are used to meet construction standards and design requirements.

Build and pass the ISO 9001 quality management system to achieve the goal of quality policy.

### Circular Economy Sustainable Environment

We are committed to promoting ESG, establishing and passing the ISO 14001 environmental management system, and planning We have set up and passed the ISO 14001 environmental management system, planned short-, medium- and long-term goals, and implemented a vision of sustainable development. To transform the concrete industry into a recycling, carbon-reducing, waste-reducing, energy-saving We will develop a green and sustainable industry.

### Compliance with laws and regulations Safe production

We have established and passed ISO 45001 occupational safety and health management system to protect our employees from To protect employees from injuries and illnesses at work and to enjoy a safe and happy life, in order to enhance the overall competitiveness of the company.



# OPPORTUNITIES AND THREATS

## ▶ Opportunities

- ▶ 1 The government is promoting circular economy, so that waste resources can be fully recycled and reused, minimizing waste and maximizing resources, and bringing investment opportunities.
- ▶ 2 The problem of labor shortage in the aging population is inevitable, and there are business opportunities for pre-casting and modular construction.
- ▶ 3 Asia's new bay area has convenient transportation, good living opportunities, and the advantage of harbor view, and major public construction is being completed one after another, leading to industrial transformation.
- ▶ 4 The government is planning to build a 5G AIoT new innovation base, and the development of the "Special Trade Zone 3" and the 205th Military Factory will be favorable, driving manufacturers to move in and creating job opportunities.

## ▶ Threats

- ▶ 1 The future carbon levy will increase operating costs.
- ▶ 2 The rising cost of coal will increase the cost of cement production.
- ▶ 3 In the future, the proportion of green power and natural gas generation will increase, and the cost of electricity is bound to rise.
- ▶ 4 Online shopping and e-commerce have been eroding the traditional retail restaurant market since their launch, and consumer habits and preferences continue to change.
- ▶ 5 In the post-epidemic era, the consumer market has been affected by the impact of the food and beverage retail business, and the willingness to expand is becoming more conservative.

# STRENGTHS AND WEAKNESSES

## ▶ Strengths

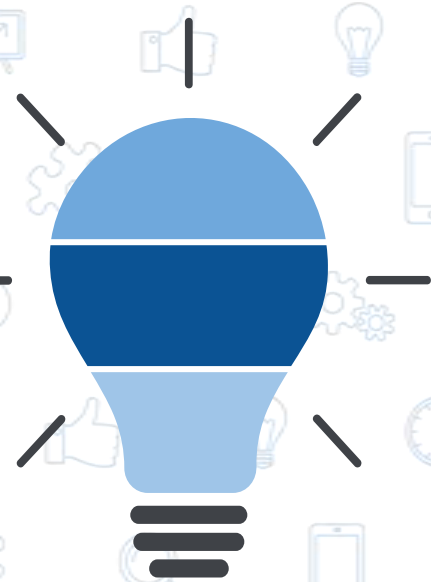
- 1 We will deepen our customer service to ensure the quality of our products and develop new products to capitalize on our existing market advantages and increase our operating profit base.
- 2 Strengthen the maintenance of equipment to improve production efficiency and increase competitiveness.
- 3 The location of Asia District is good, surrounded by many scenic spots in Kaohsiung City, with convenient transportation and crowd gathering power.
- 4 The recruitment team has a good grasp of the needs of international famous brands and chain stores to expand their locations, which helps to bring in the representative manufacturers to create stable development benefits.

## ▶ Weaknesses

- 1 The international trend of carbon reduction will make government environmental policies more stringent and operations more challenging.
- 2 The lower fertility rate has led to a shortage of workers in the industry and a potential problem with human resources.
- 3 The retail and catering market in the vicinity of the Bay Area is relatively mature, and there is competition from shopping malls such as Taiyuanbai, Taifeng Mall and Unity Dream Mall.
- 4 The land around the existing investment targets has not yet been developed, and the planning of traffic routes is limited.



Q&A



**Thanks for  
Listening**