

Chairman's Statement

主席報告書

In the first half of 2008, the overall raw material supply and demand trends in the international market continued on the same path as in the preceding year. Hefty oil price and unstable climates had kept the prices of raw materials consistently high and accordingly pushed up production costs of the Group. Fortunately, the Group was able to make key raw material procurement arrangement for the year at the beginning of the year. At the same time, the Group adjusted its marketing strategies including raising the selling price of its products to reflect increased cost and enhance profit. Thus, despite of the pressure of global inflation and high material prices, the Group performed better during the review period than the same period last year.

In May, affected by economic factors such as high inflation and trade deficit, the Vietnamese Dong devaluated slightly and that raised the exchange loss of the Group's plant in Vietnam. However, the Group recorded marked growth in export sales which was mainly denominated in US Dollars. Thus, all taken into account, depreciation of the Vietnam Dong did not posed serious impact on the turnover and profitability of the Group. At the active intervention of the Vietnamese Government, this situation has been corrected.

The overall performance of the Group in the first half of 2008 reflected continuous strong demands for its products in the market. Total turnover of the Group reached US\$ 182,735,000, representing an increase of 24.5% against the last corresponding period. Net profit exceeded US\$9,278,000, 16.1% higher than in the same period last year. As for the Vietnam market, which felt pressure from depreciation of the Vietnam Dong, the Group increased the proportion of export sales and accordingly turnover from domestic sales recorded but only 0.1% increase. As for the China market, high raw material prices also and intense competition affected its growth momentum, with turnover growing by just 13.9%. However, ASEAN countries and the Japan market achieved satisfactory performance in the first half year, with turnover up by 72.7% and 56.1% respectively. At the efforts of the Group to penetrate these markets in the past few years, they have become important indispensable markets and drivers of steady growth of the Group. By product, sales of core products of the Group increased steadily in the first half year, with MSG, lysine, modified starch and specialty chemicals all performing brilliantly driven by increased demands. The turnover from lysine and modified starch, in particular, soared 99.6% and 62.3% respectively when compared with the same period in 2007. Increasing market demands and the improving operational results of these operations have greatly boosted the Group's confidence in future development.

Facing the same threat of tense raw material supply as enterprises in different industries around the world, the Group has been keen on securing access to raw materials. In addition to adopting flexible procurement from diverse sources, the Group has continued to conduct researches on carbohydrate sources and extend plantation areas of such sources to divest risks and lower cost of carbohydrate sources. Moreover, capitalizing on the production advantages of its core businesses, the Group continued to enhance production efficiency and trim production costs during the period. On the operational front, apart from timely adjustment of the prices of products for domestic market and export to reflect increased costs, efforts were made to expand export so as to compensate exchange loss caused by depreciation of the Vietnam Dong, as well as further penetration into regional markets and counter operational risks. The fluctuating Vietnamese economy in the first half year commanded the Group to conduct its business with prudent and implement relevant strategies including lowering costs and all operating expenses and expanding overseas markets. These initiatives enabled the Group to grow its business and profit notably despite the adverse market environment.

2008年上半年國際整體原物料的供需情勢延續去年之走向，受到原油價格高漲與氣候不穩定的影響，使公司生產所需原料之價格仍居高不下，墊高生產成本。所幸集團於年初已做好部份主原料的年度採購安排。同時，集團於期內亦不斷調整行銷策略，拉高產品售價反映增加之成本，以提升利潤。故雖在全球性的通貨膨脹與原物料價格飛漲下，集團的營運表現仍較去年同期成長。

另一方面，今年5月，集團營運最重要的越南市場，因為通貨膨脹與貿易逆差等經濟因素影響，造成越幣微幅貶值，使越南廠獲利在帳面上有些微的匯率損失。但集團的外銷業績不斷大幅成長，收入以美元為主，因此，越幣貶值對集團的營收和獲利並未造成嚴重影響。目前在越南政府的積極管控下，此不利情勢已回穩。

綜觀集團2008年上半年之營運，市場對公司產品需求仍強勁，整體營業額達182,735,000美元，較2007年同期提升24.5%，淨利超過927.8萬美元，較去年度同期增加16.1%。各主要市場，除越南市場因越幣貶值，集團調整增加越南廠外銷的比例，故其營業額僅成長0.1%，中國市場也因原物料價格高漲，競爭激烈，影響成長動力，使營收也僅成長13.9%。不過，東盟國家與日本市場在上半年的營運卻有不俗的表現，分別有72.7%與56.1%之顯著成長，這兩地市場在集團幾年的深耕經營下，已成為集團穩定增長、不可或缺的重要市場。另一方面，集團的核心產品在今年上半年的營業表現也都有穩健的提升，由於市場需求有增無減、味精、賴氨酸、變性澱粉與特用化學品在各主要市場都有亮麗的業績，尤其是離氨酸與變性澱粉的營收，較去年同期更是分別增加99.6%與62.3%。此等市場需求的成長與營運成果的增加，也加深集團對此產業發展的信心。

面對與全球產業都相同面臨的原料供應緊張之威脅下，集團一直相當重視原料掌握的問題。集團目前除採取多元化機動性的採購模式外，也持續進行不同糖源的研究與擴大掌握糖源種植區域以分散風險，獲取較低成本之糖質原料。同時，我們以核心產業的生產優勢，在期間內不斷提升生產效率以降低生產成本。在業務方面，除適時反映成本於內外銷產品的售價，集團更加強外銷市場的拓展，避免越南貨幣貶值可能帶來的匯率風險部位，以期擴展各區市場與平衡營業之風險。因為上半年越南的經濟環境的波動，集團採取更謹慎的態度與因應策略，降低成本與各項營業費用，開拓海外市場，使業績在逆勢中仍有成長，獲利亦取得明顯的提升。

PROSPECTS OF THE SECOND HALF YEAR

Since the beginning of the year, there have been signs pointing to continuous global inflation and shortage of raw material supply. To tackle these looming uncertainties yet to clear, the management has a series of measures mapped out for the second half year. First and foremost, the Group will focus on securing supply of low-cost raw materials. In addition to developing high-yield carbohydrate sources such as tropical sugar beet and sweet sorghum, the Group also started to look for more carbohydrate sources in Vietnam, Laos and Cambodia since last year. It expects these efforts to bear results in the next few years. Other than securing raw material supply, the Group will continue the talks with several overseas companies owning advanced technologies about technological cooperation and production projects to improve its technology, efficiency and sales of new products.

After securing stable supply of raw materials and fully realising technological efficiency, the Group expects to be able to apply its sales and marketing competence to meet growing market demands, and expand and strengthen its core amino acids and modified starch products. The Group will also adjust its sales strategies to reflect changes in cost and cement its profit base. Furthermore, the Group is evaluating plans to expand production capacities for existing products so as to cater for growing market demands. At the same time, heeding the advancement and changes in the Vietnamese consumer market, the Group has been actively planning and integrating the local channel structure and sales organization with the aiming of achieving further breakthroughs in the market. Although Vietnamese economy fluctuated in the past few months, the government was quick to respond and implement relevant combat tactics and strategies. Based on the various economic indicators available now, those measures have been effective in mitigating adverse factors and stabilising the economy, and are expected to soon send the country back on track to achieving set economic goals. The Group is also confident of the long term sustainable development of the Vietnamese economy.

MSG and seasonings will remain as the core products of our China operation. However, with competition extremely intensive in the market and raw material prices standing high pushing up production costs and squeezing profit, the Group is exploring different relevant strategies and projects with higher value added products to improve operational returns and profit.

Operating in a fast changing environment, apart from realising and extending its existing fermentation related technology and marketing and sales advantages, the Group also hopes to capitalise on the opportunities arising in the booming Vietnamese economy and its own firm operational foundation and geographical advantages to pursue different businesses and reap synergies and enhance overall operational results. All of us in the Group are realize that challenges are still persisting in the operating environment. We vow to continue to work hard and with prudence, and with an open mind and emphasis on pragmatism in overcome all difficulties. We will strive to improve business results and maintain profit growth, and continue to take our businesses to new grounds and create higher value for shareholders.

By order of the Board
Yang, Tou-Hsiung
Chairman

Hong Kong, 9 September 2008

展望下半年

今年以來，全球通貨膨脹與原料供應短缺仍有延續之跡象，整體情勢仍未明朗。集團經營層瞭解到這個處境，已計劃採取各項措施來克服此等不確定因素。在下半年，集團首要的工作仍是低成本原料的掌握，集團除持續進行高效益糖源如熱帶甜菜與甜高粱等作物的開發，同時，自去年起，集團已在越南、寮國與柬埔寨積極地尋求更多糖質原料的來源，預計在未來幾年會逐漸顯現成效。除原料的掌握外，集團持續與數家擁有先進技術的國外公司商談各項技術合作及生產的項目，以提升技術及效率並增加新產品的營運。

一旦集團能確保原料的掌握與技術效率之發揮，集團將順應市場需求的成長，發揮產銷優勢，擴大與強化集團核心的氨基酸與變性澱粉產品之拓展，並依市場狀況適時調整行銷策略，反映成本的變動，以期穩固集團獲利之基礎。更進一步地，集團也正評估對現有產品擴產的計劃，以滿足市場與日俱增的需求。同時，為因應越南消費市場的進步及轉變，集團在越南也正積極規劃及整合當地的通路架構與行銷組織，以期在越南市場之營運能有更突破性的躍進。雖然這幾個月以來，越南的經濟環境有微幅的調整與波動，但越南政府也立即採取相關的穩定措施與策略，以目前各項的經濟指標來看，此等措施已有效減緩波動因素與穩定經濟情勢，相信在短期間內，可恢復其應有的經濟目標，我們也對越南長期且持續的經濟發展深具信心。

集團於中國市場仍致力於味精與調味料深耕經營，但因目前國內同業的競爭相當激烈，原物料價格尚處高檔，導致生產成本仍高，壓縮利潤，集團對此亦正計劃因應策略與尋找較高附加價值之營業項目以提高營業成果與獲利貢獻。

處於現今多變的總體環境下，集團除更穩健地發揮與延伸原有之醱酵技術與行銷優勢外，也希望藉由越南經濟起飛的廣大商機，結合已深耕之基礎與地緣利基，投入不同領域的產業，冀望更能發揮加乘之效果，以期提升全面性的經營績效。尤其，集團內的各級同仁均也體認到經營環境尚充滿挑戰，我們將秉持一貫勤奮的態度，以謹慎的計劃、開創的心胸與務實的做法來克服眼前種種的困難，努力推升業績，保持盈利成長，繼續不斷地為集團開拓更廣的領域，並與為股東創造更高之價值。

承董事會命
主席
楊頭雄

香港 二零零八年九月九日