




華夏海灣塑膠股份有限公司

China General Plastics Corp.

Investor Conference

2022/5/17

| Time | Itinerary | Reporter |
|-----------------|------------------------|---------------------------------------|
| 14:00~ 14:30 | VIP Registration | |
| 14:30~ 15:00 | Q1 Review & Q2 Outlook | 胡吉宏 執行副總 Otto Hu, Executive VP |
| | Q1 Finance Information | 郭建洲 經理 C C Kuo, Manager |
| 15:00~ 15:30 | Wrap up / Q & A | 林漢福 副董事長 H F Lin, Vice Chairman |



China General Plastics Corp.

Q1 Review & Q2 Outlook

Reported by: Otto Hu
May 17, 2022

Q1 2022 Review: PVC Feedstock

- ◆ **Ethylene** Global crude oil price surges above \$100 per barrel amid the ongoing Russia-Ukraine war and modest oil output hike plan of OPEC+. North East Asia ethylene price reached \$1,400/mt, the highest level since July 2018. Demand of ethylene derivatives and downstream was subdued due to the clog of cost pass-through. Crackers reduced the run rate in response.
- ◆ **EDC** Global caustic soda price rises amid the surge in upstream energy prices and the spillover demand of alumina in South East Asia after the conflict of Russia and Ukraine. The supply/demand imbalance of Asia EDC eased from improving rate of Asia chlor-alkali plants. Asia EDC price fell more than 20% from the year-high.
- ◆ **VCM** The VCM demand recovery as PVC sentiment turns to positive after Lunar new year. However, heavy turnaround and operational issues weighing on VCM supply and narrowing the PVC-VCM spread.

Q1 2022 Review: PVC

- ◆ **Chinese PVC sales improved after Lunar New Year due to the high prices of crude and feedstock. The Chinese PVC inventory was low even though the O/P rate reached 80% above. More low-cost carbide PVC exported in later Q1 and influenced the market prices especially in SEA and South Asia gradually.**
- ◆ **The global logistics and shipping problems, high energy costs impacted by the War Russia-Ukraine and the production cuts of vinyl chain resulted in supply shortages in some areas. As most of Asian markets were on traditional season in Q1, buyers were badly looking for PVC and pushed the prices to highest level of 2022.**



Q1 2022 Review: Consolidated Sales

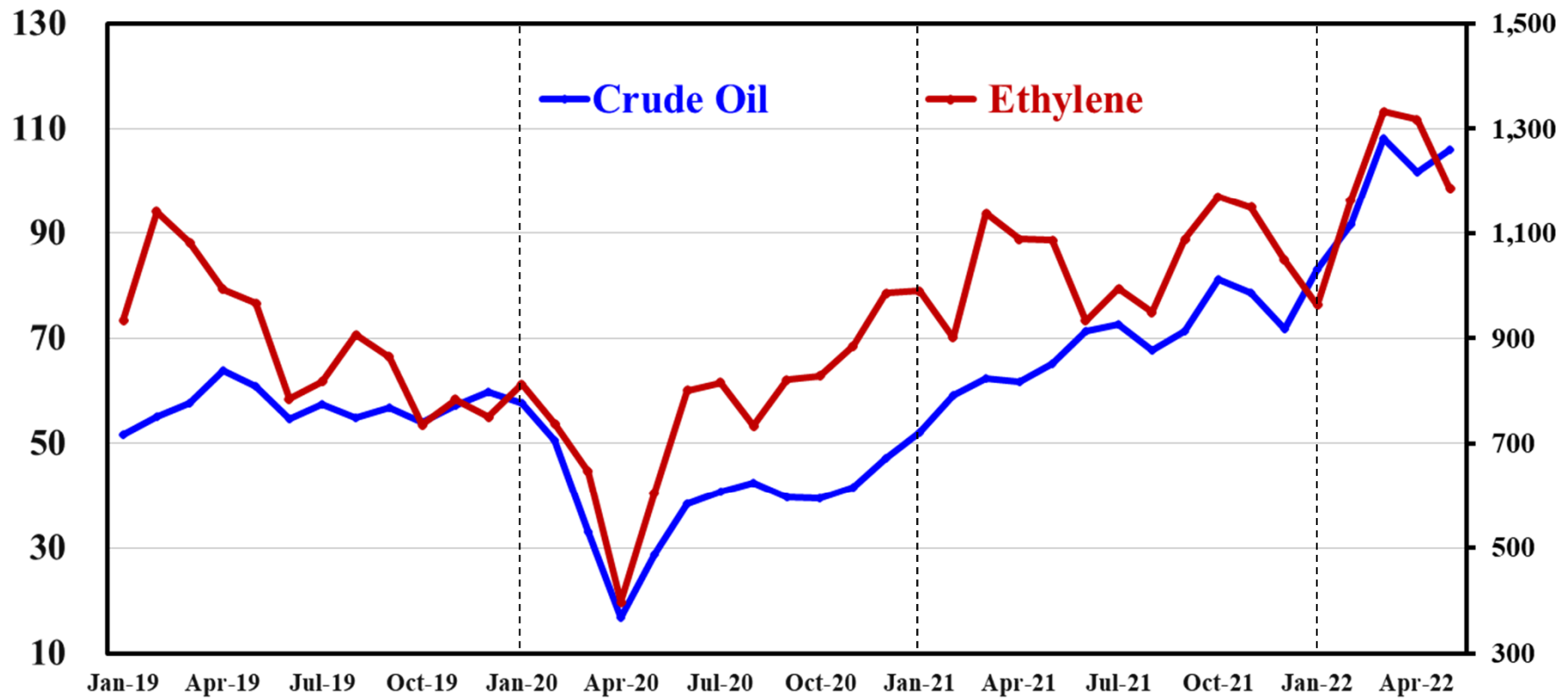
- ◆ The consolidated sales in Q1 was NT\$5.307B, which increased by NT\$0.328B YoY (6.6%↑).
- ◆ Sales Quantities (KT)

| | Q1 2022 | Q1 2021 | Growth |
|--------------|---------|---------|--------|
| VCM/PVC | 105 | 108 | (3) |
| PVC Products | 13 | 16 | (3) |
| Alkaline | 15 | 15 | (0) |
| Total | 133 | 139 | (6) |

Crude Oil & Ethylene Price Trend

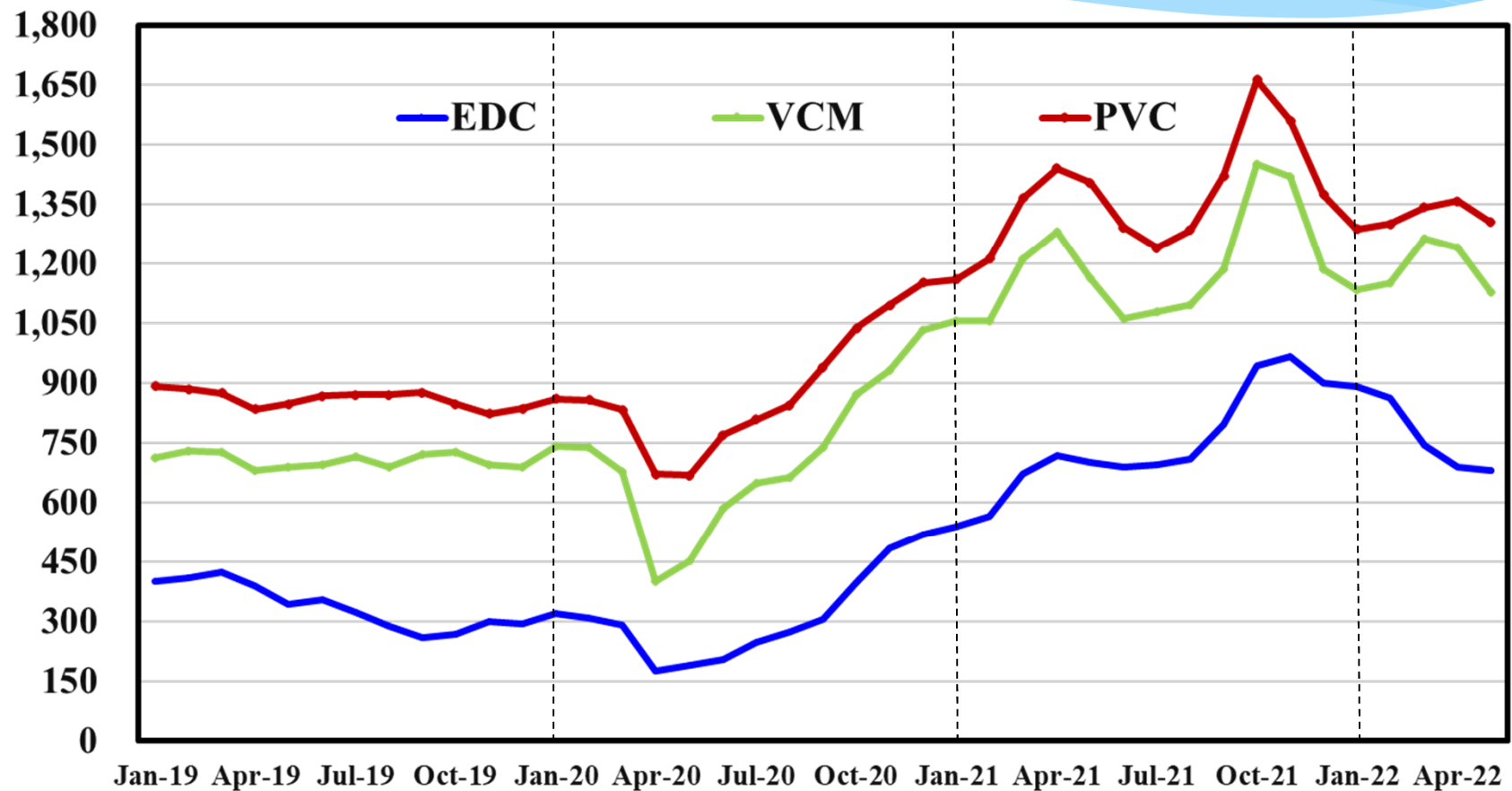
Unit:US\$/bbl WTI

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



PVC/VCM/EDC Price Trend

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



Q2 2022 Outlook: Ethylene

- ◆ **Crude supply/demand uncertainties have widened amid increase in output resisted by OPEC, EU proposes gradual ban on Russian oil and COVID-19 pandemic lockdown in China.**
- ◆ **US ethylene production has hit record high in Q1 2022 and the exports in Q1 also rose by nearly 20% from Q4 2021 amid capacity expansion and expanded transportation storage capacity. US terminal operator plans to expand ethylene export capacity in H2 2023 and exports would be expected to further increase.**
- ◆ **Extended restrictions in China dampens derivative demand and the derivative margins remains negative. Some Asia crackers were heard to be considering lowering run rates. Heavy turnaround season in Q2 2022 may weigh on supply. However, ethylene prices was limited due to the weak demand outlook.**

Q2 2022 Outlook: EDC/VCM

- ◆ **EDC** Global caustic soda price hikes and profitable margin on electrolysis derivatives which may drive producers to increase chlor-alkali rate and EDC production. In Q1 2022, US EDC production and exports both decreased due to heavy turnaround and operational issues. However, the export volume in March has seen a significant rally. EDC price is expected to move to reasonable range amid the tight supply was improved.
- ◆ **VCM** PVC demand and VCM imports in China were declined after COVID-19 pandemic lockdown and restrictions on mid-March. Japan's Q1 PVC export falls 15% on quarter. PVC-VCM spread may stay relative flat due to the heavy turnaround season in Q2.

Q2 2022 Outlook: PVC Supply (I)

- ◆ **Both PVC production and sales in China have been impacted since end March due to the lockdowns for Covid-19. The heavy PVC inventory seems to ease after the Labor Holidays. The more turnarounds of PVC plants and the sudden cost increase by 12% or more on carbide are expected to support PVC price and to sell mainly in domestic market for better price instead of export.**
- ◆ **More VCM and PVC turnarounds have been scheduling in May and June in Taiwan, Japan, Korea, Thailand and Indonesia. The overall Asian production and sales in Q2 are expected well balancing.**

Q2 2022 Outlook: PVC Supply (II)

- ◆ **The US PVC output was 10% higher YoY in Q1. However, feedstock supplies are still tight because some T/A of chlor-alkali plants are not yet completed and F/M for mechanical shutdown or power outage. The PVC inventory is expected to increase, but the supply capability is not yet enough because of the limits of logistics and ocean shipment issues.**
- ◆ **The PVC exports from Russia and Ukraine have almost been stopping due to the War each other. The European suppliers are unable to keep full running and export PVC cargoes due to the high energy costs in the near future.**

Q2 2022 Outlook: PVC Demand (I)

- ◆ **The future and spot PVC prices in China have been moving high after Labor Holidays. The lockdowns for Covid-19 is expected to ease near soon. It is expected to have a good start from the demand of infrastructure for pipe, wire & cable.**
- ◆ **The PVC buyers outside China are more aggressive to look for cargoes of June shipments.**
 - **South Asia:**
The Q1 PVC imports dropped a lot YoY both in Bangladesh and India. The purchases in April or May are reported not too much because buyers were expecting price drop further. However, pipes, fitting and wire & cable are essential industries in India and Bangladesh. The PVC demand is expected improving before monsoon start.

Q2 2022 Outlook: PVC Demand (II)

➤ SEA:

The downstream fabricators had moved from China to Vietnam, Myanmar and Cambodia due to trade war. The order intakes here have been more due to Chinese lockdowns for Covid-19 this year. The situation is expected to last till Q2.

➤ Africa & M East:

The demand here is improving as the Ramadan just ended in early May. Owing to the War Russia-Ukraine, the PVC cargoes are short and expensive in US, Europe, Russia and Ukraine. Asian cargoes are the first choice at present.

➤ C/S America:

The PVC demand here was slow until March. Even though buyers are taking wait and see manner now due to PVC price dropping in Asia, the long term of the government projects for infrastructure and public housing are expected to support PVC.

Q2 2022 Outlook: PVC Products

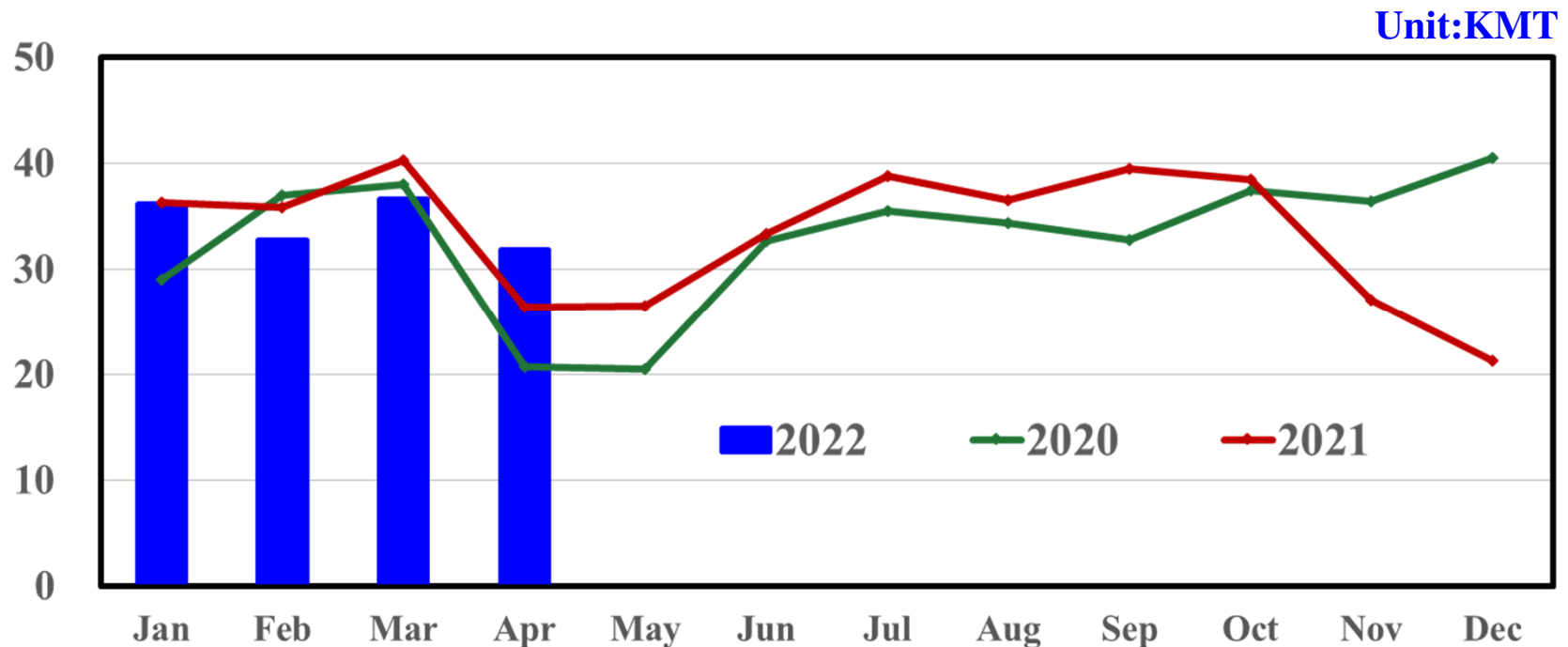
- ◆ **The prices of construction materials including PVC pipe have much increased in past one year. So, we have reasonable profit margin to run pipe business. The Taiwanese new house opening in Q1 was good and is expected to provide pipe consumption later this year. Even though the government is taking steps to cool down the private house price, the infrastructure projects for T3 of Taoyuan Airport, MRT expansion and new city developments are still on schedule and offer us construction business potential.**
- ◆ **The artificial leather in US has been slow since last Q4 and it experienced the most difficult timing in Q122. However, our new products with properties of cool temperature, translucent effect and environment friendly will be opened in Q2. This will help us to run well overall artificial leather business and have a better outlook in Q2.**

2022 Outlook : PVC Sold by Month

PVC total quantity sold in 2022:

YTD in April: more than 137kt

YoY increase: +4%

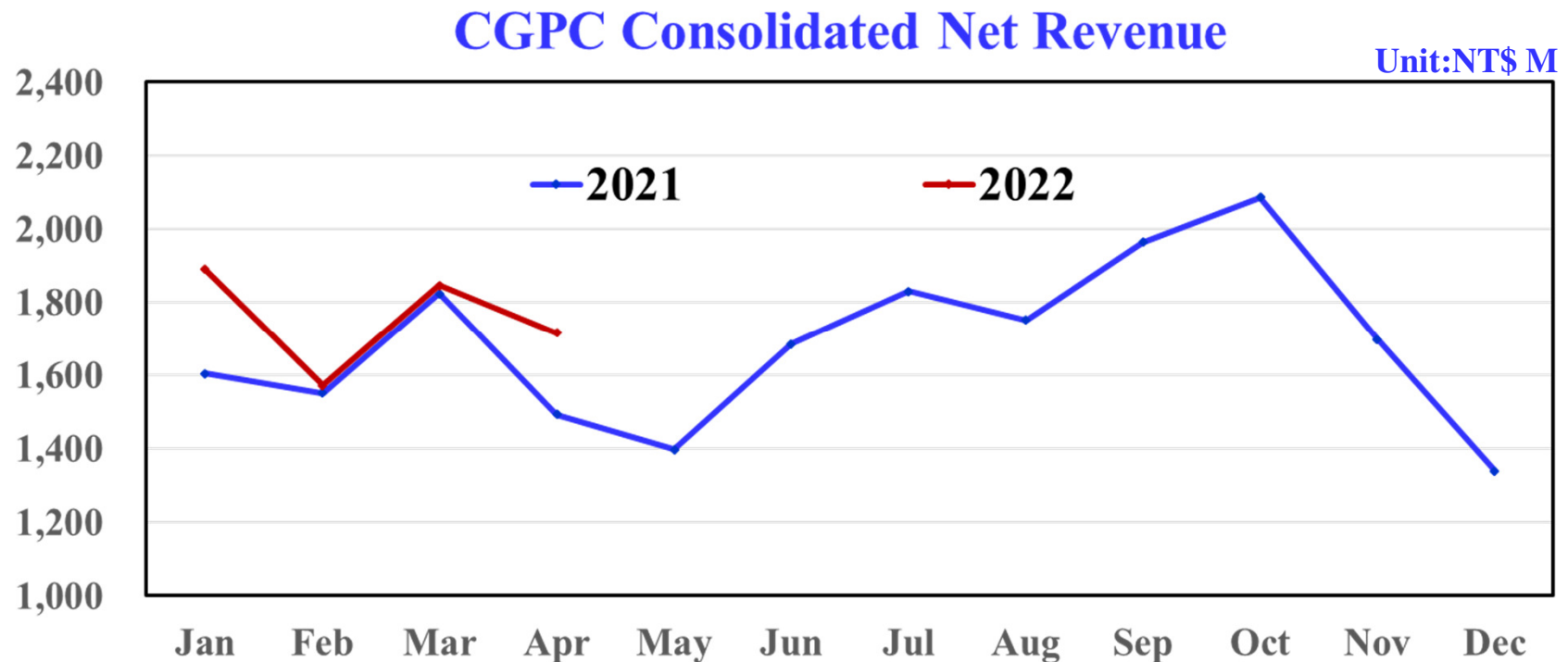


2022 Outlook : Consolidated Sales

CGPC consolidated net revenue:

YTD in April : 7.022B

YoY increase: +8.5%





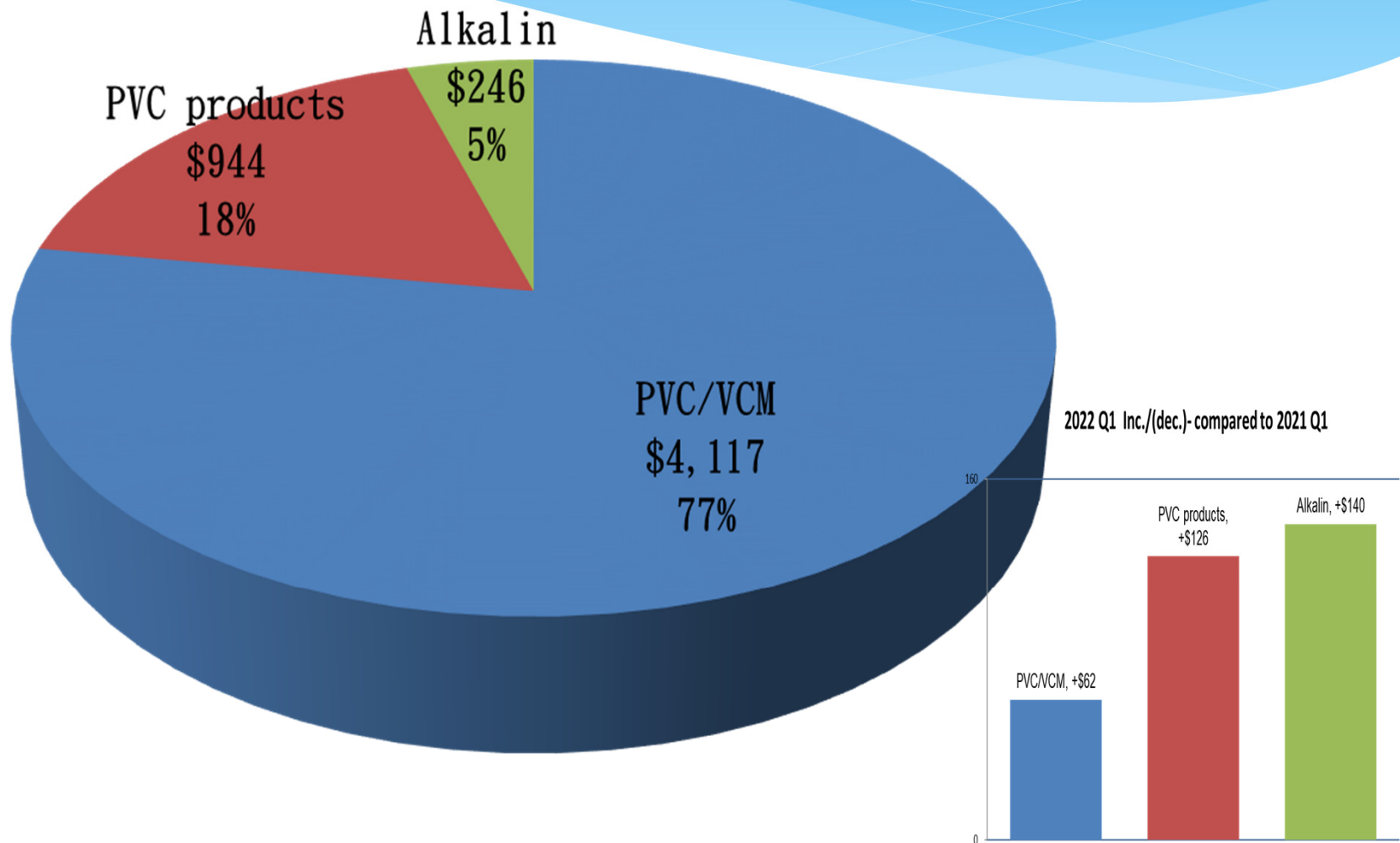
China General Plastics Corporation and Subsidiaries

Finance information

Reporter : C.C.Kuo Manager

Date : 2022, May 17

2022 Q1 Sales by product (NT\$million)



China General Plastics Corporation and Subsidiaries

Consolidated Statements of Income

(In millions of NTD, except per share data)

| | 2022 Jan. -Mar. | 2021 Jan. -Mar. | YoY% | 2021 FY | 2020 FY | 2019 FY |
|--------------------------------------|--------------------|--------------------|----------|------------|------------|------------|
| Sales | 5,307 | 4,979 | 6.6% | 20,222 | 13,733 | 15,118 |
| Cost of goods sold | 4,556 | 3,382 | 34.7% | 15,181 | 10,374 | 13,148 |
| Gross profit | 751 | 1,597 | -53.0% | 5,040 | 3,359 | 1,969 |
| gross profit ratio | 14.1% | 32.1% | | 24.9% | 24.5% | 13.0% |
| Operating expenses | 509 | 493 | 3.3% | 1,723 | 1,206 | 1,196 |
| Operating income | 242 | 1,104 | -78.1% | 3,317 | 2,154 | 774 |
| operating income ratio | 4.6% | 22.2% | | 16.4% | 15.7% | 5.1% |
| Non-operating income(loss) | 322 | 2 | 14859.8% | (10) | 21 | 84 |
| Income before income taxes | 564 | 1,106 | -49.0% | 3,307 | 2,175 | 858 |
| Income taxes | 65 | 220 | -70.4% | 676 | 374 | 160 |
| Net income | 499 | 887 | -43.7% | 2,631 | 1,801 | 698 |
| net income ratio | 9.4% | 17.8% | | 13.0% | 13.1% | 4.6% |
| Net income attributable to | | | | | | |
| - China General Plastics Corporation | 451 | 827 | -45.5% | 2,469 | 1,634 | 643 |
| - noncontrolling interest | 48 | 60 | -19.7% | 163 | 158 | 55 |
| Earnings per share | 0.78 | 1.49 | -47.8% | 4.25 | 2.95 | 1.22 |
| adjusted | | 1.42 | | 4.25 | 2.81 | 1.11 |

China General Plastics Corporation and Subsidiaries

Financial ratio analysis

| | 2022 Jan.-Mar. | 2021 Jan.-Mar. | 2021 FY | 2020 FY | 2019 FY |
|------------------------------|-------------------|-------------------|------------|------------|------------|
| Operating income margin(%) | 4.6 | 22.2 | 16.4 | 15.7 | 5.1 |
| Net income margin(%) | 9.4 | 17.8 | 13.0 | 13.1 | 4.6 |
| Debt ratio(%) | 28 | 26 | 30 | 26 | 29 |
| Current ratio(%) | 295 | 269 | 264 | 265 | 288 |
| Quick ratio(%) | 163 | 203 | 152 | 208 | 193 |
| Accounts receivable turnover | 32 | 39 | 36 | 45 | 40 |
| Inventory turnover days | 66 | 36 | 52 | 47 | 44 |

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