



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



ANNUAL RESULTS 2018

* For identification purpose only

2018 ANNUAL RESULTS

Financial Overview

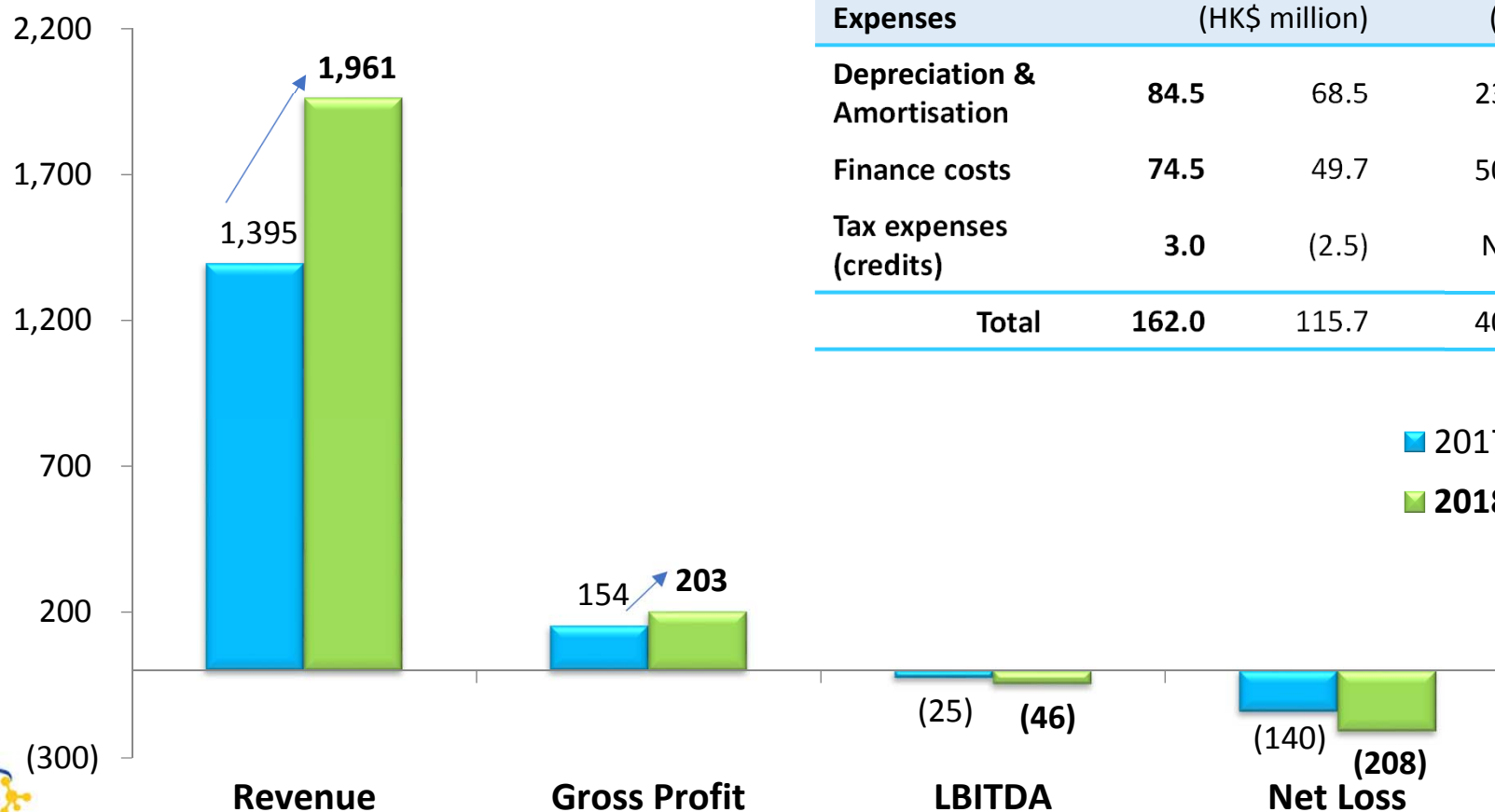


RESULTS HIGHLIGHTS



Despite the increase in corn cost and the drop in product prices, revenue and GP for 2018↑ by 41% and 32% respectively, on increased sales volume.

HK\$ million



Expenses	2018 (HK\$ million)	2017	Change (%)
Depreciation & Amortisation	84.5	68.5	23.4
Finance costs	74.5	49.7	50.0
Tax expenses (credits)	3.0	(2.5)	N/A
Total	162.0	115.7	40.0

OPERATING RESULTS



HK\$ million	2018	2017	% Change
Revenue	1,961.0	1,395.1	40.6
• Upstream Corn Refined Products	839.3	572.8	46.5
• Corn Sweeteners	1,121.2	812.1	38.1
• Trading of Amino Acids*	0.5	10.2	(95.1)
Gross Profit	202.8	154.4	31.3
• Upstream Corn Refined Products	46.5	40.2	15.7
• Corn Sweeteners	156.3	113.3	38.0
• Trading of Amino Acids*	0	0.9	N/A
Gross Profit Margin (%)	10.3	11.1	(0.8)% pt
• Upstream Corn Refined Products	5.5	7.0	(1.5)% pt
• Corn Sweeteners	13.9	14.0	(0.1)% pt
• Trading of Amino Acids*	-	8.8	N/A
LBITDA	46.4	24.5	N/A
Loss Before Tax	(205.5)	(142.7)	N/A
Net Loss	(208.5)	(140.3)	N/A
Net Loss Margin (%)	(10.6)	(10.1)	N/A
Basic Loss Per Share (HK cents)	(13.7)	(9.2)	N/A
Dividend Per Share – Final (HK cents)	-	-	N/A

FINANCIAL POSITION



HK\$ million	31 Dec 18	31 Dec 17	% Change
Non-current Assets	936.5	1,048.5	(10.7)
Current Assets	635.8	586.9	8.3
Current Liabilities	1,659.8	1,299.1	27.8
Cash and Cash Equivalents	99.6	214.8	(53.6)
Total Deficit	(313.2)	(123.0)	N/A
Interest Bearing Borrowings	1,009.3	1,127.5	(10.5)

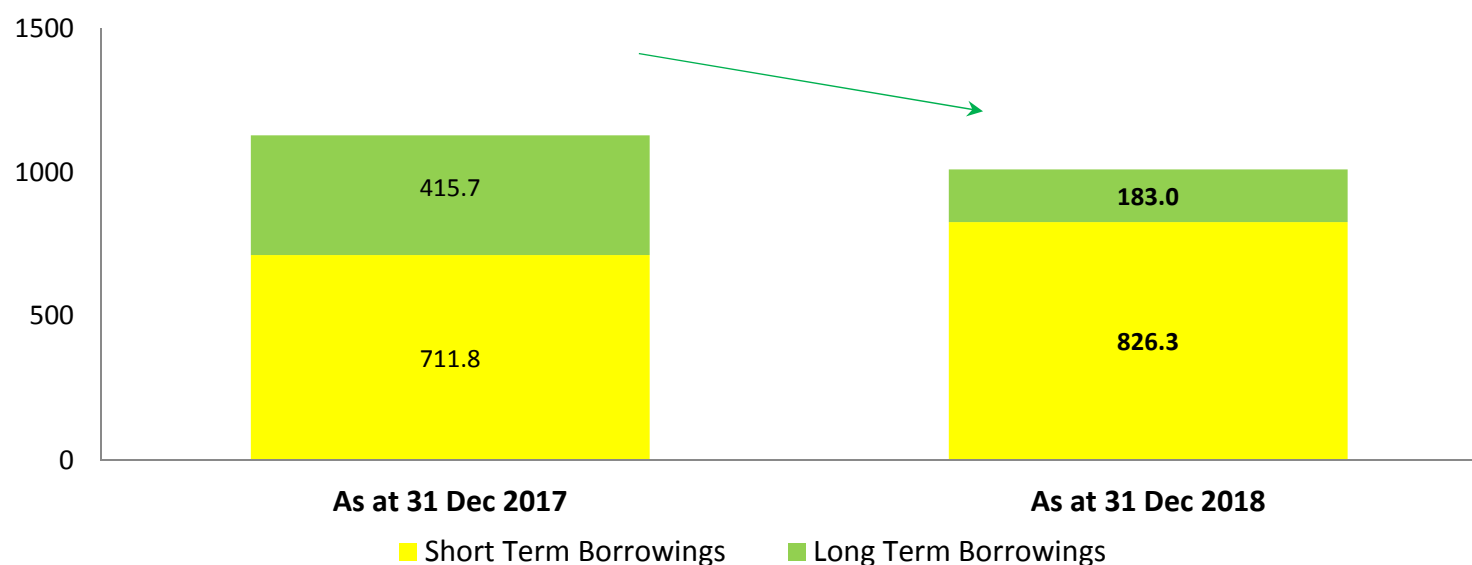
BANK BORROWINGS ANALYSIS



HK\$ million	31 Dec 18	31 Dec 17	% Change
Short Term Borrowings	826.3	711.8	16.1
Long Term Borrowings	183.0	415.7	(56.0)
Total	1,009.3	1,127.5	(10.5)

Average interest rate for 2018: 7.0% (2017: 5.1 %). The change in bank borrowings was mainly attributable to exchange rate adjustment as at 31 December 2018 which amounted to approximately HK\$61.4 million and the decrease in interest-bearing bank borrowings in the Group’s operation in Shanghai which amounted to HK\$34.1 million.

HK\$ million



KEY FINANCIAL RATIOS



	31 Dec 18	31 Dec 17
Current Ratio	0.4	0.5
Quick Ratio	0.2	0.3
Gearing Ratio*	145.0%	112.2 %
Inventories Turnover Days	53 Days	50 Days
Trade Receivables Turnover Days	38 Days	36 Days
Trade Payables Turnover Days	93 Days	52 days

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

2018 ANNUAL RESULTS

Operation Overview



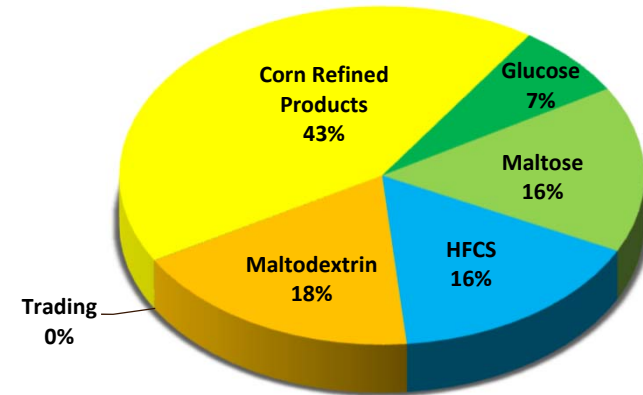
REVENUE BREAKDOWN



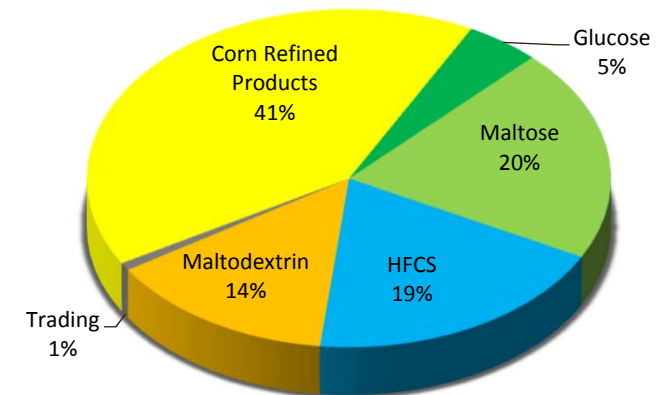
Revenue (HK\$ million)	2018	2017	% Change
Upstream			
Corn Refined Products	839.3	572.8	46.5
Downstream			
Glucose Syrup	136.7	64.1	113.3
Maltose Syrup	311.7	283.7	9.9
HFCS	317.0	266.7	18.9
Maltodextrin	355.8	197.6	80.1
Sweeteners Sub-total	1,121.2	812.1	38.1
Trading			
Amino Acids	0.5	10.2	(95.1)
Total	1,961.0	1,395.1	40.6



2018 Revenue Breakdown



2017 Revenue Breakdown

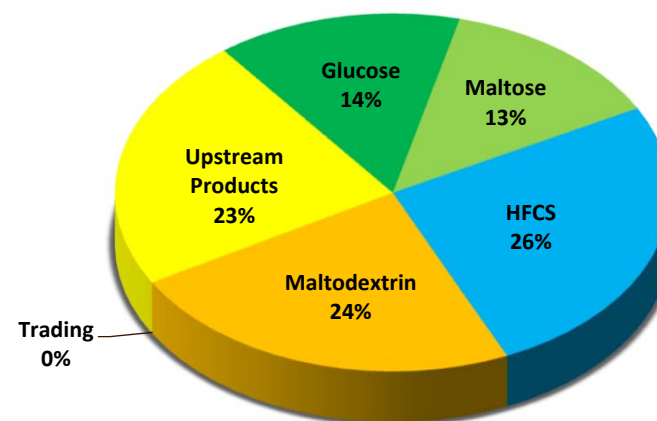


GROSS PROFIT BREAKDOWN

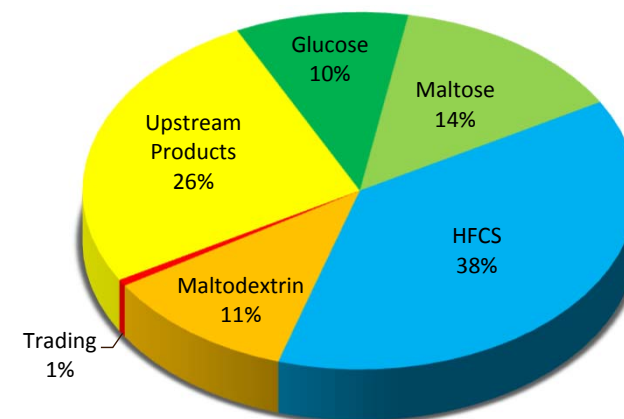


Gross Profit (HK\$ million)	2018	2017	% Change
Upstream			
Corn Refined Products	46.5	40.2	15.7
Downstream			
Glucose Syrup	29.0	15.6	85.9
Maltose Syrup	27.0	21.5	25.6
HFCS	52.8	58.7	(10.1)
Maltodextrin	47.5	17.5	171.4
Sweeteners Sub-total	156.3	113.3	38.0
Trading			
Amino Acids	-	0.9	N/A
Total	202.8	154.4	31.3

2018 Gross Profit Breakdown



2017 Gross Profit Breakdown



SALES ANALYSIS



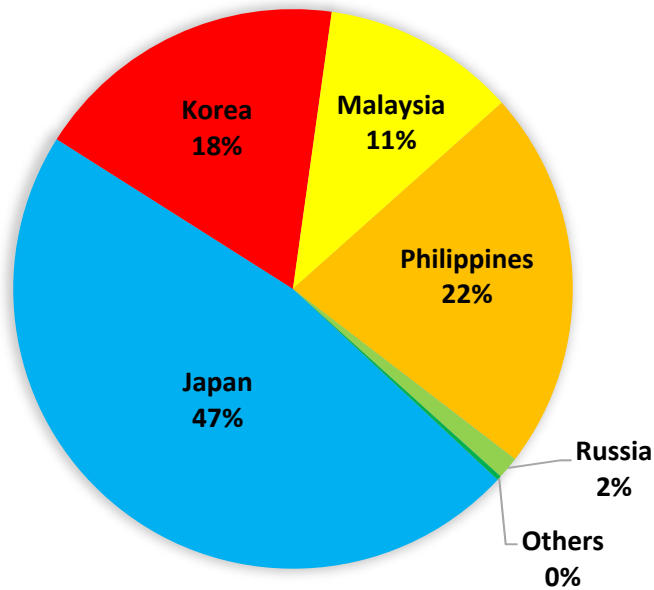
	Sales Volume ('000 MT)			Gross Profit Margin (%)		
	2018	2017	% Change	2018	2017	% pt Change
<u>Upstream</u>						
Corn Refined Products	341	264	29.2	5.5	7.0	(1.5)
<u>Downstream</u>						
Corn Syrup	251	231	8.7	14.2	15.6	(1.4)
Corn Syrup Solid	122	83	47.0	13.4	8.9	4.5
Sweeteners Sub-total	373	314	18.8	13.9	14.0	(0.1)
<u>Trading</u>						
Amino Acids	-	2	(94.5)	-	9.0	N/A
Total	714	580	23.1	10.3	11.1	(0.8)

EXPORTS BREAKDOWN

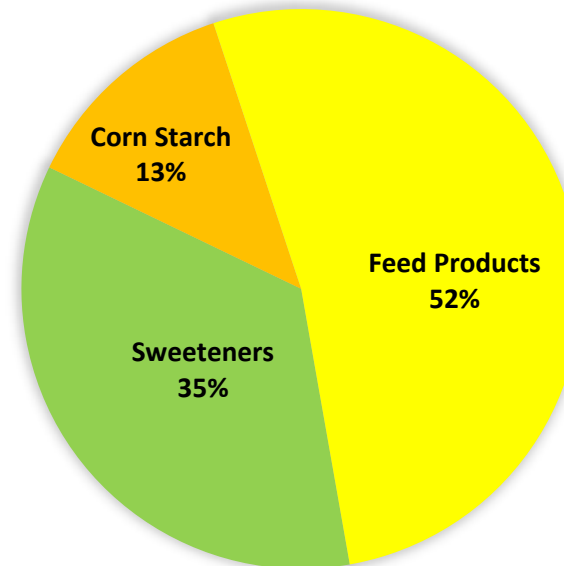


	2018	2017	% Change
Export Sales Revenue (HK\$ Million)	142.5	106.3	34.1
Exports Sales Volume ('000 MT)	54.3	55.4	(2.0)
Export Contribution (%)	7.3	7.6	(0.3) % pt

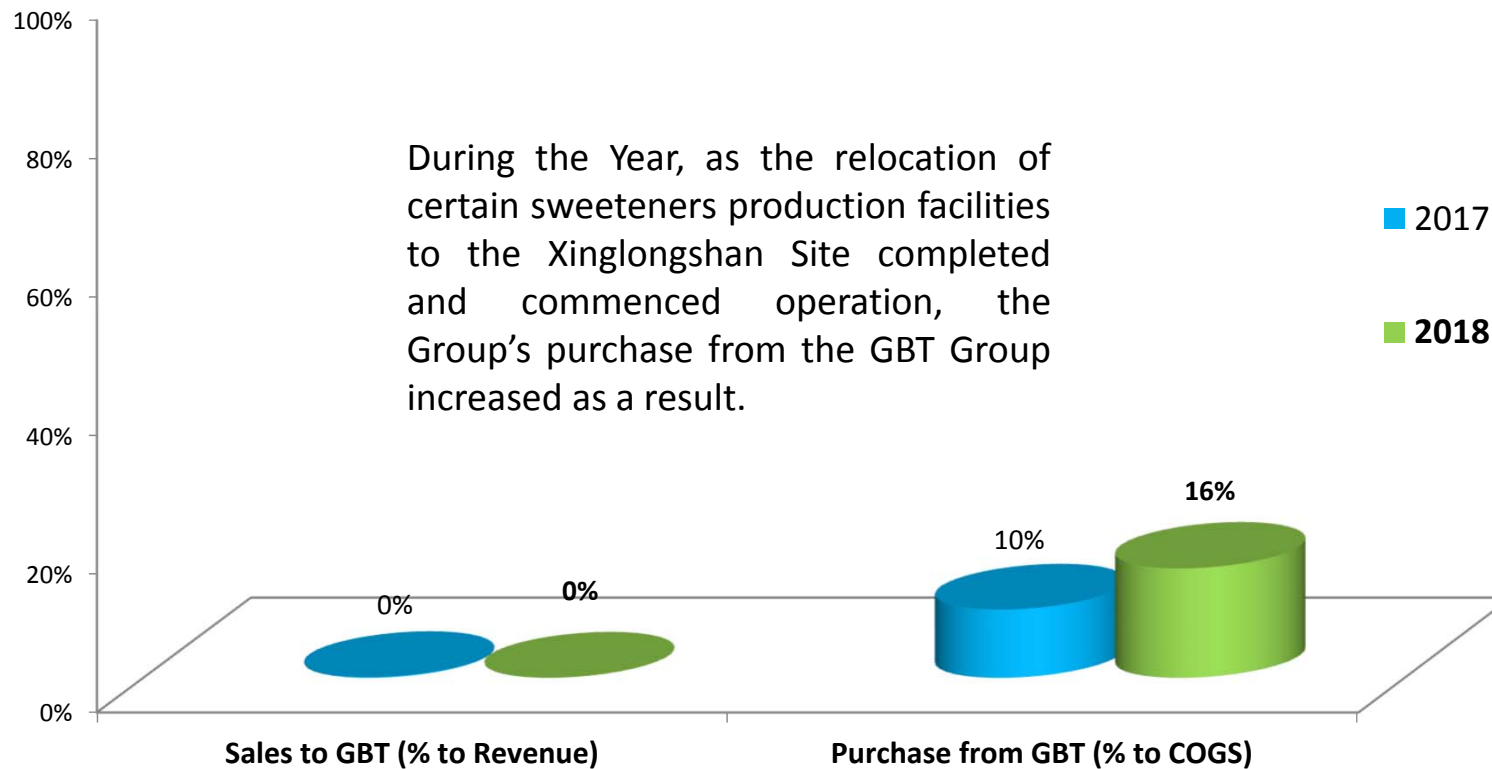
EXPORT SALES BY COUNTRY 2018



EXPORT SALES BY PRODUCT 2018



CCT – SALES TO & PURCHASE FROM GBT



OPERATING COST STRUCTURE

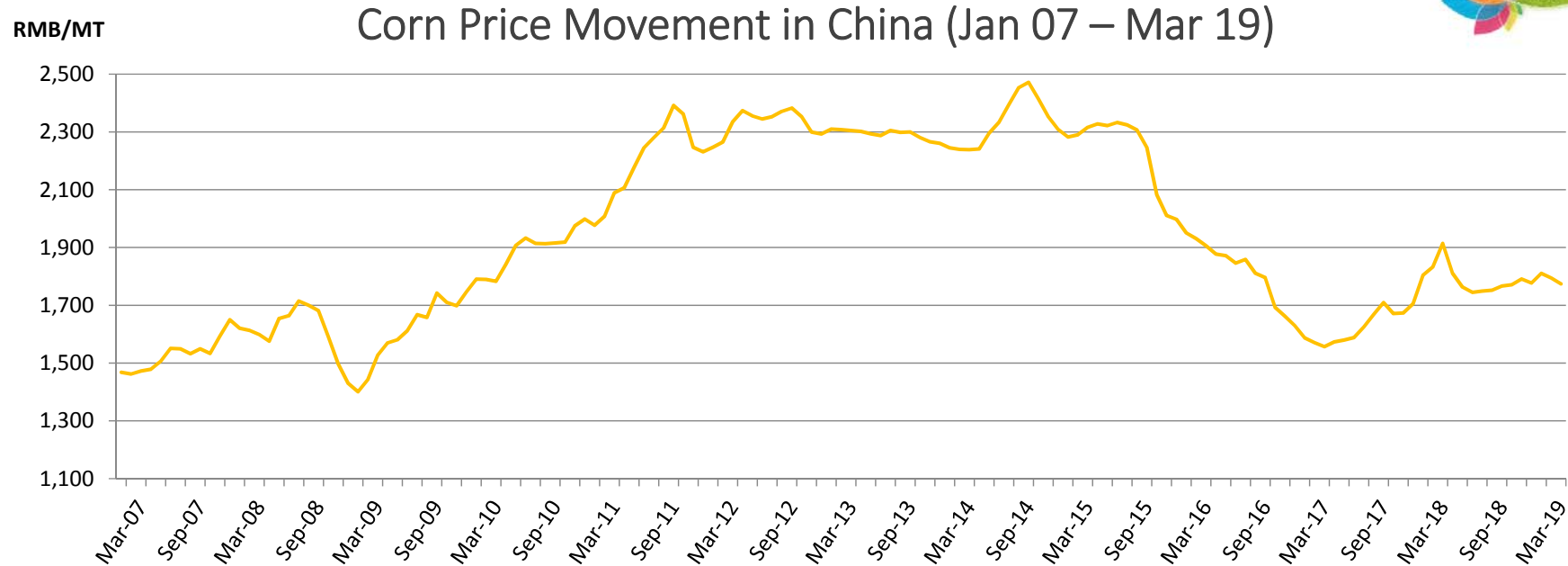


	2018	2017
Raw Material (Corn / Corn Starch)	57.9%	58.5%
Utilities (Water, Electricity, Steam & Wastewater Treatment)	9.7%	11.1%
Labour	6.3%	5.0%
Depreciation	3.7%	4.1%
Production Overhead (Consumable and Packaging)	12.1%	9.4%
Selling, Administrative and Other Expenses	10.3%	11.9%

BUSINESS OUTLOOK & DEVELOPMENT PLANS



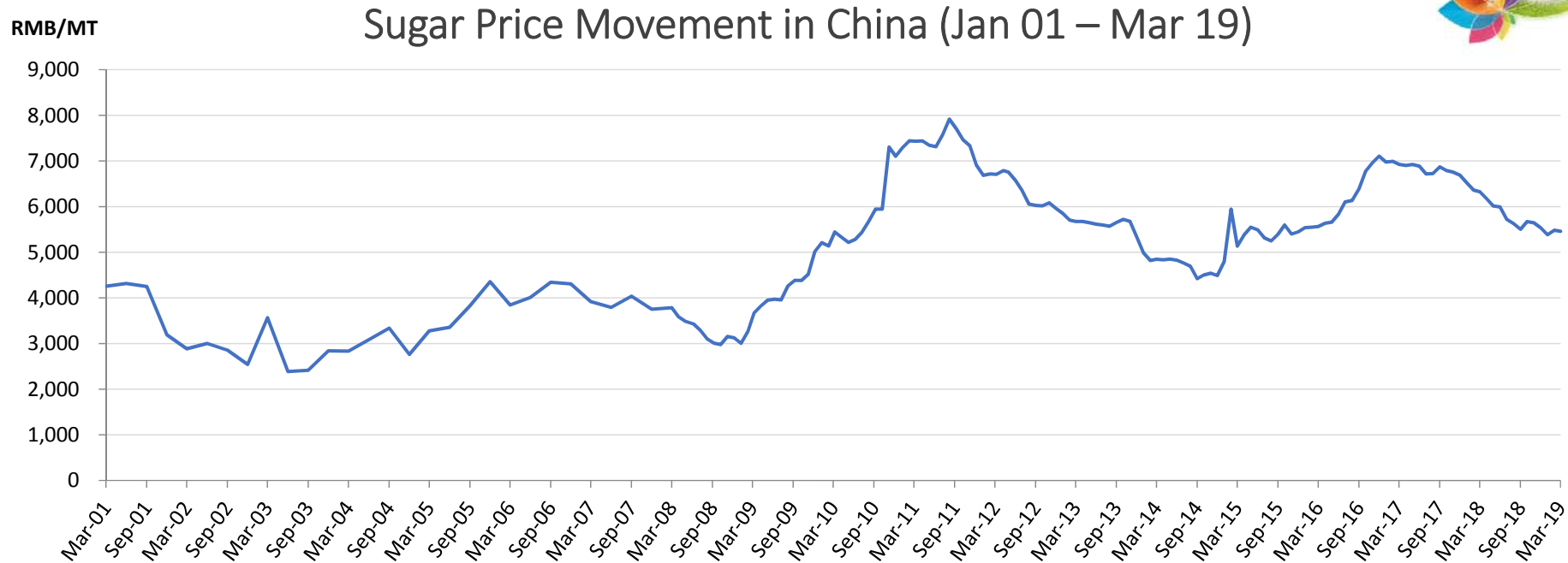
UPSTREAM RAW MATERIAL – CORN



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

- PRC corn harvest for 2018/19: approx. 257 million MT (2017/18: 259 million MT) (Source: Ministry of Agriculture of China)
- Changes in the provincial corn subsidies programme + strong demand driven by corn-based ethanol → the Group’s corn purchasing cost for 2018 ↑ 27.2% YOY
- Lackluster feed demand due to African Swine Flu (“ASF”) → upstream profit margin under pressure and expect this to continue in 2019
- Group’s response to current market situation: optimise facilities utilisation and secure raw material supply through the connection of Nongtou

DOWNSTREAM SUBSTITUTE – SUGAR



Source: www.msweet.com.cn

- 2018/19 PRC sugar production maintained at 10.8 million MT (2017/18: 10.5 million MT) (source: USDA)
- Huge difference between international and PRC sugar prices → PRC government imposed tariff to uphold sugar price at home
- Brazil and EU will reduce sugar production in 2019/20 → expected shortage by end of 2019 → expects to ease tension from imports into China
- China’s sweeteners market → mature with stable demand
- 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 STRATEGIES



(1) The debt-equity swap proposal

During the Year, the discussion on the debt-equity swap proposal has been on-going and revised versions of the proposal have been submitted to the BOC Jilin Branch and the People's Government of Jilin Province for their review and approvals.

The Further Revised Debt-Equity Swap Proposal has included a series of action-plans:

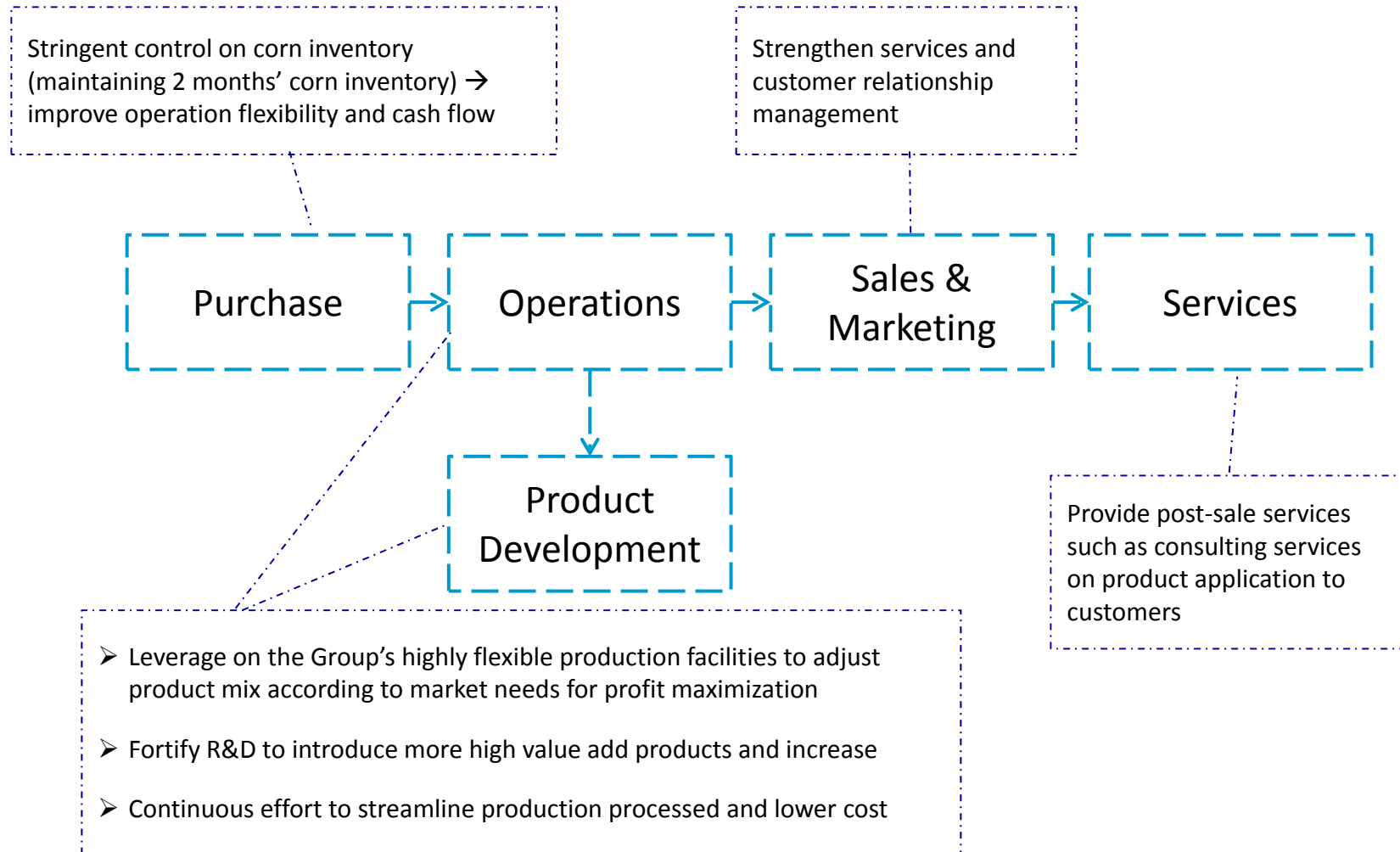
- to convert part of the debt of the Group, the GBT Group and Dajincang into equity to lower the debt ratio and to release the Group from the obligations pursuant to the financial guarantee contracts;
- to restructure the business of the Group and the GBT Group to cope with market changes;
- to introduce strategic investors into the Group and the GBT Group to finance their future development.

If the Further Revised Debt-Equity Swap Proposal is materialised, the Group's financial position will improve substantially.

CORPORATE STRATEGIES (CON'T)



(2) GSH's value chain



CORPORATE STRATEGIES (CON'T)



(3) Relocation opportunities:

- facilities upgrade
- further cost reduction through streamlining and improving production flow
- product mix and production capacity re-structure targeting high-end users

The relocation of the 60,000 mtpa glucose/maltose production facilities and the 30,000 mtpa maltodextrin production facilities were completed in April 2017 and January 2018 respectively.

In respect of the other relocation projects, in view of changes in the operating environment, the Group is in the process of reviewing the relocation projects and revising the feasibility studies for submission to, among others, the relevant government parties for approval. As such, the updated time frame is revised as follows:

Projects/ Products	Designed Capacity	*Commence Time	Completion Time
Crystallised Glucose	100,000 mtpa	Jun 2019	Jun 2020
Corn Refinery	600,000 mtpa	Dec 2019	Dec 2020

* *The tentative commencement dates of construction are dependent on availability of the relevant approval documents, finalisation of facilities designs and capital. Thus, the relocation schedule will be adjusted accordingly as and when appropriate.*

CAPACITY OVERVIEW

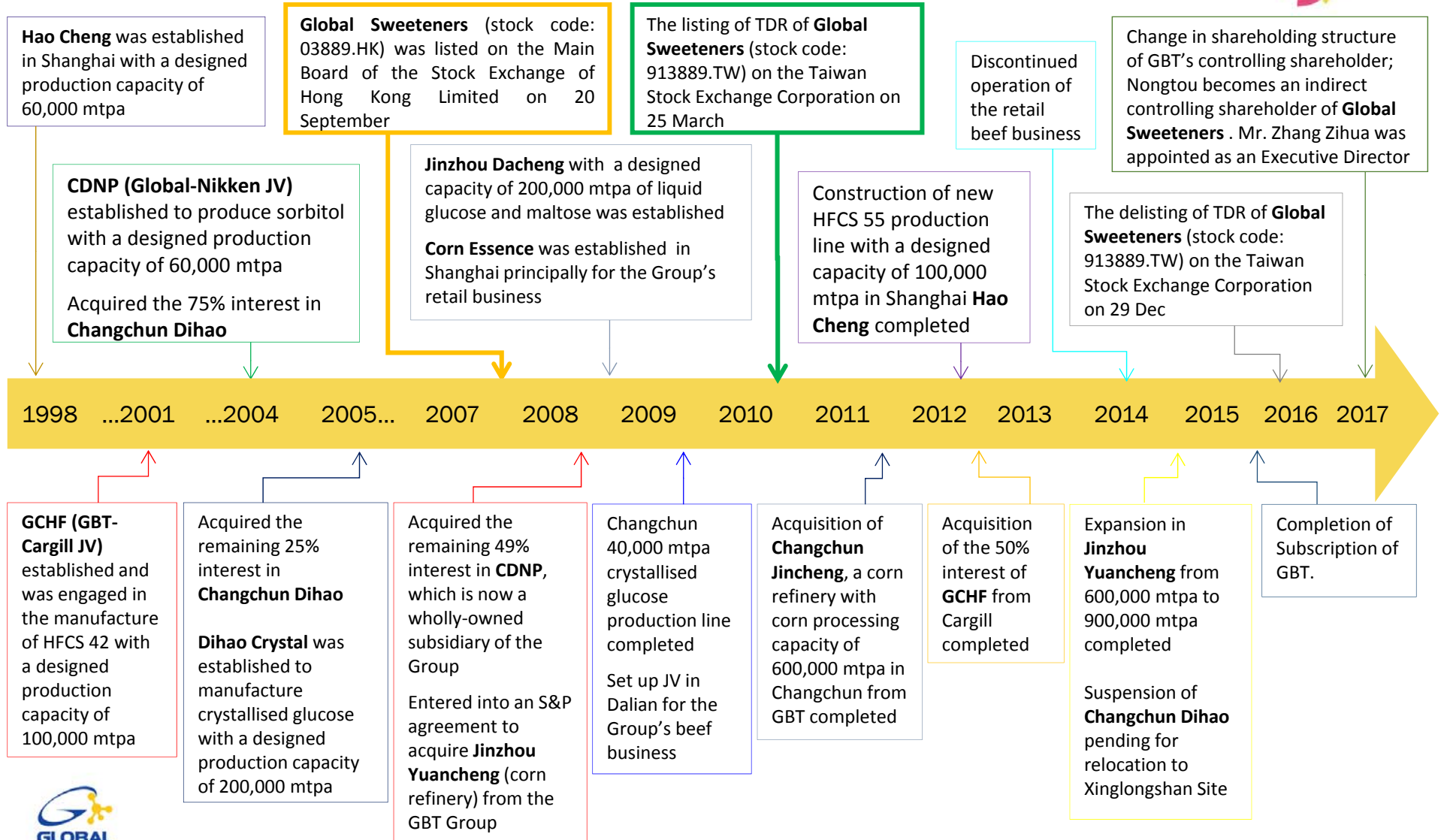


Designed Capacity (mtpa)	2017	2018	2019
<u>Upstream</u>			
Corn Starch	560,000	560,000	560,000
Corn Refined By-products	240,000	240,000	240,000
Upstream Sub-total	800,000	800,000	800,000
<u>Downstream</u>			
Glucose / Maltose Syrup	360,000	360,000	360,000
HFCS	220,000	220,000	220,000
Maltodextrin	-	30,000	30,000
Crystallised Glucose	-	-	-
Downstream Sub-total	580,000	610,000	610,000
Total	1,380,000	1,410,000	1,410,000

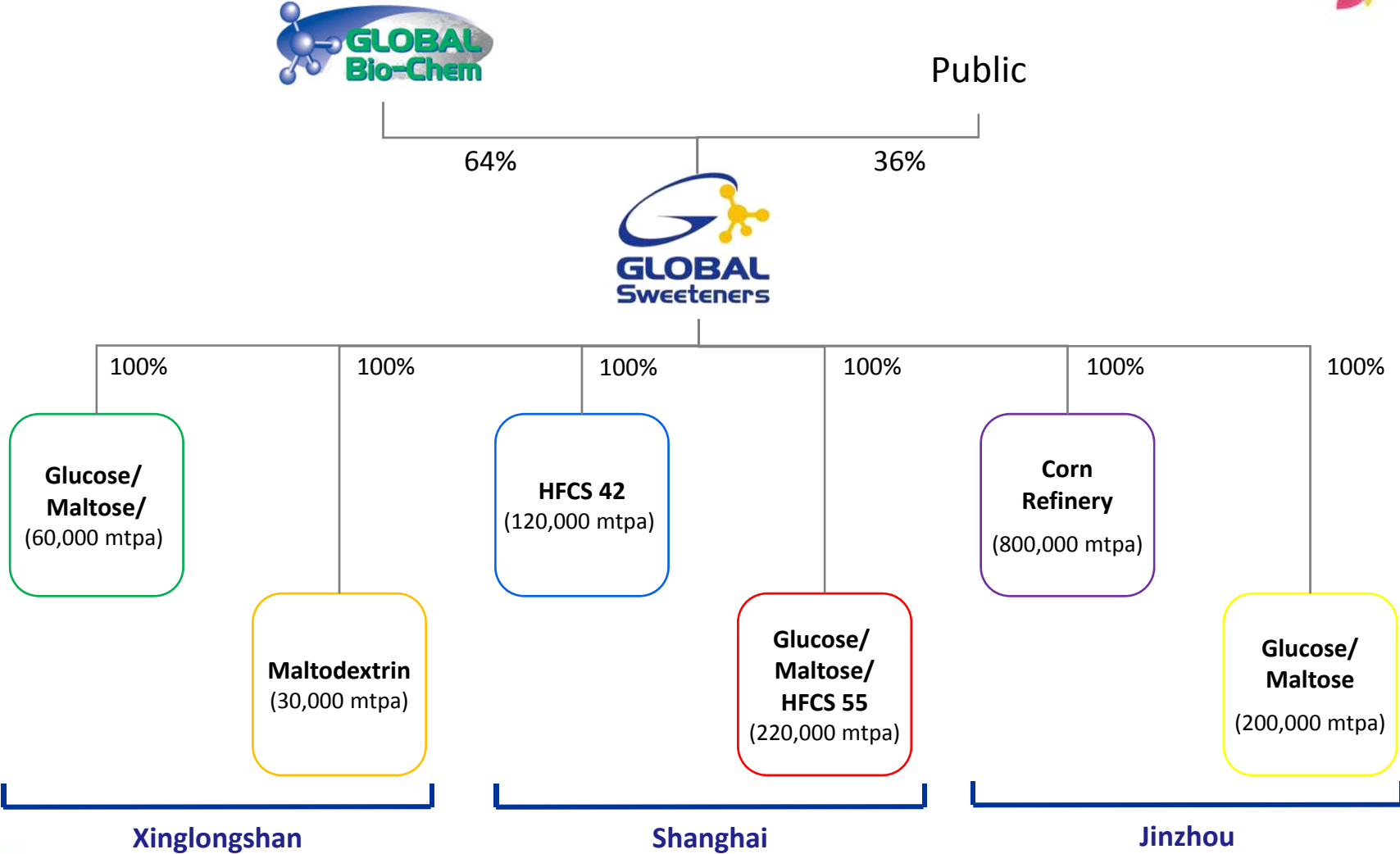
COMPANY PROFILE



CORPORATE MILESTONES



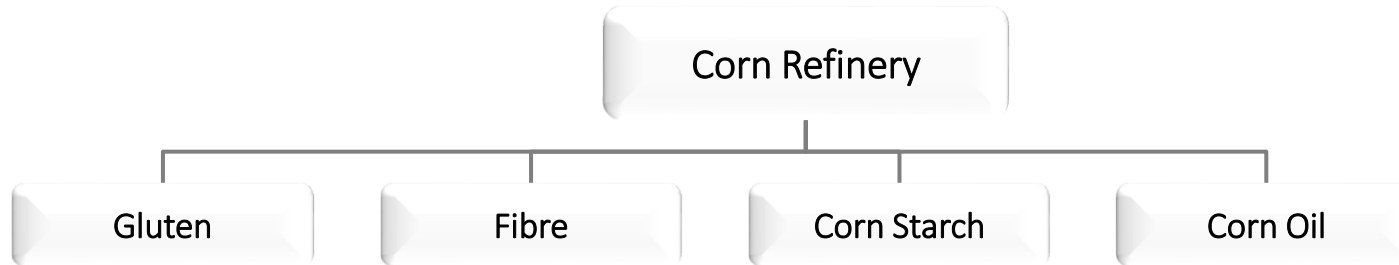
CORPORATE STRUCTURE



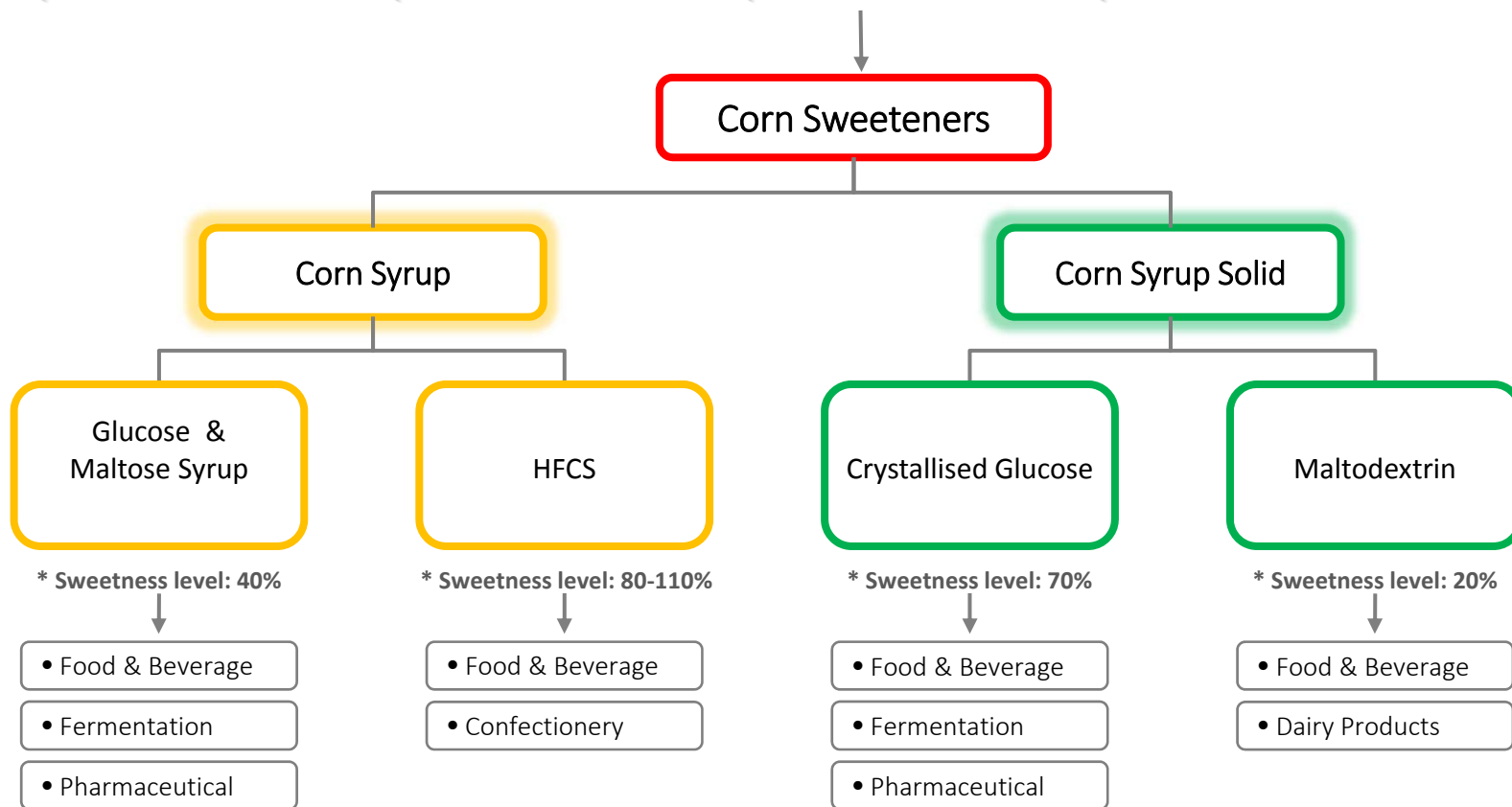
DIVERSIFIED PRODUCT MIX



UPSTREAM



DOWNSTREAM



* Sweetness level base on cane sugar sweetness

APPENDIX



PRC SUGAR & SWEETENERS PRODUCTION



Natural Sweeteners

Sugar

Raw Material:
Cane, Beet

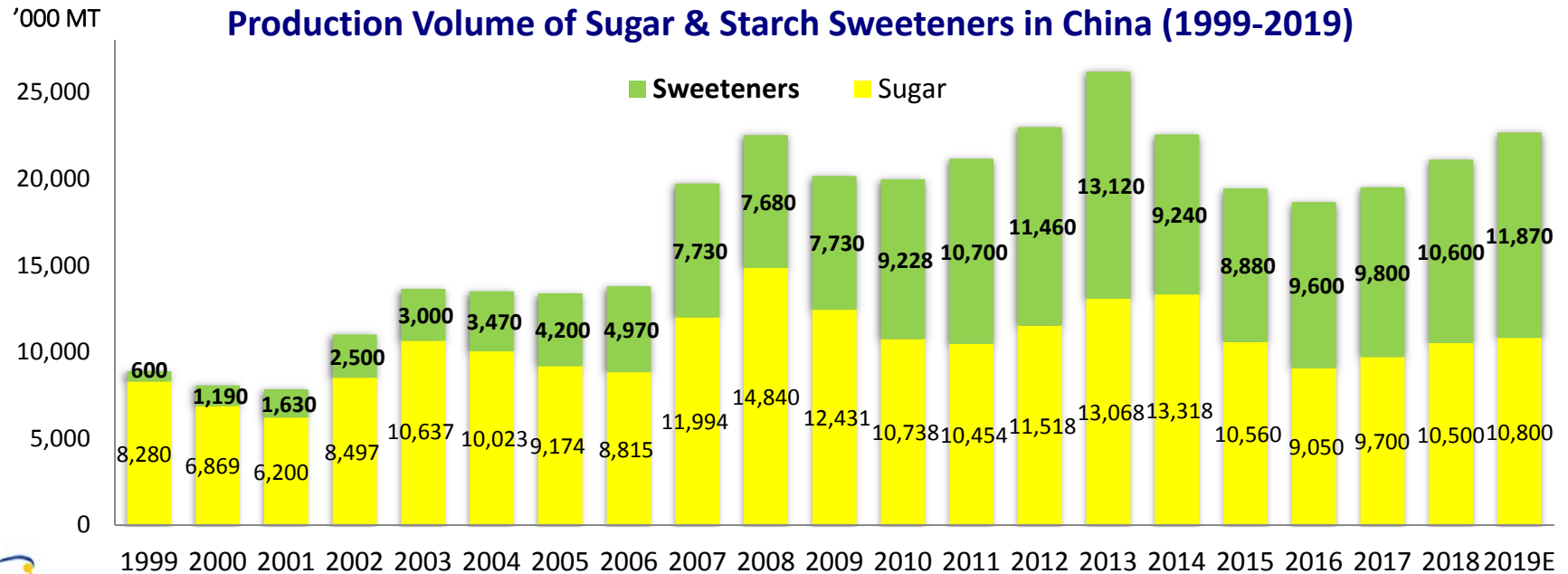
Regions:

- 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



Source: China Sugar Association/ USDA/ Cofeed.com





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THANK YOU

- The End -

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