



華夏海灣塑膠股份有限公司

China General Plastics Corp.

Investor Conference

2019/11/18

Time	Itinerary	Reporter
14:00~ 14:30	VIP Registration	
14:30~ 15:00	2019 Q3 Review & Q4 Outlook	胡吉宏 副總經理 Otto Hu, VP
	2019 Q3 Finance Information	郭建洲 經理 C C Kuo, Manager
15:00~ 15:30	Q & A	林漢福 副董事長 H F Lin, Vice Chairman



China General Plastics Corp. 2019 Q3 Review & Q4 Outlook

Reported by; Otto Hu
November 18, 2019

2019 Q3 Review: Ethylene

- ◆ **Due to the continuous trade war, the global economics has been getting weak and impacted the demand of feedstock. More ethylene export cargos from Japan and Korea pushed the market price down low at \$760 CFR FE in June.**
- ◆ **The ethylene price suddenly went up to \$900 CFR NEA for the attack on Saudi oil refinery in September. The market price in Q3 was stable at approx. \$850 CFR.**

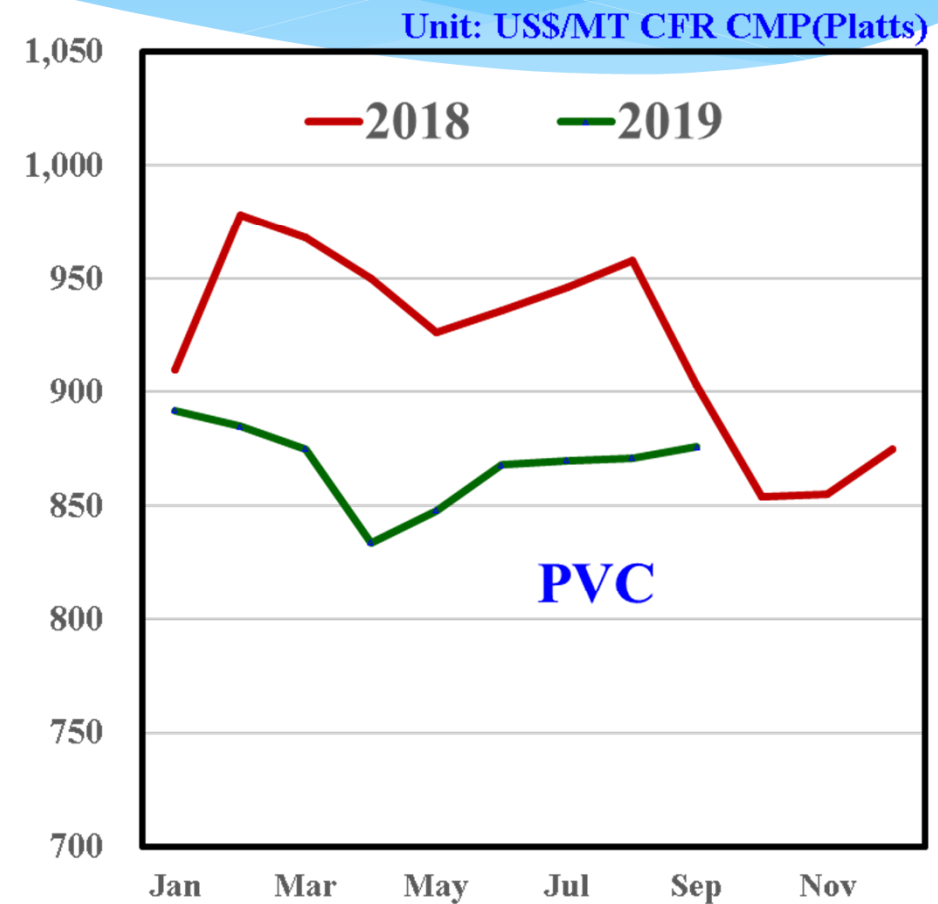
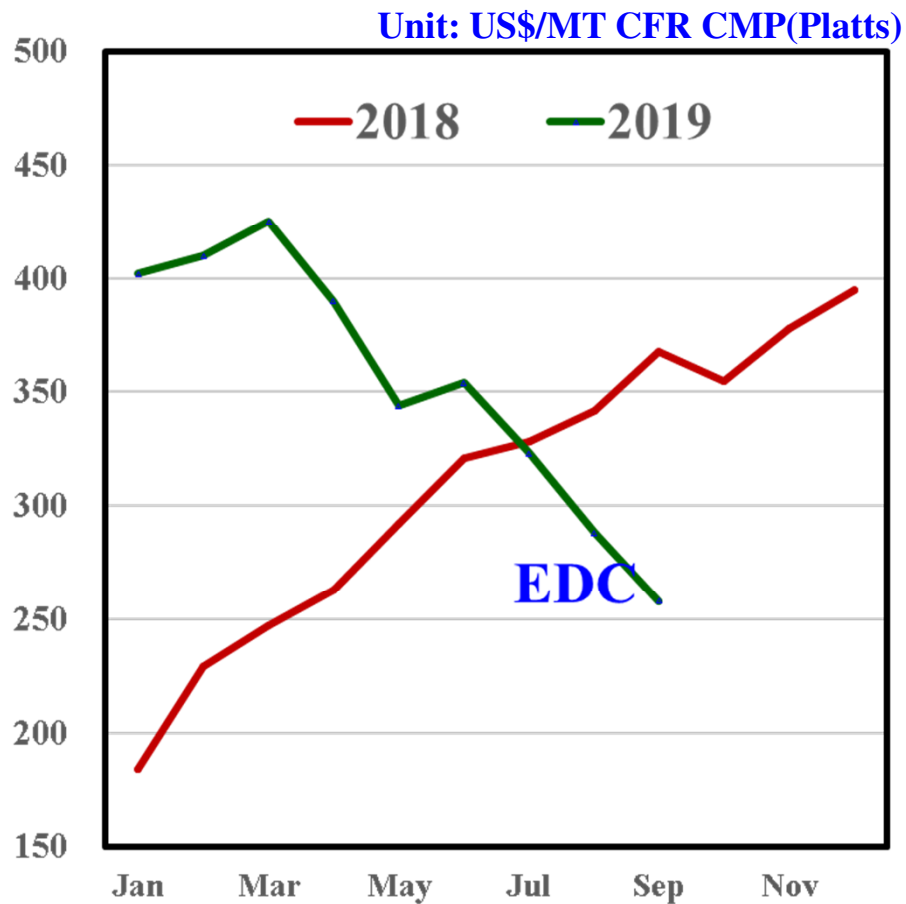
2019 Q3 Review: EDC

- ◆ **The chlor-alkali and EDC plants in Braskem closed down and Alunorte got the permit for full running since May. The American chlor-alkali plants have run with higher operating rate to meet the demand on caustic soda and EDC. The operating rate reached **92%** in August.**
- ◆ **In line with caustic soda, EDC output increased so much in Q3 and was forced to sell in lower price at \$205 FOB USG in August. Further more it pushed Asian price down to \$250 CFR NEA.**

2019 Q3 Review: PVC

- ◆ **Owing to the trade war and the economic uncertainty, the global PVC demand had not been stable in Q3. However, the PVC inventory in Asia was not high because of T/A in VCM/PVC and production cuts around Beijing by China government for National Day celebration.**
- ◆ **Q3 PVC demand in Bangladesh and SEA was good. The PVC purchase in India was less for monsoon. The PVC hot import for Braskem trouble seemed over, and users purchased most of PVC from local producers instead.**

2019 Q3 Review: PVC/EDC Price Status



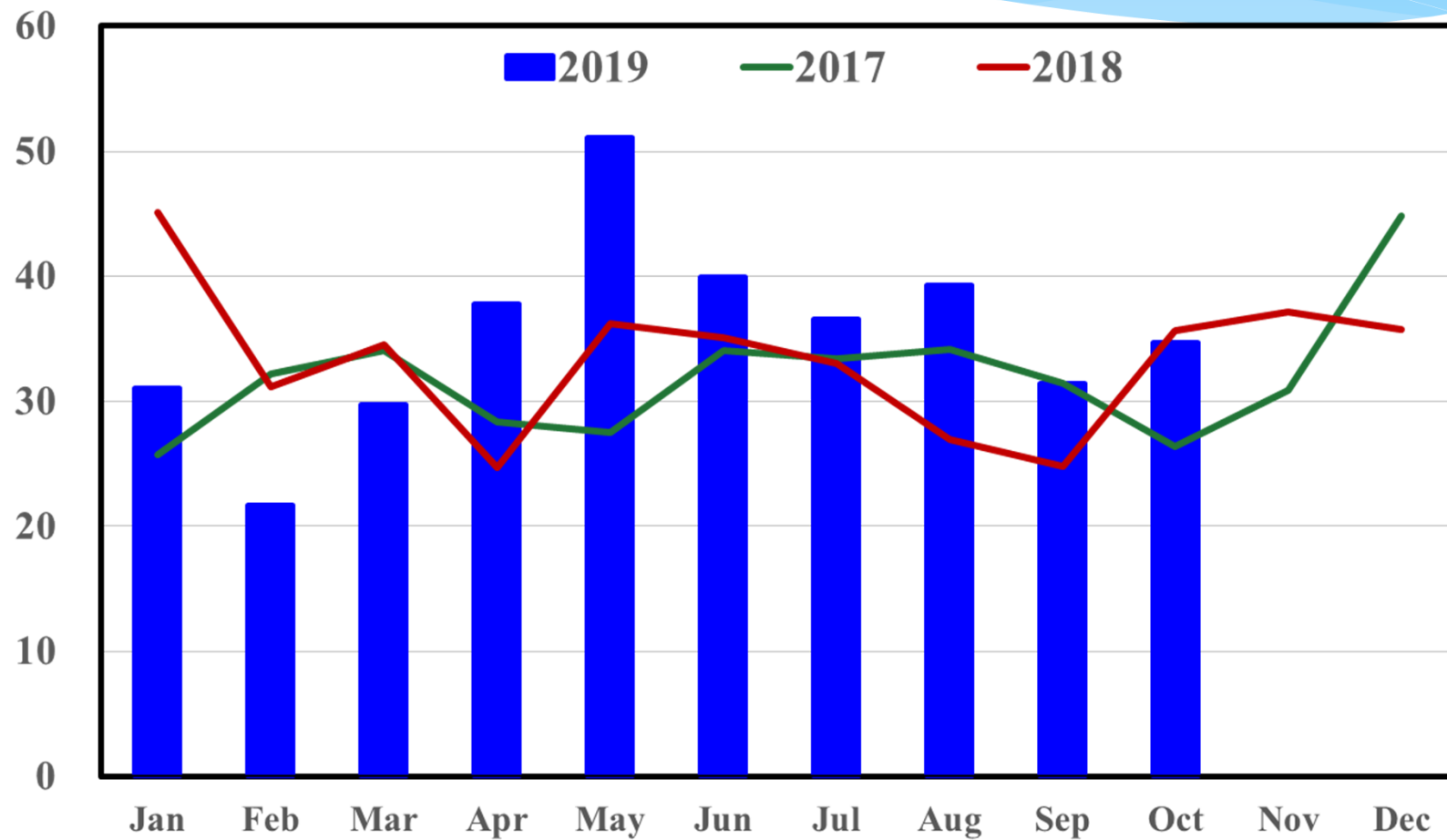
2019 Q3 Review: Consolidated Sales

- ◆ The consolidated net revenue was NT\$11.407B, which increased by NT\$109M YoY.
- ◆ Sales Quantities (KMT)

	2019	2018	Growth
VCM	30	32	(2)
PVC	288	259	28
PVC products	50	50	(0)
Alkaline	43	47	(4)
Total	410	388	22

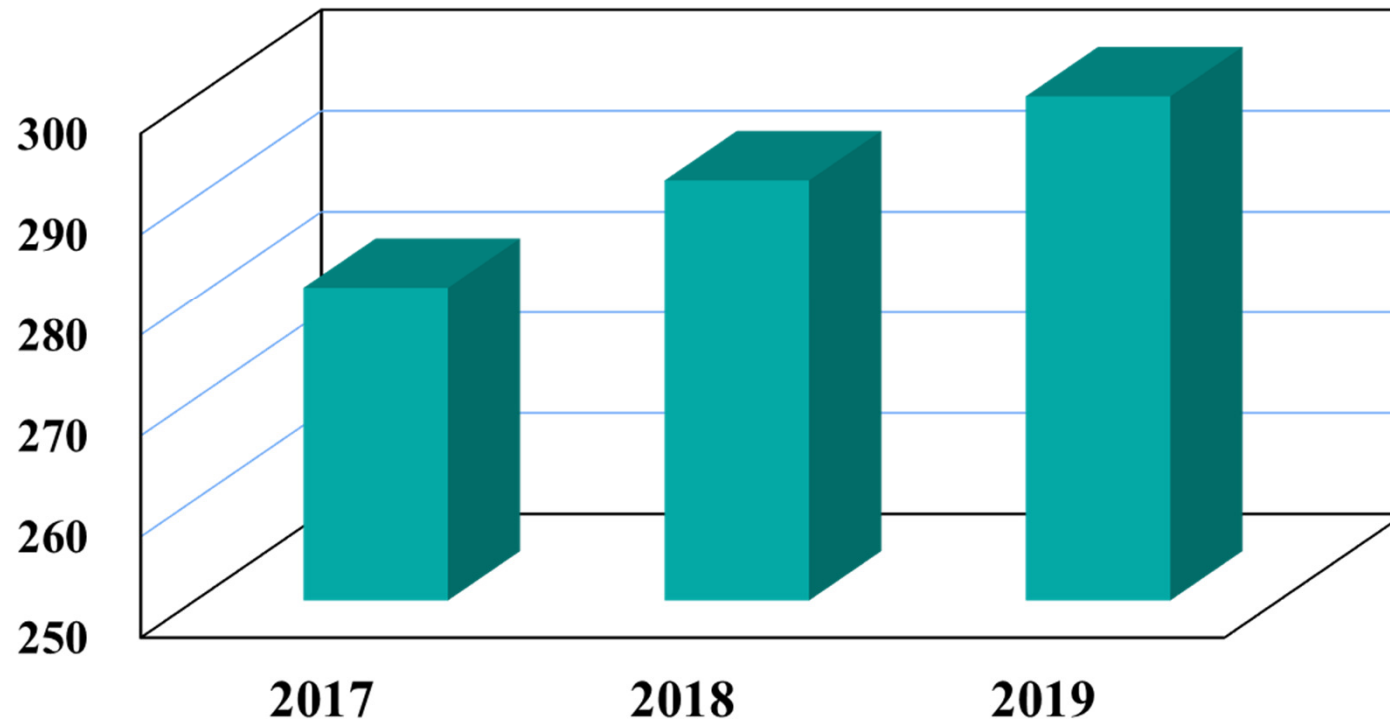
2019 Q3 Review: PVC Sold by Month

Unit:KMT

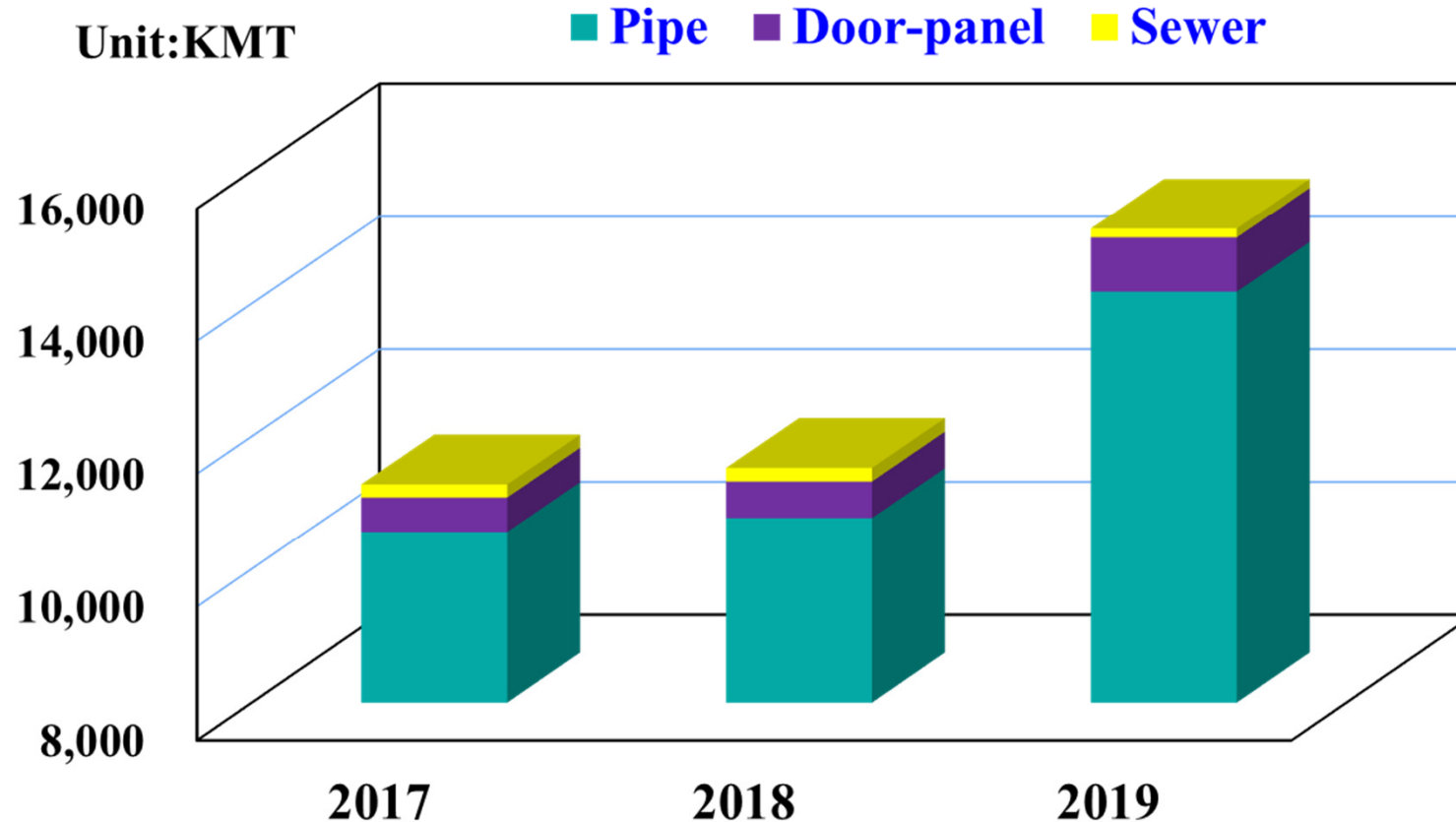


2019 Q3 Review: YTD PVC Sold in 3Yrs

PVC Sold(KMT)



2019 Q3 Review: YTD Construction Products Sold in 3 Yrs



2019 Q3 Review: Beach Cleaning

149 employees had joined the beach cleaning activity on September 21, 2019. The activity was reported by EBC News.

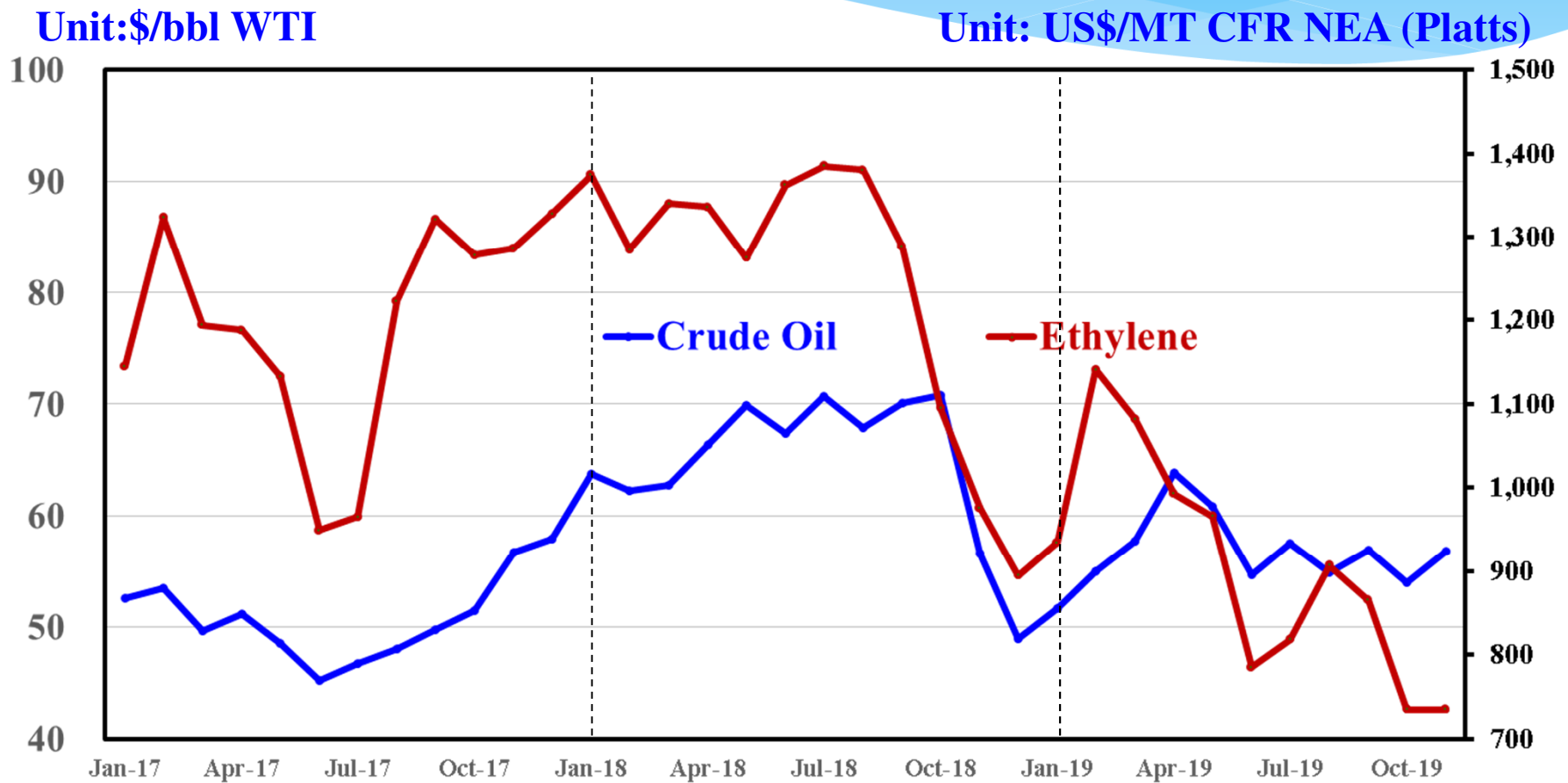


2019 Q3 Review: Beach Cleaning



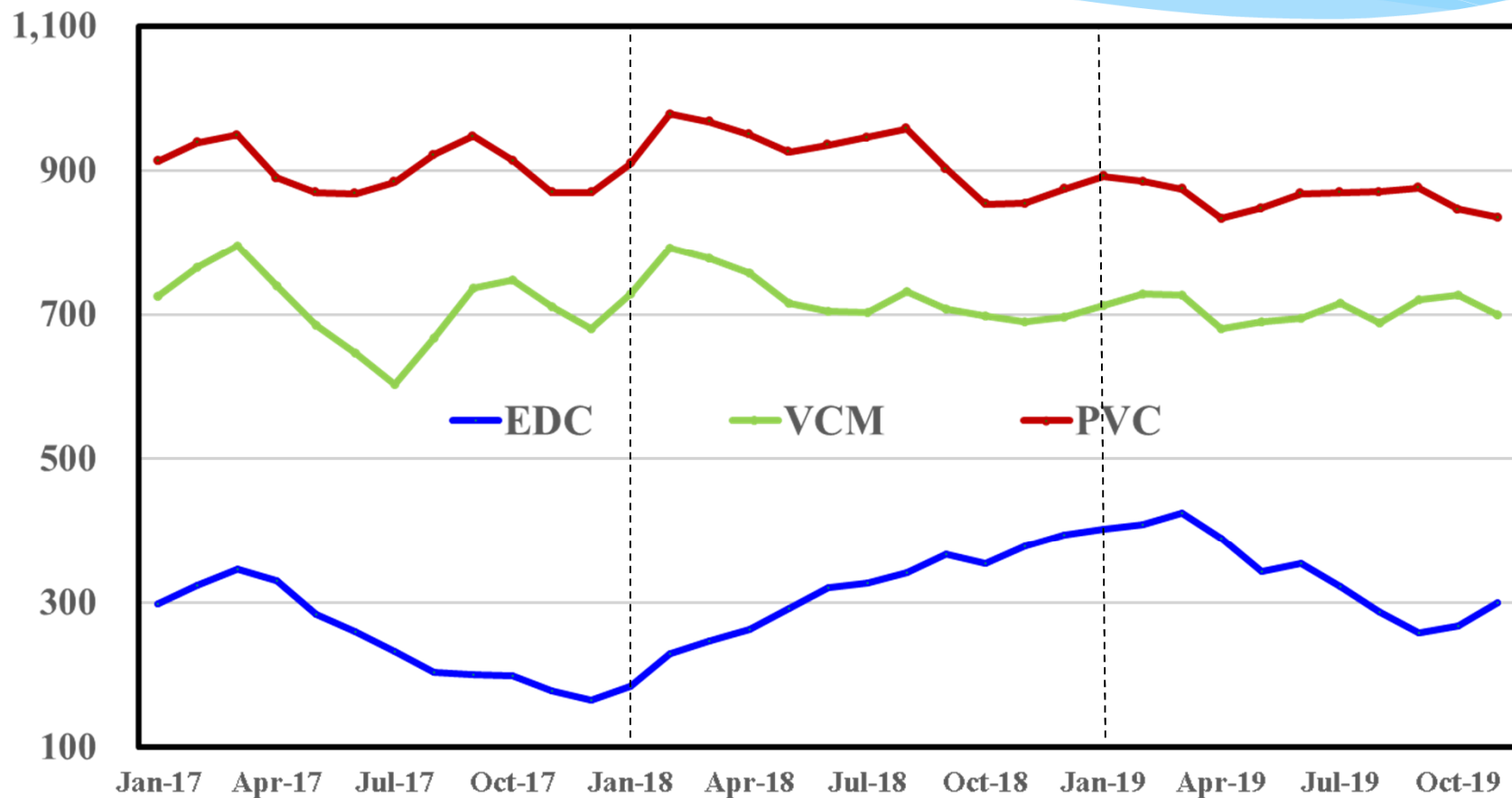
824.9Kg of garbage were collected and transferred for recycling.

Crude Oil & Ethylene Monthly Ave. Prices



PVC/VCM/EDC Monthly Avg. Prices (Platts)

Unit: US\$/MT CFR CMP(Platts)



2019 Q4 Outlook: Ethylene

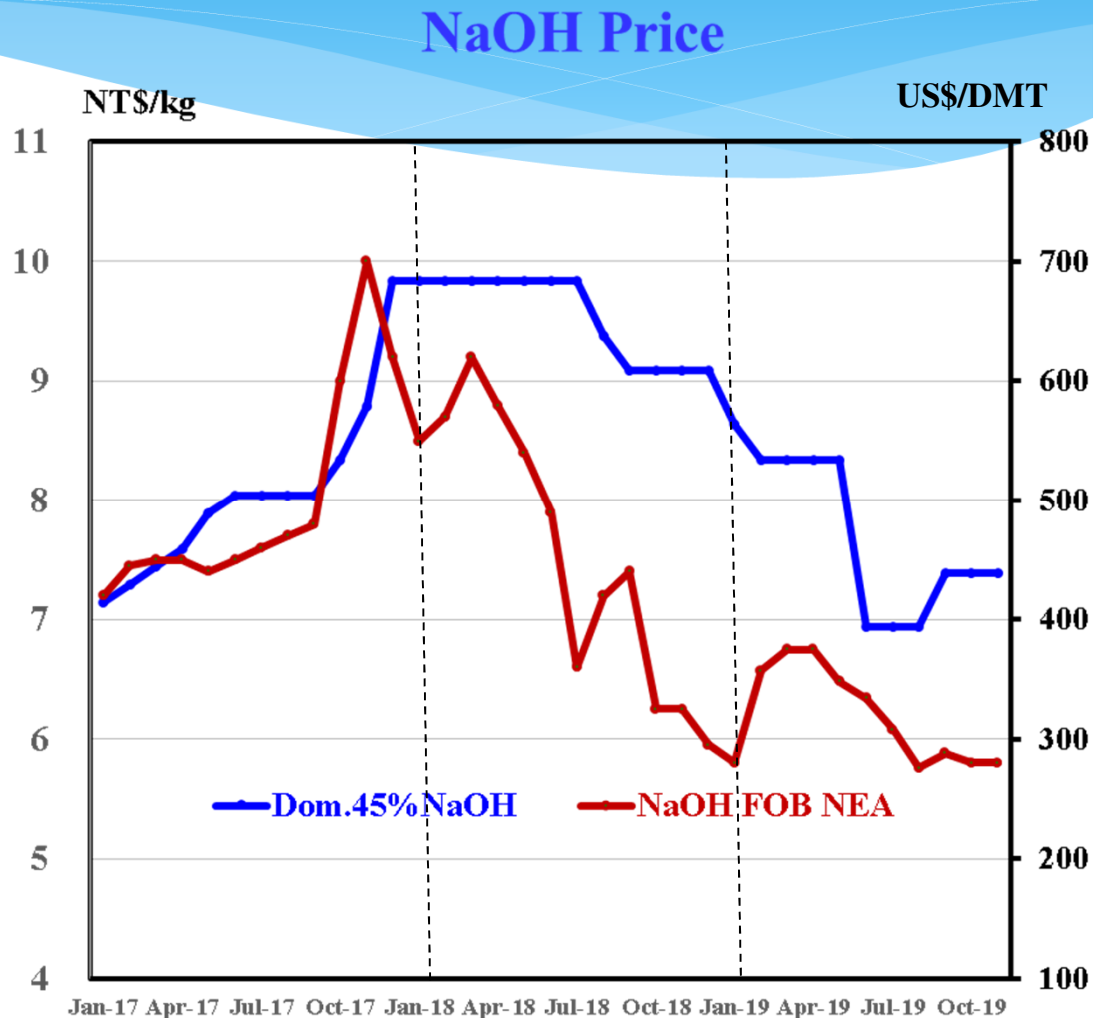
- ◆ **China is always the major importer for ethylene. But the import was so much change in the first three quarters comparing with last year. The import even decreased by 175kt (24%) in September YoY.**
- ◆ **Japan and Korea are major exporters for ethylene. They had been trying to export more in 2H this year. So, the market price went down to \$680 CFR NEA in end October.**
- ◆ **Naphtha is not cheap even though ethylene at so low price. Some crackers have lowered down the operation and reduce output in Q4 for break even consideration.**

2019 Q4 Outlook: EDC

- ◆ **The caustic soda demand has been decreasing because of global slow economic situation even though the increased demand in Brazil. So, the EDC supply was long as well in Q3.**
- ◆ **US chlor-alkali has taken T/A and production cut and lowered the operating rate at 84% in September or even lower in the near future.**
- ◆ **The EDC demand is expected not much change, but the further EDC supply and price will mainly rely on the operating rate of chlor-alkali.**

2019 Q4 Outlook – Alkaline

- ◆ The global caustic soda prices have reached the four-year low because of slow economic situation even though the increased demand from Brazil.
- ◆ The caustic soda in NEA has been \$270~280 FOB for a while. The over supply situation will no doubt to influence Taiwan market. We are lucky to maintain the domestic market with a little bit higher price and stable demand .



2019 Q4 Outlook: PVC (1/3)

- ◆ **China has never stopped severe maintaining on environment and safety. The limited production during National Holidays, safety checks on production sites after recent PVC plant explosion and high cost of carbide have pushed the domestic PVC prices higher than the market prices in NEA.**
- ◆ **The YTD GDP growth in India is not good enough as expected. But the PVC import in the first three quarters increased by 9% YoY. The Indian PVC outlook in Q4 is still positive due to income tax reduction effective from September, peak season in post-monsoon and business start after Diwali holidays.**

2019 Q4 Outlook: PVC (2/3)

- ◆ **Some down stream fabricators have moved the plants to SEA together with the order transferring due to the trade war between US and China. The PVC demand here is short with a big gap even though Japanese cargos offering with cheaper prices due to FTA.**
- ◆ **The YTD PVC demand in Bangladesh, Sri Lanka, Myanmar and Cambodia has been good. Some big buyers are planning more purchases in Q4 to last the peak season from Q3. CGPC is confident to seize the opportunities through the consistent quality, multi PVC grades, quicker delivery and technical service.**

2019 Q4 Outlook: PVC (3/3)

- ◆ **The shortages of EDC and PVC in South America due to Braskem problem have been fulfilled with import cargos. However, based on the long term of relation built in this market, CGPC is able to maintain the PVC business with the customers who are running pipe, ceiling, compound and film & sheet.**
- ◆ **PVC demand in Taiwan has been decreasing in recent years. The trade war is expected to let the situation even worse. The good news is to see some converters for PVC flooring and window shading have returned to Taiwan, and new plants will start running by end of this year.**

2019 Q4 Outlook: PVC Products

- ◆ **Taiwan government is aiming at local infrastructures to improve the economic situation. The overall housing and real estate outlook seem getting better based on the house transactions, new house opening, investors' return from China. PVC pipe and door panel business are in good outlook in Q4.**
- ◆ **The re-export business of PVC products produced in China seems no more worse after one year passed in the trade war. In addition, the PVC film and leather we produce in Taiwan and ship to US is in better situation gradually. We expect our Q4 sales of PVC film and leather will be in good outlook too.**



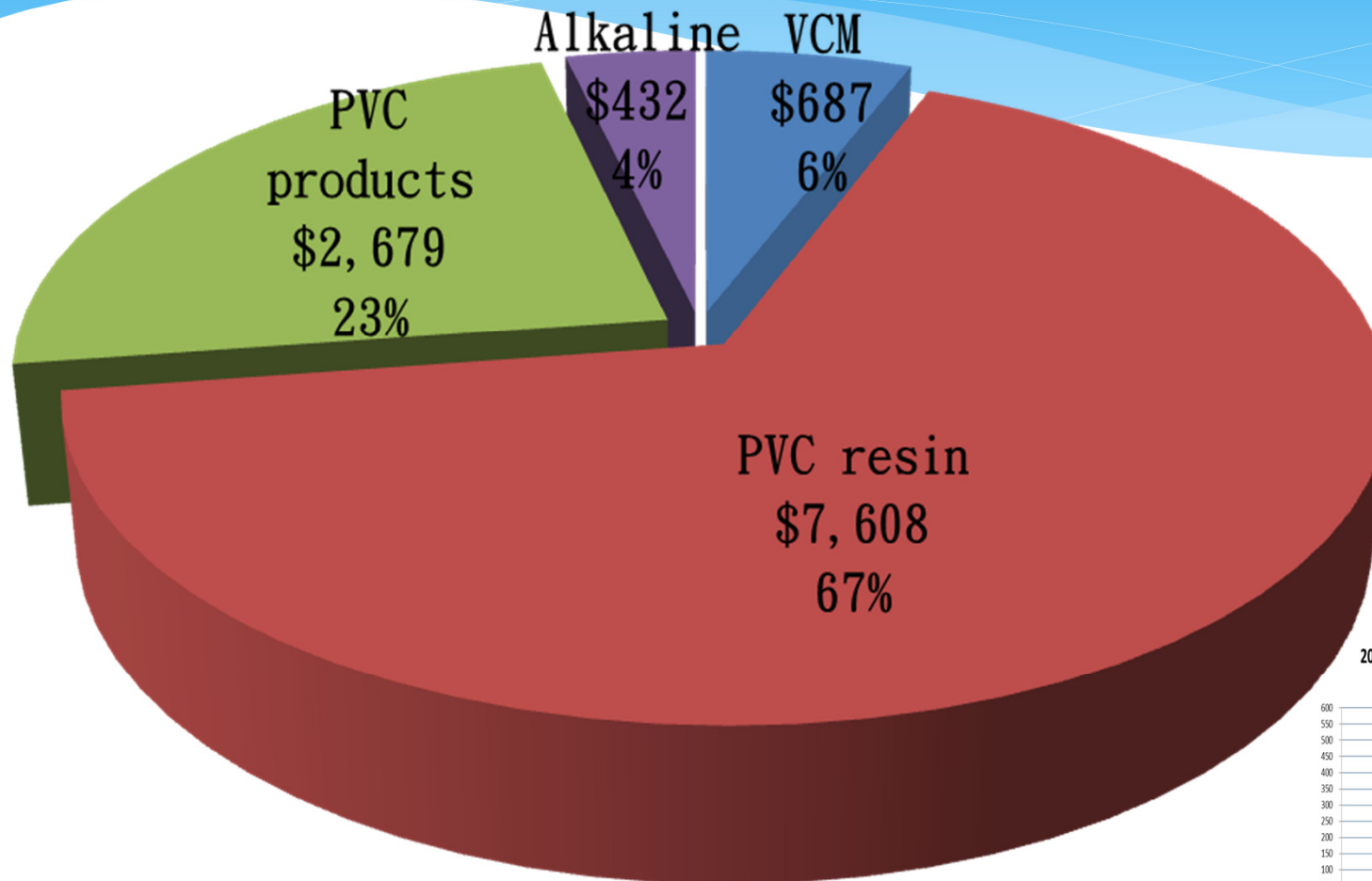
China General Plastics Corporation and Subsidiaries

Finance information

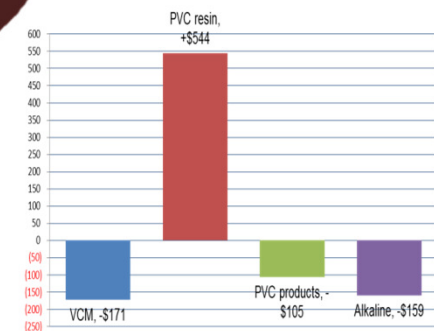
Reporter : C.C.Kuo Manager

Date : 2019, Nov. 18

2019 Jan. – Sep. Sales by product (NT\$million)



2019 Jan. - Sep. Inc./((dec.)- compared to 2018 Jan. - Sep.



China General Plastics Corporation and Subsidiaries

Consolidated Statements of Income

(In millions of NTD, except per share data)

	2019 9 mths.	2018 9 mths.	YoY%	2018 FY	2017 FY	2016 FY
Sales	11,407	11,299	1.0%	15,193	14,702	14,157
Cost of goods sold	10,079	8,993	12.1%	12,490	11,925	11,217
Gross profit	1,328	2,305	-42.4%	2,703	2,777	2,940
gross profit ratio	12%	20%		18%	19%	21%
Operating expenses	888	852	4.1%	1,130	1,126	1,066
Operating income	440	1,453	-69.7%	1,573	1,651	1,874
operating income ratio	4%	13%		10%	11%	13%
Non-operating income(loss) *	84	81	4.2%	89	(37)	(52)
Income before income taxes	525	1,534	-65.8%	1,662	1,614	1,823
Income taxes	98	284	-65.5%	306	275	280
Net income	427	1,249	-65.9%	1,356	1,339	1,543
net income ratio	4%	11%		9%	9%	11%
Net income attributable to						
- China General Plastics Corporation	404	1,163	-65.3%	1,276	1,270	1,443
- noncontrolling interest	23	45	-49.4%	80	69	100
Earnings per share	0.77	2.30	-66.4%	2.52	2.58	3.02
adjusted		2.21		2.42	2.51	2.85

*note: Non-operating income(loss) included discontinued operations income(loss)

China General Plastics Corporation and Subsidiaries

Financial ratio analysis

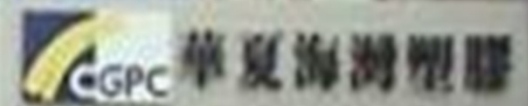
	2019 9 mths.	2018 9 mths.	2018 FY	2017 FY	2016 FY
Operating income margin(%)	3.9	12.9	10.4	11.2	13.2
Net income margin(%)	3.7	11.1	8.9	9.1	10.9
Debt ratio(%)	31	34	33	35	42
Current ratio(%)	298	308	300	336	290
Quick ratio(%)	201	204	215	229	218
Accounts receivable turnover	43	39	42	39	36
Inventory turnover days	45	60	52	55	58

Disclaimer

- ◆ **This presentation includes the Company's current information and any development or adjustments thereof will be published according to laws, regulations or rulings. The Company is not obligated to update or revise this presentation.**
- ◆ **The information in this presentation is not for investment advices.**



Thank You





Q & A

