



東南水泥股份有限公司

SOUTHEAST CEMENT CORPORATION



Investor Seminar

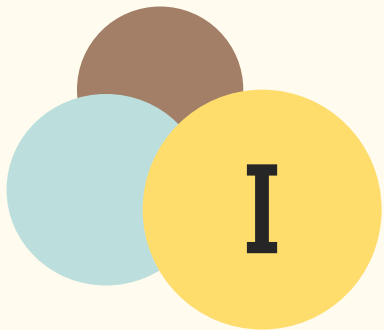
Stock ID: 1110 Report time: 2021/10/19

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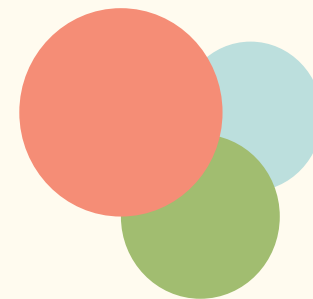
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Company Highlights



1. Company history



December 28, 1956

Founder Mr. Chiang-Chang Chen
founded Southeast Cement



October 1994

Shares listed on TWSE for trading



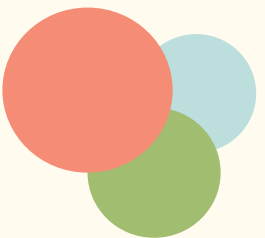
January 1999

Min-Hsien Chen succeeded in the role of Chairman



October 2009 - Present

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



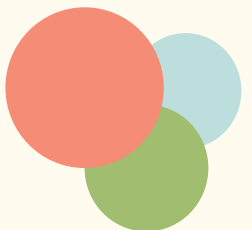
2. Company Profile

● 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: 102
- ✓ Chairman: Min-Tuan 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., CHC Resources Corporation, Nan Hsia Timber Co., Ltd.



3. Main products and application



1

Type 1 Portland cement

Bagged cement, Bulk cement, Fibc bag

2

Type 2 Portland cement

Bulk cement, Fibc bag

3

Portland slag cement

Bagged, Bulk, Fibc bag

4

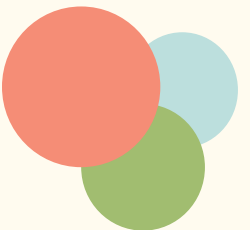
Southeast waterproof cement

Bagged cement

5

Water-quenched blast furnace slag

Bulk



3. Main products and application

1

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.

2

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.

3

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.

3. Main products and application

Blast furnace slag

4

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

5

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

6

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.

4. Introduction to new products and applications - Bagged slag cement

High
compressive
strength

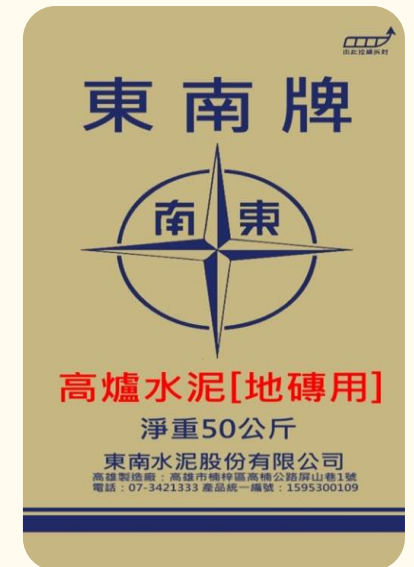
Excellent
durability

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

1

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.

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 investments in the 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) in Pingtung which anticipated a sales turnover of NT\$400 million with sold-out.
- ✓ In 2019, the Company has set up Singaporean-styled mansions, a total of 56 housing units, and -4 ground-to-rooftop buildings (single family houses) in Pingtung City, which anticipated a sales turnover of NT\$426 million with sold-out. In June.2021 will start handover.
- ✓ In2020,the Company launched a construction project covering 41 ground-to-rooftop buildings (single family houses) in Dongshan Dist., Tainan City, with the total sales turnover anticipated at NT\$380 million. It is expected that the construction will be completed in Dec.2022.
- ✓ This year(2021), the Company launched a construction project covering 27 ground-to-rooftop buildings (single family houses) in Yanchao Dist., Kaohsiung City which anticipated a sales turnover of NT\$330 million,will start construction in September of this year.

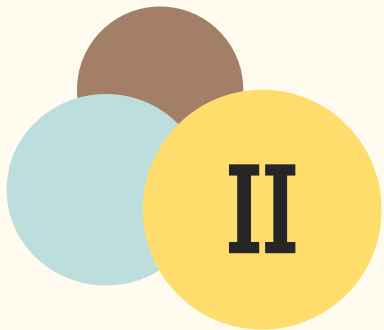
5. Overview of the land development business

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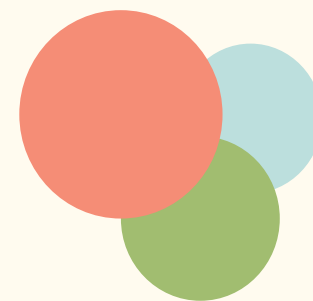
The Company has also scheduled to design and plan the construction of 16 mixed-use houses as well as 106 units of residential buildings in Renwu Dist., Kaohsiung City, with the anticipated sales turnover of NT\$1.2 billion. We got the building license in March of this year.

5

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 services. Urban Development Bureau, Kaohsiung City Government will launch a multifunctional economic and trade zone, The third comprehensive review of urban planning, this time will mainly focus on Industry demand, Sumitomo Comprehensive Development and Reward development to encourage the landlord's willingness to develop. It is now welcoming investments and catering.



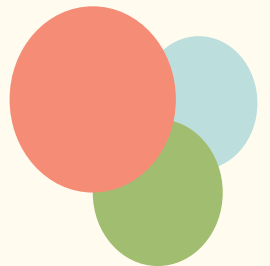
Industry Highlights



1. Ready mixed concrete market – Bagged slag cement

Industry Overview :

The government continues to implement the Forward-Looking Construction . The number of construction cases handled by science and technology factories has spurred the surrounding real estate projects to become hot, and the operating rate of the construction industry has continued to increase. Both of these have contributed to the steady growth of cement shipments.

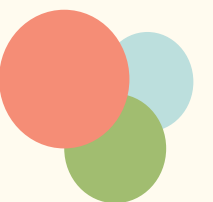


1. Ready mixed concrete market

Shipment amount of concrete in Taiwan: Comparison between 2021 H₁ and 2020 H₁

2021H ₁			2020H ₁			Annual growth in amount (%)	Annual growth in sales volume (%)
Annual (thousandm ³)	Unit price (NTD/m ³)	Sales volume (Thousand NTD)	Annual (thousandm ³)	Unit price (NTD/m ³)	Sales volume (Thousand NTD)		
21,530	2,302	49,572,145	21,249	2,068	43,950,866	+281 Thousand/m ³ +1.32%	+234 thousand/m ³ +11.32%

Department of Statistics, MOEA



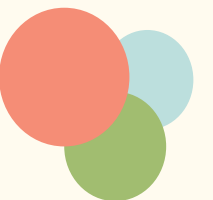
2. Housing Market

Area of construction initiated in the Taiwan Region: Comparison between 2021 H₁ and 2020 H₁

Unit: square meters

	2021H ₁	2020H ₁	Percentage difference(%)
Northern region	5,329,006	5,673,726	-6.08%
Central region	4,335,366	4,209,364	+2.99%
Southern region	3,498,434	3,365,231	+3.96%
Eastern region and others	860,903	865,887	-0.58%
Total	14,023,709	14,114,208	-0.64%

Construction and Planning Agency, Ministry of the Interior

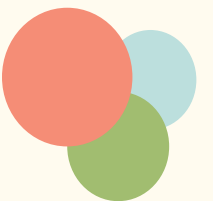


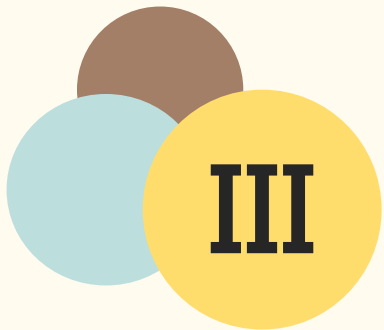
3. Cement Industry

Unit: ton

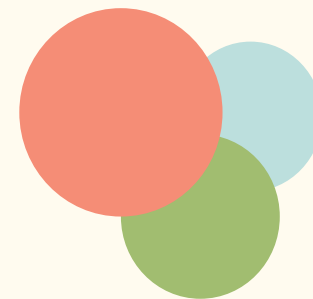
	2021H ₁	2020	2019	2018
Domestic volume	5,100,937	9,595,630	9,084,338	8,607,942
Import volume (cement + clinker)	1,132,124	2,482,222	2,295,554	2,075,073
Domestic cement consumption	6,233,061	12,077,852	11,379,892	10,683,015

Importers have a low-cost advantage. Importer number has increased in this few years. Importers has eroded the domestic cement market.





Operating Highlights

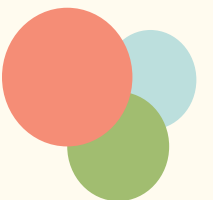


1.Q2 production and sales analysis

Unit : ton

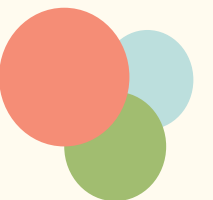
	Production		Sales	
Type	Cement	Slag	Cement	Slag
2021H ₁	278,045	79,669	276,957	77,023
2020H ₁	261,184	96,728	264,112	95,766
Differential discrepancy	6.46%	-17.64%	4.86%	-19.57%

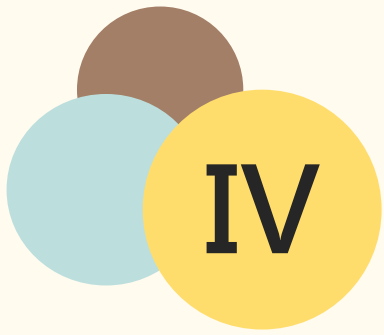
△Sales regions: Southern region, with Kaohsiung, Pingtung and Tainan as the main sales targets, off-shore islands and the Central region



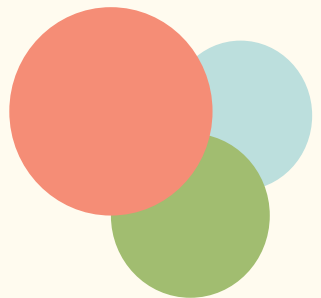
2. Southern region market analysis

Due to the continuous implementation of the Forward-Looking Construction plans in the southern region ,and various entering construction, including the relocation of the intercontinental terminal oil tan ,the Zuoying military port and the new construction of the rear barracks, the construction of the Nanke and Luke parks, the undergrounding of the Tainan Railway, the construction of the Shalun Green Energy Park, and the Kaohsiung Arms Factory Relocation, Pingtung Rong General Hospital, Pingtung Airport Camping Project, etc., as a whole, the increase in the number of major public projects in the south has been contracted, which will help stabilize the delivery of cement and furnace stone powder.





Financial Highlights



1. Operation results

Consolidated income statement

Unit: thousand dollars

Year	2021H ₁	2020	2019	2018
Operating revenues	935,119	1,590,986	1,584,940	1,676,187
Gross profit	79,614	67,372	82,289	144,454
Operating profit	27,441	-30,573	-8,509	40,497
Current net income	39,552	16,949	33,243	65,589

1. Operation results

Consolidated balance sheet

Unit: thousand dollars

	2021H ₁	%	2020	%	2019	%	2018	%
Cash and cash equivalents	208,527	1.9%	176,743	1.8%	207,931	2.1%	214,502	2.3%
Notes and accounts receivable	297,684	2.8%	415,858	4.2%	397,060	4.1%	382,764	4.1%
Inventory	880,197	8.2%	884,310	9.0%	650,957	6.7%	560,186	6.1%
Current assets	1,831,939	17.1%	1,963,779	19.9%	2,026,192	20.8%	2,029,986	22.0%
Total assets	10,694,777	100.0%	9,865,320	100.0%	9,740,348	100.0%	9,247,751	100.0%
Short-term borrowing	1,040,000	9.7%	235,000	2.4%	200,000	2.1%	49,985	0.5%
Accounts payable	139,851	1.3%	223,854	2.3%	199,813	2.1%	222,210	2.4%
Current liabilities	1,424,493	13.3%	723,920	7.3%	661,655	6.8%	412,748	4.5%
Non-current liabilities	595,900	5.6%	592,681	6.0%	507,709	5.2%	322,865	3.5%
Total shareholders' equity	8,674,384	81.1%	8,548,719	86.7%	8,570,984	88.0%	8,512,138	92.0%

1. Operation results

Consolidated revenue performance

Unit: thousand NTD

	2021H ₁	2020H ₁	Annual growth (decline)
Operating revenues	935,119	770,491	21.37%
Operating costs	855,505	750,024	14.06%
Gross profit	79,614	20,467	288.99%
Operating expenses	52,173	43,690	19.42%
Operating profit	27,441	(23,223)	218.16%
Other income/expenses	25,913	4,152	524.11%
Pre-tax profit	53,354	(19,071)	379.77%
Income tax expense	(13,802)	(2,096)	(558.49%)
Current net income	39,552	(21,167)	286.86%
Other comprehensive income - current	56,861	(110,616)	151.40%
Total comprehensive income - current	96,413	(131,783)	173.16%
Earnings per share	0.08	(0.03)	366.67%
Closing outstanding shares(thousand shares)	572,000	572,000	-

1. Operation results

Consolidated Operating Revenues by the Department in Q2

Unit: thousand NTD

Department	2021H ₁	Percentage	2020H ₁	Percentage	Growth rate
Cement	644,183	68.89%	615,478	79.88%	4.66%
Slag powder	95,463	10.21%	116,583	15.13%	(18.12%)
Leasehold	29,833	3.19%	25,665	3.33%	16.24%
Construction	158,303	16.93%	0	0%	100.00%
Others	7,337	0.78%	12,765	1.66%	(42.52%)
Total	935,119	100.0%	770,491	100.0%	21.37%

1. Operation results

Consolidated Gross Profitability by the Department in Q2

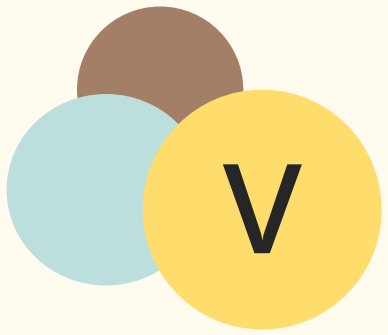
Unit: thousand NTD

Department	2021H ₁	2020H ₁	Differential discrepancy
Cement	26,393	21,592	4,801
Slag powder	11,029	14,043	(3,014)
Leasehold	10,933	5,705	5,228
Construction	29,511	0	29,511
Others	1,748	(20,873)	22,621
Total	79,614	20,467	59,147

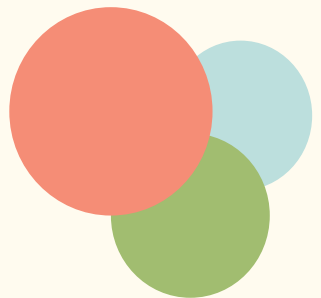
2. Key financial performance indicators

Consolidated financial analysis for the most recent year

	2020	2019	2018
Debt Asset ratio (%)	13.35	12.01	7.95
Current Ratio (%)	271.27	306.23	491.82
Return on Assets (%)	0.22	0.39	0.71
Return On Equity (%)	0.20	0.39	0.77
Profit margin (%)	1.07	2.10	3.91
Earnings per share (NTD)	0.04	0.06	0.12
Cash dividends per share (NTD)	0.1	0.1	0.1

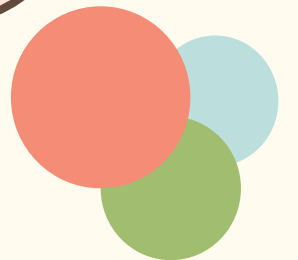


Future Prospects



1. Operating strategy

The Company's operations are still based on the production and sales of existing products. Also, we actively continue to develop new products in response to the market demands, 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. Circular economy

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

- ✓ 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. We already be full operation in 2021 Q3, officially making the Company a resource reusing company in a circular economy. Will start trial operation and sales of ready-mixed concrete.
- ✓ Moreover, the establishment of a Class B waste treatment plant in Da-fa Industrial District is currently in the process of the environmental impact statement task force was passed in September 2021.

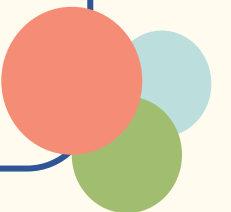
3. Opportunities and Challenges

Opportunities and Challenges

- ✓ The government is promoting a circular economy removing industrial waste, which bring unlimited business opportunities.
 - ✓ It is inevitable that the construction industry will be short of jobs due to an aging population, and the construction industry is bound to move forward in the future by precast modular construction
 - ✓ Due to lack of work on the construction site, develop new products in response to new construction thinking to gradually replace the traditional Mud work method.
- All of the above have potential business opportunities.

Challenges

- ✓ The future carbon fee levy is unavoidable and will inevitably increase operating costs.
- ✓ Since the beginning of this year, international coal prices have risen sharply, leading to a sharp increase in cement production costs..
- ✓ Green power and natural gas power generation potential increase, and electricity costs must increase.



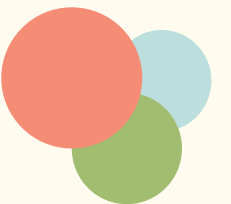
4. Strengths and weaknesses

Strengths

- ✓ Improve customer service and ensure quality level. Stabilize market position with existing brand advantages. Develop new products, and increase operating niche.
- ✓ Continue to upgrade equipment technology to improve production efficiency and increase competitiveness.

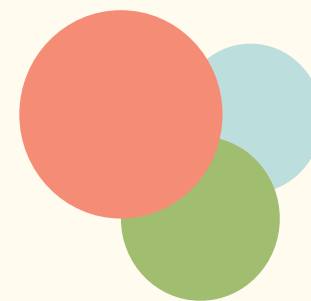
Weaknesses

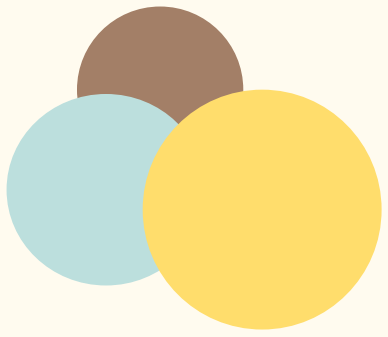
- ✓ Environmental protection laws and regulation have become more stringent ,making the business environment more severe.
- ✓ The pandemic and declining birthrate have caused a shortage of labor in the industry, and hidden concerns about human resources.





Q & A





**Thanks for
Listening**

