



# **AGENDA**

- 2017 Annual Results
  - > Financial Overview
  - Operation Overview
- Business Outlook & Development Plans
- Company Profile
- Appendix





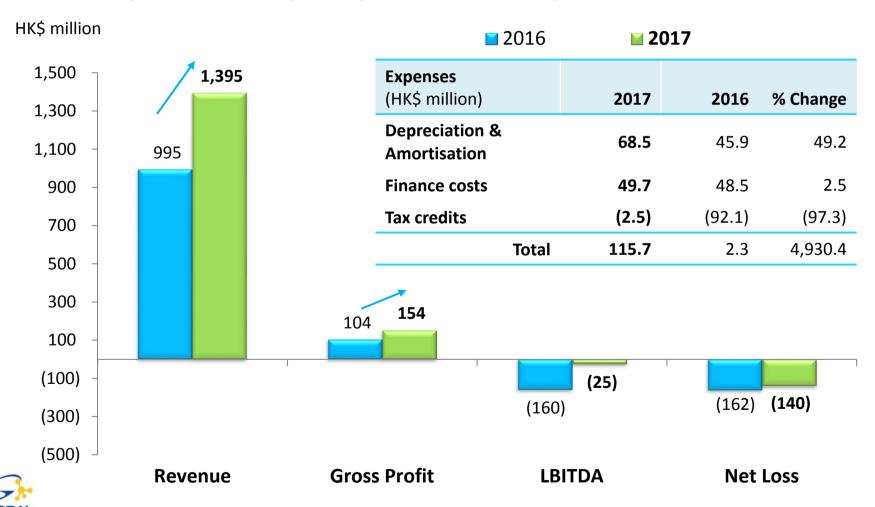
# **2017 ANNUAL RESULTS**

Financial Overview



### **RESULTS HIGHLIGHTS**

Financial performance for 2017 continued to improve with better market sentiment. Revenue and GP  $\uparrow$  by 40% and 48% respectively. Net loss narrowed by 14%.



# **OPERATING RESULTS**

HK\$ million	2017	2016	% Change
Revenue	1,395.1	995.2	40.2
<ul> <li>Corn Refined Products &amp; Corn Procurement</li> </ul>	572.8	392.4	46.0
• Corn Sweeteners	812.1	592.1	37.1
• Trading of Amino Acids*	10.2	10.7	(4.7)
Gross Profit	154.4	104.3	48.0
<ul> <li>Corn Refined Products &amp; Corn Procurement</li> </ul>	40.2	21.0	91.4
• Corn Sweeteners	113.3	82.4	37.5
• Trading of Amino Acids*	0.9	0.9	-
Gross Profit Margin (%)	11.1	10.5	0.6 % pt
<ul> <li>Corn Refined Products &amp; Corn Procurement</li> </ul>	7.0	5.4	1.6 % pt
• Corn Sweeteners	14.0	13.9	0.1 % pt
• Trading of Amino Acids*	8.8	8.4	0.4 % pt
LBITDA	(25.0)	(160.0)	N/A
Loss Before Tax	(142.7)	(254.5)	N/A
Net Loss	(140.3)	(162.4)	N/A
Net Loss Margin (%)	(10.1)	(16.3)	N/A
Basic Loss Per Share (HK cents)	(9.2)	(10.6)	N/A
Dividend Per Share – Final (HK cents)		-	N/A



The Group has been the sole distributor of GBT in the Huadong Region since 2016. Since the results of trading of upstream products has been included in the results of upstream products, the results for trading represent the result of Amino Acids.

### **FINANCIAL POSITION**

HK\$ million	31 Dec 2017	31 Dec 2016	% Change
Non-current Assets	1,048.5	924.9	13.4
Current Assets	586.9	487.9	20.3
Current Liabilities	1,299.1	1,167.1	11.3
Cash and Cash Equivalents	214.8	117.0	83.6
Total (Deficit) / Equity	(123.0)	12.0	N/A
Interest Bearing Borrowings	1,127.5	808.3	39.5

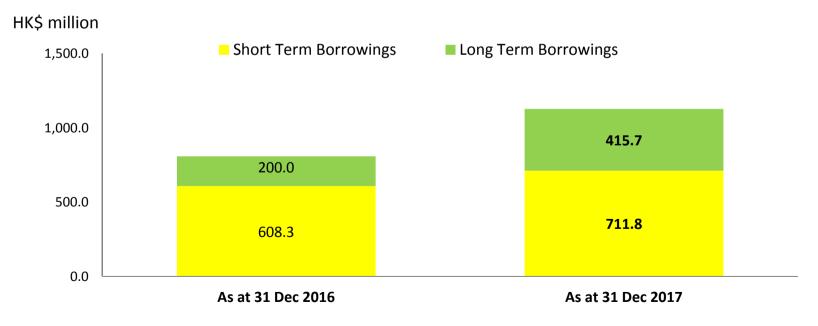
<sup>\*</sup> As announced by the Company and GBT on 21 July 2017, the Company entered into the S&P Agreement with GBT for the sale of Target Companies in Changchun. It is expected that the financial position of the Company will improve substantially upon the completion of the transaction.



### **BANK BORROWINGS ANALYSIS**

HK\$ million		31 Dec 2017	31 Dec 2016	% Change
Short Term Borrowings		711.8	608.3	17.0
Long Term Borrowings		415.7	200.0	107.9
	Total	1,127.4	808.3	39.5

Average interest rate for 2017: 5.1% (2016: 5.8 %). The change in bank borrowings was due to an increment of bank borrowings of HK\$239.8 million in Changchun during the Year.





### **KEY FINANCIAL RATIOS**

	31 Dec 2017	31 Dec 2016
Current Ratio	0.5	0.4
Quick Ratio	0.3	0.3
Gearing Ratio*	112.2 %	98.5 %
Inventories Turnover Days	50 Days	46 days
Trade Receivables Turnover Days	36 Days	71 days
Trade Payables Turnover Days	52 days	58 days

To improve the Group's financial position, the Group has taken the following steps:

- i) active negotiations with banks to restructure its debts;
- ii) transfer of two subsidiaries in Changchun to the GBT Group to release the Group from potential financial burdens from relocation and the Former Supplier Financial Guarantee;
- iii) closely monitoring of the Group's operating cash flow;
- iv) obtaining financial support from Nongtou.



Gearing ratio is calculated by debt (i.e. total interest-bearing bank borrowings) to total equity and debts (i.e. aggregate total of shareholders equity, non-controlling interests and total interest-bearing bank borrowings).



# **2017 ANNUAL RESULTS**

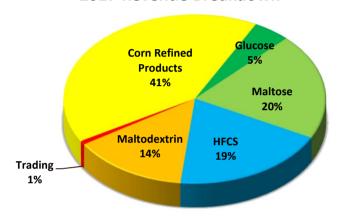
**Operation Overview** 



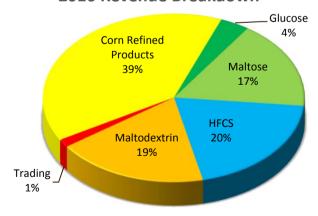
# REVENUE BREAKDOWN

Revenue (HK\$ million)	2017	2016	% Change
<u>Upstream</u>			
Corn Refined Products & Corn Procurement	572.8	392.4	46.0
Downstream			
Glucose Syrup	64.1	36.4	76.1
Maltose Syrup	283.7	170.1	66.8
HFCS	266.7	198.8	34.2
Maltodextrin	197.6	186.8	5.8
Sweeteners Sub-total	812.1	592.1	37.2
Trading			
Amino Acids	10.2	10.7	(4.7)
Total	1,395.1	995.2	40.2

#### 2017 Revenue Breakdown

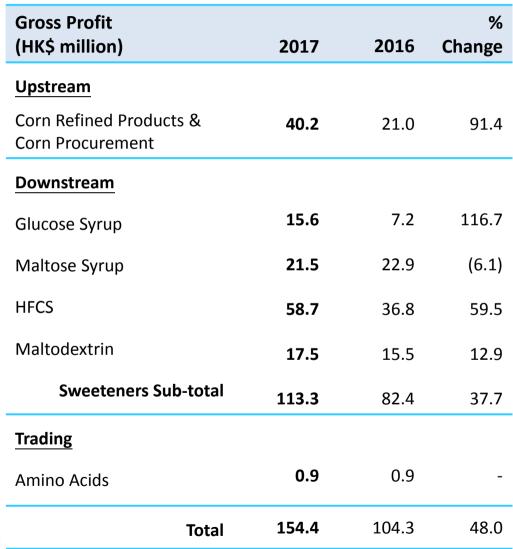


#### 2016 Revenue Breakdown

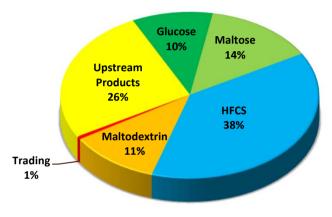




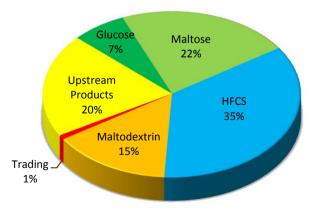
### **GROSS PROFIT BREAKDOWN**



#### **2017 Gross Profit Breakdown**



#### 2016 Gross Profit Breakdown





# **SALES ANALYSIS**

	Sales Volume ('000 MT)		Gross Profit Margin (%)		in (%)	
	2017	2016	% Change	2017	2016	% pt Change
<u>Upstream</u>						
Corn Refined Products & Corn Procurement	264	167	58.1	7.0	5.4	1.6
Downstream						
Corn Syrup	231	137	69.0	15.6	16.5	(0.9)
Corn Syrup Solid	83	74	12.2	8.9	8.3	0.6
Sweeteners Sub-total	314	211	48.8	14.0	13.9	0.1
Trading						
Amino Acids	2	2	-	9.0	8.4	0.6
Total	580	380	52.6	11.1	10.5	0.6

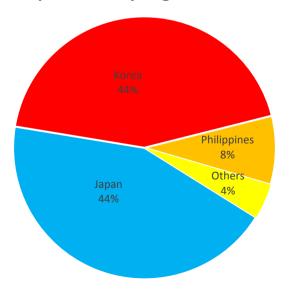


### **EXPORTS BREAKDOWN**

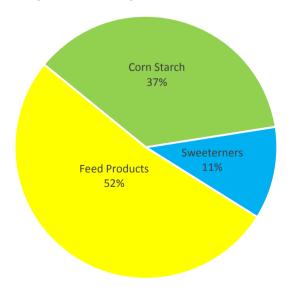
	2017	2016	% Change
Export Sales Revenue (HK\$ Million)	106.3	91.2	16.6
Exports Sales Volume ('000 MT)	55	48	14.6
Export Contribution (%)*	7.6	9.2	(1.6) % pt

<sup>\*</sup> The Group's revenue for 2017 increased by 40.2% while export sales increased only by 16.6%. As a result, export contribution decrease to 7.6%.

**Export Sales by Region 2017** 

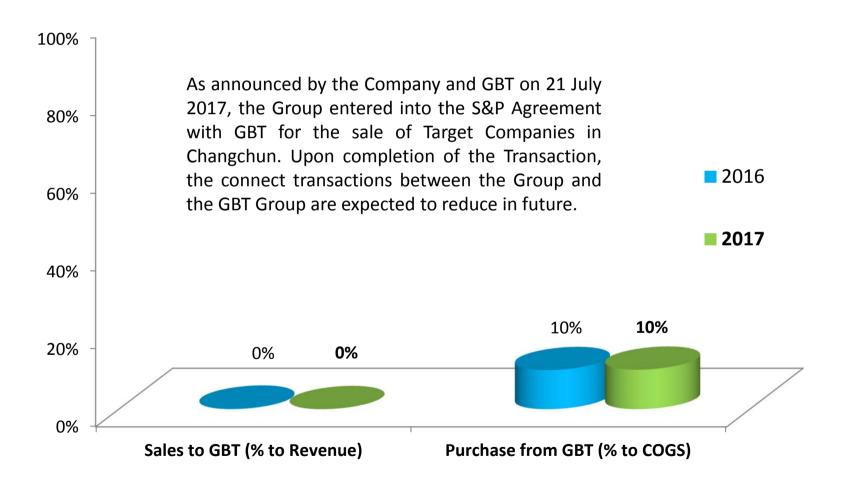


**Export Sales by Product 2017** 





# CCT - SALES TO & PURCHASE FROM GBT





# **OPERATING COST STRUCTURE**

	2017	2016
Raw Material (Corn / Corn Starch)*	65.1%	53.5%
Utilities (Water, Electricity, Steam & Wastewater Treatment)	10.8%	6.4%
Labour	4.9%	5.1%
Depreciation	4.0%	2.9%
Production Overhead (Consumable and Packaging)	2.8%	3.0%
Selling, Administrative and Other Expenses	12.4%	29.1%

<sup>\*</sup> In 1H16, the corn trading segment was still in operation. As such, raw material included the purchase of corn in the corn trading segment. In 2017, as a result of the corn purchasing subsidies, cost of corn kernels decreased accordingly and accounted less in the Group's cost structure.





# BUSINESS OUTLOOK & DEVELOPMENT PLANS



### UPSTREAM RAW MATERIAL – CORN



- PRC corn harvest for 2017/18: approx. 216 million MT (2016/17: 220 million MT) (Source: USDA)
- → GSH purchasing cost for 2017: RMB 1,374.0 /MT (2016: RMB 1,446.9/MT), excl. VAT
- → PRC Agricultural reform + provincial corn purchase subsidies (from October 2016 to April 2017)
   → stabilise PRC corn price and enahanced the performance of the Group's upstream business
- → As provincial corn purchase subsidies policy expired in May 2017, upstream performance in 2H17 under pressure
- → Outlook: given upstream corn processing is the feedstock for the Group's downstream production, the Group will optimise its operation to secure cash flow; collaboration with Jiliang to secure raw material supply



### DOWNSTREAM SUBSTITUTE – SUGAR

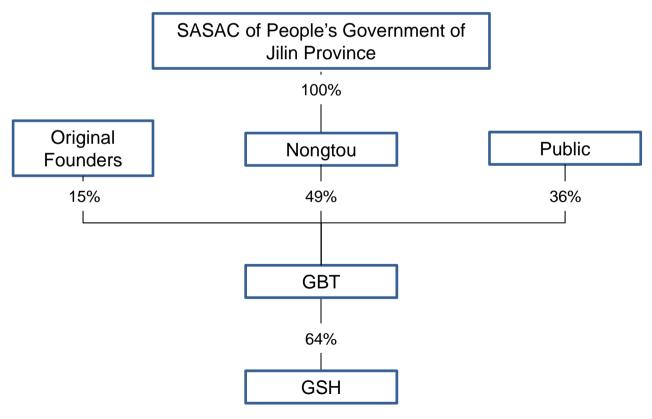


- → 2017/18 PRC sugar production increased to 10.5 million MT (2016/17: 9.3 million MT) (source: USDA)
- → Huge gap between International and PRC sugar price (RMB2,223/ MT vs RMB 6,418/MT by end of 2017)
- → The PRC government implemented measures to discourage sugar import and suppress illegal smuggling
- → Mature market → fluctuation in terms of sales volume triggered by sugar price movement minimised
- → Strategy on corn sweeteners business: continues to focus on high value-add products and markets; and streamlining/improving production flow for further cost saving

### **CORPORATE UPDATE**

### **Change in Shareholding Structure of GBT's Controlling Shareholder**

On 27 February 2017, the restructuring of the shareholding of GBT's controlling shareholder took place. Subsequently, Jilin Agricultural Investment Group Co., Ltd ("Nongtou") has become the indirect controlling shareholder of GBT, with 49% stake holding. The shareholding structure of GBT and GSH immediately after the shareholding restructure is as follows:





### **CORPORATE STRATEGIES**

- (1) Capitalise on the benefits arising from the change in shareholding structure of GBT. The involvement of Nongtou will:
  - create synergies between GBT and the other investments of Nongtou in the agricultural sector in the Jilin Province (e.g. collaboration with Jiliang to secure the supply of corn kernels);
  - > enhance relationship with stakeholders (e.g., governments, bankers and other social groups);
  - provide financial support to the Group; and
  - bring in management capabilities and talents to the Group
- (2) The disposal of the operations in Changchun

On 21 July 2017, the Company entered into the S&P Agreement with GBT for the sale of the Target Companies in Changchun (the "Transaction"). The Completion is subject to the fulfillment of certain conditions as outlined in the S&P Agreement. The Transaction is expected to:

- > enhance the Group's financial position with:
  - → the proceeds from the Transaction; and
  - → the removal of the financial uncertainties given by the possible financial liabilities under the Former Supplier Guarantees.
- enable the Group to concentrate resources and efforts in high-end markets
- > reduce the connected transactions between the Group and the GBT Group



# **CORPORATE STRATEGIES (CON'T)**

#### (3) GSH's value chain

Stringent control on corn inventory Strengthen services and (maintaining 2 months' corn inventory) → customer relationship improve operation flexibility and cash flow management Sales & Operations Services **Purchase** Marketing **Product** Provide post-sale services Development such as consulting services on product application to customers Leverage on the Group's highly flexible production facilities to adjust product mix according to market needs for profit maximisation > Fortify R&D to introduce more high value add products and increase product mix → enhance profit margin > Continuous effort to streamline production processes and lower cost



# CORPORATE STRATEGIES (CON'T)

- (4) Relocation opportunities (subject to update as appropriate, pending the Completion of the Transaction):
  - facilities upgrade
  - further cost reduction through streamlining and improving production flow
  - product mix and production capacity re-structure targeting high-end users

Construction of the Maltodextrin production facilities was completed in January 2018 and trial run commenced in 1H2018.

In view of changes in operating environment, the Group is reviewing the relocation projects and revising the feasibility studies for submission to the relevant bodies for approval. As such, there could be changes or delay of the relocation projects.

Projects/ Products	Designed Capacity	(Tentative) Timetable
Glucose/ Maltose	60,000 mtpa	Completed
Maltodextrin	30,000 mtpa	Completed
Crystallised Glucose*	100,000 mpta	Aug 2019
Corn Refinery*	600,000 mtpa	Dec 2019



Subject to the management decision taking into account the relevant product markets and the obtaining of the approval of the relevant bodies, the timetable of these projects may change accordingly.

# **CAPACITY OVERVIEW**

Designed Capacity (mtpa)	2017	2018
<u>Upstream</u>		
Corn Starch	560,000	560,000
Corn Refined By-products	240,000	240,000
Upstream Sub-total	800,000	800,000
<u>Downstream</u>		
Glucose / Maltose Syrup	360,000	360,000
HFCS	220,000	220,000
Maltodextrin	Nil	30,000
Crystallised Glucose	Nil	Nil
Downstream Sub-total	580,000	610,000
Total	1,380,000	1,410,000





# **COMPANY PROFILE**



### **CORPORATE MILESTONES**

Hao Cheng was established in Shanghai with a designed production capacity of 60,000 mtpa **Global Sweeteners** (stock code: 03889.HK) was listed on the Main Board of the Stock Exchange of Hong Kong Limited on 20 September

The listing of TDR of **Global Sweeteners** (stock code:
913889.TW) on the Taiwan

Stock Exchange Corporation on
25 March

Discontinued operation of the retail beef business

Change in shareholding structure of GBT's controlling shareholder; Nongtou becomes an indirect controlling shareholder of **Global Sweeteners** . Mr. Zhang Zihua was appointed as an Executive Director

CDNP (Global-Nikken JV)
established to produce sorbitol

with a designed production capacity of 60,000 mtpa

Acquired the 75% interest in **Changchun Dihao** 

**Jinzhou Dacheng** with a designed capacity of 200,000 mtpa of liquid glucose and maltose was established

**Corn Essence** was established in Shanghai principally for the Group's retail business

Construction of new HFCS 55 production line with a designed capacity of 100,000 mtpa in Shanghai **Hao Cheng** completed

The delisting of TDR of **Global Sweeteners** (stock code:
913889.TW) on the Taiwan
Stock Exchange Corporation
on 29 Dec

1998 ...2001

01 ...2004

2005...

2007

2008

2010

2011

2012 2013

2014

Expansion in

Yuancheng from

600,000 mtpa to

900,000 mtpa

completed

Jinzhou

2015 2016 2017

GCHF (GBT-Cargill JV)

established and was engaged in the manufacture of HFCS 42 with a designed production capacity of 100,000 mtpa Acquired the remaining 25% interest in **Changchun Dihao** 

Dihao Crystal was established to manufacture crystallised glucose with a designed production capacity of 200,000 mtpa Acquired the remaining 49% interest in **CDNP**, which is now a wholly-owned subsidiary of the Group

Entered into an S&P agreement to acquire Jinzhou Yuancheng (corn refinery) from the GBT Group

Changchun 40,000 mtpa crystallised glucose production line completed Set up JV in

2009

Set up JV in Dalian for the Group's beef business Acquisition of Changchun
Jincheng, a corn refinery with corn processing capacity of 600,000 mtpa in Changchun from GBT completed

Acquisition of the 50% interest of **GCHF** from Cargill completed

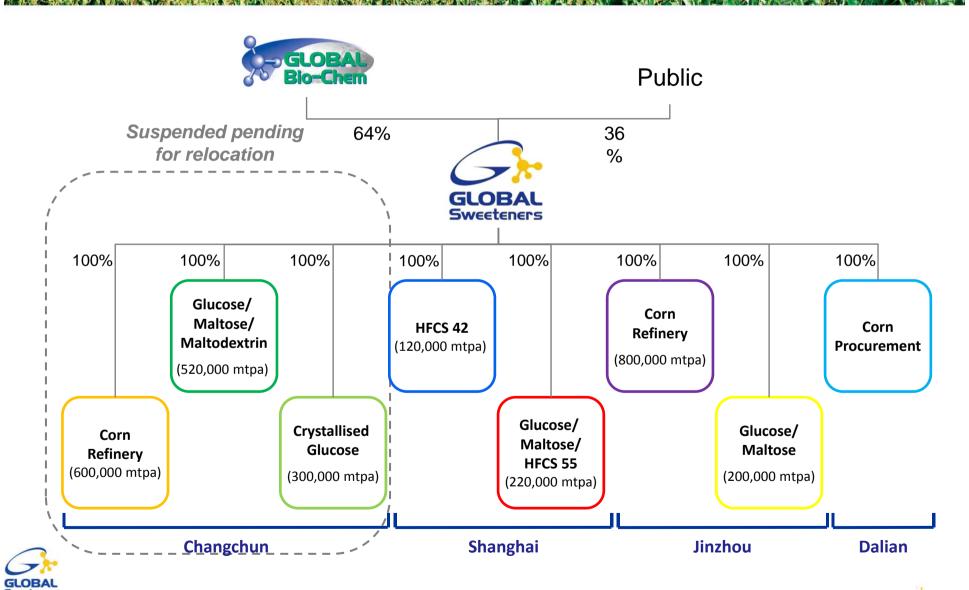
> Suspension of Changchun Dihao pending for relocation to Xinglongshan Site

Completion of Subscription of GBT. Mr. Wang Jian was appointed as the Chairman of the Board and CEO of Global

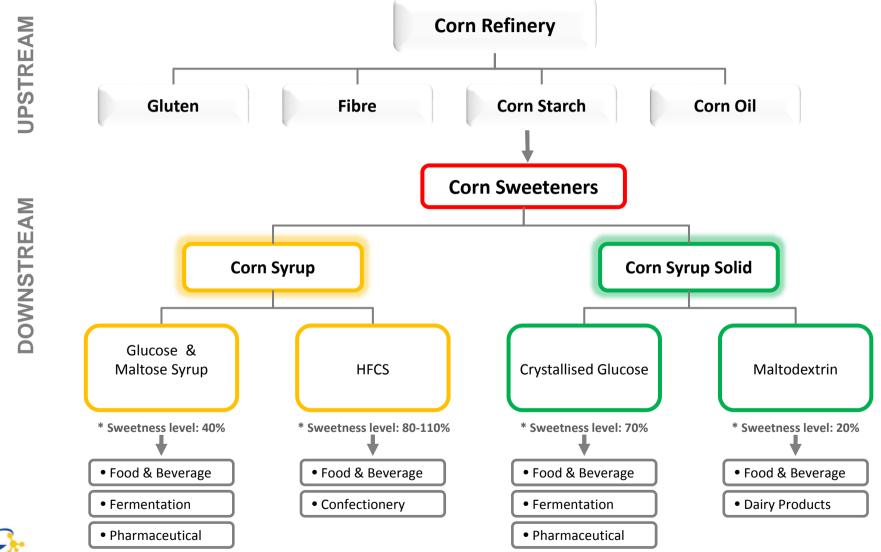
**Sweeteners** 



### **CORPORATE STRUCTURE**



### **DIVERSIFIED PRODUCT MIX**





Sweetness level base on cane sugar sweetness



# **APPENDIX**



# PRC SUGAR & SWEETENERS PRODUCTION

#### **Natural Sweeteners**

#### Sugar

#### **Raw Material:**

Cane, Beet

#### Regions:

- Cane: Southern parts of China (e.g. Guangxi)
- · Beet: Northern parts of China

#### **Starch Sweeteners**

#### **Raw Material:**

Corn, Potatoes, Tapioca

#### Regions:

Corn is produced mainly in Northern China: Jilin, Shandong & Hebei

#### '000 MT **Production Volume of Sugar & Starch Sweeteners in China (1999-2018)** Sugar **■** Sweeteners 25,000 20.000 13,120 7,680 9,240 11.460 7,730 9,228 10,700 7.730 10,600 15,000 8,880 9,800 9.600 4.200 4.970 10,000 2,500 1<mark>4,84</mark>0 1.19013,068 13,318 1<mark>2,43</mark>1 11,994 1<mark>0,73</mark>8 1<mark>0,45</mark>4 11,51</mark>8 1<mark>0,56</mark>0 9,050 9,700 5,000 10,63710,023 9,174 8,815 10,500 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018E

GLOBAL Sweeteners

Source: China Sugar Association



# **THANK YOU**

- The End -

