



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 | INTERIM RESULTS



# AGENDA

- 2017 Interim Results
  - Financial Overview
  - Operation Overview
- Business Outlook & Development Plans
- Company Profile
- Appendix



# 2017 INTERIM RESULTS

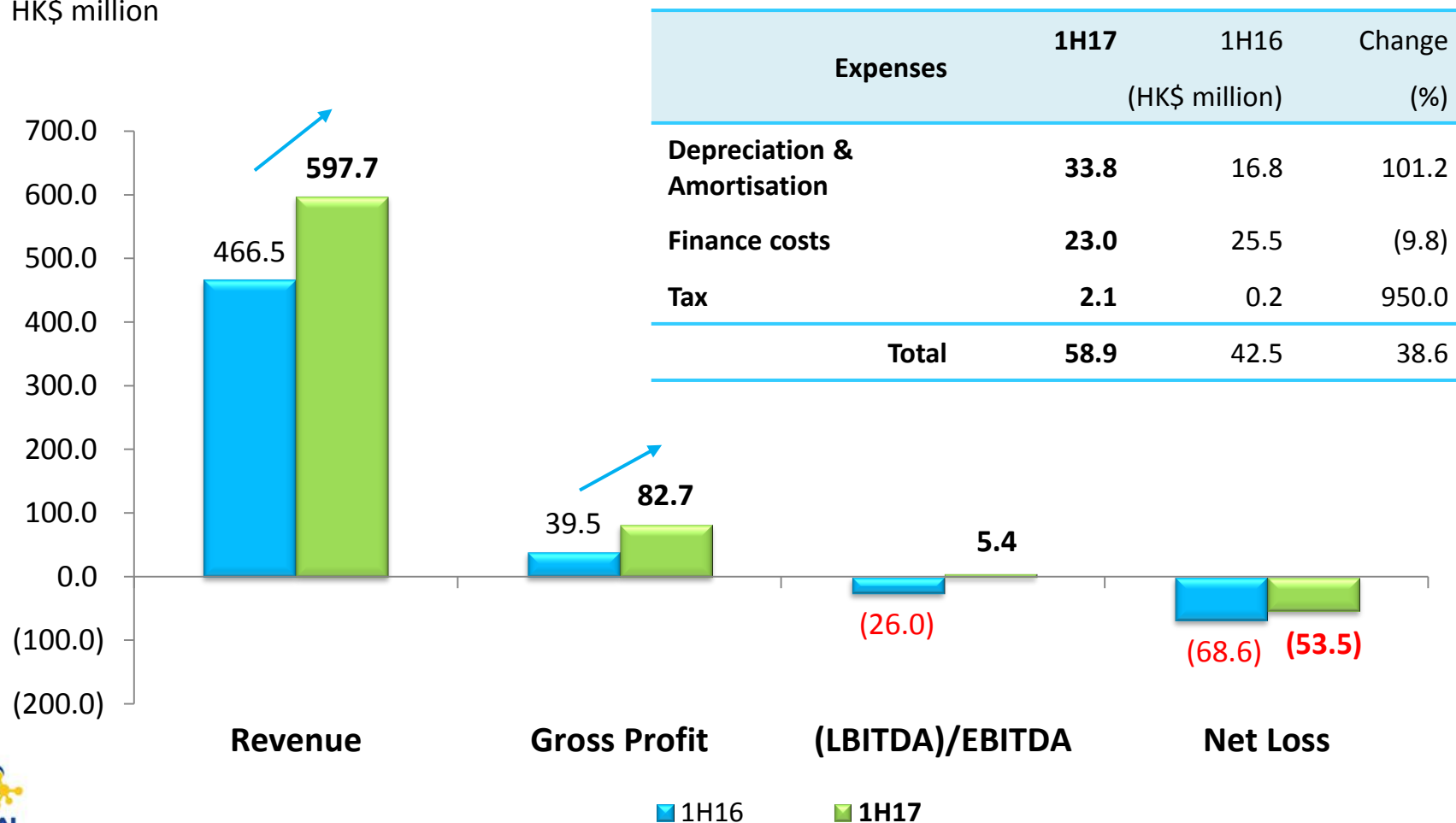
## Financial Overview



# RESULTS HIGHLIGHTS

Financial performance for 1H17 continued to improve with better market sentiment. Revenue and GP ↑ by 28% and 109% respectively. Net loss narrowed by 22%.

HK\$ million



# OPERATING RESULTS

HK\$ million	1H17	1H16	% Change
<b>Revenue</b>	<b>597.7</b>	466.5	28.1
• Corn Refined Products & Corn Procurement	<b>260.6</b>	171.4	52.0
• Corn Sweeteners	<b>330.9</b>	290.5	13.9
• Trading of Amino Acids*	<b>6.2</b>	4.6	34.8
<b>Gross Profit / (Loss)</b>	<b>82.7</b>	39.5	109.4
• Corn Refined Products & Corn Procurement	<b>30.3</b>	(2.4)	N/A
• Corn Sweeteners	<b>51.9</b>	41.7	24.5
• Trading of Amino Acids*	<b>0.5</b>	0.2	150.0
<b>Gross Profit / (Loss) Margin (%)</b>	<b>13.8</b>	8.5	5.3 % pt
• Corn Refined Products & Corn Procurement	<b>11.6</b>	(1.4)	N/A
• Corn Sweeteners	<b>15.7</b>	14.4	1.3 % pt
• Trading of Amino Acids*	<b>8.1</b>	4.3	3.8 % pt
<b>EBITDA/(LBITDA)</b>	<b>5.4</b>	(26.0)	N/A
<b>Loss Before Tax</b>	<b>(51.4)</b>	(68.3)	N/A
<b>Net Loss</b>	<b>(53.5)</b>	(68.6)	N/A
<b>Net Loss Margin (%)</b>	<b>(9.0)</b>	(14.7)	N/A
<b>Basic Loss Per Share (HK cents)</b>	<b>(3.50)</b>	(4.49)	N/A
<b>Dividend Per Share – Interim (HK cents)</b>	-	-	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	30 Jun 17	31 Dec 16	% Change
Non-current Assets	950.0	924.9	2.7
Current Assets	540.7	487.9	10.8
Current Liabilities	1,294.9	1,167.1	11.0
Cash and Cash Equivalents	99.3	117.0	(15.1)
Total (Deficit) / Equity	(44.8)	12.0	N/A
Interest Bearing Borrowings	975.6	808.3	20.7

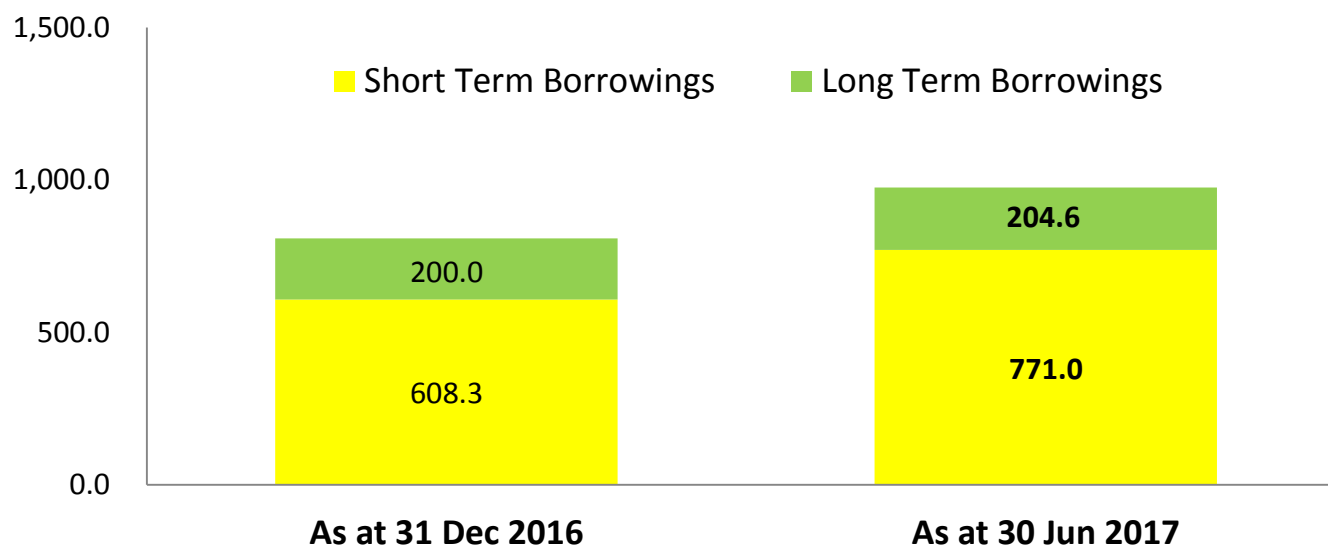
\* As announced by the Company and GBT on 21 July 2017, the Company entered into the S&P Agreement with GBT for the sale of Target Companies in Changchun. Based on the interim condensed financial statements of the Group as at 30 June 2017, upon the Completion, the non-current assets, current assets, current liabilities and non-current liabilities of the Group will decrease to approximately HK\$534 million, HK\$514 million, HK\$1,032 million and HK\$5 million respectively. The net assets will increase to approximately HK\$11 million.

# BANK BORROWINGS ANALYSIS

HK\$ million	30 Jun 17	31 Dec 16	% Change
Short Term Borrowings	<b>771.0</b>	608.3	26.7
Long Term Borrowings	<b>204.6</b>	200.0	2.3
<b>Total</b>	<b>975.6</b>	808.3	20.7

Average interest rate for 1H17: 5.2% (1H16: 5.8 %). The change in bank borrowings was due to an increment of bank borrowings of HK\$169.9 million during the Period to repay the amount due to fellow subsidiaries while an increment of HK\$18.4 million was a result of exchange rate adjustment as of 30 June 2017.

HK\$ million



# KEY FINANCIAL RATIOS

	30 Jun 17	31 Dec 16
Current Ratio	0.4	0.4
Quick Ratio	0.3	0.3
Gearing Ratio*	104.8 %	98.5 %
Inventories Turnover Days	52 Days	46 days
Trade Receivables Turnover Days	48 Days	71 days
Trade Payables Turnover Days	55 days	58 days

\* 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).

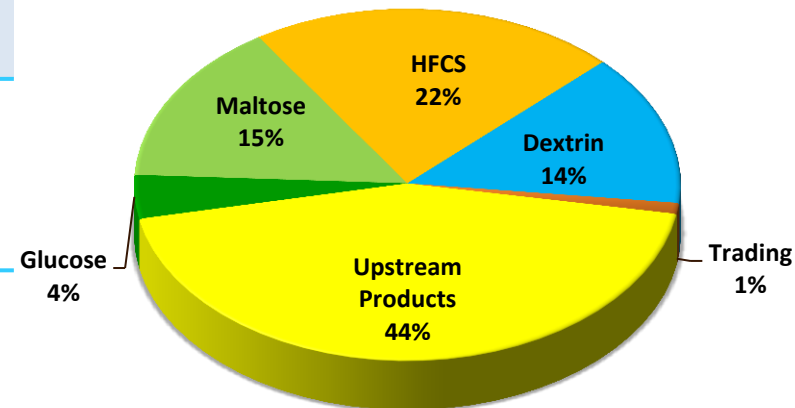




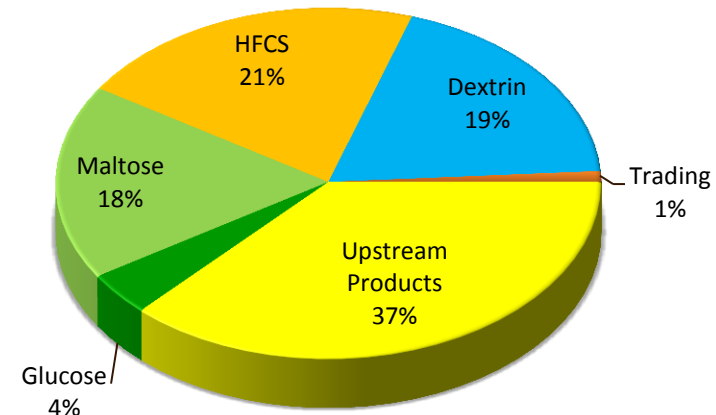
# REVENUE BREAKDOWN

Revenue (HK\$ million)	1H17	1H16	% Change
<b>Upstream</b>			
Corn Refined Products & Corn Procurement	260.6	171.4	52.0
<b>Downstream</b>			
Glucose Syrup	24.0	20.4	17.6
Maltose Syrup	95.6	84.8	12.7
HFCS	127.9	98.3	30.1
Maltodextrin	83.4	87.0	4.1
<b>Sweeteners Sub-total</b>	<b>330.9</b>	<b>290.5</b>	<b>13.9</b>
<b>Trading</b>			
Amino Acids	6.2	4.6	34.8
<b>Total</b>	<b>597.7</b>	<b>466.5</b>	<b>28.1</b>

1H17 Revenue Breakdown

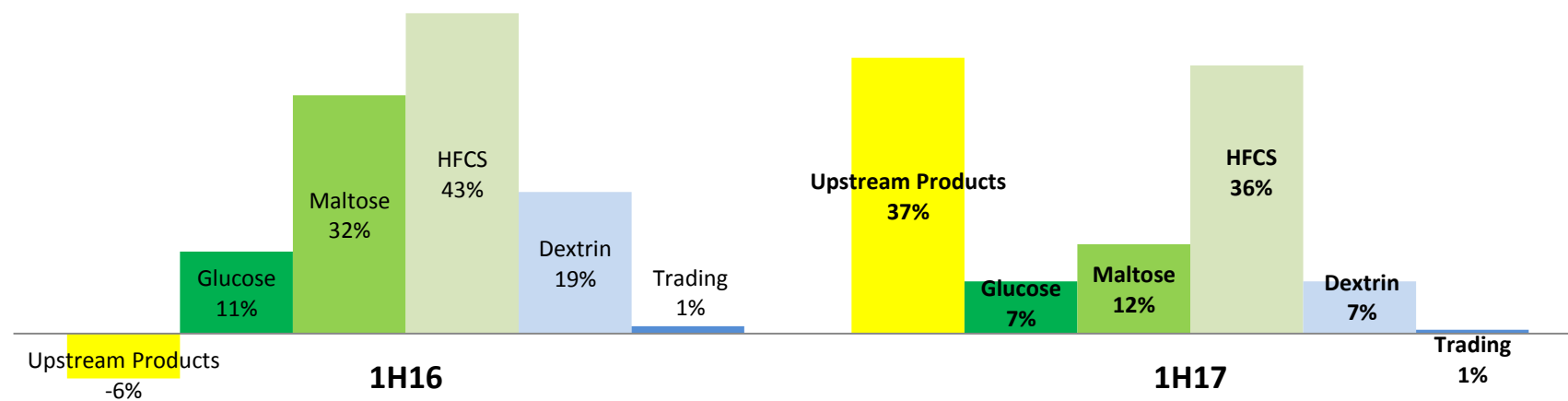


1H16 Revenue Breakdown



# GROSS PROFIT BREAKDOWN

Gross Profit (HK\$ million)	1H17	1H16	% Change
<b>Upstream</b>			
Corn Refined Products & Corn Procurement	30.3	(2.4)	N/A
<b>Downstream</b>			
Glucose Syrup	5.8	4.2	38.1
Maltose Syrup	11.9	12.7	(6.3)
HFCS	28.0	17.0	64.7
Maltodextrin	6.2	7.8	(20.5)
<b>Sweeteners Sub-total</b>	<b>51.9</b>	<b>41.7</b>	<b>24.5</b>
<b>Trading</b>			
Amino Acids	0.5	0.2	150.0
<b>Total</b>	<b>82.7</b>	<b>39.5</b>	<b>109.4</b>



# SALES ANALYSIS

	Sales Volume ('000 MT)			Gross Profit/ (Loss) Margin (%)		
	1H17	1H16	% Change	1H17	1H16	% pt Change
<b><u>Upstream</u></b>						
Corn Refined Products & Corn Procurement	125	75	66.7	11.6	(1.4)	N/A
<b><u>Downstream</u></b>						
Corn Syrup	92	69	33.3	18.5	16.7	1.8
Corn Syrup Solid	37	32	15.6	7.4	9.0	*(1.6)
<b>Sweeteners Sub-total</b>	<b>129</b>	<b>101</b>	<b>27.7</b>	<b>15.7</b>	<b>14.4</b>	<b>1.3</b>
<b><u>Trading</u></b>						
Amino Acids	1	1	-	8.1	4.3	3.8
<b>Total</b>	<b>255</b>	<b>177</b>	<b>44.1</b>	<b>13.8</b>	<b>8.5</b>	<b>5.3</b>

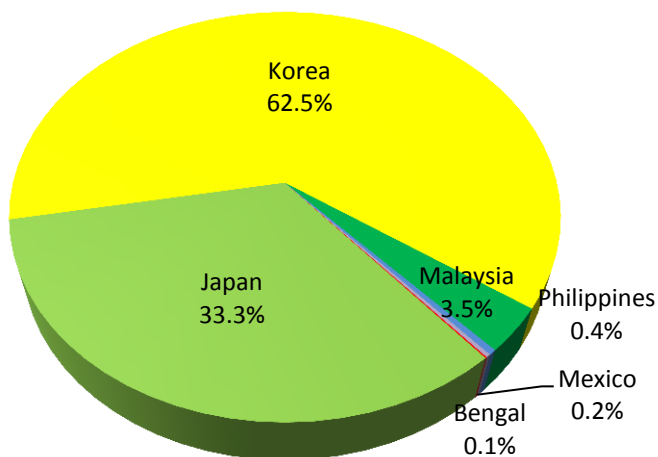
\* The sales of corn syrup solid, all of which are maltodextrin, dropped due to the decrease of the price of maltodextrin during the Period. As a result, gross profit margin of corn syrup solid decreased by 1.6 per cent. point.

# EXPORTS BREAKDOWN

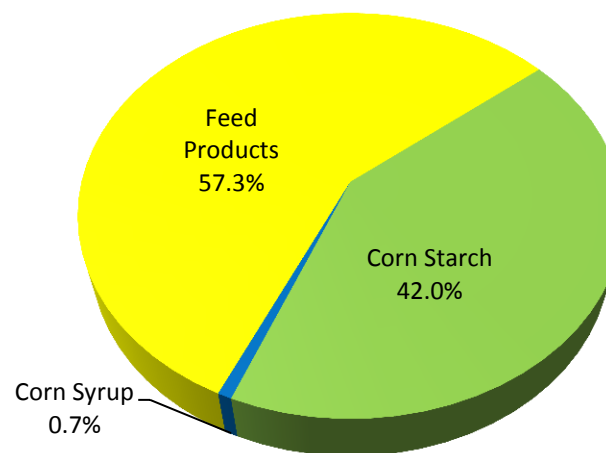
	1H17	1H16	% Change
Export Sales Revenue (HK\$ Million)	36.1	40.2	(10.2)
Exports Sales Volume ('000 MT)	27	21	28.6
Export Contribution (%)	*6.0	8.6	(2.6) % pt

\* The Group's revenue for 1H17 increased by 28%. As a result, export contribution decrease to 6%.

**Exports Breakdown by Region 1H17**

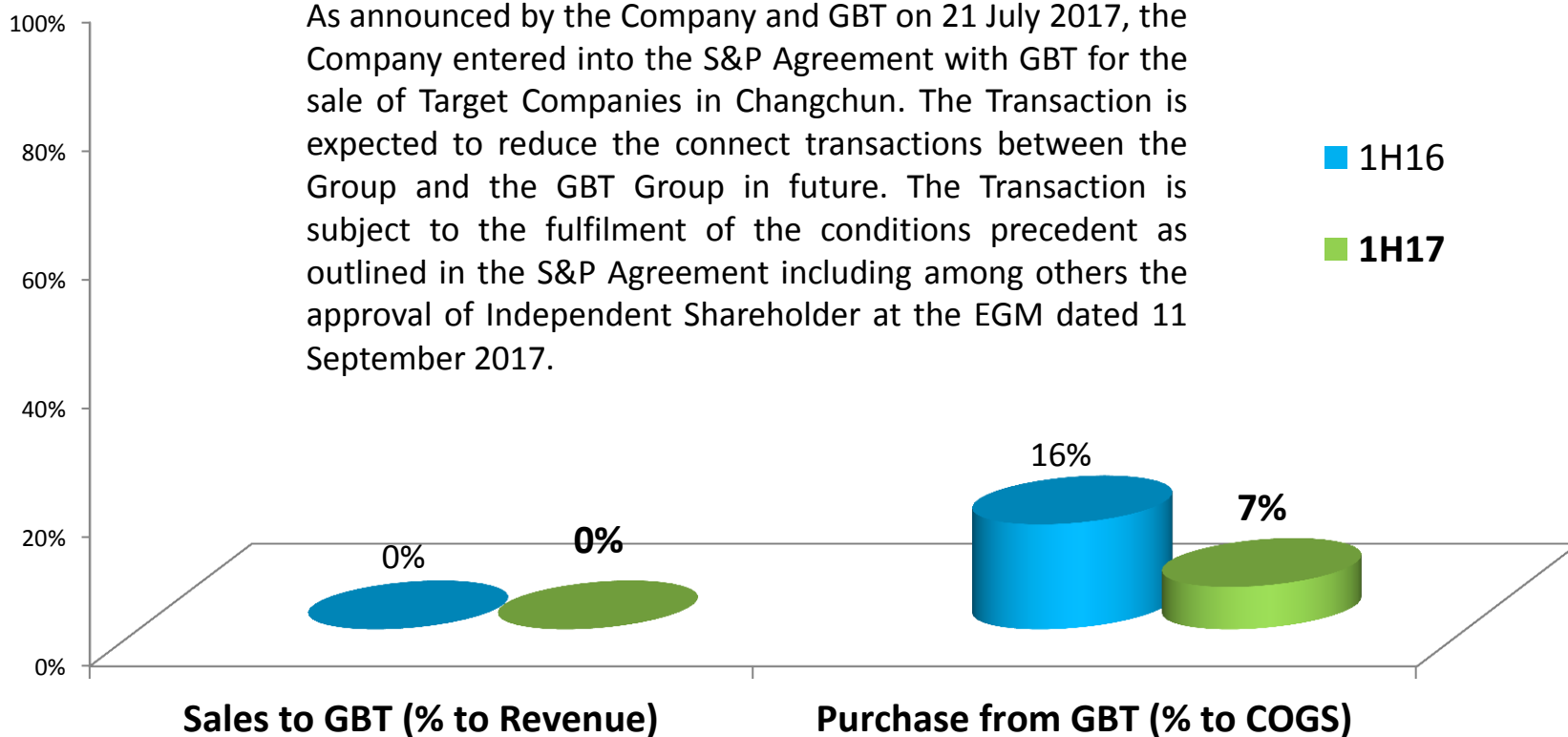


**Exports Breakdown by Product 1H17**



# CCT – SALES TO & PURCHASE FROM GBT

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. The Transaction is expected to reduce the connect transactions between the Group and the GBT Group in future. The Transaction is subject to the fulfilment of the conditions precedent as outlined in the S&P Agreement including among others the approval of Independent Shareholder at the EGM dated 11 September 2017.



# OPERATING COST STRUCTURE

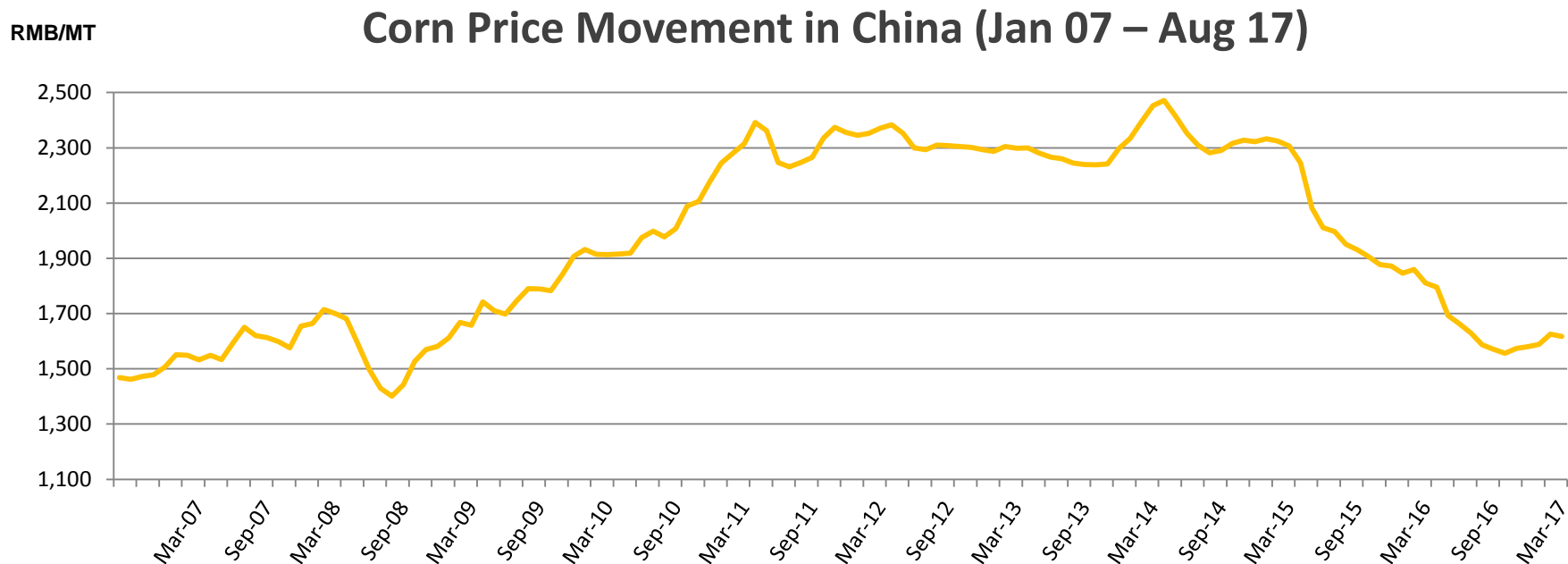
	1H17	1H16
Raw Material (Corn / Corn Starch) *	56.7%	68.1%
Utilities (Water, Electricity, Steam & Wastewater Treatment)	12.8%	7.9%
Labour	2.3%	2.4%
Depreciation	2.0%	2.2%
Production Overhead (Consumable and Packaging)	8.8%	4.4%
Selling and Distribution Expenses	9.2%	7.0%
Administrative Expenses	8.2%	8.0%

\* 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 1H17, as a result of the corn purchasing subsidies, cost of corn kernels decreased accordingly and accounted less in the Group's cost structure.





# UPSTREAM RAW MATERIAL – CORN



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

- Corn harvest for 2016/17: approx. 232 million MT (2015/16: 225 million MT) (Source: USDA)
- GSH purchasing cost for 1H17: RMB1,360/MT (1H16: RMB1,400/MT), excl. VAT
- Agricultural reform + corn purchase subsidies from provincial government → stabilise PRC corn price → enhanced competitiveness of corn related products from China in overseas market
- During 1H17, the Group is entitled to HK\$22.6 million of corn subsidies
- Improved upstream performance in 1H17, expect to continue in 2H17
- Collaboration with Jiliang to secure raw material supply

# DOWNSTREAM SUBSTITUTE – SUGAR



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

- 2016/17 PRC sugar production increased to 9.5 million MT (2015/16: 9.0 million MT) (source: USDA)
- 2016/17 sugar consumption in China is estimated to be 15.6 million MT (source: USDA) → shortage continues → currently PRC at approx. RMB 6,100/MT
- Sugar price stays high & lowered corn price → ↑ user's incentive to switch to corn sweeteners
- 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

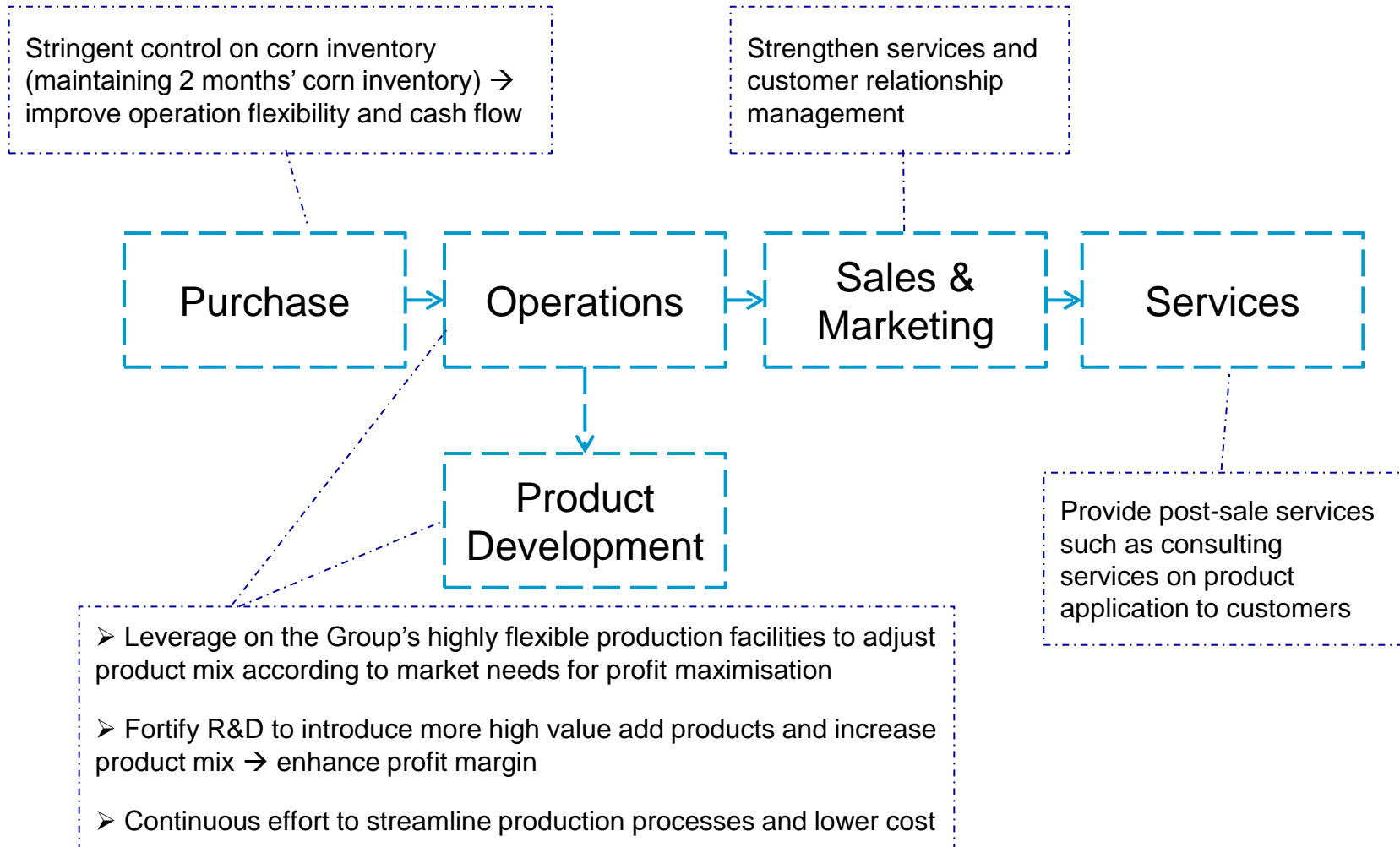
On 21 July 2017, the Company entered into the S&P Agreement with GBT for the sale of the Target Companies – Dihao Foodstuff and Dihao Crystal Sugar in Changchun, at a consideration of HK\$60,971,000 (the “Transaction”). The Completion is subject to the conditions precedent as outlined in the S&P Agreement including among others the approval by Independent Shareholder at the EGM to be held on 11 September 2017.

The Transaction will:

- enhance the Group’s financial position with:
  - the proceeds from the Transaction;
  - the net assets increased to HK\$11 million;
  - 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

While in April 2017, the production facilities of Dihao Foodstuff in Xinglongshan for the production has commenced trial run, the Group still needs to get through the process of getting the necessary approvals from the relevant bodies and finalising facilities designs for the other relocation projects. 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	100,000 mpta	Sep 2017	Aug 2018
Glucose/ Maltose	60,000 mtpa	Completed	Completed
Corn Refinery	600,000 mtpa	Jul 2018	Jun 2019

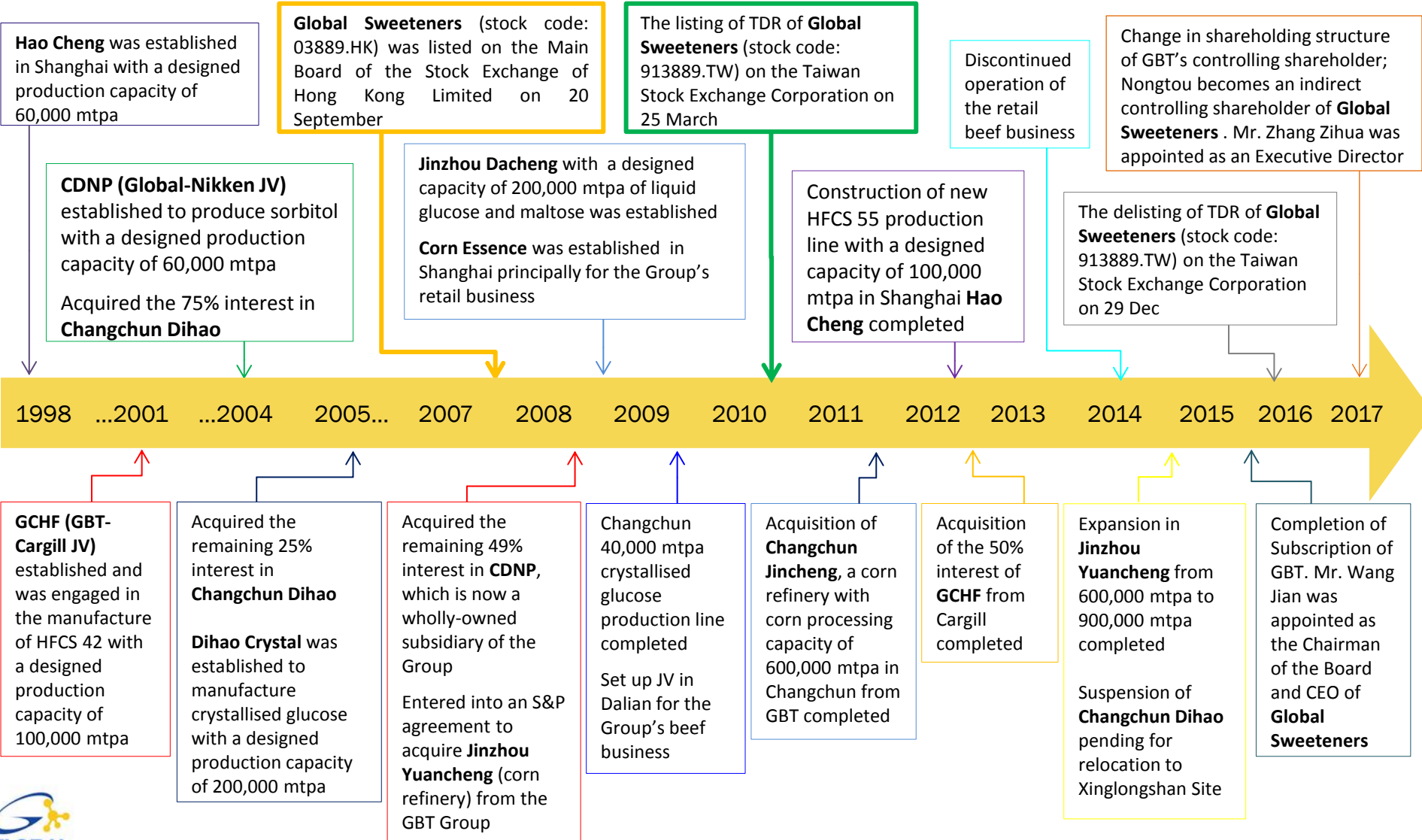
# CAPACITY OVERVIEW

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>

# COMPANY PROFILE



# CORPORATE MILESTONES





# CORPORATE STRUCTURE

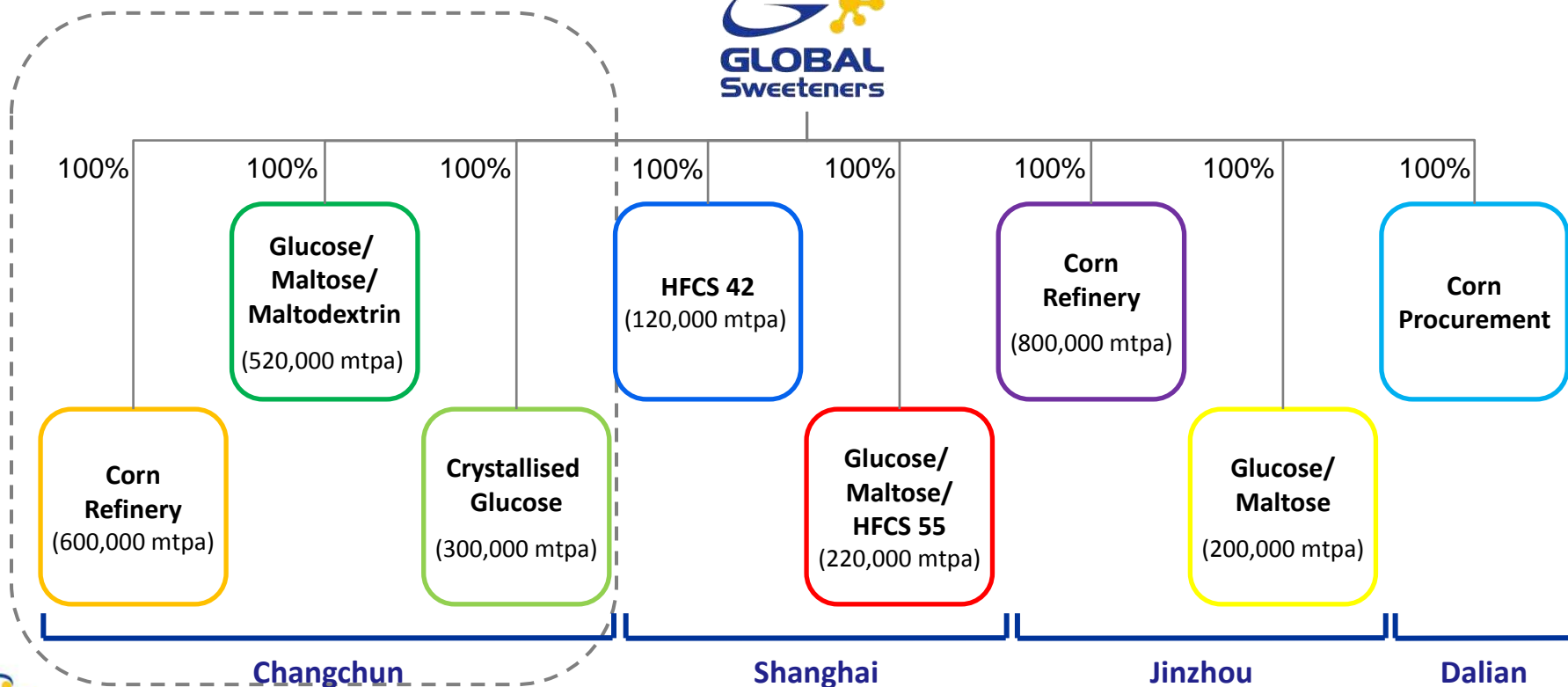


Public

*Suspended pending for relocation*

64%

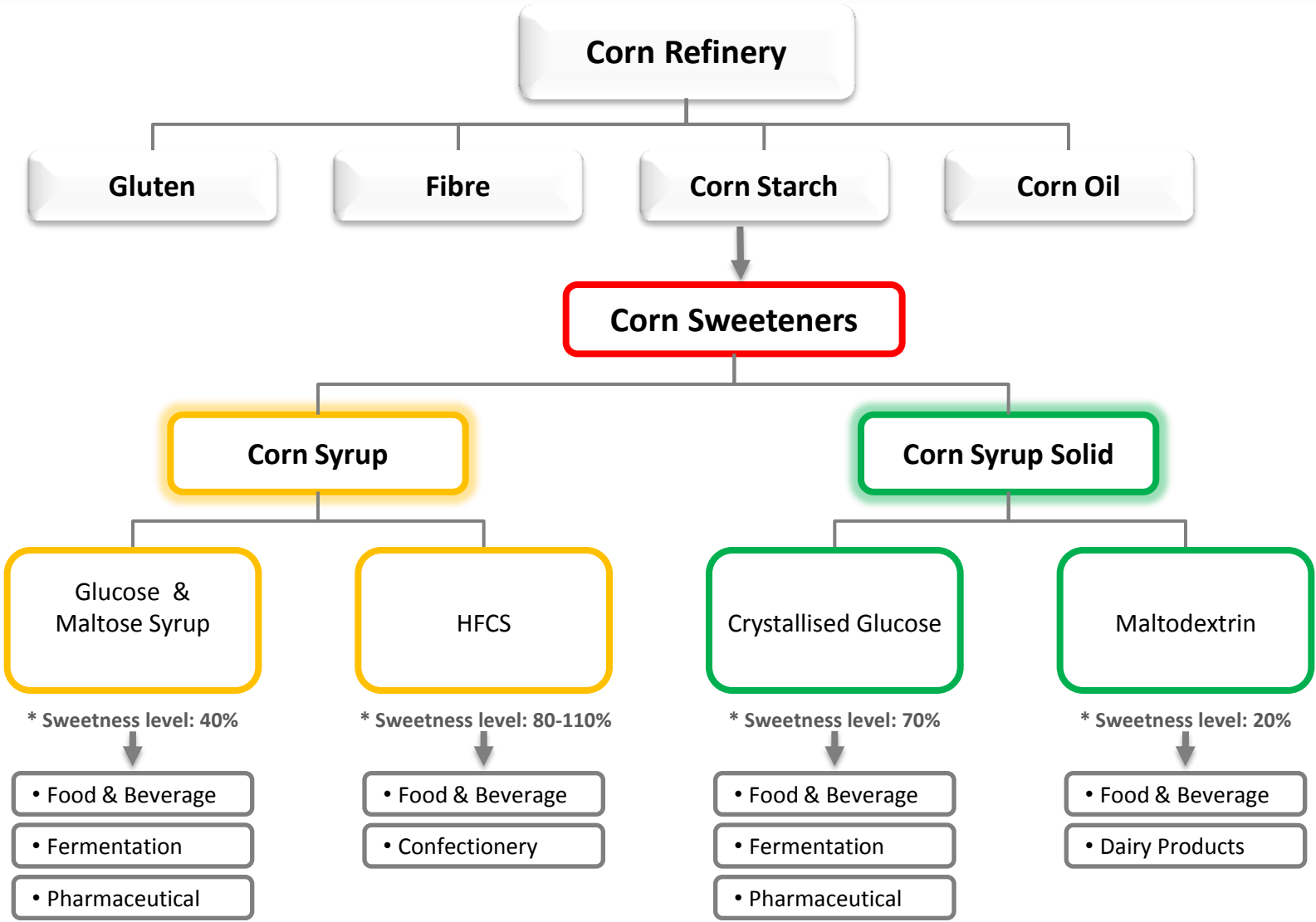
36%



# DIVERSIFIED PRODUCT MIX

UPSTREAM

DOWNSTREAM



\* Sweetness level: 40%

\* Sweetness level: 80-110%

\* Sweetness level: 70%

\* Sweetness level: 20%

- Food & Beverage
- Fermentation
- Pharmaceutical

- Food & Beverage
- Confectionery

- Food & Beverage
- Fermentation
- Pharmaceutical

- Food & Beverage
- Dairy Products

\* 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:**

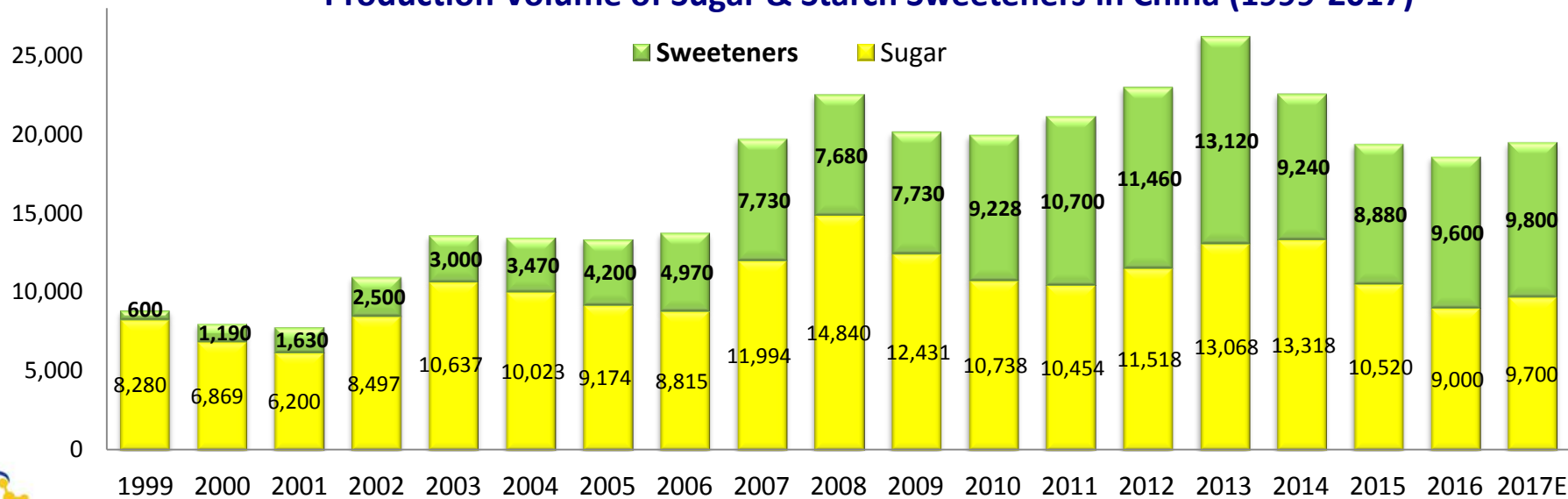
Corn, Potatoes, Tapioca

**Regions:**

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

'000 MT

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



Source: China Sugar Association

# THANK YOU

- The End -

