

# Management Discussion and Analysis

## 管理層討論與分析

### BUSINESS OVERVIEW

In 2008, the Group, like most of the enterprises around the world, had to face severe challenges resulting from drastic changes in the financial, economic and raw material scenes. The business environment in Vietnam, the main production base of the Group, also saw rapid changes during the year. In the past few years, Vietnam has been among the fastest growing economies in Asia with an average GDP growth of 8% between 2003 and 2007. In the first half of 2008, the overheated economy pushed inflation up to the high of around 25% in May as compared to that of in May 2007 and prompted the Vietnamese government to tighten monetary policy as a means to contain the situation. That was the reason for the lending rate of the Vietnam Dong to stand above 19% in mid-2008. At the same time, to cut trade deficit and alleviate the pressure on the Vietnam Dong to depreciate, import control measures were implemented. Stepping into the second half year, hit by the global financial tsunami, economies around the world slipped into recession. The phenomenon, though helpful to countering inflation in Vietnam, also caused international oil price and prices of agricultural products to drop. This dealt a serious blow to Vietnam which relies heavily on export to overseas markets including the US, EU countries and Japan and with crude oil and agricultural products making up the bulk of her exports. Subjected to all these factors, the annual GDP growth of the country in 2008 was 6.23%, lower than the 7% forecast.

Vedan Vietnam, the main operating arm of the Group, and its business in particular were inevitably affected by the drastic changes in the economic and financial situations in the country and the world. At the same time, due to too rapid expansion, the Group was also adversely impacted by the incident of breach of wastewater discharge regulations in September requiring it to re-pay US\$7,713,000 environmental fee and stop or cut down on production to meet environmental protection regulations. The Group took responsibility for its flaw and spared no effort in working with relevant departments to initiate timely remedies. In addition to upgrading existing treatment system, the other plans, including installing additional wastewater treatment equipment and expanding the solid fertilizer plant to facilitate recycle of resources, will be completed in the second or third quarter of 2009. Production in full capacity is expected to resume in the fourth quarter of 2009.

Although the Group's production base in Vietnam was affected by the aforementioned external and internal factors and the need to cut production in the fourth quarter last year, with a long history and strong foundation in the country, it still managed to achieve around 10% growth, or US\$31,126,000, in turnover against 2007 to US\$348,557,000, with MSG, modified starch and fertilizer as the main growth drivers. The growth of modified starch business was mainly attributable to its increased selling price whereas that of fertilizer mainly came from the notably increased productivity brought about by the solid fertilizer plant which was expanded in the first half of 2008.

### 業務總覽

二零零八年對集團及全球大多數的企業一樣均面臨金融、經濟、原物料的急遽變化，也因而遇到嚴峻的挑戰。在集團最主要的生產基地越南，也是經營環境快速變化的一年。這幾年來越南是亞洲經濟成長率最快速的國家之一，自二零零三年到二零零七年，平均每年GDP為8%，二零零八年則因上半年景氣過熱通貨膨脹率於五月比去年同期高達約25%，越南政府採取緊縮貨幣政策以遏止通膨，因此年中越盾借款利率曾經高達19%，同時為降低貿易赤字，減緩越盾大幅貶值壓力，亦對進口貨品採取措施避免惡化，在下半年則因國際金融海嘯影響，全球經濟開始萎縮，雖然對通貨膨脹降低有所助益，但國際原油價格下滑，農產品價格下跌，對以美國、歐盟、日本為外銷主要市場，及原油、農產品佔外銷極重要比例的越南，當然亦遭受到重大的打擊，致使全年GDP成長僅為6.23%，比預期目標7%為低。

集團最主要的營運公司一味丹越南，因全球及越南的經濟、金融情勢在短期間劇烈變化，當然在各方面均受到不利的影響，特別是在業務方面。同時，一味丹越南在九月因擴產速度太快，導致排放廢水不符當地政府規定而引起之環保事件，對公司更是造成一定程度的影響，不僅公司補繳高達7,713,000美元之環保水處理費，同時也為符合環保規定，在生產方面做出部份停產與減產的決定。事件發生後，公司承認錯誤，以積極負責的態度，配合主管機關及時提出完整的改善計畫，除立即加強現有的處理系統的運作外，其他包括增設廢水處理設備及擴建固體肥料廠以達到資源再回收目標，將陸續於第二、三季中完成，預估在今年第四季能恢復全能生產。

儘管，集團越南生產基地遭受上述外部、內部嚴重的影響，但由於公司在越南紮根已久，基礎穩固，整體收益雖然第四季因環保事件減產，但二零零八年比二零零七年同期依然約成長10%，金額為348,557,000美元，增長31,126,000美元，主要的增長來自味精、變性澱粉及肥料。其中變性澱粉的增長主要來自售價的調升，肥料的成長則來自固體肥料廠生產線於期內上半年完成擴廠，產能大量增加之故。

Sales in the Vietnam market decreased by approximately 6.55%, mainly as a result of the production cut on including MSG and GA in the last quarter. Furthermore, exporters in Vietnam, many of whom are clients of the Company, were also affected by the slack international market overshadowed by the global financial crisis, and that in turn impacted on the sales of specialty chemicals and fertilizer of the Group in Vietnam in the fourth quarter.

As for the Japanese market, building on the long-term and close relationship it has with customers and the robust demand in the market, the Group managed to grow sales to the market by an impressive 54.81%.

During the year, the China market grew by 9.96%, mainly attributable to the steady rise in sales of MSG, particularly the small pack MSG products, and starch products of Xiamen Maotai and Shanghai Vedan.

The first phase of Ha Tinh starch factory in Vietnam was completed at the end of 2008. When the plant begins production in the first quarter of 2009, the starch division of the Group will have added strength to achieve diversification of raw material sources and securing raw materials at more competitive costs. Furthermore, heeding the commitment to open rights to retail and trade operations to foreign companies in 2009 made by Vietnam on accession to the WTO, the Company has redeployed its resources, adjusted its distribution system, recruited new hands and improved its marketing strategy so as to capture business opportunities and deliver remarkable performance.

Gross profit of the Group for the year was US\$64,509,000, representing an increase of 6.5% when compared to US\$60,586,000 in 2007. Gross profit margin was 18.5%, slightly lower than the 19.1% recorded in 2007. Net profit amounted to US\$6,409,000, with the net profit margin at 1.8%. Moreover, the suspension and cut in production of the Vietnam plant to meet environmental regulations in the fourth quarter also affected the turnover and profit for the year. Having actively remedied the situation by installing relevant wastewater treatment equipment, the Group is confident of increasing production of the plant by quarter and resuming full capacity production in the fourth quarter of 2009 to again deliver remarkable results and profit.

越南市場收益約衰退6.55%，主要在於因第四季減產的影響，包括味精與谷氨酸，同時因受到全球金融風暴影響，國際市場萎縮，越南許多外銷業者亦是公司客戶亦受波及，連帶影響到公司特化產品及肥料第四季在越南市場的銷售。

日本市場方面，基於和客戶長期密切合作關係，和日本市場需求殷切之下，公司全力配合日本市場，因而有54.81%成長之優異表現。

期內中國市場有9.96%之成長，主要為集團茂泰廈門廠及味丹上海廠之味精、澱粉等產品有穩定的成長，特別是在味精小包裝產品有持續性的成長。

越南河靜澱粉廠已於二零零八年底完成第一期建廠，二零零九年第一季開始生產，對澱粉事業而言增加一主力軍，特別是在落實分散原料來源及取得更有競爭力原料方面。另外，為因應越南為履行加入WTO承諾於二零零九年開放零售及貿易經營權給外資企業，公司已重新佈局，調整行銷體系，納入新血，修正行銷策略，以掌握商機，創造業務佳績。

本期毛利為64,509,000美元，比二零零七年60,586,000美元成長6.5%，毛利率為18.5%比去年同期19.1%略低，但淨利僅為6,409,000美元，淨利率1.8%。越南廠於第四季為符合環保規定，進行部份停產與減產，以致影響本期的營收與獲利，而公司也已經採取積極措施，增加相關環保處理設備。公司有信心逐季提升產能，至二零零九年第四季前恢復全能生產，業績與獲利應可逐步恢復亮麗的表現。

**BUSINESS ANALYSIS:****(1) Market Analysis:****經營分析：****(1) 市場銷售分析：****TABLE 1: COMPARISON OF SALES IN VARIOUS REGIONS****表一：各項地區銷售的比較**

Unit: US\$'000 單位：千美元

Area	地區	2008		2007		Increase/Decrease 增／減±	
		Amount	%	Amount	%	Amount	%
Vietnam	越南	148,860	42.7%	159,290	50.1%	(10,430)	-6.5%
Japan	日本	73,523	21.1%	47,492	15.0%	26,031	54.8%
The PRC	中國	57,229	16.4%	52,047	16.4%	5,182	10.0%
ASEAN Countries	東盟	36,956	10.6%	34,794	11.0%	2,162	6.2%
Other regions	其他	31,989	9.2%	23,808	7.5%	8,181	34.4%
Total	總共	348,557	100.0%	317,431	100.0%	31,126	9.8%

1. *Vietnam*

Vietnam has been the biggest market of the Company for long and has continuously reported steady growth over the years. The growth rate for the three years starting from 2005 were 9.6%, 9.1% and 5.2% respectively. In the fourth quarter of 2008, because of efforts to improve environmental protection provisions at the Vietnam plant, the Group adjusted the product mix and decreased the output volumes of different products including MSG, GA and lysine, which accounted for a significant share of sales in the Vietnam market. As a result, sales of these products in the local market decreased by 6.8%, 31.6% and 15.1% respectively when compared with 2007. Sales of other products in Vietnam were also affected to some extent, but because of higher selling prices, turnover growth was still recorded. Turnover from specialty chemicals increased by US\$3,351,000 or 23%, fertilizer by US\$1,692,000 or 48.3% and modified starch by 1.8%. Total turnover decreased by US\$10,430,000, or 6.5%, making Vietnam the only market reporting a decreased turnover among all markets of the Group for the year. Turnover from Vietnam accounted for 42.7% of the Group total as compared to 50.1% in 2007.

(一) *越南市場*

越南多年來一直是集團最大的市場，歷年來收益均能穩定成長，最近三年自二零零五年來分別增長9.6%、9.1%及5.2%。然二零零八年第四季越南廠因配合環保改善計劃，而調整生產品項及減少生產數量，其中包括銷售佔越南市場比重極高的味精、谷氨酸及離氨酸，致使上列三項產品於本區市場和去年同期比分別衰退6.8%、31.6%及15.1%。其餘產品於越南市場銷售雖多少受到減產波及，但因銷售價格上升營收依然有成長。特化產品增加3,351,000美元，約23%；肥料增長1,692,000美元，約48.3%；變性澱粉亦有小幅上揚，約1.8%。整體營收減少6.5%金額10,430,000美元，是集團中唯一營收下降的市場。越南區佔總營收比重亦由去年同期的50.1%下降為42.7%。

In 2009, Vietnam will continue to be affected by the global financial crisis and challenges from the world in recession. However, the Group will take this opportunity to improve its distribution channels and rationalize its distributor mechanism so as to match the development and demand of the Vietnam market in the future. Furthermore, it will strengthen its ability to adapt to market changes and consider adding new product categories and boosting trading business to ensure that the Vietnam market can maintain steady growth.

## 2. *Japan*

Turnover from Japan was US\$73,523,000, up by US\$26,031,000, or 54.8%, making it the fastest growing market of the Group for the year. The market accounted for 21.1% of the total turnover of the Group, second to Vietnam, and a significant increase when compared to 15% in 2007. Such increase was mainly attributable to the substantial increase in sales of MSG and modified starch. Japan has been the main export market of the Group's MSG. Although production of MSG was cut in the fourth quarter, having signed long term supply contracts with Japanese clients, the Group supplied MSG products to Japan market first. Furthermore, at the effort to boost sales of the modified starch division in recent years, MSG and modified starch recorded sales growth of 58.2% and 46.5% respectively in 2008. This is also proof of the strong foothold enjoyed by the MSG and modified starch products of the Group in the Japan market.

## 3. *ASEAN Countries*

In spite of the great market demand for MSG, sales of this product decreased slightly because of the shorter supply from production cut. In particular, in the fourth quarter, the Company stopped selling GA but used it to produce MSG to meet market demand, and that caused sales of GA in ASEAN countries to drop by 12.9%. As for the fertilizer division, with strong demand in ASEAN countries and its effort to grow business in the market in the first three quarters, sales of solid fertilizer grew four times during the year. The overall turnover from ASEAN countries increased by 6.2% when compared with 2007 and accounted for 10.6% of the total turnover of the Group, slightly lower than 11% in 2007. The ASEAN market is expected to deliver a higher growth after the Vietnamese plant resumes production in full capacity.

二零零九年越南市場受到全球經濟衰退之影響，將面臨挑戰。然而公司利用此機會重新改善銷售通路，調整經銷代理體系，以符合越南市場的未來成長與需求。同時，將強化對此市場變化的應變能力，考慮增加新產品與貿易業務，期使越南市場依然能維持穩定的成長。

## (二) *日本市場*

日本市場為期內成長最大的市場，金額增加26,031,000美元，成長率54.8%。營收達73,523,000美元，佔總營收比重21.1%，僅次於越南市場，比去年同期佔總營收比重15%有顯著成長，主要在於味精和變性澱粉的大幅增加。日本多年來一直是集團味精最主要的出口市場，第四季味精雖有減產，但因和日本客戶簽有長期供應合約，仍優先供應日本市場，同時變性澱粉因經最近幾年努力耕耘，此兩項產品在二零零八年度分別成長58.2%及46.5%，此也證明集團的產品味精及變性澱粉已在日本市場佔有一席之地。

## (三) *東盟市場*

雖味精市場需求依然殷切，但因受減產影響無法充分供應，故味精銷售量略有減少，特別是谷氨酸，因第四季開始不再銷售谷氨酸，而將谷氨酸精製生產成味精銷售，以滿足味精需求，故谷氨酸銷售東盟地區亦受影響，衰退12.9%。但肥料在二零零八年前三季，東盟市場因市場需求高及多年來努力開拓業務之下，固體肥料於期內成長四倍。整體東盟市場營收比去年同期亦能有6.2%成長，佔總營收比重為10.6%，比去年同期11%略見下滑。未來越南廠恢復全部產能生產後，東盟市場亦將可預期有更高的增長。

4. *China*

The market grew by 16.3% in 2007 and continued to grow a strong 10.0% during the year, or by US\$5,182,000, to US\$57,229,000. The main growth contributor was MSG, which grew by 33.8% with turnover totalling US\$10,511,000. For GA, however, because of its strategic shift into producing MSG, its turnover was dropped by US\$7,308,000. For modified starch, its turnover decreased slightly by 3.7%, or US\$269,000, mainly because of the production cut at the Vietnam plant in the fourth quarter. Other products, such as seasonings and beverages, recorded satisfactory growth. Turnover from the China market accounted for 16.4% of the Group's total turnover, similar to last year's level.

 5. *Others*

Other regions mainly include Europe, the US and Korea, and they continued to deliver outstanding performance as it was in the first half. Turnover from these markets climbed 34.4%, or US\$8,181,000, to US\$31,989,000 for the year. With the European Union ("EU") imposing anti-dumping duty on MSG products from China, the market will present opportunities to the Vietnam plant to expand business there.

## (四) 中國市場

繼二零零七年中國市場成長16.3%，二零零八年中國市場穩健成長10.0%，增長金額為5,182,000美元，營業額／收益達57,229,000美元，期內主要為味精成長33.8%，金額10,511,000美元，但谷氨酸因策略性考量轉為生產味精，故減少7,308,000美元，變性澱粉因受越南第四季減產影響，略為衰退3.7%，金額269,000美元。其餘產品如風味調味料及飲料，亦有不錯之成長。中國市場佔集團總營收比重為16.4%，維持和去年同樣水平。

## (五) 其他市場

主要是歐洲、美國及韓國，延續上半年亮麗的成長，全年成長34.4%，增長金額8,181,000美元，營收達31,989,000美元。未來特別是歐洲市場，因歐盟對中國味精課徵反傾銷稅，對集團越南廠而言拓展歐盟市場將是另一個機會。

## (2) Sales Analysis by Product:

## (2) 產品銷售分析：

**TABLE 2: COMPARISON OF SALES OF VARIOUS PRODUCTS**
**表二：各項產品銷售的比較**

Unit: US\$'000 單位：千美元

Item	項目	2008		2007		Change 增／減±	
		Amount	%	Amount	%	Amount	%
MSG	味精	237,395	68.1%	204,682	64.4%	32,713	16.0%
GA	谷氨酸	19,334	5.6%	36,925	11.6%	(17,591)	-47.6%
LYSINE	賴氨酸	20,448	5.9%	20,798	6.6%	(350)	-1.7%
STARCH-M	變性澱粉	30,378	8.7%	25,916	8.2%	4,462	17.2%
SEASONING	調味料	2,541	0.7%	1,301	0.4%	1,240	95.3%
Specially Chemicals	特用化學品	18,195	5.2%	14,844	4.7%	3,351	22.6%
FERTILIZER	肥料	12,117	3.5%	5,410	1.7%	6,707	124.0%
OTHERS	其他	8,149	2.3%	7,555	2.4%	594	7.9%
TOTAL	總共	348,557	100.0%	317,431	100.0%	31,126	9.8%

1. *MSG and GA*

Turnover of MSG business in the year grew by 16%, or US\$32,713,000, against 2007. The increase in turnover was mainly attributable to higher product prices that reflected higher material costs, and strong demand for MSG in the Japan and EU markets. However, the Group had to reduce GA production to accommodate enhancement of environmental provisions. With the understanding of customers, it reduced GA supply substantially and used it to produce MSG to satisfy their demand. Therefore, the turnover from GA for the year only amounted to US\$19,334,000, representing a sharp decrease of 47.6%, or US\$17,591,000. The Group expects to resume normal production of GA in the fourth quarter of 2009 and to see turnover from the product to return to previous level thereafter. MSG business accounted for 68.1% of the total turnover of the Group versus 64.4% last year and the proportion of turnover contribution of GA dropped from 11.6% to 5.6%.

2. *Lysine*

International lysine price gradually increased resulted in 99.6% turnover growth in the first half of 2008 against the last corresponding year. However, in view of the environmental issue in the second half year, the Group had to reduce lysine production and shift part of it to producing GA as well as focus on producing MSG. The move resulted in an overall drop of 1.7%, or US\$350,000, in turnover from lysine despite its risen selling price. Bringing in a turnover of US\$20,448,000, lysine accounted for 5.9% of the total turnover of the Group in 2008, down from 6.6% in 2007.

## (一) 味精和谷氨酸

味精於期內營收較二零零七年成長16%，金額達32,713,000美元。營收增長主要來自於價格調升，以反映原材料的上漲，同時在日本市場和歐盟市場，味精均有亮麗的成長。谷氨酸則因受環保事件減產影響，在取得客戶諒解下已逐步大幅減少供應量，而保留谷氨酸用於本身生產味精之用，以盡量滿足味精客戶之需求。因此谷氨酸年度內營業額／收益僅19,334,000美元，比二零零七年劇降47.6%，金額減少17,591,000美元。預計二零零九年第四季應能恢復正常生產，營收金額將可恢復。味精營業額／收益比重由去年同期64.4%增加為68.1%，但谷氨酸則由11.6%下降為5.6%。

## (二) 賴氨酸

二零零八年上半年因國際賴氨酸價格逐漸上漲，有99.6%的成長，但下半年因受環保問題影響，因而作部分減停產，並將部分轉作谷氨酸，進而生產味精。故整體而言，賴氨酸雖然售價有上揚但數量大幅減少，營業額／收益為20,448,000美元，比二零零七年同期略微下跌1.7%，金額減少350,000美元。賴氨酸營收比重略有下跌由二零零七年的6.6%下滑到二零零八年的5.9%。

3. *Modified Starch*

Affected by the environmental protection incident, sales volume of modified starch decreased. However, claiming a higher selling price, the product segment managed to report a 17.2% growth, or US\$4,462,000, in turnover to US\$30,378,000. The amount accounted for 8.7% of the total turnover of the Group, slightly higher than 8.2% in the previous year. Sales to Japan grew the fastest among all regions for the year. Regarding environmental improvement work at the modified starch factory, the Group had drawn up related plans which are being gradually implemented. The factory is expected to resume full production in the second or third quarter of 2009. Together with the additional capacity of the new plant in Ha Tinh, which will begin operation in the first quarter of 2009, the Group expected to see growth in turnover from starch products.

4. *Specialty chemicals*

Sales volume of caustic soda and hydrochloric acid remained steady braced by the stable demand in Vietnam. However, with their selling prices increased, they brought in turnover of US\$18,195,000, representing a 22.6% rise, or US\$3,351,000, against last year. The turnover contribution from the segment to total turnover increased slightly from 4.7% in 2007 to 5.2% for the year.

5. *Fertilizer*

The solid fertilizer plant completed installation of new equipment in the first half of the year and doubled its output. That plus the increased international selling price of fertilizers, the segment made US\$6,707,000 more in turnover for the year, or up by 124% against 2007 to US\$12,117,000. In 2009, the plant will be expanded further and have its capability in enabling environmental protection and recycling resources boosted. Operation is expected to commence in the fourth quarter of 2009 when the Group will be able to achieve a better turnover from the segment and grow the segment into a major business stream.

(三) *變性澱粉*

變性澱粉於期內銷售數量因環保問題亦有減少，但因價格上揚，整體營收依然有17.2%增長，金額為4,462,000美元，營業額／收益為30,378,000美元，佔總營收比重8.7%比二零零七年8.2%略微提高，變性澱粉成長最快速地區為日本。針對變性澱粉廠環保改善，公司已做好改善計劃，並已逐步執行中，預計二零零九年第二至第三季期間應可恢復全能生產，再加上新設立河靜廠於二零零九年第一季亦已加入生產行列，未來營收增長應是可期。

(四) *特用化學品*

鹽酸及蘇打的銷售因越南市場穩定的需求，雖然銷售數量持平，但因售價提升，營收達18,195,000美元，比同期增加22.6%，增長金額3,351,000美元。營業額／收益比重由二零零七年4.7%微增加至5.2%。

(五) *肥料*

期內固體肥料廠新增加的生產設備已於上半年完成，故產量倍增，同時因國際肥料價格上揚，肥料營業額／收益比二零零七年增加6,707,000美元，達12,117,000美元，增長124%，二零零九年度內配合改善環保及加強資源回收再利用，將再擴廠，並預計二零零九年第四季開始運作，屆時肥料營收將再成長，未來肥料事業亦將成為集團事業中重要的一環。

## MAJOR RAW MATERIALS

The price of major raw materials remained high in the first three quarters of 2008 and came down notably in the fourth quarter. However, the drop in price of molasses had not been as deep as that of cassava and liquid ammonia. In general, the prices of raw materials only decline more markedly starting in the fourth quarter when the Group had to cut down production to ensure compliance with environmental requirements. As a result, fixed cost increased and overall production cost did not benefit from the lower material prices.

### 1. Molasses

During the year, international molasses prices remained at similar level as in 2007. The price of local supply of molasses from Vietnam increased slightly, thus the Group adjusted its material mix and increased the usage proportion of cassava which price had declined markedly to help lower production cost. With sugar cane harvest expected to drop in 2009 and market demand for molasses expected to remain strong, there will be little room of the prices of molasses to come down.

### 2. Cassava starch

Rocketing cassava price in the production season in 2007/2008 had prompted farmers to increase the scale of their plantation and as a result the price of cassava subsequently declined notably. The Group thus used more cassava starch as raw material to help lower production costs. The new starch plant in Ha Tinh that started production in the first quarter of 2009 will ensure the Group has steady supply of cassava starch at stable cost.

As the price of cassava lowered in the production season in 2008/2009, farmers may reduce the scale of their plantation and as a result the price of the material may go up again in the next harvest season.

### 3. Liquid Ammonia

During the period, the prices of liquid ammonia almost doubled on average in first three quarters, reflecting the climb in natural gas price. The prices of the material plunged in the fourth quarter, but overall the Group spent over 60% more on the raw material than in 2007 and shouldered greater cost burden. In 2009, the prices of liquid ammonia are expected to come down from the high in 2008, thus help lower production costs in 2009.

## 主要原料概況

二零零八年前三季集團主要原物料依然在高價格水平，但在第四季則有明顯下跌，如木薯、液氮，然糖蜜雖有下降，但未有如木薯大幅下跌。整體而言，原料成本因第四季才有顯著下滑，然自九月起因為符合環保要求而減產，固定成本因而增加，整體生產成本也並未因原料價格略為下滑而降低。

### (一) 糖蜜

國際糖蜜價格在期內約維持二零零七年水平，越南國內糖蜜價格則略有上揚，但因木薯價格大幅下跌，集團則調整生產原料組合，及增加木薯澱粉使用比率，以降低生產成本。預估二零零九年產季糖蜜價格將因甘蔗種植收穫減少，市場需求並未減少之下，糖蜜價格下降空間不大。

### (二) 木薯澱粉

由於二零零七／二零零八年產季木薯價格大幅上揚，農民於二零零八／二零零九年產季擴大種植面積，供應面大幅增加，導致木薯價格有較顯著下跌，因此集團擴大使用木薯澱粉比率作為生產原料，以降低生產成本。新設於越南中北部之河靜澱粉廠已於二零零九年第一季開始投產，將有助於擴展木薯澱粉之來源，及成本之穩定。

由於二零零八／二零零九年產季價格滑落，下一個產季可能會因木薯種植面積減少，價格將很可能有上漲趨勢。

### (三) 液氮

期內液氮價格因受天然氣價格大幅上揚影響，在前三季平均價格上揚一倍以上，然而在第四季開始液氮價格已開始大幅滑落，但全年液氮使用成本比二零零七年依然超過60%以上，增加成本不少負擔，預計二零零九年液氮將由二零零八年高檔回軟，應將有助於二零零九年降低原料成本。



## FINANCIAL REVIEW

### 1. Cash flow and financial resources

As at the end of December 2008, cash and bank deposits of the Group amounted to US\$36,286,000, which was US\$18,580,000, or 104.9%, higher than that of in 2007. Bank borrowings increased by US\$8,056,000, or 17.9%, to US\$53,152,000. Although bank borrowings had a moderate increase, net borrowings had reduced, and that resulted in the lowering of the Group's current ratio from 2.2 in 2007 to 1.8. Net gearing ratio fell from 10.9% to 6.5%, indicative of the healthy financial structure of the Group. Bank borrowings are mainly denominated in the US dollar (88%), Renminbi (10%) and the Taiwan dollar (2%). For the year, the total finance cost was US\$3,639,000. Excluding interest income of US\$2,267,000 (mainly from the fixed deposit of Vietnam Dong), net finance cost was US\$1,372,000, accounting for 0.4% of the total turnover of the Group compared to 1.4% in 2007. Certain middle-to long-term loans were due during the year, hence the debt level of the Group dropped from US\$15,621,000 to US\$7,552,000. Of all the loans, 14.2% were middle-to long-term loans and 85.8% were short-term loans. Gearing ratio (bank loans/shareholders interest) was 20.8%. As at 31 December 2008, net asset value of the Group amounted to US\$257,910,000.

### 2. Capital expenditure

During the year, the Group's capital expenditure amounted to approximately US\$16,000,000, comprising that allocated for the starch plant in Ha Tinh in 2007, expenditure on Bio-gas equipment for the Phuoc Long starch factory and Gia Lai Starch Factory, and first payment installment for works in relation to set up a solid fertilizer plant and purchase of concentration equipment. Capital expenditure in 2009 is expected to amount to US\$30,000,000, mainly used in the investment of solid fertilizer plant, wastewater related facility improvement work and Bio-gas equipment, etc. The Group has secured middle-to long-term loans from banks for constructing the solid fertilizer plant and purchase of wastewater treatment equipment. In the light of the current global economic condition and credit crunch, the Group will withhold non-urgent investment, such as the material projects in Cambodia and Laos, and also exercise more stringent capital expenditure control. The Group's liquidity and available credit facilities from banks are considered sufficient for supporting capital expenditure in 2009, hence maintaining a healthy financial position.

## 財務回顧

### (一) 流動資金和財政資源

截於二零零八年十二月底，集團現金和銀行存款達36,286,000美元，比二零零七年底大幅增加18,580,000美元，成長104.9%。銀行借款為53,152,000美元，增加8,056,000美元，增加17.9%。銀行借款雖略有增加，但淨借款則減少，流動比率雖由二零零七年底2.2下降為1.8，但淨借款／股東權益比由10.9%下跌為6.5%，財務結構依然穩固。借款以美元為主，其他為人民幣及新台幣，分別佔88%，10%及2%。期內總融資成本為3,639,000美元，扣除利息收入2,267,000美元（主要為越盾定存收入），淨融資成本為1,372,000美元，佔總營收比由二零零七年之1.4%減少為0.4%。中長期借款因年度內陸續到期，由15,621,000美元下降為7,552,000美元，中長期借款和短期借款比例為14.2%比85.8%，資本負債比（銀行借款／股東權益）為20.8%。於二零零八年十二月三十一日止，集團的資產淨值為257,910,000美元。

### (二) 資本支出

期內資本支出共約16,000,000美元，主要延續二零零七年越南河靜澱粉廠未動用之資本支出，福隆及嘉萊澱粉廠BIOGAS，及因應改善環保增設固體肥料廠及濃縮設備頭期款，預固二零零九年資本支出約為30,000,000美元，主要項目為增設固體肥料廠，提昇及擴充廢水處理設備，河靜廠Bio-gas設備等。集團已獲得銀行承諾對固體肥料廠及改善廢水處理設備提供中長期借款，集團因考慮到全球經濟局勢，金融緊縮狀況下，將暫時延緩較不緊急投資，如東寮發展原料專案，採取更嚴謹的資本支出控管。以公司目前自有資金狀況和銀行可動撥額應足可支應二零零九年度資本支出，因此公司應能維持穩健財務結構。

### 3. Exchange Rate

The Vietnam Dong appreciated by a slightly 0.2% in 2007 because of rapid increase in foreign capital inflow. However, trade deficit increased in mid-2008 and posed depreciation pressure on the currency. To address the situation, the Central Bank of Vietnam relaxed the daily trading ceiling between the US dollar and Vietnam Dong three times, with the last took place in November bringing the rate to  $\pm 0.3\%$  of the official rate. The Vietnam Dong depreciated by approximately 5.4% for the year, a relative mild magnitude when compared with those of other Asian countries. Contributing to over 50% of total sales, export sales of Vedan Vietnam for the year were mainly settled in US dollars. The weaker Vietnam Dong was favourable to the development of export business of the Group. As for China business, with turnover mainly derived from domestic sales and the exchange rate between RMB and US dollar staying stable during the year, the business segment was not materially affected by exchange rate fluctuation.

### 4. Dividend

With the Vietnam plant making unsatisfactory profit in the second half of 2008 because of the need to recognise the spending on environmental fee and the impact of production cut, the Board proposed not to pay final dividend for the year.

## THE ENVIRONMENTAL PROTECTION ISSUE OF THE VIETNAM PLANT, RELATED MEASURES AND IMPACTS

In early September 2008, the Environmental Protection Department of Vietnam visited the Vietnam plant to inspect on related provisions and found that the environmental protection and resourcelization of production equipment of the plant had fallen behind the needs of its boosted production capacity. This resulted in breaching certain wastewater discharge regulations. In early October, the Vietnam government made the following three major decisions regarding the incident:

- 1) The Group has to pay a US\$16,000 fine according to the environmental protection ordinance
- 2) The Group has to re-pay environmental fee totaling US\$7,713,000 accrued since 2004 deemed appropriate by the Department

### (三) 匯率

二零零七年越南外資流入快速增加，使越盾略微升值0.2%，但二零零八年年中則因貿易赤字擴大，越盾貶值壓力大，越央行曾三次放寬每日美元匯越盾交易上限，最後一次於十一月公告，放寬至官價 $\pm 0.3\%$ 。全年越盾貶值約5.4%，和其他大多數亞洲國家比較，貶值幅度並非很大。味丹越南期內外銷主要以美元為主，已超過營收50%，越盾趨弱應有助於外銷業務之拓展。中國區營收絕大多數是內銷，人民幣兌美金期內尚稱穩定，對中國區營運並無重大影響。

### (四) 股利

由於二零零八年下半年，因越南廠需認列環保水處理費及受減停產影響，下半年獲利並不理想，董事會擬不派付期末股息。

## 越南廠環保事件之發生、因應措施及影響

二零零八年九月上旬，越南環保主管機關到味丹越南廠進行環保檢查，檢查過程中發現公司因產能增加，相關環保處理設備與資源化生產設備，未能及時跟隨設立，致使發生違反廢水排放相關規定。十月初，越南政府對此違規事件做出主要三項決定：

- 1) 依環保法令公司須繳納罰款16,000美元
- 2) 依主管機關判定公司需補繳自二零零四年以來環保水處理費共計7,713,000美元。

3) Wastewater discharged from the plant shall comply with environmental protection regulations, and the Group shall duly submit a full environmental protection improvement proposal to the Environmental Protection Department for approval and implement the proposal afterwards.

3) 公司生產時所排放出廢水須符合環保規定，並須及時提出全盤環保改善計畫，送環保主管機關核准後執行改善。

Upon receipt of the formal notice, the Group made an announcement on the above issue on 9 October 2008 as obliged by the rules of the Hong Kong Stock Exchange immediately. It set up an environmental protection emergency taskforce after the incident came to light to implement immediate and mid-term improvement measures. Short-term improvements included enhancing the current wastewater treatment capability and quality, optimising production processes, reducing wastewater discharge and lowering production capacity to ensure compliance with environmental protection standards yet continue production. As for mid-term improvements, they included drawing up an improvement proposal based on "3R" (waste reduction, reuse and recycling) entailing plans to install additional wastewater treatment equipment and expand the production facilities in the liquid and solid fertilizer plants. The Group expects the major equipment for related works to be delivered around June in 2009 and installation and testing of them to be completed in the third quarter, and full scale production to resume in the fourth quarter.

當公司接到此項決定的正式通知，立即依香港聯交所規定於二零零八年十月九日針對此事件進行正式公告。公司在事件發生後，隨即成立環保改善應變小組，首先針對環保缺失作短、中期改善。短期改善包括提升現有廢水處理能力及品質，改善生產流程，減少廢水排放量，同時降低產能以能完全符合環保規定，確保繼續生產。中長期則以「3R」（即減廢、再使用及資源回收原則）方向，提出環保改善方案，其中主要包括有增設廢水處理設備，及擴大液體與固體肥飼料廠生產設備，預計主要設備將於二零零九年六月前後陸續交貨，第三季完成安裝試，第四季開始逐步恢復全能生產。

Learning from the mistake, the Group is determined to not only meet the legal requirements on environmental protection in Vietnam, but also excel those requirements and become an outstanding green manufacturer. To this end, it has started implementing the ISO14001 environmental management system and expects to gain accreditation by the end of 2009. It aims to become a green enterprise capable of continuously improving and protecting the environment by running an operation with contributing to the sustainability of environment and the society in mind.

公司經營層記取教訓，決心不僅要達到越南環保法令的要求，更要為成為環保優良廠商，因此已展開推動ISO14001環境管理系統，預計二零零九年底前取得認證，以達到持續改善，愛護環境，永續經營，善盡企業社會責任之綠色企業之目標。

Major impacts of the incident are:

1. A US\$16,000 fine and US\$7,713,000 accrued environmental fee have to be paid and may be paid in two installments in 2008 and 2009. The fine has been paid in October 2008. The Group paid approximately US\$3,865,000 in December 2008, which was 50% of the discharge fee and will pay the rest in four installments in 2009.

According to Hong Kong Financial Reporting Standards, the US\$7,713,000 fee shall be recognised as a one-off fee incurred in 2008. As a result, profit of the Group for the year was substantially squeezed with net profit decreased from US\$14,138,000 to US\$6,409,000. The accrued payment however accounted only for 2.1% of the Group's asset valued at US\$360,497,000, thus had not posed any material impact on the Group's business operation or management.

2. To comply with environmental protection regulations and ensure continuous production, the Group ceased some production and cut down on others, leading to a drop in production capacity in the fourth quarter. The Group also activated its emergency supply chain and imported lysine as raw material for producing MSG. With different environmental protection improvement plans gradually implemented, the Group expects production capacity to pick up eventually in the second quarter of 2009 and full scale production to resume in the fourth quarter. The Group will be able to maintain turnover for 2009 at about the same level as in 2008.
3. Per the damage claims from farmers and fishermen allegedly affected in the incident, the Group had the cases studied by lawyers who concluded that the claims had no ground because the claimants had no operation licences or the claim period had expired.

Despite that, the Group, acting on good will, has appointed representatives accompanied by lawyers to communicate with the complainants in the hope of gaining their understanding of the its standpoint. The Group will consider addressing the matter in the form of subsidies so as to maintain good relationship with the neighboring community as well as honour its corporate social responsibility.

此次事件重大影響層面主要分析如下：

1. 主管機關裁示罰款約16,000美元，及補繳環保水處理費7,713,000美元，可分二期於二零零八年及二零零九年繳清。罰款已於二零零八年十月繳納完畢，補繳環保水處理費部份，二零零八年應繳50%金額約3,865,000美元，已於二零零八年十二月繳納，其於將分四期於二零零九年度繳款。

依香港財務報告準則規範，7,713,000美元需一次認列於二零零八年費用，故集團期內獲利大幅受到壓縮，因而二零零八年淨利由原本的14,138,000美元，下降為6,409,000美元。此項補繳費用佔資產360,497,000美元之2.1%，尚不至於對業務營運或管理造成任何重大不利影響。

2. 因應符合環保規定，確保能繼續生產，公司採取部份停產，部份減產措施，造成第四季開始生產產能下降，同時公司緊急啟動原料供應鏈運作，進口谷氨酸原料作生產加工味精之用。隨著環保改善計畫的實施，預估從二零零九年第二季起逐步恢復生產產能，至第四季時應可再恢復全能生產，預估全年營收應可維持二零零八年水平。
3. 有關附近居民要求公司賠償其農、漁業損失，公司已委託律師瞭解研究，依律師意見因證據不足，無經營執照或已過追溯期，訴訟將很難成立。

但公司仍將以積極負責態度，已經指派公司代表會同律師透過當地農會組織，和申訴者溝通，釋出善意，期使能讓申訴者了解公司立場，公司將考慮以回饋補助方式進行，以維護和附近社區維持良好關係，善盡企業社會責任。

## PROSPECTS

Based on general information, the global economic environment will continue to be difficult in 2009 and dampen consumption. Against this backdrop and the contracted production of Vedan Vietnam, the Group expects to face challenges in its operations in 2009. However, it believes that at the concerted effort of the management and all staff, the Group hopes to survive through adversities and develop a more solid foundation for its long term growth. The current difficult time has actually presented the Group with the chance to review and improve its operations. In the past, the Group had put its focus on growing its business, reducing raw material costs and expanding production presence, however neglected the need to enhance environmental protection provisions, adjust its organisation structure and upgrade its distribution system. Thus, the Group will focus on the following tasks in the coming year:

1. Vedan Vietnam will make improvement in environmental protection its priority task. The entire staff of the plant will diligently implement the approved environmental protection improvement plans with the aim of meeting within the year the commitment made to the local authority. Also, to optimise environmental protection work and ensure continuous improvement, the Group has started its pursuit of ISO 14001 environmental management system accreditation and related staff education and training programmes. It expects to secure certification by the end of 2009. Its aim is not only to meet the standards required by local environmental protection requirements, but to also become an excellent green manufacturer.
2. From 2009 onwards, foreign enterprises are allowed to operate trading and retail businesses in Vietnam. Heeding the move, the Group has set up a dedicated team to recruit professional sales talents for the Group. The team will also study and formulate a new distribution model, create new sales streams riding on existing channels, re-assess distributors and agents in the existing channel set up so as to strengthen its operations and boost effectiveness.
3. As for the China operation, the Group will strive to strengthen its own brands and channels, promote products to second tier cities and step up management of idle assets. It will also consider moving the equipment of the compounded starch plant in Shanghai to Xiamen to stay closer to target markets and enhance operational efficiency.

## 展望

依據各方面資訊顯示，二零零九年全球經濟環境依然嚴峻，市場對產品需求不振，再加上味丹越南減產影響之下，二零零九年業績雖面臨嚴酷挑戰，但在公司同仁全體努力下，將應可克服重重困難，為未來集團長期的發展奠定更穩固的基礎。在這艱困的時刻，對集團而言，亦是一個痛定思痛、重新檢討改善的良好時機。過去，公司將焦點放在業績的成長、原料成本之降低、生產據點之擴充，而忽略了環保措施之提升、組織架構之調整、銷售體系之改造等工作的執行，因此公司今年之工作重點，將強化下面幾個工作方面：

1. 味丹越南廠將環保改善列入第一優先目標，全體動員依已核准之環保改善計畫，逐步執行，並於年度內達成對當地主管機關之承諾。同時為更進一步做好環保工作，達到持續改善的目標，公司已決定推動ISO14001環境管理系統認證，並已展開教育訓練計劃，預估二零零九年底前取得認證。不僅要讓味丹越南廠符合當地環保要求，更進一步要作為優良環保廠商。
2. 為因應越南自二零零九年開始，允許外資經營貿易及國內零售業務，公司已成立專案小組，招募專業行銷業務人才加入團隊，並研擬新的銷售模式，利用現有通路增加新銷售品項，在原有產品通路上，重新評估經銷、代理商，整合國內銷售通路，強化業務經營，使營運更具效益。
3. 中國區經營則是強化自有品牌及通路，再將產品推廣到二線城市，同時加強對閒置資產之處理，同時，考慮將複配澱粉廠設備由上海遷移至廈門，以貼近主力市場，提升營運效率。

4. Change of external factors has commanded the Group to defer large scale plantation of the raw material cassava in Cambodia and Laos. At the same time, the Group also stepped up efforts in strengthening the raw material supply channels of agricultural product suppliers in Vietnam and its strategy in procurement of local raw materials so as to reduce large capital expenditure amounts. It will set up business development offices in Cambodia and Laos to boost promotion in the markets and collect related information. This will give the Group a solid foundation for business development as well as raw material procurement in the future. It will also make promoting procurement of local cassava a priority at the start, which will be conducive to building good relationship with local farmers and suppliers, enabling the Group to gain a better understanding of the local procurement procedures, regulations and raw material market. The Ha Tinh plant in Vietnam has commenced production in the first quarter of 2009 and that will extend the raw material source of Vedan Vietnam to northern and central parts of the country. The plant being close to the border with Laos and with access to an international port, has strong geographical advantages to exploit.
4. 因外在因素的改變，對原計劃於柬埔寨、寮國等地大規模木薯原料種植案暫緩執行，同時加強越南國內農產品供應商原料供應渠道，強化採購當地原料策略，以減少大額資本支出。柬寮兩國將設立業務拓展辦事處，加強業務產品當地市場推廣，並收集當地的相關資訊，以為未來的業務與原料採購建立基礎。同時將以推廣採購當地木薯為首期目標，將有助於和當地農民、供應商建立良好的關係，對當地相關採購流程、法令，及原料市場能有更進一步之掌控。越南河靜廠已於第一季投入生產，將使越南廠原料來源擴充至中北部，且該廠位置距寮國邊境近，且又臨國際港口，未來可利用此地理優勢發揮效益。
5. The new expanded solid fertilizer plant will also commence production by the end of this year. In addition to producing existing fertilizer products, the Group will also invest in developing specialised fertilizer to address various needs of different vegetations and other new fertilizer types. The Group will also seek to expand the applications of fertilizers. These efforts are conducive to the development of the fertilizer and grow the feedstock business into the Group's major segment.
5. 新擴建固體肥料廠亦能於今年底前投產，除生產現有肥料品項外，公司將投入專對不同植物需求的專用肥料，進行開發新肥料品項。同時，增加公司肥料用途的產品項目，如此對公司未來業務增長將有助益，並使肥飼料事業成為公司發展的另一項重要產品。

#### EMPLOYEE COMPENSATION AND TRAINING

As at 31 December 2008, the Group had a total of 3,697 employees, 2,836 of whom were employed by subsidiaries in Vietnam, 848 by subsidiaries in the PRC and 13 by the Taiwan Branch.

The Group's employees are remunerated in accordance with prevailing industry practices, and with reference to the financial performance of the Group and performance of individual employees. Other fringe benefits such as accommodation, meals, insurance, medical coverage and provident fund are provided to employees to ensure staff loyalty and the Group's competitiveness. To enhance human resources quality and the professional skills and management abilities of employees and build localised workforces, the Group provides job rotation, internal and external training courses on professional skills, languages, etc. to employees to help boost their expertise and knowledge.

#### 僱員薪酬及培訓資料

截至二零零八年十二月三十一日，本集團僱有員工3,697名，包括受雇於味丹越南廠子公司2,836名，味丹中國子公司848名及台灣分公司13名。

本集團根據一般行業慣例，以集團業績及個別員工表現釐定僱員薪酬及其他員工福利，包括住宿、膳食、保險、醫療及退休金等，以確保競爭力及員工之忠誠度。為增進員工專業素質及管理能力的，落實本地化政策，集團亦為員工提供職務輪調，並積極規劃及舉行有關專業技能及語言等內外部教育訓練及研討會，以強化專業技能，擴展新知，提高人力素質。



# HIGH QUALITY HIGH-DEMAND PRODUCTS

## 高品質高需求產品

At the heart of Vedan International's business success is a group of core products with widespread applications and strong brand recognition, one of the Group's most important and well-guarded assets. Its renowned "Vedan" brand MSG, for example, is considered essential throughout the food processing industries across Asia for its role in enhancing the flavours of a range of foodstuffs, and enjoys a huge and constantly growing market throughout Vietnam, the PRC, ASEAN countries, Japan and the United States.

味丹國際的成功有賴於一組應用廣泛和品牌知名度高的產品，是集團高度重視的資產之一。例如馳名的「味丹」味精，能夠加強食物的鮮味，普遍地用於各類食品調味，更在亞洲各地，被食品加工業視為不可或缺的烹調材料，而在越南、中國、東盟各國、日本以及美國等市場亦錄得強勁的銷售增長。