

Chairman's Statement

主席報告書

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The Group had to temporarily reduce production at our Vietnam plant because of environmental protection issues last year. With major products unable to enjoy the full benefit of economy of scale, the operation and business performances of the Group in the first half of 2009 were adversely affected. In addition, the looming global economic downturn and rise in price of molasses during the period also caused the overall results of the Group to slump when compared with the same period last year. To mitigate the impact of all the adverse conditions on its profit, the Group focused on strengthening higher margin products and markets and maintaining the selling prices of products.

Overall, in the first half year, the Group made US\$133,462,000 in turnover, a decrease of approximately 27% against the same period last year. Net profit dropped by about 10.5% to approximately US\$8,303,000 against the same period last year. The decrease in turnover and profit was the result of installation of environmental protection facilities still in progress during the period. Other factors included reduction in production capacity for our core products MSG and modified starch, which led to contracted sales volume and turnover. The price of molasses also surged month-on-month, and together with reduced economies of scale, pushed up production costs and squeezed its profitability. Furthermore, the Shandong plant also lagged in profitability and brought in less than expected earning because of high material and energy costs.

By geographical market and business segment, the reduced capacity of the Vietnam plant has led to decreased outputs of major products. To address this, the Group activated the raw material supply chain to ease pressure from the production cut and supplied products first to markets with higher margin such as Vietnam and Japan. Also, with the global economic downturn affecting economies around the world, sales of our products in different markets also declined when compared with the same period last year. Turnover from ASEAN Countries and Europe especially dropped substantially by 85.5% and 66.3% respectively, attributable mainly to the lower sales and margins in these regions and the Group reducing sales to these regions. Similarly, the Group reduced outputs of various products in the first half year with production scale reduced. It also substantially lowered sales of GA for boosting sales of MSG products with higher margin. In addition, as the international price of lysine remained low, the Group continued to suspend production of the product during the period.

The major factor affecting the Group's operation and profitability in the first half year was the reduced production capacity of the Vietnam plant which led to dwarfed economy of scale. The plant will be able to produce at normal capacity when enhancement of the environmental protection provisions is completed. Since the end of last year, the Group has focused all resources on improving environmental protection and related work continues to be the Group's major task this year. Apart from complying with the requirements of the Vietnam government and strengthening its existing wastewater treatment equipment, the Group will complete installation of additional wastewater treatment facilities and establishment of a new plant that produces fertilizer products from recycled resources in the third and fourth quarter of the year. The Group believes its production capacities for major products will gradually return to normal after the equipment and facilities are installed. It expects its overall operation and sales to gradual improve thereafter and bring in more turnover and profit.

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集團於2009年上半年之營運與業績主要受到越南廠去年環保事件暫時減產的影響，多項主力產品未能發揮經濟規模的效益；同時遭逢全球景氣不穩定與醃質原料價格上漲的影響，致使集團整體業績較去年同期下降，但集團強化經營較高毛利的產品與地區，努力維持產品之售價，降低對利潤直接之衝擊，為本期之營運重點。

整體而言，集團於2009年上半年之營運，營業額達1億3仟4佰62萬美元，較2008年同期減少約27%，淨利為約830萬美元，較去年同期度下降約10.5%。營收與獲利的降低主要是受到環保處理設備尚未裝置完成的限制，主力產品味精與變性澱粉產品等之生產產能減少，造成銷售量與營收的降低，同時期內的醃質原料價格亦逐月上漲，使得生產成本隨著醃質原料價格上升與規模經濟降低而提高，壓縮獲利的空間。另外，山東廠因原料及能源成本仍高，獲利亦不如預期，影響集團部份之盈利水準。

以各地區市場分析與業務經營而言，受到越南產能的影響，主要產品出貨數量受到限制，集團啟動原料供應鍊運作，減低因降載生產的衝擊，並優先供應高毛利之銷售地區如越南與日本市場等，另一方面，受到全球景氣尚未復甦的影響，全球許多地區低迷之經濟表現，直接影響在此等地區的銷售，如此也造成集團在很多市場的銷售業績較同期減少，尤其在東盟與歐洲市場的營業額較去年同期大幅下滑85.5%及66.3%，主要是因為銷售此等地區的銷售量與毛利較低，故集團對此地區做較低出貨的配置。相同的，集團的各項產品在上半年同樣受到產能的影響而減少出貨數量，尤其為了增加較高毛利的味精產品銷售，公司大幅調降谷氨酸的銷售。另外，因離氨酸的國際價格仍處低迷，在本年期間，賴氨酸仍然是暫時停止生產的狀態。

影響上半年度集團營運與獲利之關鍵，主要即越南廠的生產產能未能發揮經濟效益，而生產產能的恢復在於環保措施改善之完成。從去年底開始到現在，集團已集合所有資源全心全力投入，視環保改善為今年的第一要務，除配合越南政府所要求的相關改善規定，強化現有廢水處理設備外，新增設廢水處理設施與增設資源化肥料生產廠，將於今年第三季與第四季陸續完成。集團相信在此等設備建置完成後，主要產品之產能將可逐漸恢復，預計整體營運與銷售也將再逐步提升，而營收與獲利改善亦可預期。

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Apart from the environmental protection installation works at the Vietnam plant, the Group's related endeavours also included trial of Bio-gas (a biological fuel) at its starch plants in Binh Phuoc, Gai Lai and Ha Tinh, which agrees with the Clean Development Mechanism ("CDM") of the United Nations with environmentally friendly processing and lowering of carbon emissions as the prime purposes. Furthermore, the Company has started work in relation to securing ISO14001 international environmental management certification and expects to gain accreditation in 2009. The Group hopes to achieve a complete change in the organization from its operational principles to its management system and hardware as well as software with regard to environmental protection. Its goal is to become an environmentally responsible enterprise that runs a business conducive to the sustainability of the world.

OUTLOOK OF THE SECOND HALF YEAR

There are signs that the economic recession is easing entering the second half of 2009, however, the global economy is still clouded with uncertainty. Petroleum and raw material prices have been less stable which added to the shaky market environment. In particular, with prices of international carbohydrates climbed to historical high, the prices of sugar cane and cassava have also kept climbing since the beginning of the year. Thus, the Group expects to feel production cost pressure in the second half year. Taking into account the overall economic climate, the unstable raw carbohydrate prices and the restricted production capacity of the Vietnam plant, the Group will continue its more prudent operational strategy in the second half year, with making profit as the primary goal and integrating raw material and product supply chains to achieve flexible operation, consolidating sales to key markets, stabilising selling prices and saving costs as the major missions to accomplish.

Moreover, the Group will take advantage of this period of economic change to step up consolidation of overall marketing strategy and development of distribution channels, and through direct management seek to realise the full value of its sales network. At the same time, it will take advantage of the open-trade environment of Vietnam to commence trading and sales operations with the support of mature distribution channels. Furthermore, presented with a more open and sophisticated operating environment in Vietnam, the Group will actively identify cooperative projects in the market to enjoy geographical benefits and accumulate international experience and ultimately generate strong integrated effects and many times boosted results.

Although profit of the Group for the year has been less than desirable as a result of the slack economy and restricted production capacity of the Vietnam plant, the management remains optimistic about the fundamentals of the Group's core businesses as market demands for the Group's products have continued to grow and the Group is leading the industry in competitiveness. Although environmental protection issues have hit the Group, the Group believes those impacts would be short-lived and, when all environmental protection improvements are completed, the community will see that we are sincere in honouring our social responsibility and that the incident has prompted us to adjust our strategies and realise our strengths even better. We will be advancing in even strong strides thereafter towards achieving higher turnover and better profit.

By order of the Board
Yang Tou-Hsiung
 Chairman

Hong Kong, 8 September 2009

越南廠之環保設備投入，也陸續於平福省、嘉萊省與河靜省的澱粉生產廠中，導入Bio-gas（生物燃料）的試俾，這是配合聯合國推動清潔發展機制(CDM)的一項工作，以達到環保處理與減碳的目的。同時，公司已經展開ISO14001認證工作的進行，預計在今年內取得此項國際環境管理系統認證。集團希望藉從觀念，制度與軟硬體設備，由裏而外徹底改善，做好環保的工作，達到愛護環境，永續經營的目標。

下半年之展望

2009年下半年的經濟情勢，雖然衰退的趨勢似乎有較08年緩和，但全球的景氣仍籠罩在不確定的氣氛中。石油與原物料價格也蠢蠢欲動，增添市場經營不穩定的變數。尤其國際糖價的歷史新高，也帶動主要原料糖蜜與木薯的價格，自今年以來亦呈現不斷持續上漲的趨勢，使得下半年集團的生產成本預計將受到相當的壓力。故基於整體經濟景氣與醱質原料價格的不確定氣氛與越南廠生產產能的限制，集團在下半年仍將採取較穩健的經營策略，以獲利為主要營運目標，結合原料與產品供應鍊的彈性運作，鞏固主要市場銷售，穩定售價與降低成本為主要工作項目。

集團也將利用此經濟轉變的時機，加強整合整體的行銷策略與進行通路架構之深耕，直接掌握銷售網絡，以發揮通路價值。同時，配合越南已開放之貿易環境，集團將藉由已成熟的通路，規劃投入相關貿易與銷售之運作。另一方面，對於日益開放與成長的越南經營環境，集團也將掌握機會，積極檢討尋找各項合作項目，結合地緣利基與國際經驗，以期能強化經營綜效與加乘效果。

雖然今年受到不穩定的經濟景氣影響與越南廠生產產能的限制，使集團盈利未臻理想；但是，管理層相信集團核心產業的基本面仍看好，市場對產品的需求還是有增無減，集團在產業界也仍具備領先的競爭能力。雖然，環保事件造成集團短期間的挫折，但相信在今年完成環保改善以後，除展現我們對履行社會責任的誠心外，更有信心經過這次的事件，調整策略，發揮產銷優勢，大步踏出更穩健、更有力的步伐，朝向高營收高獲利的大道邁進。

承董事會命
 主席
楊頭雄

香港，二零零九年九月八日