

2024



Investors Conference

2024/8/16



China General Plastics Corp.

Investor Conference

2024/8/16

Time	Itinerary	Reporter
15:30~16:00	VIP Registration	
16:00~16:30	Review for Q2 & Outlook for Q3	J H Wu, Manager
	Finance Information for H1	C F Li, Manager
16:30~17:00	Q&A	Otto Hu, President

2024 Q2 Review & Q3 Outlook

August 16, 2024

Reporter : J.H. Wu

2024 Q2 Review: PVC feedstocks

- ◆ **Ethylene:** China's Q2 economic growth was weaker than expected. The weak demand for ethylene derivatives has led to buyers' wait-and-see attitude and diminished the impact of Cracker's annual repair and accidents on supply in Asia. Price of ethylene has declined with Naphtha and the spreads between them have narrowed to the lowest in the last three quarters.
- ◆ **EDC :** Downstream Vinyl production in the U.S. is not going well, resulting in overflow of EDC in spot. Supply from the Middle East is gradually resuming. However, the relatively high price of EDC has made downstream buyers cautious in evaluating spreads. The Q2 Asia EDC price correction was higher than VCM/PVC only when sourcing was required.
- ◆ **VCM :** Some VCM manufacturers in Asia maintain low operation rate due to annual repair and poor profit. The production capacity of Japan, the main supplier, has decreased by 18% QoQ, reaching its lowest since 2014. The exports also decreased by 16% QoQ. VCM's supply and demand are simultaneously weakening and its price is fluctuating with PVC.

2024 Q2 Review: PVC

- ◆ China sets spring inspections for PVC and the operating rate rose after declined at first. However, due to China's weak macroeconomic construction, the PO for plastic process, the real estate investment, and the real estate construction are sluggish, dragging down the domestic demand for PVC. Inventory remained high and futures dropped. China is actively expanding the overseas market. The Q2 exports reached 670,000 tons, which has increased 8.1% QoQ and 55% YoY.
- ◆ The emerging demand for PVC after India's elections, the material preparation before rainy season, import pressures implemented by BIS, soaring freight rates in Asia, shipping skips/shifts and shortage of containers, buyers' panic to chase materials have caused Q2 imports of PVC to reach 770,000 tons, which has increased 16.6% QoQ and 26.2% YoY. In the surrounding Bangladesh and Southeast Asia market, the demand and market price of PVC also increased due to the effect of India's growth.
- ◆ U.S. CPI declines month by month. Due to annual repair of some PVC manufacturers and the high cost of raw material, domestic prices is stabilized. Export sales benefited from high freight rates in Asia and strong demand in Latin America, resulting in a rebound in export prices and a decline in inventories.

2024 H1 Review: Consolidated Sales

- ◆ The consolidated sales in 2024 H1 was NT\$ 5.981B , which decreased by 1.139B YoY(16%↓) 。

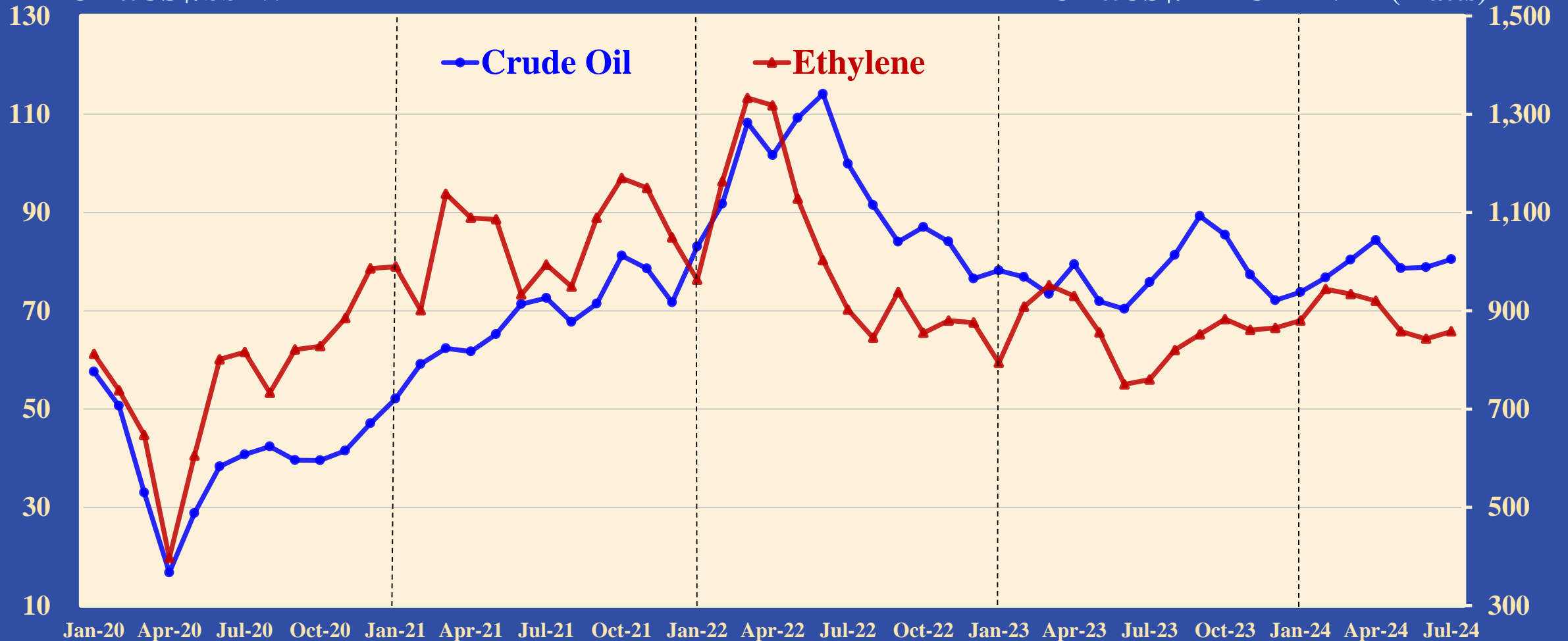
Sales Quantities(KT)

	2024 H1	2023 H1	+/-
VCM / PVC	166	199	-33
PVC Products	20	23	-3
Alkaline 100%	30	27	3
Total	216	249	-33

Crude Oil & Ethylene Price Trend

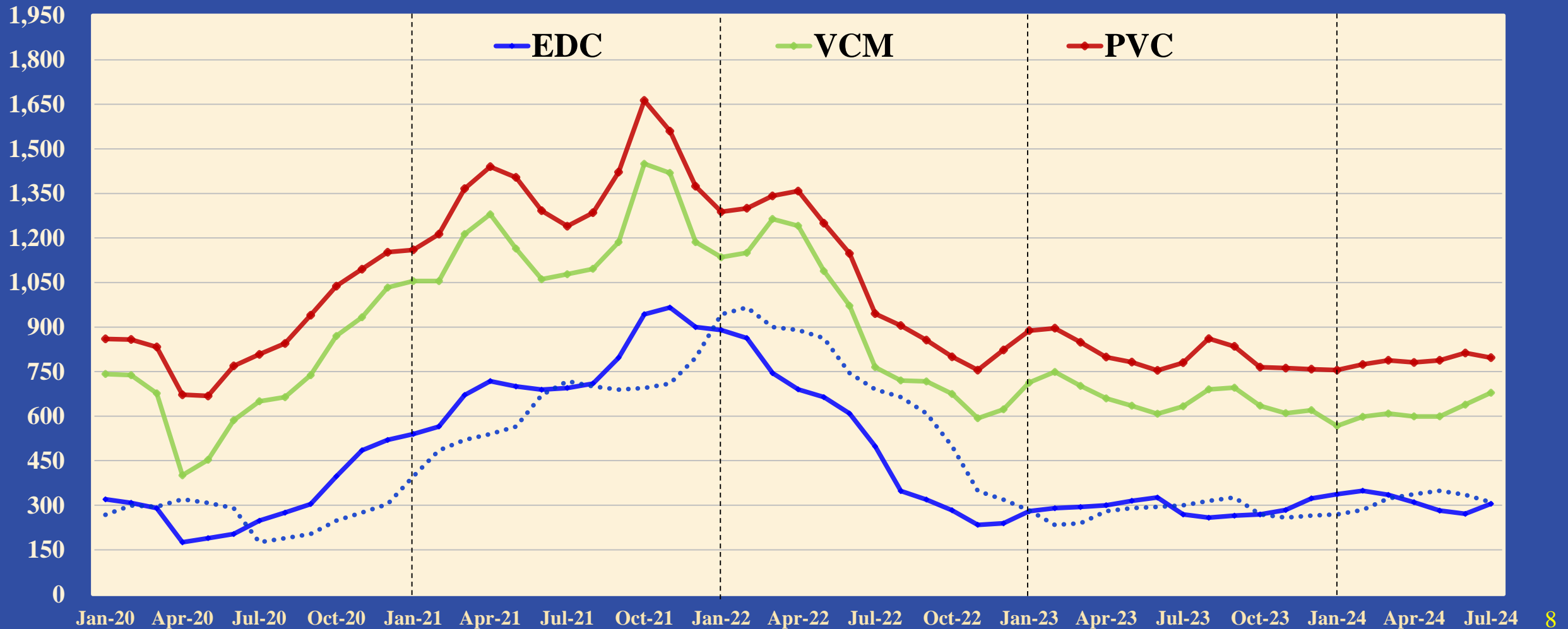
Unit:US\$/bbl WTI

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



PVC / VCM / EDC Price Trend

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



2024 Q3 Outlook: Ethylene

- ◆ OPEC+ extends crude cuts through year-end and oil prices still weaken due to global economic depress. During the demand-off season of downstream, most of the MTO & CTO production in China has been suspended recently. Crackers and derivatives companies in Asia also reported lower operating rates and extended annual repairs. Ethylene's bearishness is gradually improving.
- ◆ U.S. ethylene production and exports both decreased in Q2 this year, while the export prices of ethylene continued to hit new highs in the past two years. With increased domestic demand in the U.S. and nearly no room for arbitrage in ocean shipping, Asia is not expected to be supplied in the near future.
- ◆ Demand for downstream derivatives remains sluggish and new wave of stimulus policies will be launched after China's Third Plenary Session. However, the recovery of market demand and confidence is still challenging. Northeast Asia's ethylene prices are not expected to rise or fall much.

2024 Q3 Outlook: EDC / VCM

- ◆ **EDC:** China's caustic soda exports in Q2 increased by more than 20% YoY, which has resulted in a weakening regional prices and subsequently caused alkali and chlorine businesses in Asia to reduce their operating rates. Hurricanes at the upstream Vinyl manufacturer in the U.S. and various incidents in alkali and chlorine producers in Europe and Asia have affected the supply of EDC. EDC prices rebound in the short term. However, since the downstream Vinyl businesses do not have high operating rates and they have already prepared materials in advance, it is expected that EDC market price will not continue to rise.
- ◆ **VCM:** PVC market price is under pressure of correction as sea freight rates in India, the main market, have decreased. Stagnant PVC purchasing intentions affect VCM demand, resulting in the majority of Asian VCM producers having annual repair plans in Q3. VCM supply should not exceed demand in the short term. It is expected that at the end of Q3, the end of rainy season in India and the encouragement of interest rate cuts in the U.S. will gradually stabilized the demand for VCM/PVC.

2024 Q3 Outlook: PVC Supply

- ◆ China's PVC has higher inspection and repair volume in July-August. Despite the introduction of new capacity, the operating rate was still in the lower-middle range, i.e. 73%. The market price is constrained by the high cost of calcium carbide and VCM and the social inventory has been declining from 600,000 tons.
- ◆ A number of light oil crackers and integrate PVC manufacturers in Northeast and Southeast Asia are scheduled to strategically reduce production or to conduct annual repair in Q3, in response to high costs of upstream raw material and insufficient margins. Manufacturers hold PVC inventory level and use price to control volume to maintain gross margins.
- ◆ Except for some manufacturers are still debottlenecking, the U.S. in Q3 has basically completed the overhaul and its supply capacity has returned to normal. However, the hurricane season may limit operations. OLIN (VCM) announced that F/M has affected a portion of PVC plant's supply capacity, but the overall inventory will remain within the 350,000 tons. Affected by anti-dumping in Europe, production capacity mainly focused on domestic demand supply and expansion in Asian markets.

2024 Q3 Outlook: PVC Demand

- ◆ China's Q2 Manufacturing PMI continues to contract for three months with GDP and Industrial Production Index declining. However, considering the official continued to stimulate domestic demand, the implementation of the real estate program, the strengthening monetary and interest rate policies, and the fact that export processing industry will enter into peak season, PVC domestic demand is expected to improve and can steadily stimulate the futures' market from ¥ 5,503. Due to the correction of freight rates and the increase in the volume of near- and far-ocean exports by the industry, export sales will accelerate the inventory depletion.
- ◆ India's rigid demand for agriculture, pipelines and infrastructure remains. However, since Q2 imports are overstocked (770,000 tons), freight rates are down, monsoon is disrupting demand, the buyers are cautious before the end of the rainy season. With the decline in inventory at the end of the season, the bottoming out of the market price, or the implementation of the BIS, strong swing demand is expected to rise again and lead to a tampering of buying in the neighboring regions. The peak downstream processing season in Southeast Asia and the political and economic development in Bangladesh is gradually stabilizing.
- ◆ U.S. economy has been weakening and the possibility of rate cut in September increases significantly. Due to strong summer demand for tubes and windows, domestic consumption and prices are stabilizing. Under the influence of EU's ADD, in addition to expanding exports in traditional regions, e.g. Central and South America, the Middle East, Turkey, and Africa, de-stocking in order to return to the competitive market in Asia is the preferred option. 12

Smart manufacturing and Sustainable management(1/2)

- ◆ We are actively introducing AI technology to achieve multiple economic benefits, including promoting smart manufacturing, achieving energy saving, carbon reduction and environmental protection, improving product stability, and simultaneously enhancing performance optimization, environmental protection and safety, and reducing costs.
- ◆ AI has been introduced to the processing and management of PVC and VCM. The drying of PCV continues to improve. Processing factories are also gradually applying AOI defect detection and developing AI to adjust product parameters to improve energy consumption, reduce production costs, reduce carbon emissions and stabilize quality, etc.
- ◆ We continue to build intelligent production management and master margins of PVC pipe. We are pursuing public construction, commercial office, and residential projects, and especially expanding business opportunities in photovoltaic projects, recycling sites, and major wastewater projects to increase production, sales volume, and profitability.

Smart manufacturing and Sustainable management(2/2)

Establishing AI factory

1. Process optimization & safety monitoring

- ◆ Distillation Column Systems of TVCM
- ◆ Absorption tower process safety monitoring
- ◆ Each PVC drying system of CGPC (Utilizes AI models to provide optimal program settings (SP) and implementing AI-based intelligent control optimization which allow us to rapidly achieve the best energy consumption conditions).



2. AOI image recognition

- ◆ Electrical Panel AOI with Thermal Imaging
- ◆ AI-Assisted Safety System for Stackers
- ◆ Image Recognition for Tanker Truck Loading Operations
- ◆ Fabricated plant product defect identification system
- ◆ Pipe AOI Image Detection System



3. Intelligence factory

- ◆ Situation Room at Main Plant
- ◆ CGPC Automatic Warehousing System
- ◆ Energy Efficiency Performance Management Platform



Sustainable Management through Industry-Academia Collaboration

- ◆ Providing AI Education Scholarships
- ◆ Establishing AI Team in Chlor-Alkali Business Group
- ◆ Sharing Practical Experiences in Industry Academia Collaboration



ESG Benefits

- ◆ Energy Conservation, Carbon Reduction, Environmental Protection
- ◆ Stable Quality, Economic Prosperity
- ◆ Reducing the Probability of occupational Accidents



Patenting High Value-added New Products (1/2)

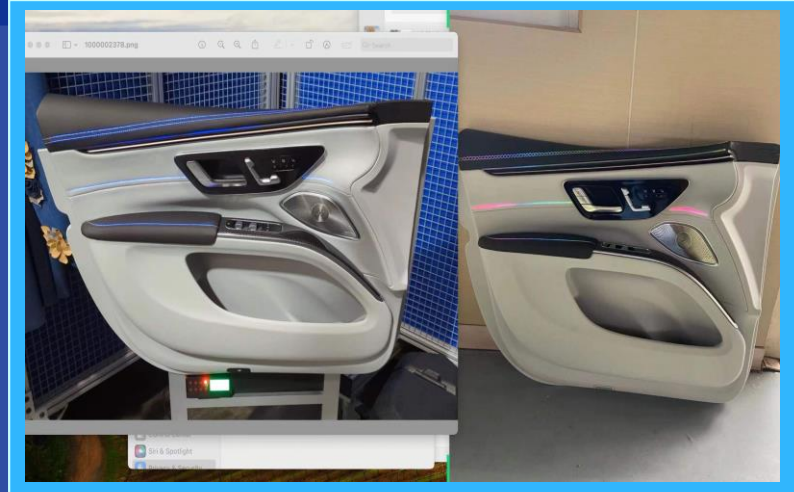
- ◆ Leather products are guided by customer needs and market trends, and will continue to carry out innovative research to develop highly functional products and register for patents, including **slow-warming leather, translucent leather, oyster powder anti-mold, anti-bacterial, anti-viral, high abrasion resistance, anti-scratch and anti-fouling leather, and fully recycled synthetic leather**. Specialty products have been designed and marketed by various brands in various industries. Among them, cat-scratch leather is widely used because it can be matched with patented functions in domestic motorcycle seats, furniture, bags and boxes, etc., which can enhance the value of customers' products.
- ◆ **Translucent leather** with colorful light source has the features of novelty, flash, night vision, decoration, etc. It has been adopted by the new interior design of European high-class brand cars.
- ◆ **Cool leather** (cooling leather), compared with general leather, has the characteristic of slow warming under the same sunlight source with thermal imaging showing temperature difference of 20~25 degrees. It has been included in the new models launched by several domestic motorcycle manufacturers.

Patenting High Value-added New Products (2/2)

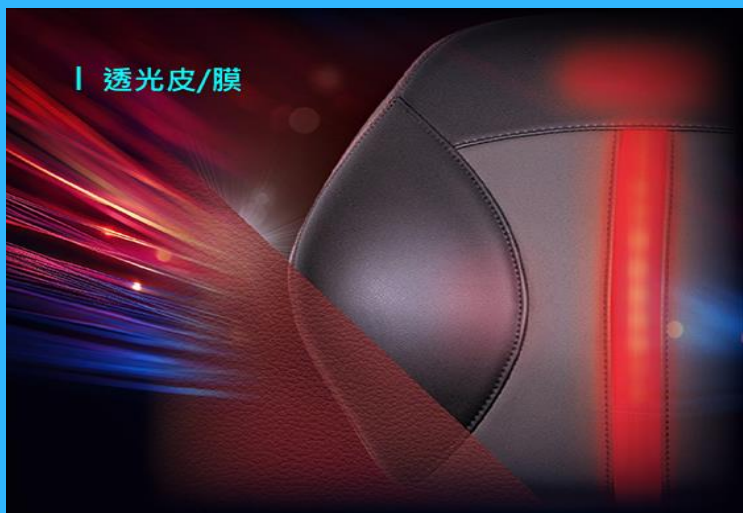
translucent
leather -
motorcycle



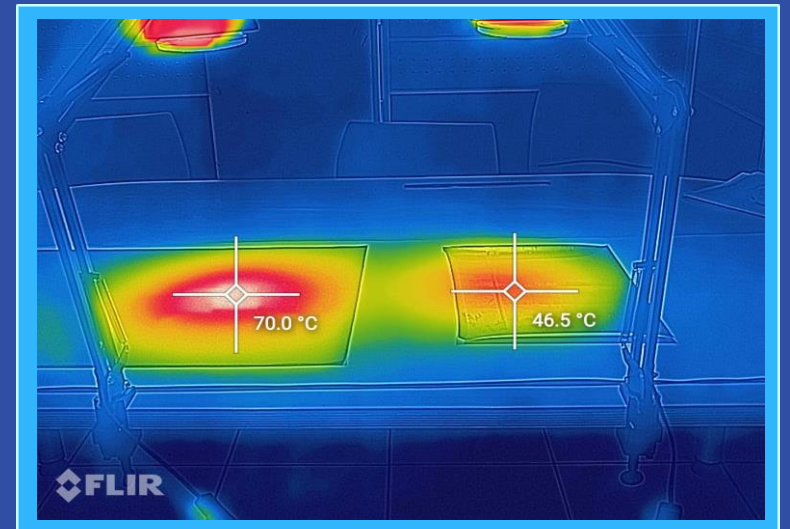
translucent
leather - car



| 透光皮/膜



cooling leather -
temperature
difference imaging



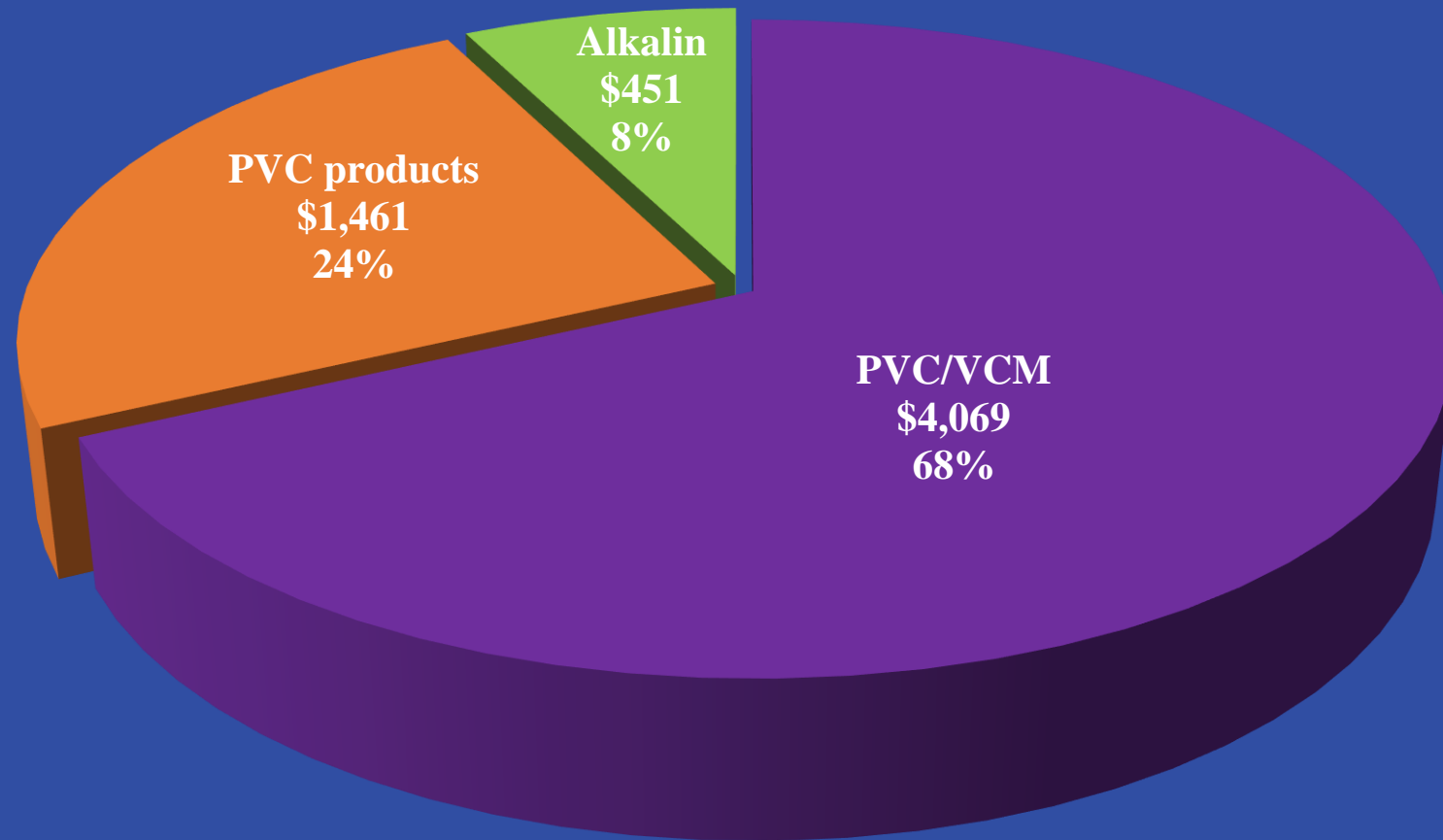
China General Plastics Corp.

2024 H1 Finance Information

August 16, 2024

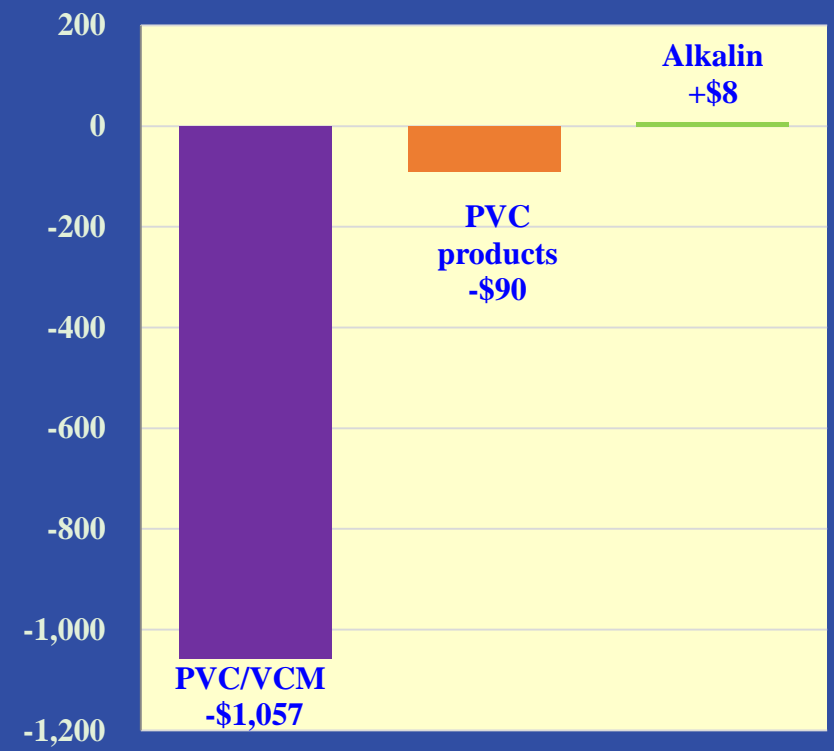
Reporter :C F Li, Manager

2024 HY1 Sales by Products



(NT\$million)

2024 H1 Inc./(dec.)-
compared to 2023 H1



Consolidated Statements of Income

Unit:NT\$million , except per share data

	2024 Jan.-Jun.	2023 Jan.-Jun.	YoY%	2023 FY	2022 FY	2021 FY
Sales	5,981	7,120	-16.0%	13,707	17,637	20,222
Cost of goods sold	5,487	6,146	-10.7%	12,030	16,959	15,181
Gross profit	494	974	-49.3%	1,677	678	5,040
Gross profit ratio	8.3%	13.7%		12.2%	3.8%	24.9%
Operating expenses	548	593	-7.6%	1,217	1,662	1,723
Operating income(loss)	(54)	381	-114.2%	460	(984)	3,317
Operating income ratio	-0.9%	5.4%		3.4%	-5.6%	16.4%
Non-operating income(loss)	80	13	515.4%	7	467	(10)
Income(Loss) before income taxes	26	394	-93.4%	467	(517)	3,307
Income taxes expense(benefit)	(25)	120	-120.8%	73	(179)	676
Net income(loss)	51	274	-81.4%	394	(338)	2,631
Net income ratio	0.9%	3.8%		2.9%	-1.9%	13.0%
Net income(loss) attributable to						
- China General Plastics Corporation	63	233	-73.1%	342	(370)	2,469
- Noncontrolling interest	(12)	41	-128.6%	52	32	163
Earnings(loss) per share	0.11	0.40	-72.6%	0.59	(0.64)	4.25
Adjusted		0.40		0.59	(0.64)	4.25

Financial Ratio Analysis

	2024 Jan.-Jun.	2023 Jan.-Jun.
Operating income margin(%)	(0.9)	5.4
Net income margin(%)	0.9	3.9
Debt ratio(%)	44	43
Current ratio(%)	162	252
Quick ratio(%)	99	164
Average days of collection	37	37
Average inventory turnover days	86	75

2023 FY	2022 FY	2021 FY
3.4	(5.6)	16.4
2.9	(1.9)	13.0
42	40	30
204	217	264
127	129	152
34	36	36
77	61	52

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.



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The End
Thank You



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Q & A



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