

# 2016 ANNUAL RESULTS

29 Mar 2017



# AGENDA

- Corporate Update
- 2016 Annual Results
  - Financial Overview
  - Operation Overview
- Business Outlook & Development Plans
- Company Profile
- Appendix



# Corporate Update

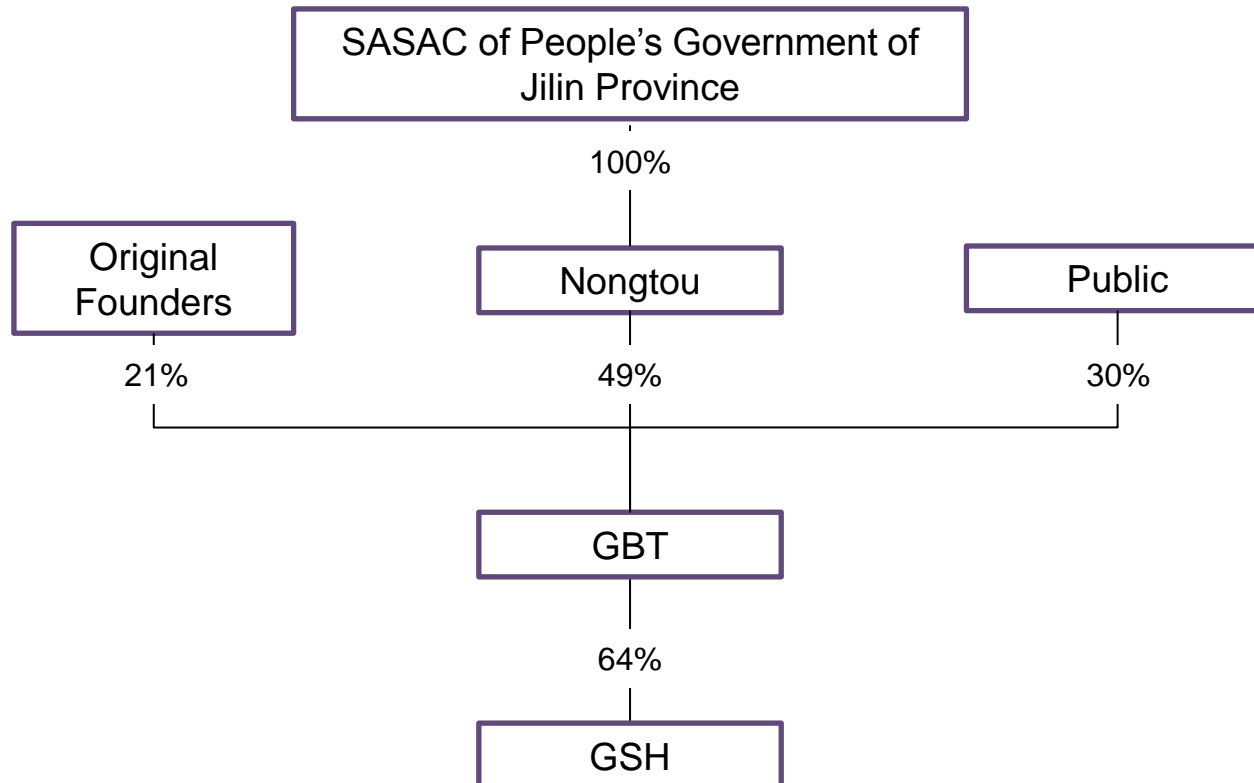


# CORPORATE UPDATE:

## 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 GSH and GBT immediately after the shareholding restructure:



# CORPORATE UPDATE:

## CHANGE IN SHAREHOLDING STRUCTURE OF GBT'S CONTROLLING SHAREHOLDER (CON'T)

- Subsequently, Mr. Zhang Zihua has been appointed as an executive Director.
  
- The involvement of Nongtou in the Group will
  - create synergies between the Group and the other investments of Nongtou in the agricultural sector in the Jilin Province;
  - 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.



# CORPORATE UPDATE:

## LATEST DEVELOPMENT OF THE DISPOSAL OF LANDS AND BUILDINGS

- As disclosed in the Company's joint announcement with GBT on 2 March 2017, the Company and GBT entered into the Termination Agreements with the Purchaser to terminate the Property Disposal Agreements and the Asset Disposal Agreements.
- Meanwhile, the Group has been in discussion with a potential purchaser, a municipal government owned enterprise, for the disposal of the Relevant Properties. Pursuant to a memorandum of understanding entered into between the GBT Group (including the Group) and the potential purchaser, it is expected that the potential purchaser will purchase the land and buildings owned by the various subsidiaries of the Company and GBT with a total consideration of not less than RMB2.2 billion, subject to the price to be determined by way of auction.
- Further announcements will be made upon any update development of the disposal proposal.

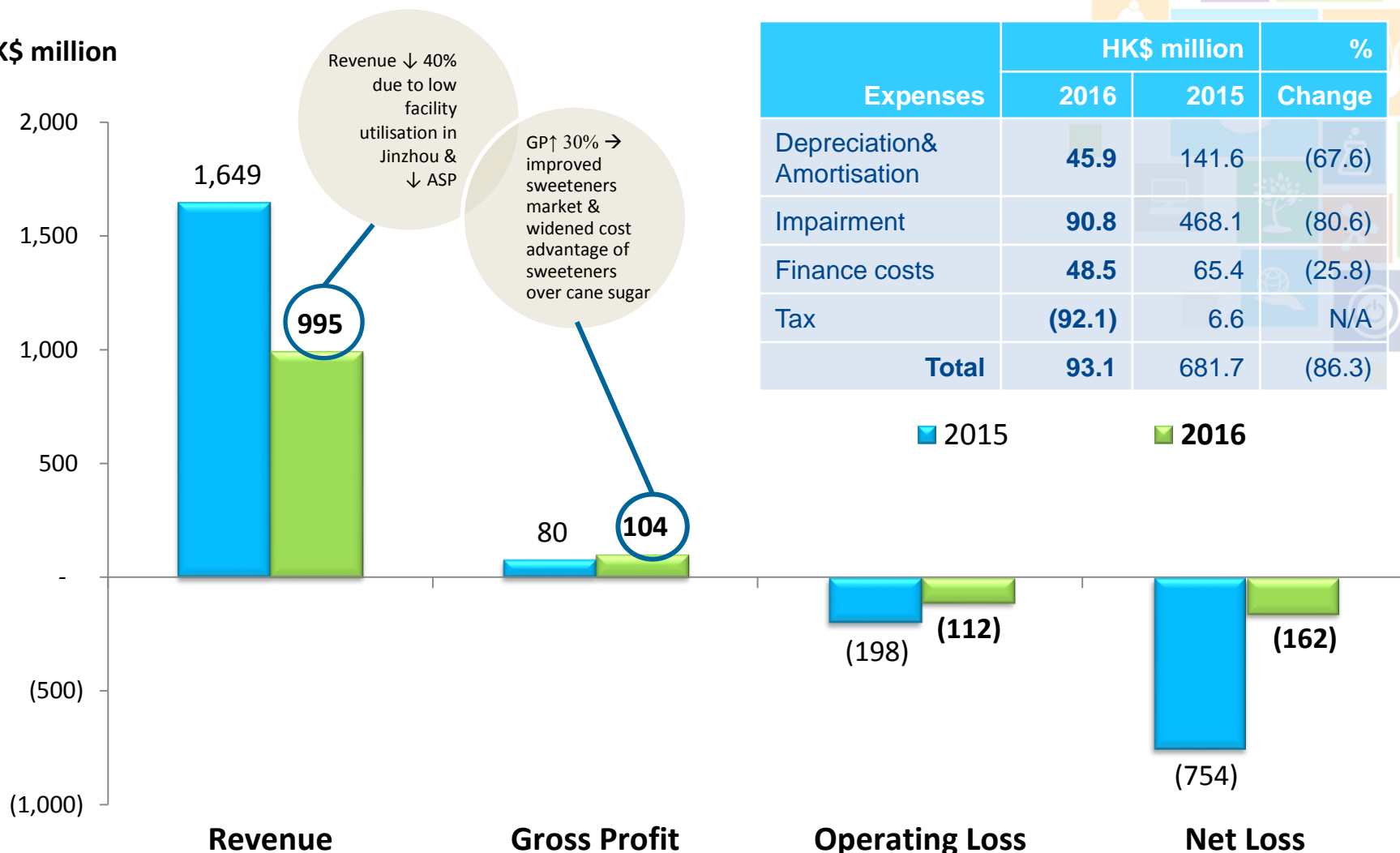


# 2016 ANNUAL RESULTS



# RESULTS HIGHLIGHTS

HK\$ million





# 2016 ANNUAL RESULTS

## Financial Overview



# OPERATING RESULTS

HK\$ million	2016	2015	% Change
<b>Revenue<sup>1</sup></b>	<b>995.2</b>	1,649.0	(39.6)
• Corn Refined Products & Corn Procurement	<b>392.4</b>	847.7	(53.7)
• Corn Sweeteners	<b>592.1</b>	801.3	(26.1)
• Trading <sup>2</sup>	<b>10.7</b>	-	N/A
<b>Gross Profit</b>	<b>104.3</b>	80.3	29.9
• Corn Refined Products & Corn Procurement	<b>21.0</b>	6.3	233.3
• Corn Sweeteners	<b>82.4</b>	74.0	11.4
• Trading	<b>0.9</b>	-	N/A
<b>Gross Profit Margin (%)</b>	<b>10.5</b>	4.9	5.6
• Corn Refined Products & Corn Procurement	<b>5.4</b>	0.7	4.7
• Corn Sweeteners	<b>13.9</b>	9.2	4.7
• Trading	<b>8.4</b>	-	N/A
<b>Operating Loss</b>	<b>(112.0)</b>	(197.8)	N/A
<b>Net Loss</b>	<b>(162.4)</b>	(753.8)	N/A
<b>Net Margin (%)</b>	<b>(25.9)</b>	(45.7)	N/A
<b>Basic Loss Per Share (HK cents)</b>	<b>(10.6)</b>	(49.3)	N/A
<b>Dividend Per Share – Interim (HK cents)</b>	-	-	-

<sup>1</sup> The substantial drop in revenue was mainly due to low facility utilisation in Jinzhou during the Year.

<sup>2</sup> The trading segment began operation subsequent to the Master Sales Agreement entered into between the Group and the GBT Group in April 2016 for the marketing and sale of GBT's Lysine and Other Products in Huadong Region.

# FINANCIAL POSITION

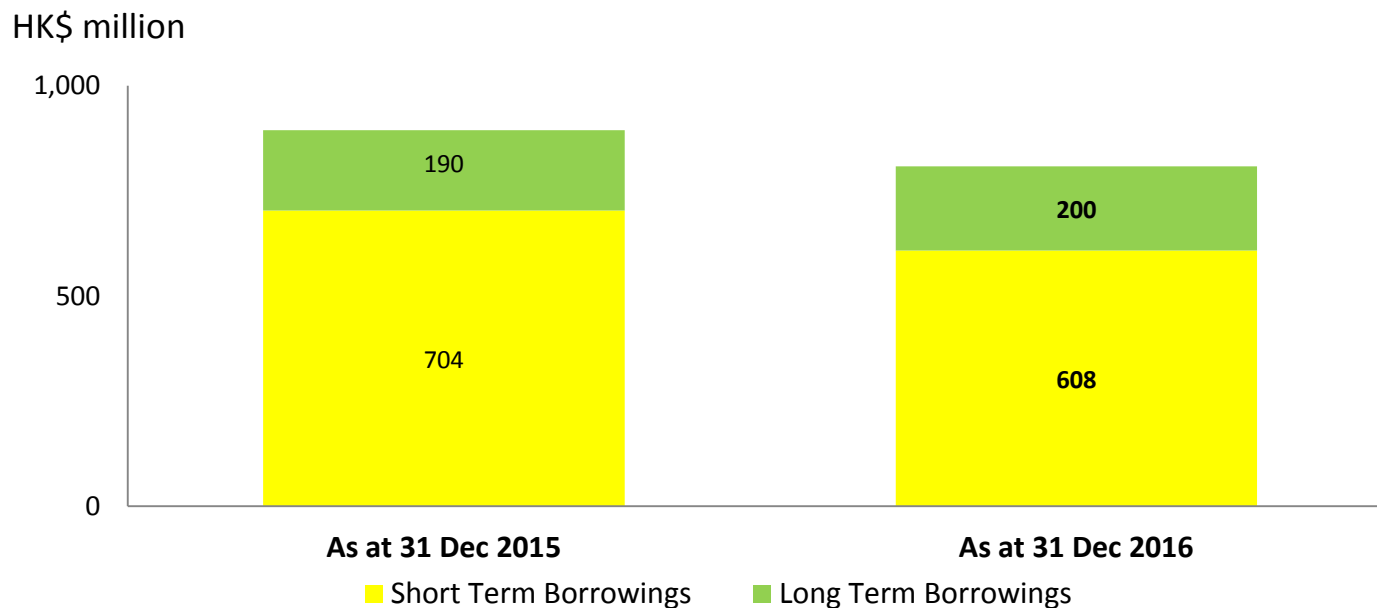
HK\$ million	31 Dec 2016	31 Dec 2015	% Change
Non-current Assets*	<b>924.9</b>	604.1	53.1
Current Assets*	<b>487.9</b>	1,013.4	(51.9)
Current Liabilities	<b>1,167.1</b>	1,141.4	2.3
Cash and Cash Equivalents	<b>117.0</b>	61.1	91.5
Total Equity	<b>12.0</b>	178.5	(93.3)
Interest Bearing Borrowings	<b>808.3</b>	894.0	(9.6)

\* The increase in non-current assets and decrease in current assets was a result of reclassification of non-current assets held for sale to prepaid land lease payments and property, plant and equipment subsequent to the termination of the Property Disposal Agreement,

# BANK BORROWINGS ANALYSIS

HK\$ million	31 Dec 2016	31 Dec 2015	% Change
Short Term Borrowings	<b>608.3</b>	703.5	(13.5)
Long Term Borrowings	<b>200.0</b>	190.5	5.0
<b>Total</b>	<b>808.3</b>	894.0	(9.6)

\* Average interest rate for 2016: 5.8% (2015: 6.8%)



# KEY FINANCIAL RATIOS

	31 Dec 2016	31 Dec 2015
Current Ratio	<b>0.4</b>	0.9
Quick Ratio	<b>0.3</b>	0.8
Gearing Ratio (net debt/equity)*	<b>5,771.0%</b>	450.9%
Inventory Turnover Days	<b>46 Days</b>	37 days
Trade Receivables Turnover Days	<b>71 Days</b>	37 days
Trade Payables Turnover Days	<b>58 days</b>	46 days

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

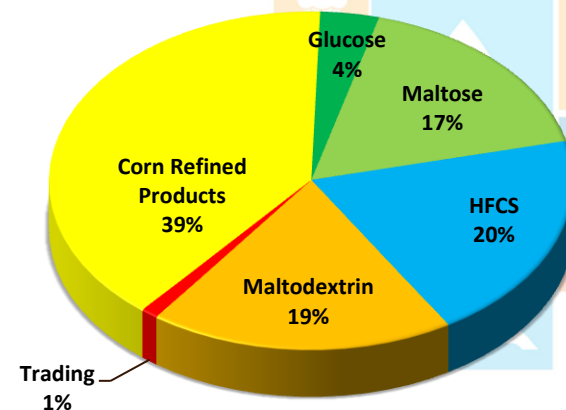
- i) active negotiations with banks to obtain adequate bank borrowings to finance the Group's operations;
- ii) negotiations with a potential purchaser regarding a potential disposal of lands and buildings of the Group's production site in Luyuan District, Changchun;
- iii) closely monitoring of the Group's operating cash flow;
- iv) conducting feasibility study on possible debt-equity swap with creditors of the Group, a proposal of which has been submitted to the Jilin Provincial Government for consideration;
- v) financial support from Nongtou.



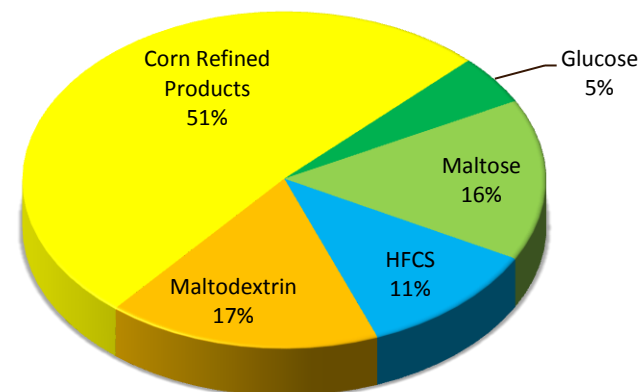
# REVENUE BREAKDOWN

Revenue (HK\$ million)	2016	2015	% Change
<b>Upstream*</b>			
Corn Refined Products & Corn Procurement	<b>392.4</b>	847.8	(53.7)
<b>Downstream</b>			
Glucose Syrup	<b>36.4</b>	79.2	(54.0)
Maltose Syrup	<b>170.1</b>	256.0	(33.6)
HFCS	<b>198.8</b>	187.7	5.9
Maltodextrin	<b>186.8</b>	278.3	(32.9)
<b>Sweeteners Sub-total</b>	<b>592.1</b>	801.2	(26.1)
<b>Trading</b>			
Lysine & Other Corn Refined Products	<b>10.7</b>	-	N/A
<b>Total</b>	<b>995.2</b>	1,649.0	(39.6)

2016 Revenue Breakdown



2015 Revenue Breakdown

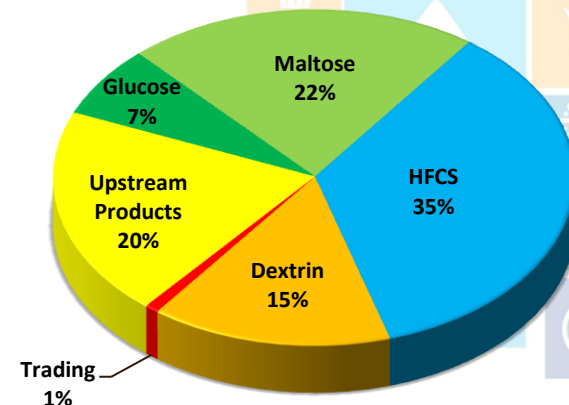


\* The drop in upstream revenue was mainly due to the suspension of certain operations in Changchun and low facility utilisation in Jinzhou.

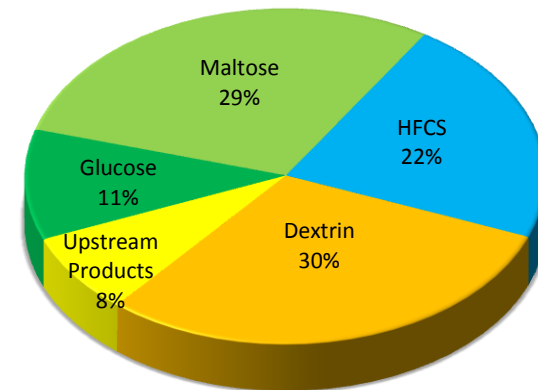
# GROSS PROFIT BREAKDOWN

Gross Profit (HK\$ million)	2016	2015	% Change
<b>Upstream</b>			
Corn Refined Products & Corn Procurement	21.0	6.3	233.3
<b>Downstream</b>			
Glucose Syrup	7.2	8.5	(15.3)
Maltose Syrup	22.9	23.7	(3.4)
HFCS	36.8	17.6	109.1
Maltodextrin	15.5	24.2	(36.0)
<b>Sweeteners Sub-total</b>	<b>82.4</b>	<b>74.0</b>	<b>11.4</b>
<b>Trading</b>			
Lysine & Other Corn Refined Products	0.9	-	N/A
<b>Total</b>	<b>104.3</b>	<b>80.2</b>	<b>30.0</b>

2016 Gross Profit Breakdown



2015 Gross Profit Breakdown





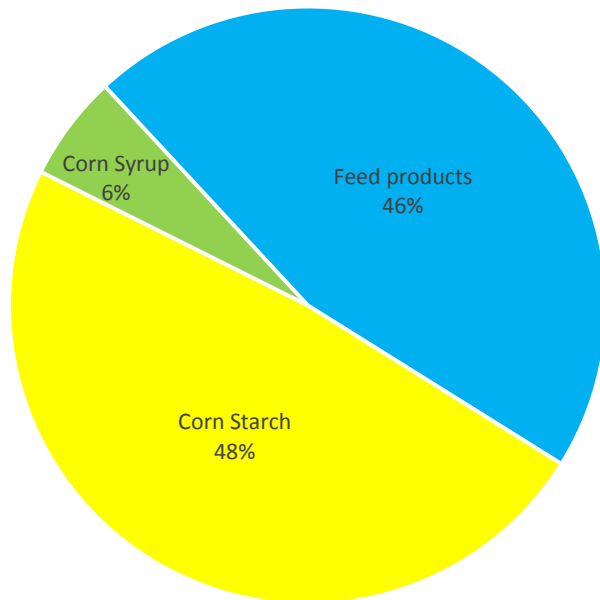
# SALES ANALYSIS

	Sales Volume ('000 MT)			Gross Profit Margin (%)		
	2016	2015	% Change	2016	2015	% pt Change
<b><u>Upstream</u></b>						
Corn Refined Products & Corn Procurement	167	321	(48.0)	5.4	0.7	4.7
<b><u>Downstream</u></b>						
Corn Syrup	137	143	(4.2)	16.5	9.5	7.0
Corn Syrup Solid	74	86	(14.0)	8.3	8.7	(0.4)
<b>Sweeteners Sub-total</b>	<b>211</b>	229	(7.9)	<b>13.9</b>	9.2	4.7
<b><u>Trading</u></b>						
Lysine & Other Corn Refined Products	2	-	N/A	8.4	-	N/A
<b>Total</b>	<b>380</b>	<b>550</b>	<b>(30.9)</b>	<b>10.5</b>	<b>4.9</b>	<b>5.9</b>

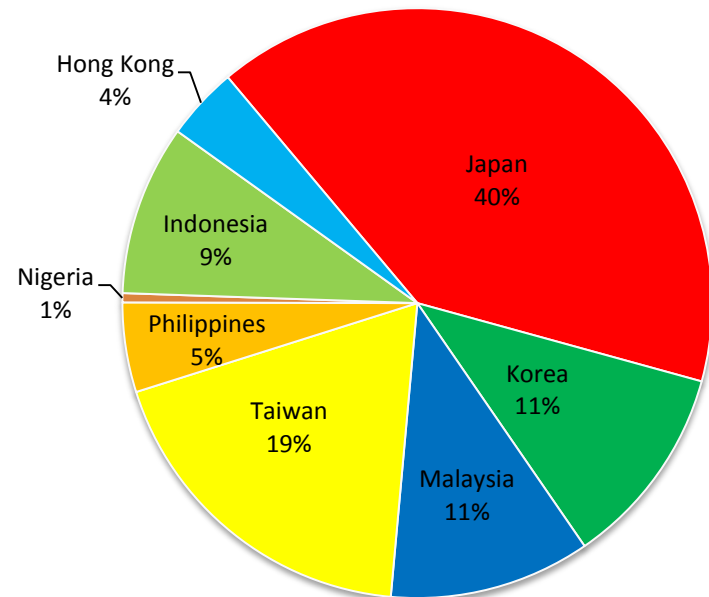
# EXPORTS BREAKDOWN

	2016	2015	% Change
Export Sales Revenue (HK\$ Million)	<b>91.2</b>	90.2	1.1
Exports Sales Volume ('000 MT)	<b>48.0</b>	41.2	16.5
Export Contribution (%)	<b>9.2</b>	5.5	3.7 % pt

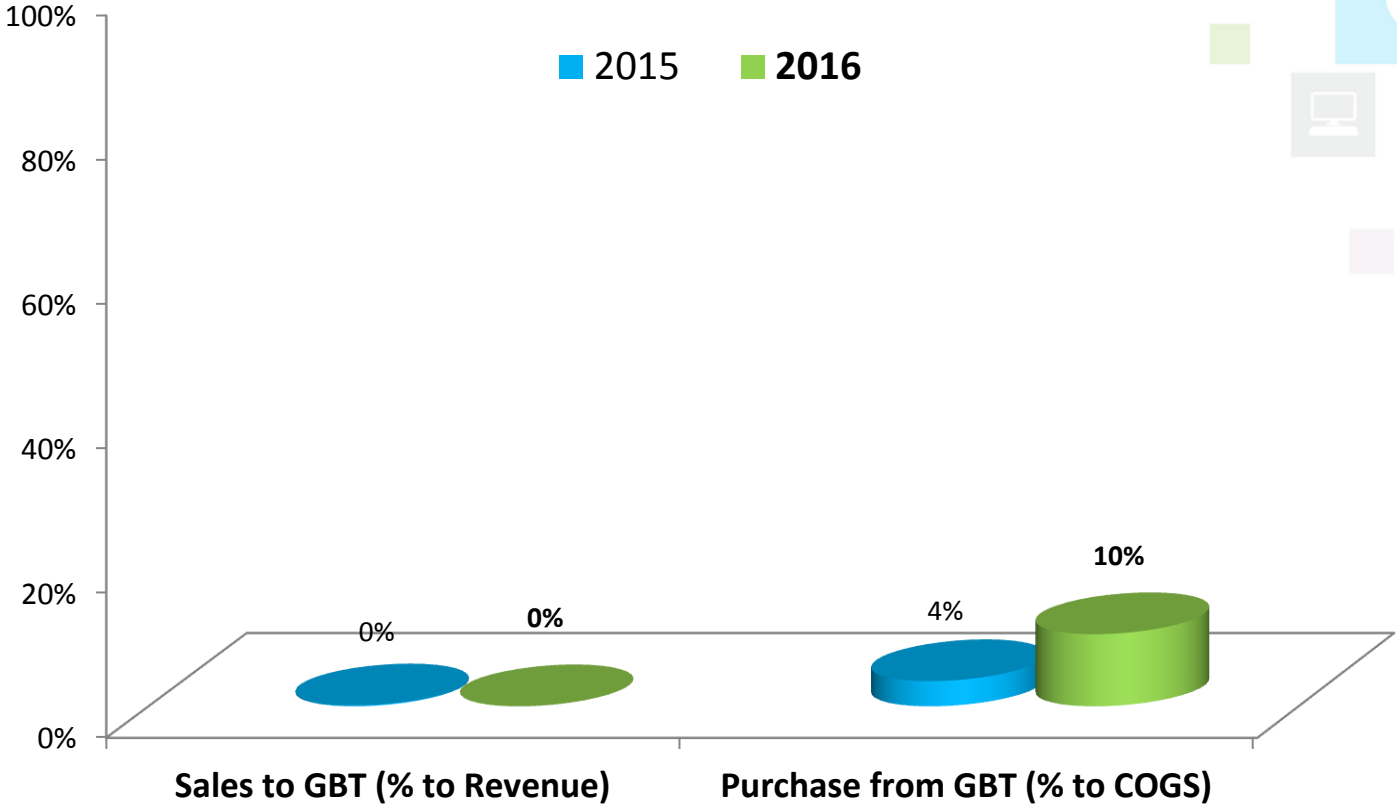
Export Sales by Product 2016



Export Sales by Region 2016



# CCT – SALES TO & PURCHASE FROM GBT



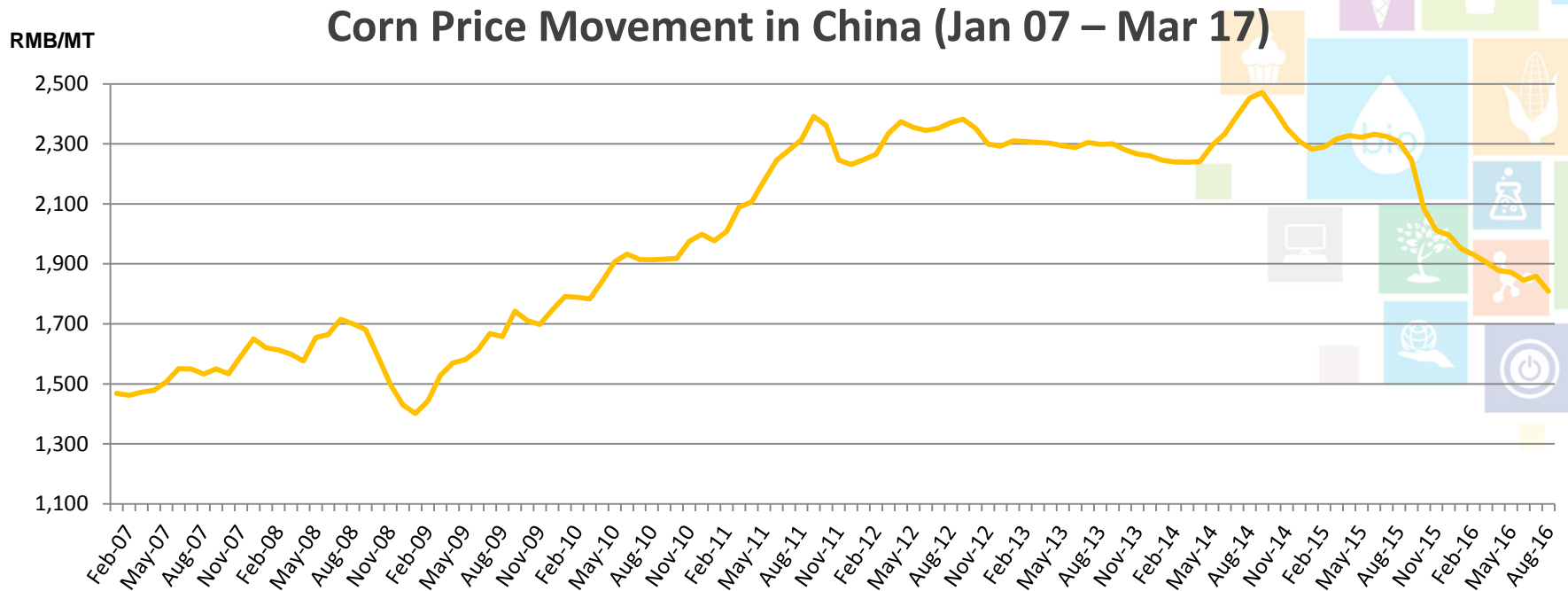
# OPERATING COST STRUCTURE

	2016	2015
Raw Material (Corn / Corn Starch)	65.4%	69.1%
Utilities (Water, Electricity, Steam & Wastewater Treatment)	8.0%	9.2%
Labour	2.3%	1.9%
Depreciation	1.9%	2.2%
Production Overhead (Consumable and Packaging)	4.1%	1.5%
Selling and Distribution Expenses	7.7%	7.5%
Administrative Expenses	10.6%	8.6%

# BUSINESS OUTLOOK & DEVELOPMENT PLANS



# UPSTREAM RAW MATERIAL – CORN



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

- Corn harvest for 2016/17: approx. 220 million MT (2015/16: 225 million MT) (Source: USDA)
- Agricultural policy reforms:
  - direct subsidy to farmers in Heilongjiang, Jilin, Liaoning and Inner Mongolia
  - corn procurement subsidies to corn refiners
  - stabilised PRC corn price + RMB depreciation → ↑ competitiveness of corn-related products in overseas market
- Corn refinery serves as feedstock for downstream production → strategic value to the Group's business

# DOWNSTREAM SUBSTITUTE – SUGAR

## Sugar Price Movement in China (Jan 01 – Mar 17)

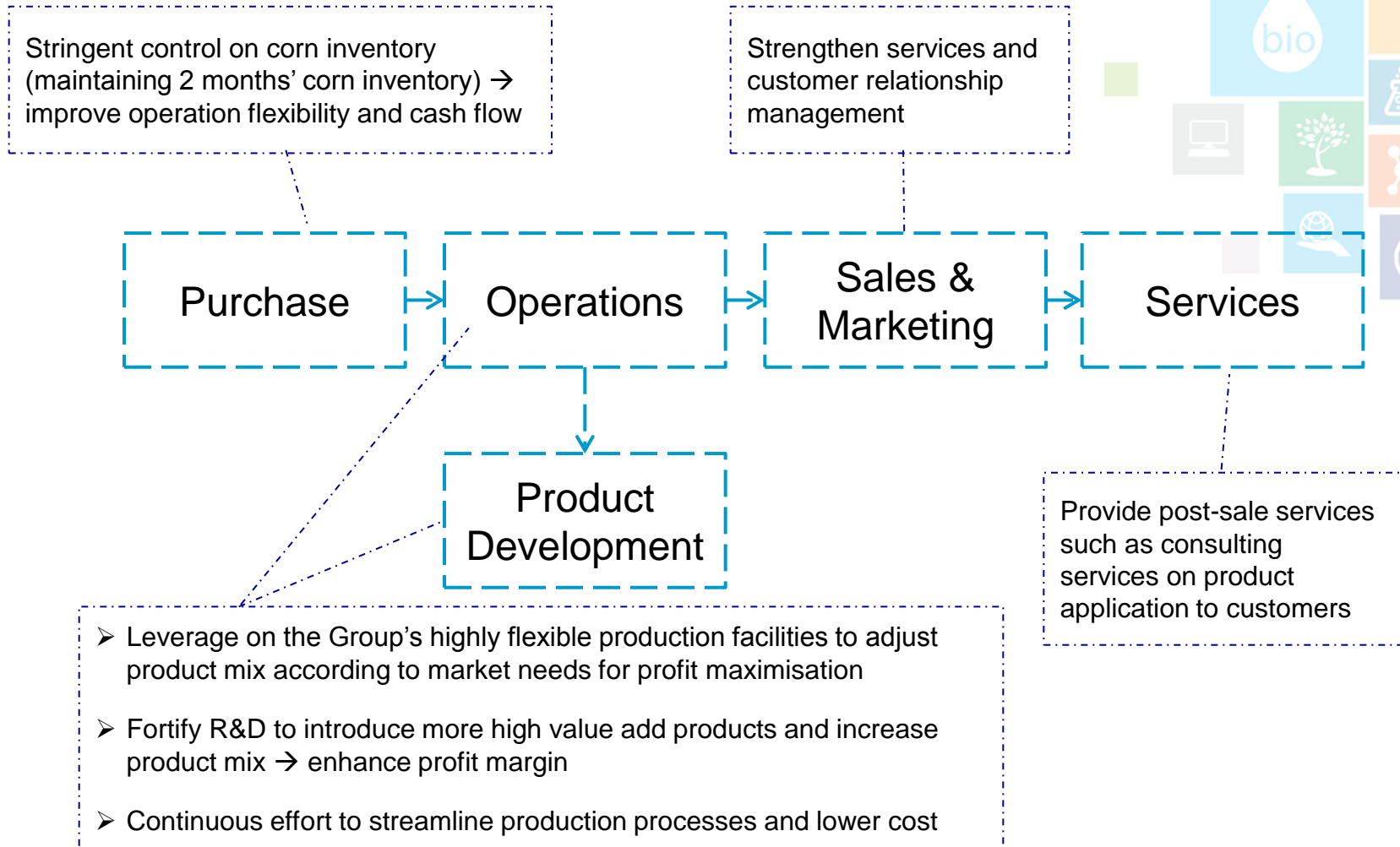


Source: [www.sugarinfo.net](http://www.sugarinfo.net)

- 2015/16 sugar production in China dropped 16.7% to 9.0 million MT (2014/15: 10.8 million MT)
- PRC sugar price peak in 2016: approx. RMB 7,119/MT
- ↑ sugar price & ↓ corn cost → ↑ customer's incentive to switch to corn sweeteners
- Strategy on corn sweeteners business: continues to focus on high value-add products and markets; continuous R&D to widen product portfolio; streamlining/ improving production flow for further cost saving

# CORPORATE STRATEGIES

## (1) GSH's value chain





# CORPORATE STRATEGIES (CON'T)

## (2) 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 Group is in the process of getting the necessary approvals from the relevant bodies and finalising facilities designs. Tentative relocation schedule:

Projects/ Products	Designed Capacity	*Commence Time	Completion Time
Maltodextrin (Phase 1)	30,000 mtpa	Jul 2017	Jun 2018
Maltodextrin (Phase 2)	30,000 mtpa	Jul 2017	Jun 2018
Crystallised Glucose	40,000 mtpa	Jul 2017	Jun 2018
Glucose/ Maltose	60,000 mtpa	Sep 2016	Apr 2017
Corn Refinery	600,000 mtpa	Jul 2017	Jun 2018

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

# CAPACITY OVERVIEW

Designed Capacity (mtpa)	2016	2017*
<b><u>Upstream</u></b>		
Corn Starch	560,000	560,000
Corn Refined By-products	240,000	240,000
<b>Upstream Sub-total</b>	<b>800,000</b>	<b>800,000</b>
<b><u>Downstream</u></b>		
Glucose / Maltose Syrup	300,000	360,000
HFCS	220,000	220,000
Maltodextrin	Nil	Nil
Crystallised Glucose	Nil	Nil
<b>Downstream Sub-total</b>	<b>520,000</b>	<b>580,000</b>
<b>Total</b>	<b>1,320,000</b>	<b>1,380,000</b>

\* *Designed capacity in 2017 includes the capacity of relocated production upon completion of relevant projects in 2017, according to the tentative schedule as shown on page 24.*

# 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 ...2004 2005... 2007 2008 2009 2010 2011 2012 2013 2014 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 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

Expansion in **Jinzhou Yuancheng** from 600,000 mtpa to 900,000 mtpa 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



Public

64%

36%

*Suspended pending for relocation*



100% 100% 100% 100% 100% 100% 100% 100%

**Glucose/  
Maltose/  
Maltodextrin**  
(520,000 mtpa)

**HFCS 42**  
(120,000 mtpa)

**Corn  
Refinery**  
(800,000 mtpa)

**Corn  
Procurement**

**Corn  
Refinery**  
(600,000 mtpa)

**Crystallised  
Glucose**  
(300,000 mtpa)

**Glucose/  
Maltose/  
HFCS 55**  
(220,000 mtpa)

**Glucose/  
Maltose**  
(200,000 mtpa)

**Changchun**

**Shanghai**

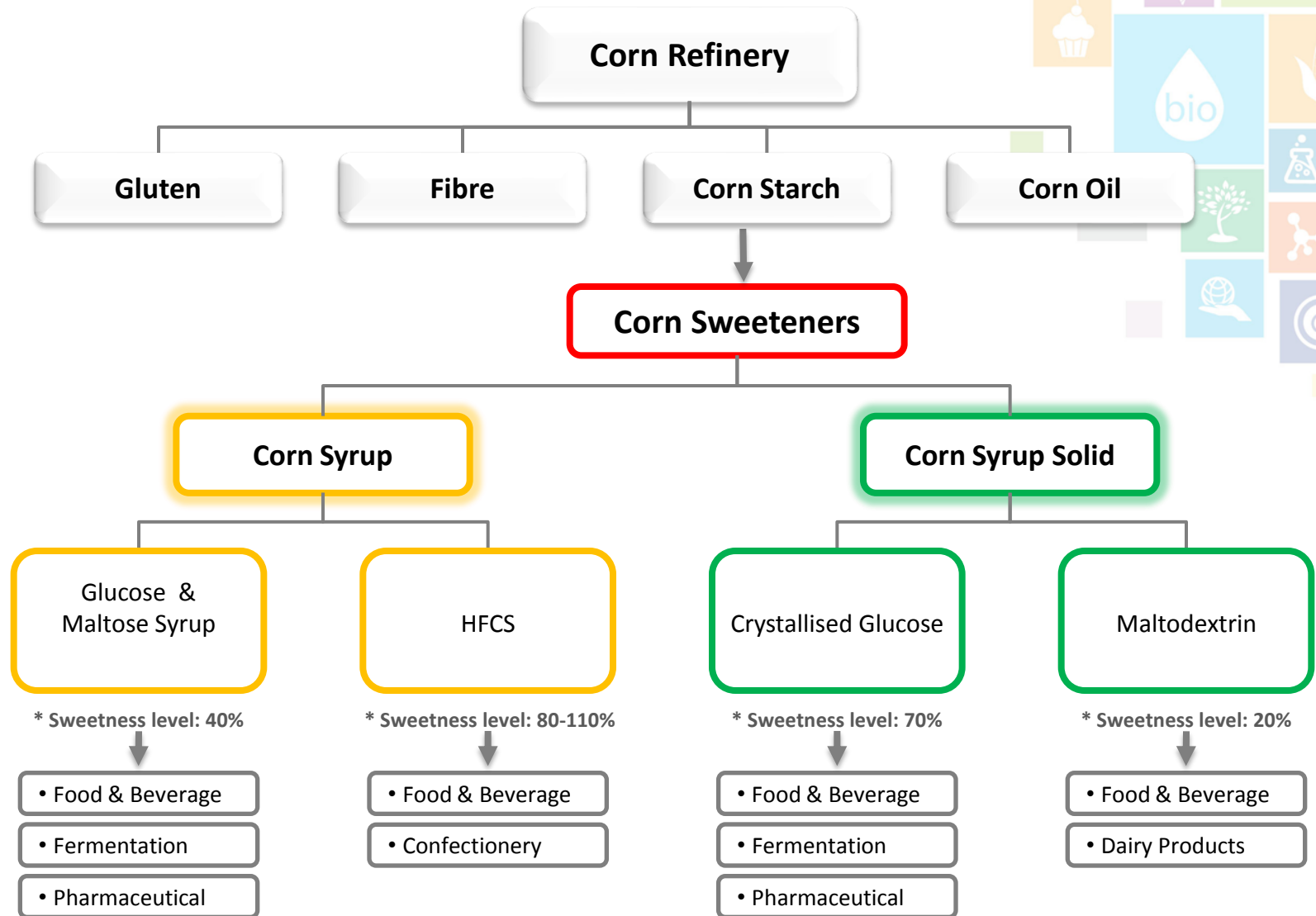
**Jinzhou**

**Dalian**

# DIVERSIFIED PRODUCT MIX

UPSTREAM

DOWNSTREAM



\* Sweetness level base on cane sugar sweetness

# GEOGRAPHIC ADVANTAGE

## Changchun

- Production area of about 257,290 sq m
- Located in China's Golden Corn Belt
- Abundant supply of the major production MATERIAL at competitive cost

## Jinzhou

- Production area of about 370,000 sq m
- Located in China's Golden Corn Belt
- Abundant supply of the major production MATERIAL at competitive cost
- A major traffic hub (next to a deep sea port)

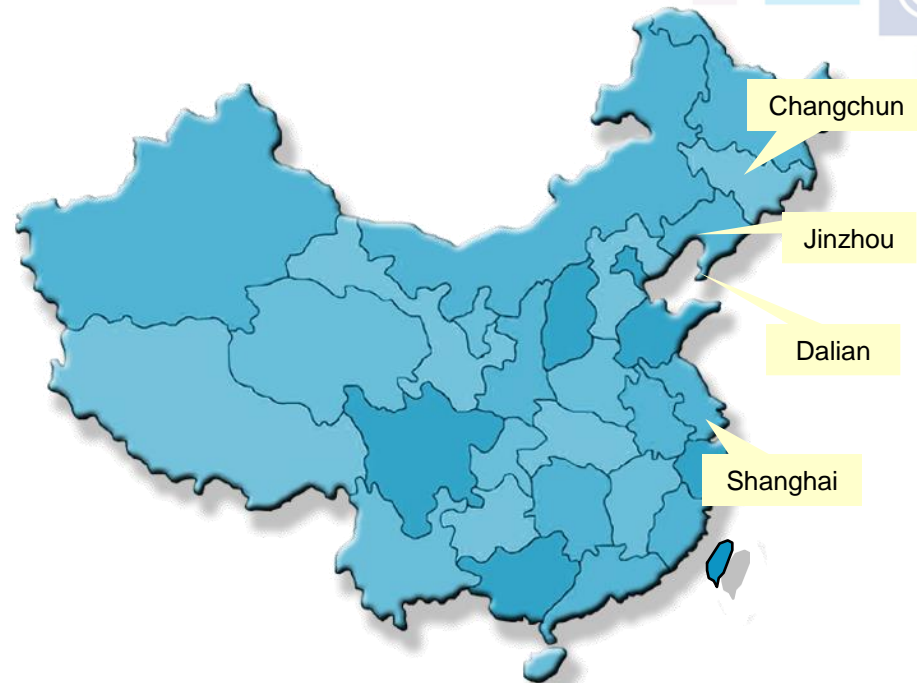
## Dalian

- A major traffic hub (ports & railway)
- One of the distributing centres for grains in China
- Financial centre of Northeast China

## Shanghai

- Production area of about 30,000 sq m
- Access to CUSTOMERS a number of large food and beverage producers in the Yangtze River Delta
- A major traffic hub

Cost Advantage	Changchun	Jinzhou	Shanghai
Corn	√√√	√√√	√√
Coal	√√√	√√√	√√
Transportation	√√	√√√	√√√



# 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

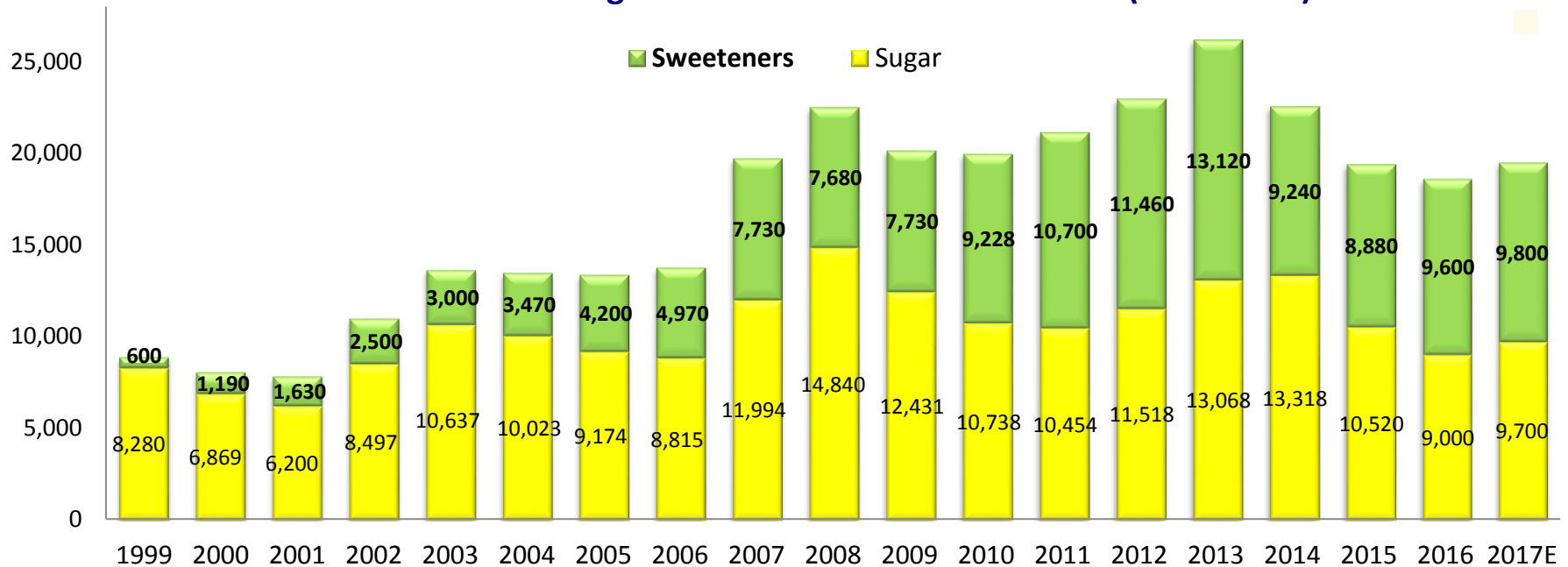
**Raw Material:**

Corn, Potatoes, Tapioca

**Regions:**

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

'000 MT **Production Volume of Sugar & Starch Sweeteners in China (1999-2017)**



Source: China Sugar Association

