

Chairman's Statement

主席報告書

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In the first half of 2010, the Group's operation was affected by the increase in price of raw materials and natural gas in Vietnam and the depreciation in the Vietnam Dong. Compared with last year, the rise in cost and drop in selling price of MSG in China has eroded profits. To mitigate the impact of increasing raw material prices on costs, we have directed our attention towards improving production efficiency, maintaining selling prices of existing products in core markets, developing higher profit margin products and targeting more lucrative markets while increasing sales efforts. The most unfavourable factor affecting the Group's results during the period was the environmental issue of the Group's plant in Vietnam involving compensation to the farmers and fishermen amounting to US\$11,800,000. The necessary adjustment and recognition of this settlement caused the Group to turn from profit to loss in the period.

The Group's operations recorded a turnover of around US\$152,000,000, an increase of approximately 14% when compared with the same period in 2009. This was mainly attributable to the gradual improvement in production output and sales of the major products of the Vietnam plant. However, the increase in output and sales of these products when compared with last year has also prompted the Group to resume the sales of GA and MSG in export markets. Although export sales has driven the growth in overall turnover, gross margin recorded a year-on-year drop of 5.7% because the selling price in export markets was slightly lower than that in the Group's major markets such as Vietnam and Japan. As the price of raw carbohydrates and energy continued to rise, and the exchange rate of the Vietnam Dong depreciated about 3% in February 2010, all these factors have offset the book profit of the Vietnam plant. The net loss of the period amounted to US\$6,959,000 because the profit from operations in China was also below expectation, and compensation to farmers and fishermen was adjusted and recognized in the period, though a profit of US\$4,848,000 was achieved from operation.

In terms of geographical distribution and segmental performance, Vietnam and Japan, the Group's major markets, continued to record growth in each of our major product segments as we managed to maintain the selling price level and secure a stable supply of raw materials. As production capacity of Vietnam plant has gradually increased when compared with last year, the output and sales volume of major products including MSG, GA, modified starch and specialty chemicals such as hydrochloric acid and caustic soda also increased accordingly. Since the profit of lysine was still lower than that of GA, the Group continued to phase out its production in the period. Insufficient production capacity forced a reduction in sales to ASEAN and European countries. After careful consideration of our marketing strategy for the year, the Group gradually resumed sales to these markets during the period. In China, product prices have been dropping since the beginning of this year. As the production cost was relatively higher, the results and profitability in this market did not reach our target and dragged down our overall profit.

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集團於二零一零年的上半年，受到原料與越南天然氣價格調漲及越南匯率貶值的影響，使營運受到相當程度的衝擊。同時比較去年，在中國地區味精產品成本提升與售價下跌，侵蝕盈利水準。集團在期內主要目標仍致力於提升生產效率，維持主力地區產品的售價，經營較高毛利之產品與地區，並加強銷售力度，以降低原料價格帶來對成本之影響。而本期業績最嚴重的不利因素是越南廠的環保事件中，補償受影響農漁民的金額達1,180萬美元，此金額的調整認列，使集團本期獲利由原本的盈餘反轉為虧損。

綜觀集團於二零一零年上半年之營運與盈利，營業額達1億5仟2佰萬美元，較二零零九同期年增加約14%，主要為越南廠主力產品之產量與銷售均有逐步回升。由於產品產量較去年增加，集團恢復谷氨酸及味精原有外銷市場之銷售。雖然銷售此等產品與區域將增加營業額，但此售價相對略低於越南與日本等主要市場之銷售價格，再加上主要醱質原料與能源價格持續調漲，使毛利率較去年降低5.7%。同時，越南盾在二零一零年二月銀行的匯價持續有約3%的貶值，這些總體環境因素反蝕越南廠在帳面上之利潤。本期淨利為虧損696萬美元，除中國區營運獲利不如預期外，另外，按國際會計原則需調整並認列補償農漁民金額於本期之損益，致使原本期內約485萬美元之盈利，反而成為虧損。

以各地區市場分析與業務經營分析，集團的主要市場，越南與日本市場在各項主要產品的經營仍持續成長，並維持一定的售價水準，獲利來源穩定。越南廠因產能較去年逐漸恢復，主要產品味精、谷氨酸、變性澱粉與特用化學品（鹽酸與蘇打）等生產量與銷售數量也隨之增加。賴氨酸因為獲利水準仍不及谷氨酸，故在本期內，賴氨酸仍然暫時停止生產。曾受到產能不足的影響而減緩銷售的東盟與歐盟等市場，集團於今年策略性的市場考量下，在期內已逐漸恢復對此等市場之銷售。而中國區的營運，在今年初起，因產品市場價格下滑，相對生產成本提高，造成業績及獲利均不如預期，影響集團之盈利水準。

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Relevant improvement to equipment and procedures of our plant in Vietnam had been implemented in accordance with the environmental protection regulations of Vietnam since the end of 2009, and has been approved by the Environmental Protection Department and responsible administrative organisations in Vietnam. Since then, the plant has gradually increased its capacity. As for the loss claims from farmers and fishermen affected by the Vietnam plant, the Company has cooperated with relevant departments from the local governments of three provinces, and it has also coordinated with Institute of Natural Resources in Ho Chi Minh City University to conduct a scientific study. However, as the case involved several parties, including related authorities and numerous farmers and fishermen, and a consensus could not be reached on the amount of damages, the issue remained unsolved. Until recently, the pressure from local community and the media which gradually induced further complicated matters of this issue. Taking into consideration the Company's reputation and long-term commitment in Vietnam, the management decided to settle the case as soon as possible and reached an agreement as to the amount of compensation with all parties.

The Group has reviewed and analysed the reasons for the unsatisfactory first half results. During the second half of the year, the Company expects that the increasing material prices caused by a limited supply of agricultural products would create more pressure on our production costs. To cope with, the Group has set up a special unit to expand and diversify procurement sources, thereby stabilising the supply of materials. To stabilize market situation and in view of rising raw material cost, we intend to maintain a prudent operational approach in the second half by securing a stable supply of materials, and leveraging our core strengths including improving production procedures to enhance efficiency with a major objective to stabilise production costs. In addition, The Group plans to consolidate its major markets, endeavouring to regain the share of the market that we previously owned. At the same time we are determined to maintain or increase our product prices to preserve our profit margins.

The Group will aggressively strengthen marketing strategies and further expand its distribution and sales channels in order to realise the full potential of the Group's sales network and take advantage of the reviving economy. At the same time, to further boost its brand awareness, the Group will launch new products and enhance its sales presence. With a booming economy in Vietnam and an expanding domestic market in China, the Group plans to identify potential collaborative projects to enhance its geographical coverage, raise its international exposure, and ultimately broaden its revenue and profit streams.

The Group registered a loss in the first half year, and deeply regrets reporting results which are below the expectation of shareholders. In the environmental protection issue, upon careful reflection and learning from experience, the Group has completed all the required improvement measures and is well prepared to move on. The management remains optimistic about the fundamentals of the Group's core businesses as market demand for its products has continued to increase. Moreover, the Group is leading the industry in production technologies and distribution. We are confident of our capabilities, capitalising on our strengths in production and sales, and implementing more effective operating strategies. By continuing with this approach, we believe we will quickly recover and exceed the higher results and profit targets the Group has set.

By order of the Board
Yang Tou-Hsiung
Chairman

Hong Kong, 26 August 2010

集團越南廠於二零零九年底已配合越南環保法規所要求的相關規定執行改善，並已經完成各項硬體與軟體的克服措施，並已經獲得環保部與相關單位的認可，因此越南廠生產也正逐步提升產能。至於有關受越南廠影響的農漁民損害補償問題，自去年以來，公司均配合相關職權機關與三省市的地方政權持續進行協調，也配合胡志明市資源環保院進行科學評估，唯因為此案牽涉到多方單位與農漁民，公司與各方代表對補償金額在認知有一段差距，所以一直無法達成協議。直到最近，越南社會輿論與媒體的壓力，致使此問題的解決演變得相當複雜，管理層考慮到公司在越南所建立的聲譽與長期經營之理念，決定應儘速平息此案，故最後已經同意相關單位要求的補償金額。

集團對於上半年未如預期的表現已提出檢討。展望下半年，在經營上，公司仍面對農產品供需不平衡之情況所帶動主要原料價格呈現持續上漲的趨勢，使得集團的生產成本受到壓力；對此，集團已成立專責單位，針對原料來源的取得，積極採取更多元化與廣泛的收購，以期穩定原料取得之成本。基於穩定市場經營與原料價格的飛漲，集團於下半年仍將採取較穩健的經營策略，發揮核心優勢，掌握原料來源，改善生產製程提升效率，以穩定生產成本為主要重心，並鞏固主要銷售市場，恢復原有之市場，並穩定甚至提高售價來爭取獲利空間。

集團將利用此經濟回溫的機會，加緊整合集團的行銷策略與強化通路架構，精耕銷售網絡，以發揮通路價值。同時，集團也將藉由已成熟的通路基礎，規劃導入相關新的產品與銷售之運作，延伸品牌的加乘效果。另一方面，對於日益蓬勃的越南的經濟環境與中國內需市場的擴大，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，以期擴張經營綜效及增加盈利之來源。

集團於上半年的獲利呈現虧損，管理層對此有負股東的期望深感抱歉。對於環保工作，集團深切反省，記取教訓。同時，已經完成各項克服措施，將站穩腳步再出發。管理層同時也相信集團在核心產業的基本面仍深具潛力，市場對各項產品的需求仍處增長的趨勢；同時，集團的生產技術與行銷網絡在業界亦具備領先的競爭力。我們有信心以穩健的經營策略，發揮產銷優勢，落實營運策略，相信持續的以此方向邁進，很快的我們將回復，甚至更超越集團原有更高的業績目標與盈利水準。

承董事會命
主席
楊頭雄

香港，二零一零年八月二十六日