



大成糖業控股有限公司*
GLOBAL Sweeteners Holdings Limited
(incorporated in the Cayman Islands with limited liability)
Stock Code: 03889

2017 | ANNUAL RESULTS

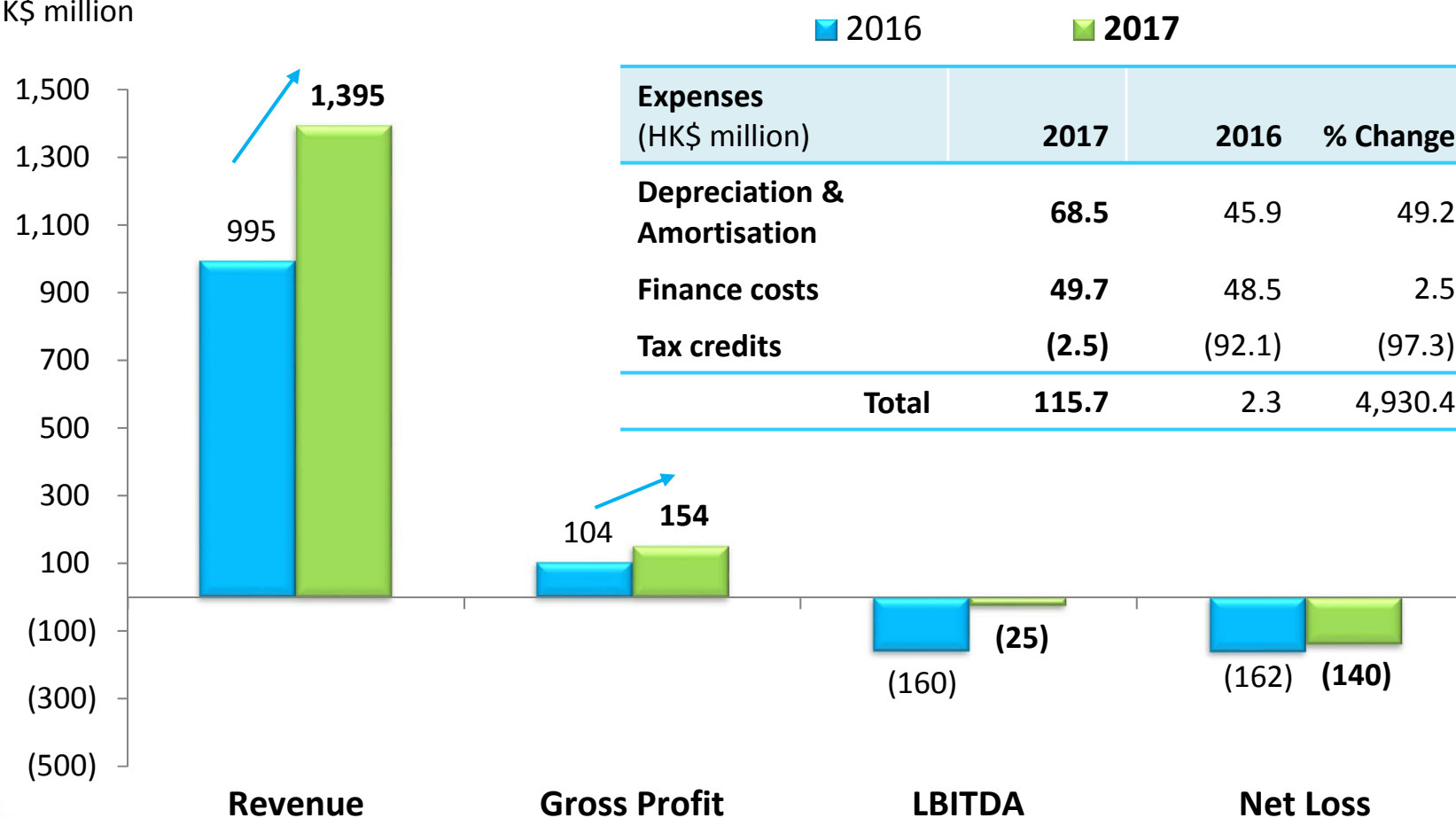


*For Identification purpose only

RESULTS HIGHLIGHTS

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

HK\$ million



OPERATING RESULTS

HK\$ million	2017	2016	% Change
Revenue	1,395.1	995.2	40.2
• Corn Refined Products & Corn Procurement	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
• Corn Refined Products & Corn Procurement	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
• Corn Refined Products & Corn Procurement	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

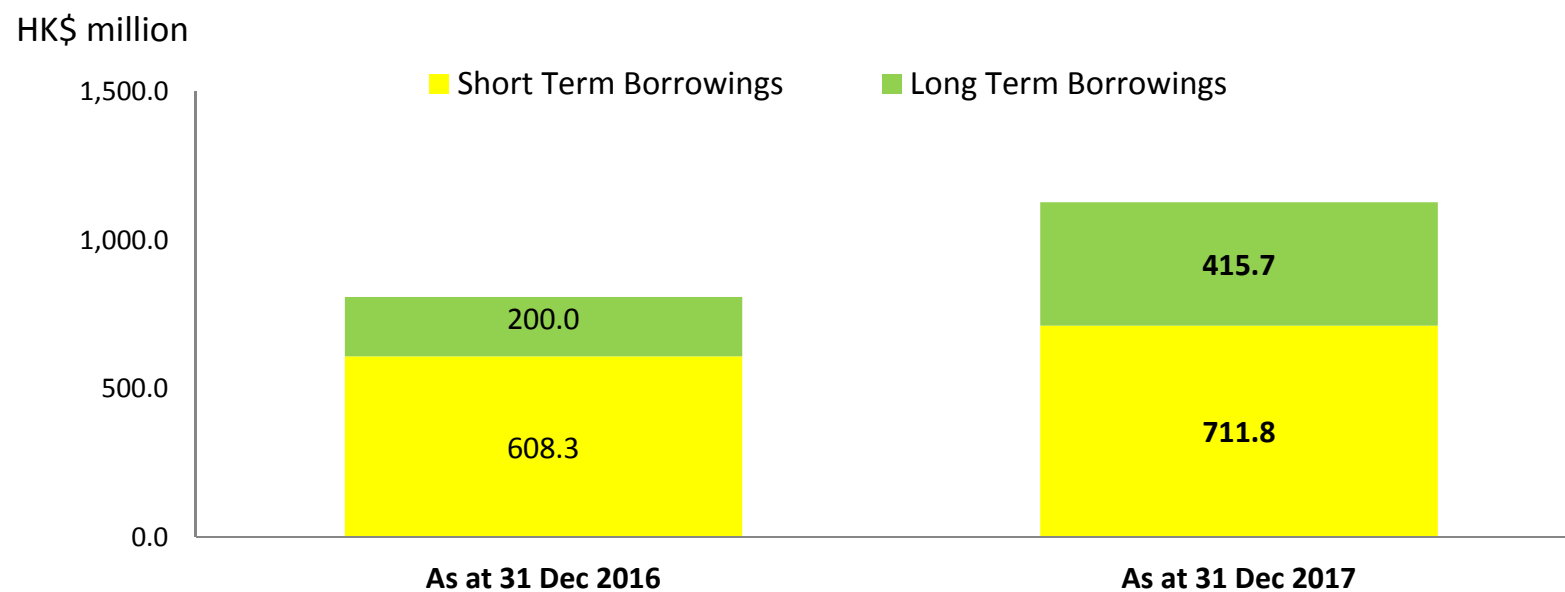
HK\$ million	31 Dec 2017	31 Dec 2016	% Change
Non-current Assets	1,048.5	924.9	13.4
Current Assets	586.9	487.9	20.3
Current Liabilities	1,299.1	1,167.1	11.3
Cash and Cash Equivalents	214.8	117.0	83.6
Total (Deficit) / Equity	(123.0)	12.0	N/A
Interest Bearing Borrowings	1,127.5	808.3	39.5

* 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.

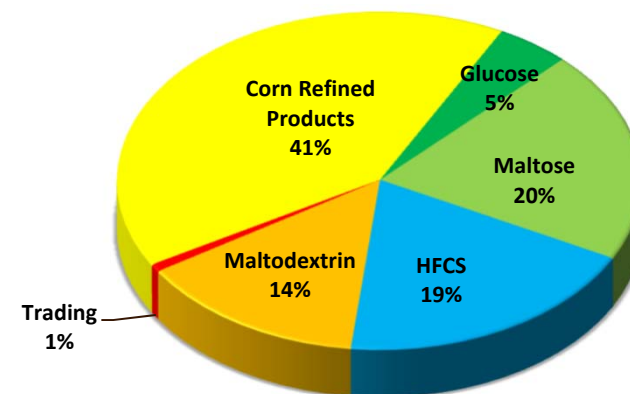


* Gearing ratio is calculated by debt (i.e. total interest-bearing bank borrowings) to total equity and debts (i.e. aggregate total of shareholders equity, non-controlling interests and total interest-bearing bank borrowings).

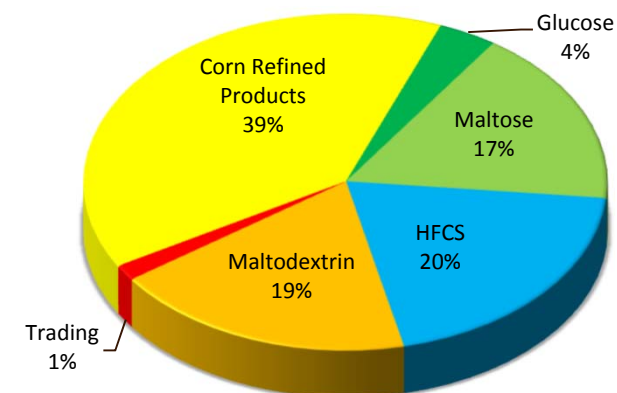
REVENUE BREAKDOWN

Revenue (HK\$ million)	2017	2016	% Change
Upstream			
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



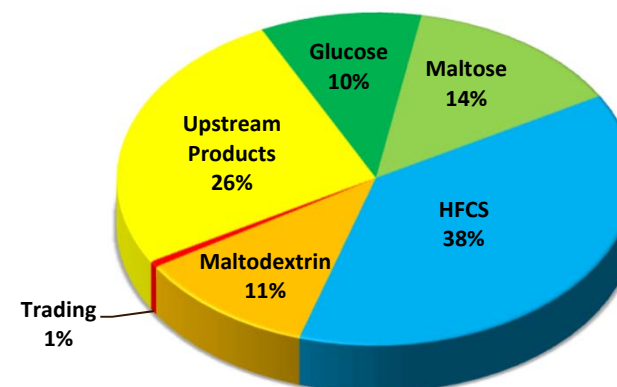
2016 Revenue Breakdown



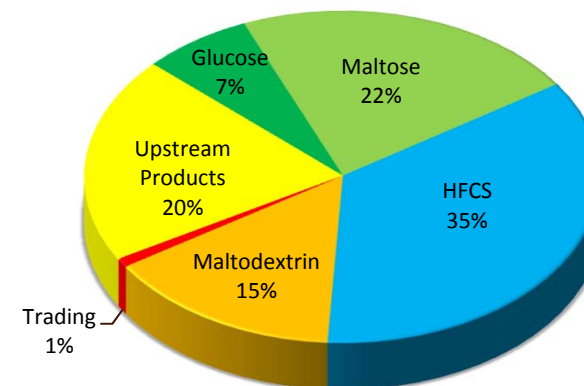
GROSS PROFIT BREAKDOWN

Gross Profit (HK\$ million)	2017	2016	% Change
Upstream			
Corn Refined Products & Corn Procurement	40.2	21.0	91.4
Downstream			
Glucose Syrup	15.6	7.2	116.7
Maltose Syrup	21.5	22.9	(6.1)
HFCS	58.7	36.8	59.5
Maltodextrin	17.5	15.5	12.9
Sweeteners Sub-total	113.3	82.4	37.7
Trading			
Amino Acids	0.9	0.9	-
Total	154.4	104.3	48.0

2017 Gross Profit Breakdown



2016 Gross Profit Breakdown



SALES ANALYSIS

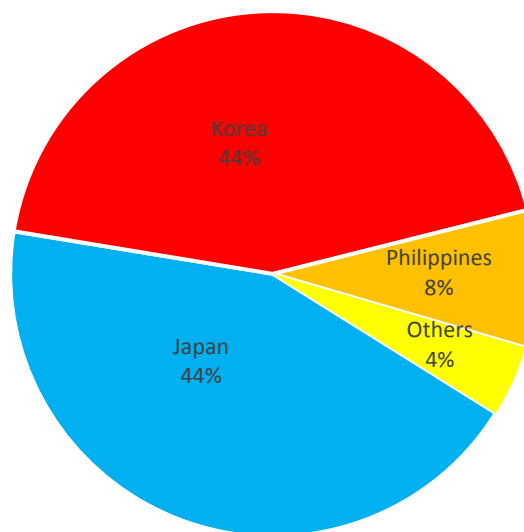
	Sales Volume ('000 MT)			Gross Profit Margin (%)		
	2017	2016	% Change	2017	2016	% pt Change
<u>Upstream</u>						
Corn Refined Products & Corn Procurement	264	167	58.1	7.0	5.4	1.6
<u>Downstream</u>						
Corn Syrup	231	137	69.0	15.6	16.5	(0.9)
Corn Syrup Solid	83	74	12.2	8.9	8.3	0.6
Sweeteners Sub-total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

EXPORTS BREAKDOWN

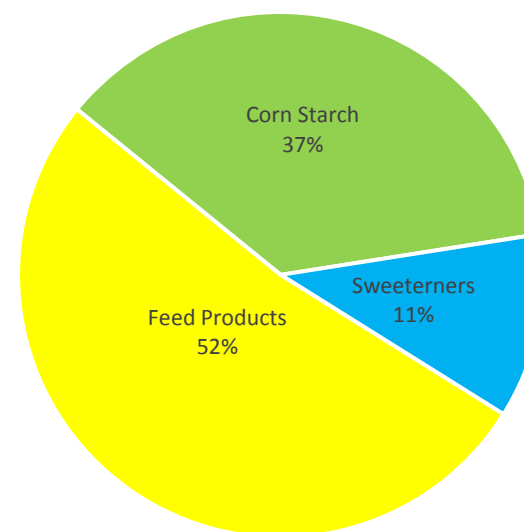
	2017	2016	% Change
Export Sales Revenue (HK\$ Million)	106.3	91.2	16.6
Exports Sales Volume ('000 MT)	55	48	14.6
Export Contribution (%)*	7.6	9.2	(1.6) % pt

* 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%.

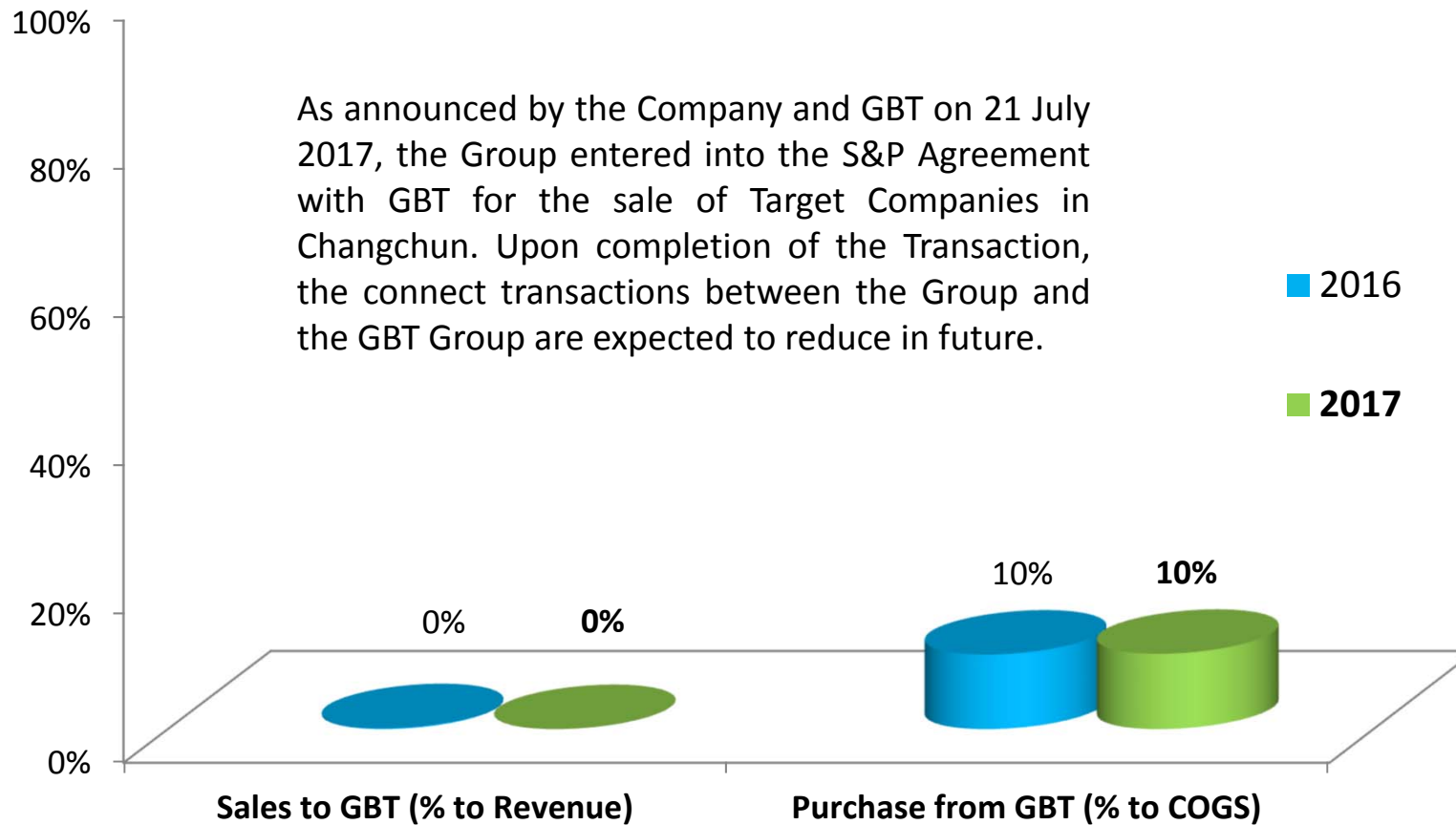
Export Sales by Region 2017



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%

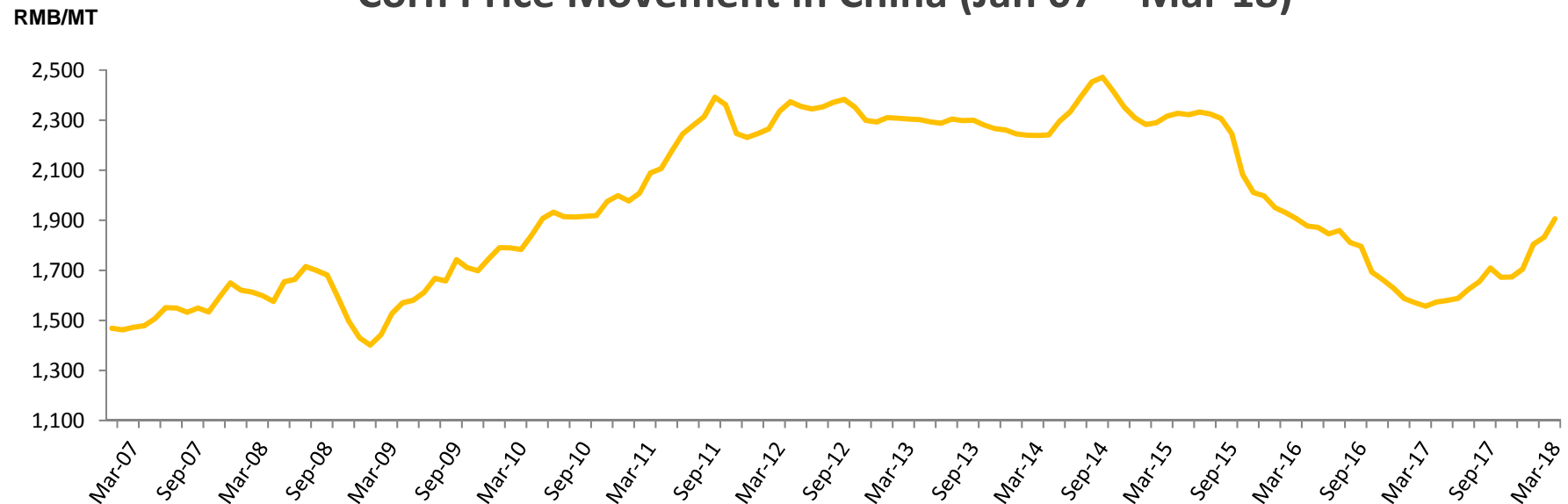
* In 1H16, the corn trading segment was still in operation. As such, raw material included the purchase of corn in the corn trading segment. In 2017, as a result of the corn purchasing subsidies, cost of corn kernels decreased accordingly and accounted less in the Group's cost structure.

BUSINESS OUTLOOK & DEVELOPMENT PLANS



UPSTREAM RAW MATERIAL – CORN

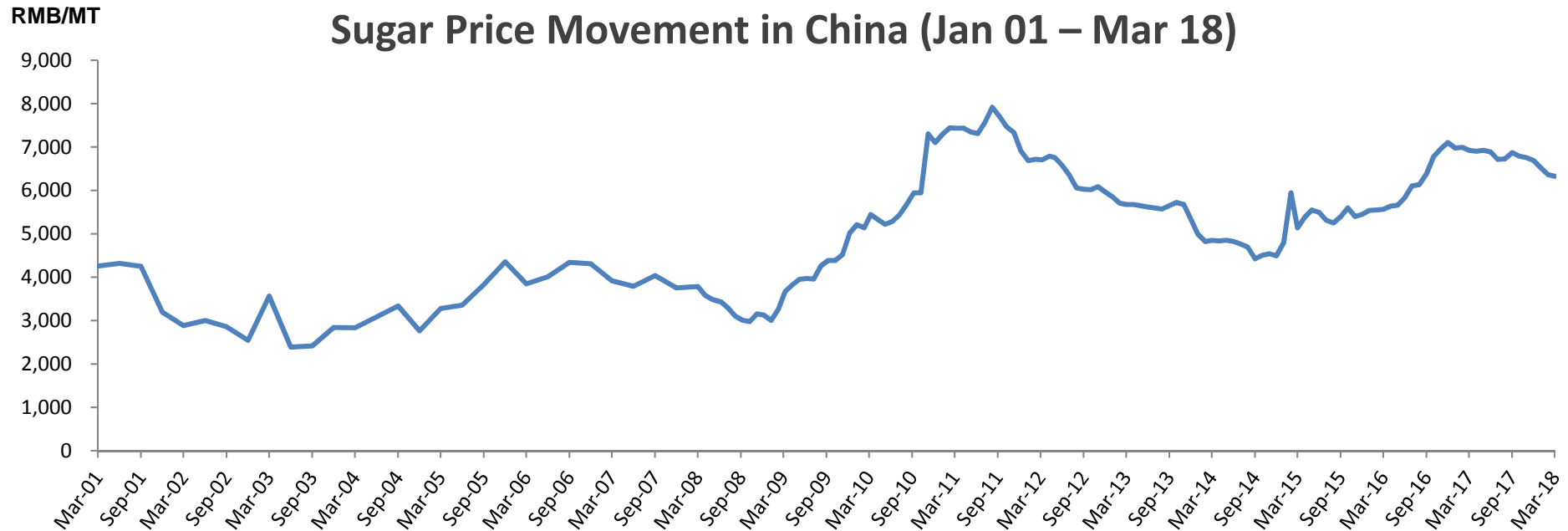
Corn Price Movement in China (Jan 07 – Mar 18)



Source: eFeedlink. Based on average price from Northern China (Jilin, Liaoning and Shandong)

- 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 enhanced 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



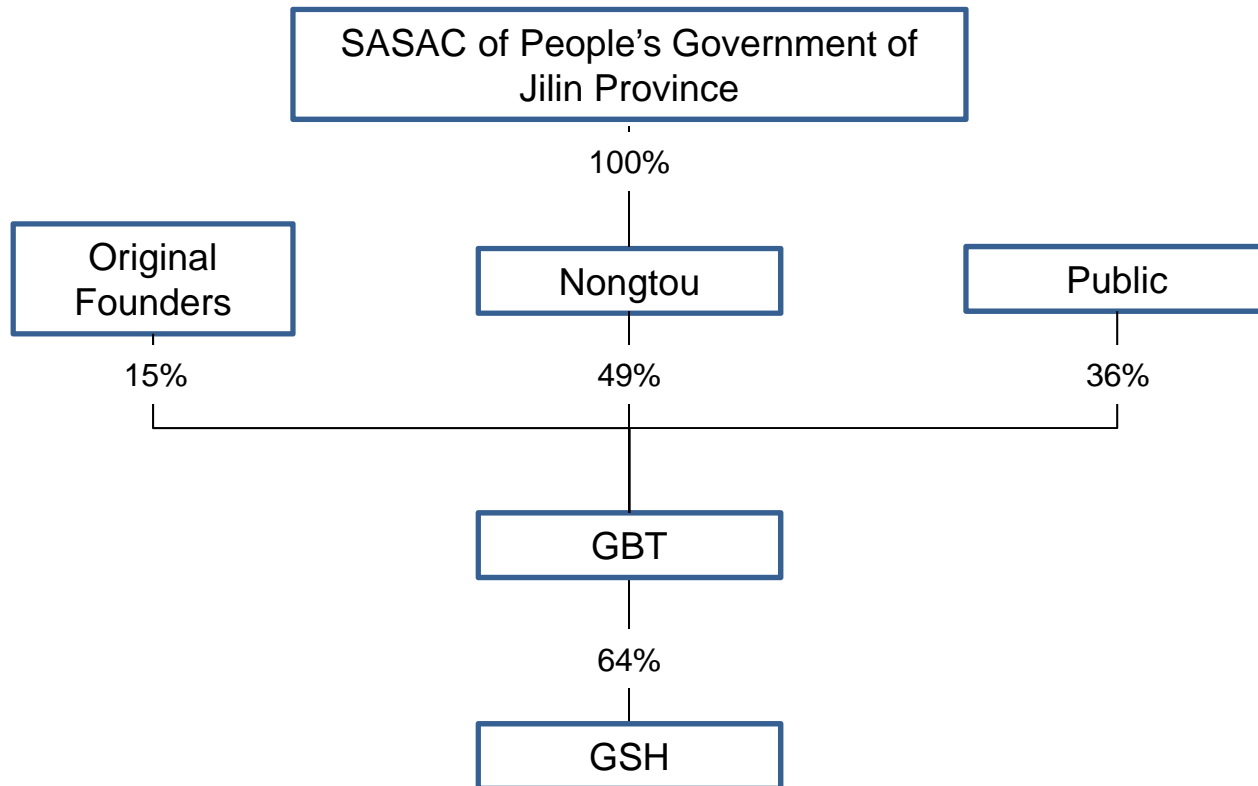
Source: www.sugarinfo.net

- 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

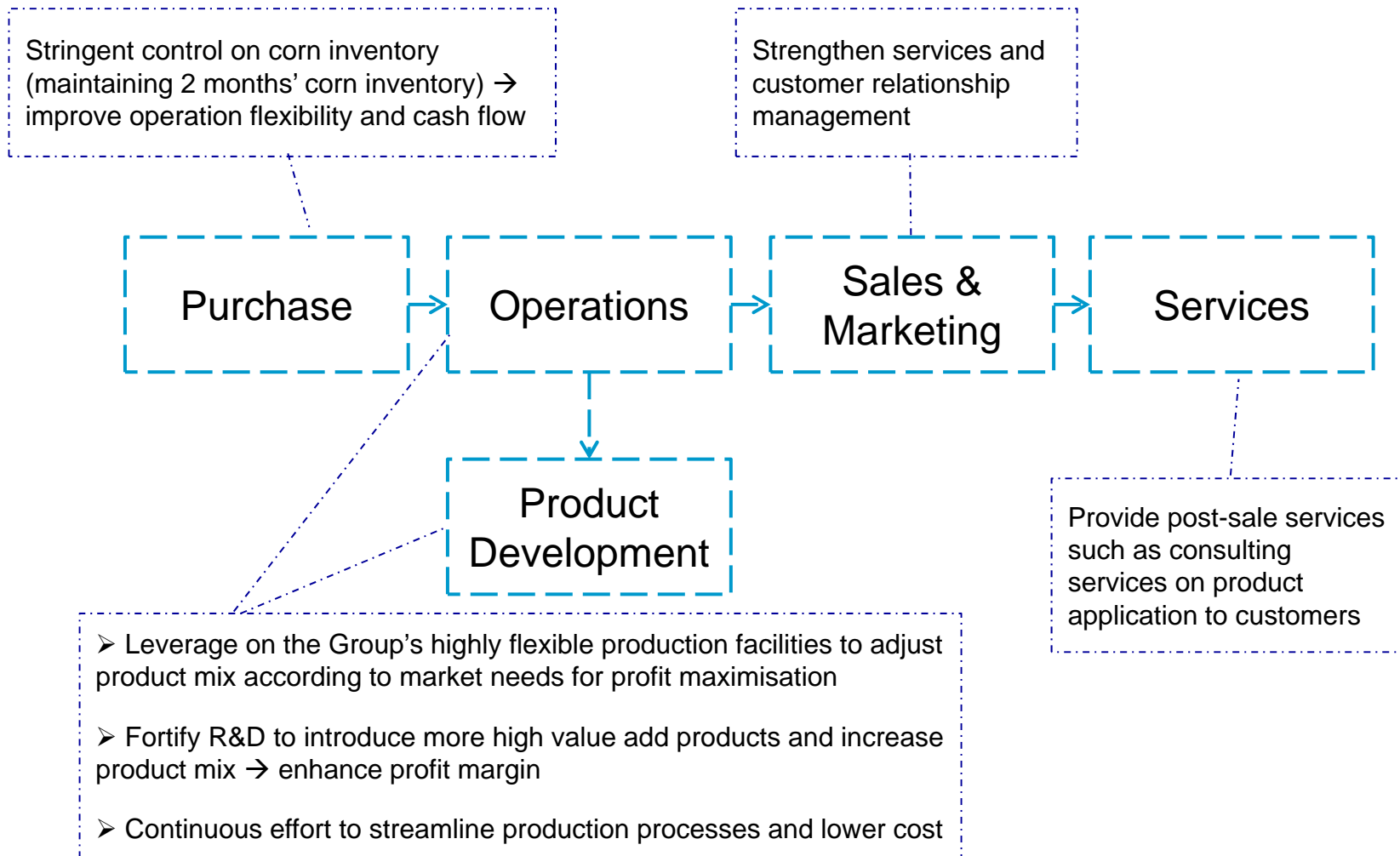
- (2) The disposal of the operations in Changchun

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



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.

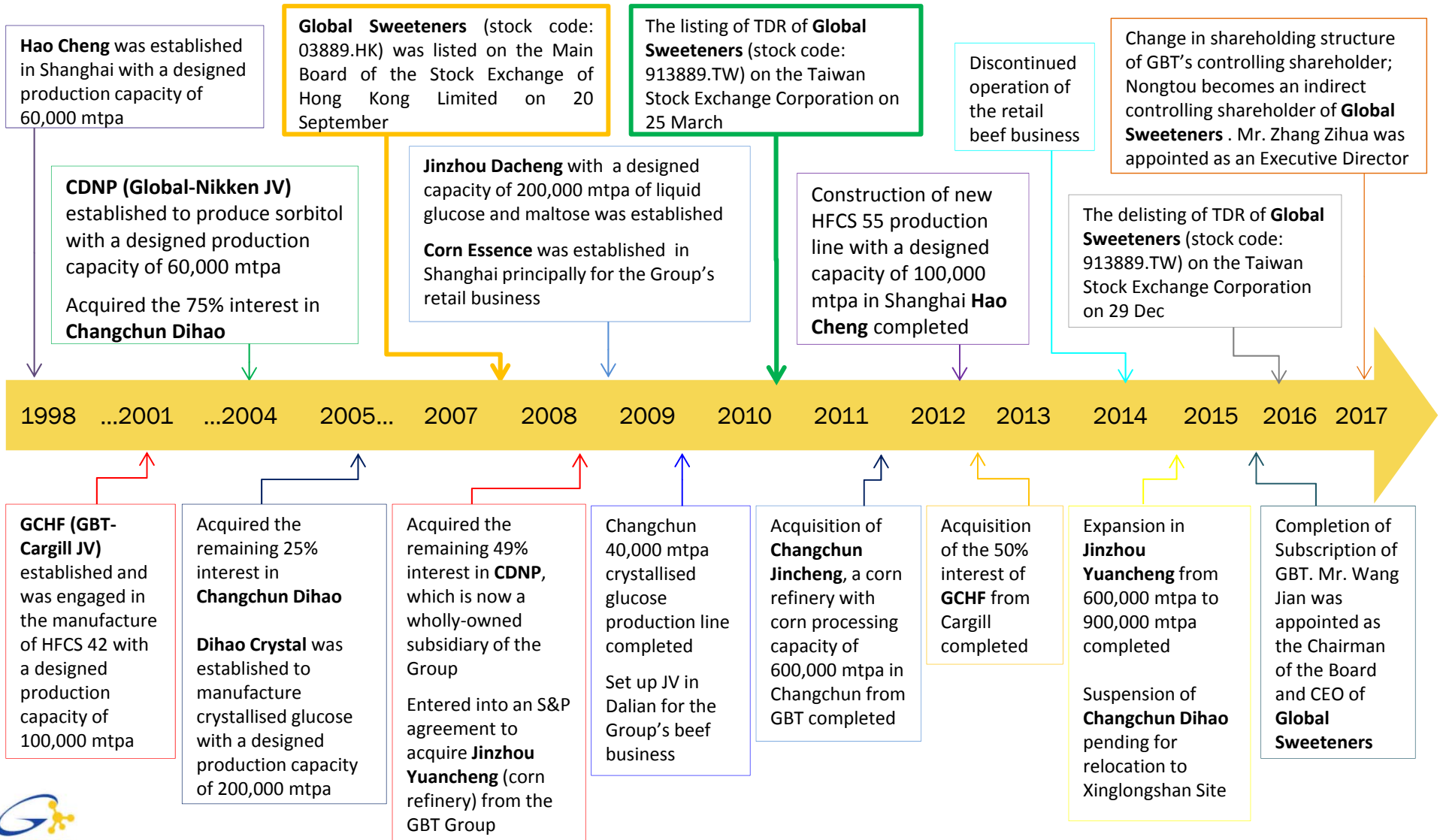
Projects/ Products	Designed Capacity	(Tentative) Timetable
Glucose/ Maltose	60,000 mtpa	Completed
Maltodextrin	30,000 mtpa	Completed
Crystallised Glucose*	100,000 mtpa	Aug 2019
Corn Refinery*	600,000 mtpa	Dec 2019

* 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.

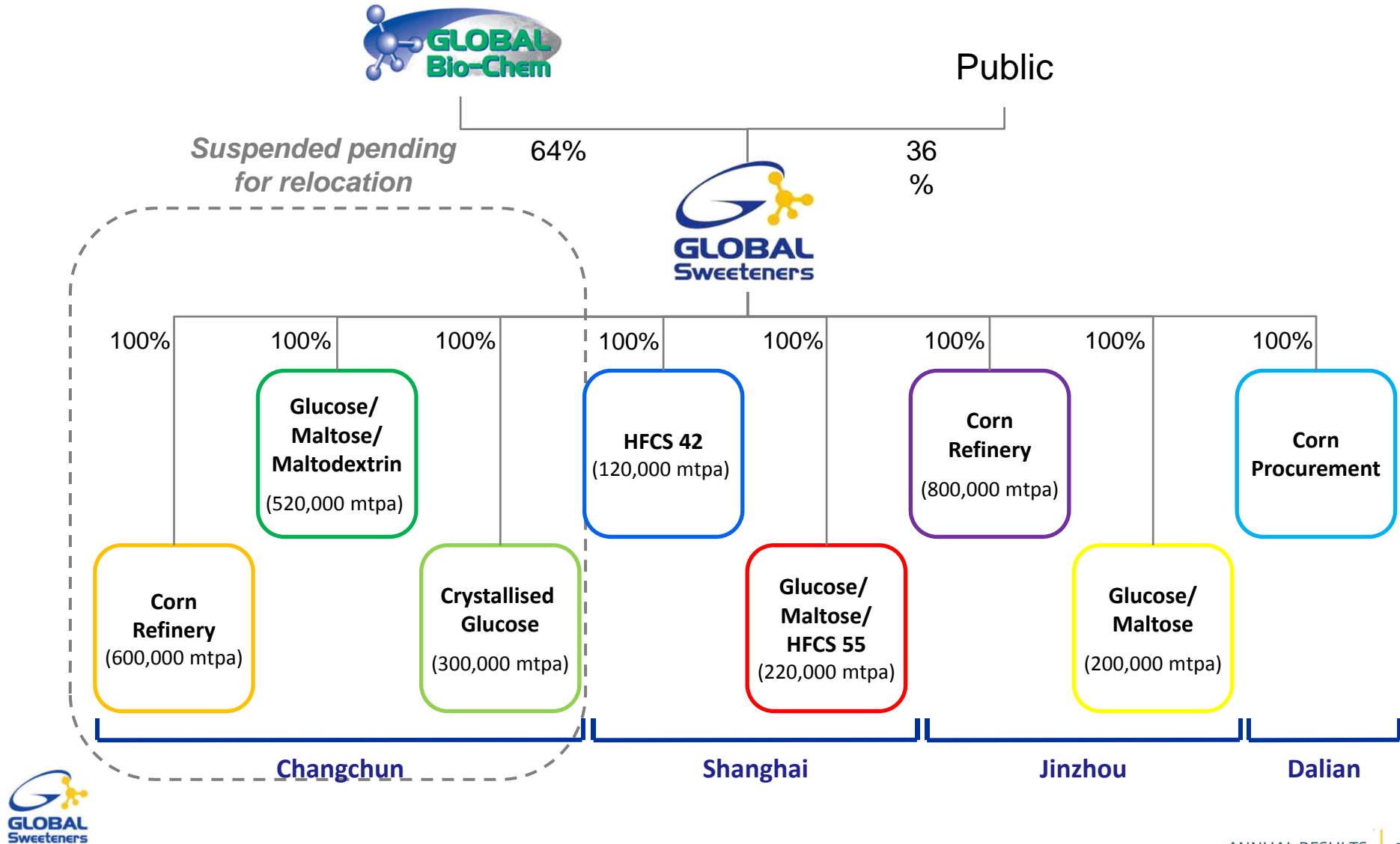
CAPACITY OVERVIEW

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

CORPORATE MILESTONES



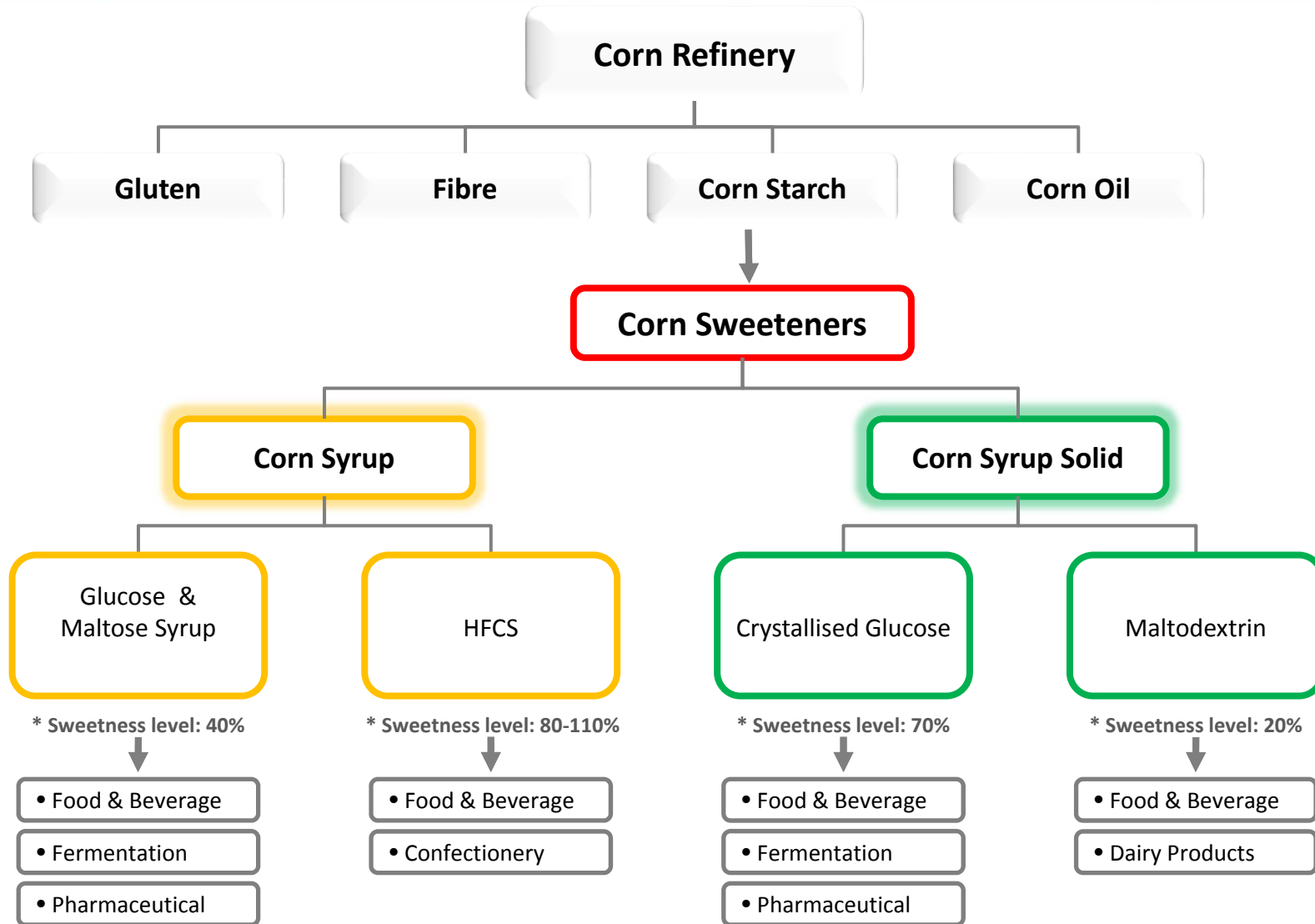
CORPORATE STRUCTURE



DIVERSIFIED PRODUCT MIX

UPSTREAM

DOWNSTREAM



* Sweetness level base on cane sugar sweetness

PRC SUGAR & SWEETENERS PRODUCTION

Natural Sweeteners

Sugar

Raw Material:
Cane, Beet

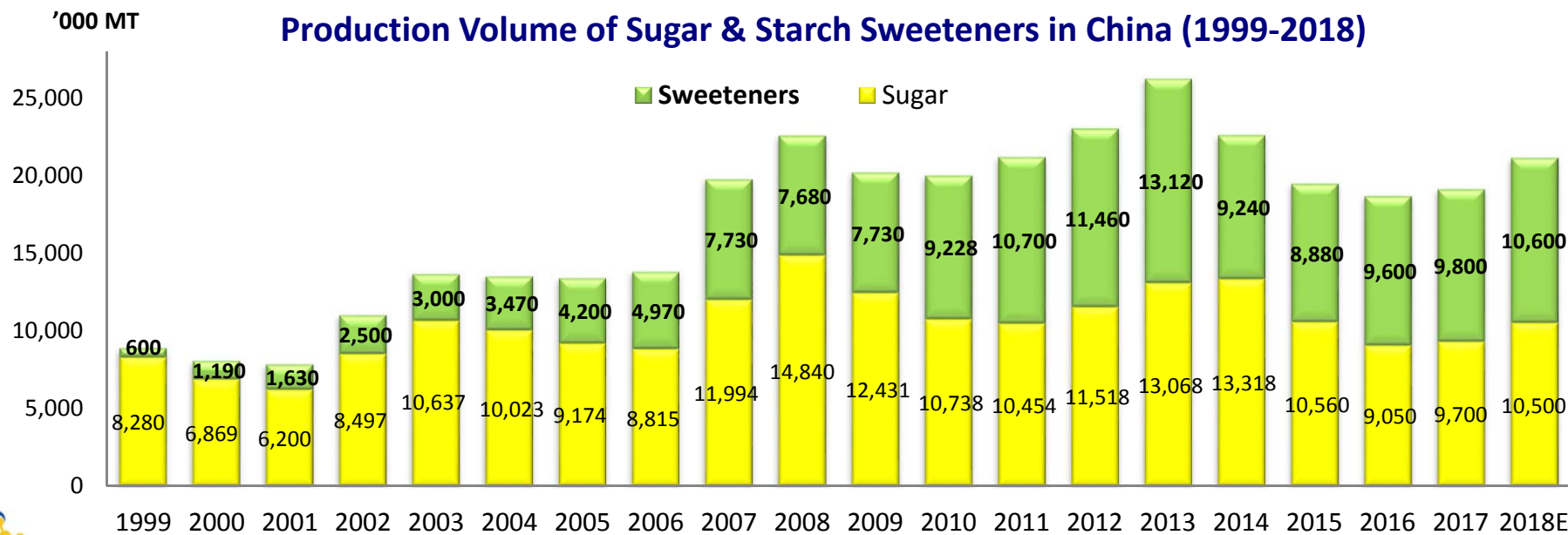
Regions:

- 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



Source: China Sugar Association

THANK YOU

- The End -

