


Investor Conference



L&K[®] 亞翔工程股份有限公司
L&K ENGINEERING CO., LTD.

2018.12.26

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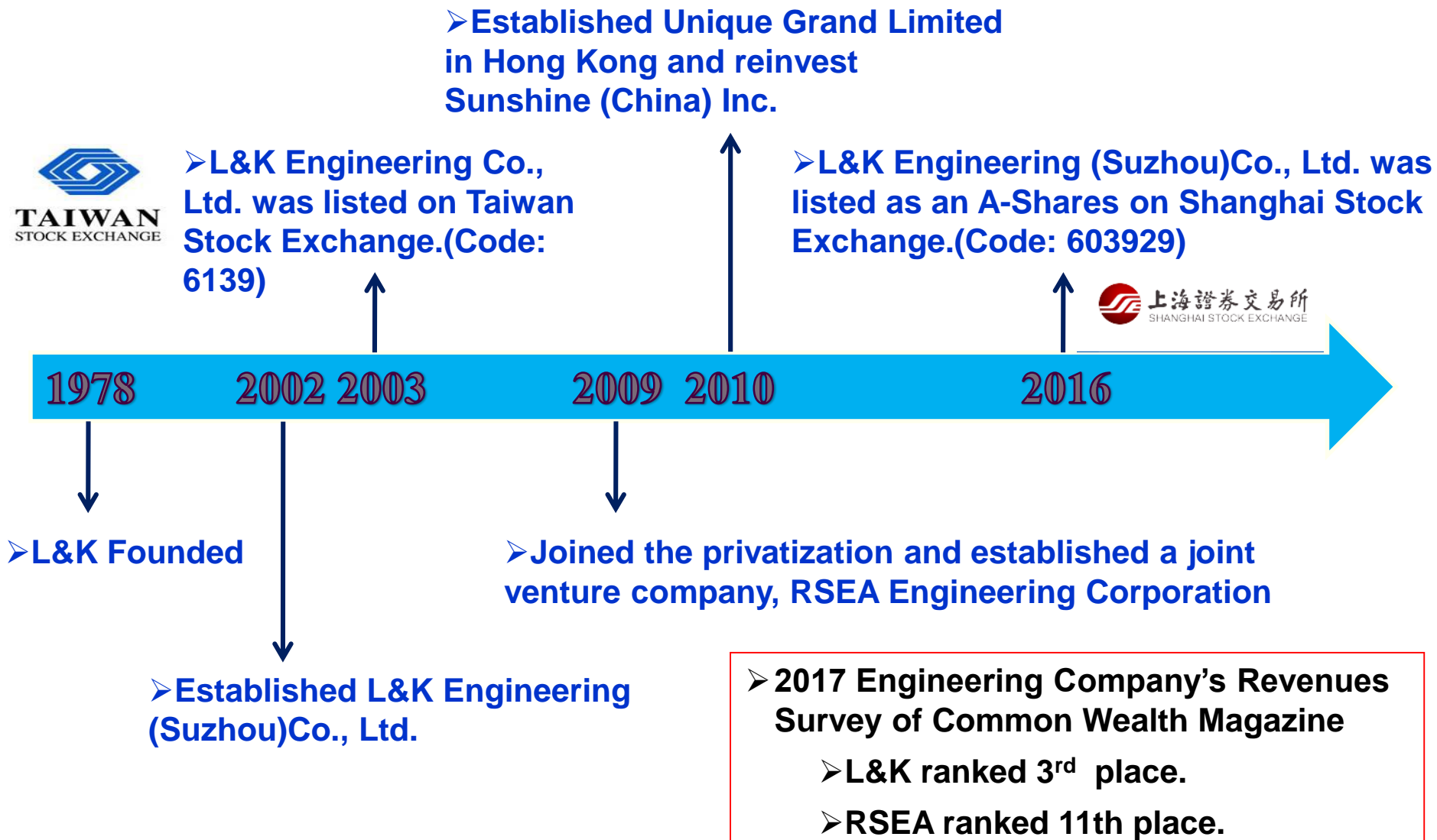
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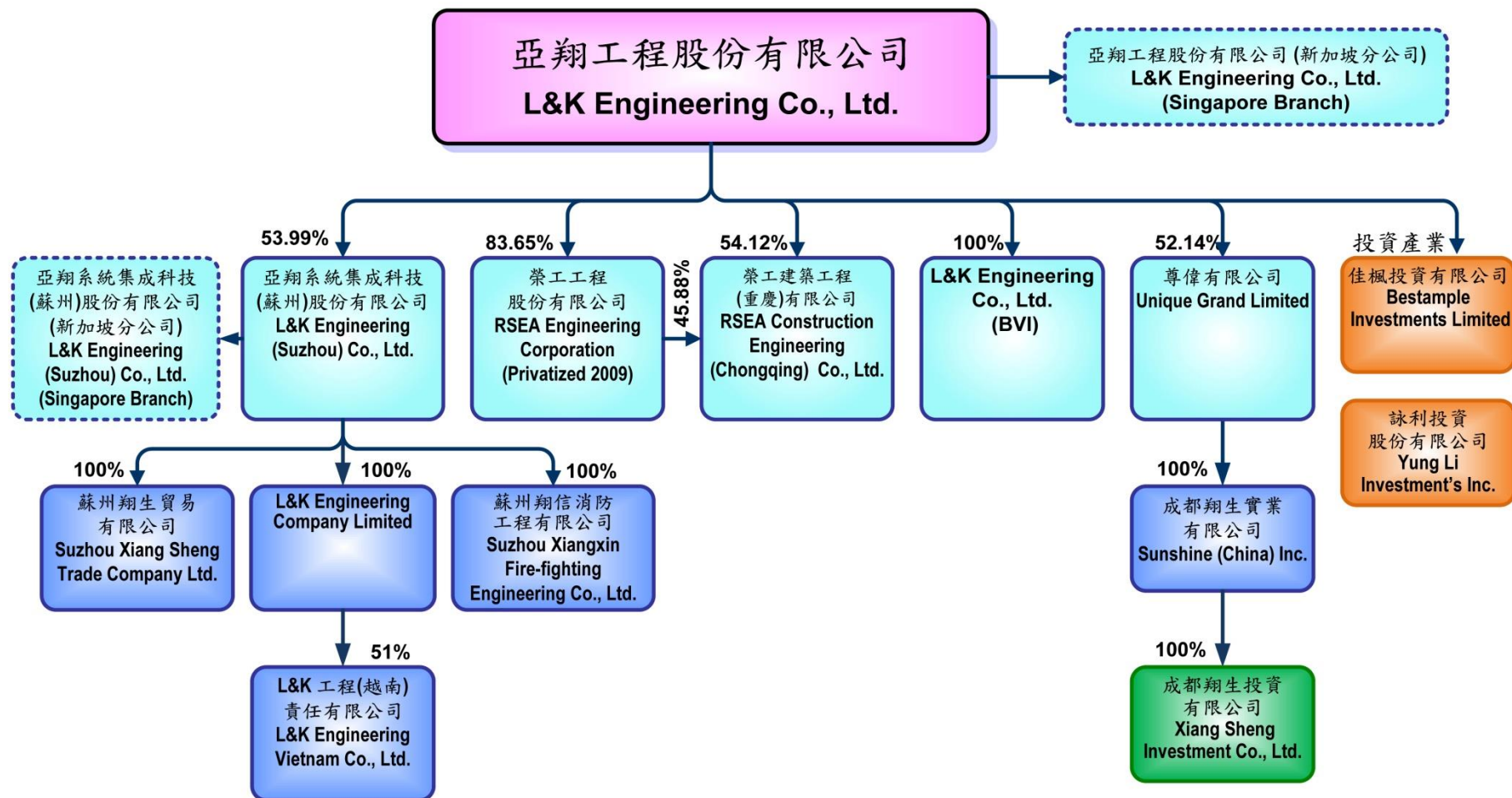
- ◆ **L&K Introduction**
- ◆ **Operational Summary**
- ◆ **Strategy and Prospect**
- ◆ **Financial Summary**



L&K Introduction

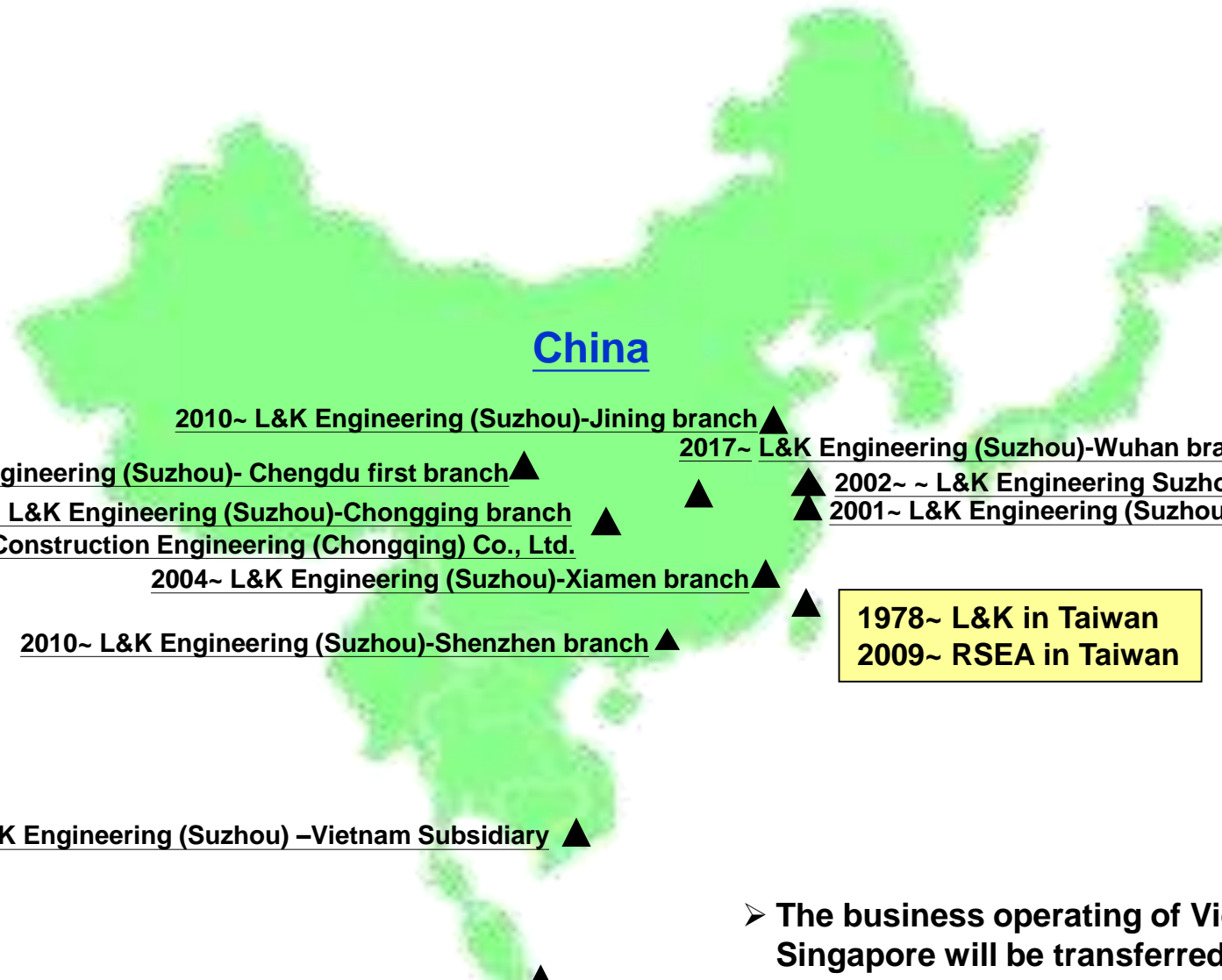
In the past, we got a foothold in Taiwan.
Nowadays, we strive to expand our business in China.
Future, we expect can service the whole Asia.





2018.09.30

| Company | • L&K Engineering Co., Ltd. | • RSEA Engineering Corporation | • L&K Engineering (Suzhou) Co., Ltd. |
|------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Founded | <ul style="list-style-type: none"> • Founded by Yao Chu Shiang (Kenneth Yao) in 1978 • Listed on Taiwan Stock Exchange in 2003 (Stock Code 6139) | <ul style="list-style-type: none"> • Fouded by Veterans Affairs Commission of Executive Yuan, R.O.C in 1956 • Joint-venturing with L&K Engineering Co., Ltd. in Nov. 2009 | <ul style="list-style-type: none"> • Founded by Yao Chu Shiang (Kenneth Yao) in 2002 • Listed as on Shanghai Stock Exchange in 2016 (Stock Code 603929) |
| Capital | • NT\$ 2.5 billion dollars (Paid-in Capital is NT\$ 2.255 billion dollars) | • NT\$ 5 billion dollars (Paid-in Capital is NT\$ 3.228 billion dollars) | • CNY \$ 213.36 million dollars |
| Service Area | <ul style="list-style-type: none"> • EPC Turnkey (Design, Procurement, Construction) • Clean room Construction and Products Manufacture | • Comprehensive Construction Enterprises of Category A (綜甲B字第B01417-000號) | • MEP Installation Class 1 |
| Employee | • 376 employees (as of November 2018) | • 766 employees (as of November 2018) | • 651 employees (as of November 2018) (including Singapore and Vietnam) |
| Telephone | • +886-2-2691-9099 | • +886-2-8691-7366 | • +86-512-67027000 |
| Official Website | • http://www.lkeng.com.tw | • http://www.rseaec.com.tw | • http://www.lkeng.com.cn |



- The business operating of Vietnam and Singapore will be transferred to Suzhou Subsidiary in charge from 2017.

- Utility Plants
- TFT-LCD Plants
- Semi-conductor Facilities
- Hospitals
- Pharmaceutical Plants
- Commercial Building
- Residential Building
- Solar Cell and
Module Plants Solar Energy
- Petrochemical Plants
- ESCO Services



- Civil
- Structure
- Architect
- Mechanical System
- Electrical System
- Piping System
- Cleanroom System
- Process Exhaust System
- Fire Protection System
- Water Supply System
- Heating and Chilled Water System
- Waste Water System
- Pure and Ultra-pure Water System
- Gas System
- Chemical System
- Security, Control and monitoring System



(Exhaust)



(CUB area)

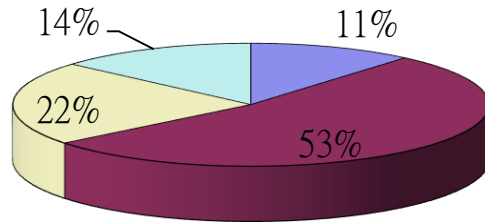


(UPW system)



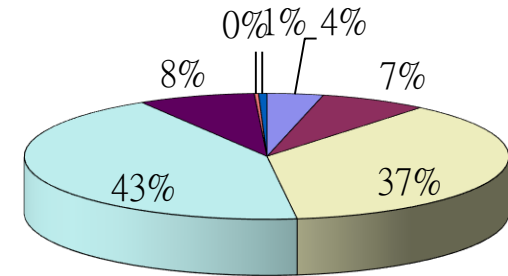
(GIS power S/S)

Employee skill profile



| | |
|--------------|------------|
| Design | 201persons |
| Construction | 951persons |

Employee Educational Background



| | | | |
|------------------------|------------|--------------------|------------|
| Junior high school | 67persons | Senior high school | 129persons |
| A.S. Degree | 665persons | B.S. Degree | 777persons |
| Graduate school | 140persons | Doctor | 5persons |
| Other (Foreign Worker) | 10pers | | |

Total : 1,793 (As of November 2018) (Taiwan+China+Singapore+Vietnam)

Registered Professionals in Taiwan

- Civil engineer – 11
- Hydraulic engineer – 1
- Environmental engineer – 1
- Geotechnical engineer – 5
- Structural engineer – 5
- The Occupational Certificates for Worksite Director – 131
- Class I Certified Occupational Safety Specialist – 9
- Class I Certified Occupational Hygiene Specialist – 6
- Level A technician for for Occupational safety management – 1
- Licensed HVAC Engineer – 2
- Fire Protection Equipment Engineer – 2
- Fire Protection Equipment Technician – 1
- Licensed Mechanical Engineer – 1
- Level A technician for construction engineering – 9
- Level A technician for architecture engineering – 1
- Level A Survey engineer – 2
- Level A Qualified certificate for exclusive personnel of waste water treatment – 2
- Level A Qualified certificate for exclusive personnel of air pollution prevention – 3
- Level A Qualified certificate for technical personnel of waste treatment – 1
- Level A Qualified certificate for technical personnel of waste disposal – 3
- Class A Electrician – 5
- Level B Technician for Refrigeration & Air Conditioning Installation & Repair – 16
- Level B technician for interior wiring work – 7
- Level B technician for power distribution wires installation and repair – 1
- Level B technician for for labor health management – 4
- Level B technician for lift installation and repair – 1

Registered Professionals in China

- Senior Engineer – 11
- Intermediate Engineer-1
- Engineer – 63
- 2nd Grade Constructor Certificate – 22
- Safety Officer – 162
- Certified Safety Engineer – 8
- Class A Architect – 26
- Economist – 5
- Intermediate Accounting Certificate – 5
- Senior Accounting Certificate – 1

Registered Professionals in Singapore

- Certificate in Building Information Modeling (BIM) Management – 1
- Certificate in Construction Productivity Management – 2
- Construction Safety Course for Project Managers – 3
- Building Construction Safety Supervisor Certs. – 6

Contract C903, Wu-Yang sec. f/w widening project,
National Freeway No. 1



Highway Construction for Provincial Highway No.9
Improvement Project Suao to Yongle Section



公路總局facebook粉絲專頁

Chinatrust
Commercial Bank-
New Headquarters
Project



<http://www.ctbcfinancialpark.com/>

Railway Reconstruction Bureau, Ministry of
Transportation and Communications-
CL212 Kaohsiung Railway Underground /Cut and Cover
Construction Project



Academia Sinica - National Biotechnology Research Park Turnkey Project



Wei-wu-ying center of arts-Special Facility Project



National Yang-Ming University Hospital – Interior Decoration and MEP Project



East District Project Office, Department of Rapid Transit Systems, Taipei City Government – Taipei Performing Arts Center Theater Equipment Phase One (TP4)



Taiwan Semiconductor Manufacturing Company Limited- Tainan Science-based Industrial Park



InnoLux Corporation –G8.6 CF Cleanroom Project L6 Cleanroom Systems Turnkey Project



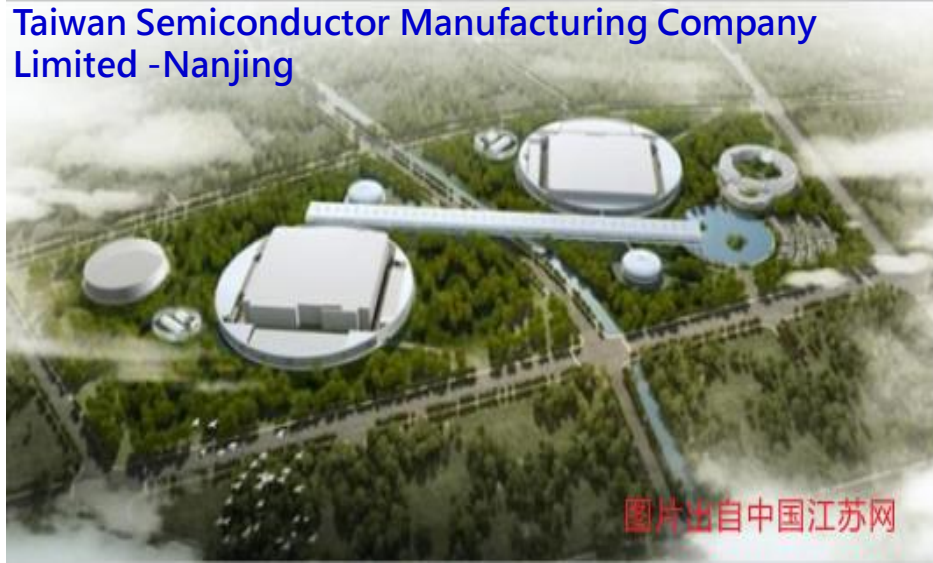
Nanya Technology Corporation –FAB 3A-N Cleanroom Expansion Project



United BioPharma -The United BioPharma Design and Construction Turnkey Project



Taiwan Semiconductor Manufacturing Company Limited -Nanjing



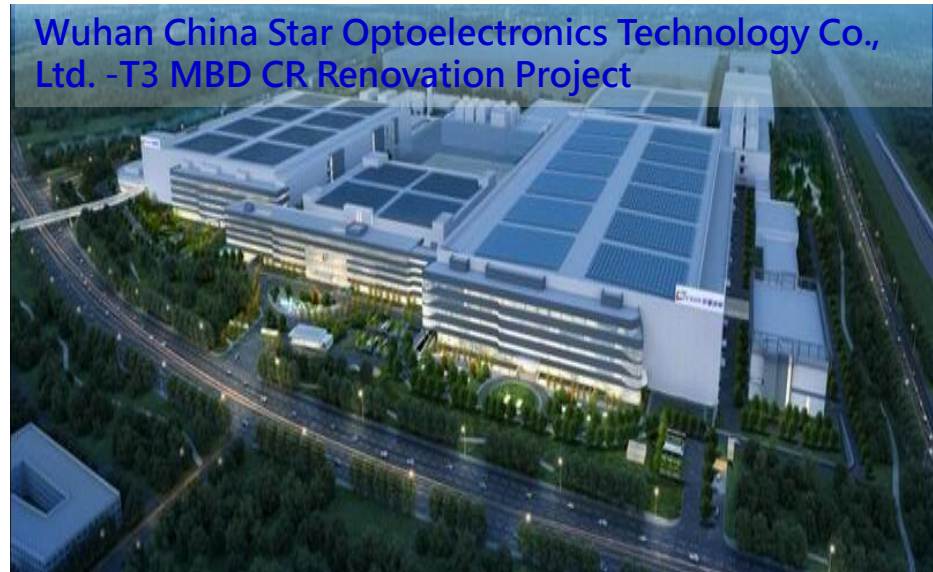
Semiconductor Manufacturing International Corporation –Shanghai



UMC (Xiamen) Co., Ltd. -12" Semiconductor Whole Plant Turnkey



Wuhan China Star Optoelectronics Technology Co., Ltd. -T3 MBD CR Renovation Project

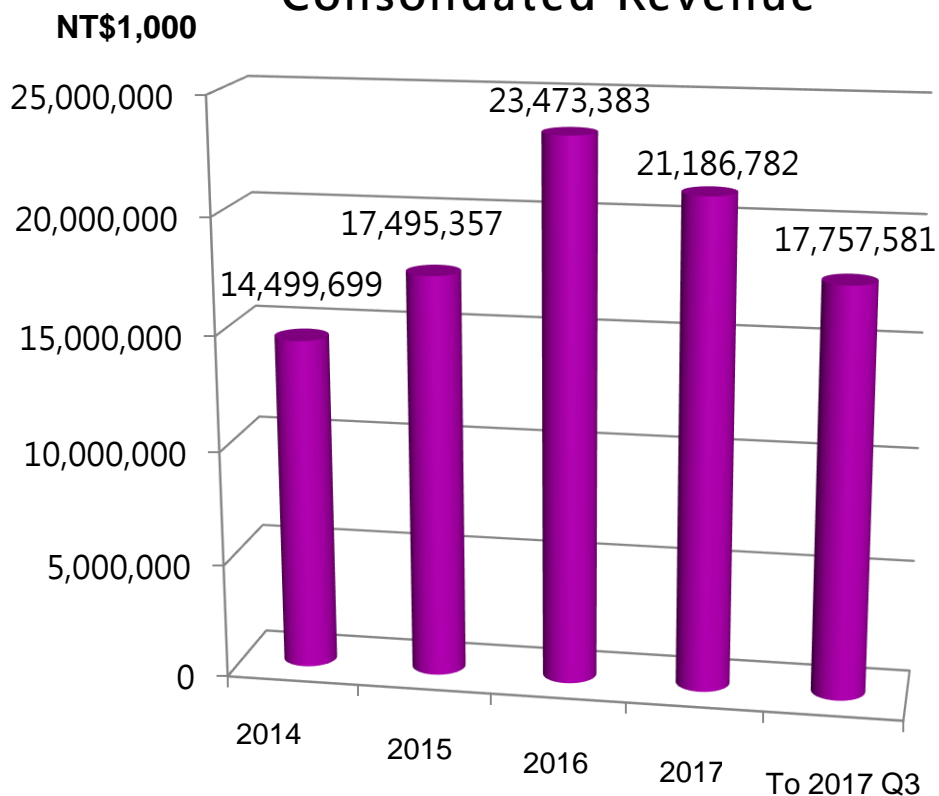




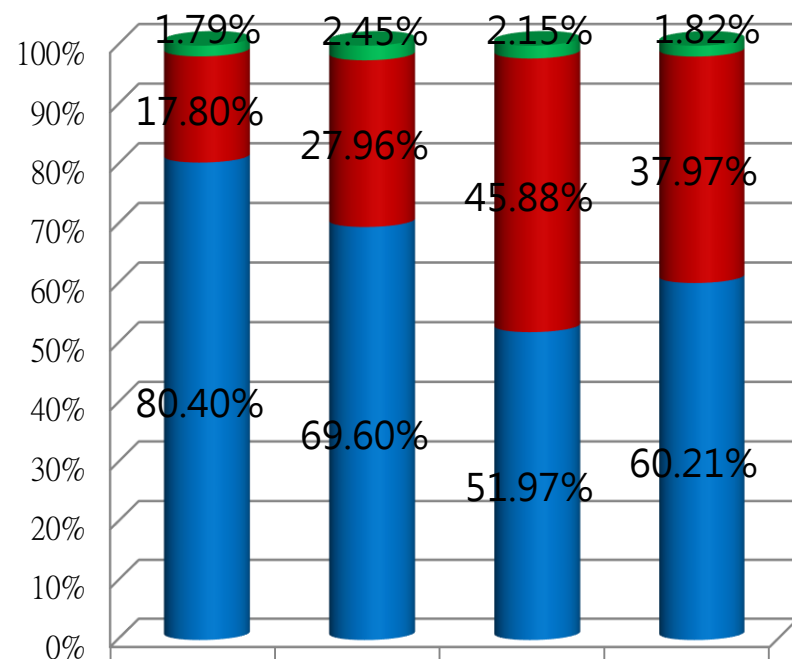
Operational Summary

**Design 、 Procurement 、 Construction 、
performing 、 After-sales Service ...**

Consolidated Revenue



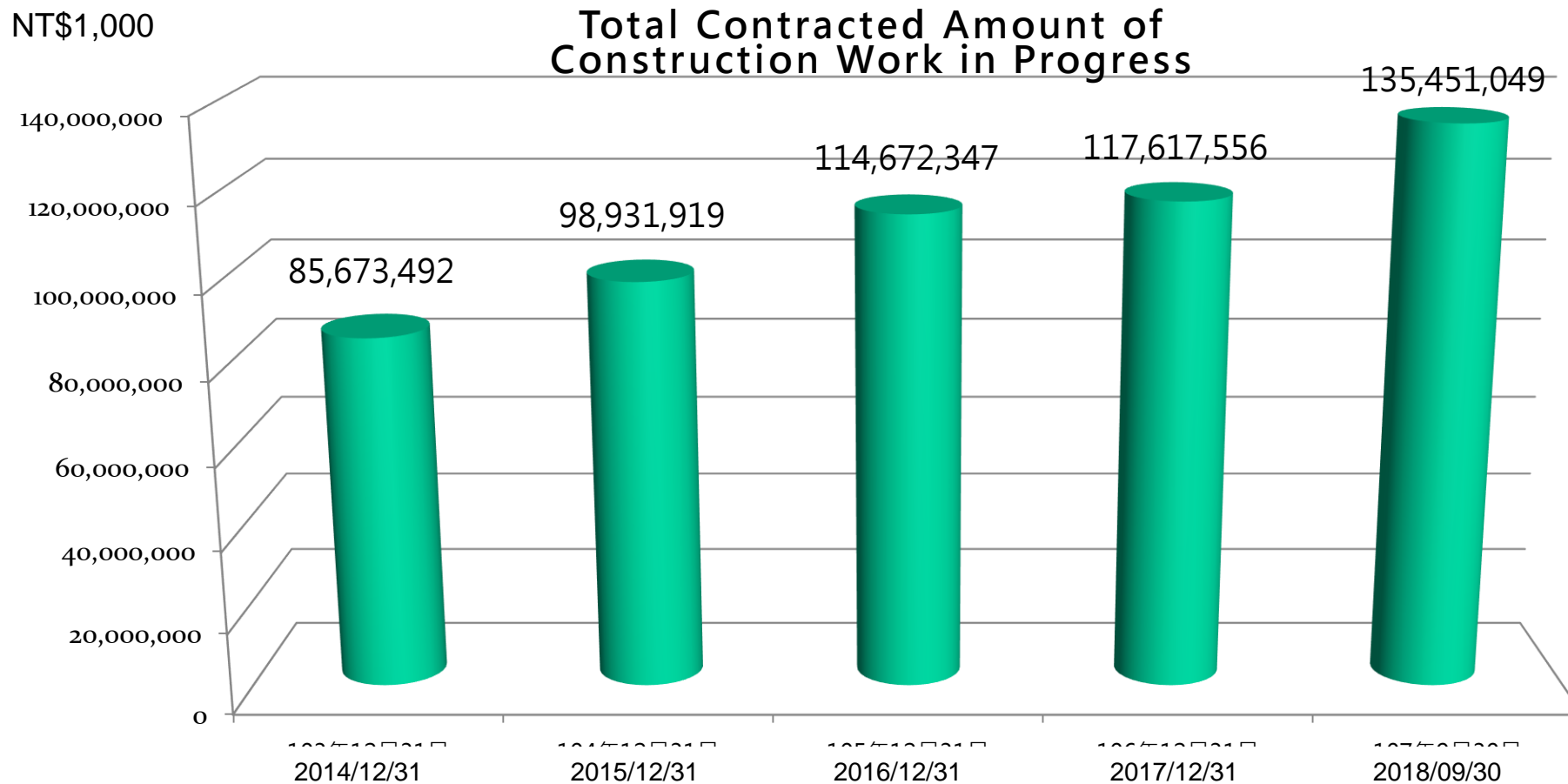
Distribution



| | 2014 | 2015 | 2016 | 2017 |
|--------|--------|--------|--------|--------|
| Others | 1.79% | 2.45% | 2.15% | 1.82% |
| China | 17.80% | 27.96% | 45.88% | 37.97% |
| Taiwan | 80.40% | 69.60% | 51.97% | 60.21% |

Data source : Audited and certified report by a certified public accountant.

Total Contracted Amount of Construction Work in Progress



- ◆ From January 2018 to September 30 2018, the total amount of new contracts is NT\$10.378 billion.
- ◆ The total contracted amount of construction work in progress is NT\$135.45 billion. (as of September 30, 2018)
- ◆ The balance of not under construction contracts is NT\$47.632 billion. (As of September 30, 2018)

Data source : Audited and certified report by a certified public accountant.

| Client | Project |
|--------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|
| 1.Utility Plants -Mass Rapid Transit Project | |
| Department of Rapid Transit Systems, New Taipei City | San-Ying Line MRT Project(D&B) |
| South District Project Office, Department of Rapid Transit Systems, Taipei City Government | Wanda-Zhonghe-Shulin Line Project Phase 1 Contract No.CQ850 |
| Land Transport Authority (LTA) Singapore | Construction of Mount Pleasant Station and Tunnel for Thomson Line T215 |
| 2.Utility Plants -Construction Project | |
| Academia Sinica | The National Biotechnology Research Park Turnkey Project |
| | Environmental Change Research Building Project of Academia Sinica |
| Taiwan Aircraft Maintenance and Engineering Co., Ltd. - "TAMECO" | TAMECO New Two-Bay Hanger Construction |
| 3. Utility Plants - Professional Equipment Project | |
| Wei-Wu-Ying Center Of Arts | Wei-Wu-Ying Center Of Arts-Special Facility Project |
| East District Project Office, Department of Rapid Transit Systems, Taipei City Government | Taipei Performing Arts Center Theater Equipment Phase One 〈TP4〉 |
| 4.Utility Plants - Railway/ Highway Project | |
| Railway Reconstruction Bureau, Ministry of Transportation And Communications. | CL212 Kaohsiung Railway Underground Project |
| | CL212 Kaohsiung Railway Cut and Cover Construction Project |

| Client | Project |
|----------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|
| 5. Utility Plants - Others | |
| Southern Region Water Resources Office, WRA, MOEA | Nanhua Reservoir Prevent silt tunnel project |
| CPC Corporation, Taiwan | Engineering, Procurement Construction and Commissioning Project for Full Containment LNG Storage Tanks of Taichung LNG Plant Phase II Expansion Project |
| 6. Semi-conductor Facilities | |
| Nanya Technology Corp. | NTC FAB 3AN Phase 9.1 Cleanroom Expansion Project |
| Taiwan Semiconductor Manufacturing Company Limited | F15 P7 MEP Package |
| Taiwan Semiconductor Manufacturing Company Limited | F18 P1/P2/P3 Underground Piping Systems Package |
| United Microelectronics Corporation | 8CD WAT C/R Expansion Project |

| Client | Project |
|------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|
| 1. Wafer Industry | |
| Nexchip Semiconductor Corporation | MEP Alteration Project |
| UMC (Xiamen) Co., Ltd. | 28HK+5K Expansion, Air conditioning system expansion project |
| SMIC integrated circuit manufacturing (ShangHai) Co., Ltd. | 2018 SMIC South China Fab8 P2 Power Phase I –CUS Procurement and installation |
| Wuhan Xinxin Semiconductor Manufacturing Co.,Ltd. | 12' IC Phase II CR Project |
| Changjiang Storage Technology Co., Ltd. | The national memory base project-phase I installation of general distribution and purchase (FAB1) equipment |
| Photronics DNP Mask Corporation Xiamen | MEP project |
| Hefei Changxin integrated circuit Co., Ltd. | 12 " memory wafer manufacturing base H03 process system package |
| 2. Panel Industry | |
| SAKAI SIO International GuangZhou Co., LTD. | 10.5G TFT-LCD CDA |
| Wuhan China Star Optoelectronics Technology Co., Ltd. | T3 MBD CR Renovation Project |
| Photronics Mask Corporation Hefei | 10.5G MEP Project |

| Client | Project |
|----------------------------------|---------------------------------------------------|
| 3.Pharmaceutical Plants | |
| UBI Pharma Inc. (YANGZHOU) | UBI Pharma Inc. (YANGZHOU) MEP & CR Project |
| United BioPharma Inc. (YANGZHOU) | United BioPharma Inc. (YANGZHOU) MEP & CR Project |
| JHL Biotech Inc. (Wuhan) | Monoclonal MEP Project |



Strategy and Prospect

Railway Development

- ◆ Intercity Railway Construction
- ◆ Railway performance improvement and Tourism
- ◆ Metropolitan Metro System

Development of Aquatic Environments

- ◆ Create a future that includes reliable water supplies, no flooding, high-quality drinking water and accessible aquatic spaces.

Digital Infrastructure

- ◆ Provide fast and secure broadband
- ◆ Citizens' basic right to access guaranteed
- ◆ Set up a digital learning environment
- ◆ Implement smart urban-rural infrastructure
- ◆ Implement the scientific research and intelligent learning environment of the next generation



Green Energy Development

- ◆ Shalun Green Energy Science and Technology City
- ◆ Solar Energy
- ◆ Wind Power

Urban-rural Development

- ◆ Improve the quality of public spaces, everyday living conditions and Taiwan's overall image.

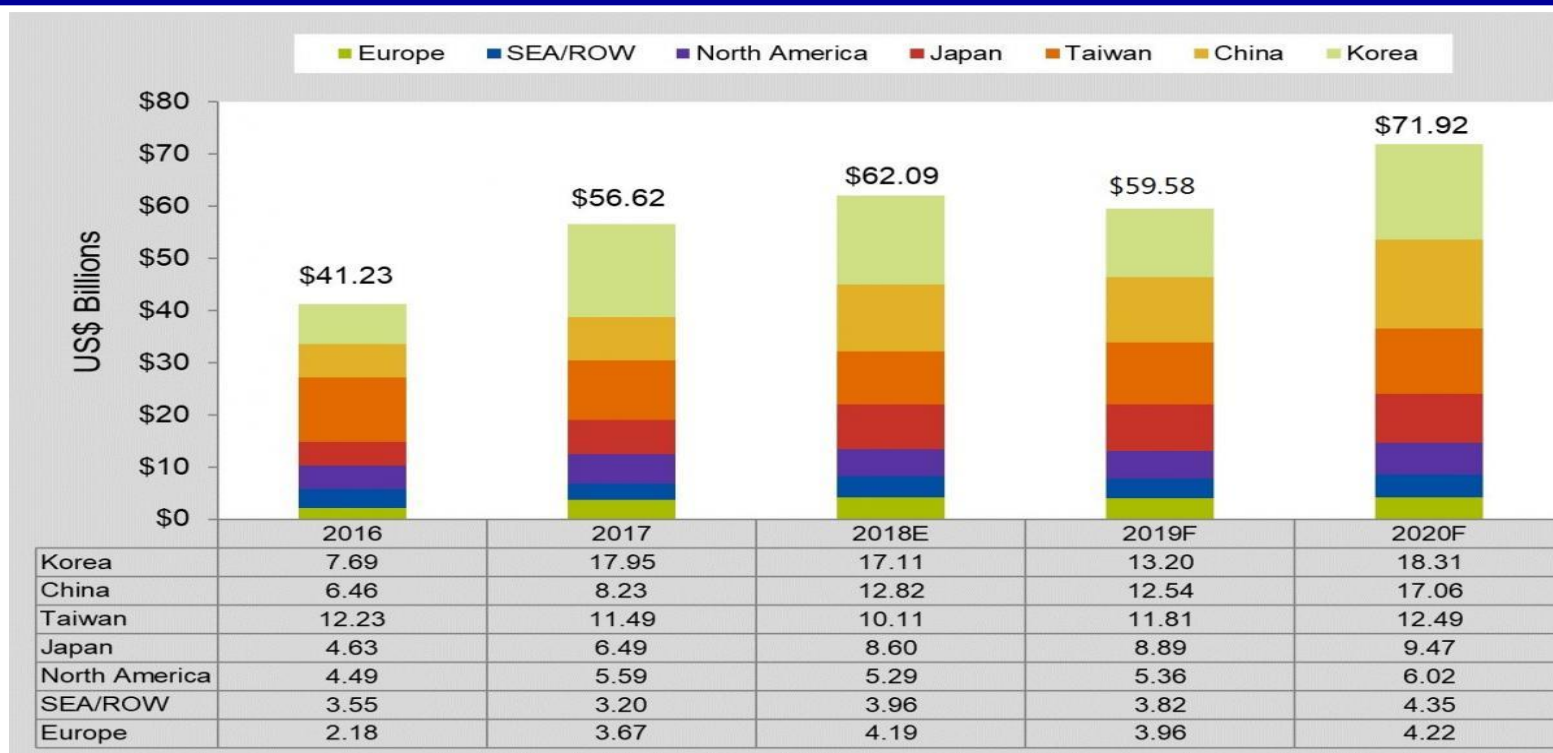
The forward-looking infrastructure is expected to reach NT\$420 billion over 4 years and implemented by 3 phases. The National Development Council announced the second phase of the special budget is NT\$189.9 billion, including NT\$86.2 billion for 2019 and NT\$103.7 billion for 2020. Among them, NT\$72.7 billion for the Urban-rural Development takes 38.3% for the highest, Followed by the following: NT\$59.3 billion for Development of Aquatic Environment, NT\$42.2 billion for Railway Development and NT\$8.5 billion for Green Energy Development.

➤ Phase 2-Railway Construction

TRA Chenggong-Zhuifen Railway Double-Track Construction , Tainan City Railway Underground Plan , Tainan City Railway Grade Separation and Extend to Shanhua District, Chiayi City Railway Elevated Plan, Taoyuan Metropolitan Area Railway Underground Plan , Wanda-Zhonghe-Shulin Line Project Phase 2 , Taoyuan Airport MRT added A14 station , Taoyuan Metropolitan Area MRT Green Line and Land Integration Development Plan, Taoyuan MRT Green Line and Extend to Zhongli, Kaohsiung Metropolitan Area MRT Gangshan and Lujhu Extension Line(Phase 2), and so on. °

➤ Phase 2-Water Environmental Construction

The Niazueitan Artificial Lake in Wu River Construction, Feitsui Reservoir raw water Pipe Construction



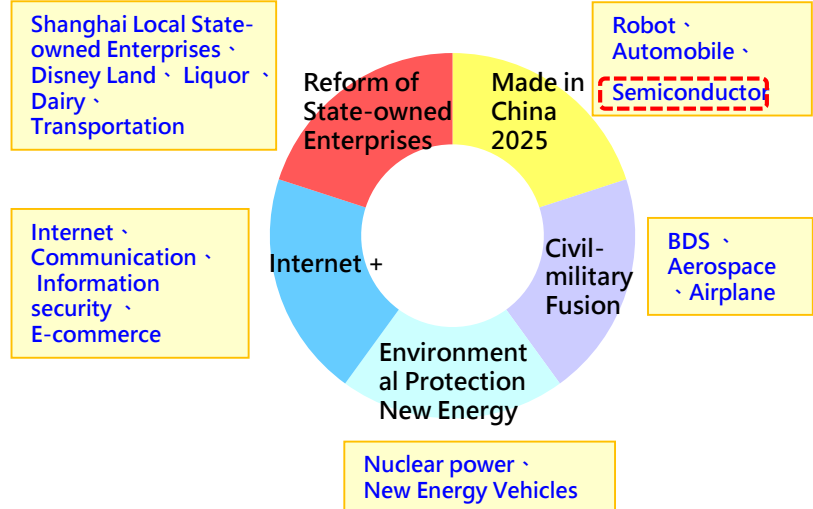
The estimated amount of semiconductor annual equipment sales in 2018 to 2020

Global amount of semiconductor equipment sales in 2018 set a new record of US\$62 billion. After the market reorganization next year, it is expected to reach a new record in 2020.

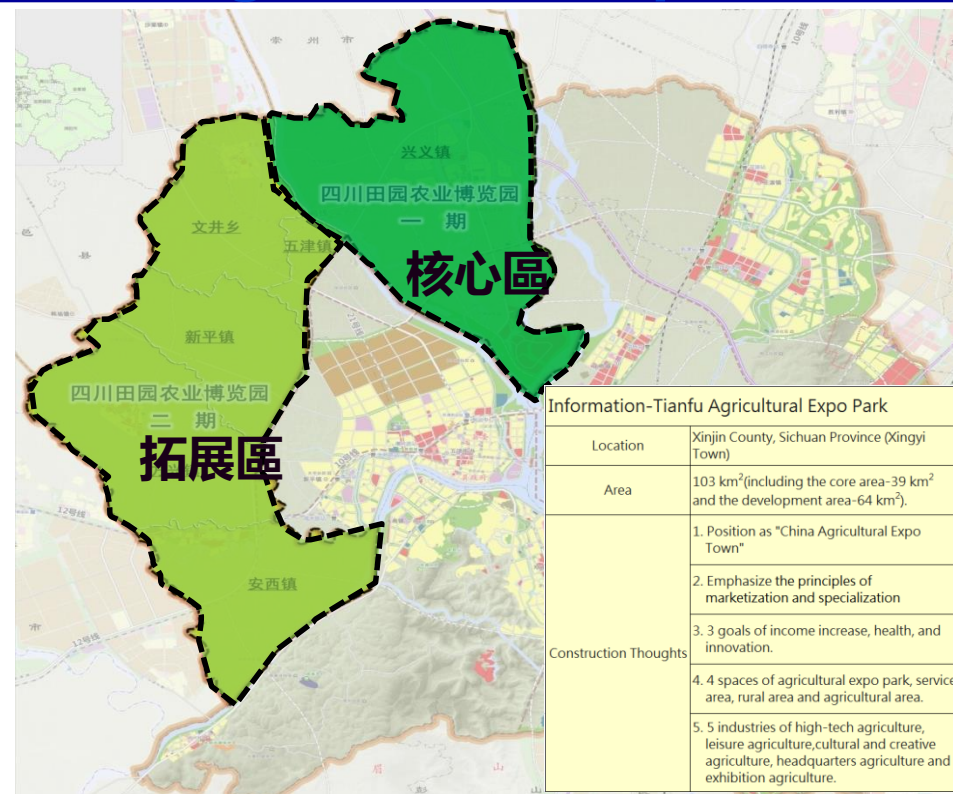
- Semiconductor Equipment and Materials International (SEMI) announced the latest “Year-End Total Equipment Forecast” in December 2018. In 2018, the global amount of new semiconductor manufacturing equipment sales is expected to grow 9.7% to US\$62.1 billion (higher than the highest record of last year-US\$56.6 billion). **The equipment market is expected to decline 4% in 2019, but it will grow 20.7% and create a highest record-\$71.9 billion in 2020.**
- In 2018, South Korea became the world's largest equipment market for the second consecutive year. Meanwhile, China's ranking rose to the second place for the first time, and Taiwan is the third place. In 2019, the three are the same ranking.

“13th Five-Year Plan” 5th Plenum

- Innovation Development: Internet + 、 Made in China 2025 、 National Big Data Strategy
- Coordinated Development: Area and Urban-rural Collaboration 、 Integrated Development of the Economy and National Defense
- Green Development: Build a Beautiful Country of China 、 Low-Carbon Development 、 Environmental protection
- Opening Up Development: One Belt One Road 、 International Capacity and Equipment Production Cooperation 、
- Sharing Development : Poverty Reduction 、 Increase Public Service Opportunities 、 Universal Two-child Policy



China Market- Tianfu Agricultural Expo Park



The Sichuan Agricultural Expo is one of the three national-level exhibitions approved by the State Council.

Tianfu Agricultural Expo Park is a planned area of 103 km² (including the core area-39 km² and the development area-64 km²). It aims to implement the rural revitalization strategy and promote the integration and development of urban and rural area.

Step 1: By 2019, China will complete the core area, and initially show the farmer's town and pastoral complex, and hold the Sichuan Rural Agricultural Expo.

Step 2: By 2021, China will complete the upgrade of the core area of Xingyi and the construction of the development area, building it as an international standard and national leading agricultural park.

Step 3: By 2025, the core area and the development area will be fully consolidated and upgraded, and be built as a world-renowned, national leading, and "Never End" agricultural expo garden.



Financial Summary

➤2018 Third Quarter

NT\$1,000

Consolidated Statements of Comprehensive Income

| | 2018 Q3 | % | 2017 Q3 | % | 2017 | % |
|-----------------------------------------------------|--------------|------|--------------|------|--------------|------|
| Operating Income | 17,757,581 | 100 | 15,833,684 | 100 | 21,186,782 | 100 |
| Operating Costs | (16,353,618) | (92) | (14,621,819) | (92) | (19,440,766) | (92) |
| Gross Profit | 1,403,963 | 8 | 1,211,865 | 8 | 1,746,016 | 8 |
| Operating Expenses | (492,620) | (2) | (644,984) | (4) | (890,276) | (4) |
| Net Operating Income | 911,343 | 6 | 566,881 | 4 | 855,740 | 4 |
| Net Non-operating Income | 6,247 | 1 | 161,199 | 1 | 188,554 | 2 |
| Income before Income Tax | 917,590 | 7 | 728,080 | 5 | 1,044,294 | 6 |
| Income Tax Expense | (267,622) | (2) | (171,762) | (1) | (231,764) | (1) |
| Net Income | 649,968 | 5 | 566,318 | 4 | 812,530 | 5 |
| Net Income Attributable to the Owners of the Parent | 386,769 | | 405,770 | | 608,889 | |
| Basic Earnings Per Share | 1.71 | | 1.85 | | 2.76 | |

► 2018 Third Quarter Consolidated Balance Sheets

NT\$1,000

| | <u>2018/09/30</u> | <u>2017/12/31</u> | <u>2017/09/30</u> | | <u>2018/09/30</u> | <u>2017/12/31</u> | <u>2017/09/30</u> |
|----------------------------------------------------|-------------------|-------------------|-------------------|----------------------------------------------|-------------------|-------------------|-------------------|
| Cash and cash equivalents | 2,867,641 | 3,615,173 | 3,146,672 | Short-term borrowings | 2,195,422 | 2,585,825 | 2,275,916 |
| Receivables to customers on construction contracts | 10,236,007 | - | - | Accounts payable | 6,787,573 | 6,471,775 | 5,015,378 |
| Construction contract receivables | - | 7,033,051 | 6,618,848 | Contract liability | 1,867,720 | - | - |
| Other financial assets - current* | 3,681,132 | 3,361,642 | 3,363,584 | Construction contract payables | - | 1,951,403 | 2,286,703 |
| Others | 5,526,124 | 8,047,529 | 7,099,352 | Others | 1,968,249 | 1,878,061 | 2,049,992 |
| Total Current Assets | 22,310,904 | 22,057,395 | 20,228,456 | | | | |
| | | | | Total Current Liabilities | 12,818,964 | 12,887,064 | 11,627,989 |
| Long-term prepaid rent | 2,922,635 | 3,048,651 | 3,050,111 | Long-term borrowings | 2,258,435 | 2,438,996 | 2,189,233 |
| Others | 1,623,799 | 1,956,546 | 1,998,700 | Others | 386,192 | 338,658 | 340,940 |
| | | | | Total Liabilities | 15,463,591 | 15,664,718 | 14,158,162 |
| | | | | Total Equity of Shareholders | 11,393,747 | 11,397,874 | 11,119,105 |
| | | | | | | | |
| Total Assets | 26,857,338 | 27,062,592 | 25,277,267 | Total Liabilities and Equity of Shareholders | 26,857,338 | 27,062,592 | 25,277,267 |

| | NT\$1,000 | | | | |
|-------------------------------|------------|------------|------------|------------|------------|
| | 2018 Q3 | 2017 | 2016 | 2015 | 2014 |
| Operating Income | 17,757,581 | 21,186,782 | 23,473,383 | 17,495,357 | 14,499,699 |
| Revenue Growth Rate(%) | 10.83% | -9.74% | 34.17% | 20.66% | 18.21% |
| Gross | 1,403,963 | 1,746,016 | 2,025,547 | 987,363 | 959,303 |
| Gross Rate (%) | 7.91% | 8.24% | 8.63% | 5.64% | 6.62% |
| Net Income | 649,968 | 812,530 | 844,983 | 279,638 | 291,841 |
| Earnings Per Share | 1.71 | 2.76 | 2.97 | 1.02 | 1.32 |
| Cash Dividend | - | 1.50 | 1.50 | 1.00 | 0.80 |
| Cash Dividend Payout Ratio | - | 54.35% | 50.51% | 98.04% | 60.61% |
| Debts Ratio | 57.57% | 57.88% | 54.64% | 60.01% | 54.62% |
| Current Ratio | 174.05% | 171.16% | 162.41% | 154.24% | 148.23% |
| Interest Protection Multiples | 13.79 | 12.72 | 14.47 | 6.49 | 8.13 |

Thank You



Q & A

