




# 華夏海灣塑膠股份有限公司

## China General Plastics Corp.

### Investor Conference

2023/3/15

Time	Itinerary	Reporter
14:00~ 14:30	VIP Registration	
14:30~ 15:00	2022 Review & Q1 2023 Outlook	胡吉宏 執行副總 Otto Hu, Executive VP
	2022 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.**  
**2022 Review**  
**&**  
**Q1 2023 Outlook**

**Reported by: Otto Hu**  
**March 15, 2023**

# 2022 Review: PVC Feedstock

◆ **Ethylene** There was 10M tons each of ethylene capacity expanded in last two years. However, the supply was limited because of high energy cost from War Russia/Ukraine. The demand was weak mainly due to high inflation. The price was stable at \$900 CFR FE in year end 2022.

◆ **EDC**: The global EDC export was limited in H1 due to strong PVC demand, production issues in US and facilities' upgrade in M East. The market prices were eventually keeping high. The situation changed in H2 and market prices move downward due to high OP rate in C/A for high prices of caustic soda but weak PVC demand, which reduced EDC consumption.

◆ **VCM**: VCM price hit high end in Q1 in line with strong PVC demand. However, the market prices of VCM and PVC had been decreasing for eight months because of lockdown for Covid again after Q1 in China and slow demand due to high inflation and high interest.

# 2022 Review: PVC

- ◆ **As the lockdown from Covid to limit demand in China and PVC ADD sunset from China to India was effective in mid. February, Chinese PVC export reached record high of 200kt per month in H1, which heavily lowered the PVC prices in Asian markets.**
- ◆ **The high inflation and interest impacted US demand especially in H2. The PVC surplus was forced to move to overseas with lower prices and impacted the global PVC market prices.**
- ◆ **The slow PVC demand in US and China had resulted in continuous price decreases for eight months in most of Asian markets. The profit margin had eventually been severely shrunk in the companies of vinyl chains.**

# 2022 Review: Consolidated Sales

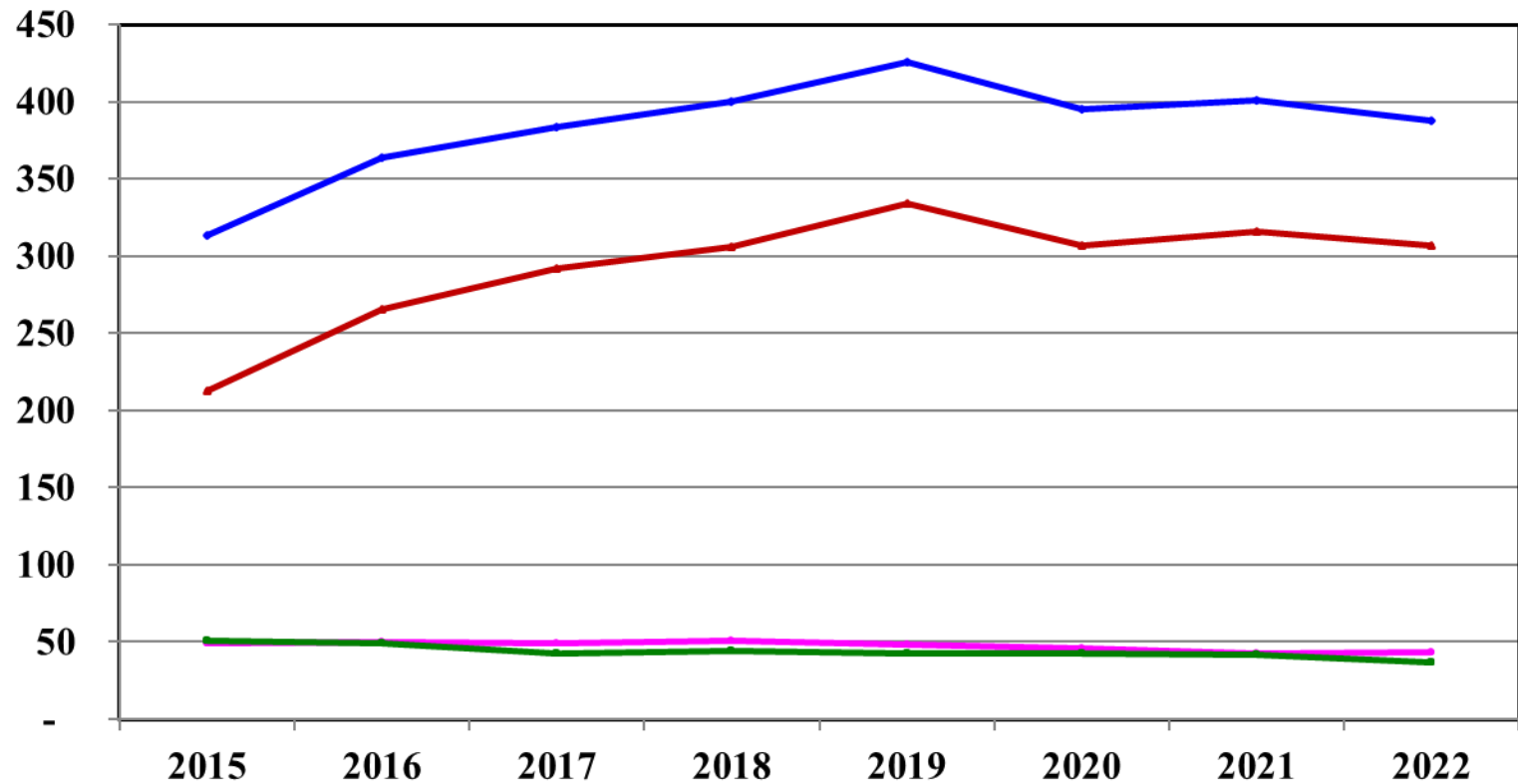
- ◆ The consolidated sales in 2022 was NT\$17.637B, which decreased by NT\$2.584B YoY (13%↓).
- ◆ Sales Quantities (KT)

	2022	2021	Growth
VCM/PVC	382	385	(3)
PVC Products	53	63	(10)
Alkaline	60	60	(0)
<b>Total</b>	<b>495</b>	<b>508</b>	<b>(13)</b>

# 2022 Review : PVC Sales Mix

Unit:KMT

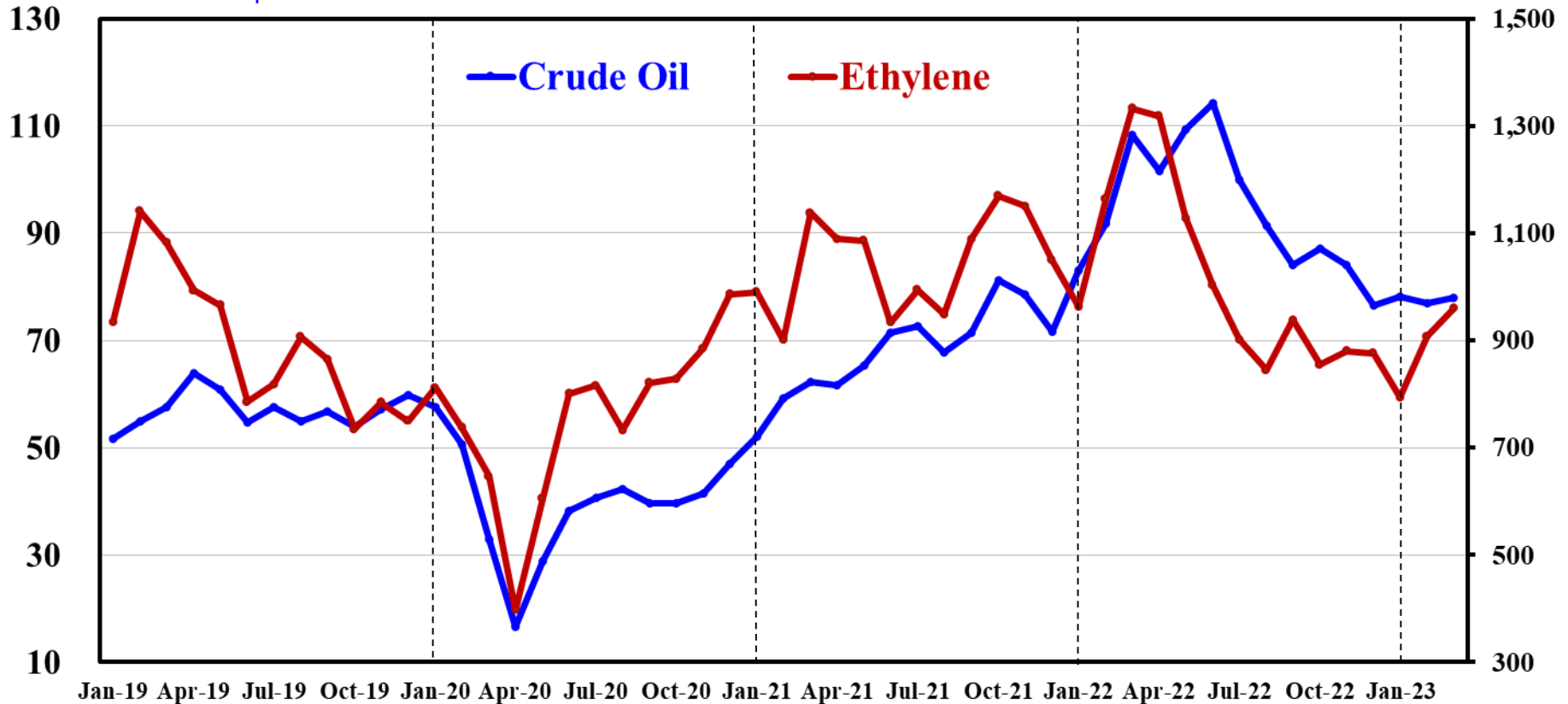
Domestic Export Captive Total



# Crude Oil & Ethylene Price Trend

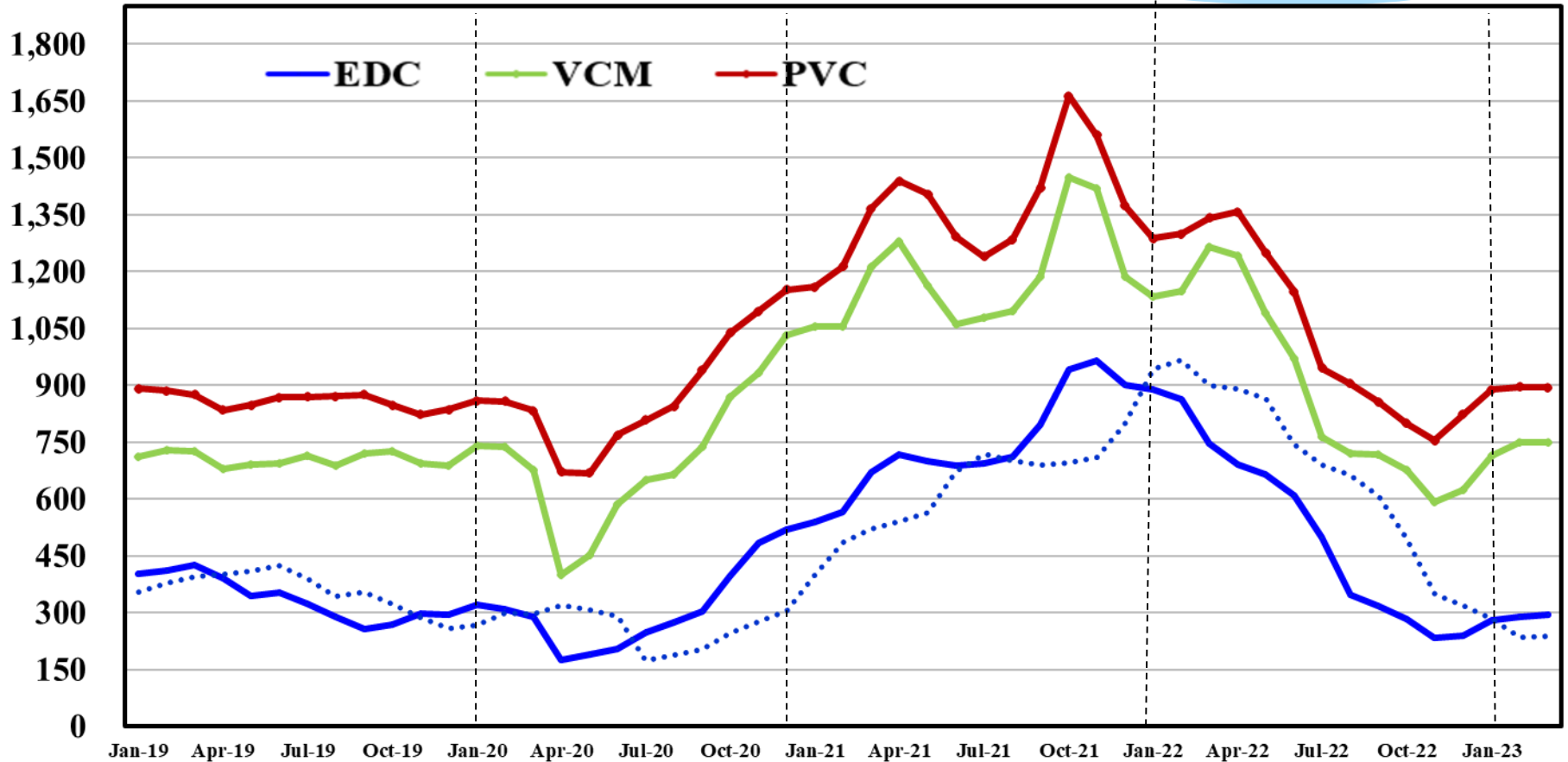
Unit:US\$/bbl WTI

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



# PVC / VCM / EDC 價格趨勢

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





# Q1 2023 Outlook: Ethylene

- ◆ **The US ethylene quantities of production and export hit record high in 2022. The export quantity was about 70% increase YoY because of the facility improvements in export shipping ports. The export capability is expected to increase again in 2023.**
- ◆ **Even though the lifting lockdown in China, the market participants are not yet confident in early 2023. So, the Asian ethylene price was still low then for the weak demand. However, the demand has improved and pushed prices going up due to tight supply.**
- ◆ **The OP rates in more crackers are expected to raise in line with the ethylene demand improving. However, the global economic recovery is still very slow so far this year. Whether the further demand can support ethylene supply increase or not, most of participants would like to take a wait and see sentiment.**

# Q1 2023 Outlook: EDC/VCM

- ◆ **EDC:** The US EDC allocation enable to export in Q1 was still limited due to T/A. But the demand has been improving for PVC demand recovery. The later supply is expected getting long due to T/A finish and upgrade completion in M East. But, EDC supply and market prices will still be uncertain if C/A OP rate is lowering down on caustic soda price declining in the future.
- ◆ **VCM:** VCM supply was tight in Q1 because of T/A and S/D for technical issues. Some spot cargoes were sold at very high prices. The VCM demand is expected going weak because PVC prices has declined recently. Another concerning is the start running for more VCM supply for the expansion of 200kta in SP Chemical China.

# Q1 2023 Outlook: PVC Supply

- ◆ **Prices of coal and carbide in China had dropped after Lunar New Year, which was helpful more or less. The higher PVC OP rate has pushed the inventory to 500kt above in S/E Coast. Owing to the improving demand in China, the producers are trying to keep PVC price stable high to improve the profit margin. This will eventually support the Asian PVC prices stable.**
- ◆ **The other producers in NEA reduced productions for PVC or VCM in last Q4, but kept full running after the PVC price rebounded in last December. So, the overall Q1 PVC supply and demand in Asia is most likely under balance.**
- ◆ **Even though the production issues happened in this winter and the scheduled T/A in March, the US PVC inventory has been kept with 400kt since last Q4. The producers had planed domestic price increase projects for Q1 and have been keeping \$835 FAS for export.**

# Q1 2023 Outlook: PVC Demand

- ◆ **The lifting lockdowns for Covid and the economic stimulating manners executed by Chinese government have had good responses since February. The PVC prices both future and spot markets have hit the bottom and rebounded recently.**
- ◆ **Much more PVC imports arrived India in January and February, which is cooling down buying sentiment recently. However, the import PVC is still necessary in peak season as the local productions are limited for VCM supply short . The US dollar shortage problem in Bangladesh has improved gradually. Buyers are opening L/C to ask prompt shipments from suppliers and are starting to release new orders for the season.**
- ◆ **As the logistics, packing and shipping vessel have not yet been fully improved in US, the global traders still keep some PVC purchases from Asia to maintain the business in M East, Africa and S America.**<sup>12</sup>

# Q1 2023 Outlook: PVC Products

- ◆ **The housing business has declined since Q3 2022. However, CGPC still had sales growth in January and February for PVC pipes because we have deeply got involved the supplies for T3 of Taoyuan Airport, infrastructure of new cities, public residences, waste water treatment and solar power/wind power sites.**
- ◆ **The high inflation and high interest have been lowering down the demand on most of consumer products made by film and artificial leather except farm car, motor bike, marine and shoes. We are planning with facility upgrades for high end artificial leather products in leather plant, and this is also for energy saving and pollution reduction. We are also running with facility renewals, relocation and reorganization for film plant in order to raise the competitiveness for overall film products.**

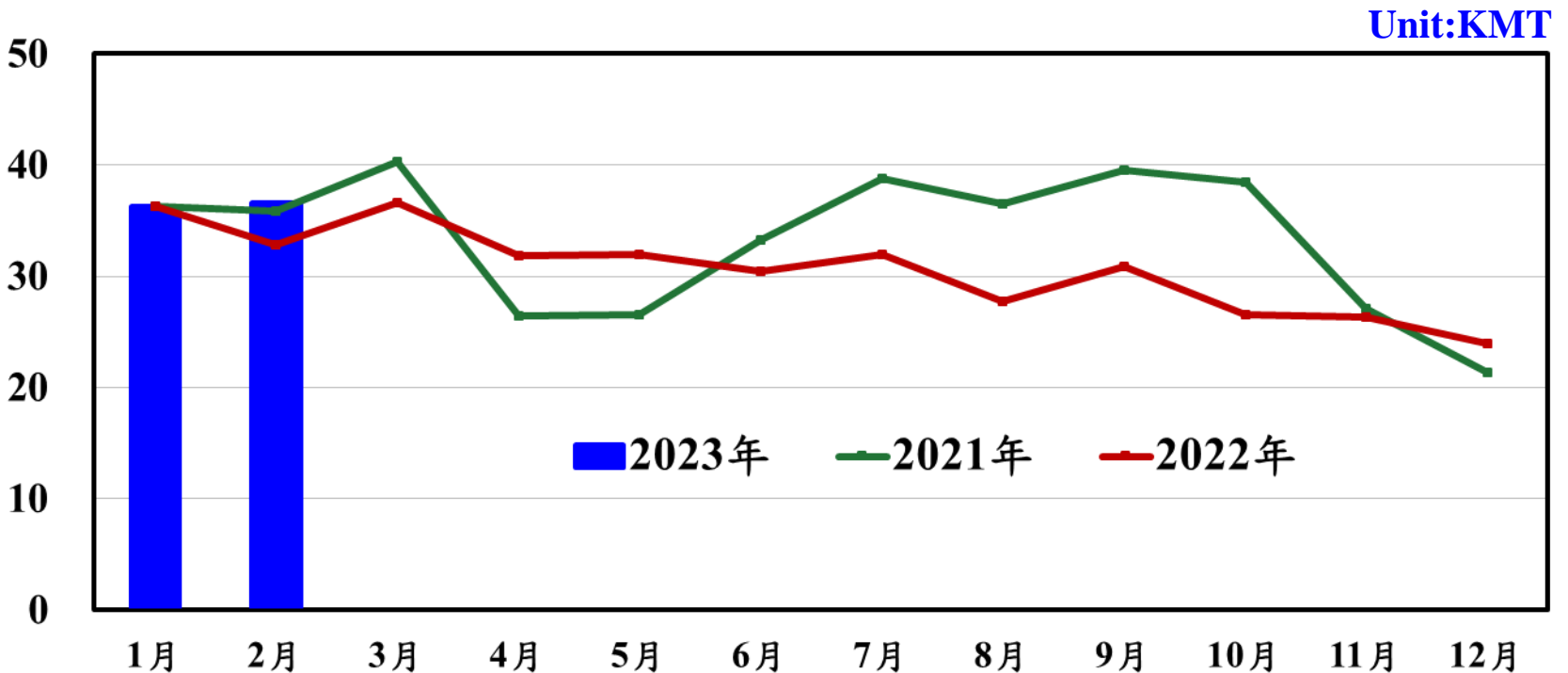
# 2023 Outlook :

## PVC Sold by Month

**PVC total quantity sold in 2023:**

**YTD in February : more than 72kt**

**YoY increase: 5.6%**



# 2023 Outlook : Consolidated Sales

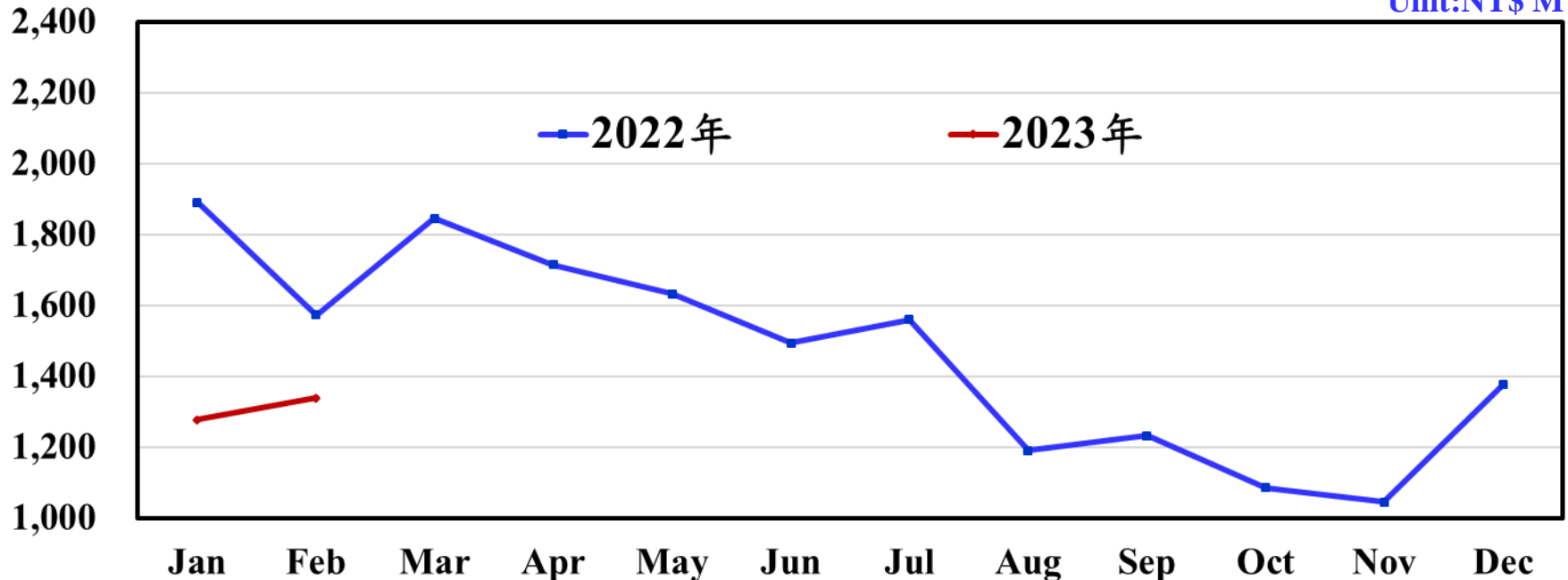
**CGPC consolidated net revenue:**

**YTD in February : 2.616B**

**YoY decrease : 24.4%**

**CGPC Consolidated Net Revenue**

Unit:NT\$ M







# **China General Plastics Corporation and Subsidiaries**

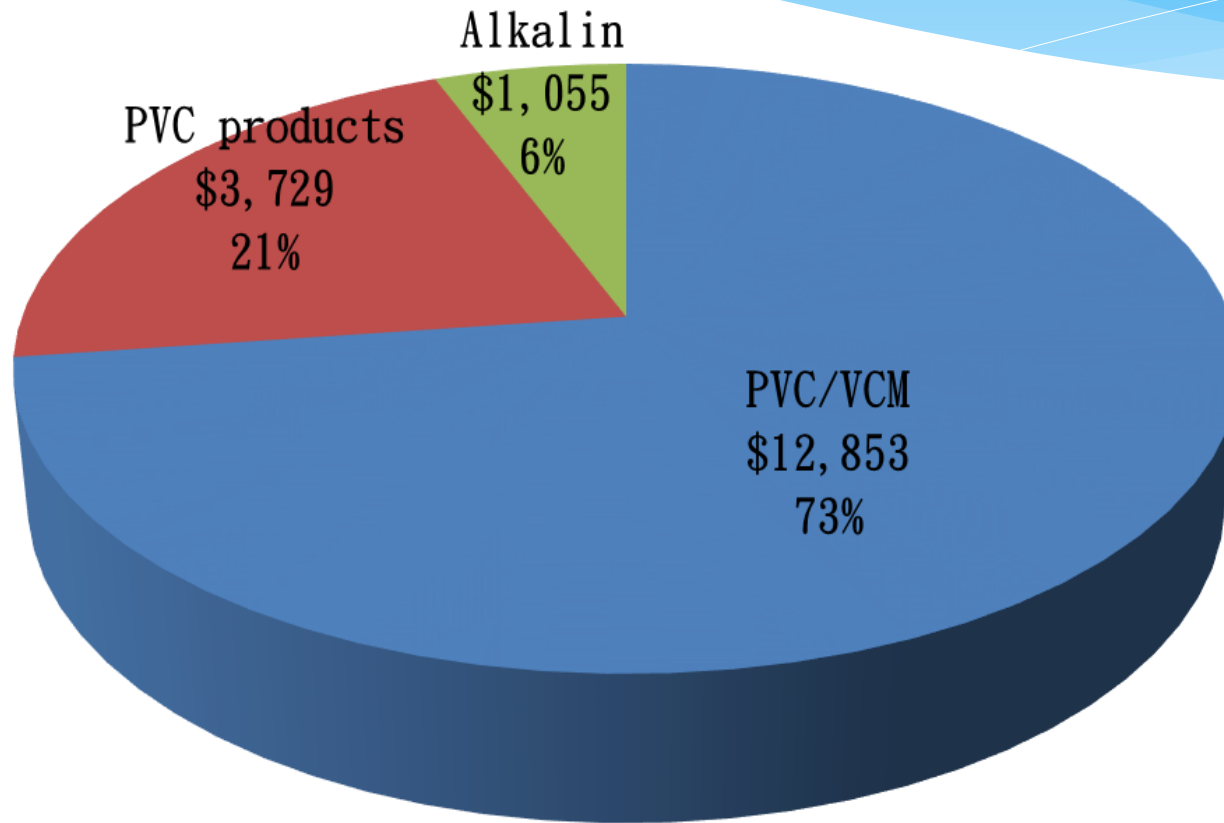
## **Finance information**

**Reporter : C.C.Kuo Manager**

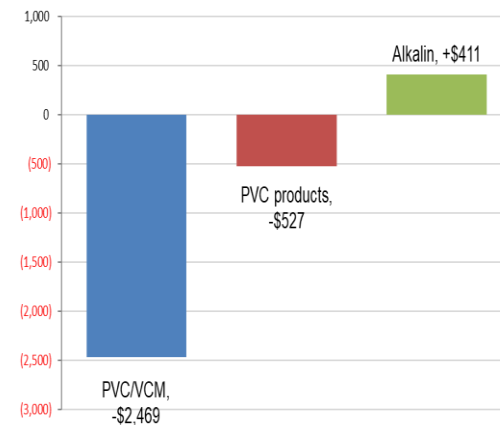
**Date : 2023, Mar. 15**



# 2022 Sales by product (NT\$million)



2022 FY Inc./((dec.)- compared to 2021 FY



# China General Plastics Corporation and Subsidiaries

## Consolidated Statements of Income

(In millions of NTD, except per share data)

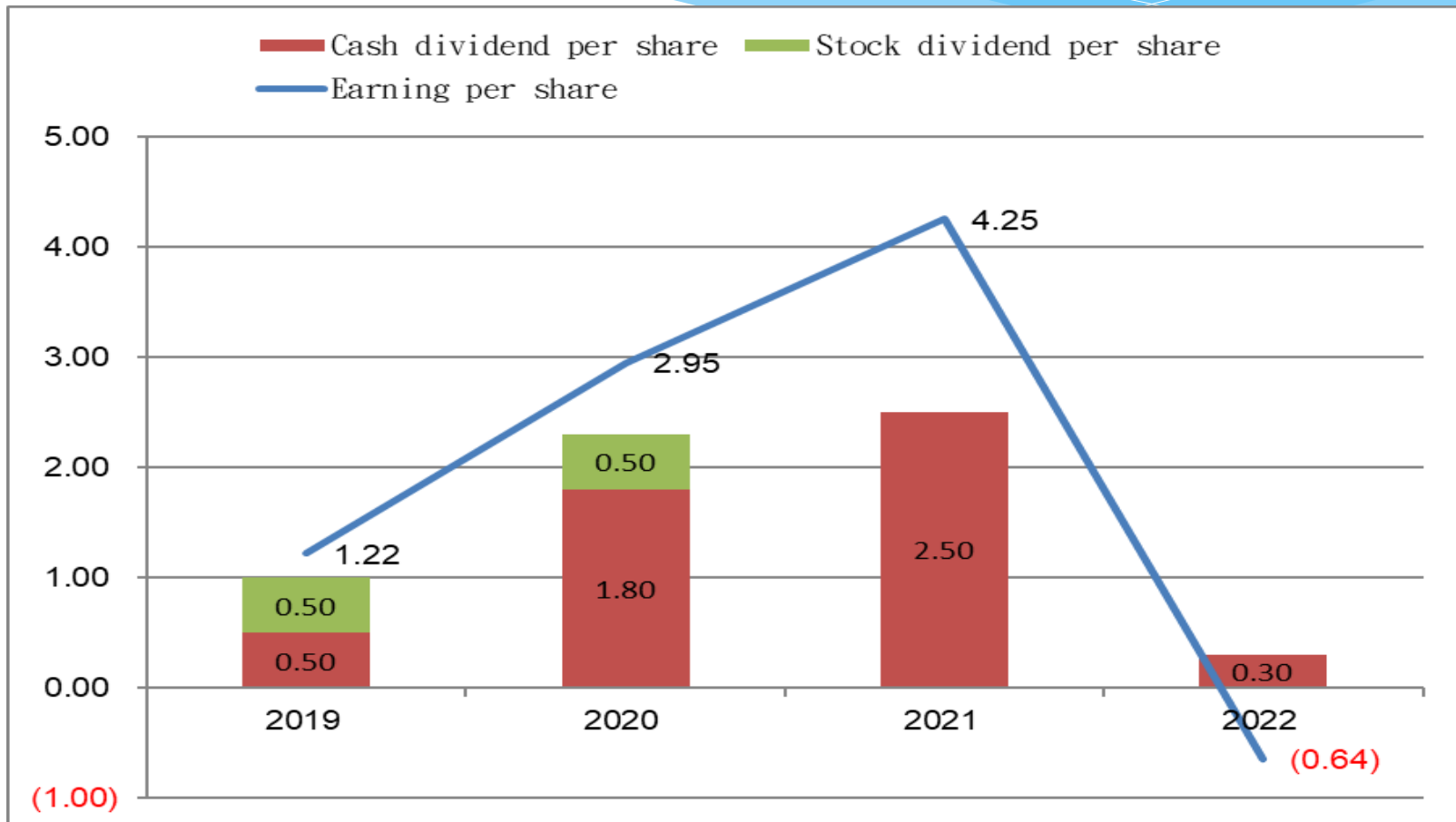
	2022 FY	2021 FY	YoY%	2020 FY	2019 FY
Sales	17,637	20,222	-12.8%	13,733	15,118
Cost of goods sold	16,959	15,182	11.7%	10,374	13,148
Gross profit	678	5,040	-86.5%	3,359	1,969
gross profit ratio	3.8%	24.9%		24.5%	13.0%
Operating expenses	1,662	1,723	-3.5%	1,215	1,196
Operating income(loss)	(984)	3,317	-129.7%	2,144	774
operating income ratio	-5.6%	16.4%		15.6%	5.1%
Non-operating income(loss)	467	(10)	-4770.0%	21	84
Income(Loss) before income taxes	(517)	3,307	-115.6%	2,165	858
Income taxes expense(benefit)	(179)	676	-126.5%	374	160
Net income(loss)	(338)	2,631	-112.8%	1,792	698
net income ratio	-1.9%	13.0%		13.0%	4.6%
Net income(loss) attributable to					
- China General Plastics Corporation	(370)	2,469	-115.0%	1,634	643
- noncontrolling interest	32	162	-80.1%	158	55
Earnings(loss) per share	(0.64)	4.25	-115.1%	2.95	1.22
adjusted		4.25		2.81	1.11

# China General Plastics Corporation and Subsidiaries

## Financial ratio analysis

	2022 FY	2021 FY	2020 FY	2019 FY
Operating income margin(%)	(5.6)	16.4	15.6	5.1
Net income margin(%)	(1.9)	13.0	13.1	4.6
Debt ratio(%)	40	30	26	29
Current ratio(%)	217	264	265	288
Quick ratio(%)	129	152	208	193
Accounts receivable turnover	36	36	45	40
Inventory turnover days	61	52	47	44

# EPS vs DPS



# Disclaimer

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- ◆ **The information in this presentation is not for investment advices.**



# Thank You





# Q & A