



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



# INTERIM RESULTS 2018

\* For identification purpose only

# 2018 INTERIM RESULTS

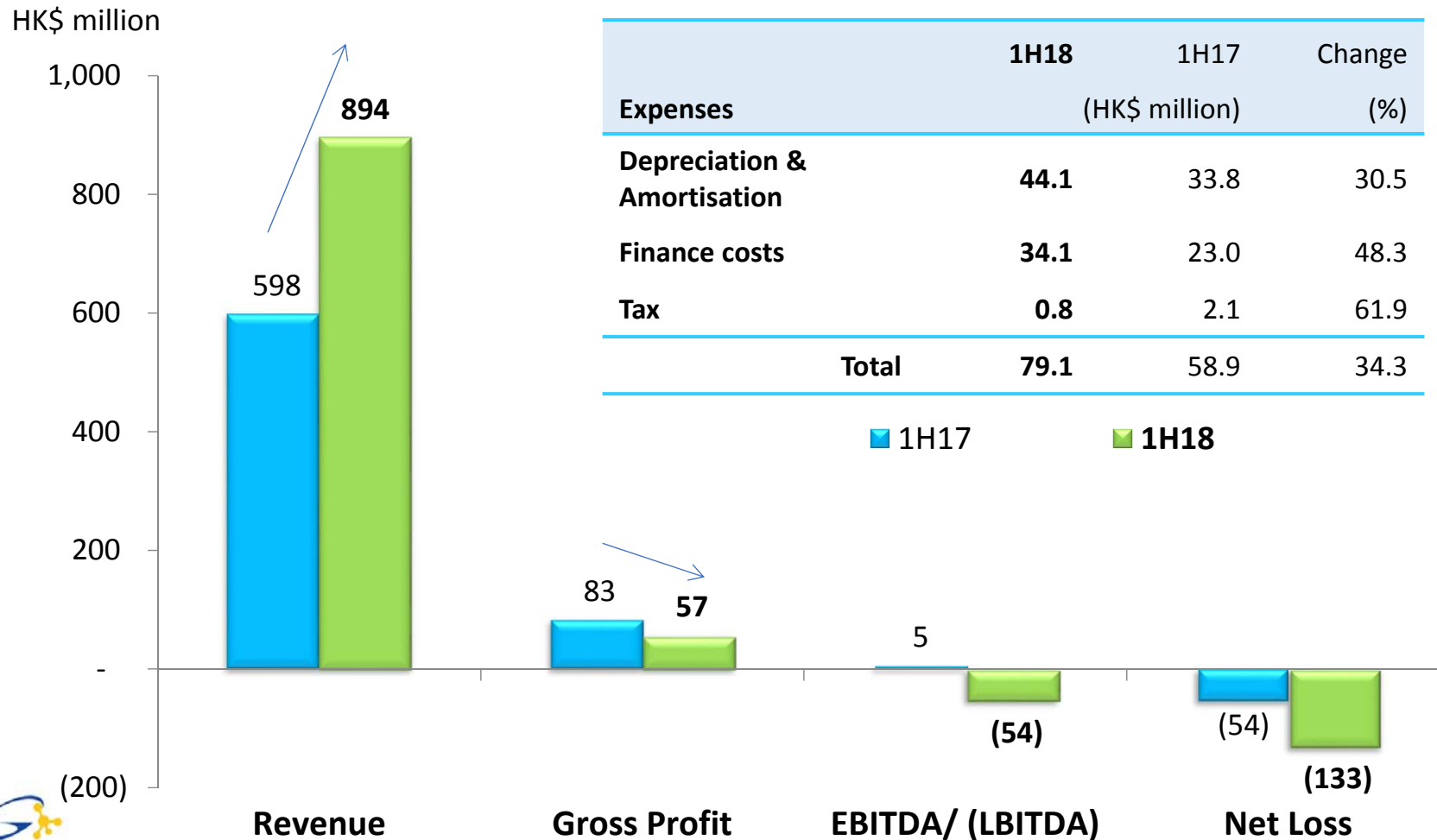
## Financial Overview



# RESULTS HIGHLIGHTS



Revenue for 1H18 ↑ by 50% on increased sales volume. However, increased corn cost and lower product prices have squeezed GP by 31%.



# OPERATING RESULTS



HK\$ million	1H18	1H17	% Change
<b>Revenue</b>	<b>894.5</b>	597.7	49.7
• Upstream Products	<b>331.8</b>	260.6	27.3
• Corn Sweeteners	<b>562.2</b>	330.9	69.9
• Trading of Amino Acids	<b>0.5</b>	6.2	(91.9)
<b>Gross Profit / (Loss)</b>	<b>56.8</b>	82.7	(31.3)
• Upstream Products	<b>(17.8)</b>	30.3	N/A
• Corn Sweeteners	<b>74.6</b>	51.9	43.7
• Trading of Amino Acids	-	0.5	N/A
<b>Gross Profit / (Loss) Margin (%)</b>	<b>6.3</b>	13.8	(7.5) % pt
• Upstream Products	<b>(5.4)</b>	11.6	N/A
• Corn Sweeteners	<b>13.3</b>	15.7	(2.4) % pt
• Trading of Amino Acids	-	8.1	N/A
<b>(LBITDA)/EBITDA</b>	<b>(53.8)</b>	5.4	N/A
<b>Loss Before Tax</b>	<b>(132.0)</b>	(51.4)	N/A
<b>Net Loss</b>	<b>(132.8)</b>	(53.5)	N/A
<b>Net Loss Margin (%)</b>	<b>(14.8)</b>	(9.0)	N/A
<b>Basic Loss Per Share (HK cents)</b>	<b>(8.7)</b>	(3.5)	N/A
<b>Dividend Per Share – Interim (HK cents)</b>	-	-	N/A

# FINANCIAL POSITION



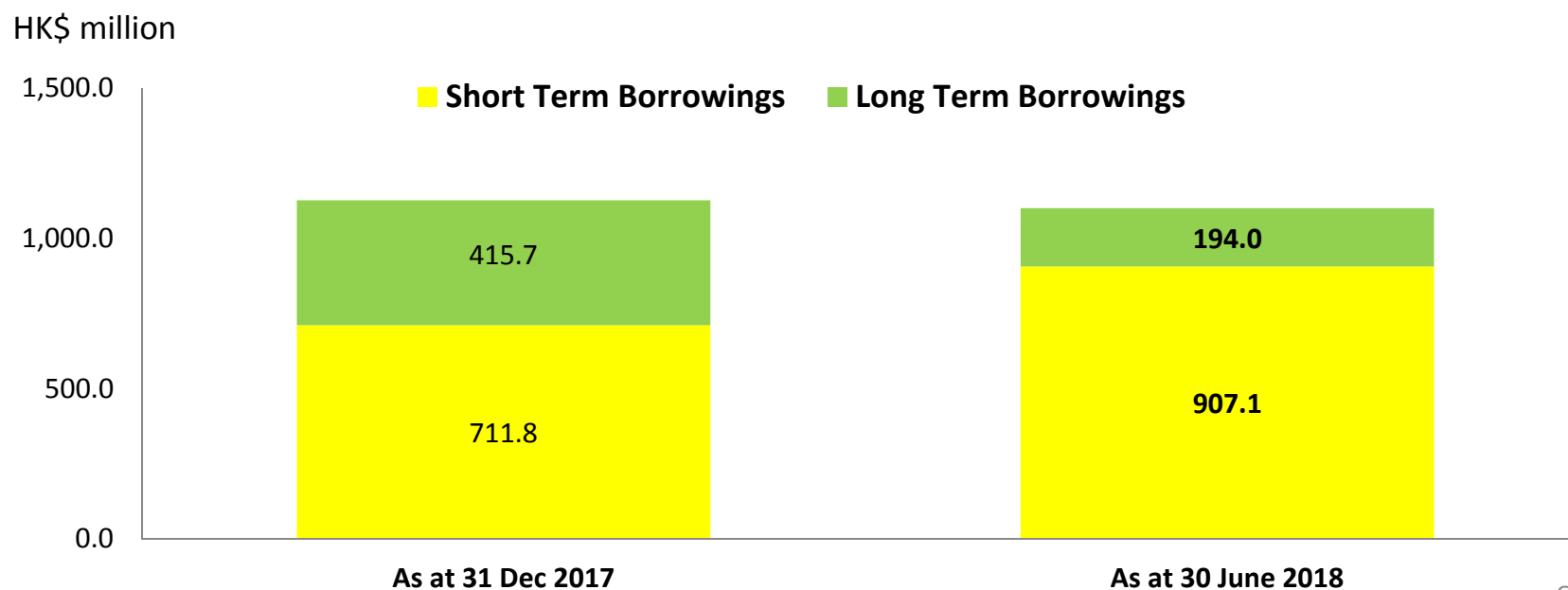
HK\$ million	30 Jun 18	31 Dec 17	% Change
Non-current Assets	<b>1,005.1</b>	1,048.5	(4.1)
Current Assets	<b>624.7</b>	586.9	6.4
Current Liabilities	<b>1,641.7</b>	1,299.1	26.4
Cash and Cash Equivalents	<b>116.6</b>	214.8	(45.7)
Total Deficit	<b>(248.2)</b>	(123.0)	N/A
Interest Bearing Borrowings	<b>1,101.1</b>	1,127.5	(2.3)

# BANK BORROWINGS ANALYSIS



HK\$ million	30 Jun 18	31 Dec 17	% Change
Short Term Borrowings	907.1	711.8	27.0
Long Term Borrowings	194.0	415.7	(53.0)
<b>Total</b>	<b>1,101.1</b>	<b>1,127.5</b>	<b>(2.3)</b>

Average interest rate for 1H18: 5.2% (FY17: 5.1 %). The change in bank borrowings was due to the repayment of bank borrowings amounted to HK\$13.1 million and exchange rate adjustment of HK\$13.3 million as of 30 June 2018.



# KEY FINANCIAL RATIOS



	30 Jun 18	31 Dec 17
Current Ratio	0.4	0.5
Quick Ratio	0.3	0.3
Gearing Ratio*	129.1%	112.2 %
Inventories Turnover Days	45 Days	50 Days
Trade Receivables Turnover Days	46 Days	36 Days
Trade Payables Turnover Days	60 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 INTERIM RESULTS

## Operation Overview





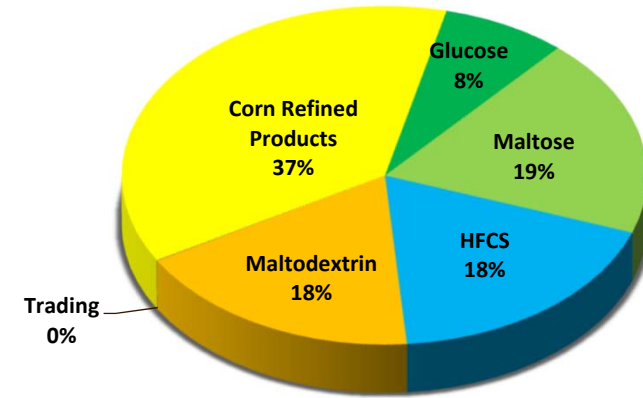
# REVENUE BREAKDOWN



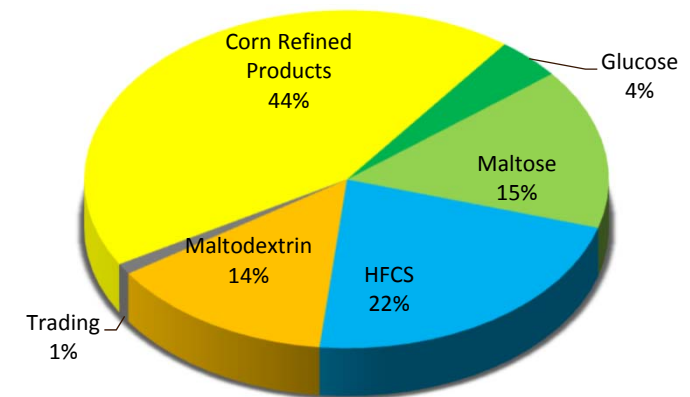
Revenue (HK\$ million)	1H18	1H17	% Change
<b>Upstream</b>			
Corn Refined Products	<b>331.8</b>	260.6	27.3
<b>Downstream</b>			
Glucose Syrup	<b>68.6</b>	24.0	185.8
Maltose Syrup	<b>170.4</b>	91.6	86.0
HFCS	<b>162.7</b>	131.9	23.4
Maltodextrin	<b>160.5</b>	83.4	92.4
<b>Sweeteners Sub-total</b>	<b>562.2</b>	330.9	69.9
<b>Trading</b>			
Amino Acids	<b>0.5</b>	6.2	(91.9)
<b>Total</b>	<b>894.5</b>	597.7	49.7



1H18 Revenue Breakdown



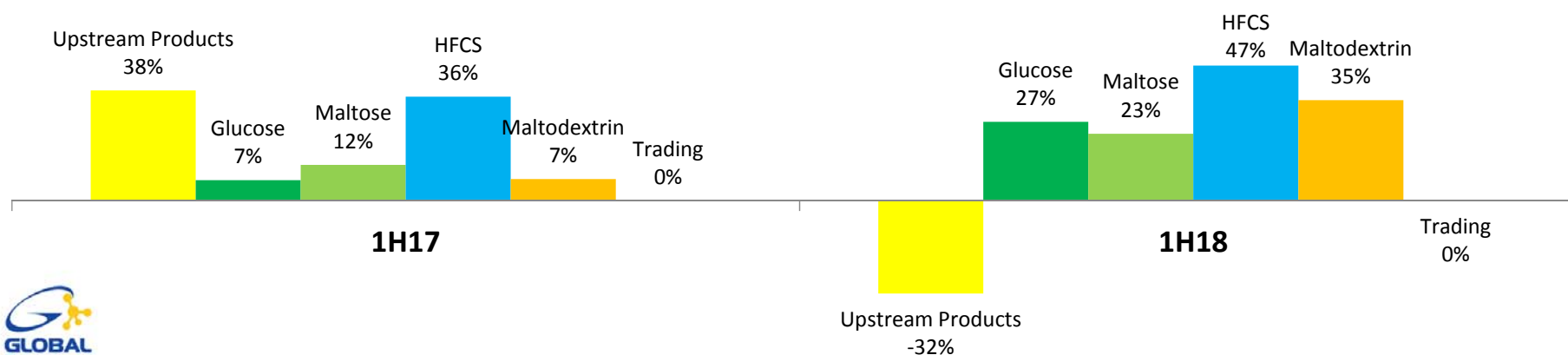
1H17 Revenue Breakdown



# GROSS PROFIT BREAKDOWN



Gross Profit (HK\$ million)	1H18	1H17	% Change
<b>Upstream</b>			
Corn Refined Products	(17.8)	30.3	N/A
<b>Downstream</b>			
Glucose Syrup	15.4	5.8	165.5
Maltose Syrup	13.1	10.2	28.4
HFCS	26.5	29.7	(10.8)
Maltodextrin	19.6	6.2	216.1
<b>Sweeteners Sub-total</b>	<b>74.6</b>	<b>51.9</b>	<b>43.7</b>
<b>Trading</b>			
Amino Acids	0	0.5	N/A
<b>Total</b>	<b>56.8</b>	<b>82.7</b>	<b>(31.3)</b>



# SALES ANALYSIS



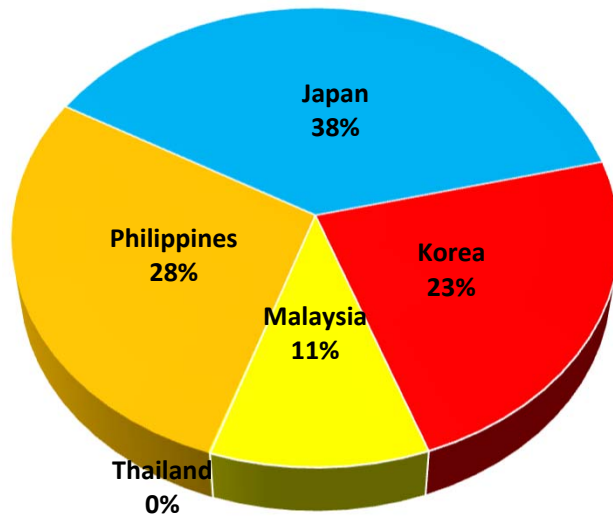
	Sales Volume ('000 MT)			Gross Profit/ (Loss) Margin (%)		
	1H18	1H17	% Change	1H18	1H17	% pt Change
<b><u>Upstream</u></b>						
Corn Refined Products	<b>134</b>	125	7.2	<b>(5.4)</b>	11.6	N/A
<b><u>Downstream</u></b>						
Corn Syrup	<b>132</b>	92	43.5	<b>13.7</b>	18.5	(4.8)
Corn Syrup Solid	<b>55</b>	37	48.6	<b>12.2</b>	7.4	4.8
<b>Sweeteners Sub-total</b>	<b>187</b>	129	45.0	<b>13.3</b>	15.7	(2.4)
<b><u>Trading</u></b>						
Amino Acids	<b>1</b>	1	-	<b>0.0</b>	8.1	N/A
<b>Total</b>	<b>322</b>	255	26.3	<b>6.3</b>	13.8	(7.5)

# EXPORTS BREAKDOWN

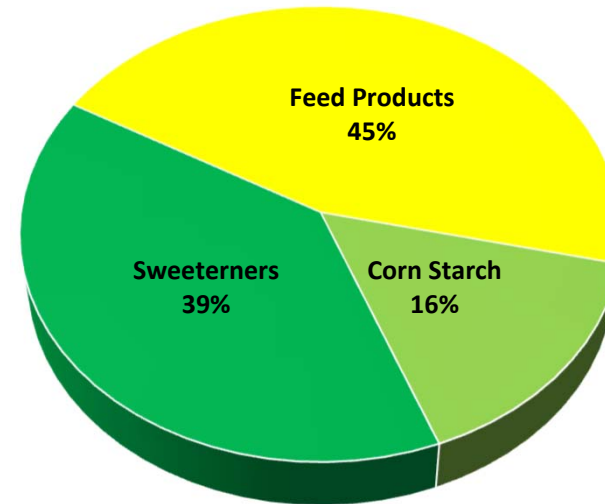


	1H18	1H17	% Change
Export Sales Revenue (HK\$ Million)	68.4	36.1	89.5
Exports Sales Volume ('000 MT)	27	27	-
Export Contribution (%)	7.7	6.0	1.7 % pt

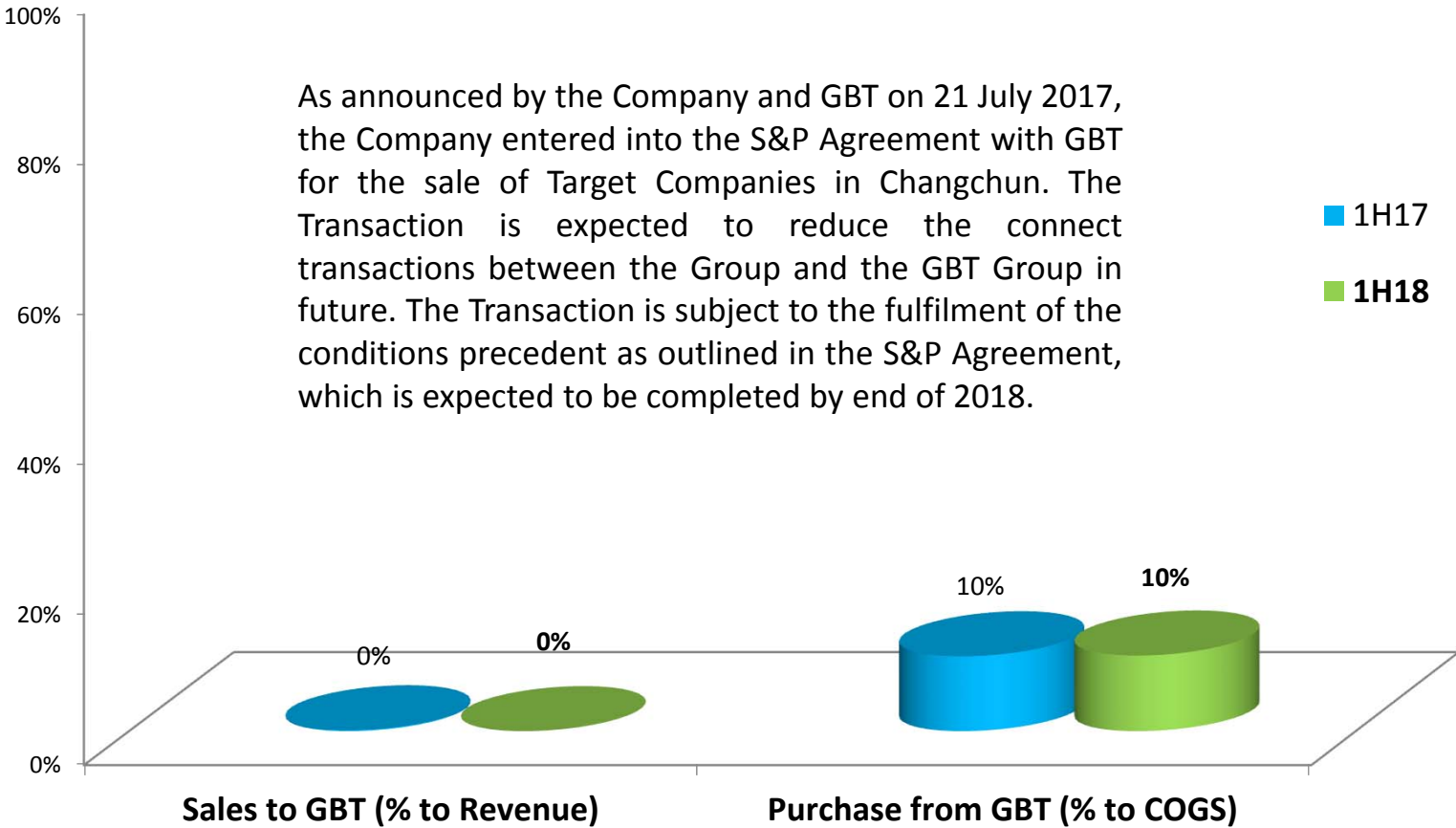
Export Sales by Region 1H18



Export Sales by Product 1H18



# CCT – SALES TO & PURCHASE FROM GBT



# OPERATING COST STRUCTURE



	1H18	1H17
Raw Material (Corn / Corn Starch)	<b>57.4 %</b>	57.2%
Utilities (Water, Electricity, Steam & Wastewater Treatment)	<b>10.5 %</b>	12.4%
Labour	<b>5.3 %</b>	5.4%
Depreciation	<b>4.4 %</b>	5.3%
Production Overhead (Consumable and Packaging)	<b>11.2 %</b>	7.4%
Selling, Administrative and Other Expenses	<b>11.2 %</b>	12.3%

# 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 2017/18: approx. 210 million MT (2016/17: 220 million MT) (Source: Ministry of Agriculture of China)
- Subsequent to the agricultural reform in 2016, upstream market sentiment improved → PRC corn price ↑
- Provincial corn procurement subsidies suspended and relaunched in April 2018 with subsidies amount substantially reduced → the Group's corn purchasing cost for 1H18 ↑ 26% YOY
- Upstream profit margin squeezed → expect to continue in 2H18
- Secure raw material supply through the connection of Nongtou



# DOWNSTREAM SUBSTITUTE – SUGAR



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

- 2017/18 PRC sugar production increased to 10.5 million MT (2016/17: 9.3 million MT) (source: USDA)
- Huge difference still exists between international and PRC sugar prices. PRC government imposed tariff to discourage imports from major sugar supplying countries to uphold sugar price at home
- 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 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 – Dihao Foodstuff and Dihao Crystal Sugar in Changchun, at a consideration of HK\$60,971,000 (the “Transaction”). The Transaction has been approved by way of poll at the EGM. The Completion is subject to the conditions precedent as outlined in the S&P Agreement.

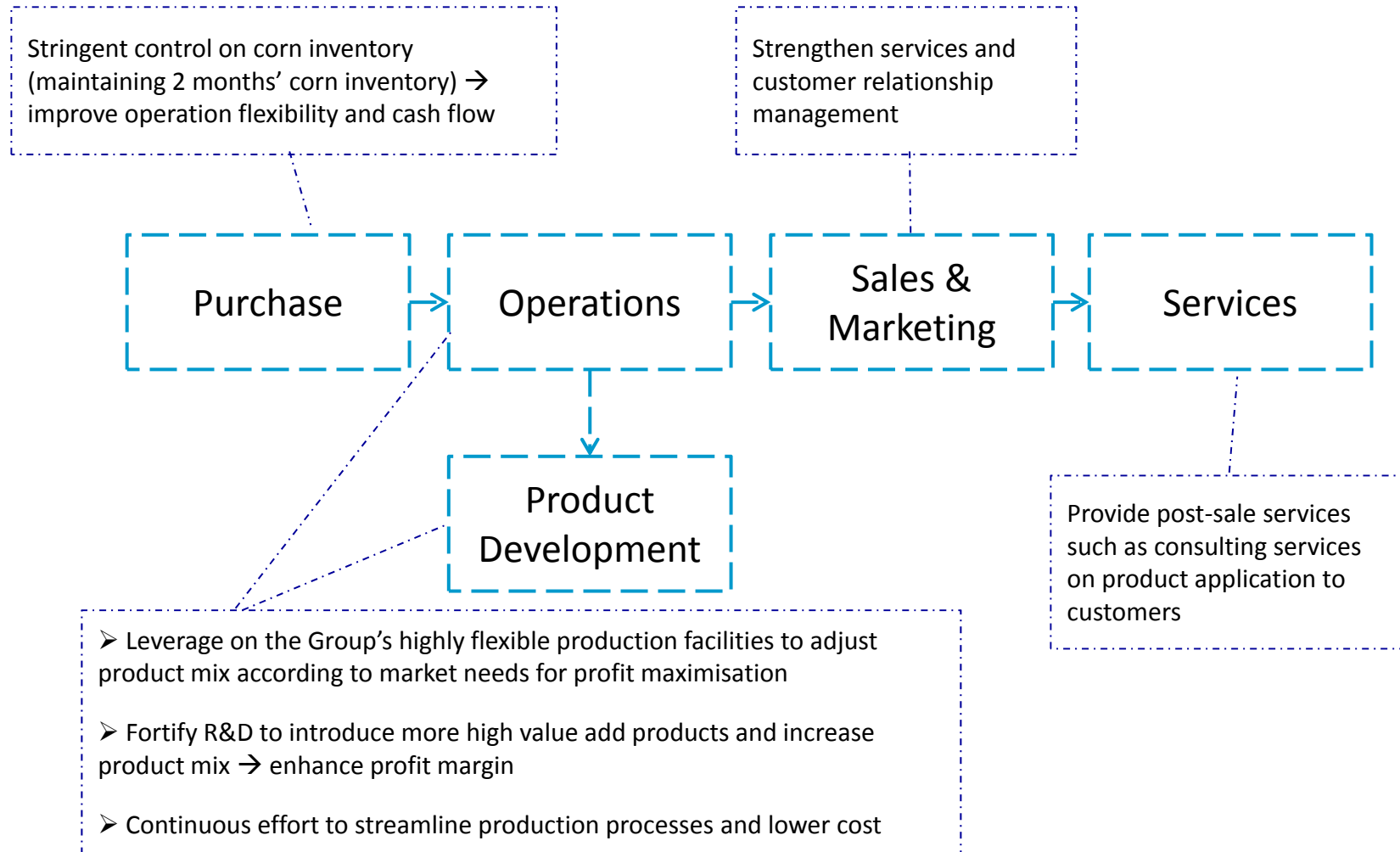
The Transaction will:

- enhance the Group’s financial position with:
  - the proceeds from the Transaction
  - the removal of the financial uncertainties given by the possible financial liabilities under the 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)



## (2) GSH's value chain



# CORPORATE STRATEGIES (CON'T)



(3) 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

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	Apr 2019	Mar 2020
Corn Refinery	600,000 mtpa	Apr 2019	Mar 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

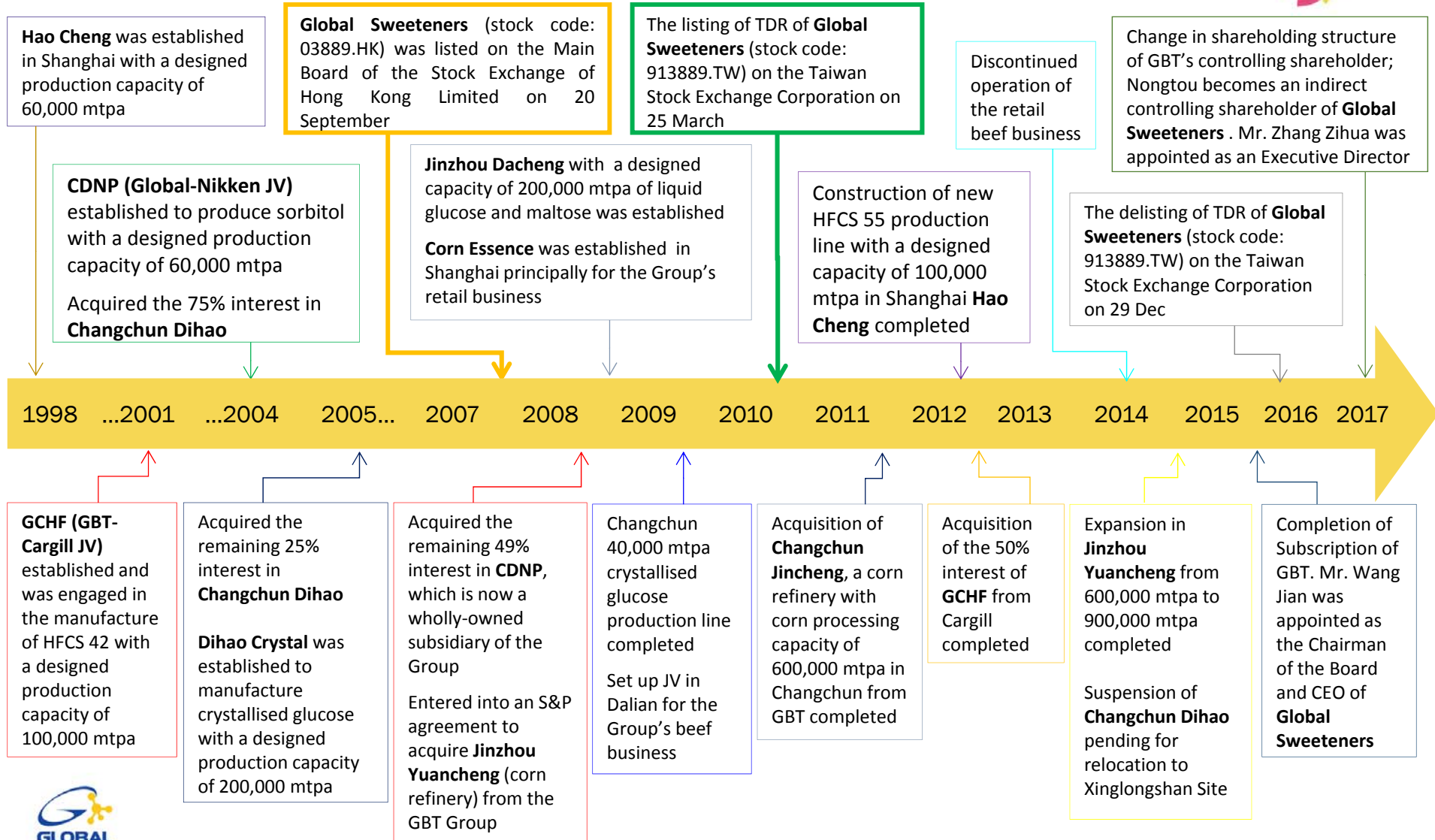


<b>Designed Capacity (mtpa)</b>	<b>2017</b>	<b>2018</b>
<b><u>Upstream</u></b>		
Corn Starch	560,000	560,000
Corn Refined By-products	240,000	240,000
<b>Upstream Sub-total</b>	<b>800,000</b>	<b>800,000</b>
<b><u>Downstream</u></b>		
Glucose / Maltose Syrup	360,000	360,000
HFCS	220,000	220,000
Maltodextrin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

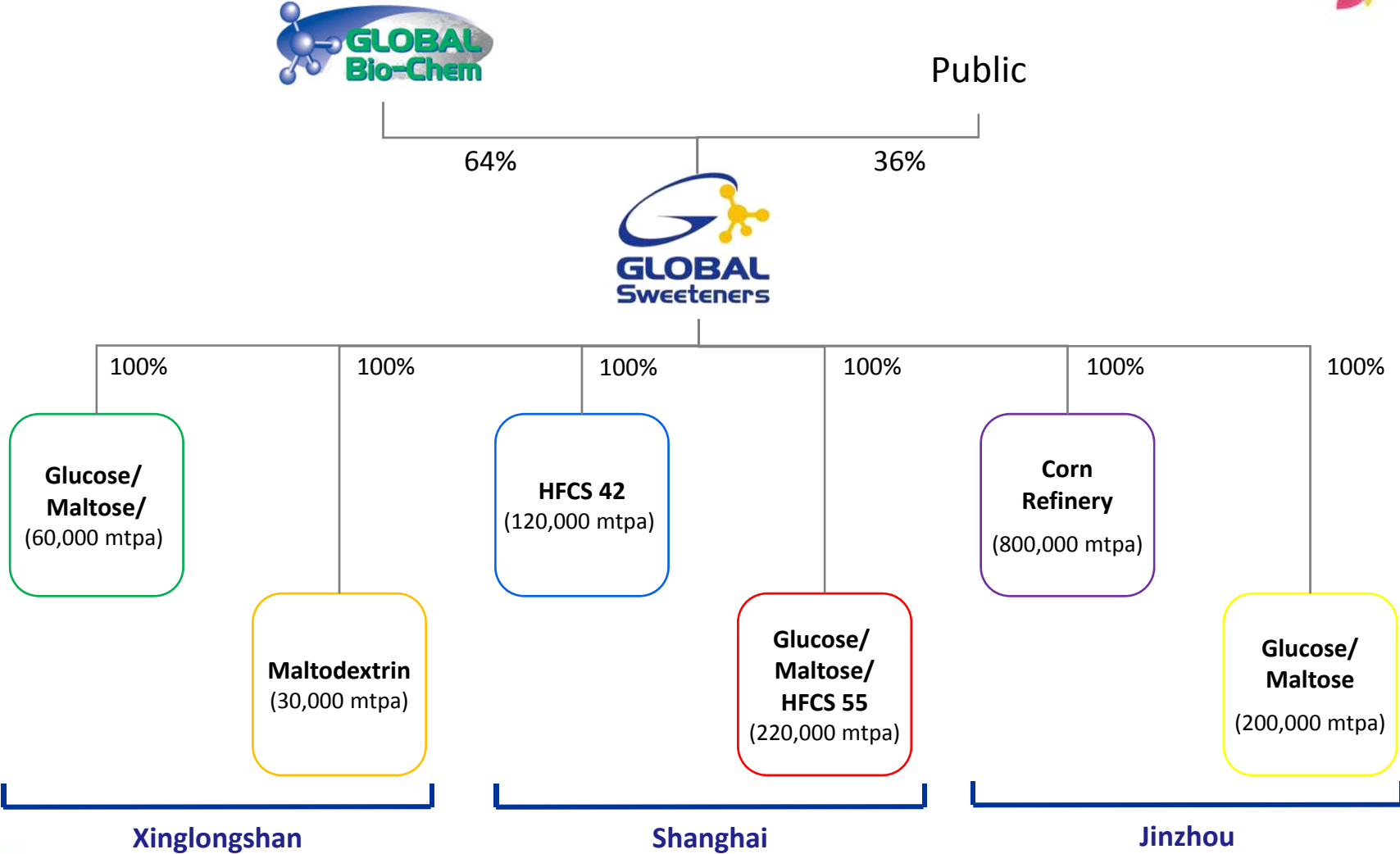
## COMPANY PROFILE



# CORPORATE MILESTONES



# CORPORATE STRUCTURE

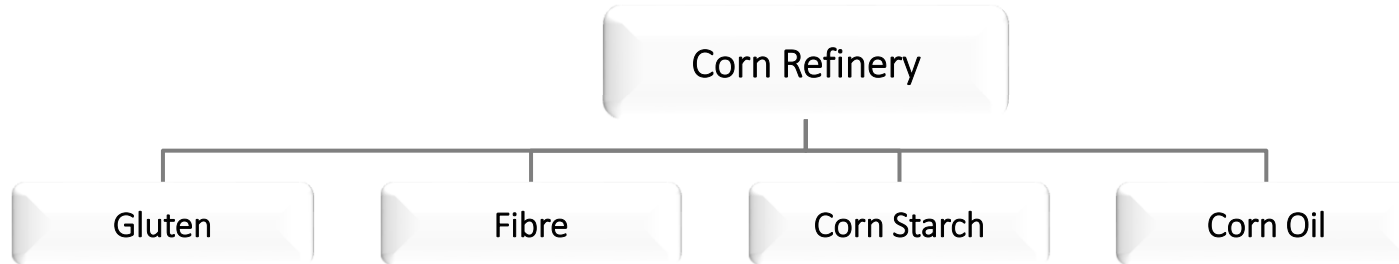




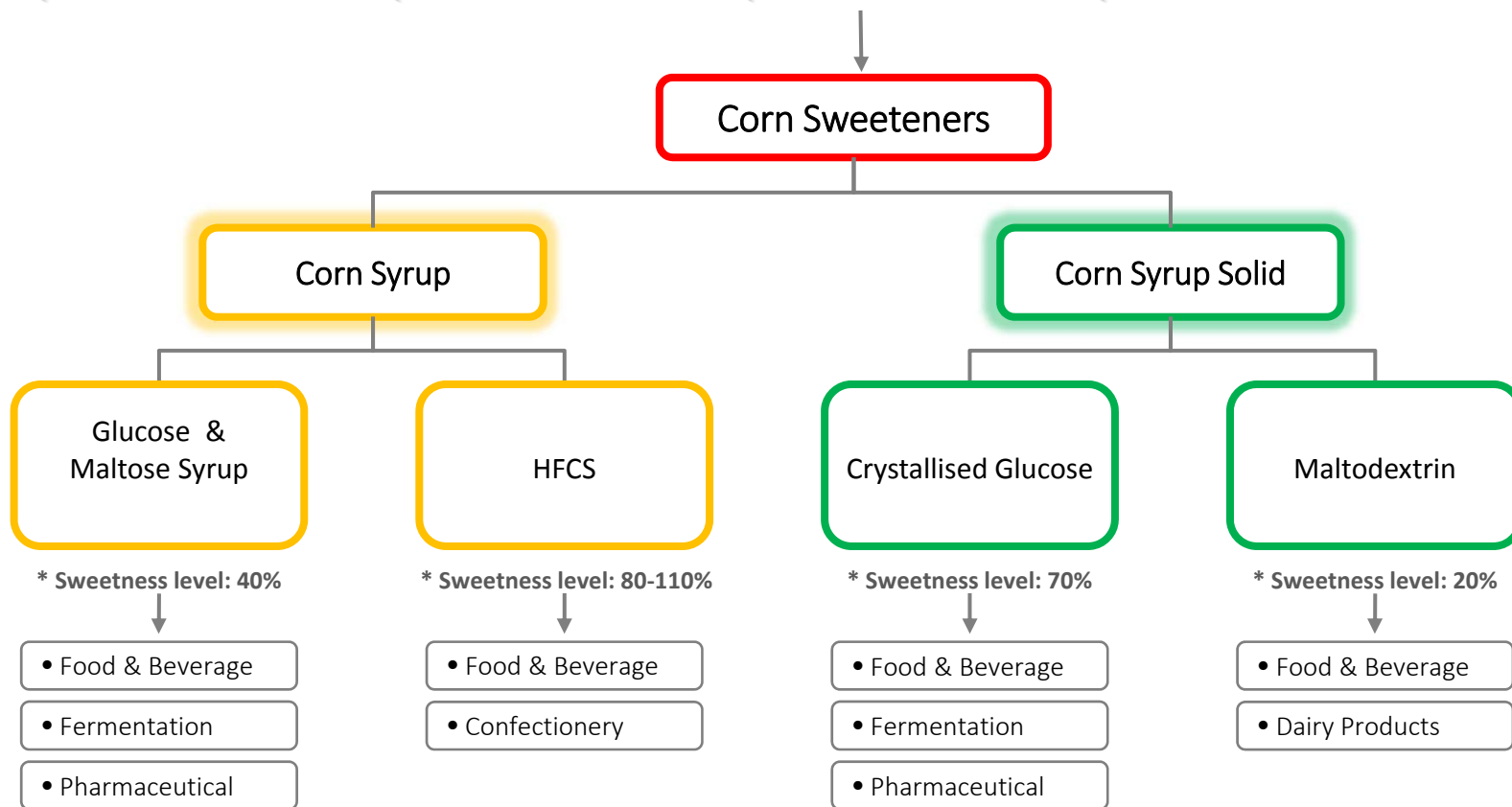
# DIVERSIFIED PRODUCT MIX



UPSTREAM



DOWNSTREAM



\* Sweetness level base on cane sugar sweetness

# APPENDIX



# PRC SUGAR & SWEETENERS PRODUCTION



## Natural Sweeteners

**Sugar**

**Raw Material:**  
Cane, Beet

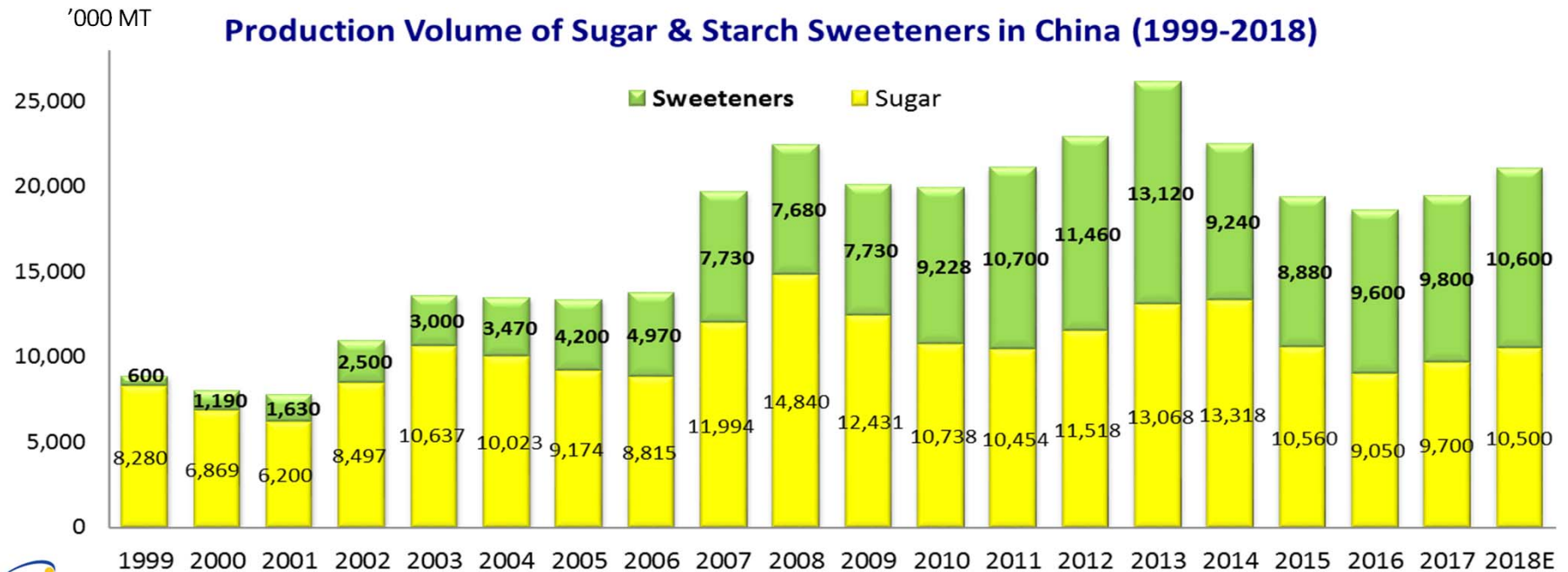
**Regions:**

- 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



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THANK YOU

- The End -

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