Chung Hwa Pulp Corporation

3Q19 Earnings Results

2019.11.14

Disclaimer

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Company Profile

Chung Hwa Pulp Corporation

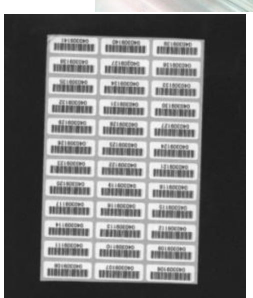
- Stock Code：1905.TW
- Capital：NTD$ 11,028 Million
- Date of Establishment：1968/7/5
- Consolidated business with Paper and Board business unit of YFY in Oct 2012

Major Products

- Pulp
- Cultural Paper & Paperboard
  - ✓ Cultural Paper
    - ➢ Woodfree Paper
    - ➢ Coated Paper
    - ➢ Copy paper
  - ✓ Specialty Paper
    - ➢ Glassine Paper
    - ➢ Masking Paper
- Fertilizer
- Chemicals

Pulp

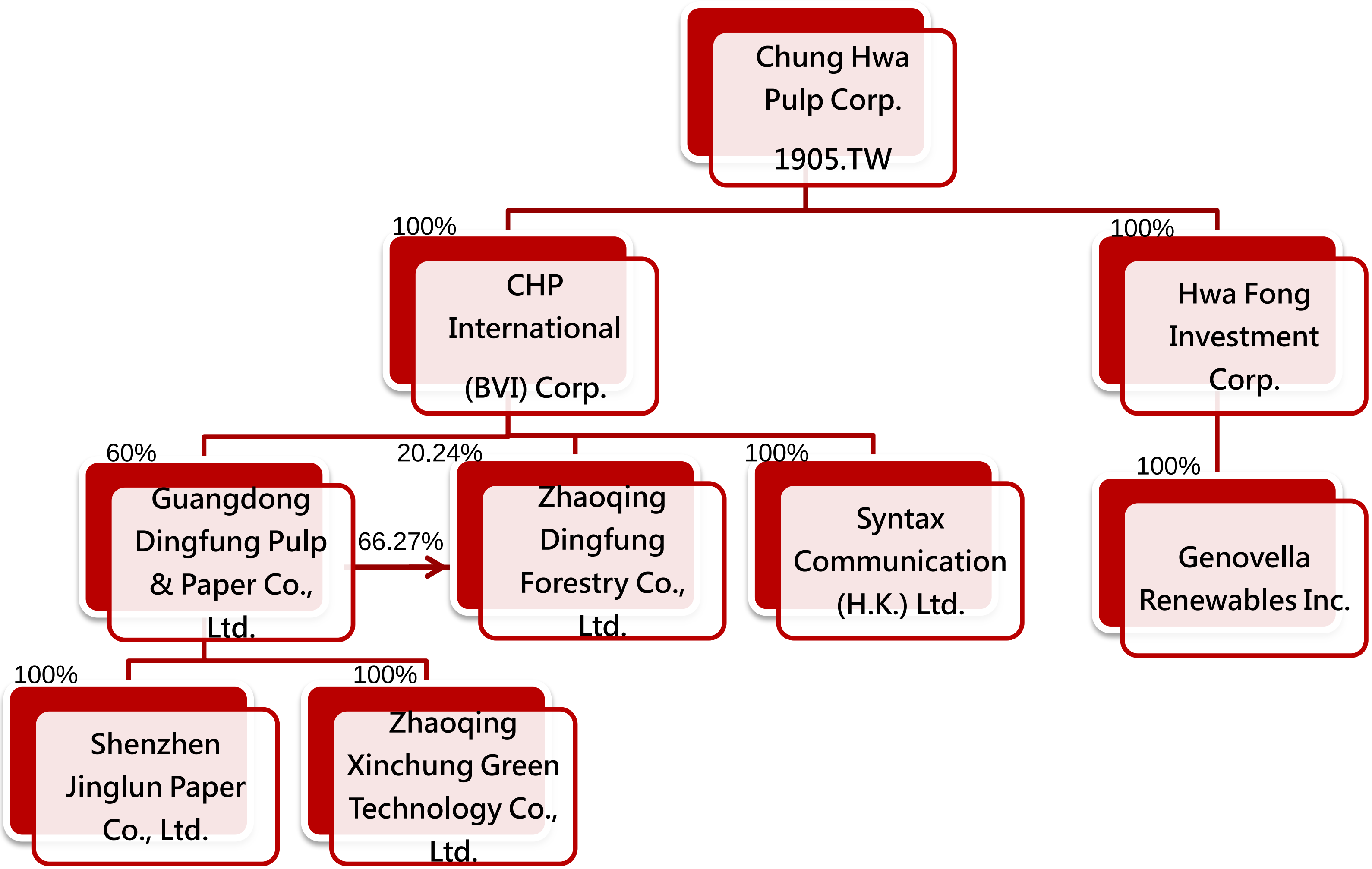
Cultural Paper



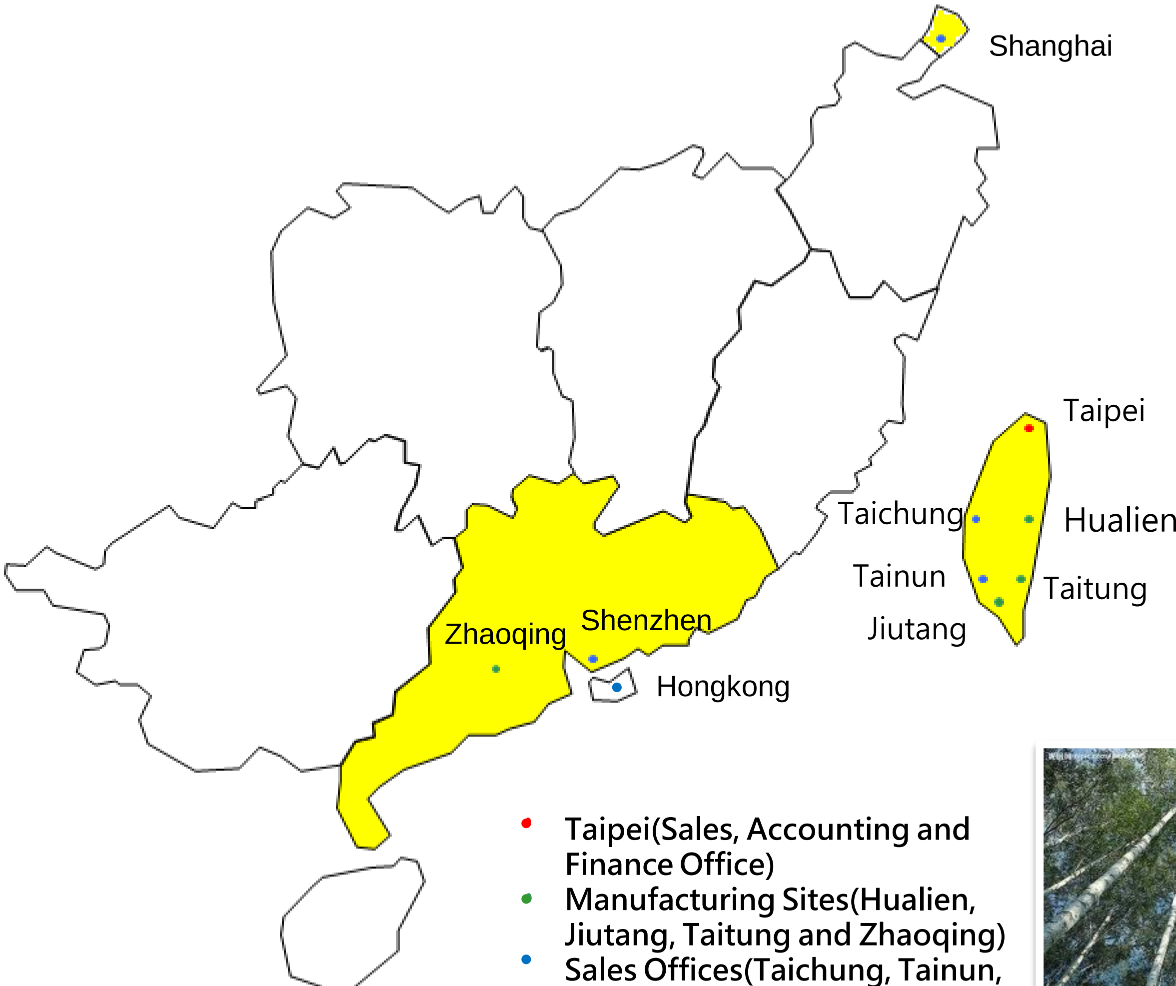
Glassine Paper

Masking Paper

Holding Structures



Operating Locations



- Taipei(Sales, Accounting and Finance Office)
- Manufacturing Sites(Hualien, Jiutang, Taitung and Zhaoqing)
- Sales Offices(Taichung, Tainun, Shenzhen, Shanghai and Hongkong)

2019 3Q Financial Results

In NT Thousands	2019 3Q		2018 3Q		YoY
	Amount	%	Amount	%	%
Net Sales	4,921,895	100.0	6,058,063	100.0	- 18.8
COGS	4,725,248	96.0	5,462,386	90.2	- 13.5
Changes in Biological Assets	- 1,464	-	- 2,119	-	-
Gross Profit	195,183	4.0	593,558	9.8	- 67.1
Operating Profit	- 216,656	- 4.4	182,969	3.0	-
Other Income/Expense	45,148	0.9	18,310	0.3	146.6
Profit Before Tax	- 171,508	- 3.5	201,279	3.3	-
Profit After Tax	- 157,269	- 3.2	171,405	2.8	-
Profit Attributable to Owners	- 110,982	- 2.3	175,144	2.9	-
After Tax EPS(NTD)	- 0.1		0.16		

2019 3QYTD Financial Results

In NT Thousands	2019 3QYTD		2018 3QYTD		YoY
	Amount	%	Amount	%	%
Net Sales	15,664,361	100.0	18,087,579	100.0	- 13.4
COGS	14,560,519	93.0	16,387,081	90.6	- 11.1
Changes in Biological Assets	- 4,617	-	- 8,650	-	-
Gross Profit	1,099,225	7.0	1,691,848	9.4	- 35.0
Operating Profit	- 115,236	- 0.7	468,622	2.6	-
Other Income/Expense	38,185	0.2	39,145	0.2	- 2.5
Profit Before Tax	- 77,051	- 0.5	507,767	2.8	-
Profit After Tax	- 53,845	- 0.3	414,365	2.3	-
Profit Attributable to Owners	- 29,646	- 0.2	351,196	1.9	-
After Tax EPS(NTD)	- 0.03		0.32		

2019 3QYTD Non-Operating Incomes and Expenses

Unit : NT Thousands	2019 3QYTD	2018 3QYTD
Finance costs	- 45,989	- 38,627
Foreign exchange gain(losses) and Gain (loss) on financial instruments at FVTPL	- 34,226	- 51,148
Share of profit of associates	- 16,513	39,983
Dividend incomes	76,543	55,783
Other incomes	58,370	33,154
Total	38,185	39,145

Summary

3Q19 YTD

➢Due to the weakness in the market, the global pulp and paper prices declined year on year. Hence, the 3QYTD19 consolidated revenue of CHP was NTD $15.64 billion, with 13.4% Y/Y declined. The 3QYTD19 Gross Profit Margin and Operating Profit Margin were 7.0% and -0.7% respectively, with a decline of 2.4 and 3.3 ppt. Y/Y. The 3QYTD19 net loss after tax to the shareholders was NT$30 million and recorded EPS with NTD $-0.03.

Outlook

➢Resulted from the uncertainties remain in the international trade situation, the trend of pulp and paper prices are unclear. In order to prepare for the economy environment changes, CHP will actively reduce inventory, adjust product structure, and upgrade equipment to prudently respond to the trend of the environment.

➢In response to the global plastics reduction trend, CHP develops paper-based and environmentally friendly materials that can be directly recycled to replace plastic products. In addition to the development of various products for beverages, Easy Straw Paper products has actively to acquire certifications by domestic and international food manufacturers and aim to expand into food industry. CHP also extends its research and development to beverage sealing paper and beverage container paper to provide a global solution for plastic reduction.

Thank you