



大成糖業控股有限公司  
GLOBAL Sweeteners Holdings Limited

## 2014 Interim Results

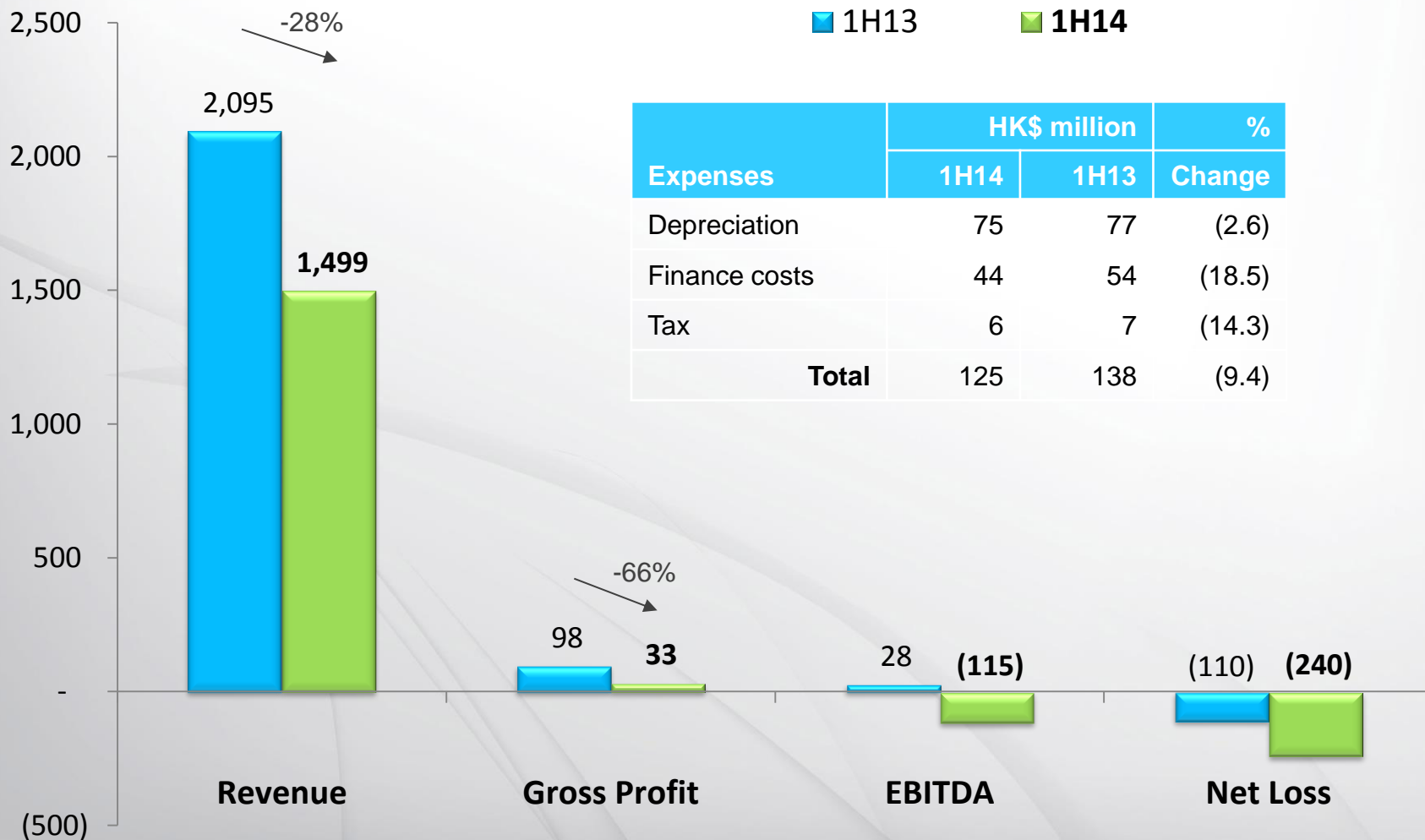
29 August 2014

# AGENDA

- 2014 Interim Results
  - Financial Overview
  - Operation Overview
- Business Outlook & Development Plans
- Company Profile
- Appendix

# RESULTS HIGHLIGHTS

HK\$ million





# 2014 INTERIM RESULTS

## Financial Overview

# OPERATING RESULTS

HK\$ million	1H14	1H13	% Change
<b>Revenue</b>	<b>1,499</b>	2,095	(28.4)
• Corn Refined Products & Corn Procurement	<b>743</b>	978	(24.0)
• Corn Sweeteners	<b>756</b>	1,117	(32.3)
<b>Gross Profit / (Loss)</b>	<b>33</b>	98	(66.3)
• Corn Refined Products & Corn Procurement	<b>(46)</b>	7	N/A
• Corn Sweeteners	<b>79</b>	91	(13.2)
<b>Gross Profit / (Loss) Margin (%)</b>	<b>2.2</b>	4.7	(2.5)% pt
• Corn Refined Products & Corn Procurement	<b>(6.2)</b>	0.7	N/A
• Corn Sweeteners	<b>10.4</b>	8.2	2.2% pt
<b>EBITDA</b>	<b>(115)</b>	28	N/A
<b>Net Loss</b>	<b>(240)</b>	(110)	N/A
<b>Net Margin (%)</b>	<b>(16.0)</b>	(5.3)	N/A
<b>Basic Loss Per Share (HK cents)</b>	<b>(15.7)</b>	(7.2)	N/A
<b>Dividend Per Share – Interim (HK cents)</b>	-	-	N/A

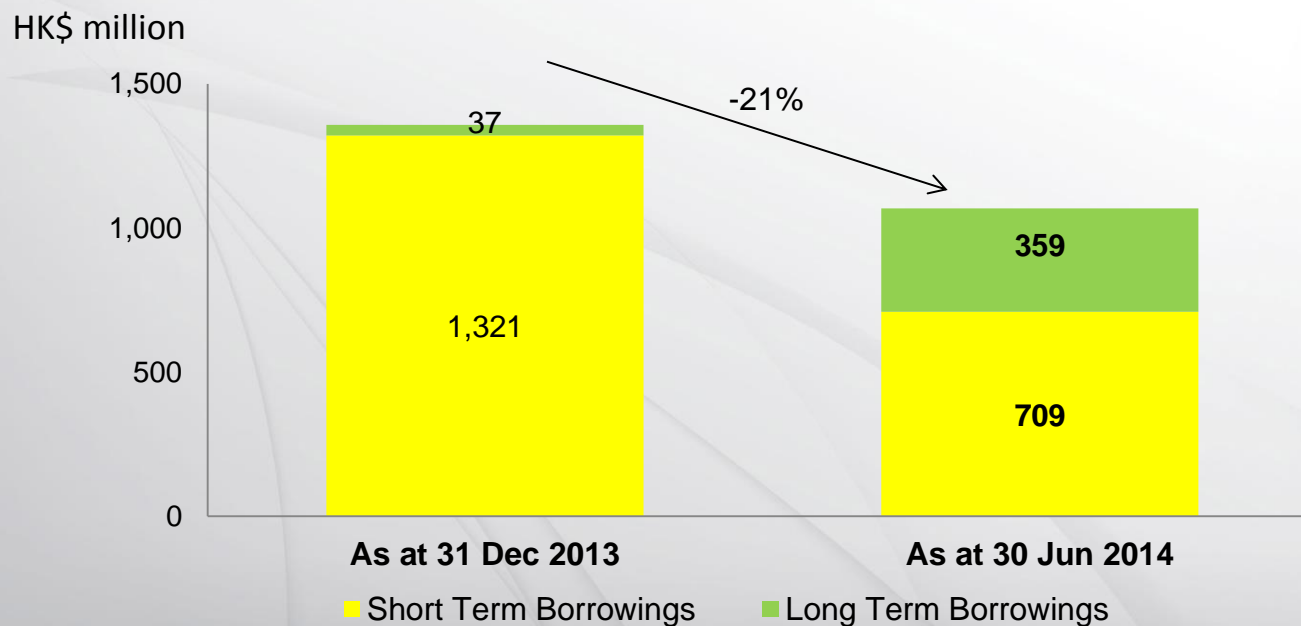
# FINANCIAL POSITION

HK\$ million	30 Jun 14	31 Dec 13	% Change
Non-current Assets	<b>1,781</b>	1,965	(9.4)
Current Assets	<b>1,728</b>	2,503	(31.0)
Current Liabilities	<b>1,265</b>	2,286	(44.7)
Cash and Bank Balances	<b>263</b>	407	(35.4)
Shareholder's Equity	<b>1,778</b>	2,037	(12.7)
Interest Bearing Borrowings	<b>1,068</b>	1,358	(21.4)

# BANK BORROWINGS ANALYSIS

HK\$ million	30 Jun 14	31 Dec 13	% Change
Short Term Borrowings	<b>709</b>	1,321	(46.3)
Long Term Borrowings	<b>359</b>	37	870.3
<b>Total</b>	<b>1,068</b>	1,358	(21.4)

\* Average interest rate for 1H14: 5.3% (2013: 5.9%)



# KEY FINANCIAL RATIOS

	30 Jun 14	31 Dec 13
Current Ratio	<b>1.37</b>	1.10
Quick Ratio	<b>0.74</b>	0.63
Gearing Ratio (net debt/equity)	<b>48.0%</b>	51.8%
Inventories Turnover Days	<b>98 days</b>	96 days
Trade Receivables Turnover Days	<b>46 days</b>	61 days
Trade Payables Turnover Days	<b>18 days</b>	38 days



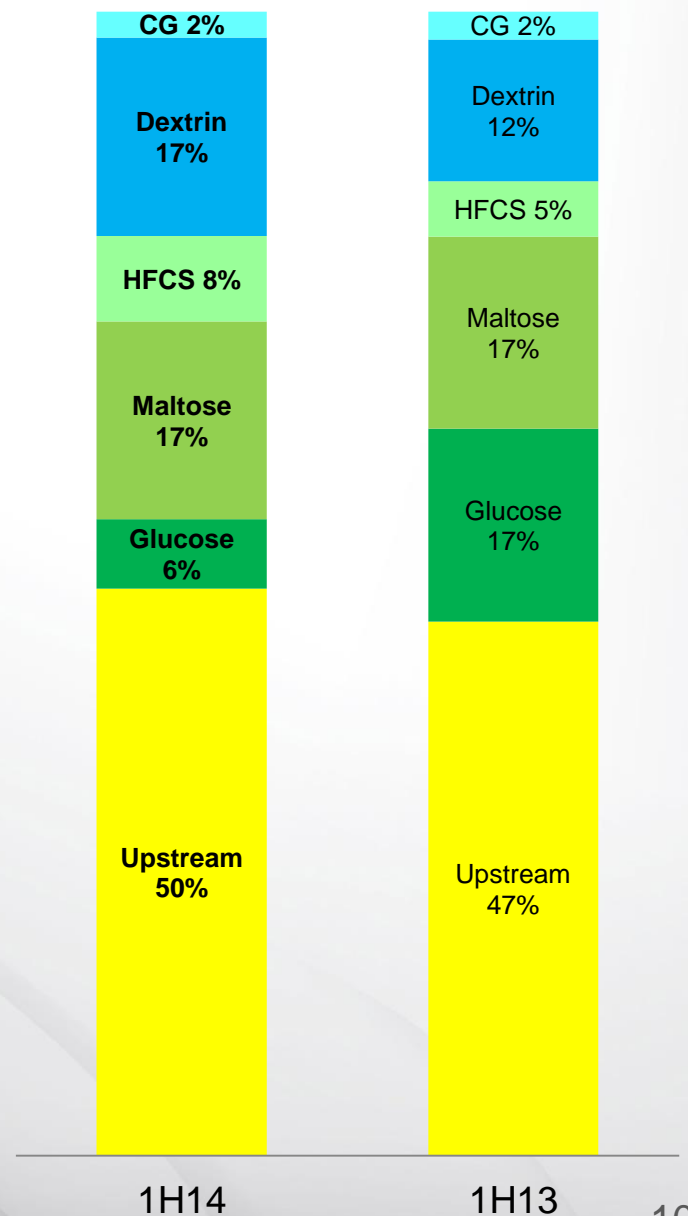


# 2014 INTERIM RESULTS

## Operation Overview

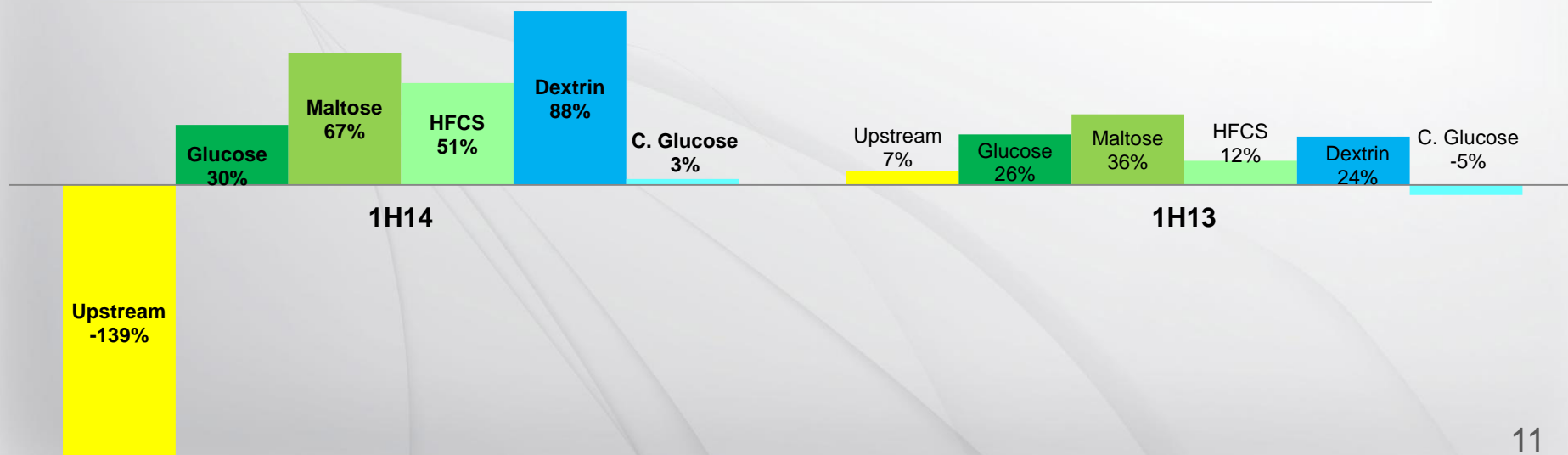
# REVENUE BREAKDOWN

Revenue (HK\$ million)	1H14	1H13	% Change
<b>Upstream</b>			
Corn Refined Products & Corn Procurement	743	978	(24.0)
<b>Downstream</b>			
Glucose Syrup	91	353	(74.2)
Maltose Syrup	259	352	(26.4)
HFCS	112	101	10.9
Maltodextrin	260	260	-
Crystallised Glucose	34	51	(33.3)
<b>Sweeteners Sub-total</b>	<b>756</b>	<b>1,117</b>	<b>(32.3)</b>
<b>Total</b>	<b>1,499</b>	<b>2,095</b>	<b>(28.4)</b>



# GROSS PROFIT BREAKDOWN

Gross Profit / (Loss) (HK\$ million)	1H14	1H13	% Change
<b>Upstream</b>			
Corn Refined Products & Corn Procurement	(46)	7	N/A
<b>Downstream</b>			
Glucose Syrup	10	25	(60.0)
Maltose Syrup	22	35	(37.1)
HFCS	17	12	41.7
Maltodextrin	29	24	20.8
Crystallised Glucose	1	(5)	N/A
<b>Sweeteners Sub-total</b>	<b>79</b>	<b>91</b>	<b>(13.2)</b>
<b>Total</b>	<b>33</b>	<b>98</b>	<b>(66.3)</b>



# SALES ANALYSIS

Sales Volume ('000 MT)			Gross Profit / (Loss) Margin (%)		
1H14	1H13	% Change	1H14	1H13	% pt Change

## Upstream

Corn Refined Products & Corn Procurement	<b>259</b>	328	(21.0)	<b>(6.2)</b>	0.7	N/A
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## Downstream

Corn Syrup	<b>133</b>	255	(47.8)	<b>10.5</b>	9.0	1.5
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Corn Syrup Solid	<b>84</b>	85	(1.2)	<b>10.4</b>	6.2	4.2
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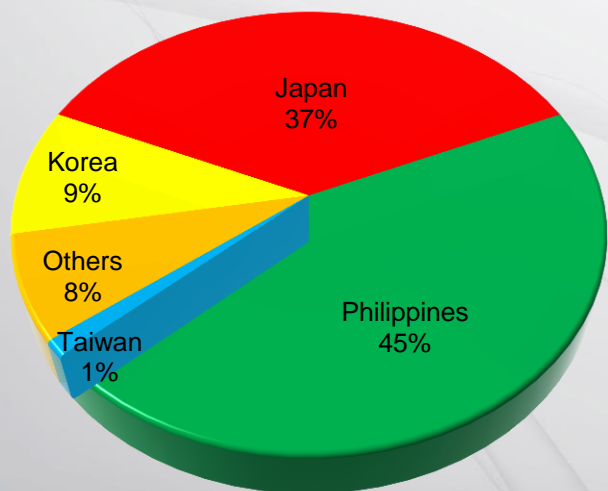
<b>Sweeteners Sub-total</b>	<b>217</b>	340	(36.2)	<b>10.4</b>	8.2	2.2
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<b>TOTAL</b>	<b>476</b>	668	(28.7)	<b>2.2</b>	4.7	(2.5)
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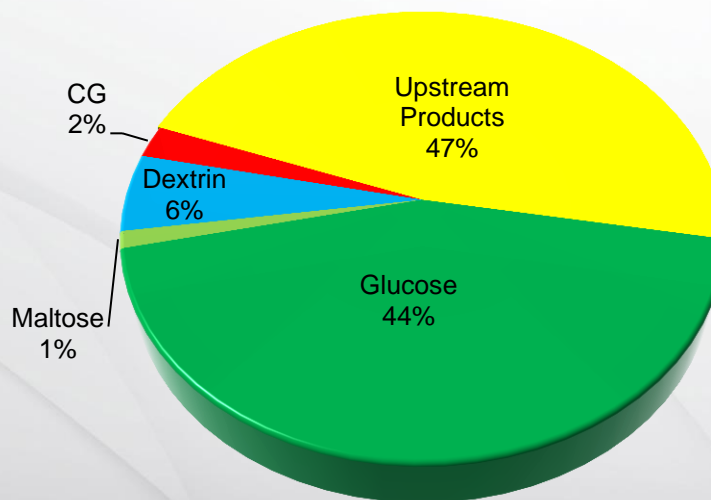
# EXPORTS BREAKDOWN

	1H14	1H13	Change
Export Sales Revenue (HK\$ Million)	85	134	(36.6)%
Exports Sales Volume ('000 MT)	28	52	(46.2)%
Export Contribution (%)	5.7	6.4	(0.7)% pt

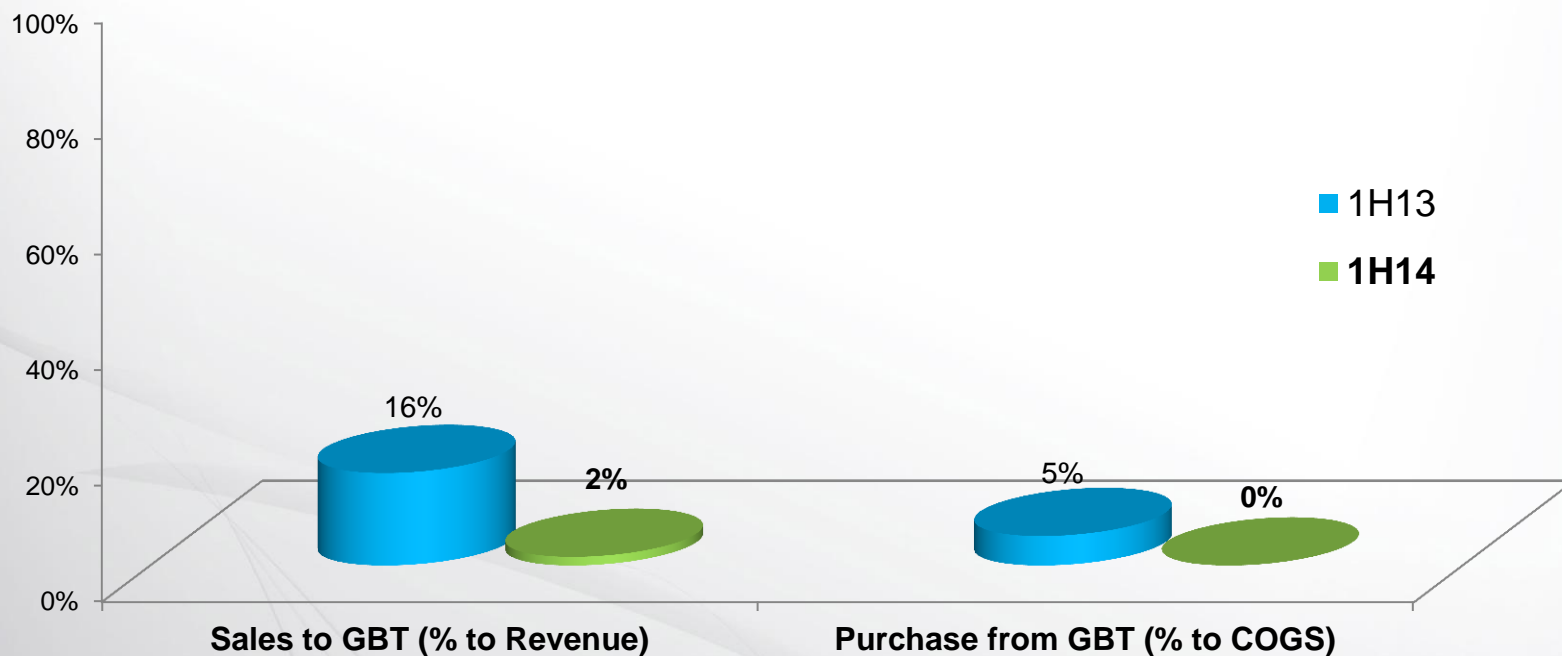
Exports Breakdown by Region 1H14



Exports Breakdown by Product 1H14



# CCT – SALES TO & PURCHASE FROM GBT



Sales agency fee to GBT for the sales of the Group's upstream products for  
1H14: HK\$3.4 million (1H13: HK\$1.9 million )

# OPERATING COST STRUCTURE

	1H14	1H13
Raw Material (Corn / Corn Starch)	<b>71.2%</b>	77.1%
Utilities (Water, Electricity, Steam & Wastewater Treatment)	<b>8.3%</b>	7.2%
Labour	<b>1.3%</b>	1.1%
Depreciation	<b>2.0%</b>	3.5%
Production Overhead (Consumable and Packaging)	<b>5.8%</b>	4.1%
Selling and Distribution Expenses	<b>7.7%</b>	4.8%
Administrative Expenses	<b>3.8%</b>	2.2%

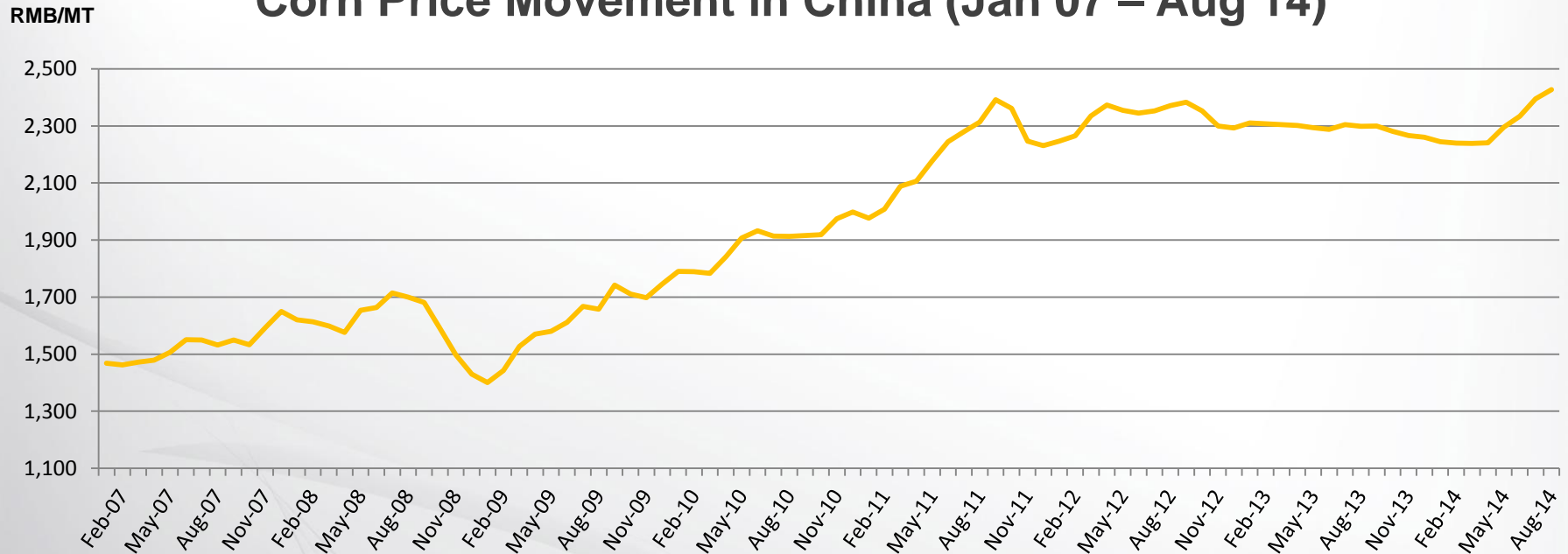
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# **BUSINESS OUTLOOK & DEVELOPMENT PLANS**



# UPSTREAM RAW MATERIAL – CORN

## Corn Price Movement in China (Jan 07 – Aug 14)



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

- ◆ Corn harvest for 2013/14: exceeds 218 million MT (2012/13: 205 million MT)  
(Source: *National Bureau of Statistics of the PRC*)
- ◆ GSH purchasing cost for 1H14 maintained at RMB1,985/MT; excl. VAT (1H13: RMB2,004/MT)
- ◆ The PRC government's protective agricultural policy → corn stockpiling to support corn price  
→ expect corn price to sustain at current level
- ◆ Outlook on upstream business: continue to be challenging with weak starch and other corn refined products prices

# DOWNSTREAM SUBSTITUTE – SUGAR

## Sugar Price Movement in China (Jan 01 – Aug 14)



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

- Sugar production in China for 2013/14: exceeds 13.3 million MT; ↑2% YOY (Source: *China Sugar Association*) → current PRC sugar price at approx. RMB4,400/MT
- Sugar price outlook: drought in Southern China + weak sugar price discourages cane farmers' incentive → sugar production is expected to drop in 2014/15 → stabilises sugar price
- Strategy on corn sweeteners business: continues to focus on high value-add products and streamlining/ improving production flow for further cost saving

# CORPORATE STRATEGIES

Stringent control on corn inventory (maintaining 2 months' corn inventory) → improve operation flexibility and cash flow

Strengthen services and customer relationship management

Purchase

Operations

Sales & Marketing

Services

Product Development

- 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

Provide post-sale services such as consulting services on product application to customers

# CORPORATE STRATEGIES (CON'T)

## ➤ Relocation timetable:

- March 2014 → suspension of Changchun upstream and part of downstream operation
- April 2014 → relocation to Xinglongshan commences
- 1H 2015 → downstream production in Xinglongshan commences
- \* Depends on upstream corn refinery market sentiment, the Group may either resume upstream production or continue to purchase corn starch from market

## ➤ Relocation opportunities:

- upgrade facilities and equipments
- reduce cost of production further through streamlining and improving production flow
- re-structure product mix (targeting high-end users) and production capacity

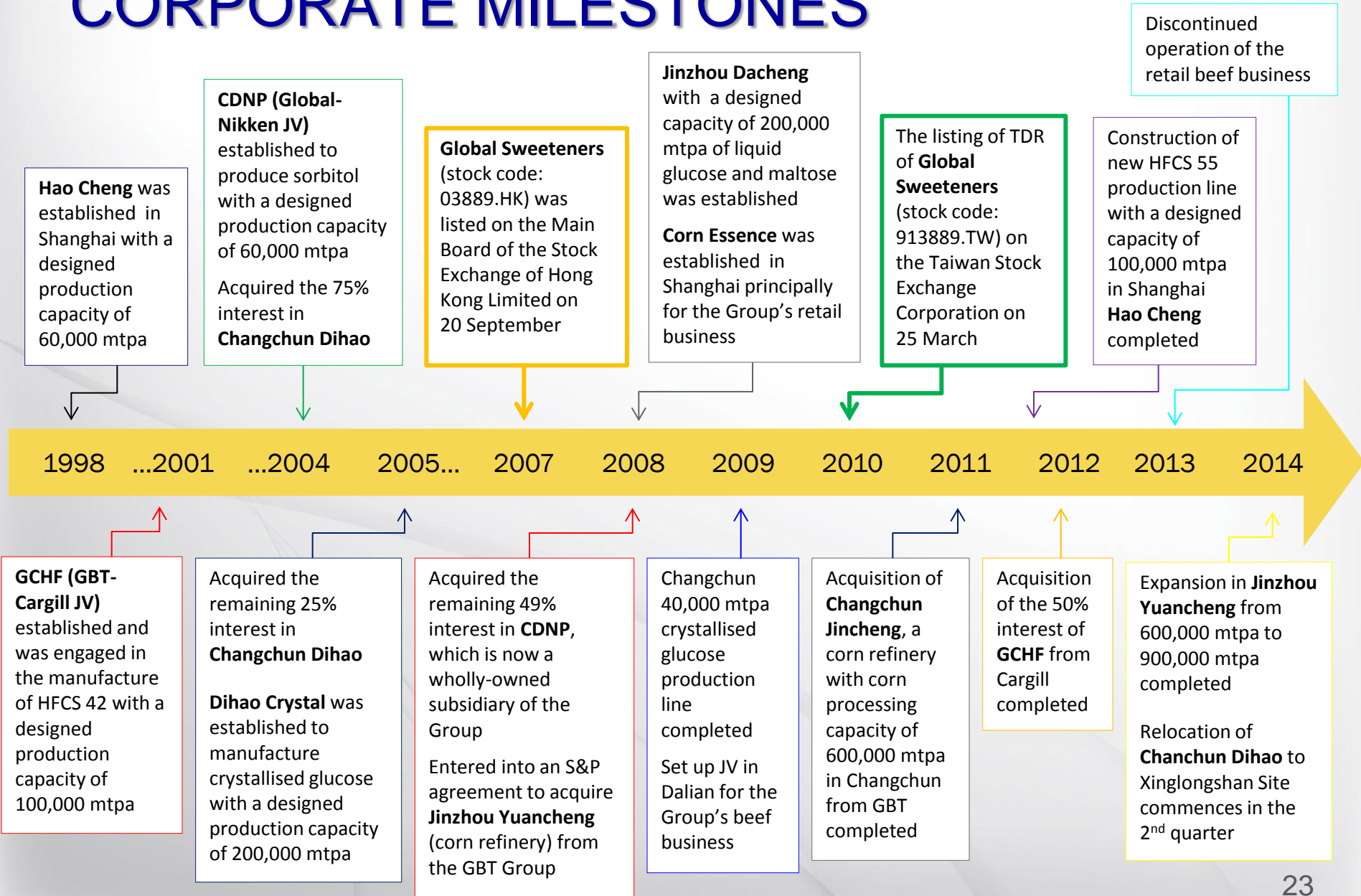
# CAPACITY OVERVIEW

Designed Capacity (mtpa)	2013	2014	2015
<b><u>Upstream</u></b>			
Corn Starch	840,000	1,050,000	1,050,000
Corn Refined By-products	360,000	450,000	450,000
<b>Upstream Sub-total</b>	<b>1,200,000</b>	<b>1,500,000</b>	<b>1,500,000</b>
<b><u>Downstream</u></b>			
Glucose / Maltose Syrup	820,000	820,000	820,000
HFCS	220,000	220,000	220,000
Maltodextrin	20,000	20,000	20,000
Crystallised Glucose	300,000	300,000	300,000
<b>Downstream Sub-total</b>	<b>1,360,000</b>	<b>1,360,000</b>	<b>1,360,000</b>
<b>Total</b>	<b>2,560,000</b>	<b>2,860,000</b>	<b>2,860,000</b>

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# COMPANY PROFILE

# CORPORATE MILESTONES



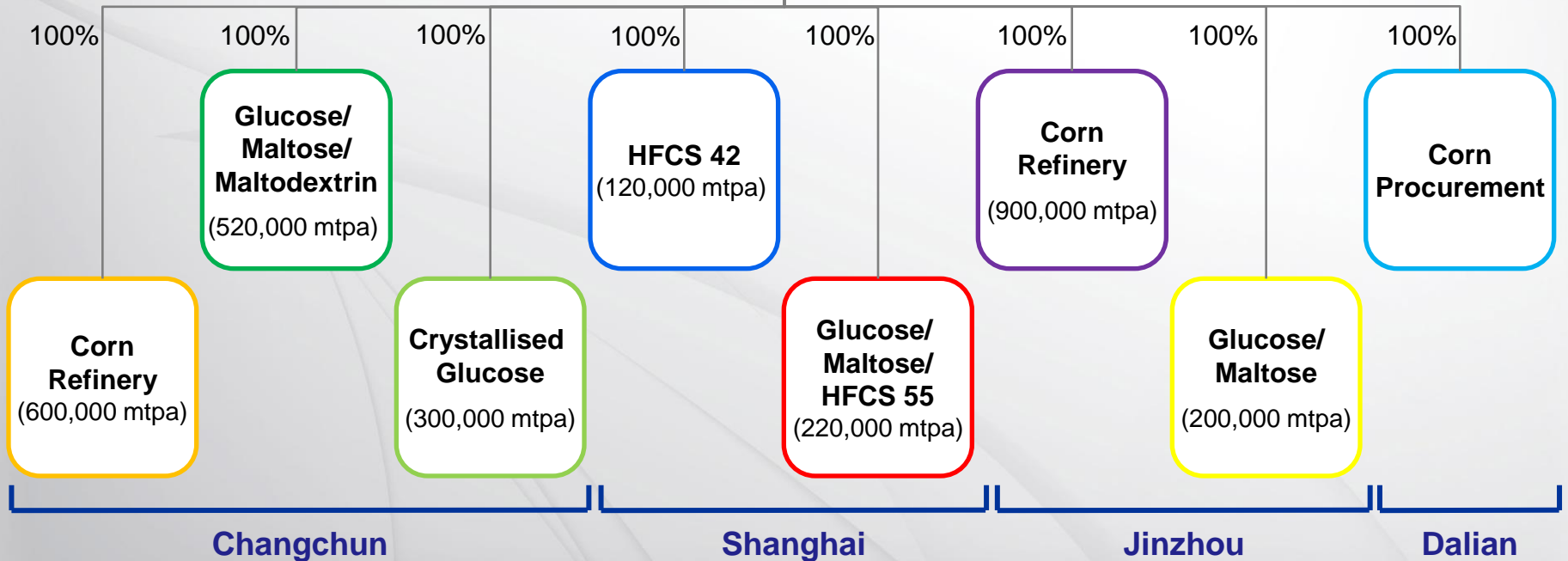
# CORPORATE STRUCTURE



Public

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36%

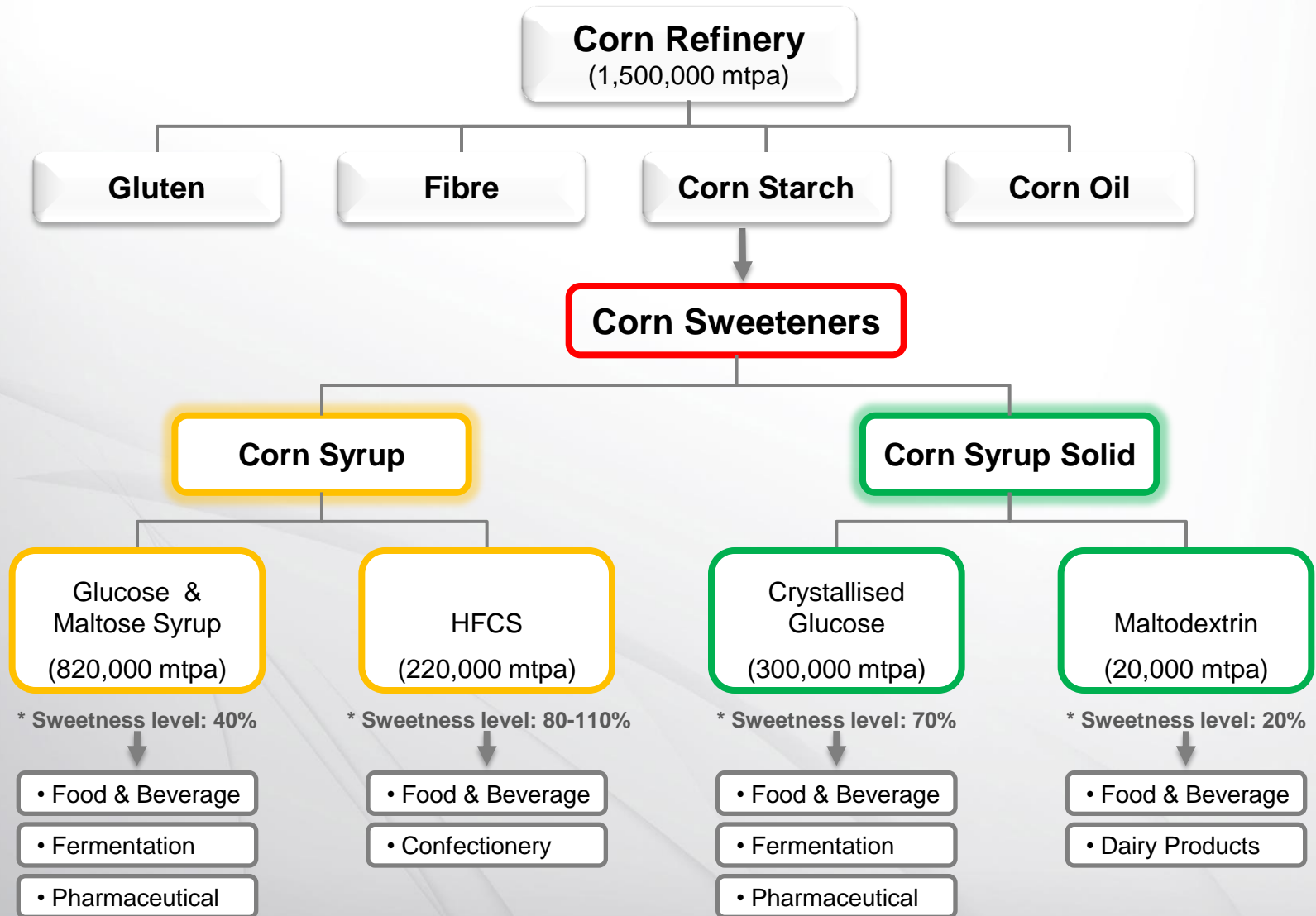




# DIVERSIFIED PRODUCT MIX

UPSTREAM

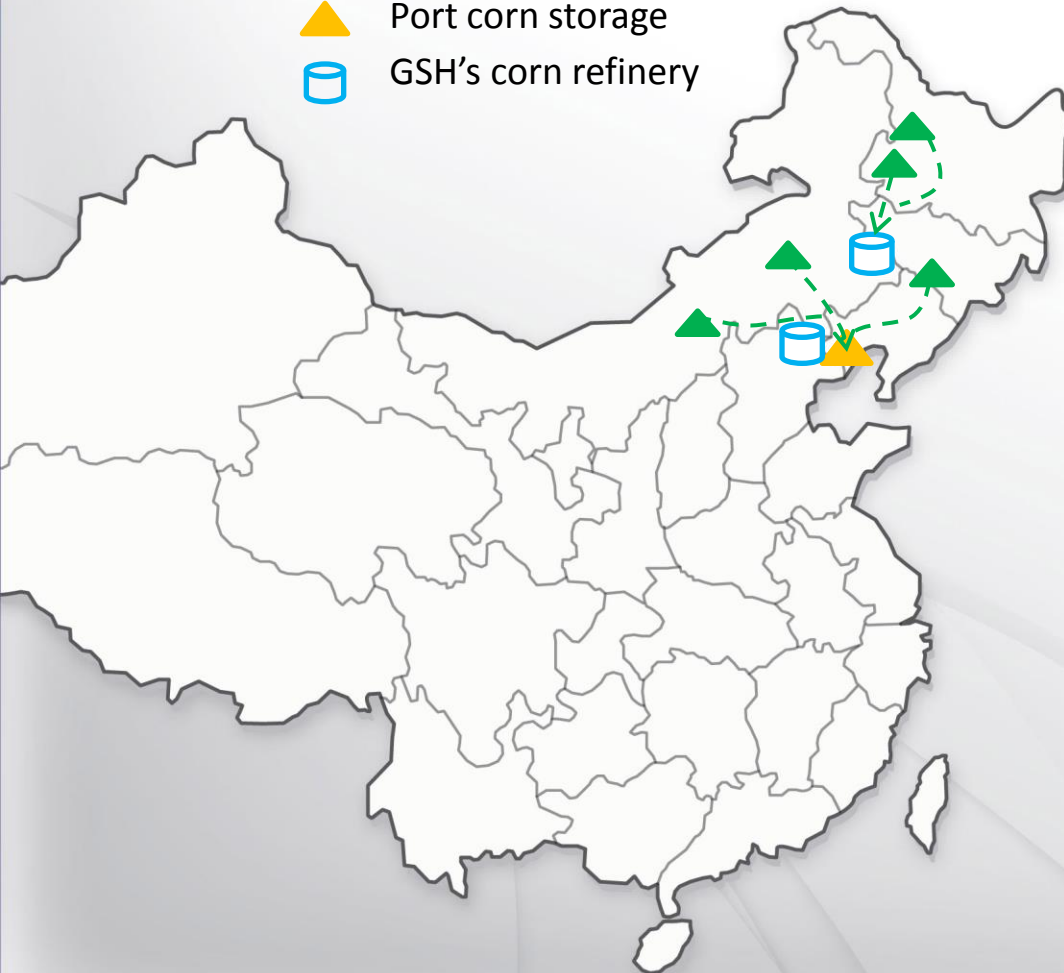
DOWNSTREAM



\* Sweetness level base on cane sugar sweetness

# CORN PROCUREMENT & LOGISTICS

- ▲ Corn origination
- ▲ Port corn storage
- 🗄️ GSH's corn refinery



## Objectives:

- To secure corn supply for the Group's production need
- To further lower corn procurement costs

## How we do it:

- Acquire/ lease silos in corn origination and in Jinzhou port
- Purchase wet corn from farmers in corn originations → dehydrate and transport to Jinzhou and Changchun to feed the corn refineries

## Cost saving from:

- Further penetrate into the source of raw material → farmers & villages
- Purchase wet corn at the lowest cost + efficient dehydration of corn → ↓cost

# 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 **TRANSPORTATION** 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	√√	√√√	√√√



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# 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

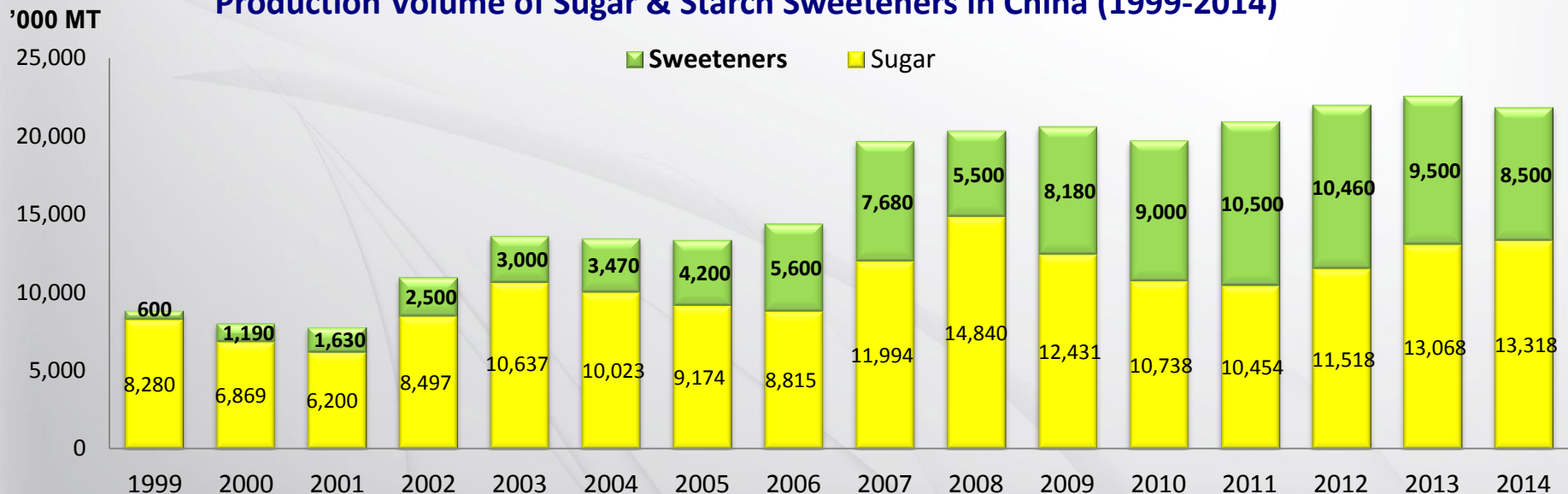
**Raw Material:**

Corn, Potatoes, Tapioca

**Regions:**

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

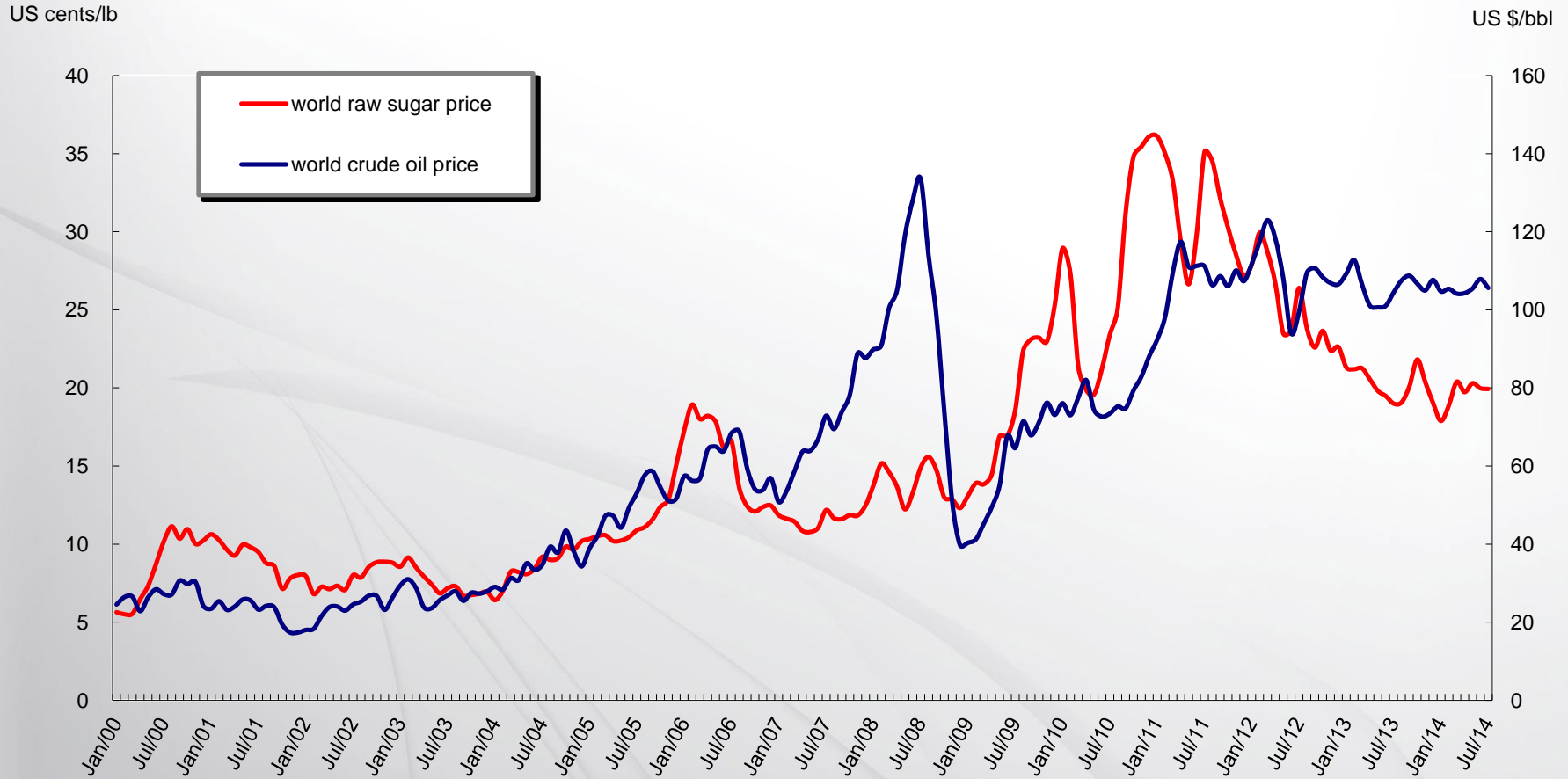
**Production Volume of Sugar & Starch Sweeteners in China (1999-2014)**



Source: China Sugar Association

# OIL & SUGAR PRICE CORRELATION

## Sugar & Crude Oil Price Movement (Jan 2000 – Jul 2014)



Source: USDA & OPEC

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**THANK YOU**

- The End -