




華夏海灣塑膠股份有限公司

China General Plastics Corp.

Investor Conference

2020/5/25

Time	Itinerary	Reporter
14:00~ 14:30	VIP Registration	
14:30~ 15:00	2020 Q1 Review & 2020 Q2 Outlook	胡吉宏 副總經理 Otto Hu, VP
	2020 Q1 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.

2020 Q1 Review & 2020 Q2 Outlook

Reported by: Otto Hu
May 25, 2020

2020 Q1 Review: Ethylene & EDC

- ◆ **Some results of trade war concluded in January 2020 encouraged ethylene demand and pushed the price at three months high in Asia. Covid-19 pandemic happened later in China and other countries. The lockdowns to prevent pandemic spreading really influenced the global ethylene demand and the market prices.**
- ◆ **Low EDC inventory in users' side and more T/A scheduled in early this year led EDC price going up. The US chlor-alkali also ran with high OP rate. The Covid-19 pandemic slowed down the PVC demand and pulled down EDC price later in Q1.**

2020 Q1 Review: PVC

- ◆ **The Covid-19 pandemic impacted China early this year and slowed down PVC demand. But the overall demand in SEA, Bangladesh, India and M. East was still not bad.**
- ◆ **The PVC market prices except in China were lasting the upward trend in the H1 Q1. However, the Asian PVC prices were softening since later March. The profit margin for non-integrate VCM or PVC plants can be maintained as which did in last year end.**

2020 Q1 Review: Consolidated Sales

- ◆ The consolidated net revenue was NT\$3.591B, which decreased by NT\$364M YoY.
- ◆ Sales Quantities (KMT)

	2020 Q1	2019 Q1	Growth
VCM/PVC	101.3	84.5	16.8
PVC products	16.0	15.5	0.5
Alkaline	15.0	14.0	1.0
Total	132.3	114.0	18.3

2020 Q1 Review:

Corporate Governance (I)

- ◆ **CGPC was 2nd year ranking at the 1st level of 5% in listed companies in 2019 performance evaluation. In addition, CGPC was also the 2nd year ranking at the 1st level of 10% with NT\$10B market capitalization in non-finance and non-electronics both listed companies and OTC companies included according to the performance evaluation in 2019.**
- ◆ **CGPC is working on all steps to target for better evaluation performance.**

2020 Q1 Review: Corporate Governance (II)

◆ Ranking within 5% of the 1st level in listed companies

代號	簡稱	代號	簡稱	代號	簡稱	代號	簡稱	代號	簡稱
1216	統一	1305	華夏	1402	遠東新	1477	聚陽	1504	東元
1605	華新	2002	中鋼	2201	裕隆	2204	中華	2301	光寶科
2303	聯電	2330	台積電	2356	英業達	2408	南亞科	2409	友達
2412	中華電	2603	長榮	2633	台灣高鐵	2801	彰銀	2809	京城銀
2881	富邦金	2882	國泰金	2883	開發金	2884	玉山金	2885	元大金
2886	兆豐金	2890	永豐金	2892	第一金	2912	統一超	3045	台灣大
3231	緯創	3443	創意	3665	貿聯-KY	4904	遠傳	4915	致伸
5871	中租-KY	5880	合庫金	6251	定穎	6409	旭隼	8271	宇瞻
8454	富邦媒	8926	台汽電	9904	寶成	9933	中鼎	9940	信義

◆ Ranking within 10% of the 1st level with NT\$10B market capitalization in non-finance and non-electronics listed and OTC

代號	簡稱	代號	簡稱	代號	簡稱	代號	簡稱	代號	簡稱
1216	統一	1305	華夏	1402	遠東新	1504	東元	1605	華新
2002	中鋼	2201	裕隆	2204	中華	2603	長榮	2633	台灣高鐵
4105	東洋	5530	龍巖	5871	中租-KY	6803	崑鼎	8454	富邦媒
8926	台汽電	9904	寶成	9933	中鼎	9940	信義		

2020 Q2 Outlook: Ethylene

- ◆ **Due to Covid-19 impact, crude demand had been a big drop. The WTI future price reached negative value in May even though the oil cut agreed with 9.7Mbpd. The ethylene prices in major markets followed the downward trend. The record low spot ethylene prices happened with \$330 in Asia and €8/lb in US.**
- ◆ **The Covid-19 pandemic looks to gradually ease after May. Some countries plan to lift lockdown and reopen markets. The ethylene demand in Asia has much improved and led price going up. However, the market prices are expected not so much high as last year due to the worries for the second round of pandemic outbreak and the arguments between US and China for Covid-19 control and disease information disclosed.**

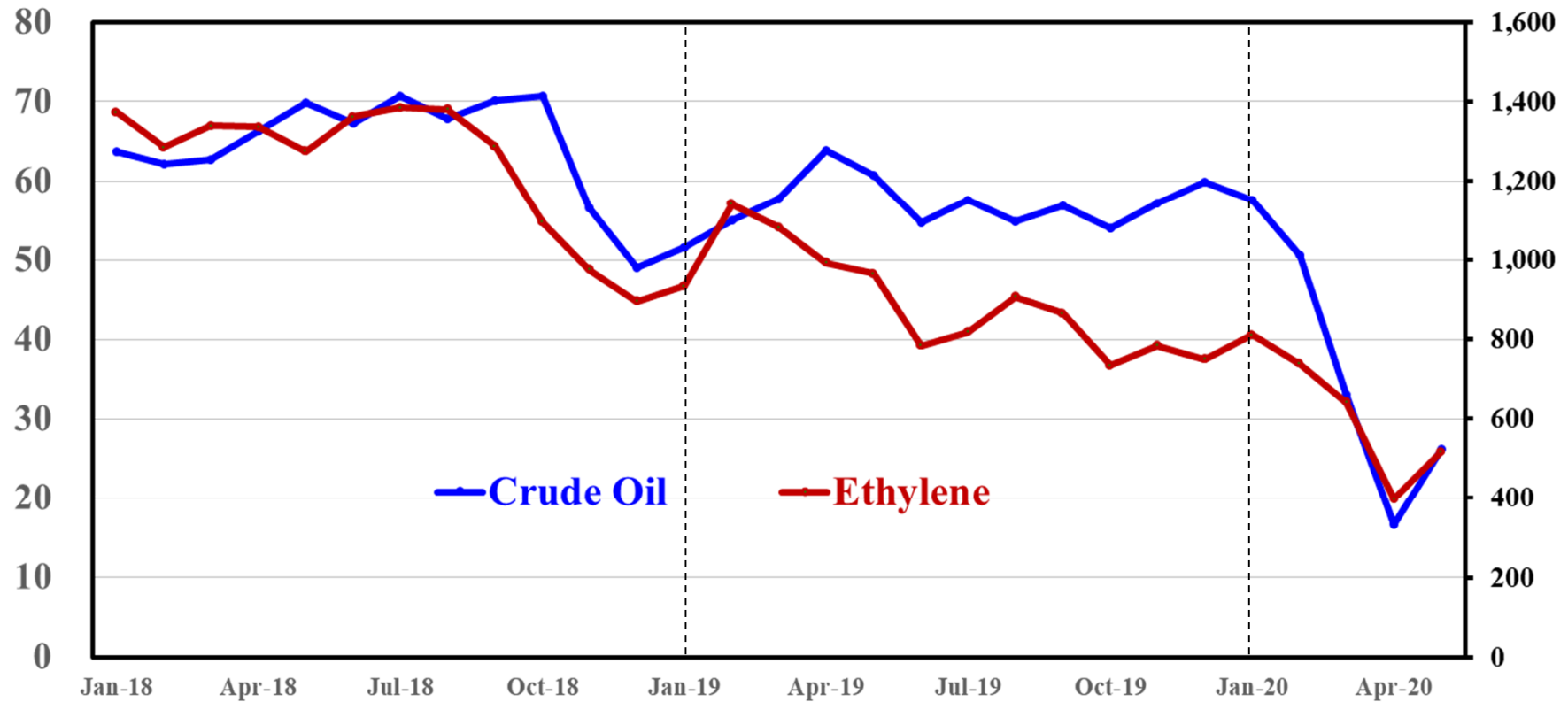
2020 Q2 Outlook: EDC

- ◆ **US chlor-alkali producers ran with high OP rate in Q1. But the domestic demand was weak due to T/A in VCM and PVC. The surplus EDC were arranged to export and increased by 70% approx. against last year. The spot export price hit \$65 FOB record low in April due to the global lockdown on Covid-19 pandemic outbreak.**
- ◆ **The US produces tried their best in Q2 to raise the domestic prices for caustic soda to improve the profit margin, and the OP rate for chlor-alkali is expected to increase as well. The EDC demand looks getting better after the pandemic situation ease, but the EDC price is expected still stable even though ethylene price is jumping high.**

Crude Oil & Ethylene Monthly Ave. Prices

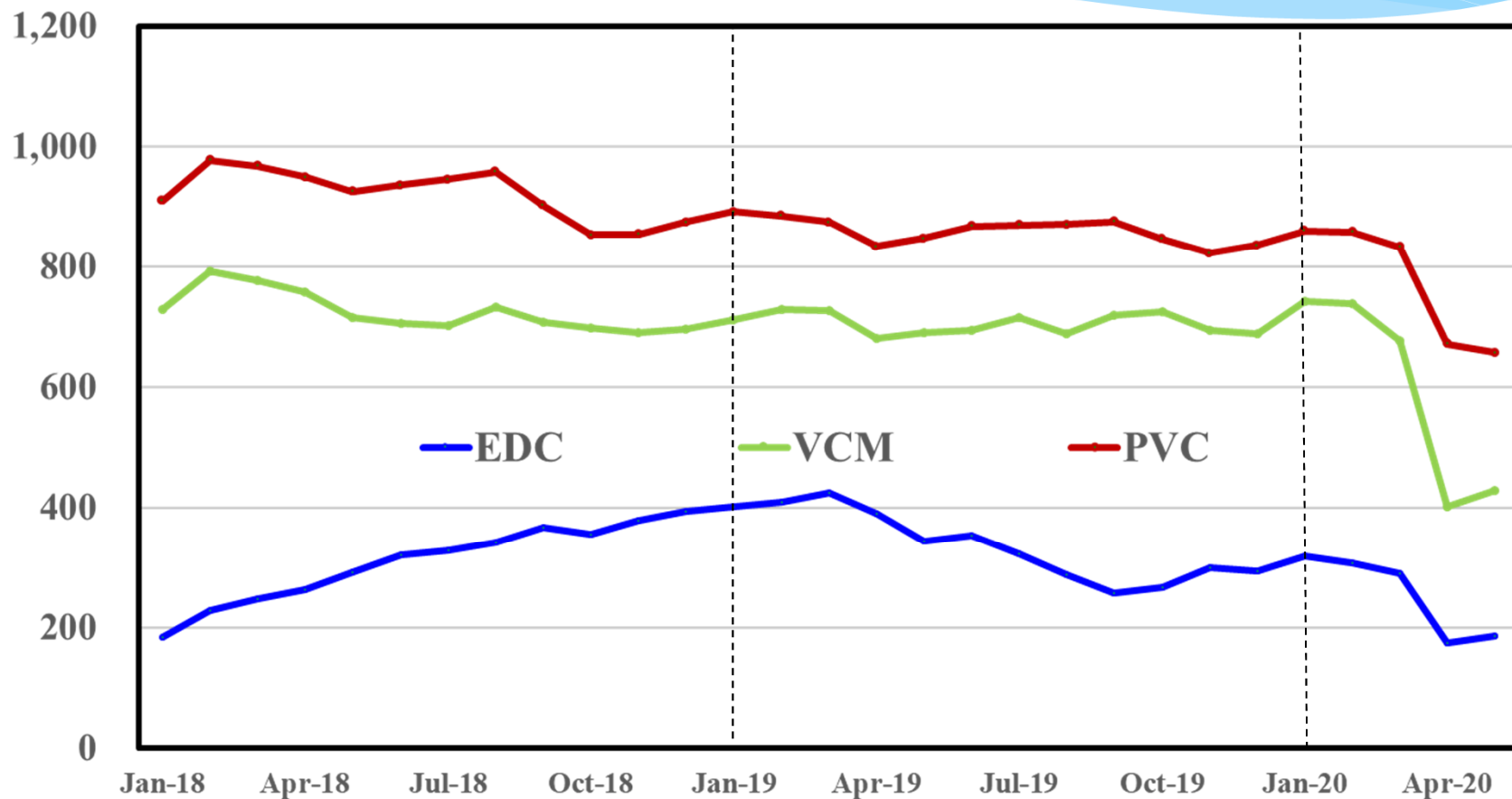
Unit:US\$/bbl WTI

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



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

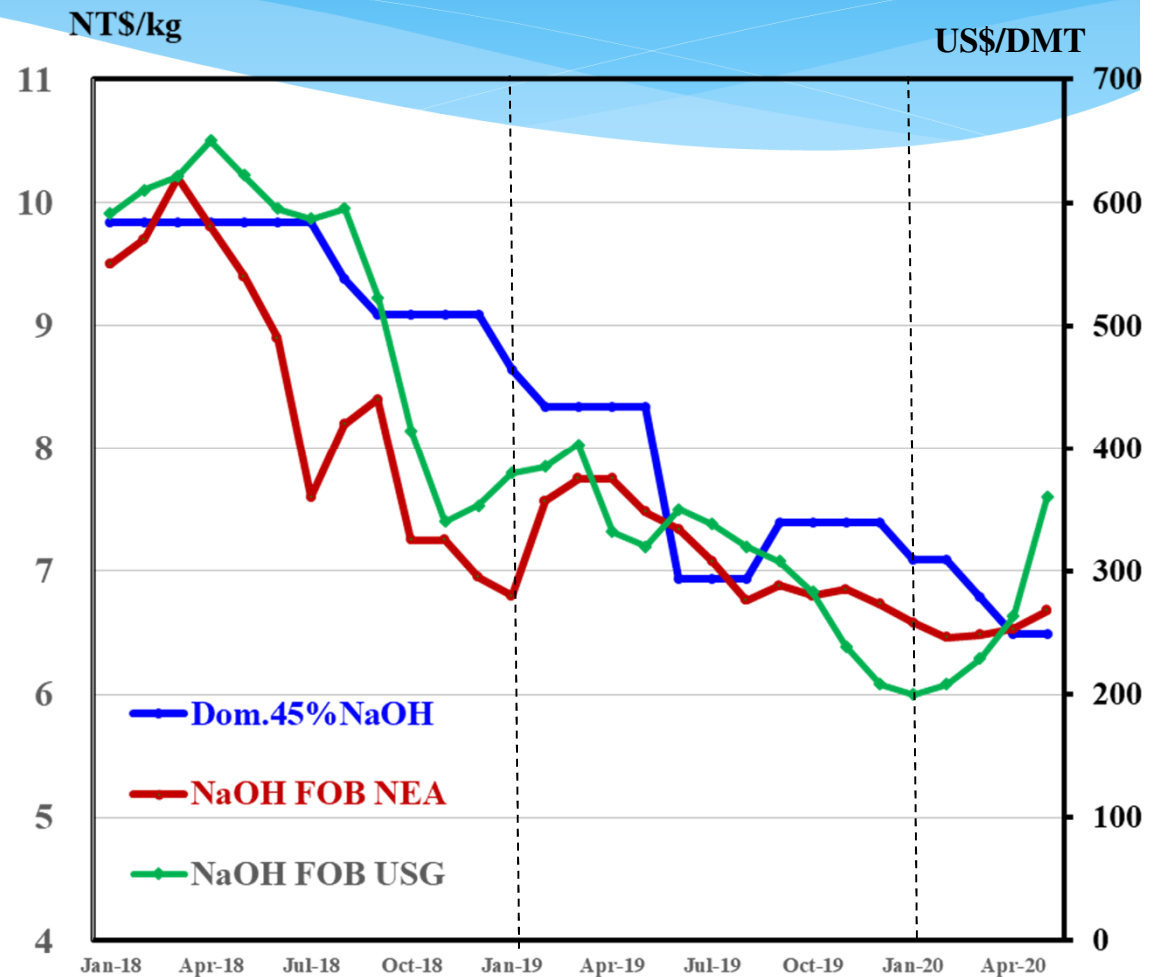
Unit:US\$/MT CFR NEA (Platts)



2020 Outlook: Alkaline

◆ The OP rate for US chlor-alkali was 90% to support the good demand for EDC and PVC in Q1. The OP rate dropped to 80% or less in Q2 due to the lockdown on Covid-19 pandemic. The US producers already raised selling prices for caustic soda. And the OP rate is expected to increase.

◆ The PVC business was poor as well in Asia. But the market prices for caustic soda have no room to increase owing to the lockdown in major Asian markets. The situation is expected to improve once India reopen the market after end May.



2020 Q2 Outlook: PVC (I)

- ◆ **PVC demand in China was impacted first by Covid-19. The price of carbide-base PVC hit ¥5,000 in end March and was rebound gradually. The demand in other markets got poor later because of the lockdown for pandemic outbreak. The surplus PVC temporally aimed at Chinese market with very low prices.**
- ◆ **The lockdowns are expected to lift gradually since 2H May. The buyers are looking for PVC cargos. The major PVC producers have raised \$40 at least for June shipment. Even though the PMI for most countries significantly dropped, the PVC outlook is positive because 1) replenish for reopen, 2) post Ramadan business, 3) price low enough.**

2020 Q2 Outlook: PVC (II)

- ◆ **The poor demand for pandemic outbreak and the drastic price drop for crude/ethylene, most PVC producers had reduced the productions. However, the PVC demand has been stronger than expect once the lockdown lifted. And PVC supply is expected to be limited in 2HQ2.**
- ◆ **Chinese carbide-base PVC is not competitive if crude at low prices. So Chinese PVC export will be less in near future this year. Chlor-alkali in US have been not profitable for years. So, US PVC producers decreased price slower and increased price earlier. The traders expect not easy to buy cheap PVC cargos from both China and US in Q2 or later. This will help PVC price firmer and going up.**

2020 Q2 Outlook: PVC Products

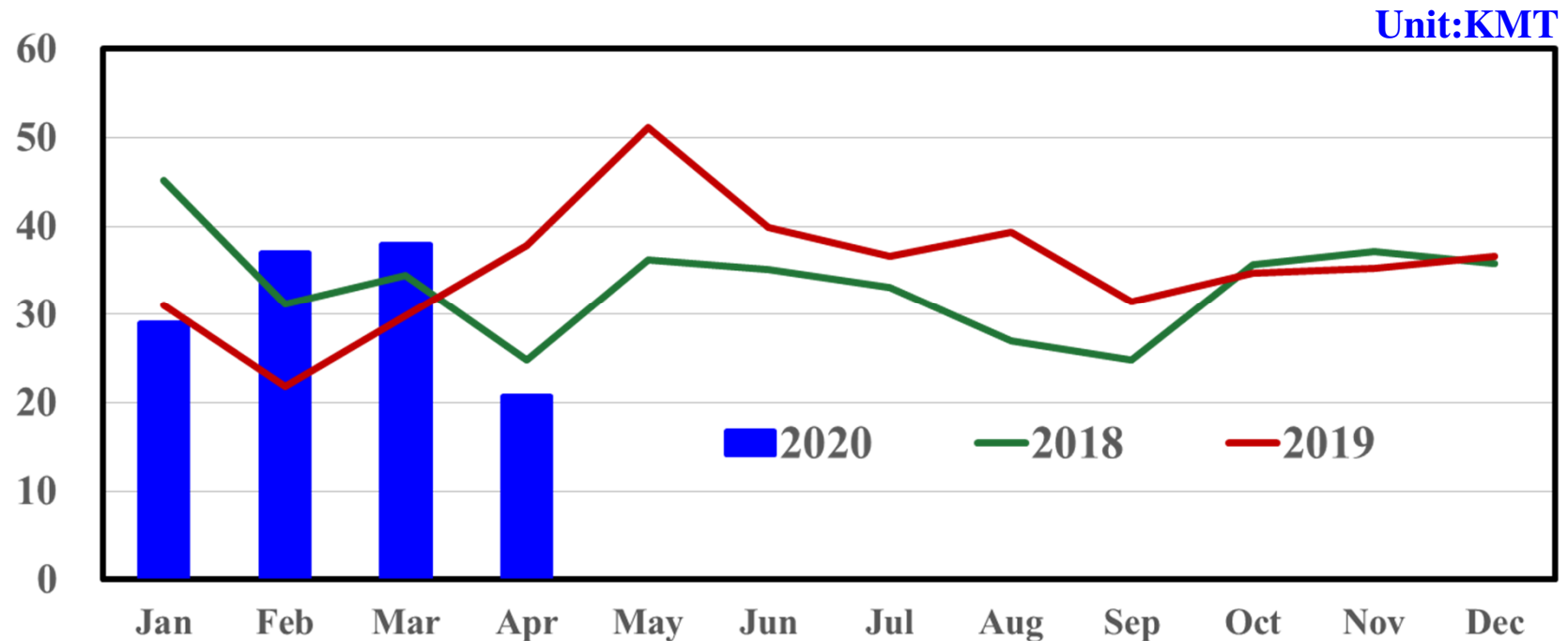
- ◆ **The sales for both pipe and door panel in Q1 was almost same as last year. The pre-selling for new houses have been slow due to pandemic in Q2. However, the business outlook for construction materials should be not so much change based on the low interest rate for housing, land transaction, housing start and investors' return from overseas.**
- ◆ **More orders of PVC film and leather shifted from China to Taiwan this year. The change is because of production based moved from China to SEA earlier due to trade war and the pandemic outbreak happened in China in Q1. The same kind of business from US and Europe are expected to improve later in Q2 after the lockdowns have been lifted gradually.**

2020 Outlook : PVC Sold by Month

PVC total quantity sold in 2020:

YTD in in April : more than 124 kt

YoY change: +4%

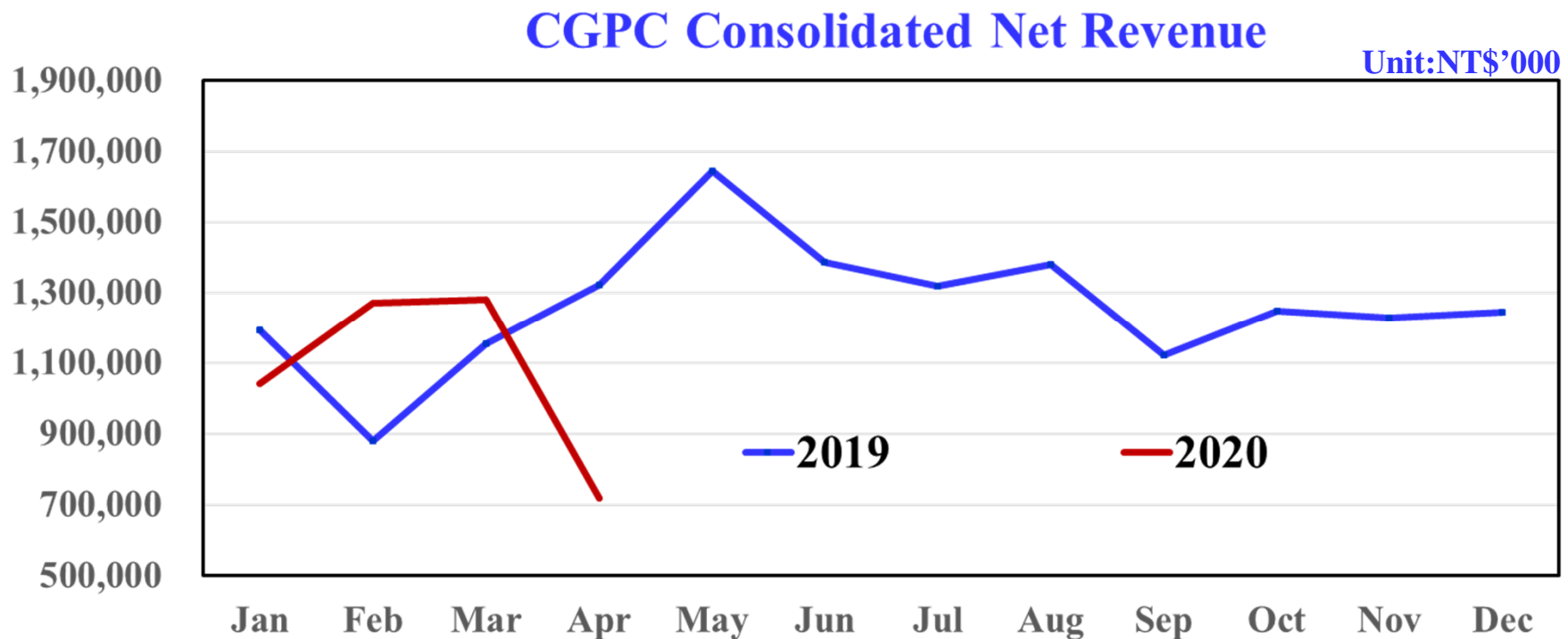


2020 Outlook : Consolidated Sales

CGPC consolidated net revenue:

YTD in April: NT\$4.309B

YoY change: -5.3%



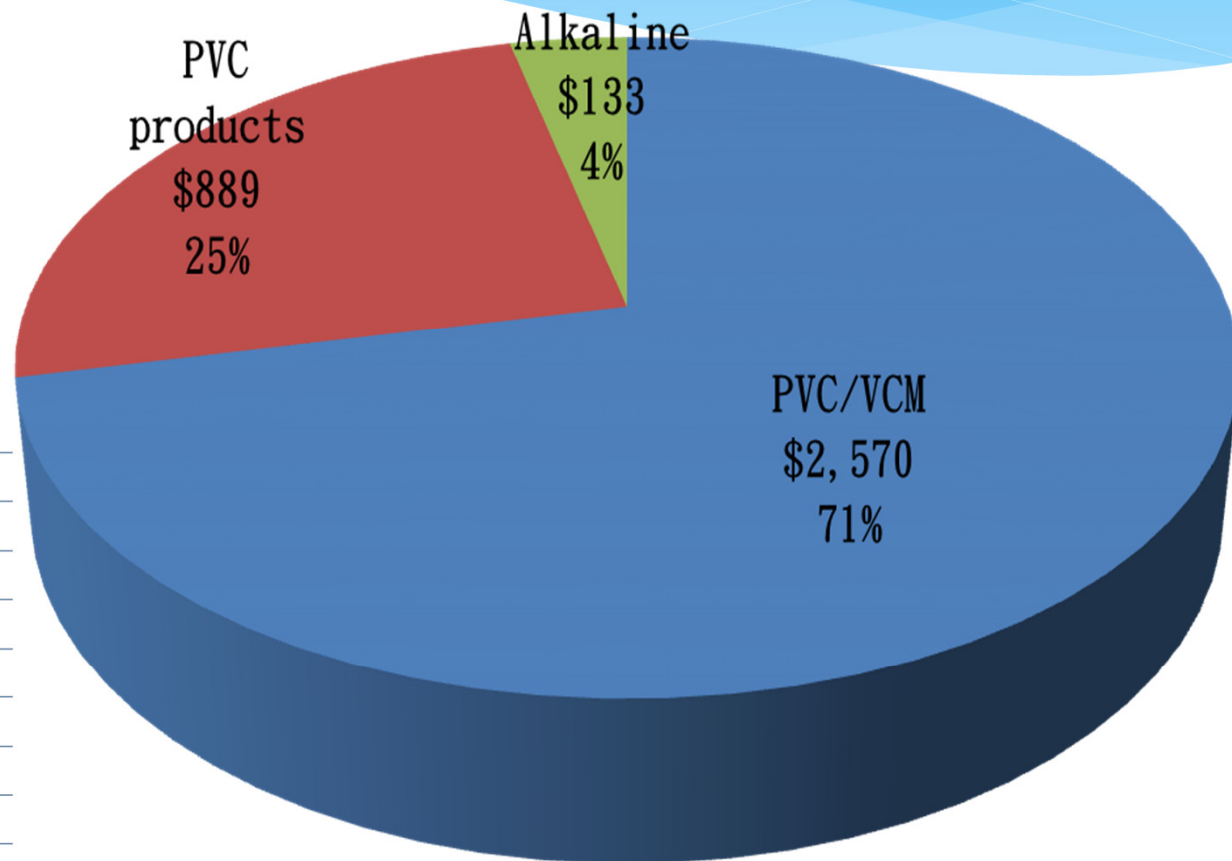


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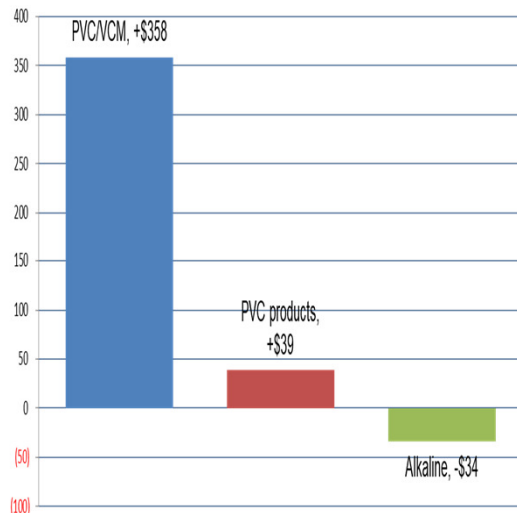
2020 Q1 Financial Report

Report by: C C Kuo
May 25, 2020

2020 Q1 Sales by product (NT\$million)



2020 Q1 Inc./ (dec.) - compared to 2019 Q1



China General Plastics Corporation and Subsidiaries

Consolidated Statements of Income

(In millions of NTD, except per share data)

	2020 Q1	2019 Q1	YoY%	2019 FY	2018 FY	2017 FY
Sales	3,591	3,228	11.3%	15,118	15,193	14,702
Cost of goods sold	2,871	2,779	3.3%	13,148	12,490	11,925
Gross profit	720	449	60.6%	1,969	2,703	2,777
gross profit ratio	20%	14%		13%	18%	19%
Operating expenses	297	265	12.1%	1,196	1,130	1,126
Operating income	423	184	130.6%	774	1,573	1,651
operating income ratio	12%	6%		5%	10%	11%
Non-operating income(loss) *	23	43	-46.2%	84	89	(37)
Income before income taxes	446	226	97.2%	858	1,662	1,614
Income taxes	97	35	176.1%	160	306	275
Net income	349	191	82.6%	698	1,356	1,339
net income ratio	10%	6%		5%	9%	9%
Net income attributable to						
- China General Plastics Corporation	311	184	68.8%	643	1,276	1,270
- noncontrolling interest	38	45	-16.1%	55	80	69
Earnings per share	0.59	0.36	62.3%	1.22	2.52	2.58
adjusted		0.35		0.00	2.42	2.51

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

China General Plastics Corporation and Subsidiaries

Financial ratio analysis

	2020 Q1	2019 Q1	2019 FY	2018 FY	2017 FY
Operating income margin(%)	11.8	5.7	5.1	10.4	11.2
Net income margin(%)	9.7	5.9	4.6	8.9	9.1
Debt ratio(%)	28	32	29	33	35
Current ratio(%)	314	295	288	300	336
Quick ratio(%)	208	168	193	215	229
Accounts receivable turnover	39	49	40	42	39
Inventory turnover days	50	70	44	52	55

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