



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

# 2009 Annual Results Presentation

22 April 2010

# Agenda

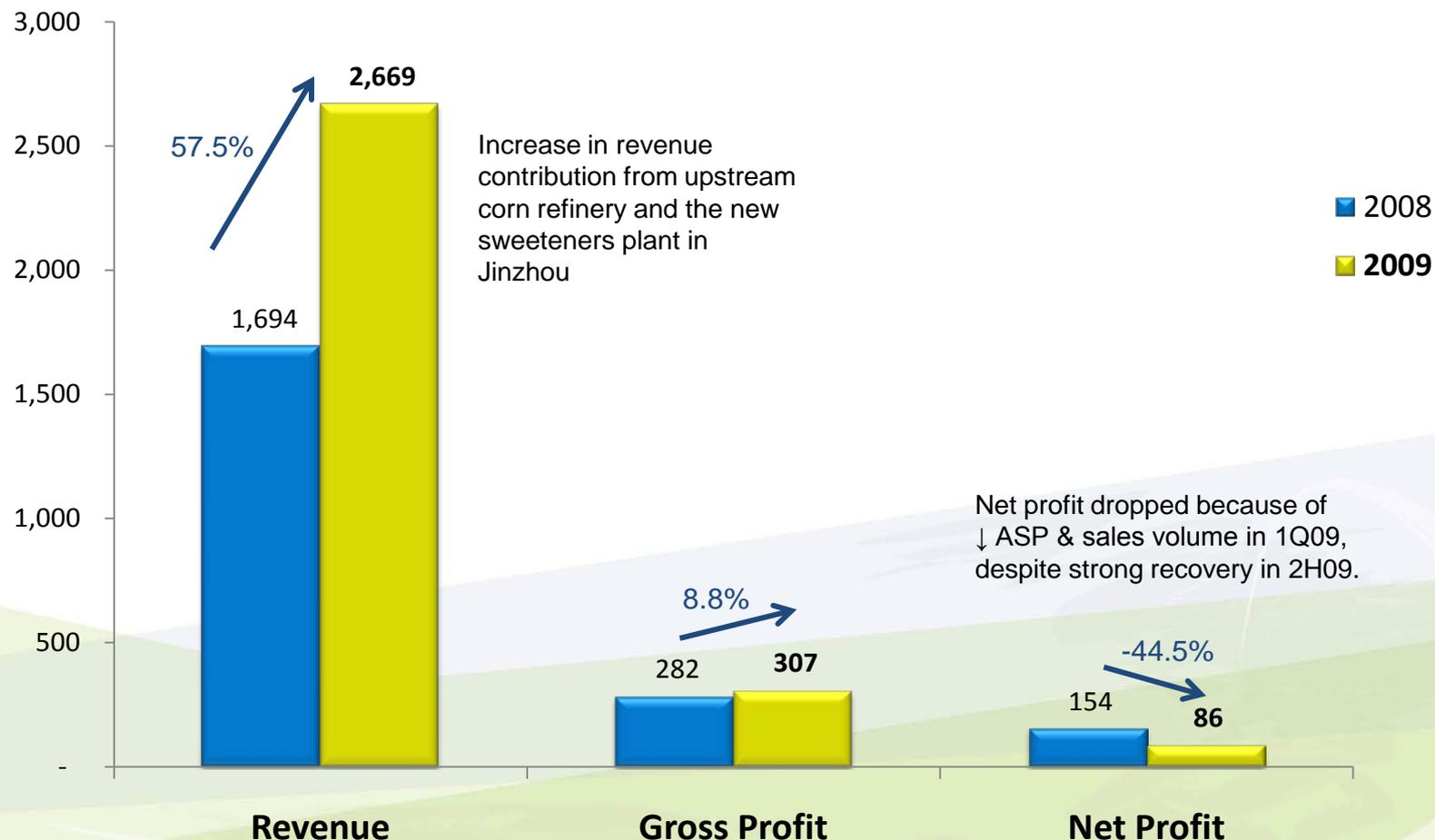
- ◆ 2009 Annual Results
  - ◆ Financial Review
  - ◆ Operation Overview
- ◆ Business Outlook & Development Plans
- ◆ Company Profile

# **2009 Annual Results**

## **Financial Review**

# Results Highlights

HK\$ million

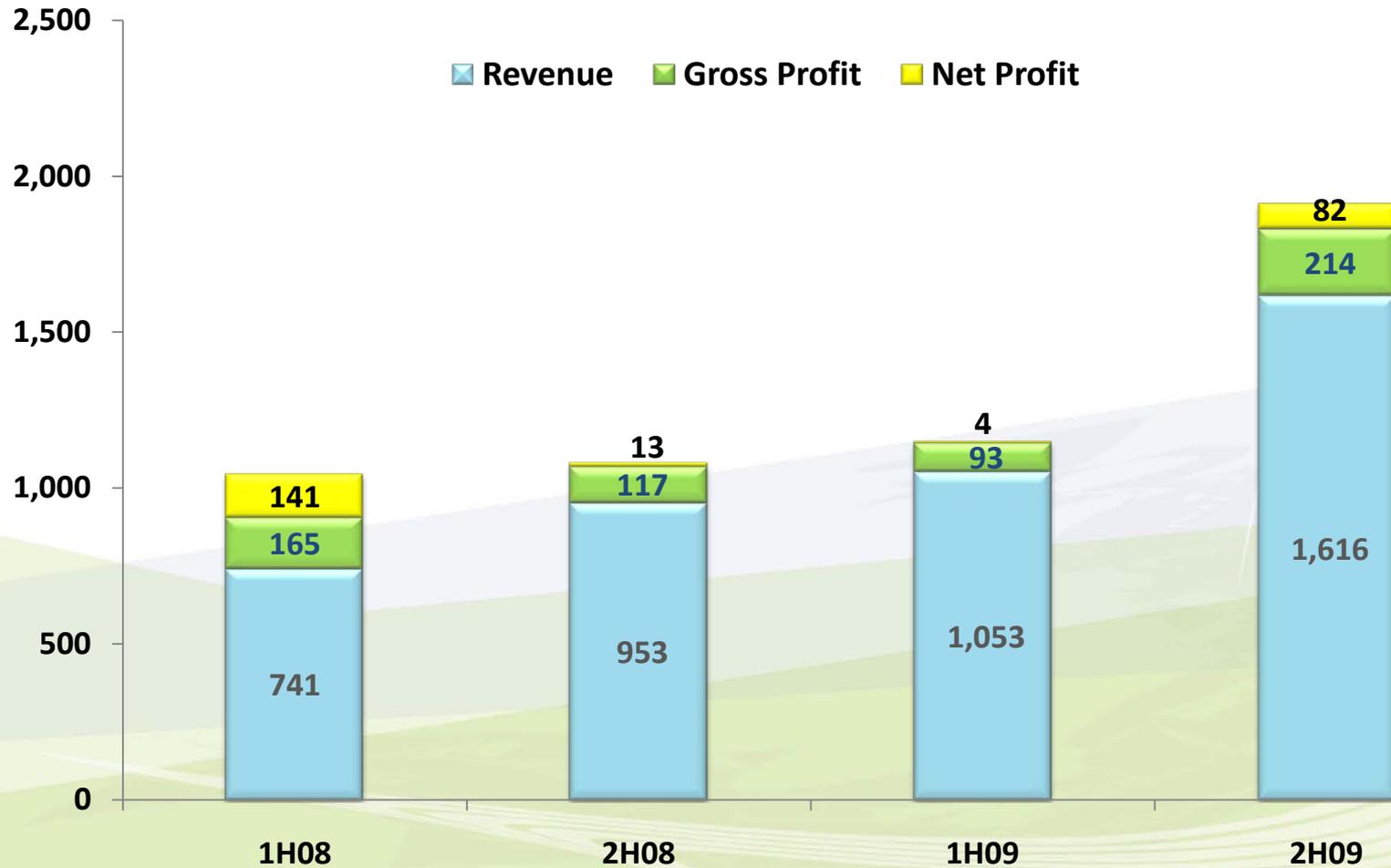


## Highlights on accounting treatment:

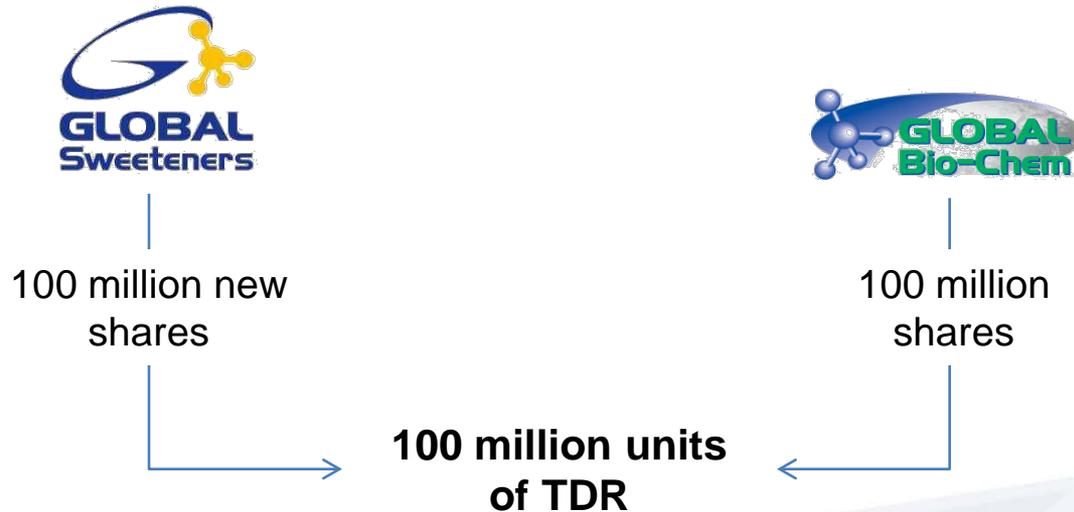
Equity account method has been adopted for the Group's jointly-controlled entities. Therefore, the reports in 2008 are restated.

# Strong Recovery in 2H09

HK\$ million



# Listing of TDR



- ◆ Listing of GSH TDR on 25 March 2010 → a corporate milestone
- ◆ Net proceeds from the listing of 100 million new shares: HK\$185 million
- ◆ Use of proceeds: working capital for the Group's sweeteners and beef cattle business
- ◆ Immediately after the listing of TDR, GBT's interest in GSH reduced from 67% to 52%

# Operating Results

HK\$ million	2009	2008 (restated)	Change
<b>Revenue</b>	<b>2,669</b>	1,694	57.5%
• Upstream	<b>988</b>	223*	342.8%
• Downstream	<b>1,680</b>	1,471	14.2%
<b>Gross Profit</b>	<b>307</b>	282	8.8%
• Upstream	<b>97</b>	(12) *	N/A
• Downstream	<b>210</b>	294	(28.6%)
<b>Gross Margin</b>	<b>11.5%</b>	16.7%	(5.2%)
• Upstream	<b>9.8%</b>	(5.2%) *	N/A
• Downstream	<b>13.5%</b>	20.0%	(6.5%)
<b>EBITDA</b>	<b>230</b>	272	(15.5%)
<b>Profit before tax</b>	<b>107</b>	176	(39.3%)
<b>Net Profit</b>	<b>86</b>	154	(44.5%)
• <b>Net Margin</b>	<b>3.2%</b>	9.1%	(5.9%)
<b>Basic Earnings Per Share (HK cents)</b>	<b>8.2</b>	14.8	(44.6%)
<b>Dividend Per Share (HK cents)</b>	<b>1.0</b>	-	N/A

\* For the Period from 24 September 2008 (the completion date of the acquisition of the corn refinery in Jinzhou) to 31 December 2008.

# Financial Position

HK\$ million	31 Dec 09	31 Dec 08 (restated)	Change
Non-current Assets	<b>1,601</b>	1,635	(2.1%)
Current Assets	<b>1,253</b>	1,042	20.2%
Current Liabilities	<b>993</b>	824	20.5%
Cash and Bank Balances*	<b>297</b>	423	(20.5%)
Shareholder's Equity	<b>1,636</b>	1,526	7.2%
Interest Bearing Loan**	<b>801</b>	622	28.8%

\* Upon the listing of TDR on 25 March 2010, the Group's cash level has increased by HK\$185 million.

\*\* The increase in bank borrowing were mainly because of the short term bank borrowing for the purchase of corn kernels.

# Key Financial Ratios

HK\$ million	31 Dec 09	31 Dec 08 (restated)
Current Ratio	<b>1.26</b>	1.26
Quick Ratio	<b>0.89</b>	0.97
Gearing Ratio (net debt/equity)*	<b>31.0%</b>	13.1%
ROE	<b>5.2%</b>	10.1%
Inventories Turnover Days	<b>57 days</b>	62 days
Trade Receivables Turnover Days	<b>66 days</b>	56 days
Trade Payables Turnover Days**	<b>8 days</b>	22 days

\* Upon the listing of TDR on 25 March 2010, the Group's cash level has increased by HK\$185 million → gearing ratio ↓ to approx. 20%

\*\* Purchase of corn kernels direct from local farmers on cash basis → trade payables turnover days ↓

# **2009 Annual Results**

## **Operation Overview**

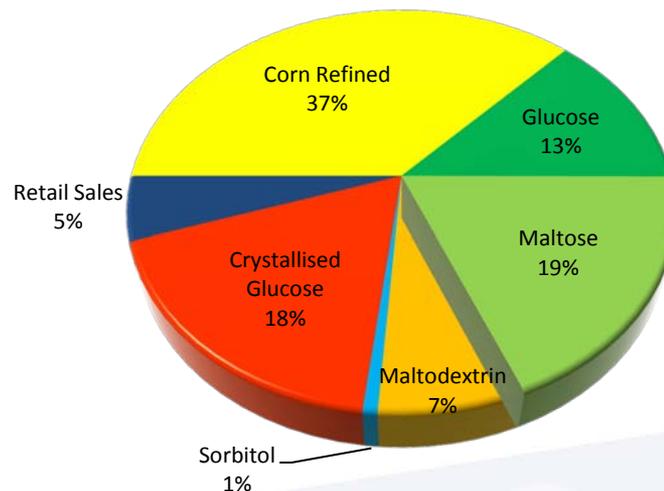
# Revenue Breakdown

Revenue (HK\$ million)	2009	2008 (restated)	Change
<b>Upstream</b>			
Corn Refined Products	<b>988</b>	223*	342.8%
<b>Downstream</b>			
Glucose Syrup	<b>347</b>	455	(24%)
Maltose Syrup	<b>500</b>	364	37%
Maltodextrin	<b>197</b>	158	24%
Sorbitol	<b>20</b>	88	(78%)
Crystallised Glucose	<b>480</b>	405	18%
<b>Sub-total</b>	<b>1,543</b>	1,471	5%
<b>Retail**</b>	<b>137</b>	0	N/A
<b>TOTAL</b>	<b>2,669</b>	1,694	58%

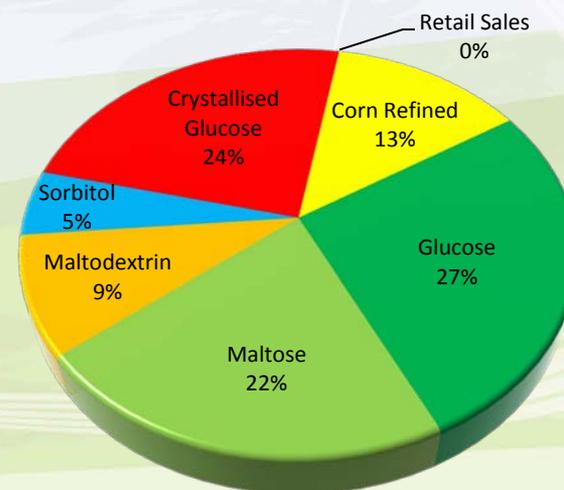
\* For the Period from 24 September 2008 (the completion date of the acquisition of the corn refinery in Jinzhou) to 31 December 2008.

\*\* Increase in revenue contribution from retail segment were mainly from trading of beef cattle in 2H09

## 2009 Revenue by Products



## 2008 Revenue by Products



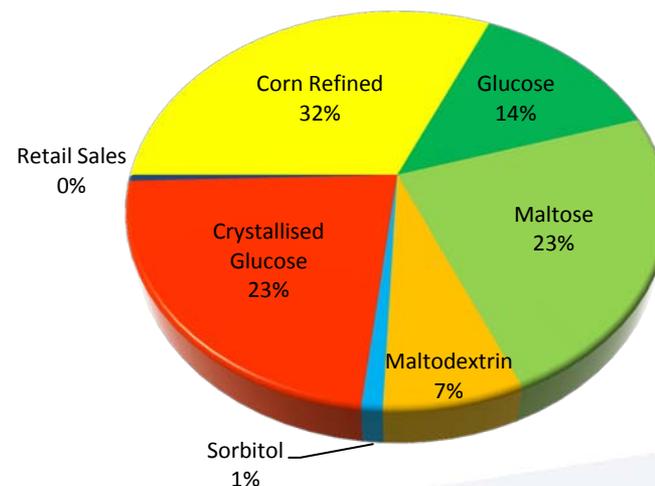
# Gross Profit Breakdown

Gross Profit (HK\$ million)	2009	2008 (restated)	Change
<b>Upstream</b>			
Corn Refined Products	97	(12)*	N/A
<b>Downstream</b>			
Glucose Syrup	42	88	(53%)
Maltose Syrup	72	64	12%
Maltodextrin	22	20	12%
Sorbitol	3	20	(83%)
Crystallised Glucose	70	102	(32%)
<b>Sub-total</b>	<b>209</b>	<b>294</b>	<b>(29%)</b>
<b>Retail**</b>	<b>1</b>	<b>0</b>	<b>N/A</b>
<b>TOTAL</b>	<b>307</b>	<b>282</b>	<b>8.8%</b>

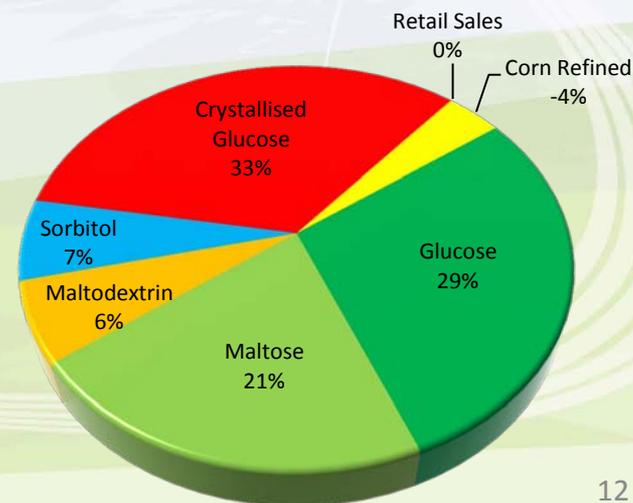
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## 2009 Gross Profit by Products



## 2008 Gross Profit by Products



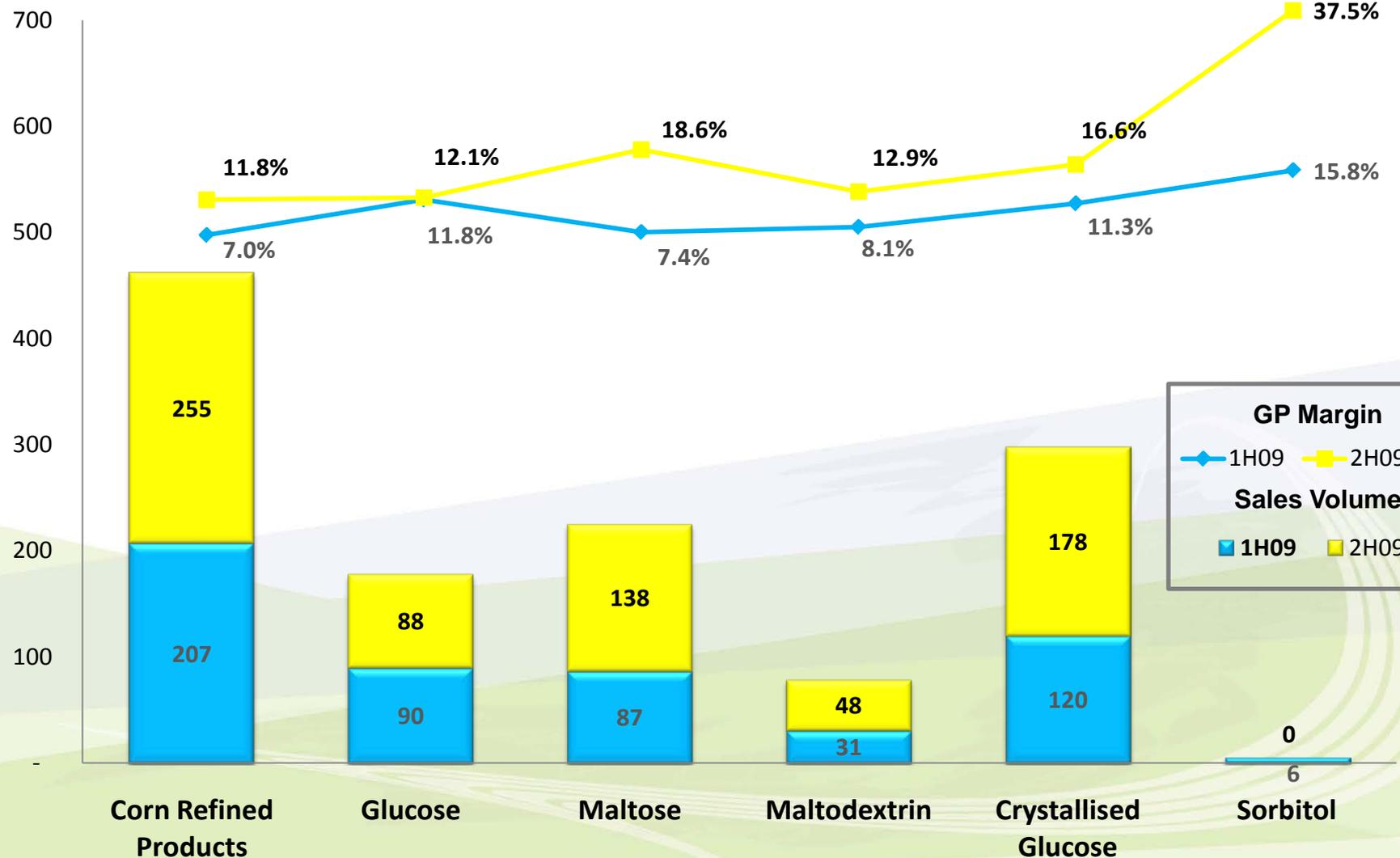
# Sales Analysis

	Sales Volume ('000 MT)			Gross Profit Margin		
	2009	2008	Change	2009	2008	Change
<b><u>Upstream</u></b>						
Corn Refined Products	<b>462</b>	107	331%	<b>10%</b>	(5%)	N/A
<b><u>Downstream</u></b>						
Glucose Syrup*	<b>178</b>	233	(23%)	<b>12%</b>	19%	(7%)
Maltose Syrup	<b>225</b>	152	48%	<b>14%</b>	18%	(4%)
Maltodextrin	<b>79</b>	62	26%	<b>11%</b>	12%	(1%)
Sorbitol	<b>6</b>	27	(76%)	<b>17%</b>	23%	(6%)
Crystallised Glucose	<b>298</b>	242	23%	<b>15%</b>	25%	(10%)
<b>Sweeteners Sub-total</b>	<b>786</b>	716	10%	<b>14%</b>	20%	(6%)
<b><u>Retail</u></b>	<b>8</b>	0	N/A	<b>1%</b>	N/A	N/A
<b>TOTAL</b>	<b>1,256</b>	823	53%			

\* In 2009, approx. 430,000 MT of glucose syrup (2008: 344,000 MT) was used as feedstock of other corn sweeteners production.

# Full Recovery in 2H09

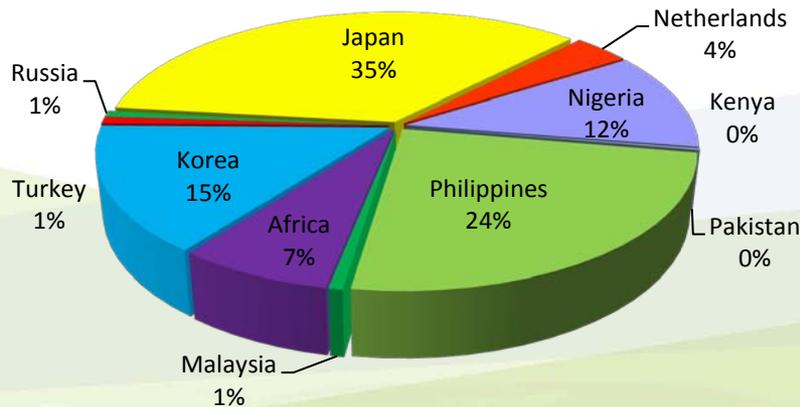
'000 MT



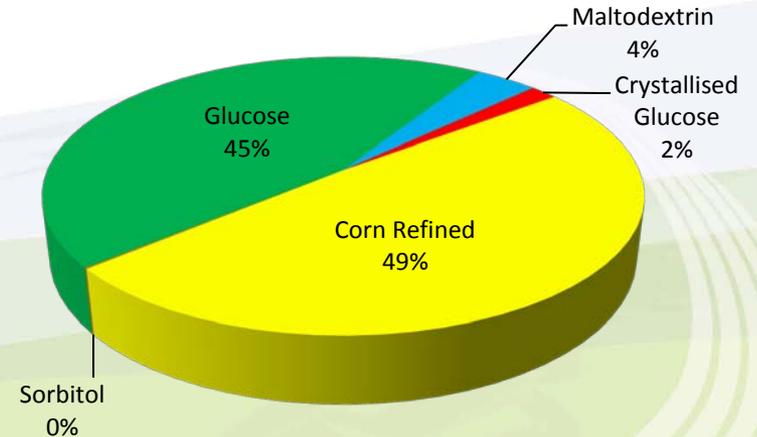
# Exports Breakdown

	Volume (MT)			Revenue (HK\$ million)		
	2009	2008	Change	2009	2008	Change
Export Sales	<b>74,755</b>	32,658	129%	<b>163</b>	100	63%
Export to Revenue (%)	<b>6%</b>	4%	2%	<b>6%</b>	6%	-

Exports Breakdown by Region 2009

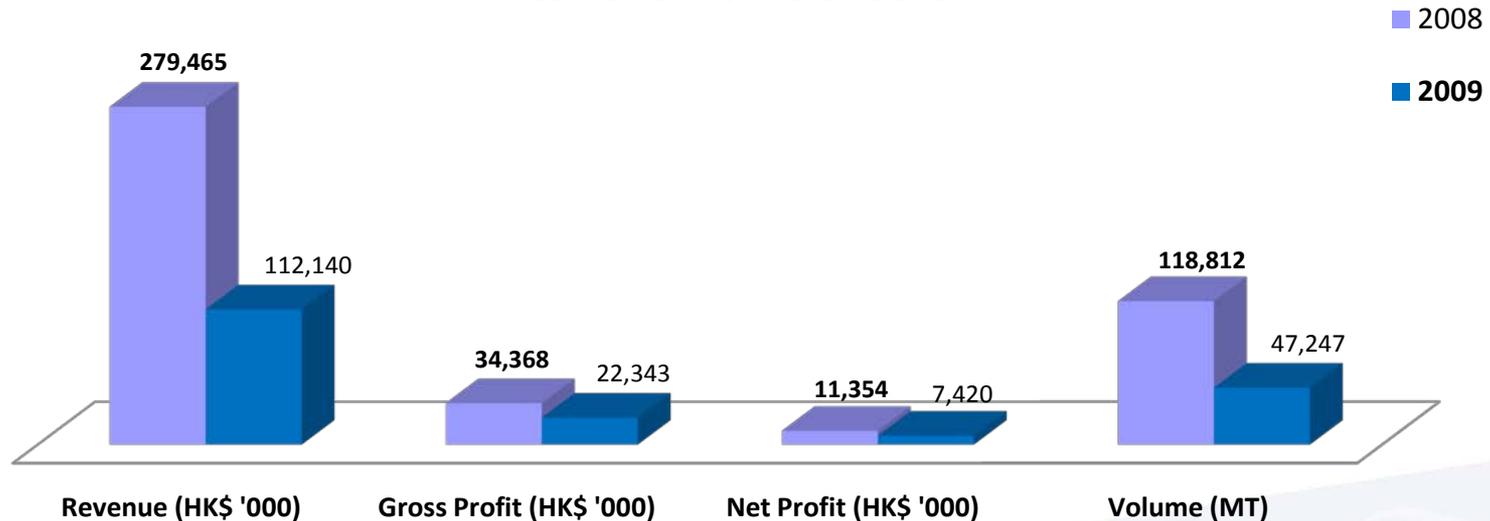


Exports Breakdown by Product 2009



# Performance of Joint Venture

## HFCS Performance Under JV



- Weak performance in 1Q09
- Restructuring of customer base



### YOY Comparison:

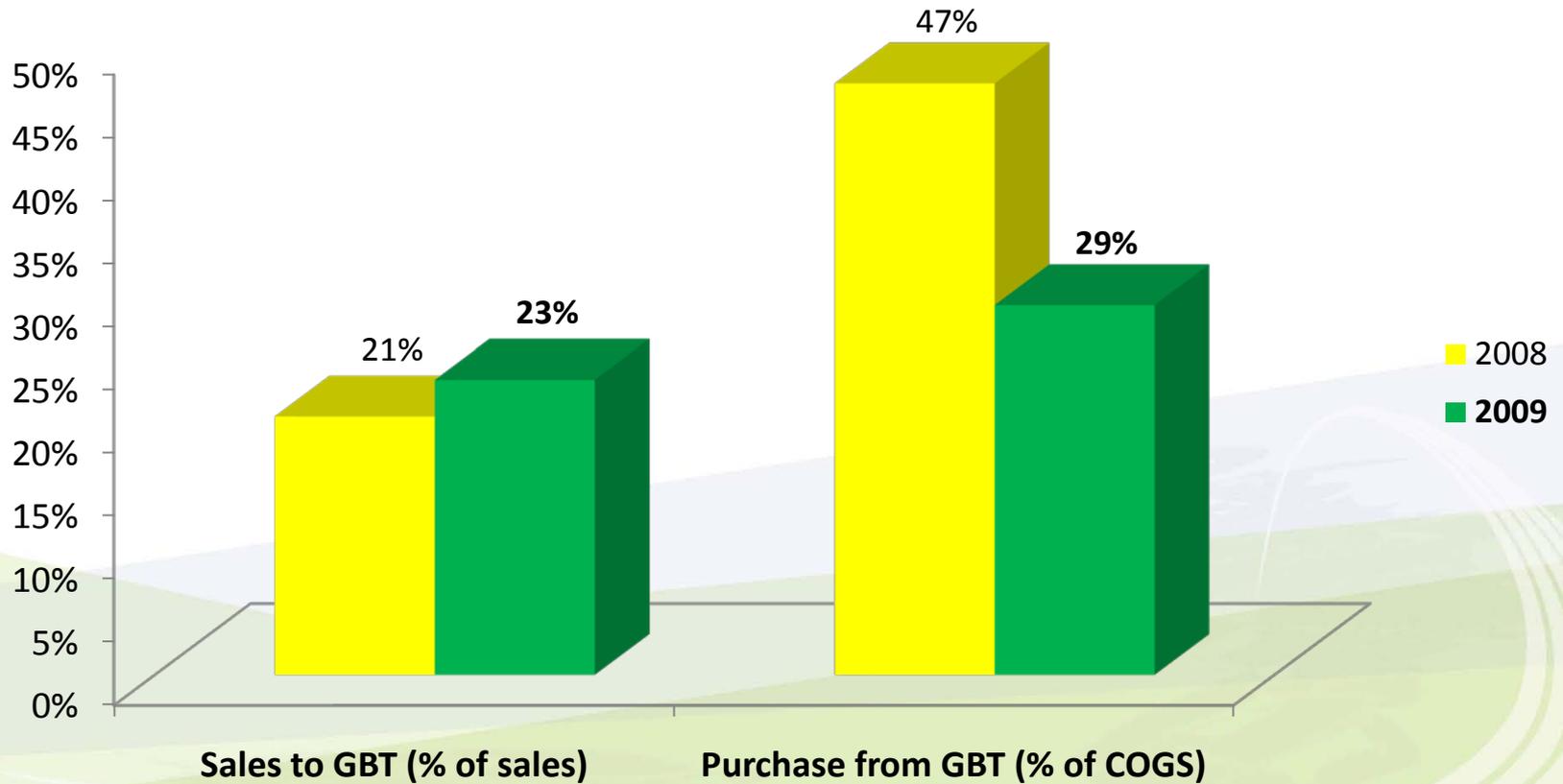
- Volume ↓ by 60%
- Revenue ↓ by 60% ; GP only ↓ by 35%
- GP Margin ↑ by 8% to 20%**

## OUTLOOK

Strong sugar price → support HFCS price

Restructuring of customer base → expect relatively slow recovery for the JV's HFCS business

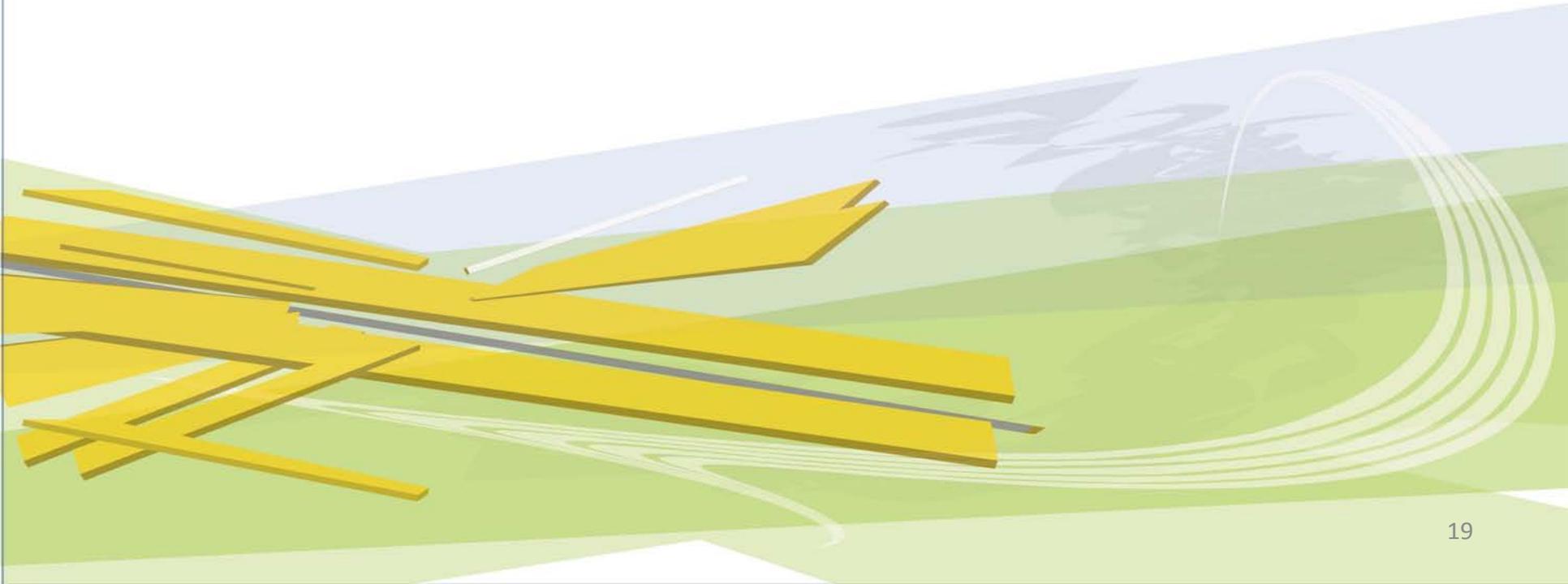
# Transactions with Parent Group



# Operating Cost Structure

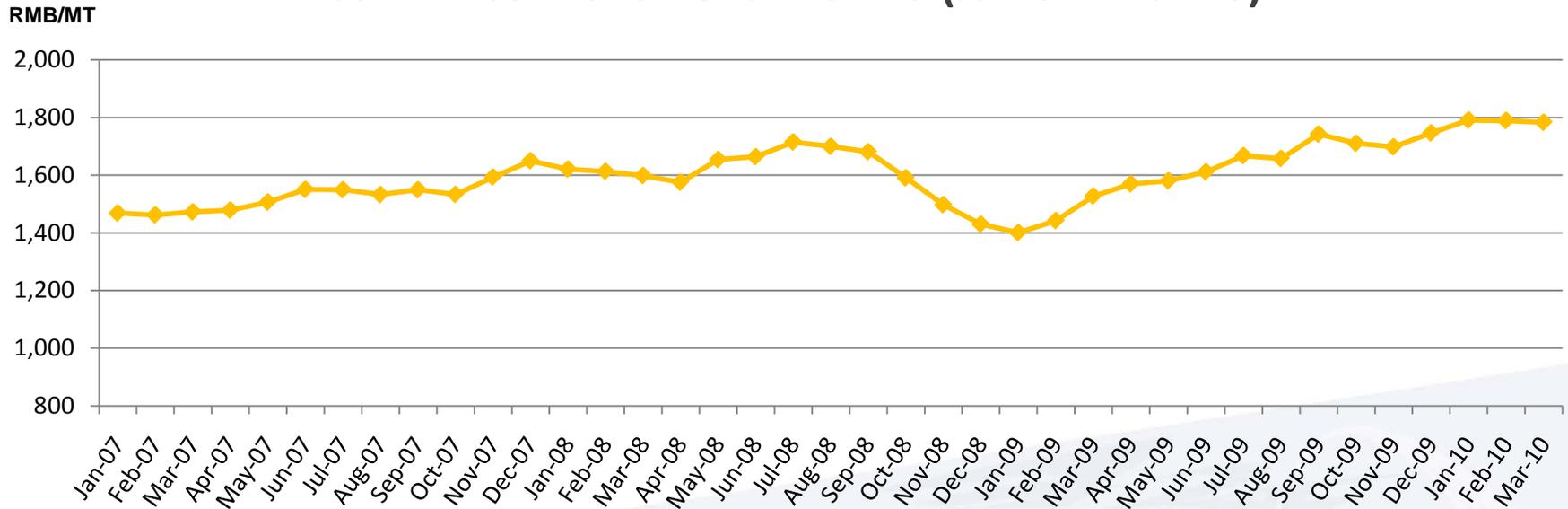
	2009	2008 (restated)
Raw Material	77.6%	75.8%
Utilities	8.4%	9.2%
Labour	0.8%	0.6%
Depreciation	3.5%	3.6%
Production Overhead	2.4%	2.4%
Selling and Distribution Expenses	4.3%	4.6%
Administrative Expenses	3.0%	3.8%

# Business Outlook & Development Plans



# Raw Material: Corn

## Corn Price Movement in China (Jan 07–Mar 10)

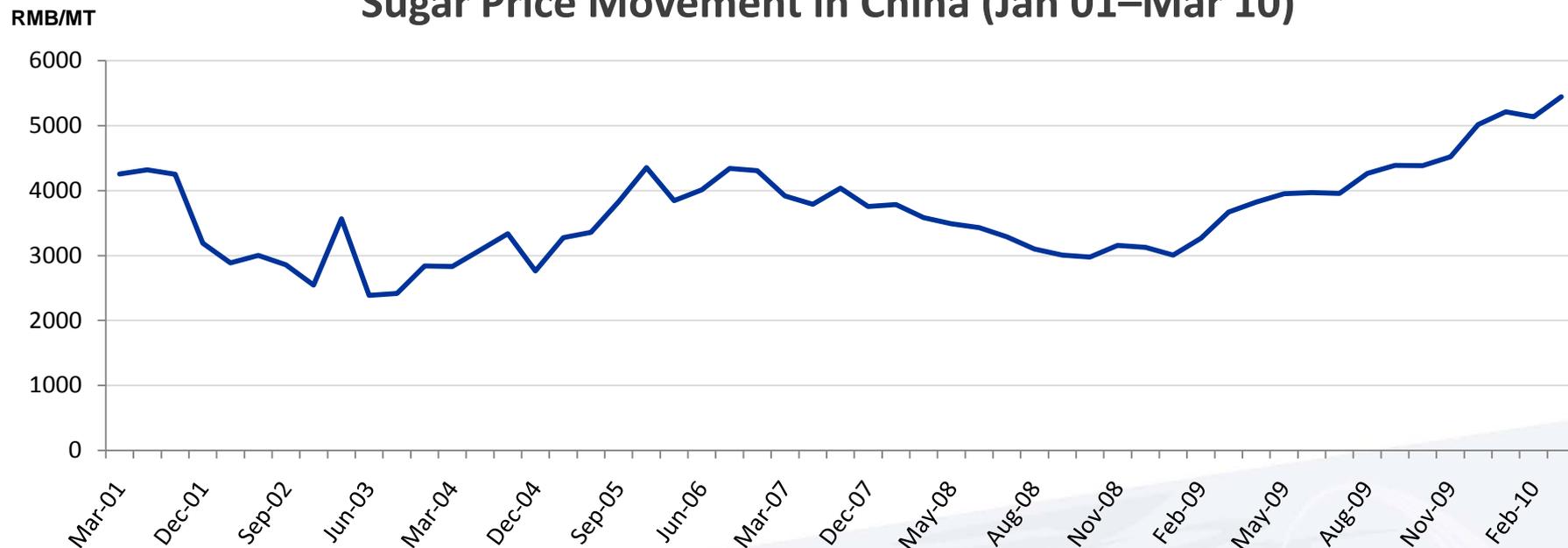


Source: eFeedlink. Based on average price from Northeast China (Jilin, Liaoning and Shandong)

- Grain prices (including corn) in China is expected to increase with tightened food supply as a result of drought in Southern China
- Corn supply in China is still abundant: approx. 155 million MT for 2009/2010 harvest
- The Group's corn purchasing price for 2010 stays at around RMB1,650/MT
- Upstream corn refinery: positive outlook with sustainable strong demand and prices of upstream products

# Sugar Price

## Sugar Price Movement in China (Jan 01–Mar 10)

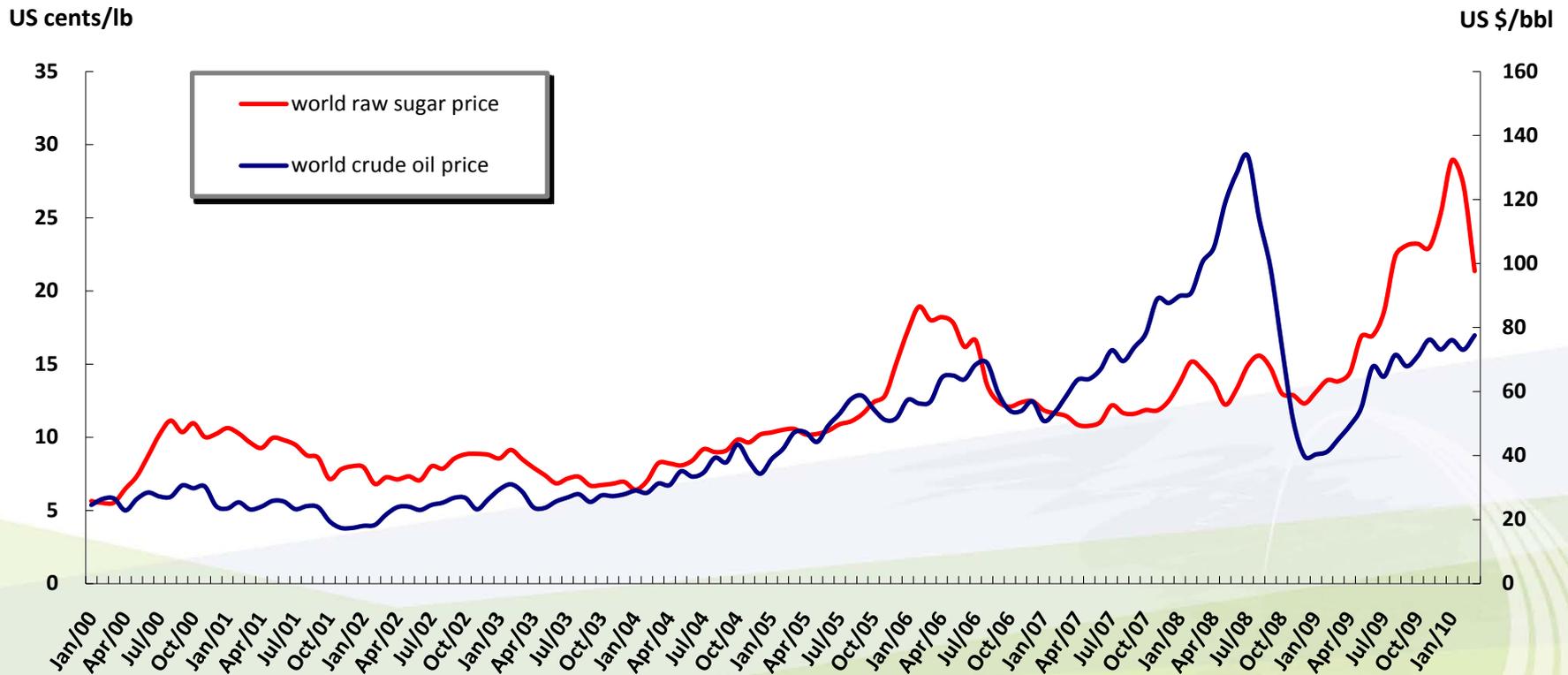


Source: [www.ec-sugar.com](http://www.ec-sugar.com)

- ▶ PRC sugar price rebounded since Q209:
  - ▶ 2008 lowest: approx. RMB2,800/MT
  - ▶ Q209: approx. RMB3,500-4,000/MT
  - ▶ Q309: approx. RMB4,500/MT
  - ▶ Currently: approx. RMB5,000-5,500/MT
- ▶ Shortage of sugar production worldwide + drought in Southern China → outlook on sugar prices in 2010: will sustain at high level

# Correlations Between Sugar & Oil Prices

## Sugar and Crude Oil Price Movement



- ◆ Outlook on oil price → positive and stabilised
- ◆ Further support on world sugar prices

# PRC Sugar & Sweeteners Market

## 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 NE China: Jilin, Shandong & Hebei

## Production Volume of Sugar & Starch Sweeteners in China (1999-2009)



Source : China Sugar Association, DNCNET and Guangxi Sugar Association (GSA)

# Expansion Plans

Location	Major Product(s)	Designed Capacity (mtpa)	Expected Investment (HK\$ million)		Construction Commence (Tentative)	Construction Complete (Tentative)
			2010	2011		
Jinzhou	Crystallised Glucose	100,000	100	50	2Q/2010	2Q/2011
Jinzhou	Maltodextrin	40,000	30	20	2Q/2010	2Q/2011
Jinzhou	HFCS	100,000	10	90	4Q/2010	4Q/2011
<b>TOTAL INVESTMENT</b>			<b>140</b>	<b>160</b>		

- Source of funding: internal resources, bank borrowings and other alternatives in capital market

# Capacity Overview

Designed Capacity (mtpa)	2009	2010	2011
<b><u>Upstream</u></b>			
Corn Starch	420,000	420,000	840,000
Other Corn Refined Products	180,000	180,000	360,000
<b><u>Downstream</u></b>			
Glucose/Maltose Syrup	820,000	820,000	1,000,000
Maltodextrin	20,000	60,000	60,000
HFCS*	120,000	220,000	220,000
Sorbitol	60,000	60,000	60,000
Crystallised Glucose	240,000	340,000	340,000
<b>Downstream Sub-total</b>	<b>1,260,000</b>	<b>1,500,000</b>	<b>1,680,000</b>
<b>TOTAL</b>	<b>1,860,000</b>	<b>2,100,000</b>	<b>2,880,000</b>

\* JV total capacity: 120,000 mtpa.

# Beef Cattle Business

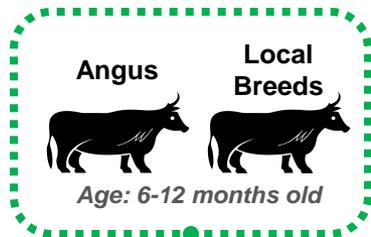


62%

JV Partner  
In Dalian

100%

38%



**Dalian Angus Beef Co., Ltd.**

**Slaughterhouse (contracted)**

Beef Fattening Process: 3-8 months

**Beef Fattening Farm**

**Sales Channels**

Finished beef products ready for sales

Slaughtering

	Fattening Period Starts	Fattening Period Ends
<b>Angus Beef Cattle</b>	Age: 6-10 months old Weight: approx. 300KG Fattening period: 6-8 months	Age: 12-18 months old Weight: approx. 550KG Standard: 100% Choice or above, in which approx. 50% Prime
<b>Local Cattle</b> <i>Including breeds from hybridization with imported breeds</i>	Age: 12-20 months old Weight: 300-450KG Fattening period: 3-8 months	Age: 18-23 months old Weight: approx. 550KG Standard: 100% Select or above, in which approx. 30-40% Choice & approx. 5-10% Prime

**Cost of Fattening:** RMB18/day

**Expansion Plan:**

**Selling price (Based on an average of 550KG cattle) :**

Year	Cattles (Heads)	Revenue (HK\$ million)
2010	11,000	100
2011	34,000	340
2012	58,000	570

Standard	Price
Prime:	RMB15,000
Choice:	RMB11,000
Select:	RMB8,000

**Supermarket Chains:**

- Metro, Wal-Mart, Sam's, PARKnSHOP (Mainland China), Ole and Jusco
- Over 400 sales spots across 70 cities in the PRC

**Hotel Chains:**

Including Shangri-la, Sheraton and Ritz Carlton

**Distributors:**

Across 70+ cities in the PRC

# Investment Highlights

- Short Term**
- 1) Sugar price rebounded since 2Q09 from its bottom (RMB2,800/MT) to currently RMB5,500/MT. High sugar price is expected to be sustainable in coming 12-18 months → support the prices of sweetener products.
  - 2) Stable recovery pace of domestic/ consumer market in China → positive outlook on food related business



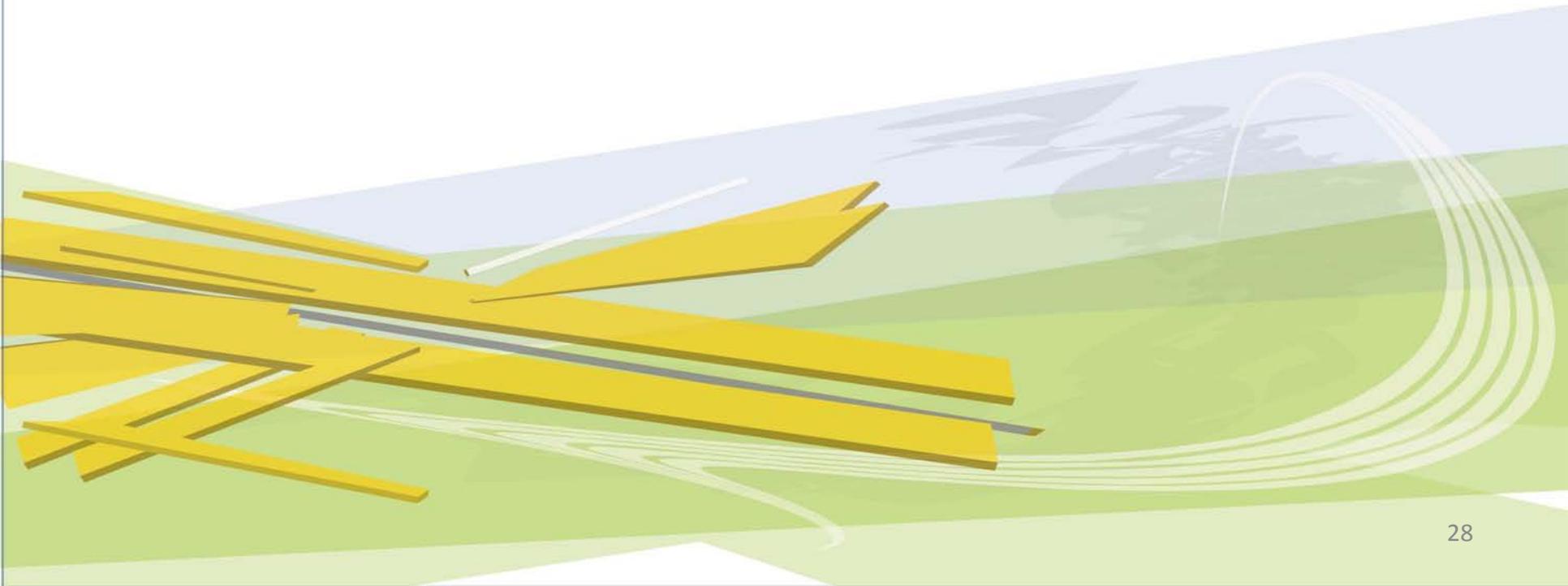
- Mid Term**
- 1) Recovery in exports market
  - 2) Expectation of oil price recovery
- ↑ demand and price of sugar/ sweetener products



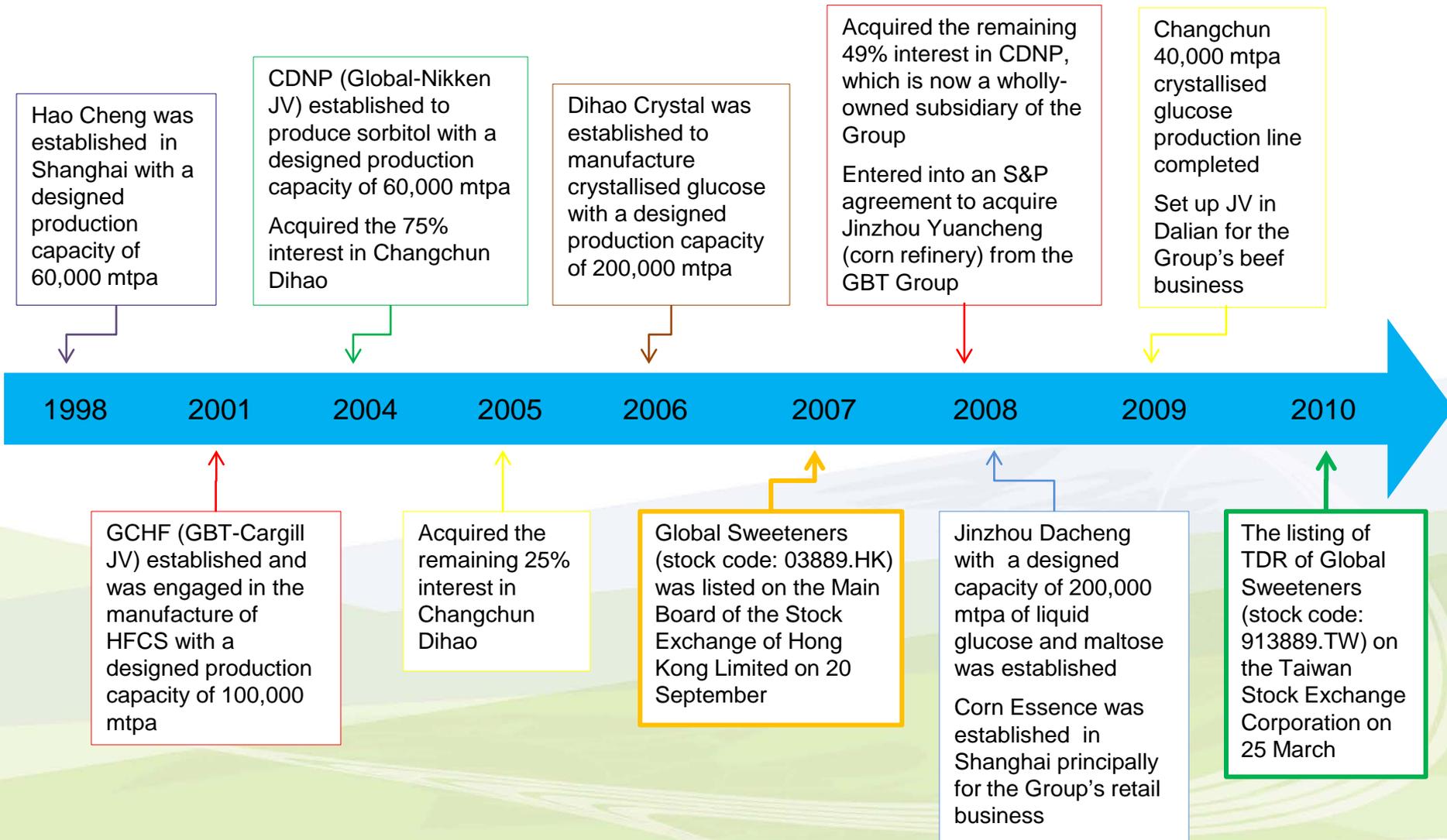
- Long Term**
- 1) Continuous development in China means sustainable growth momentum of the demand for sugar/ sweetener products.
  - 2) Per capita consumption in China < world average → tendency to double up current level
  - 3) Fast growing pace in China: sugar/ sweeteners consumption raised from 8KG to 12KG in only 3 years time from 2007 to 2009, the pace to double up current consumption level may take < 10 years time



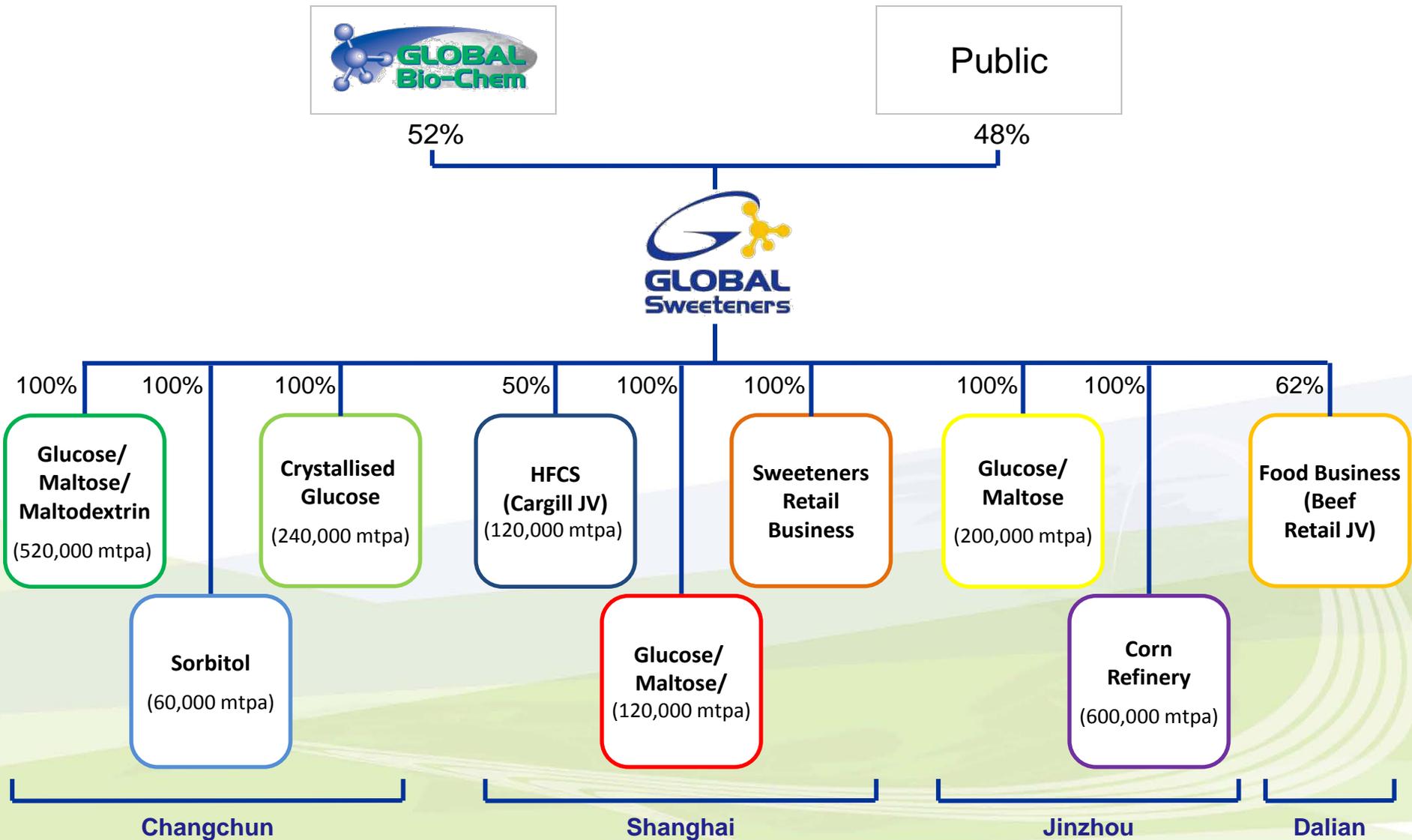
# Company Profile



# Corporate Milestones



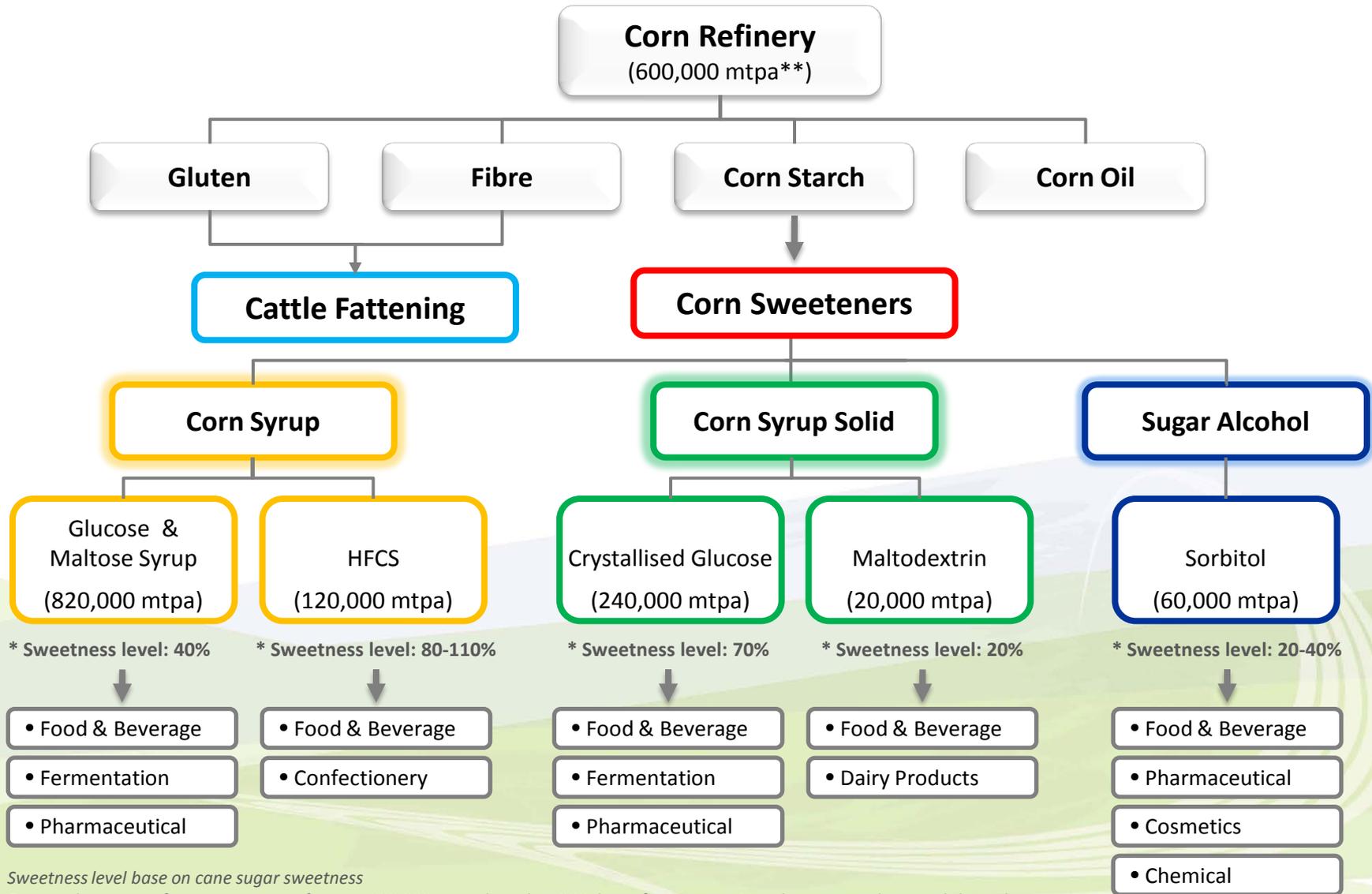
# Corporate Structure



# Diversified Product Mix

UPSTREAM

DOWNSTREAM



\* Sweetness level base on cane sugar sweetness

\*\* Designed capacity of upstream corn refinery is 600,000 mtpa, based on 300 days of operation. Actual output can be raised through facilities adjustment and increasing operation days

# Geographical Advantage

## Changchun

- Production area of about 107,500 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

- **MATERIAL** advantage → in proximity to nearby cattle farm
- Well-established infrastructure → nearby slaughterhouses
- A major traffic hub

## 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	√√	√√√	√√√





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

# 2009 Annual Results Presentation

– End –