



遠東集團
FAR EASTERN GROUP



 **Far Eastern New Century**
(TWSE: 1402)

IR publication – Aug 2020



About FENC

Far Eastern New Century (“FENC”) is a publicly traded company (<http://www.fenc.com/?lang=en>) in Taiwan with a market capitalization of approximately US\$5 billion. It’s a constituent of the MSCI ESG Leaders Indexes and FTSE4Good Emerging Index. FENC is also the flagship company of Far Eastern Group and has diversified businesses ranging from production business, to property development and investments. The production business spans the petrochemical, polyester, and textile businesses.

Regarding its production business, FENC aims to expand its green material business by increasing its scale of recycled products. After expanding its capacities in Taiwan, Japan and the United States, FENC has become one of the world’s largest post-consumer recycled polyester producers. With high quality and speed to market, FENC’s products have been accepted and adopted by well-known global brands including Coca-Cola, Nike and Adidas.

FENC is a global top-three PET producer in terms of capacity and the leading PET producer in Asia. The Company remains agile and flexible in business operations, maintaining its ability to expand and thrive in the global landscape. The production sites of FENC, located in Taiwan, the United States, Vietnam, China, Japan and Southeast Asia, have been vertically integrated into a streamlined system from production to sale. FENC’s strategy is to strengthen its position as a leading polyester producer by maintaining long-term client partnerships, upgrading its product mix and enhancing research and development capabilities.

Currently FENC has total investment properties of 200,000 pings (662,000 square meters) in Taiwan, the majority of which are located in prime areas of northern Taiwan. The Taipei Far Eastern Telecom Park (Tpark) project in Banqiao, New Taipei City is one of FENC’s development priorities.

The majority of the Company’s investment portfolio is listed companies on the Taiwan Stock Exchange with proven track records, including Asia Cement Co., Far EasTone Telecommunications Co., Far Eastern International Bank, Oriental Union Chemical Co., Far Eastern Department Stores Limited, and Everest Textile Co. Limited, thus providing the Company consistent dividend and investment income each year.

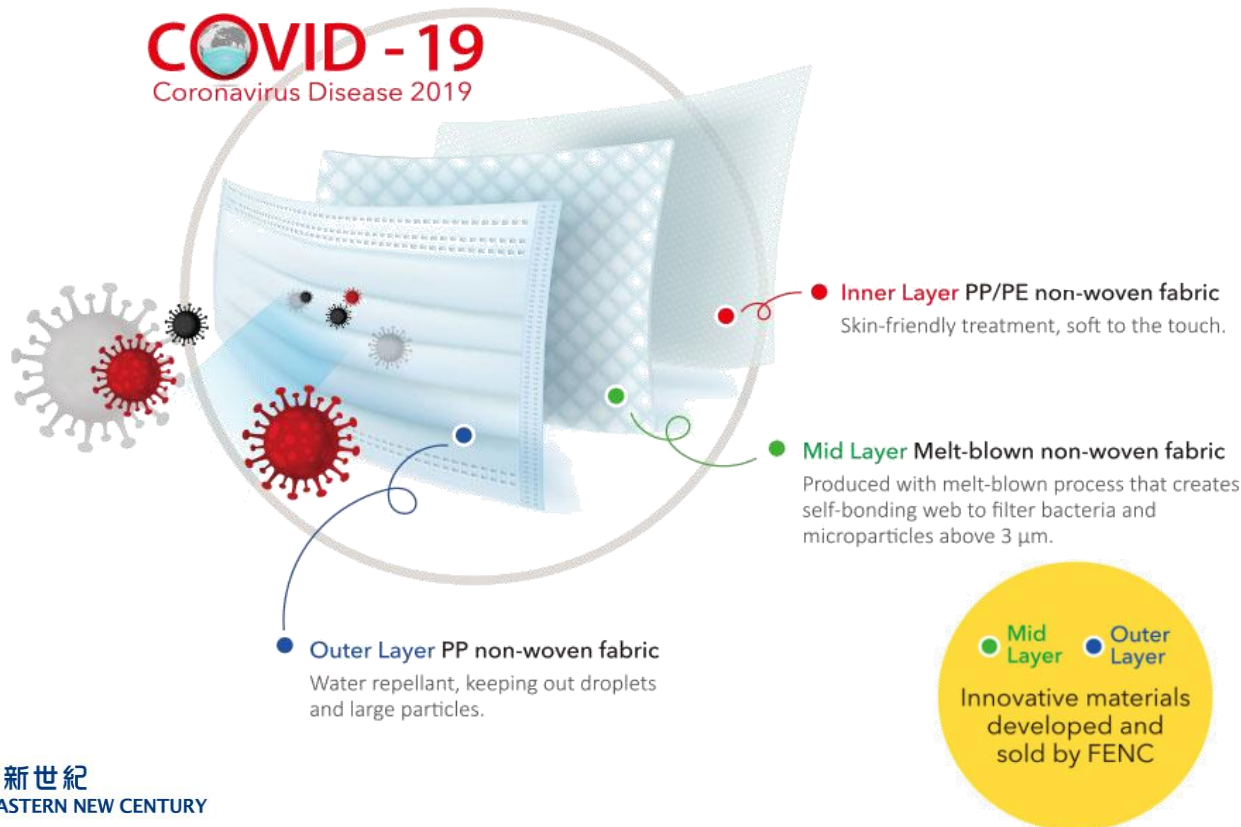


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Company Highlights (I)

- **A constituent of the MSCI ESG Leaders Indexes, FTSE4Good Emerging Index & TWSE CG 100 Index**
- **Consistent Dividends Payout** (refer to page 20)
- **Management Efforts on the Production Business** (refer to page 8-14)
 - Increasing demand for the nonwoven staple fiber due to the COVID-19 pandemic: FENC is currently the largest global PE/PP and PE/PET medical material supplier, and the only local supplier of inner layer materials to Taiwan medical facemask manufacturers. (http://news.fenc.com/news_detail.aspx?lang=en&id=5144)

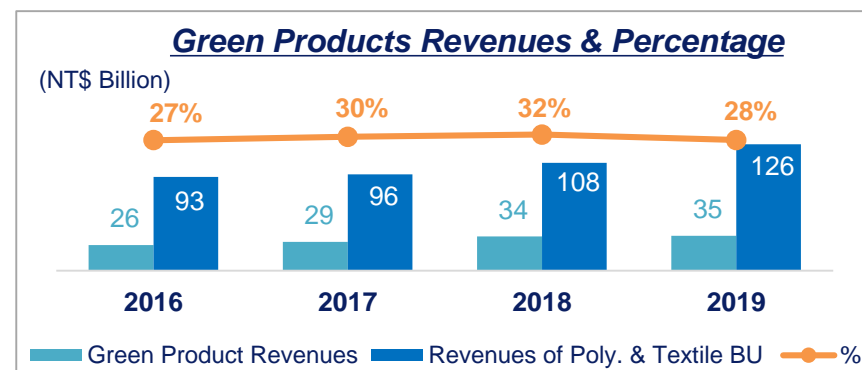
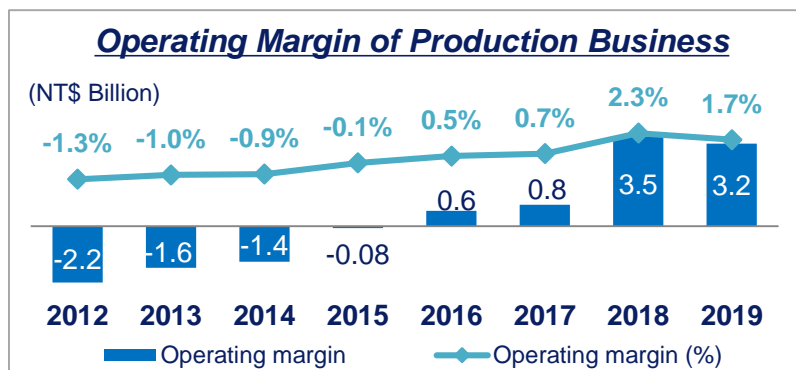


Inner Layer
100%
raw materials
supplied
by FENC

Company Highlights (II)

• Management Efforts on the Production Business *(refer to page 8-14)*

- With a fully integrated polyester value chain, the combined operating margin of the Production Business turned a loss of NT\$ -2.2 bn in 2012 to a profit of NT\$ 3.2 bn in 2019. The turnaround in operating margin is attributable to:
 - Long term client partnerships and a better product mix.**
 - R&D efforts:** The Taiwan in-house R&D center cooperates with well-known brand clients to customize specialty products.
 - From an Asian to a global producer:** FENC grew via organic growth or acquisitions in order to better service existing clients locally, such as Coca-Cola, Nike, Columbia, and avoid antidumping duties imposed across borders. *(refer to page 9)*
 - Asia's largest recycled PET (R-PET) producer:** R-PET capacity expansion in Taiwan, Japan and U.S. to meet strong demand from the brands green missions. *(refer to page 11)*
 - Partnered with Coca-Cola & 7-Eleven for a closed-loop business model in Japan:** Local 7-eleven stores collected waste PET bottles, then shipped to FENC to produce food-grade R-PET for Coca-Cola packaging materials, which were then returned to 7-eleven. *(refer to page 12)*

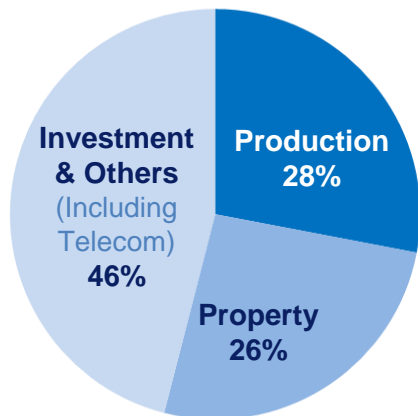


• Investment Properties *(refer to page 15-19)*

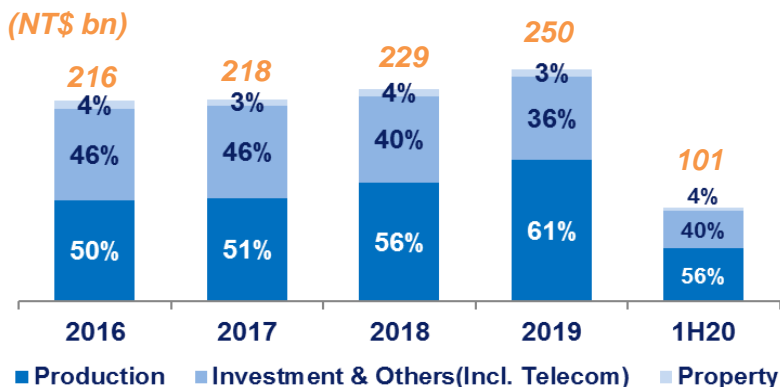
• Investments & Others *(refer to page 7)*

Company Overview

- Year of establishment: 1954
- Employees: 32,450
- Asset allocation as of Jun 30, 2020 (Total assets: NT\$ 619 billion / Book value per share: **NT\$ 36.9 /share**)

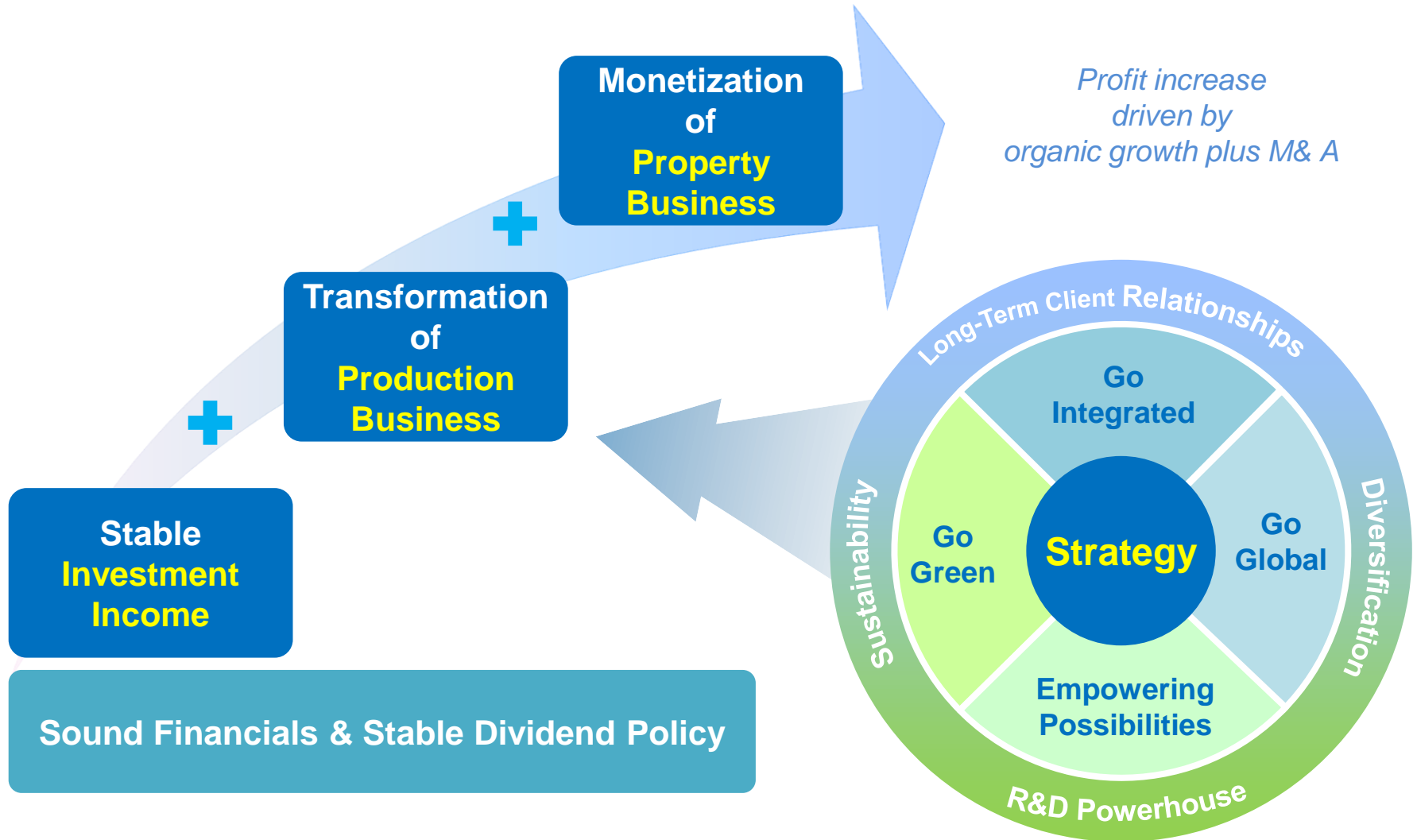


• Revenue breakdown:










Business Segments		Production Sites	Capacity (As of Dec 31 2019)
Production	Petrochemical	Taiwan & China	PTA: 2.75 mm tons/yr
	Polyester	Taiwan, China, Vietnam, United States, Japan, Malaysia	Polymer: 2.57 mm tons/yr PET: 2.13 mm tons/yr PSF: 391K tons/yr Polyester Filament: 99K tons/yr Others Nylon 6,6 filaments: 21K tons/yr PET Sheets: 139K tons/yr PET films: 20K tons/yr Recycled-PET(R-PET): 390K tons/yr
	Textile	Taiwan, China, Vietnam	Yarn: 373K spindles/yr Knitted Fabrics: 43K tons/yr Industrial Fabrics: 22K tons/yr Industrial Yarn: 144K tons/yr Apparels: 7.5 mm dozens/yr
Property		Various locations in Northern Taiwan	Total size: 203k pings (672k sq meters)
Telecom (Far EasTone)		Integrated service provider - mobile, fixed line, ISP, etc.	# of subs: 7.05 mm (As of Jul 2020)
Investment & Others		Cement, retail, financial services...etc.	

Strategic Summary



Value of Major Investments - Listed Companies

Stock code	Investees	Holdings	(NT\$ million)	
			Book value (2020.6.30)	Market value (2020.8.13)
1102 TT	 Asia Cement	27%	22,996	37,071
1460 TT	 Everest Textile	26%	983	1,260
1710 TT	 Oriental Union Chemical	31%	5,338	4,405
2606 TT	 U Ming Marine	0%	-	-
2845 TT	 Far Eastern International Bank	16%	7,069	6,206
2903 TT	 Far Eastern Department Stores	30%	9,373	10,594
4904 TT	 Far EasTone	38%	25,457	78,855
Total			71,217	138,391

Note: 5,353 million shares of FENC common stock were issued and outstanding as of 30 Jun 2020.

A Leading Integrated Polyester Producer



**WORLDWIDE
TOP 3**

PET Resin

**WORLDWIDE
TOP 3**

Nonwoven Polyester
Staple Fiber

**WORLDWIDE
TOP 1**

Recycled PET Filament
TOP 2

Recycled PET resins

**ASIA
TOP 1**

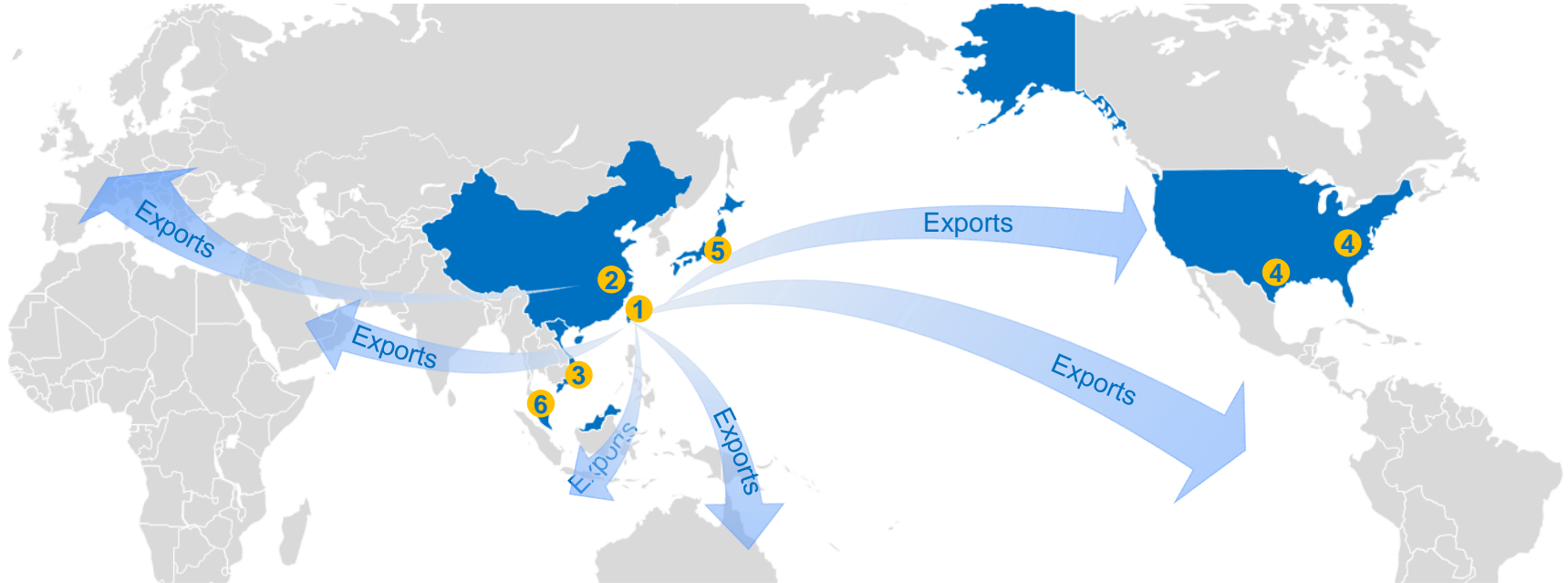
PET Sheet

**ASIA PACIFIC
TOP 1**

Nylon 6,6 Filament

Go Global: From An Asian to A Global Producer

- **Globalization of the de-globalization era:** production site diversification and flexible sales & distribution to mitigate the effects of trade barriers.



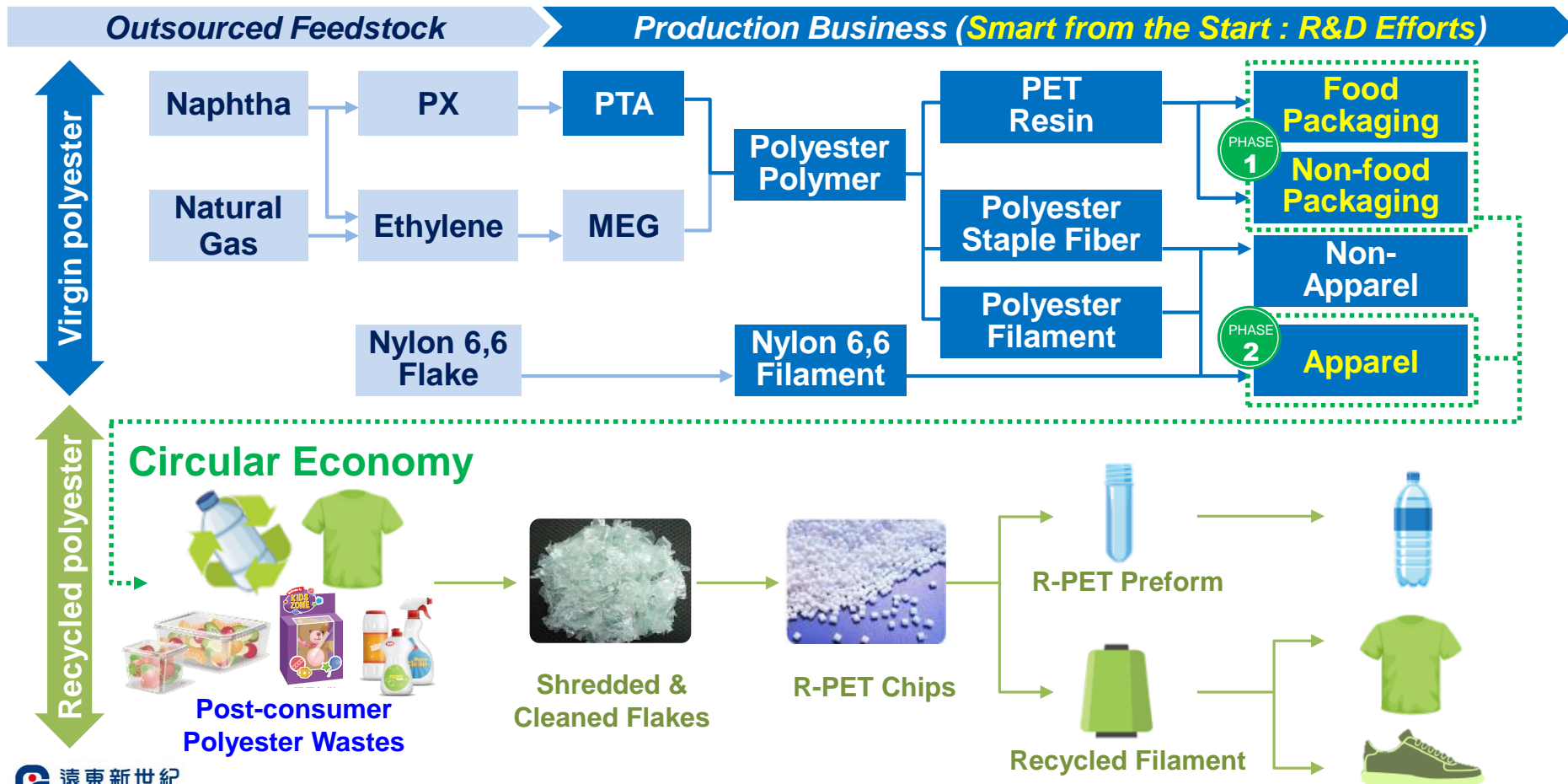
- **FENC's production sites:** Taiwan, China, Vietnam, United States, Japan and Malaysia.

1 Taiwan PTA / PET PSF HTY Filament / Fabric R-PET	2 China PTA / PET PSF HTY Filament / Fabric Apparel	3 Vietnam PET PSF (Trial run) Fabric Apparel	4 U.S. Via M&A (Note) { PET (2018) CCP JV (2018) R-PET (2019)	5 Japan R-PET
				6 Malaysia PET

(Note) CCP JV project: ① partnered with Alpek & Indorama, ② annual planned capacity of PET 1.1 MM & PTA 1.3 MM tons, ③ each party has the right to off-take one-third of the capacity and to source its feedstock independently.

Go Integrated: What Differentiates FENC from Peers?

- **Award winning innovations:** modifying polymer “gene” (technology built in) by R&D team and thus producing textiles difficult for peers to clone. → Smart, functional & sustainable textiles.
- **Single pellet solution:** To provide international brand customers total solution with ready to use resin combining virgin & recycled PET.



Go Green: Asia's Largest Recycled PET Producer

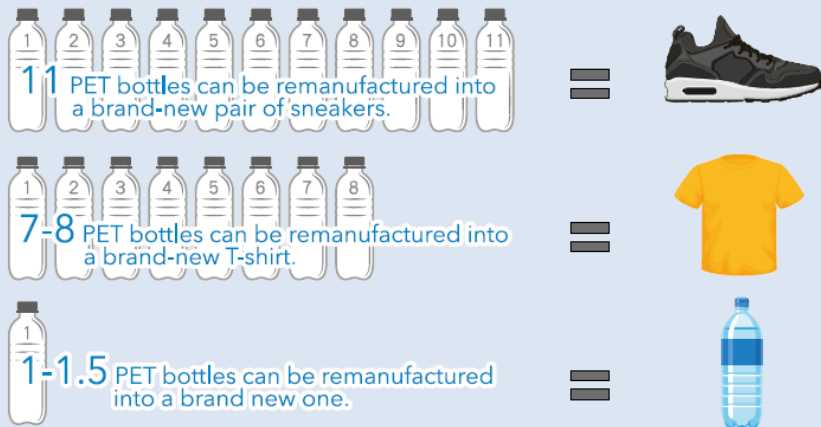
FENC recycled PET (R-PET) business

- **Leading in the R-PET business:** FENC has invested deeply for over 30 years.



Compared to conventional production of virgin PET bottles, producing R-PET bottles reduces GHG emissions by **63%**.

- **Waste Reduction:** FENC has reduced waste by 8.1 billion PET bottles/year, enough bottles to circle the Earth 46.5 times.



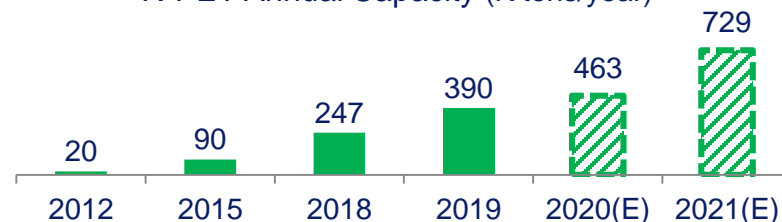
Strong demand from the brands green missions

- **Brands' green missions for transitioning to R-PET:** e.g. Nike, Adidas, Coca-Cola, L'Oréal, P&G, Unilever, Hasbro, IKEA, etc.

FENC R-PET expansion plan

- **To expand capacity via organic growth or M&A:**

R-PET Annual Capacity (K tons/year)



- **FENC's R-PET capacity target:**



Empowering Possibilities (I) : From Reaction to Creation

Key milestones of FENC's R-PET products

• Green products certifications received

1 Safe for food packaging use



Health
Canada

2 Recycled content certifications



3 Other green certifications



Creating solutions for clients

- **Adding product traceability:** For a premium, on client's request, FENC can put a tracer in our R-PET products, with a bar code allowing a trace of the waste's origin.

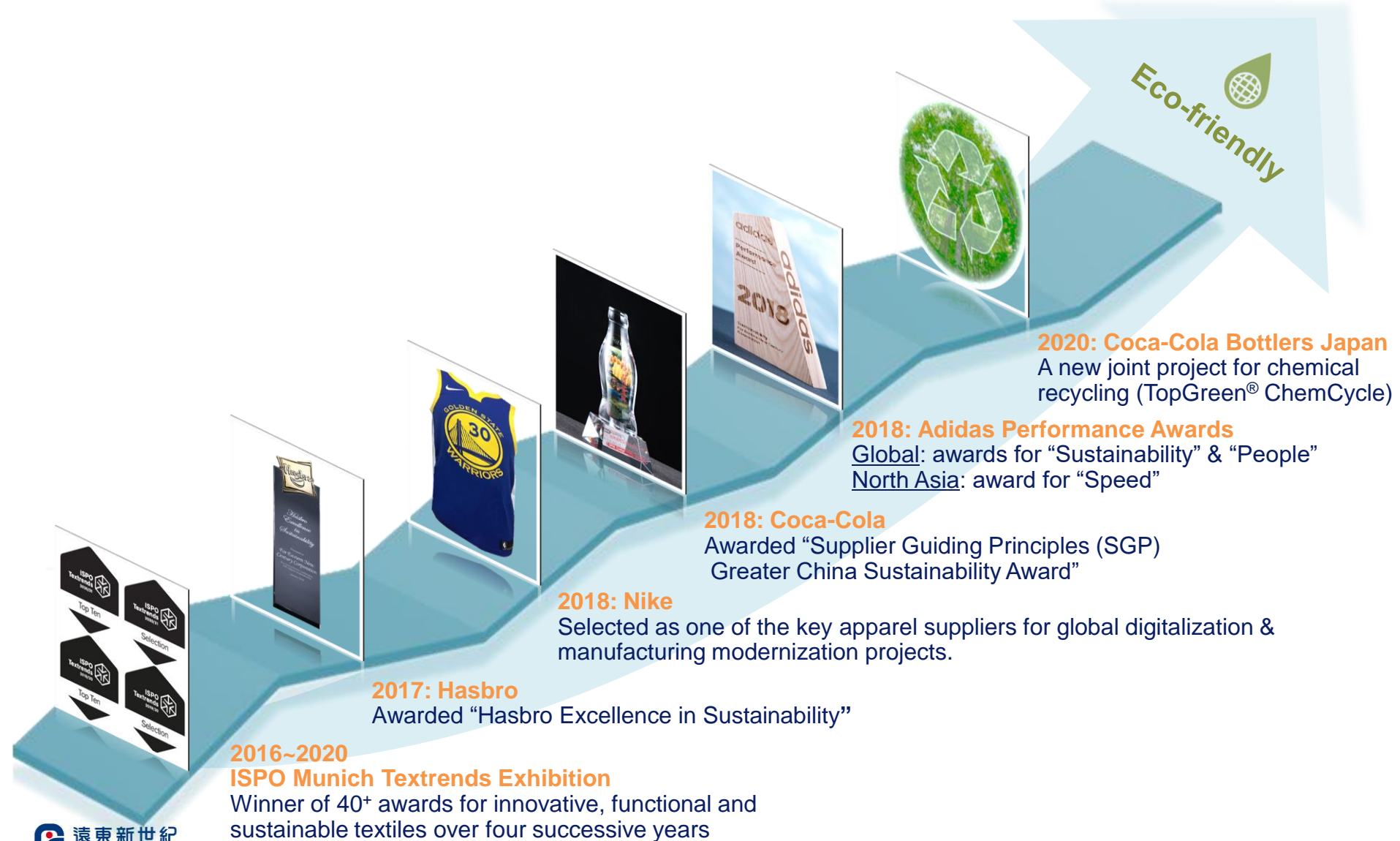


Closed-loop business model

- **Secure feedstock supply:** New partnership & business model with Coca-Cola & 7-eleven in Japan.
 - Benefitting from China's plastic waste import ban began in Jan 2018, the new partnership assists in reducing the waste in Japan's domestic market



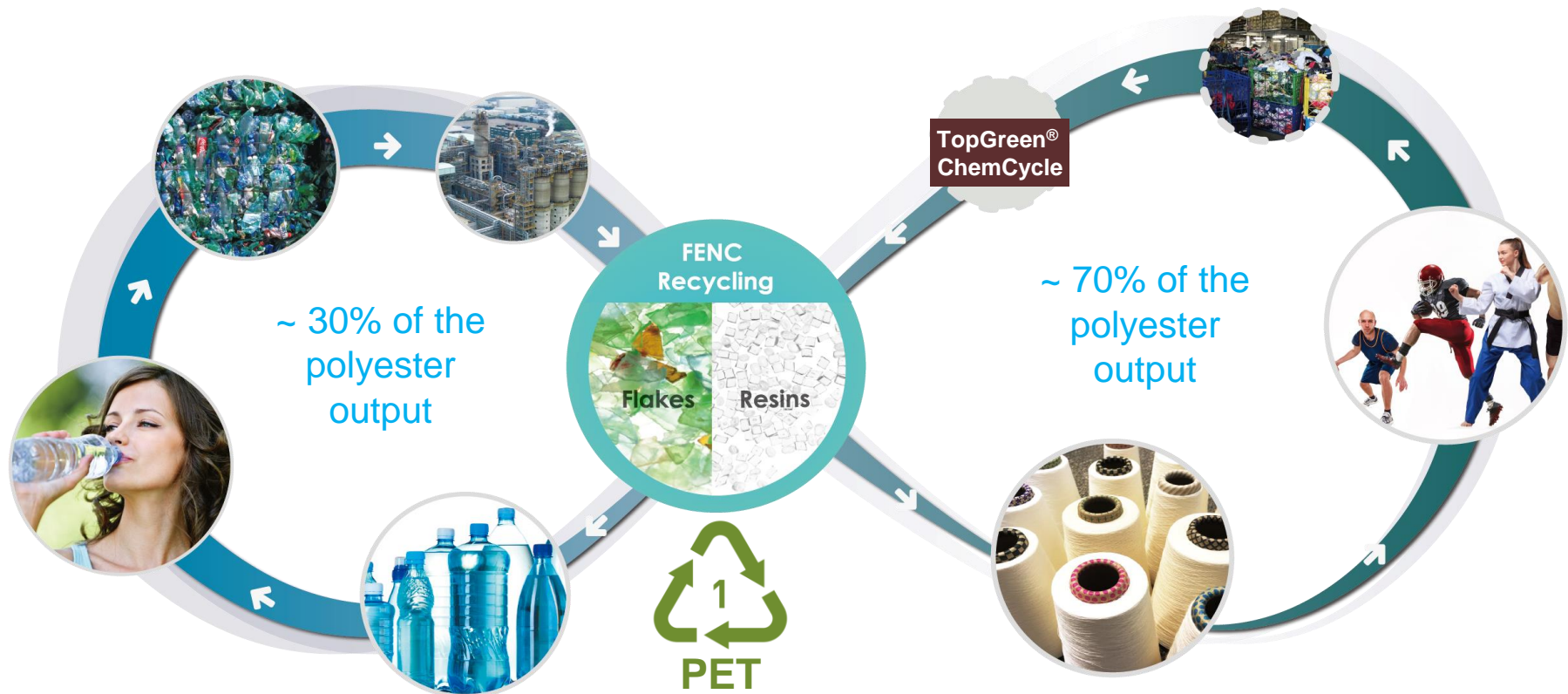
Empowering Possibilities (II): Close Customer Partnerships



Invest in the Future: Post Consumer Textile Recycling

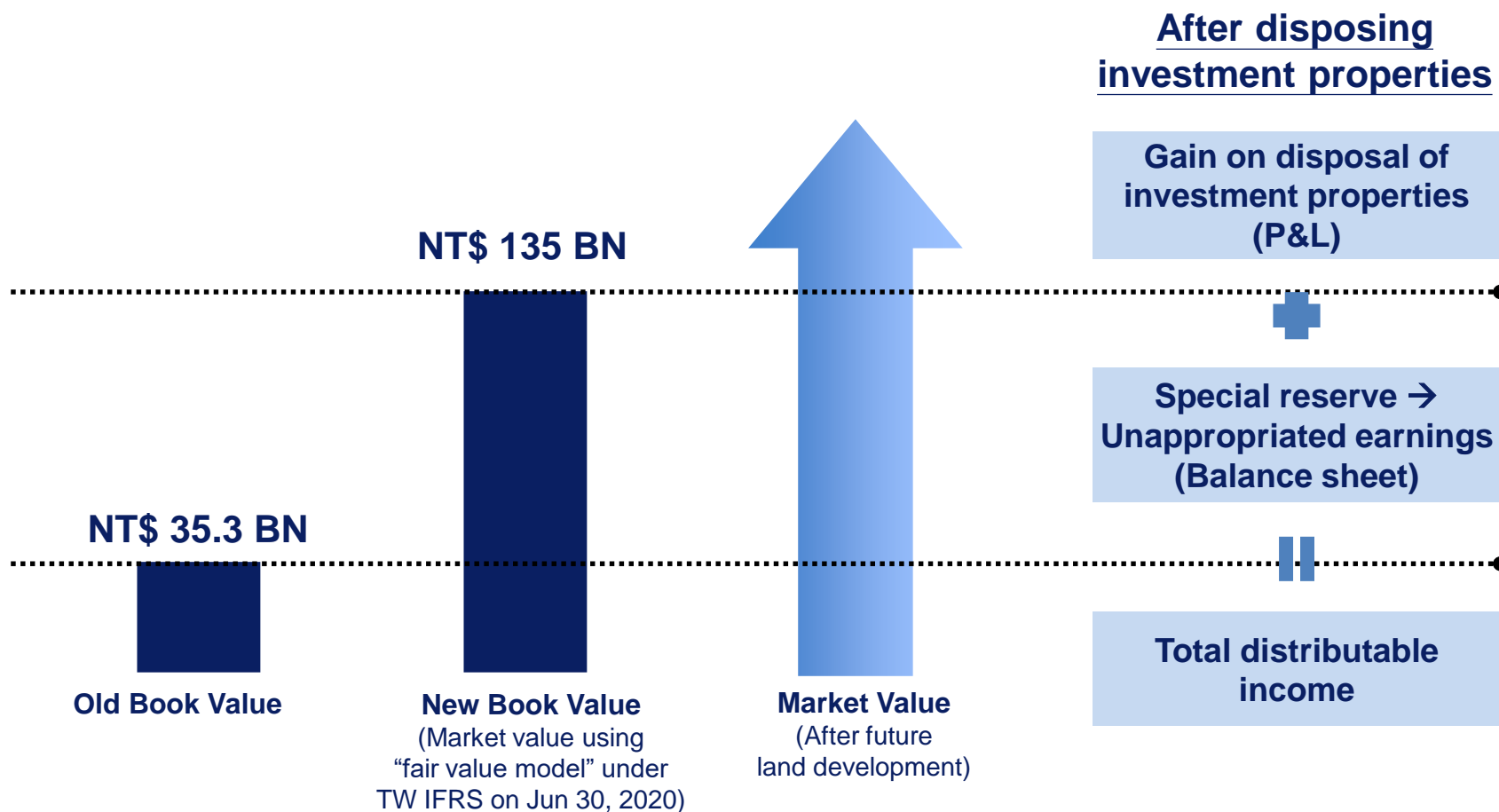
TopGreen® ChemCycle: FENC's PET recycling technology breakthrough “chemical recycling”

- 1 To chemically convert used PET bottles/other polyester wastes (regardless of colors and printing inks) into recycled PTA (rPTA)
- 2 Using rPTA to produce “ChemCycle Resins”, chemically recycled PET resins, with a quality equal to that of virgin PET resins.



Land Holdings Owned by FENC

- Total land holdings: approximately 570k pings (1,887k sq meters)
- Investment properties as at **Jun 30, 2020**: approximately 200k pings (662k sq meters)



Investment Properties – Major Landholdings of Land

Taoyuan City

Size: 43,070 pings (142,562 sq meters)
(Including part of the land area for a new land development plan)

A new land development plan

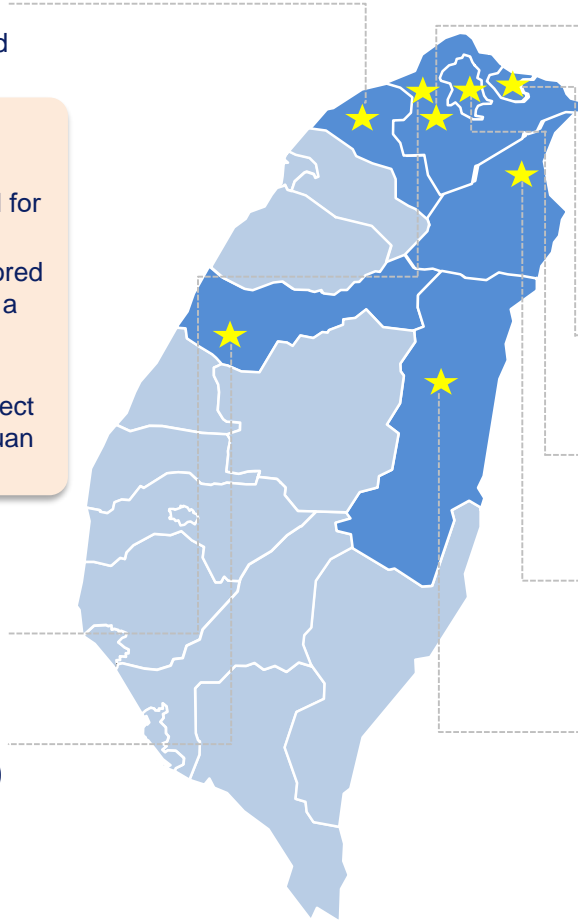
- ① Size: around 30k pings (99k sq meters)
- ② Status: applied for government's approval for land rezoning.(estimated 2-3 years)
- ③ Design concept: an integrated district tailored for residential zones, a commercial zone, a medical zone and green parks.
- ④ Neighborhood: is adjacent to Yuan Ze University & the underground railway project for Neili station, part of the ongoing Taoyuan urban renewal plan.

Taishan & Wugu

Size: 16,250 pings (53,788 sq meters)

Taichung City 愛買 a.mart (Rented to A. Mart hypermarket)

Size: 2,329 pings (7,709 sq meters)



Banqiao



Taipei Far Eastern Telecom Park

Size: 82,966 pings (274,617 sq meters)
Book value: 60~65% of investment properties



Mega Tower

Size: 2,057 pings (6,809 sq meters)

Others

Size: 11,454 pings (37,913 sq meters)

Taipei Far Eastern Plaza (Note a)

Size: 1,651 pings (5,465 sq meters)

Yilan (SPA resort)

Size: 30,694 pings (101,597 sq meters)
Phase I plan: villa concept, around 200 rooms

Hualien

Size: 9,446 pings (31,266 sq meters)

a) Land holdings include self-use and investment properties

b) 1 ping = 3.31 sq meters = 35.58 sq feet

*A **smart green** campus, with sole property ownership, integrated with residential zones (for sale), commercial offices (for lease), a medical center, a college, and a hypermarket in the neighborhood*



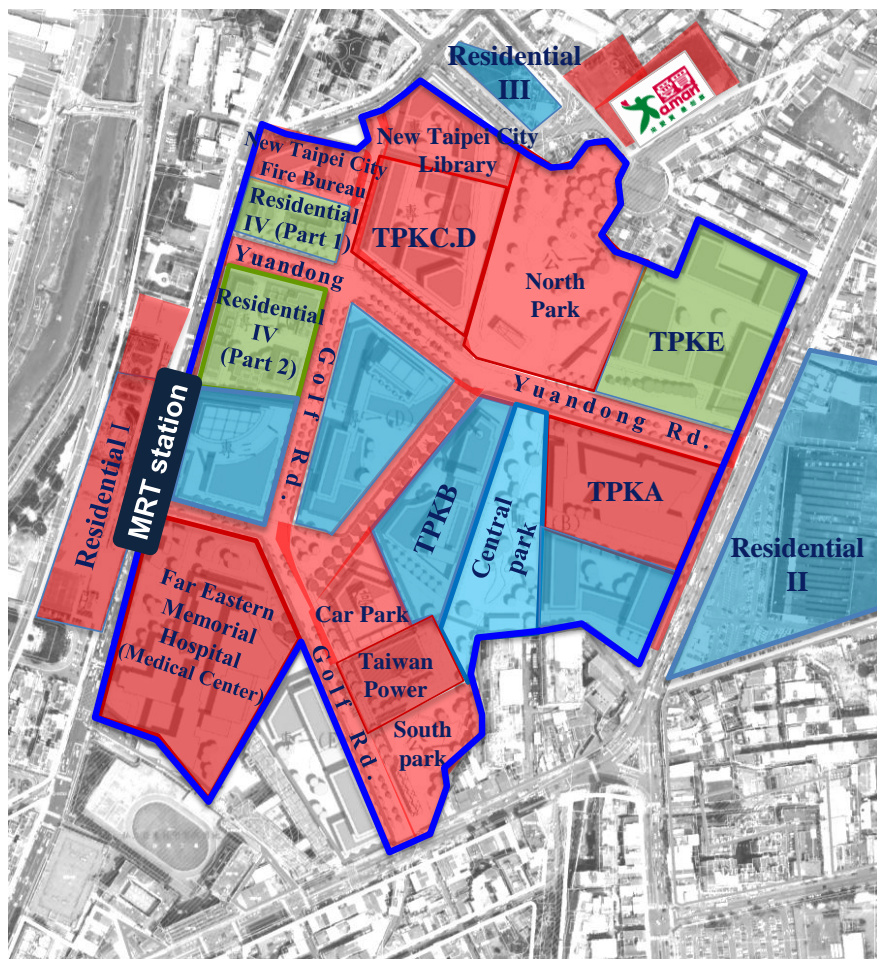
Land development plan (in terms of land size):

Approximately 24 hectares
(around 73.7K pings / 244K sq meters)

- 46% | R&D Office Building Zone**
 - An anchor tenant confirmed to develop a new office complex in Tpark
 - Current tenants: Amazon Web Service (AWS), Ericsson, Telecom Technology Center, etc
- 7% | Residential Zone**
- 4% | Retail / Commercial Zone**
- 11% | Regional Medical Center**
Far Eastern Memorial Hospital
- 32% | Public Facilities**
New Taipei City library, New Taipei City Fire Bureau, infrastructure & green parks, etc.

Green Building in Tpark: ① TPK A (TW EEWB rating - Certified), ② TPK C (TW EEWB rating - Diamond), ③ TPK D (U.S. LEED rating - Gold & TW EEWB - Diamond)

- Developed area (2008-2019)
- Developing area (2020-2023)
- Developing area (after 2023)



No. 3 Commercial office building: TPK E



- The entire building was rented out.
- 13-floor building; land area of 6.6k pings (21.8k sqm)
- Slated to complete construction in 4Q21

No. 2 residential product: Residential IV

- Three 27-floor buildings



- **Part 1:**
 - Land area: 1.6k pings (5.3k sqm)
 - GFA (for sale): 7k pings (23k sqm)
 - Slated to complete construction in 4Q21
- **Part 2:**
 - Land area: 3.2k pings (10.6k sqm)
 - Construction will start soon.

No. 1 residential product: California Dream



- 2 to 4 bedrooms designed for typical TW families
- Sales of phase I in 2009
 - GFA: 19.3k pings (64k sqm), and around 396 units
 - ASP at around NT\$ 420k/ping (US\$ 4k/sqm)
- Sales of phase II in 2016
 - GFA: around 5.5k pings (18k sqm), or 154 units
 - ASP at around NT\$ 553k/ping (US\$ 5k/sqm)

No. 1 commercial office building: TPK A



- 11-floor building, with 2 floor underground parking lot
- GFA: 18.7k pings (62k sqm)
- Green building label: TW EEWB Certified rating

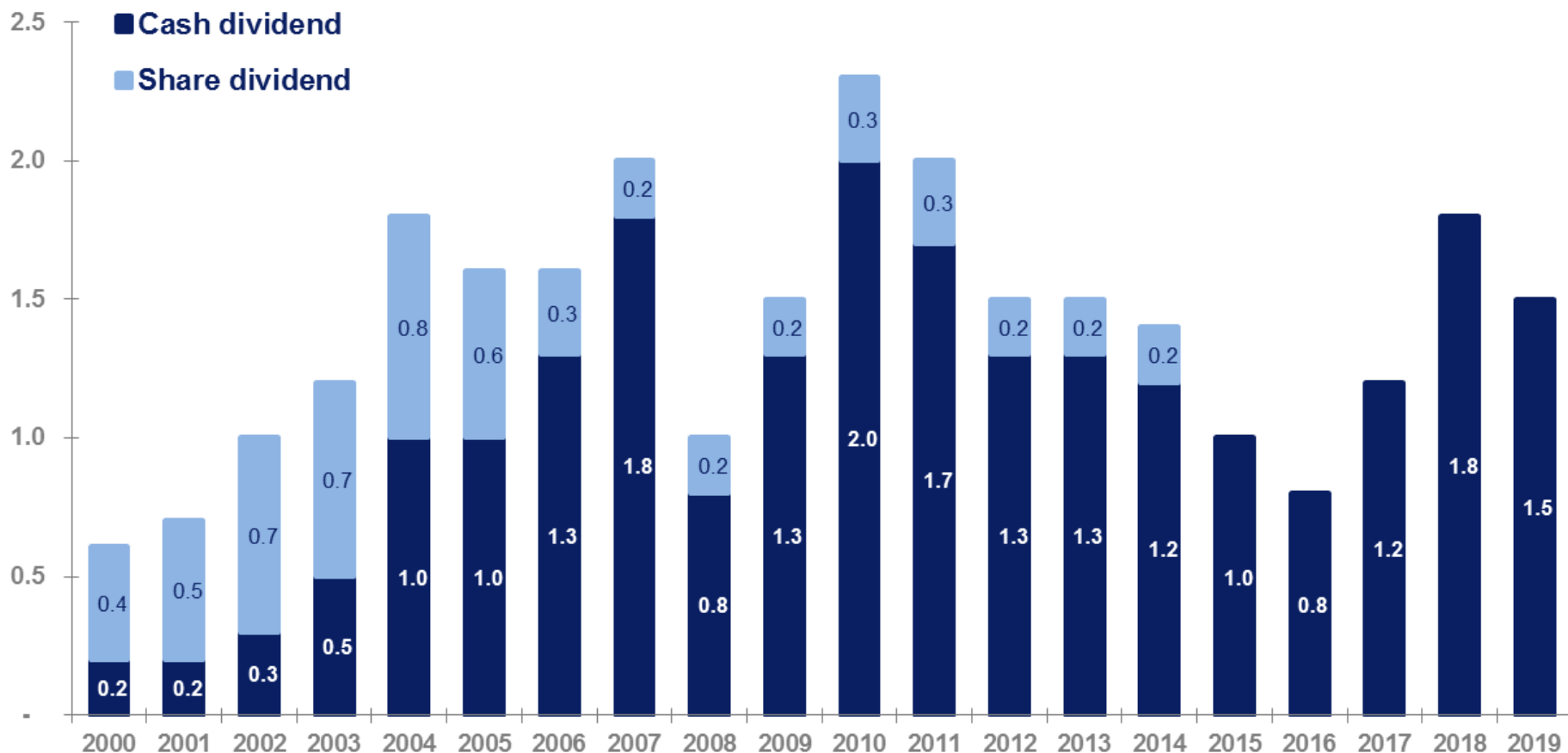
No.2 Commercial office building: TPK C&D



- TPK-C (FETone IDC center)
 - 11-floor building; GFA of 10.2k pings (33.8k sqm)
 - Green building label: TW EEWB Diamond rating
- TPK-D (No.2 office building)
 - The entire building was rented out.
 - 16-floor building; GFA of 17.7k pings (58.5k sqm)
 - Green building label: TW EEWB Diamond rating & U.S. LEED Gold rating.
- The combined land area of TPK C&D: 4.7K pings (15k sqm)

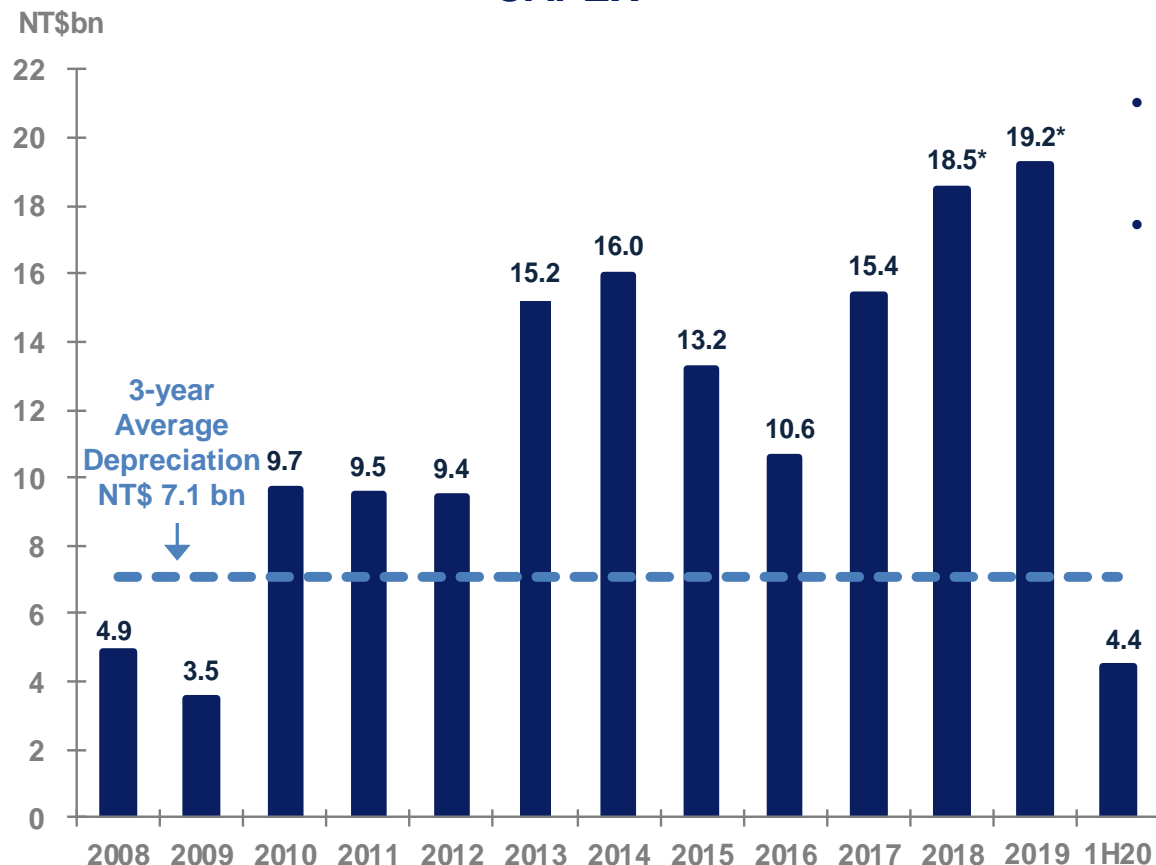
Dividends Payout History

NT\$/share



CAPEX – Excluding Telecom Business Segment

CAPEX



*Including the investment in joint operation of CCP JV project. (refer to page 9)

- Historically, the maintenance CAPEX was covered by the depreciation expense
- Re-expansion period starting from 2010 to grow and transform

Major new CAPEX items:

From 2010 to 2015

- Production Business:** PTA expansion and energy cost saving projects in Taiwan, recycled-PET expansion plans in Taiwan and Japan, nonwoven hygiene products in China, Nylon 6,6 filament in Taiwan and China.
- Property Business:** the office building TPK-A and the entire infrastructure of the Tpark

From 2016 onwards

- Vietnam expansion plan:** to build the 3rd production site targeting textile products and PET resins for food packaging.
- U.S. M&A projects:** to acquire M&G PTA & PET assets.
- R-PET expansion plan:** to build a new line in Japan.
- Tpark:** the construction of new office buildings and residential products.

Key Financial Highlights (IFRS-consolidated Base)

(NT\$ million)	2Q20		2Q19		YoY	1H20		2019		2018	
Revenues	48,944	100%	66,727	100%	-27%	101,180	100%	250,147	100%	228,662	100%
Profit from Operations	2,457	5%	4,286	7%	-43%	4,189	4%	13,763	6%	14,784	6%
Investment Income(Equity method)-Net	2,032	4%	2,050	3%	-1%	1,979	2%	6,464	2%	6,224	3%
Interest Expenses-Net	(694)	-1%	(787)	-1%	n.a.	(1,382)	-1%	(2,866)	-1%	(2,387)	-1%
Gain on revaluation of investment property	165	0%	165	0%	0%	3,058	3%	1,883	1%	646	0%
Others	162	0%	50	0%	225%	169	0%	(114)	0%	1,788	1%
Consolidated Income before Tax	4,122	8%	5,764	9%	-28%	8,013	8%	19,130	8%	21,055	9%
Tax Expenses	683	1%	721	1%	-5%	1,691	2%	2,695	1%	2,664	1%
Consolidated Net Income	3,439	7%	5,043	8%	-32%	6,322	6%	16,435	7%	18,392	8%
Attributable to:											
Shareholders of the Company	2,186	4%	3,505	6%	-38%	3,689	4%	10,733	5%	12,028	5%
Non-Controlling Interests	1,253	3%	1,537	2%	-18%	2,634	2%	5,702	2%	6,363	3%
EPS (NT\$) ⁽¹⁾	0.44		0.70			0.74		2.15		2.41	
Depreciation & Amortization	6,178	13%	6,673	10%	-7%	12,455	12%	26,062	10%	21,104	9%
Excluding FETone:											
Revenues	30,269	100%	46,301	100%	-35%	63,116	100%	166,281	100%	142,027	100%
Depreciation & Amortization	2,263	7%	2,313	5%	-2%	4,505	7%	8,836	5%	6,792	5%
EBITDA ⁽²⁾	1,751	6%	3,560	8%	-51%	2,757	4%	10,673	6%	9,203	6%
Total Assets						619,036	100%	576,080	100%	565,589	100%
Total Debt						359,049	58%	304,759	53%	297,860	53%
Net Interest-bearing Debt						224,398	36%	189,390	33%	187,471	33%
Total Equity						259,988	42%	271,321	47%	267,729	47%
Total Shareholders' Equity of											
Parent Company						197,562	32%	204,522	35%	203,535	36%
Non-Controlling Interests						62,426	10%	66,799	12%	64,194	11%
Book Value Per Share						36.9		38.2		38.0	
Return on Equity						3.7%		5.3%		6.0%	

Performance by Business Segments

(NT\$ million)	2Q20	2Q19	YoY	1H20	2019	2018
Reclassified for Presentation Purposes						
Gross Revenue						
Petrochemical	7,326	17,401	-58%	17,635	58,226	47,512
Polyester	16,733	24,375	-31%	36,017	86,889	71,643
Textile	6,561	9,879	-34%	13,951	39,030	35,906
Telecom	18,675	20,425	-9%	38,064	83,866	86,635
Property	3,139	2,696	16%	4,534	9,123	9,031
Investment & Others ⁽¹⁾	3,245	3,470	-6%	4,421	12,362	11,889
Subtotal	55,678	78,246	-29%	114,621	289,496	262,616
Inter-company Sales	4,633	9,458	-51%	11,384	32,815	27,685
Revenue-net	51,045	68,788	-26%	103,237	256,681	234,931
Profit from Operations						
Petrochemical	(692)	184	n.a.	(2,136)	(444)	167
Polyester	1,007	1,144	-12%	1,579	2,753	2,778
Textile	(299)	297	n.a.	(382)	907	550
Telecom	2,970	3,038	-2%	5,937	11,925	12,373
Property	229	139	65%	472	806	786
Investment & Others ⁽¹⁾	1,371	1,131	21%	790	4,470	4,117
Subtotal	4,585	5,933	-23%	6,260	20,418	20,772
Other Adjustments	(26)	414	n.a.	(14)	(120)	281
Reclassified Profit from Operations	4,559	6,347	-28%	6,246	20,298	21,053
For Reconciliation Purposes						
- Investment Income(Equity method)-Net	2,032	2,050	-1%	1,979	6,464	6,224
- Dividend Income	70	12	489%	77	70	45
Profit from Operations	2,457	4,286	-43%	4,189	13,763	14,784

Note(1): Investment & Others segment includes investment income (loss) from equity-method investees, i.e. ACC, OUCC, FEIB and share disposal gain (loss), etc.

Recent Achievements & CSR



Sustainable
Benchmark
Indicators

MSCI ESG Leaders Index A Level
Morgan Stanley Capital International

Taiwan Corporate Governance 100 Index
TWSE

FTSE4Good TIP Taiwan ESG Index
FTSE Russell, Taiwan Index Plus

FTSE4Good Emerging Indexes
FTSE Russell

**Corporate Social Responsibility
Yearbook Constituent of
Benchmarking Enterprise**
Economic Daily News

Taiwan Sustainability Index

Taiwan Institute for Sustainable Energy, National Taipei University

- TW (S&P) long-term credit rating: TW A
- Issued NT\$ 3 billion green bond in 2018 for investing in green projects



Sustainability
Rating

Climate Change
Management Level
CDP

Water Security
Leadership Level
CDP

Outstanding Professional
World Class
GCSA

Supplier Engagement Rating
Leadership Level
CDP

Corporate Comprehensive Performance
**Top 50 Corporate
Sustainability Awards**
Taiwan Corporate Sustainability Awards

Best Practice
**Outstanding Practice -
World Class**
GCSA

Leadership
**Special
Achievement Award**
APEA

Best Performance of Specific Category
**Climate Leadership Awards,
Growth through Innovation Awards,
Circular Economy Leadership Awards,
People Development Awards**
Taiwan Corporate Sustainability Awards

Corporate Social Responsibility Award
**Outstanding Project - Excellence
in Environmental Sustainability**
Global Views Monthly

Corporate Social
Responsibility Award

Winner of Manufacturing Industry category
Global Views Monthly

Corporate Sustainability Report Awards
**Chinese Report Awards Platinum Award
English Report Awards Gold Award**
Taiwan Corporate Sustainability Awards

CSR Award
**CSR Organization
Governance Excellence**
SGS

**Corporate Citizen Awards
22nd in Large
Enterprise category**
Common Wealth Magazine



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