華夏海灣塑膠股份有限公司
China General Plastics Corp.
法人說明會

5/21/2018

時間 Time	議　程 Itinerary	報告人 Reporter
15:30～16:00	貴賓報到 VIP Registration	
16:00～16:30	2018年Q1回顧及Q2展望 2018 Q1 Review & Q2 Outlook	胡吉宏 副總經理 Otto Hu, VP
	公司2018年Q1財務資訊 2018 Q1 Finance Information	郭建洲 經理 C C Kuo, Manager
16:30～17:00	Q & A	林漢福 總經理 H F Lin, President

China General Plastics Corp.
2018 Q1 Review &
Q2 Outlook

Reporter: Otto Hu, VP

May 21, 2018

2018 Q1 Review (1/5)

- The consolidated sales revenue was NT$4.144B ， which increased by NT$453M.

- Sales quantity (KT):

	2018 Q1	2017 Q1	Growth
VCM	17	11	6
PVC	100	81	19
PVC Products	17	18	(1)
Alkaline	16	14	2
Total	150	124	26

2018 Q1 Review (2/5)

- **Overall PVC sold in Q1 was record high**
  - **PVC consolidated sold in Toufen Plant in Q1 was 49,390 MT, which increased by 15% YoY.**
  - **PVC sold in Linyuan Plant in Q1 was 61,390 MT, which increased by 25% YoY.**

2018 Q1 Review (3/5)

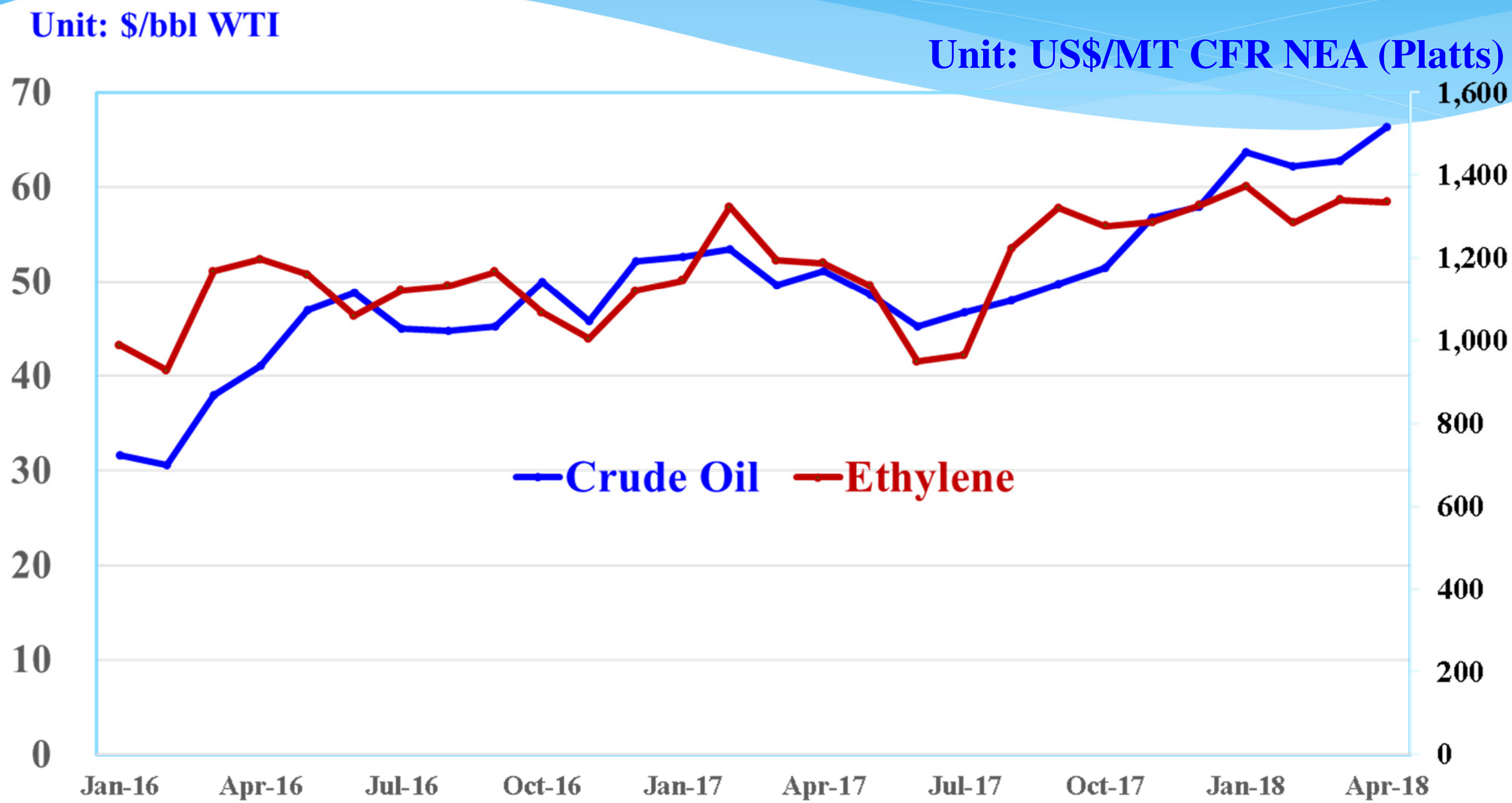
- **PVC Production in Q1 was 5-year high**
  - **PVC production in Toufen Plant was 51,438 MT, which increased by 3%YoY.**
  - **PVC production in Linyuan Plant was 53,406 MT, which increased by 3% YoY.**

2018 Q1 Review (5/5)

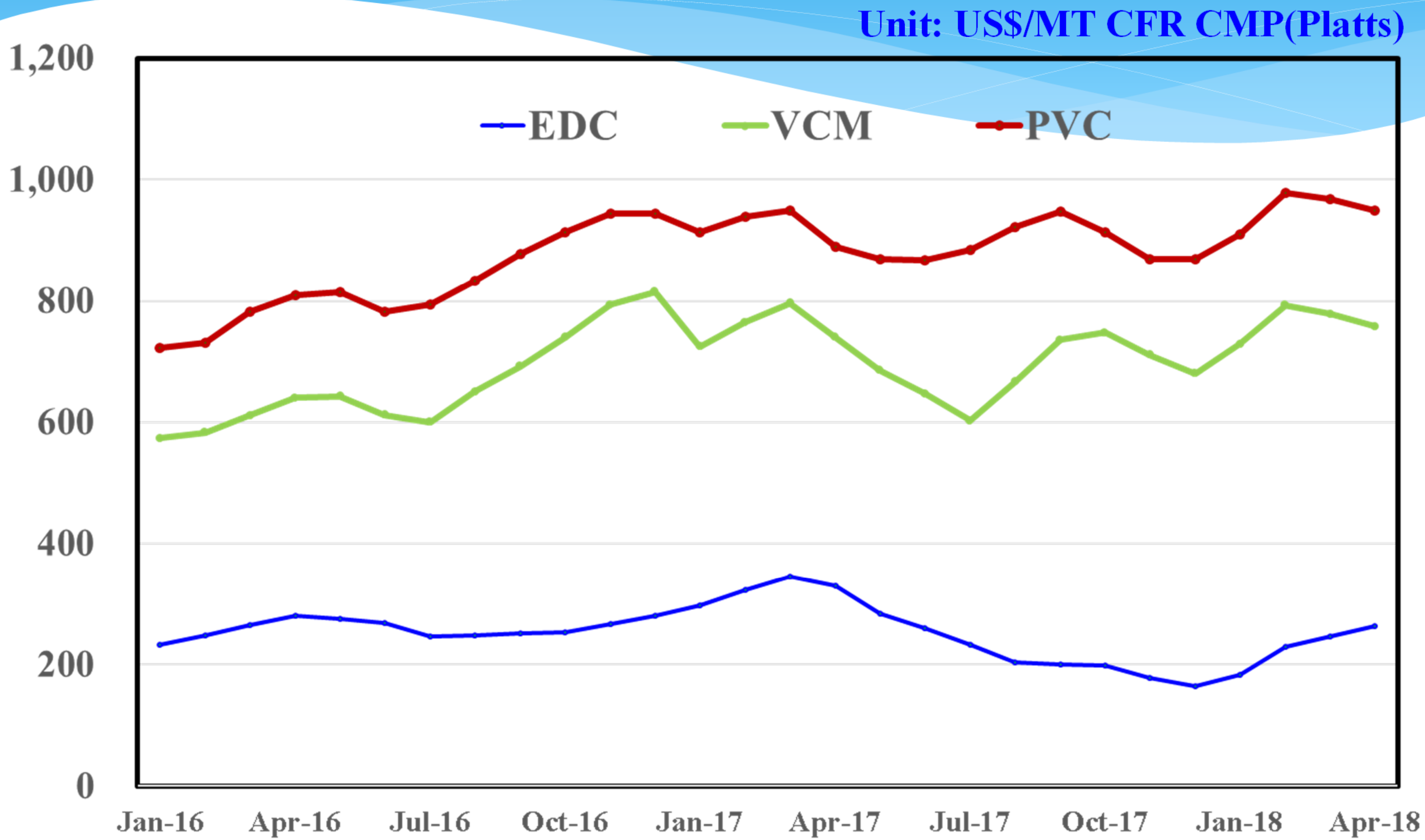
◆ Alkaline Products Production & Sales in Q1

- Production was 45,624 MT, which increased by 11% YoY.
- Sales was 43,717 MT, which increased by 13% YoY.

Crude Oil & Ethylene Monthly Ave. Prices

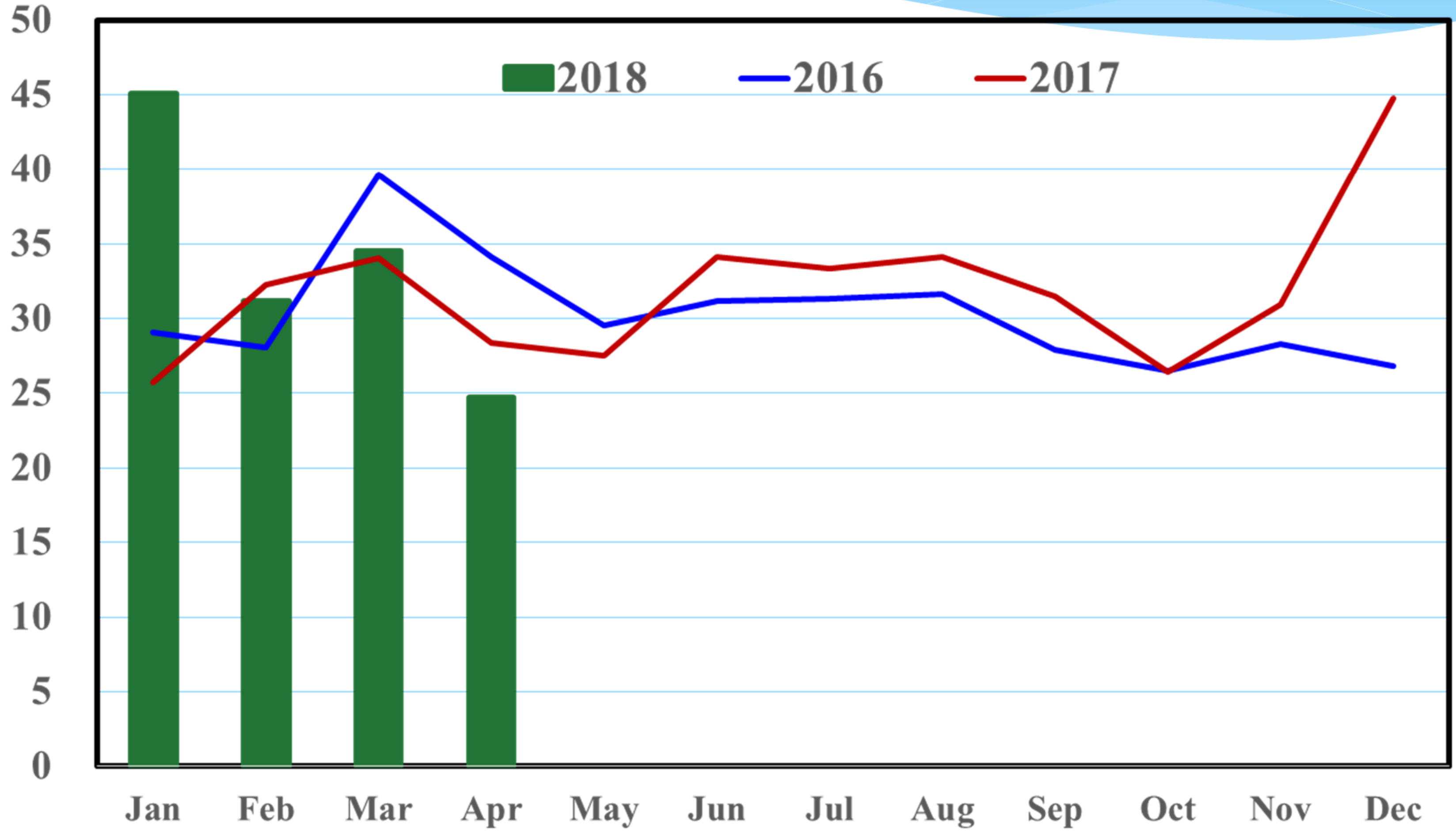


PVC/VCM/EDC Monthly Avg. Prices (Platts)



Total PVC Monthly Sales

Unit:KMT



2018 Q2 Outlook: Crude

- The outlook of global economics is expected good. The crude production cut supported by OPEC and Russia, the IPO proposed by Aramco, the potential concessions on Iran after US's retreating from Ian nuclear agreement, high US shale oil output unable to prevent oil price hike and speculations on crude have been pushing WTI and Brent oil prices at three year high.

2018 Q2 Outlook: C2

- **After the completions of T/A in Q1, the ethylene supply is fully recovered at present. The ethylene demand in Q2 looks weak due to 60 kt of cargos shifted from Europe to Asia, operating limitation for SCO held in Shanghai and S-Oil Korea C2 expansion starting running. Ethylene price has been dropping and helps significantly for down stream C2 users.**

2018 Q2 Outlook: EDC

- **50 kt of US EDC had been sold to Braskem Brazil in Q1 due to the production problem, and the T/A in Olin and FPC in Q1 made DEC supply tight and price high. China announced 25% of tariff on US EDC in Q2, which made Chinese EDC purchases majorly change the target sources from Taiwan, Korea and Asian suppliers and also push price higher especially in Non-Vinyl purposes. However the EDC price will not be too high because of the high operating rate of alkali based on good profit on caustic soda.**

2018 Q2 Outlook: PVC (1/4)

- **Continuous environment and safety inspections, inland freight up, heavier T/A in carbide PVC producers have made Chinese future PVC price moving up in early Q2. And the physical PVC prices follow this price trend later. Global PVC prices had been turndown in late April. Chinese carbide PVC for export was on opposite trend and has been moving up.**

2018 Q2 Outlook: PVC (2/4)

- **Indian PVC demand was blooming in last year end and lasted till this February. March 13 Indian banks announced to stop offering LoU and LoC. This change had really cooled down the PVC market. However, the PVC import in last fiscal year was 5% increase even though the slow PVC demand we experienced. The bank issue and payment tools seem have been solved by most of importers. We see the PVC demand will recover even though the monsoon is coming.**

2018 Q2 Outlook: PVC (3/4)

- Q2 PVC outlook in Middle East is not good because Ramadan started from May 15, demand in Turkey is weak due to lira depreciation and election, both US PVC and Europe PVC are selling at lower prices.
- There still are opportunities in Iran, Syria and Jorden because of the PVC sources are not available there. The PVC prices are expected to rebound near soon and the demand is expected to recover after Ramadan or end of Q2.

2018 Q2 Outlook: PVC (4/4)

- The US poor weather condition and production problems happened in early this year resulted in PVC output decrease. Shintech finished the T/A in March and resumed the production. The global PVC prices had been dropped since April, which forced US PVC offer for export once below $800 FOB. As FPC plans T/A in June and cut the export quantity for May and June. The strong domestic demand is also expected to support US PVC price stable.

2018 Q2 Sales Outlook (1/4)

- **The export price of caustic soda in NEA rebounded at US$600/DMT FOB in March. Even though suppliers are keeping high operating rate, the strong demand can still support the price stable at high level.**

- **CGPC is maximizing the production and sales for caustic soda, acid and hypo to make more profit.**

2018 Q2 Sales Outlook (2/4)

- PVC is our core product. The overall sales quantity in Q1 increased by 20% YoY. Although PVC price dropped in April and heavily impacted sales quantity and sales revenue, both PVC sales quantity and consolidated sales revenue year to April are still better than last year. We can see the demand is getting better in China, India, Bangladesh, and South America.
- CGPC will keep VCM and PVC full running in Q2 so as to maintain customers' demand and replenish the inventory more or less.

2018 Q2 Sales Outlook (3/4)

- The new projects of infrastructures from government have been starting since last year end. We are selling well our PVC pipes for waste water system, city land reorganization, freeway/motor way, extension pipe lines of waterworks.

- The CGPC PVC foam board is just developed and promoted in the domestic market. This is a niche product for door panel and separating board/wall in a house.

2018 Q2 Sales Outlook (4/4)

- **The order intakes of PVC films dropped a lot in April because customers took wait and see step for price decrease of raw materials. PVC market price seems to reach bottom soon and the depreciation of NT Dollars is encouraging the export business. The new order intakes are getting better both in domestic and overseas markets.**

- **The demand of PVC leather products not usually in line with raw material movement. In Q2 the PVC leathers for furniture and bus seat in Asia will be our main business items. North America is in peak season now. We expect to have more leather business than last year on automotive, truck and agriculture facilities.**

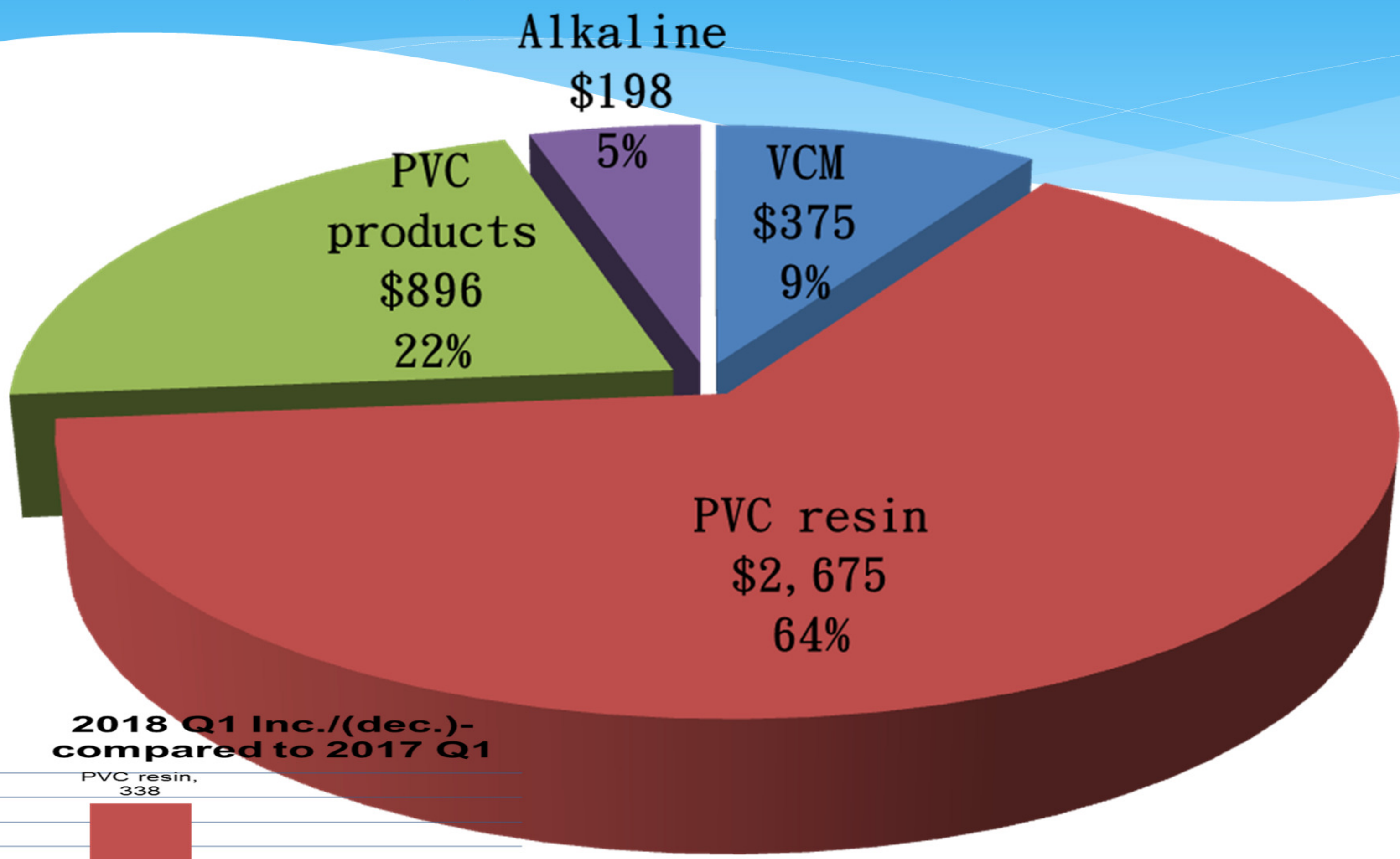
China General Plastics Corporation and Subsidiaries

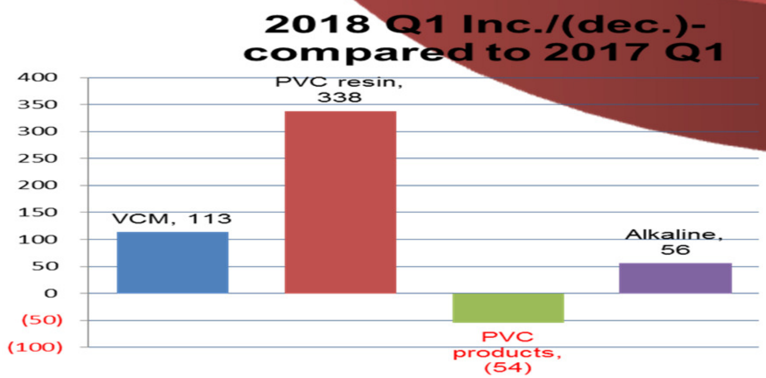
Finance information

Reporter： C.C.Kuo Manager

Date ：2018, May. 21

2018 Sales by product (NT$million)





China General Plastics Corporation and Subsidiaries
Consolidated Statements of Income
(In millions of NTD, except per share data)

		2018 Q1	2017 Q1	YoY%	2017 FY	2016 FY	2015 FY
Sales		4,144	3,691	12.3%	14,702	14,157	13,842
Cost of goods sold		3,174	2,838	11.8%	11,925	11,217	11,894
Gross profit		970	853	13.7%	2,777	2,940	1,948
gross profit ratio		23%	23%		19%	21%	14%
Operating expenses		314	274	14.4%	1,126	1,066	1,032
Operating income		656	579	13.4%	1,651	1,874	916
operating income ratio		16%	16%		11%	13%	7%
Non-operating income(loss) *		25	(67)	-137.8%	(37)	(52)	7
Income before income taxes		682	511	33.4%	1,614	1,823	923
Income taxes		98	91	7.8%	275	280	111
Net income		584	420	38.9%	1,339	1,543	812
net income ratio		14%	11%		9%	11%	6%
Net income attributable to							
- China General Plastics Corporation		542	378	43.2%	1,270	1,443	768
- noncontrolling interest		42	45	-6.1%	69	100	45
Earnings per share		1.10	0.79	39.2%	2.58	3.02	1.64
	adjusted		0.77			2.93	1.60

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

China General Plastics Corporation and Subsidiaries

Financial ratio analysis

	2018 Q1	2017 Q1	2017 FY	2016 FY	2015 FY
Operating income margin(%)	15.8	15.7	11.2	13.2	6.6
Net income margin(%)	14.1	11.4	9.1	10.9	5.9
Debt ratio(%)	31	39	35	42	45
Current ratio(%)	369	317	336	290	245
Quick ratio(%)	268	224	229	218	172
Accounts receivable turnover	35	37	39	36	35
Inventory turnover days	50	61	55	58	60

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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Q & A
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