遠東集團
FAR EASTERN GROUP

亞洲水泥股份有限公司

Asia Cement Corporation

Stock code:

1102 TT

IR presentation

Jun 2018

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Company Snapshot

Company Snapshot

Market Cap: US$ 3.3 billion (as of 31 Mar 2018)

Asia Cement

Taiwan
(1102 TT)

- Establish in March 1957
- The second-largest cement player
- Cement capacity: 5.0 million tonnes annually

China
(743 HK)

- Listing in HKEx since May 2008
- Top 10th clinker producer
- Strategic location in Central and Western China
- Cement capacity: 33.0 million tonnes annually

Investment

- Consolidated entities: cement value-chain business, IPP, stainless steel, transportation.
- Equity investees: mainly FENC (1402 TT) and U-Ming Marine (2606 TT)

Cross-holding in Far Eastern Group

- Profit contribution from equity-held investees have bottomed out as fundamentals recovered.

NT$ million

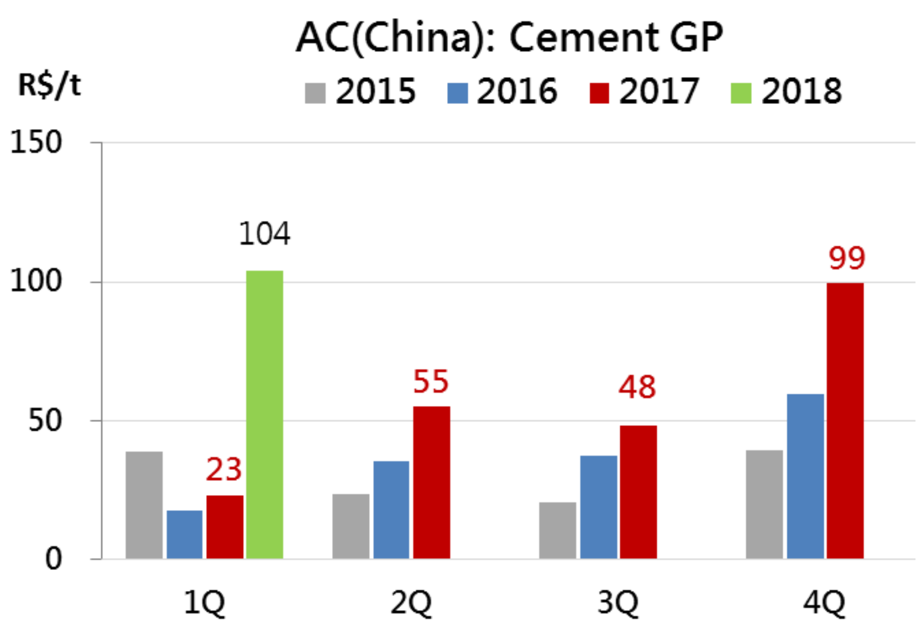
Equity Hold (3)	Incor-porated Year	Investees	Stock code	Holdings (1)	Market Value (2)	Equity Income		
						2016	2017	1Q18
	2004	Asia Cement (China) Holdings Corp.	743 HK	67.7%	14,477			
	1997	Far EasTone Telecommunications Ltd.	4904 TT	1.0%	2,423			
	1992	Far Eastern International Bank	2845 TT	2.4%	736			
	1975	Oriental Union Chemical Corp.	1710 TT	7.2%	1,926			
V	1968	U-Ming Marine Transport Corp.	2606 TT	39.3%	11,723	(345)	392	83
	1967	Far Eastern Department Stores Ltd.	2903 TT	5.7%	1,306			
V	1949	Far Eastern New Century Corp.	1402 TT	23.8%	33,412	1,347	1,694	510
		Others (unlisted investees)				347	435	136
		Total			**66,003**	**1,350**	**2,522**	**729**

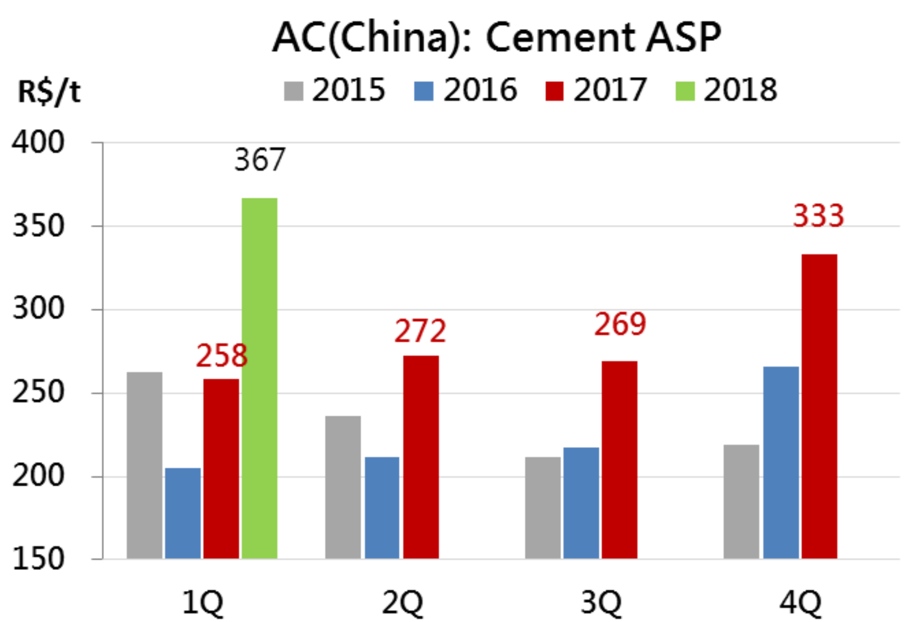
Note1: Asia Cement comprehensively holds 72.0% of Asia Cement(China) Holdings.
(100%-owned AC(Singapore) holds a 4.1% stake and Asia Engineering Pte. holds a 0.2% stake of Asia Cement(China))
Note2: The market value is calculated on the basis of ACC's holding shares and the equity's closing price at 31 Mar 2018.
Note3: Since 1 January 2013, Asia Cement (China) Holdings Corp. and most unlisted investees are classified as the consolidated entities.

What’s New

What's New?

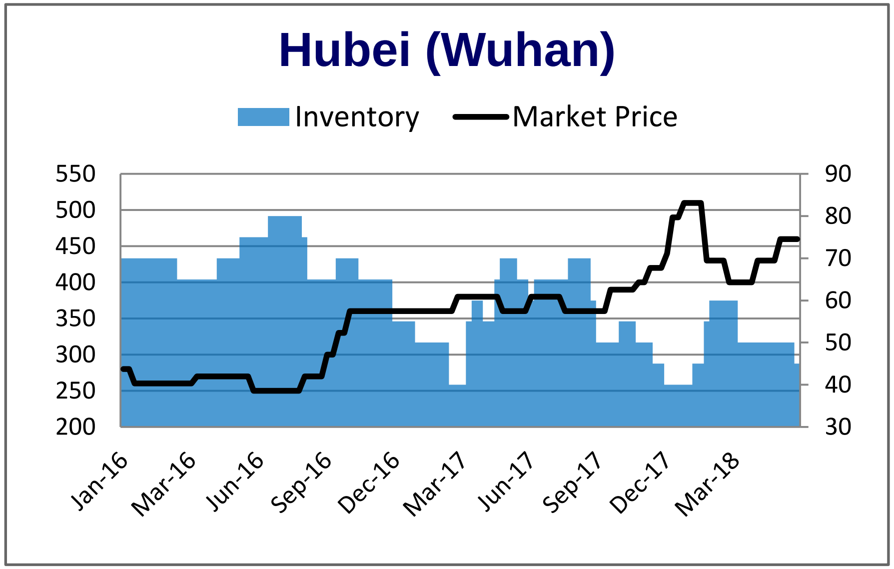
- Asia Cement (China) realized a R$308m Net Profit in 1Q18, greatly improved compared with the R$70 million net loss in 1Q17.
- Asia Cement recorded a NT$ 5,469 million Net Profit in 2017, representing a 39% YoY growth. Both the profitability of cement business and the profit contribution from equity investees have improved significantly thanks to the fundamental recovery.
- The BOD proposed a cash dividend of NT$1.2/sh for AGM's resolution, representing a 4.3% dividend yield and 89% payout based on the distributable earnings.

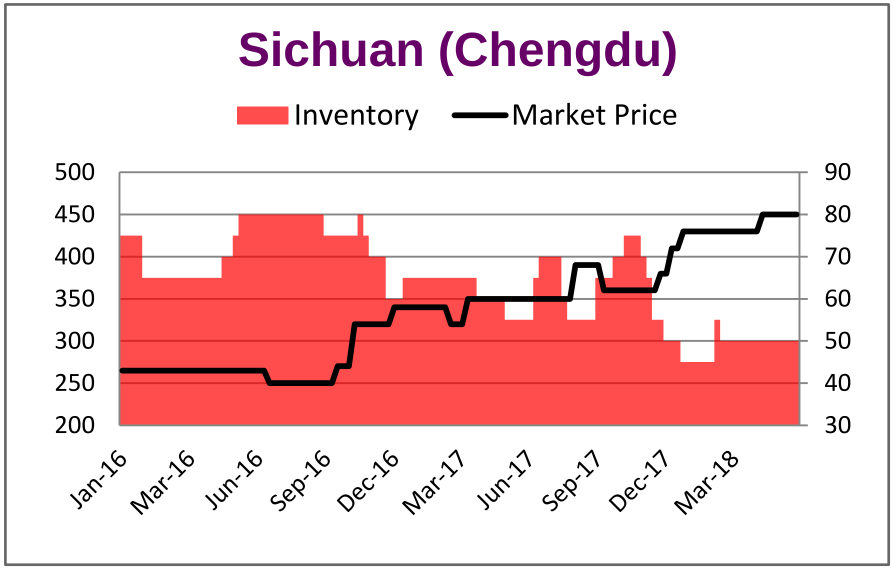


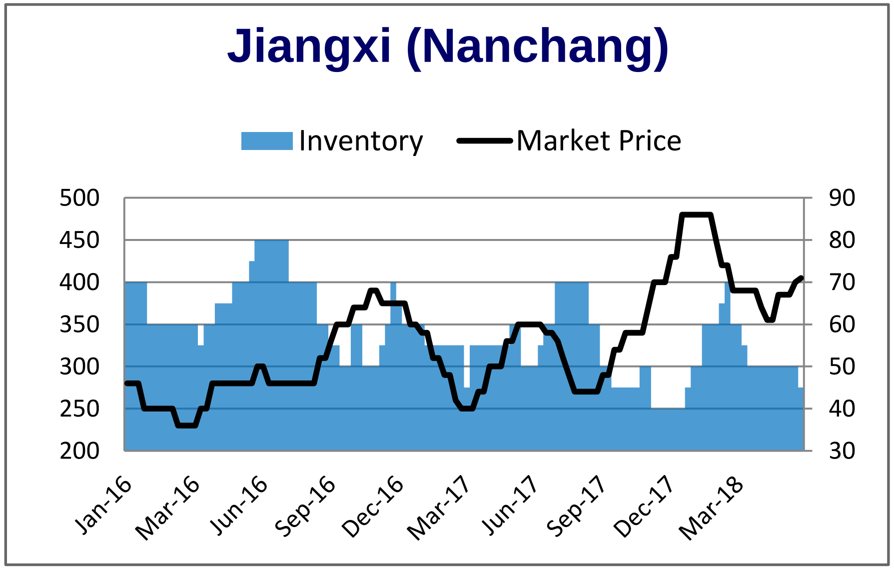


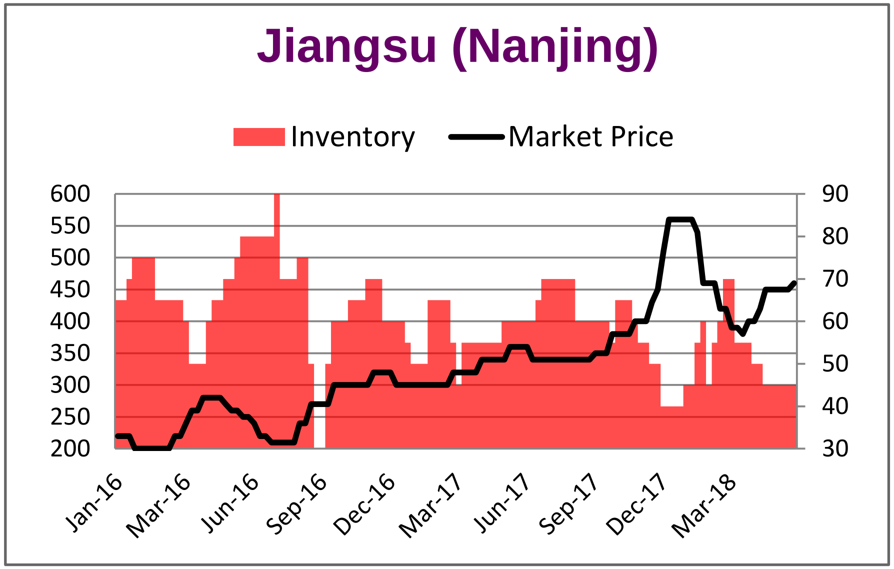
AC(China): Regional P.O42.5 Price & Inventory Levels

Unit: RMB / t ; %







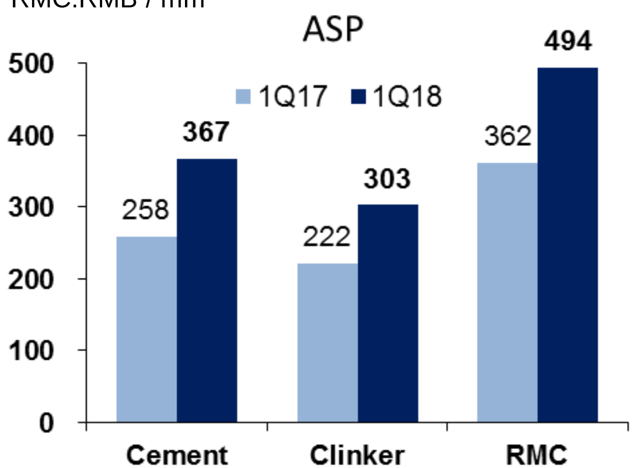


Source: Digit Cement

AC(China) : 1Q18 Operating data points

RMB / t

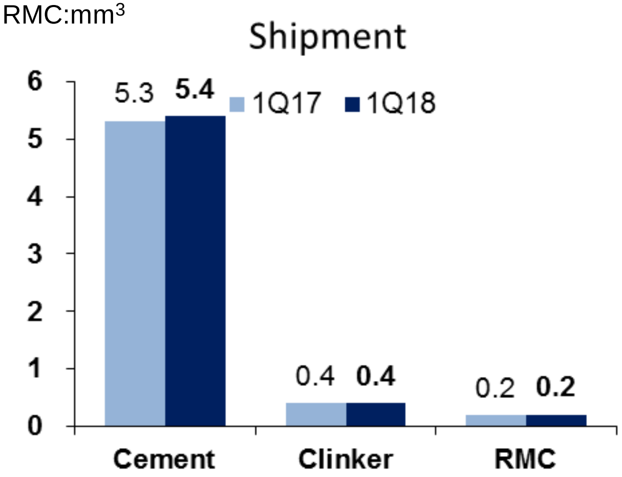
RMC:RMB / mm³



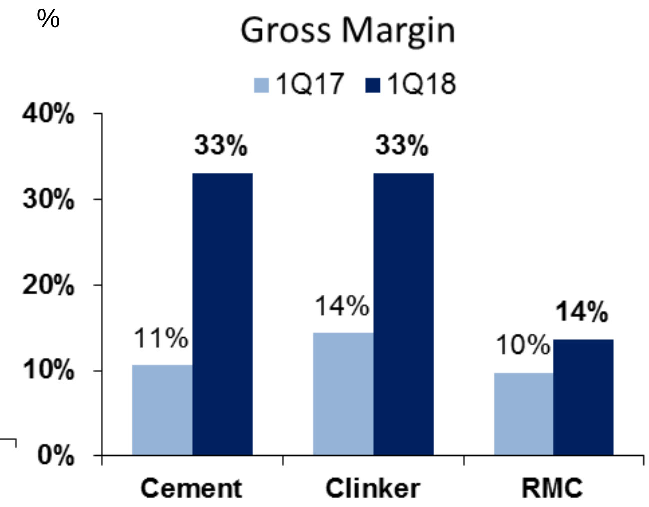
Note: VAT included

m tonnes

RMC:mm³

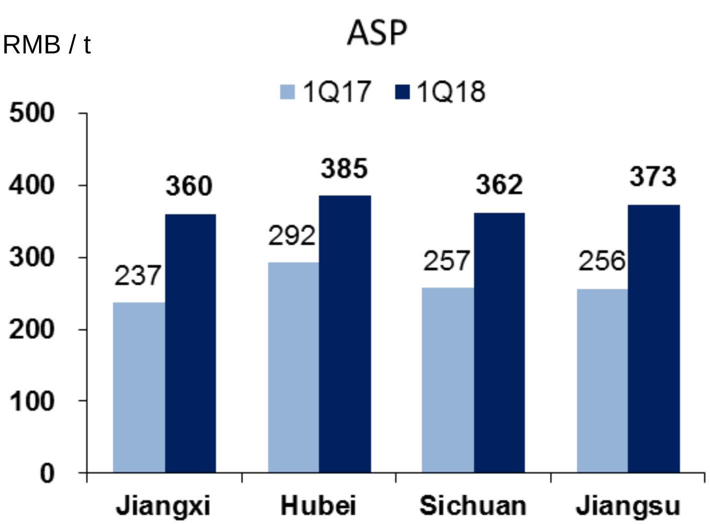


%

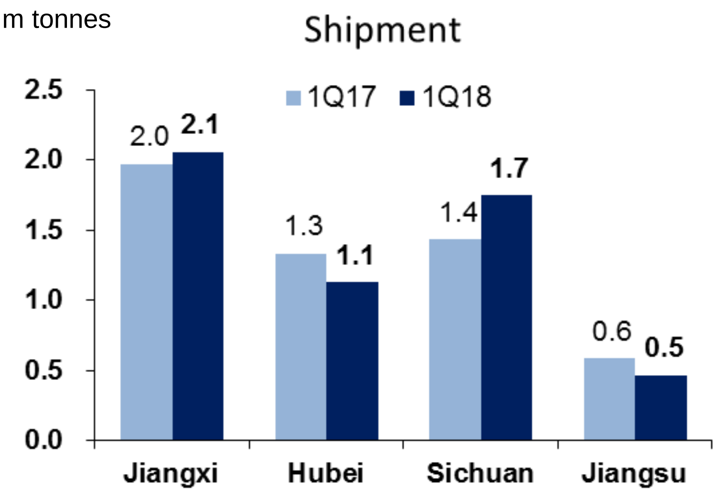


Cement Product by Region

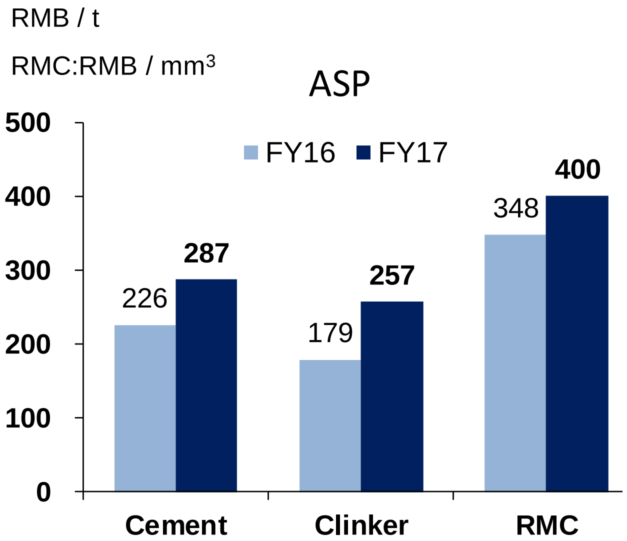
RMB / t

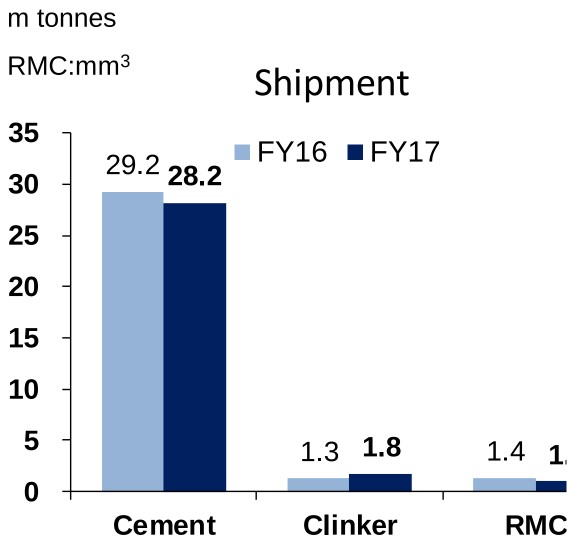


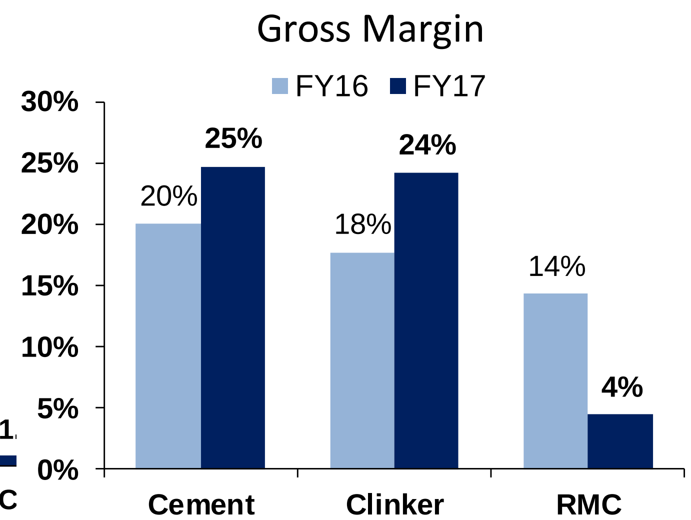
m tonnes



AC(China) : 2017 Operating data points

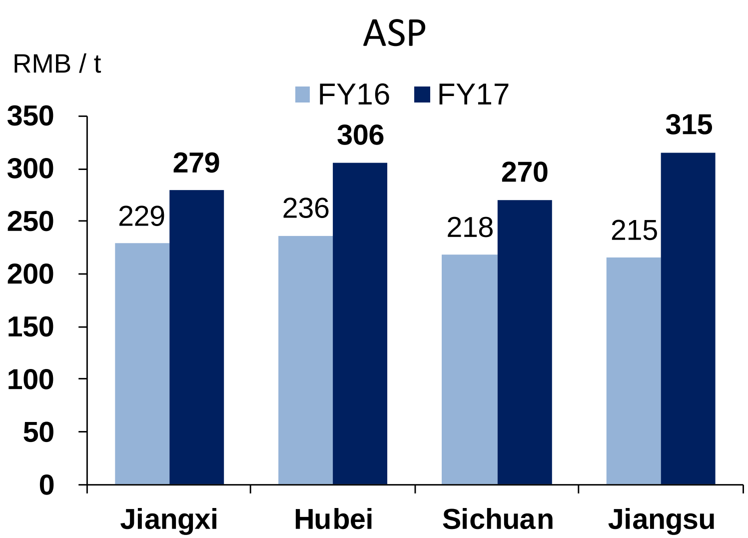


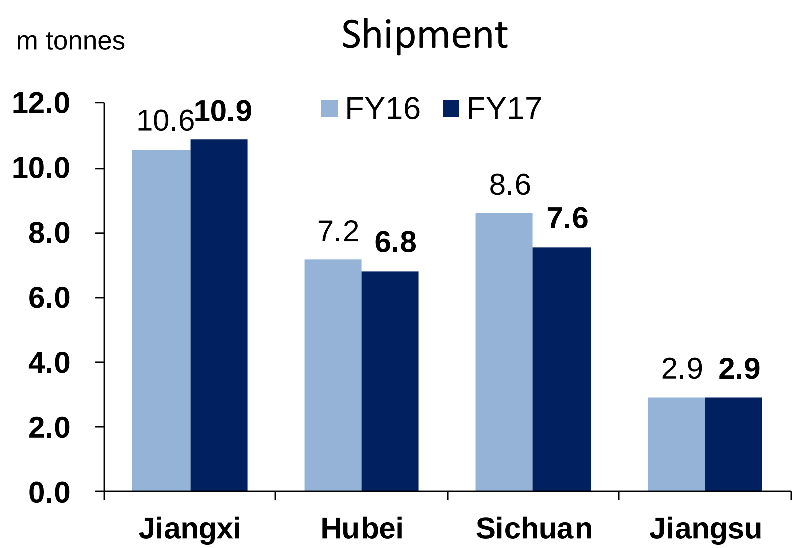




Note: VAT included

Cement Product by Region





PRC Market Overview

China Cement Demand: The New Normal

2016-2020:

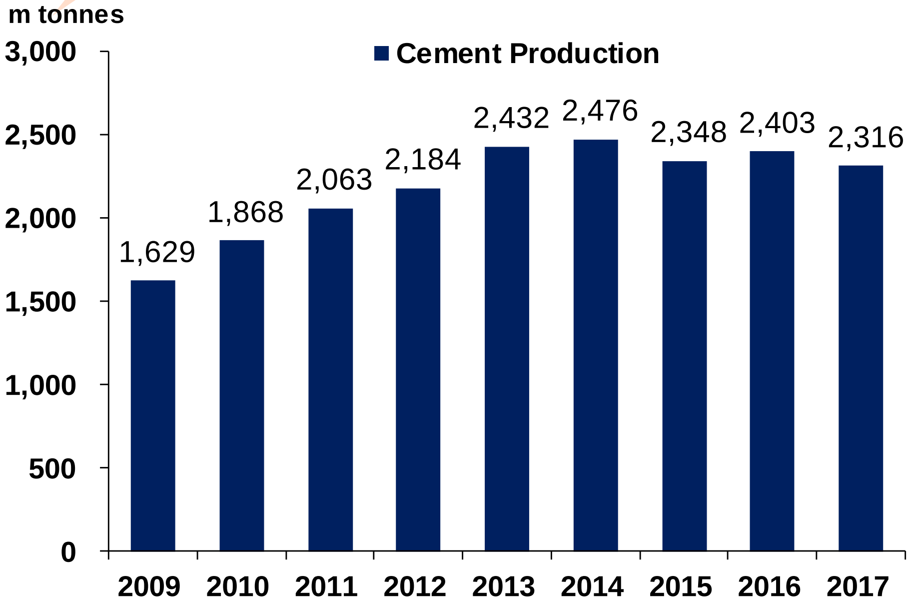
"New Normal Economy" urges Supply-Side Reform and industry evolution.

2012-2015:

Demand increase slowed down and oversupply weakened ASP

2009-2011:

Demand boosted by R$4 trillion stimulus



2018 cement demand catalysts:

- Infrastructure investment remains strong.
- PPP(Public-Private-Partnership) projects continued to increase in size and accelerate the execution.
- Property destocking continues, leading index house new starts and developer's land acquiring sustain.

Source: Ministry of Industry and Information Technology(MIIT), National Development and Reform Commission(NDRC), China Cement Association(CCA)

China Cement Supply-side Reform: 2017~2020

Control capacity expansion	1. Stricter policy for clinker replacement 2. No more new license through waste co-processing projects.
Phrase out capacities by lifting industry standards	1. Retire 393 mt clinker capacity by 2020 2. Raise UT rate from 70% to 80%
Schedule production halt to restrain output	1. Applied nationwide since 2017 2. Temporary suspension as emergency measures for air pollution control
Encourage consolidation	1. M&A, cross holding, JVs 2. Carry out pilot program to subsidize capacity out

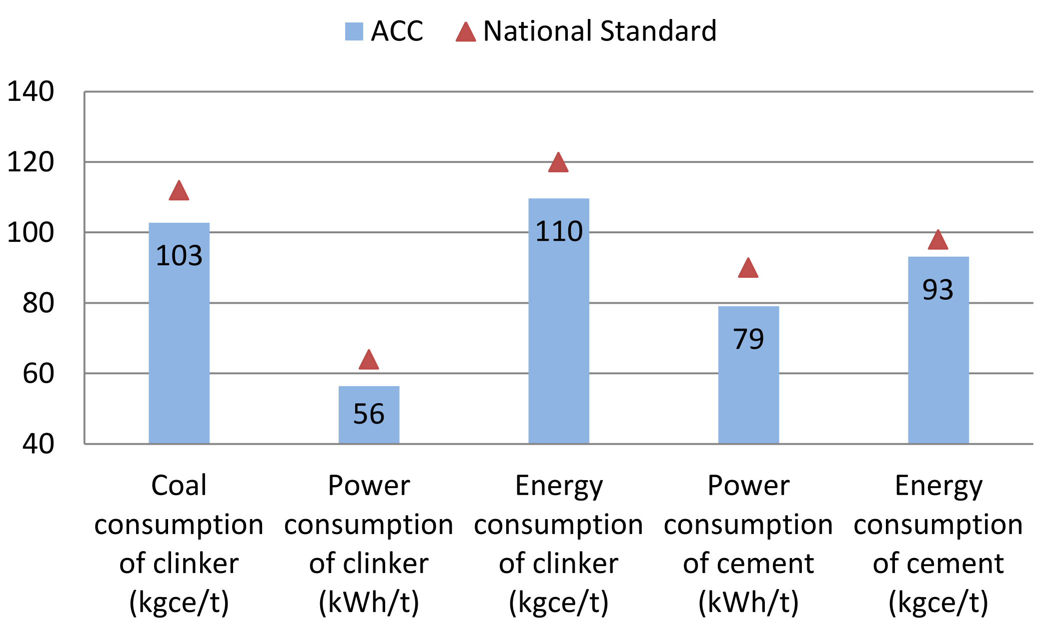
Source: China Cement Association "De-capacity action plan", "Cement industry 13th five year plan", PRC State Council "Guiding policies to facilitate structural upgrade of building materials industry"

AC(China): Survival of the Fittest

Strength of AC(China)

- Superior to regulatory requirements in energy efficiency and GHG emission
- >85% sales are high-grade cement
- 90% UT rate and no ≦ 2500 t/d clinker lines
- Sufficient limestone resources and reserves

2017 Energy Consumption and Emission



Unit: mg/m^3	SO_2	NO_X	Dust Particles
ACC Jiangxi	80	309	10
National Limit	200	400	30
ACC Hubei	40	262	12
ACC Sichuan	13	294	14
National Limit	100	320	20

AC(China): Foreseeable Solid Regional Demand

Yangtze River Economic Belt

Rise of Metropolitan Regions

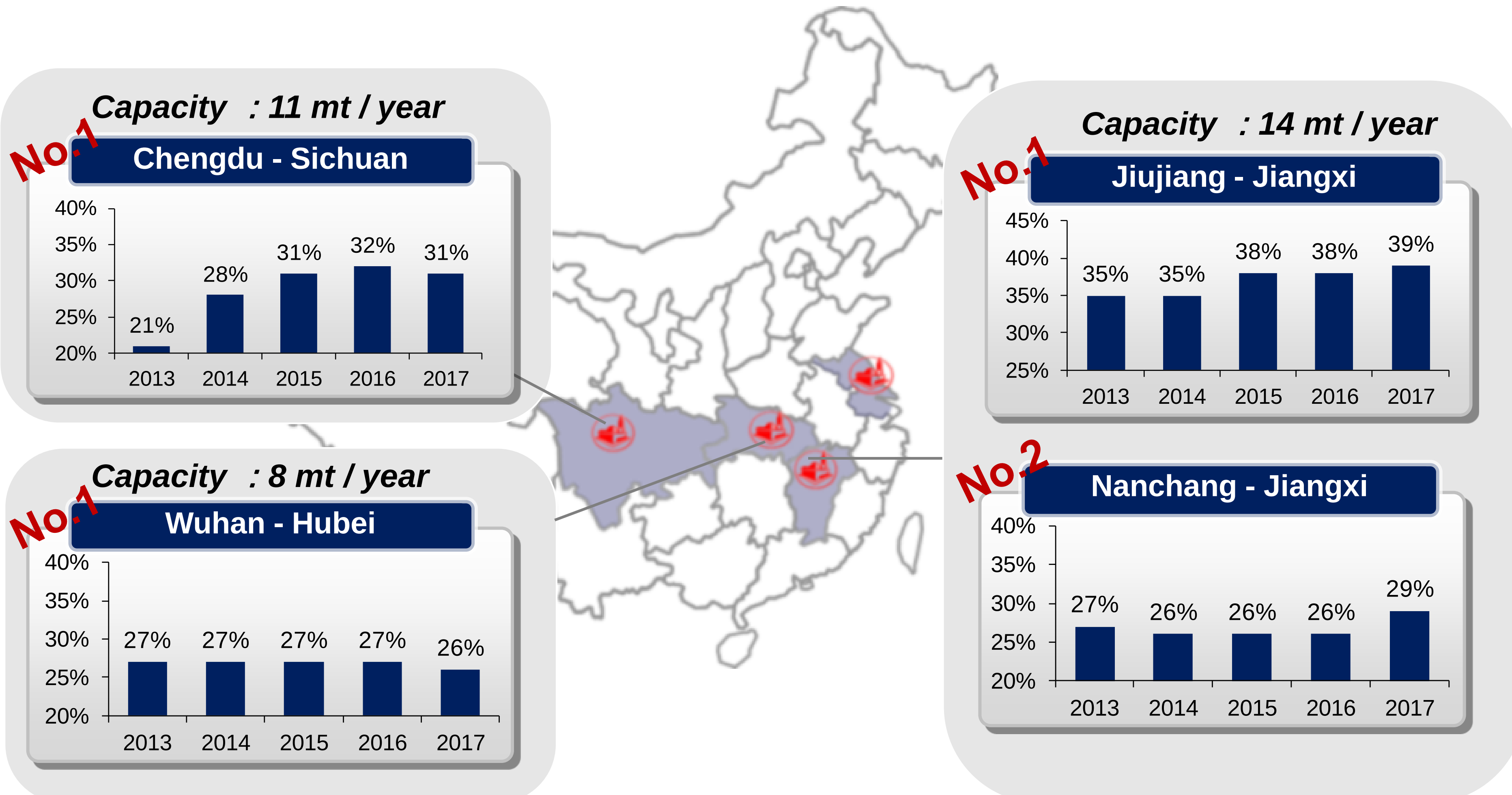
Gan Jiang New District

Hubei & Sichuan: International integrated transportation hub

Source: National & Provincial Development and Reform Commission

AC(China) Strategy: to Dominate Locally

2017: Capacity Rank top 10 nationwide

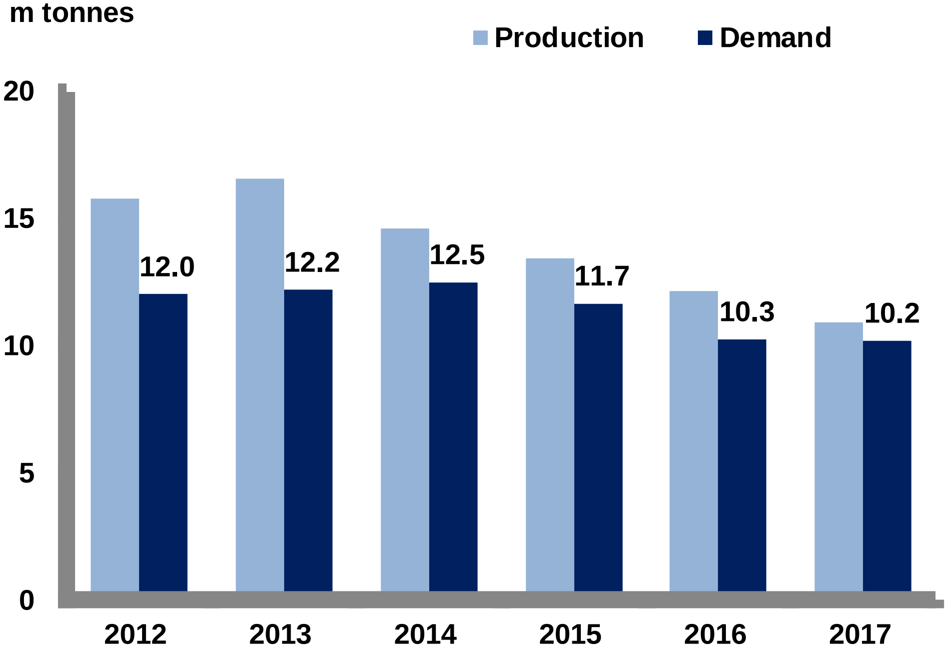


Source: ACC(C) annual report

Taiwan Market Overview

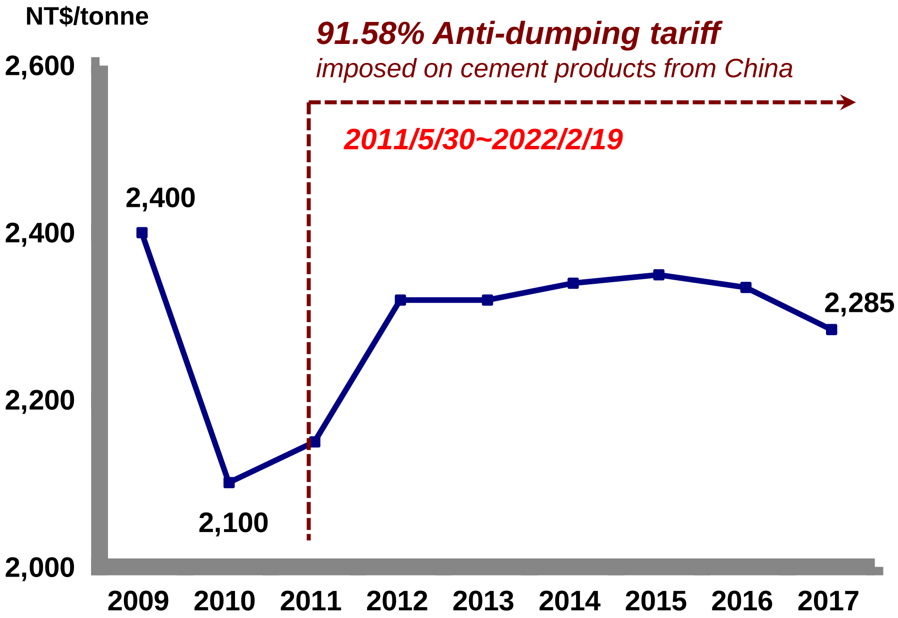
TW Cement Market: Sophisticated and Highly Concentrated

Mature and net export cement market



- Demand bottomed in 2017 due to private sector weakness.
- Catalyst: NT$420 billion infrastructure budget from 2018~2021

Oligopoly keep ASP steady

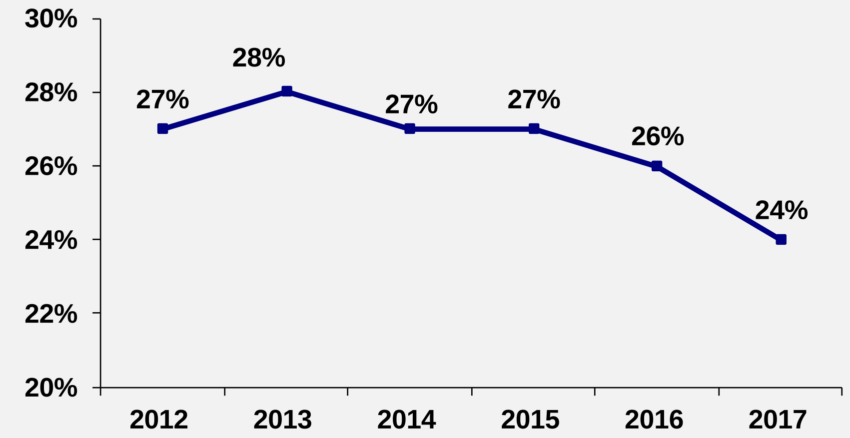


- **ACC & TCC dominate 75% of production**
- ASP stays healthy since anti-dumping tariff blocked import from China

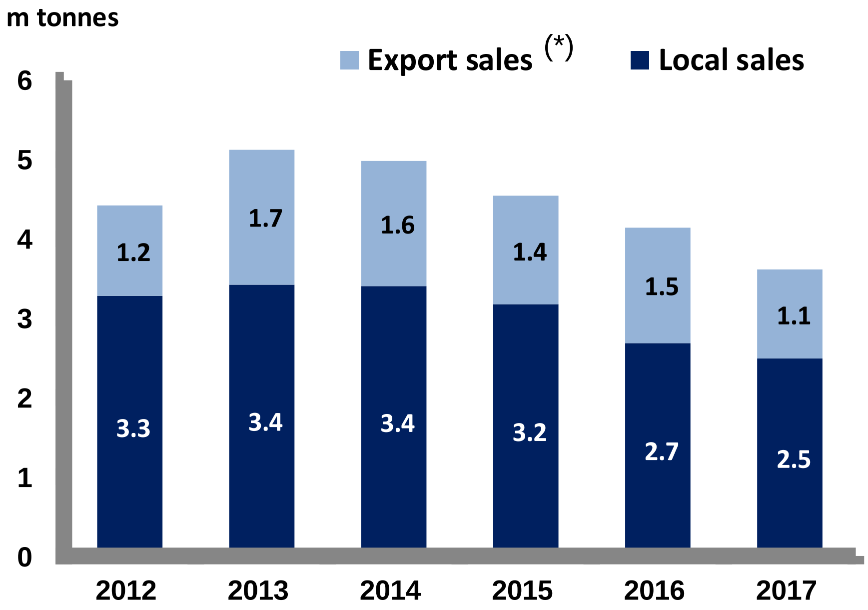
Source: Taiwan Cement Manufacturers' Association, TCMA

ACC: 2nd Largest Cement Player in Taiwan

- **Domestic market shares**

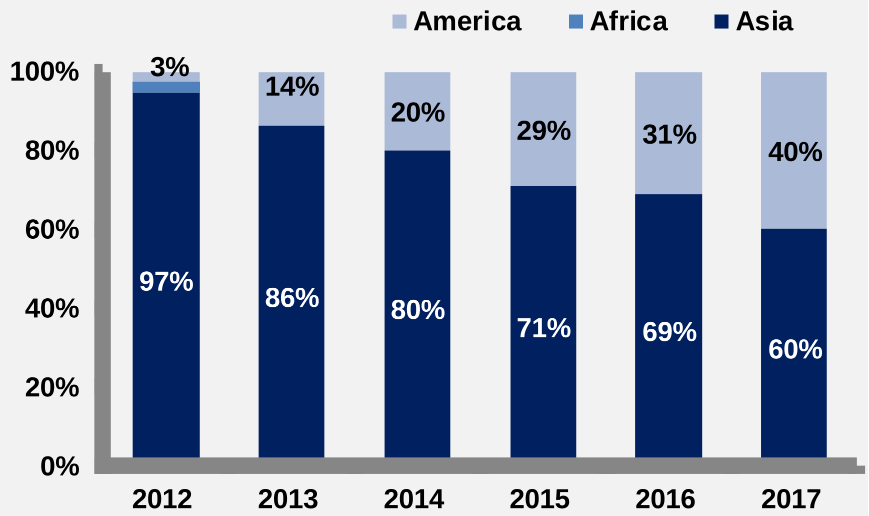


- **ACC: Cement & Clinker Sales Volume**



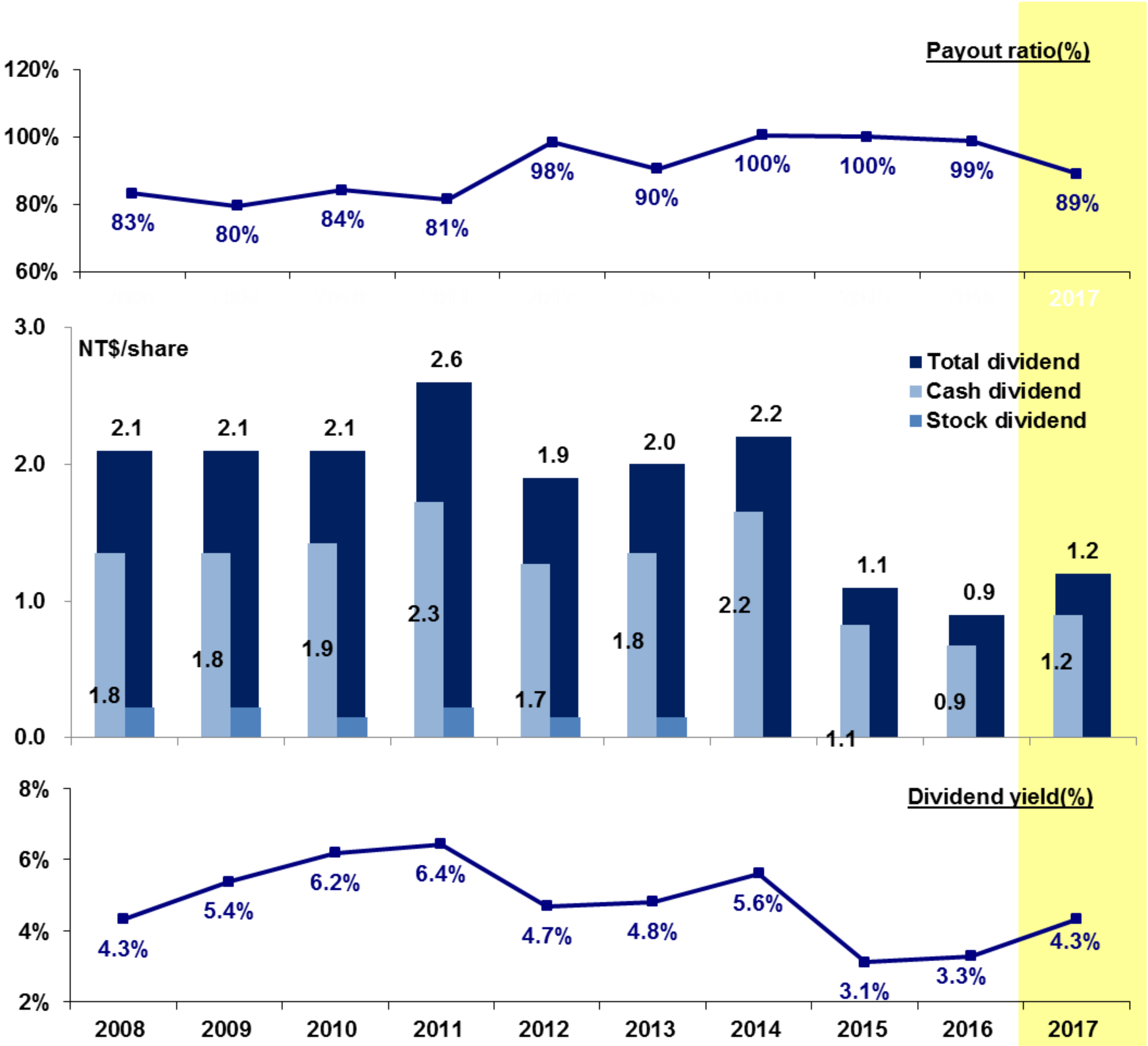
** Not including trading sales, about 0.2mt in 2017*

- **Export market coverage**



Dividend & Financials

Steady Payout with Enjoyable Yields



- Payout guide: >= 80%

*Dividend yield= Cash dividend / Last 12-month average share price

Operating Performance (IFRS-consolidated basis)

NT$ million

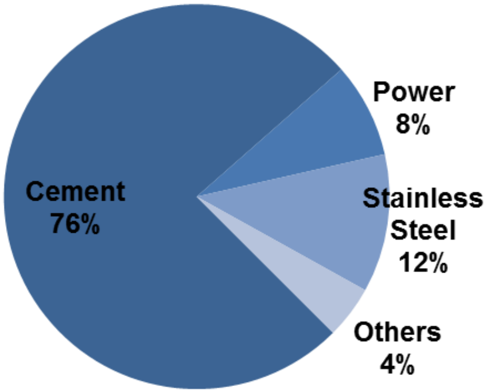
	1Q18	1Q17	*YoY*	2017	2016	*YoY*
Operating revenue	**16,574**	**12,513**	*32%*	**64,899**	**60,946**	*6%*
Operating cost	13,244	11,580	*14%*	54,728	52,359	*5%*
Gross profit	**3,329**	**933**	*257%*	**10,171**	**8,587**	*18%*
Operating expenses	656	492	*33%*	2,734	2,355	*16%*
Operating Income	**2,674**	**440**	*508%*	**7,437**	**6,233**	*19%*
Non-operating Income (net)	377	(319)		1,062	244	
Equity Income	729	323	*126%*	2,522	1,350	*87%*
Finance costs	(408)	(526)		(1,772)	(1,638)	
Dividend income	2	3		326	398	
Gain (loss) on valuation of investment property	27	36		217	648	
Gain (loss) on exchange	(96)	(368)		(455)	(237)	
Others	122	212		224	(278)	
Pre tax Income	3,051	121		8,499	6,477	
Tax	635	(25)		1,834	1,793	
Net income	**2,415**	**146**	*1557%*	**6,666**	**4,683**	*42%*
Profit Attributable to Owners of Parent	**1,897**	**237**	*702%*	**5,469**	**3,946**	*39%*
Profit Attributable to Non-controlling interests	518	(91)		1,197	738	
EPS (NT$/share)	**0.60**	**0.08**	*696%*	**1.74**	**1.26**	*38%*
Gross margin	**20.1%**	**7.5%**		**15.7%**	**14.1%**	
Operating margin	16.1%	3.5%		11.5%	10.2%	

Performance by Segments (IFRS-consolidated basis)

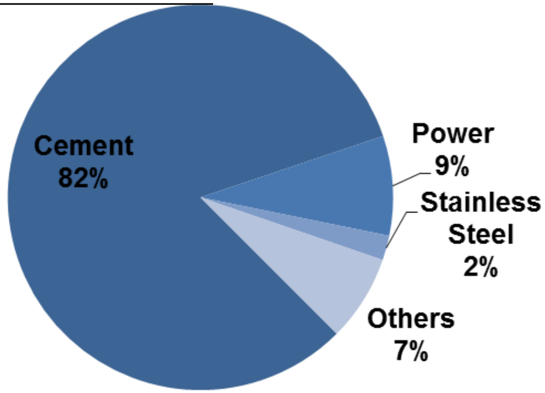
Note: Cement revenue= Taiwan cement operation(cement, RMC and other downstream value chain) + China cement operation

	1Q18	1Q17	YoY	2017	2016	YoY
Operating revenue	**16,574**	**12,513**	*32%*	**64,899**	**60,946**	*6%*
Cement	12,597	9,621	*31%*	49,651	46,840	*6%*
IPP	1,318	922	*43%*	6,115	6,004	*2%*
Stainless Steel	1,926	1,366	*41%*	6,037	5,122	*18%*
Others	734	605	*21%*	3,097	2,980	*4%*
Operating cost	13,244	11,580	*14%*	54,728	52,359	*5%*
Gross profit	**3,329**	**933**	*257%*	**10,171**	**8,587**	*18%*
Operating expenses	656	492	*33%*	2,734	2,355	*16%*
Operating Income	**2,674**	**440**	*508%*	**7,437**	**6,233**	*19%*
Cement	2,202	260	*746%*	5,554	3,832	*45%*
IPP	223	7	*2928%*	1,039	1,490	*-30%*
Stainless Steel	55	96	*-42%*	165	236	*-30%*
Others	193	76	*154%*	679	675	*1%*

Revenue Breakdown



Operating Income Breakdown



Summary of Balance Sheets (IFRS-consolidated basis)

NT$ million

	1Q18	2017
Current Assets	54,269	50,263
Cash & Cash Equivalents	10,205	7,739
Short Term Investment	11,868	12,508
Others	32,197	30,015
Non-Current Assets	195,631	196,802
Long-term Investment	83,346	84,383
Fixed Assets	89,273	89,484
Intangible Assets	4,591	4,553
Other Assets	18,421	18,382
Total Assets	**249,900**	**247,064**
Current Liabilities	50,810	53,948
Short-term Debts	40,904	43,733
Others	9,906	10,215
Non-Current Liabilities	50,456	47,320
Bonds Payable	10,000	10,000
Bank Loans	30,289	27,278
Others	10,167	10,042
Total Liabilities	**101,266**	**101,268**
Total Shareholders' Equity	**148,633**	**145,796**
Book value/share (NT$)	**38.5**	**37.9**
ROE	**5.9%**	**4.4%**
Net Gearing Ratio	45.6%	47.7%

Note: Net gearing = Nebt debt / (total shareholders' equity - minority interest)

AC(China):Summary of P&L

RMB million

	1Q18	1Q17	YoY	2017	2016	YoY
Operating revenue	1,949	1,338	*46%*	7,816	6,338	*23%*
Operating cost	1,310	1,183	*11%*	5,905	5,088	*16%*
Gross Profit	639	156	*310%*	1,910	1,250	*53%*
Other net income/(loss)	24	26		20	(14)	
Selling&marketing costs	101	86		398	431	
Administative expenses	72	66		276	255	
Operating income	**489**	**30**	*1533%*	**1,257**	**550**	*128%*
Finance costs	61	88		275	222	
Shares of results of jointly controlled entities	1	0		3	3	
Pre tax Income	429	(58)		985	331	
Tax	110	12		349	179	
Net Income	**319**	**(70)**	*-559%*	**636**	**151**	*321%*
Equity shareholders of the company	308	(70)	*-540%*	602	134	*350%*
Minority interests	11	0		34	17	
EPS (RMB/share)	**0.20**	**(0.04)**	*-540%*	**0.38**	**0.09**	*350%*

	1Q18	1Q17	2017	2016
Gross margin	**32.8%**	**11.6%**	**24.4%**	**19.7%**
Operating margin	25.1%	2.2%	16.1%	8.7%
Net margin	16.4%	-5.2%	8.1%	2.4%
EBITDA margin	36.1%	18.3%	27.5%	22.6%

AC(China):Summary of Balance Sheets & Cash Flow

RMB million

	1Q18	2017
Current Assets	5,541	5,259
Inventories	834	728
Trade and other receivables	2,958	2,960
Bank balances and cash	1,116	940
Others	634	632
Non-Current Assets	10,945	11,151
Property,Plant&Equipment	9,110	9,302
Long-term investments	61	60
Others	1,775	1,789
Total Assets	**16,486**	**16,410**
Current Liabilities	3,481	4,235
Borrowings- due within one year	2,365	2,991
Trade and other payables	1,011	902
Others	105	341
Non-Current Liabilities	2,476	1,964
Borrowings- due after one year	2,429	1,912
Others	47	52
Total Liabilities	**5,957**	**6,200**
Total Equity	**10,529**	**10,210**
Book Value(RMB/Share)	**6.7**	**6.5**
ROE	**12.6%**	**5.6%**
Net Gearing Ratio	**36.0%**	**40.0%**
Net Debt	3,678	3,963

RMB million

	1Q18	1Q17
Cash Flows from Operating activities	354	25
Cash Flows from Investing activities	(8)	(63)
Cash Flows from Financing activities	(171)	28
Net change in cash and equivalents	**176**	**(10)**
Cash and equivalents at beginning of period	940	533
Cash and equivalents at end of period	**1,116**	**523**

CSR Achievement

ACC: 1st-tier Partner in Building a Sustainable Home

Awards/ Recognition

- **Taiwan Corporate Sustainability Awards**: Top 50, **Golden Medal** of non-tech industrials
- Scored **B** in Carbon Disclosure Project (CDP), top of peers in Greater China region
- **6 times award** winner of Excellent Company in **GHG Reduction**
- Listed in **"Taiwan Corporate Governance 100 Index**" and "Taiwan High Salary 100 Index"

Commitment

- **Go green**: take part in **Circular Economy** to process and utilize urban & industrial waste
- **Go digital and Go smart**: develop **Cement 4.0 project** to improve the efficiency in mining, manufacturing, maintenance, and warehouse management.

ACC: Pioneer in Safe and Clean Mining

Dust Control
Ensure air quality by enclosed belt conveyor and water sprinkling in the quarry site

Noise Reduction
Upgrade conveyor,
24x7 monitoring to ensure low noise exposure

Blast Vibration Management
Superior to global regulatory requirements (≦0.15cm/sec)

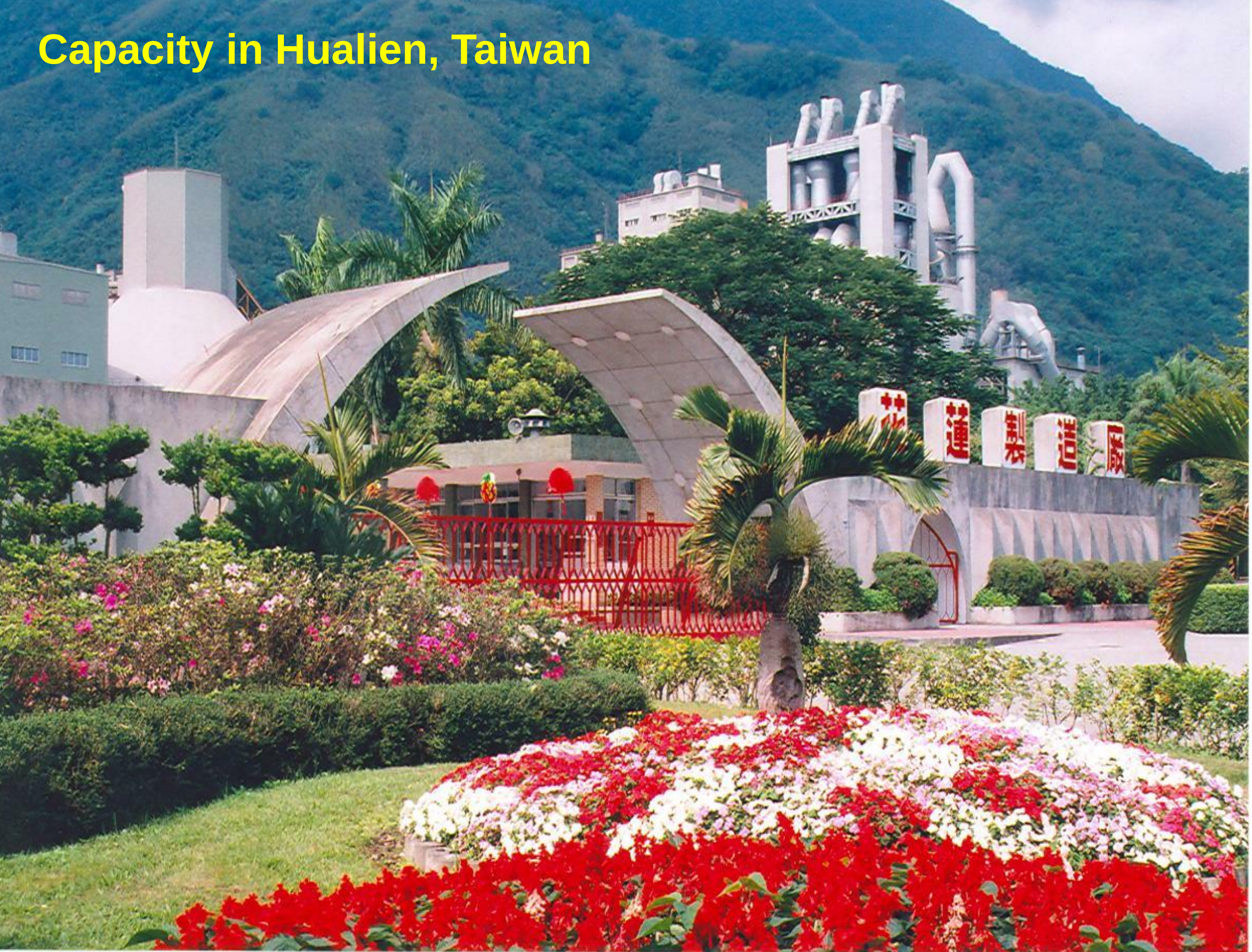
Slope Stability Enhancement
Install rockfall barrier, conduct geological assessment prior to the law

Soil and Water Conservation
Integrate concave mining, drainage system, detention pond to prevent landslide

Replantation
"Sustainable Mining Paragon" recognized by APEC; cultivate indigenous plants and restore the eco-system

Capacity in Jiangxi, China

Capacity in Hualien, Taiwan



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Q&A: Mining Concerns

Videos: ACC Eco-friendly Achievements

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