

 **Chapters (Price update, market dynamics) of
Sweetener Newsletter 202202**

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Market analysis

BLB sells Shanghai Mamba and Anhui Jinhe transfers equity of Jinhe Yikang

Summary: On 8 Feb., 2022, BLB released an announcement to sell its subsidiary, Shanghai Mamba; on the same day, another company, Anhui Jinhe, said on an investment platform that it decided to sell part of the equity of Jinhe Yikang.

On 8 Feb., 2022, Baolingbao Biology Co., Ltd. (BLB) released an announcement stating that 30% of the equity of Shanghai Mamba Manba Health Technology Co., Ltd. (Shanghai Mamba) held by its subsidiary, Shandong Baolingbao Healthy Food Co., Ltd. (BLB Health) will be sold to Shanghai Ruixikang Medical Technology Co., Ltd. (Shanghai Ruixikang) at a price of USD755 thousands (RMB4.8 million). As a result of the transaction, BLB will no longer hold any stake of Shanghai Mamba.

TABLE 1: Ownership structure of Shanghai Manba

Shareholder	Subscribed capital contribution, million USD	Proportion of capital contribution
Shanghai Ruixikang	2.20	35%
BLB Health	1.89	30%
Shanghai Mamba	1.26	20%
Shanghai Extraordinary Power Consulting Management Co., Ltd.	0.94	15%
Total	6.29	100%

Source: CCM

Shanghai Mamba conducts its business through its wholly-owned subsidiary Hero&Shero (Shanghai) Health Technology Co., Ltd. (Hero&Shero)

TABLE 2: Hero&Shero's key financial statistics 2021, million USD

Item	As of 31 Dec., 2021
Total assets	952.65
Total liabilities	795.47
Net assets	157.18
Item	2021
Revenue	456.02
Net profit	-1,258.36

Source: CCM

Shanghai Ruixikang was founded on 2 Aug., 2021 with a registered capital of USD7.86 million (RMB50 million).

Shanghai Mamba was established on 24 Sept., 2021 with a registered capital of USD6.29 million (RMB40 million).

On 16 July, 2021, Hero&Shero was created with a registered capital of USD6.29 million (RMB40 million).

Hero&Shero aims to provide health products and promote a healthy lifestyle to today's young people. It is now developing its first sweetener product that is made from erythritol, trehalose, mogroside, stevioside and other natural ingredients as a substitute for white granulated sugar.

On 8 Feb., 2022, Anhui Jinhe Industrial Co., Ltd. (Anhui Jinhe) said on an investment platform that it decided to sell 60% of its equity of Nanjing Jinhe Yikang Biotechnology Co., Ltd. (Jinhe Yikang) to Yang Le, the actual controller of Anhui Jinhe. Upon the completion of the transaction, Anhui Jinhe will hold 30% equity of Jinhe Yikang, and the equities of Yang Le will be increased to 70%.

Here are why Anhui Jinhe decided to make the transaction:

- A surprising synergy effect has not been seen in Jinhe Yikang's and Anhui Jinhe's businesses. Jinhe Yikang now engages in the promotion of its sweetener brand "LeSweet" and sales of sugar-free and low-sugar products. Besides, there are uncertainties when it comes to Jinhe Yikang's revenue, investment, etc.
- It helps to restructure Anhui Jinhe's assets and business, so the company can focus more on its main business and better manage its production and operation activities.
- The transaction will not have a major impact on Anhui Jinhe's finances, operating results, further main business, sustainable development, etc.

Jinhe Yikang was founded in Nov. 2016 with a registered capital of USD6.26 million (RMB40 million).

Financial forecasts for 2021 in Layn, CCGB and ChemPartner

Summary: In Jan., three companies, Layn, CCGB and ChemPartner, released their financial forecasts for 2021.

Guilin Layn Natural Ingredients Corp. (Layn)

On 22 Jan., 2022, Layn released its financial forecast for 2021.

TABLE 1: Layn's financial results, 2020 vs. 2021 (estimated), million USD

Item	2021 (estimated)	YoY growth (estimated)	2020
Net profits attributable to shareholders of the listed company	17.62–20.29	30.25%–50.02%	13.52
Net profit excl. extraordinary gains/losses	12.43–15.10	47.13%–78.79%	8.44

Source: Layn

Drivers for Layn's bullish performance:

- Consumption structure has been upgrading in most recent years, which opens up new development opportunities for plant extracts industry.
 - Layn's plant extracts business is growing strong mainly driven by its natural sugar-free sweeteners business in the prevalence of sugar-free products at home and abroad. Revenue of sugar-free sweetener category is predicted to achieve more than 50% of growth YoY.
- Layn's revenue from plant extracts sustained a rapid growth in 2021, estimated to reach 50%+ YoY. This offsets the substantial loss in its BT (build-and-transfer) projects.
- In addition, its annual statement consolidated the annual revenue of an acquired subsidiary—Chengdu Wagott Bio-Tech Co., Ltd.

Chenguang Biotech Group Co., Ltd. (CCGB)

On 24 Jan., the company released its financial forecast for 2021.

TABLE 2: CCGB's financial results, 2020 vs. 2021 (estimated), million USD

Item	2021 (estimated)	YoY growth (estimated)	2020
Net profits attributable to shareholders of the listed company	50.43–58.26	20.27%–38.94%	41.98
Net profit excl. extraordinary gains/losses	41.82–49.65	18.40%–40.58%	35.32

Source: CCGB

Operation status and financials of CCGB's sweetener business:

- Stevia products yielded approx. USD31.46 million (RMB200 million) in 2021, a record high.

- The technology transformation and upgrading construction of the stevia production lines completed, representing a levelled-up production in terms of capacity and automation.
- New production line for crystalline stevia entered operation in the year.
- CCGB has been focusing the R&D of products and improvement of production processes to promote its production scale and sales, which gained notable results with improved productivities of stevia and caffeoylquinic acids (CQA) in the 2021 projects.

ChemPartner Group (ChemPartner)

On 29 Jan., the company rolled out a negative financial forecast for 2021, in which its diminished goodwill impairs its asset estimates to the extent of USD47.18 million (RMB300 million)—USD70.78 million (RMB450 million)

TABLE 3: ChemPartner's financial results, 2020 vs. 2021 (estimated), million USD

Item	2021 (estimated)	YoY decline (estimated)	2020
Net profits attributable to shareholders of the listed company	-61.84 to -91.59	355%–478%	24.21
Net profit excl. extraordinary gains/losses	-63.41 to -93.16	588%–818%	12.98

Source: ChemPartner

Huakang Pharma makes public information on investment platform

Summary: On 18 Feb., Huakang Pharma disclosed corporate information on its investment platform, including the preparation method of xylose from hemicellulose lye; its domestic and overseas sales revenue in 2021; the comprehensive involvement in functional sugar alcohols; and coping approaches to increased raw material corn starch prices in 2021.

On 18 Feb., Zhejiang Huakang Pharmaceutical Co., Ltd. (Huakang Pharma) published the following information on its investment platform.

Sichuan Yahua Biology Co., Ltd. (Sichuan Yahua), Huakang Pharma's holding subsidiary, is the only company in the market that produces xylose from hemicellulose lye. The reasons for this are as follows:

- Advantages: Using hemicellulose from biomass as raw material to prepare crystalline xylose by a series of new process technologies such as low acid hydrolysis, membrane separation, MVR evaporation, and chromatographic separation. Compared to traditional processes, this new eco-friendly process can save more energy
- Raw material limitation: The production capacity is mainly determined by the production line's performance and the supply and quality of hemicellulose lye—the latter is the key factor; however, few raw material sources can satisfy the mass production of xylose at present
- Patent barriers: Huakang Pharma has industry-leading technological advantages in the field of preparing xylose from hemicellulose lye, with the following patents:
 - ZL201210417195.0 (a method of preparing xylose from dissolving pulp woodchip pre-hydrolysis liquor)
 - ZL201611197899.6 (A treatment method of xylose mother liquor)
 - ZL201811473078.X (A system and related method for preparing xylose liquid by continuous hydrolysis of hemicellulose)
 - ZL201822126285.X (A continuous full-filling and purification equipment for xylose mother liquor)

ZHuakang Pharma now owns 3 holding subsidiaries to produce xylose:

TABLE 1: Huakang Pharma's xylose production subsidiary

Enterprise	Address	Registered capital, million USD	Xylose production capacity, t/a	Raw material
Jiaozuo Huakang Sugar Alcohol Technology Co., Ltd.	Wuzhi County, Jiaozuo City, Henan Province	9.44	14,000	Corn cob
Gaomi Tongli Sugar Co., Ltd.	Gaomi City, Weifang City, Shandong Province	3.27	10,000	Corn cob
Sichuan Yahua Biology Co., Ltd. (JV)	Xuzhou District, Yibin City, Sichuan Province	11.01	15,000	Hemicellulose lye

Source: CCM

Huakang Pharma's domestic and overseas sales revenue in 2021

Huakang Pharma achieved increased domestic and overseas sales in 2021. However, as the Chinese market has developed faster in recent years under the growing public health awareness and consumption upgrade, its domestic business revenue is expected to account for a somewhat higher proportion of its total revenue than the overseas figure.

Huakang Pharma will expand and extend its industry chain and fully set foot in the functional sugar alcohol application per the market situation and technical reserves.

- Focus on and develop a series of sugar alcohol products such as mannitol, allulose, and isomalt, and build new product lines in due course
- Form a rich product portfolio with a combination of xylitol, sorbitol, maltitol, erythritol, and other pillar products, as well as multiple reserve products
- Reduce or avoid the impact of market fluctuations in certain products through a rich product structure, optimise its main business structure, meet diversified customer needs, and enhance its sustainable profitability

Huakang Pharma's response plan for the increase in major raw material corn starch prices in 2021:

- Use futures to carry out part of its hedging business based on corn starch prices and demand at different periods
- As there was a bargaining mechanism in the contracts between the enterprise and its customers, when raw material prices or other factors affecting costs change by a certain percentage, the company would negotiate with its customers on prices and increase prices appropriately

Price Update

Ex-works prices of sweeteners in China, Feb. 2022

TABLE 1: Ex-works prices of sweeteners in China, Feb. 2022

No.	Product	Price in Feb. 2022, USD/t	Price in Jan. 2022, USD/t	Sweetness compared with sucrose	Price of unit sweetness in Feb. 2022, USD/t	MoM change of price in Feb. 2022
1	Saccharin	8,336	8,151	300	28	2.27%
2	Steviol glycosides (RA95)	78,327	79,945	450	174	-2.02%
3	Sucralose	69,204	75,242	600	115	-8.02%
4	Acesulfame-K	13,369	14,892	200	67	-10.23%
5	Aspartame	16,043	16,459	200	80	-2.53%
6	Cyclamate (NF13)	2,674	2,665	30	89	0.34%
7	Glycyrrhizin (tripotassium glycyrrhizinate)	14,313	13,951	150	95	2.59%
8	Neotame (98%)	47,499	48,594	8000	6	-2.25%
9	Sugar	882	882	1	882	0.03%
10	Erythritol	2,517	2,586	0.65	3,872	-2.70%
11	Mannitol (food grade)	3,853	3,840	0.7	5,505	0.34%
12	FOS (fructo oligosaccharide, powder 95%)	5,977	5,486	0.3	19,922	8.94%
13	XOS (xylo oligosaccharide, powder 95%)	30,670	30,097	0.4	76,675	1.90%
14	Crystalline maltitol	2,517	2,508	0.35	7,190	0.34%
15	Crystalline sorbitol	1,203	1,238	0.5	2,406	-2.84%
16	Maltose syrup (75%, liquid)	503	502	0.9	559	0.34%
17	Sorbitol (70%, liquid)	476	517	0.7	680	-8.02%
18	HFCS (fructose: 55%, liquid)	535	556	1	535	-3.90%
19	HFCS (fructose: 42%, liquid)	511	533	1.1	465	-4.09%
20	Maltitol (75%, liquid)	676	674	0.9	751	0.34%
21	Glucose monohydrate	613	611	0.74	829	0.34%
22	Crystalline xylitol	4,247	4,076	1.2	3,539	4.20%

Source: CCM

Sucralose and acesulfame-K prices fall from high in Feb. 2022

Summary: In Feb. 2022, China's sucralose prices arrived at USD69,204.15/t, declining 8.02% MoM; acesulfame-K prices was USD13,368.98/t, down 10.23% MoM.

In Feb. 2022, China's sucralose prices arrived at USD69,204.15/t, declining 8.02% MoM

Sucralose prices have been on the rise since Oct. 2021. In Nov. 2021–Jan. 2022, prices have been staying at a high level, floating above USD70,000/t.

Reasons:

- The rising costs of raw materials. As the US and other countries adopted a stimulative monetary policy to fight against the economic recession caused by the coronavirus pandemic, it pushed up inflation around the world. Consequently, many manufacturers raised prices to reduce their pressure since prices of raw materials and commodity goods had been surging,
- Policy. The "dual control on energy consumption" policy was implemented in the H2 of 2021. Essentials for the production, steam and electricity, had witnessed soaring prices. Manufacturers had to raise the prices because of the high production costs. In addition, this policy had restricted the capacities of some companies, reducing the sucralose supply.
- Growing demand. Controlling sugar intake has become a global trend. Along with the promotion of government policy and people's growing health-conscious, demand for healthy sweeteners was growing at a rapid pace, resulting in a short sucralose supply.

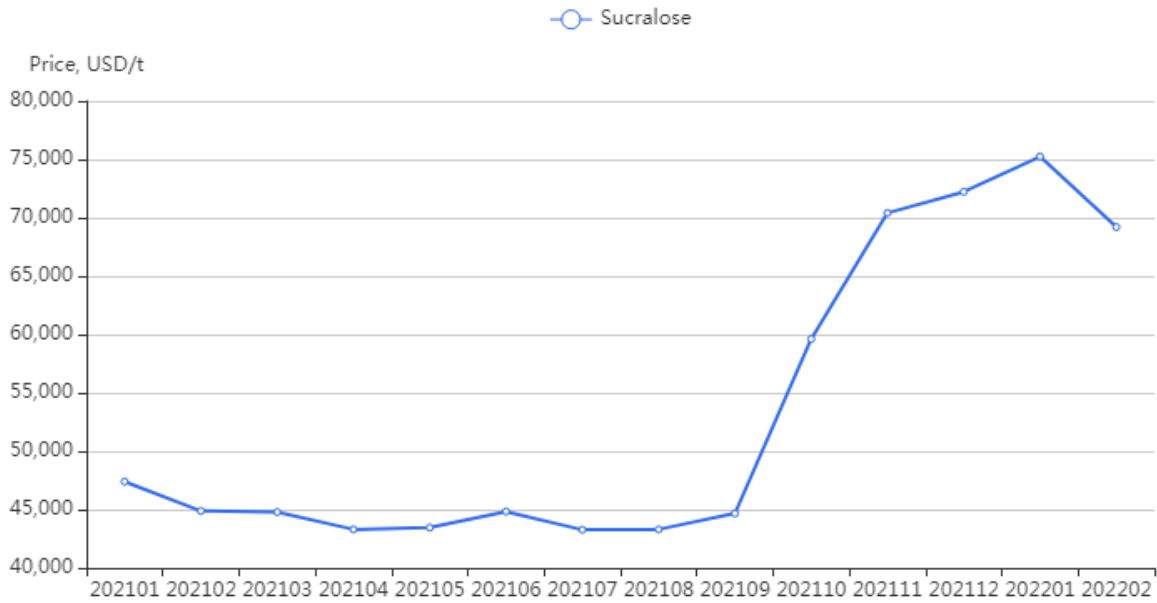
However, sucralose price came to a turning point in Feb. It fell to USD69,204.15/t from USD75,242.19/t in Jan. 2022, the highest price since Jan. 2011, down 8.02% MoM. The price decline is a result of weak supply and demand during the Chinese New Year holiday.

- On the supply side, supply was reduced as the operating rate was relatively low due to the spring festival holiday.
- On the demand side, sucralose demand was at a low level during the holiday. Though it was recovering after that, the snow in many places as well as Beijing Winter Olympics still dampened the demand.

In the short term, sucralose demand is predicted to surpass supply, but prices will slowly come off from high.

- The US monetary authorities will adopt a significantly tight monetary policy and raise the interest rate in 2022 to curb inflation. Therefore, the costs of the raw materials of commodity goods will not keep their upward trend, thereby easing the cost pressure.
- The capacity of competitive product erythritol will increase. It is the most popular sugar substitute in the market. Erythritol beverages are becoming more and more popular among consumers, so large beverage manufacturers in the downstream such as Nongfu Spring, Master Kong has quickened their steps in developing erythritol beverages. As a consequence, many erythritol manufacturers expand their production scale. At present, the total erythritol capacity in the market has nearly achieved 200,000 t/a and new capacity has exceeded 200,000 t/a, more than a double, which will definitely have a significant impact on sucralose production.

FIGURE 1: Ex-works prices of sucralose, Jan. 2021–Feb. 2022

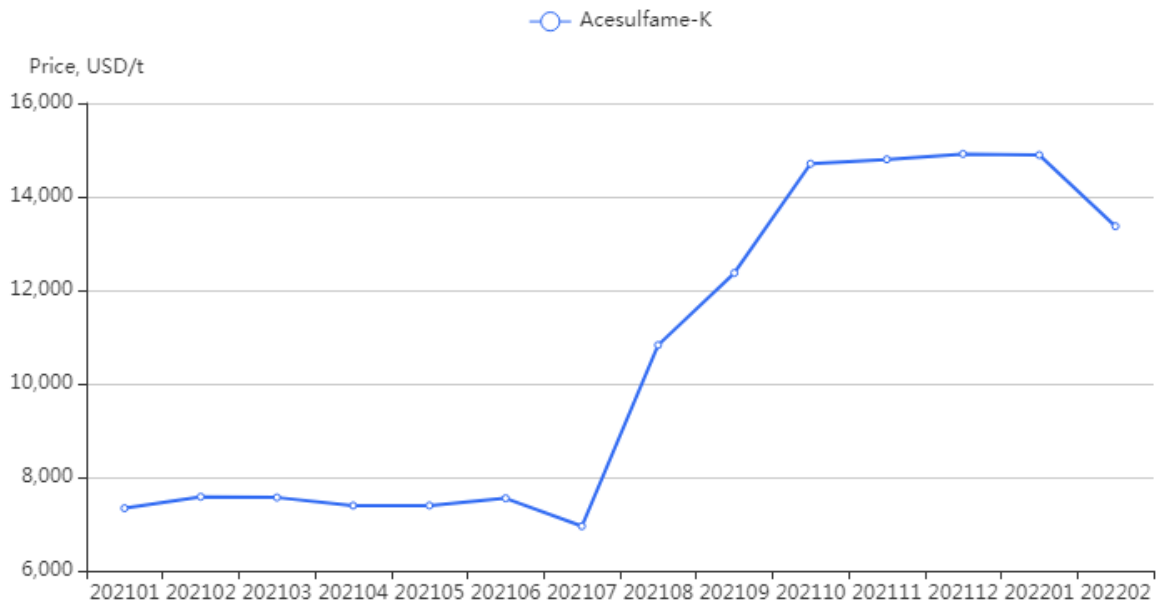


Source: CCM

Acesulfame-K prices in Feb. 2022 stood USD13,368.98/t, dropping 10.23% MoM.

Acesulfame-K has a similar price movement as sucralose. Prices skyrocketed in Aug.–Oct. 2021 as a result of rising raw material costs and "dual control on energy consumption". But, it fell back from a high level in Feb. 2022. Acesulfame k was down from USD14,892/t to USD13,368.98/t, declining 10.23% MoM. The spring festival holiday, snowy weather and Beijing Winter Olympics led to weak demand and supply.

FIGURE 2: Ex-works prices of acesulfame-K, Jan. 2021–Feb. 2022



Source: CCM

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