

Chairman's Statement

主席報告書

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During the first half of 2011, despite the Group's focus on enhancing sales which resulted in business growth, overall profit was below expectations. This was affected by carbohydrate material prices and changes in Vietnam's economy. The extreme weather conditions around the world led to growing demand for agricultural products from different regions. The price of carbohydrate materials rose in tandem with this trend, which led to substantially greater production costs. Persistently high natural gas and energy prices in Vietnam this year raised production cost as well. Moreover, overall economic changes in Vietnam, including worsening inflation, depreciation of the Vietnam Dong, higher interest rate and economic fluctuation, created a more challenging business environment in the country. As well, profit from the Group's MSG business operation in the PRC declined because of limitation on production scale which resulted in higher costs. During 2011, to mitigate the impact of business environmental factor, increasing raw materials and energy prices on costs, the Group has focused on enhancing the flexibility of procurement, improving production efficiency and stepping up sales efforts.

The Group's operations recorded turnover of approximately US\$186,698,000, an increase of around 22.7% when compared with the same period in 2010. In terms of product and regions, the Group has been expanding its business and increasing the selling price of its products in order to achieve its business goals. However, overall consumption sentiment in Vietnam has become more conservative amidst changing economic conditions in the country, and this has also impacted on domestic sales. In view of such developments, the Group has sought to enhance export sales. Although the increasing export sales can help balance turnover and a weak exchange rate, the lower prices demanded by some export regions combined with rising price of carbohydrate materials and energy led to a 6.3% year-on-year reduction in the Group's gross profit. In addition, a significant 9.3% depreciation of the Vietnam Dong in February of this year compounded by high material prices, fees and wages resulting from higher inflation has to some extent offset the Group's profit attributable to shareholders, which amounted to US\$1,612,000.

In terms of geographical distribution and segmental performance, Vietnam, Japan and the PRC, the Group's major markets, recorded growth of 15.5%, 29.6% and 10.2% respectively, when compared with the same period last year, and the Group also managed to maintain the selling price of its products. ASEAN and European countries have shown stable growth as well. Due to steady demand, sales of major products including MSG, modified starch and specialty chemicals such as hydrochloric acid and caustic soda also maintained even growth in the first half year, realizing year-on-year growth of 17.3%, 68.1% and 9.8% respectively. With the Group's marketing efforts gradually bearing fruit, sales of fertilizer products surged by 76% when compared with the same period last year. With regards to the PRC operation, the Group recorded 10.2% growth in the first half year. However, due to increase in production costs caused by high raw material prices, an inability to realize economies of scale in MSG production, and unstable market prices, profit targets were not reached, thus also dragging down the Group's overall profit.

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集團在二零一一年上半年，雖然努力於業務銷售的提升，使業績錄得增長，不料卻受到醃質原料價格與越南經濟變化的影響，造成整體獲利反而不如預期。全球極端氣候，使各地區對農產品的需求大增，連帶造成集團主要醃質原料價格也隨之飆高，嚴重墊高生產成本。另外，今年越南天然氣及能源價格持續大幅調漲，更加重生產成本的負擔；同時，越南自今年以來，總體經濟的變化加劇，如通貨膨脹上升、越南盾大幅貶值、利率上揚、經濟成長趨緩等等，這些嚴峻的經營環境對越南的營運產生相當程度的挑戰。而集團在中國區的味精產品營運，因公司生產規模的限制，導致成本相對較高，侵蝕盈利水準。集團二零一一年的主要營運重點仍致力於強化採購彈性、提升生產效率，改善生產製程，加強銷售力度，以減緩因原料、能源與經濟環境所帶來對成本之影響。

綜觀集團於二零一一年上半年之營運與盈利，營業額達1億8仟6佰萬美元，相較二零一零年同期年增加約22.7%。無論在產品或區域，集團一直致力業務的拓展，提升售價，以期達到營業的目標；然而，面對越南國內經濟條件的轉變，越南整體消費意願趨於保守，這也使越南內銷業務受到相當程度的影響。故集團轉加強外銷市場之銷售，雖然外銷可維持營業額與匯率的平衡，但部份外銷區域的價格相對較低，再加上主要醃質原料與能源價格不斷調漲，致使毛利較去年同期降低約6.3%。此外，越南盾在今年二月份的銀行匯價有約9.3%的巨幅貶值，此匯率評價的影響，與隨通貨膨脹所調高的各項物料、費用及工資等都加深反蝕越南廠之利潤，俾使集團本期應分配股東之淨利僅餘161萬美元。

以各地區市場與業務經營分析，集團在各主要市場，越南、日本與中國市場的經營，業績較去年同期成長分別為15.5%、29.6%與10.2%，且努力維持一定的售價水準，其餘東盟與歐盟市場的業績也有穩健的提升。因市場需求穩定，集團主要產品味精、變性澱粉與特用化學品（鹽酸與蘇打）等銷售業績在今年上半年仍維持穩定成長，分別較去年同期成長17.3%、68.1%及9.8%。另外，由於推廣成效的逐漸顯現，肥料產品的銷售亦較去年同期有顯著的76%的增長。而中國區在今年上半年的營運，雖然業績仍有10.2%成長，但因原料價格仍處高檔，且在味精生產在無法發揮規模經濟情況之下，相對生產成本提高，加上市場價格不穩定，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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Over the past six months, profit contracted as a result of dramatic changes in the economic environment. However, the Group has reviewed and enhanced the efficiency and mechanisms employed for responding to changing market conditions. Looking at the second half year, it will be paramount for the Group to adapt to raw material price movements and seek to rationalize production costs. Toward such objectives, the Group has set up a special team to expand and diversify procurement sources, and to secure long-term stable supply of materials at reasonable prices. In Vietnam, uncertainties over the economy in the first half year will extend to the remaining year. To stabilize market conditions, the management intends to maintain a prudent approach in the following six months. While leveraging the Group's core strengths, it will seek to improve production procedures, enhance efficiency and save energy costs and expenses, with the main objective of rationalizing production costs.

At such a critical time, apart from rationalizing production costs, the Group will continue to consolidate its presence in major markets and increase product prices to preserve profit margins. With regard to operations in Vietnam and the PRC, the Group will aggressively strengthen its marketing strategies and business structure, as well as further expand distribution and sales channels in order to realize the full potential of the Group's sales network. At the same time, to further raise brand awareness, the Group will launch new products relating with current product lines, as well as enhance its sales presence. On the other hand, the Group plans to identify potential collaborative projects to bolster its geographical coverage, enhance international exposure, and ultimately improve efficiency while broadening revenue and profit streams. As the Group's operations in the PRC have performed under expectations in recent years, the management has made larger adjustment on the business scope and network structure of the local operation while pursuing geographical consolidation and sales network expansion to realize greater efficiencies.

Amid challenges existing in the current operating environment, it is unlikely that significant breakthroughs will be achieved in terms of mitigating pressures arising from raw material prices, energy costs and weak economy in the near future. The management, however, remains optimistic about the fundamentals of the Group's core businesses, production technologies and distribution network. By observing the operating strategies in place, optimizing strengths in production and sales, embarking on market expansion and enhancing brand value, impact of the macro economic environment on the Group will be minimized. Combined the above strategies with the efforts and experience of all staff members, the management remains cautious yet optimistic about the performance of the Group in the future.

By Order of the Board
Yang, Tou-Hsiung
Chairman

Hong Kong, 23 August 2011

上半年的總體環境雖然變化劇烈造成盈利下滑，對此，集團也檢討加強對環境變化的應變的速度與機制。展望下半年在經營上，集團最重要的仍是要掌握原料價格的趨勢，冀使集團的生產成本得以穩定；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，以期將成本波動降至最低。越南經濟環境，預計下半年仍將延續上半年之情勢，尚存在不確定因素。故基於穩定市場經營，集團於下半年仍將採取較穩健的經營策略，發揮核心優勢，改善生產製程提升效率並設定節約能源方案，以穩定生產成本為主要的重點。

集團在此嚴苛的時間點，除穩定生產成本外，業務策略仍集中於鞏固主要銷售市場，穩定銷售價格來維持獲利空間。在越南與中國區的本地業務，將更加緊整合集團的行銷策略與強化通路架構，深耕銷售網絡，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，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。而中國區獲利狀況連年不甚理想，經營層已針對業務區隔與網絡架構做較大幅度的調整，同時進行區域整併與通路精耕，使集團得以集中更多資源以發揮實際之綜效。

雖然眼下的經營環境還存在諸多的挑戰與困難，也許原料、能源與經濟逆勢等壓力可能並非在短期會有很樂觀的突破，但管理層對集團在產業基本面、生產技術與行銷網絡仍深具信心。我們相信以穩健的經營方針，發揮產銷優勢，落實市場的深耕與延伸品牌的價值等策略，使大環境因素對集團的衝擊降至最低。同時，這些策略再配合集團所有同仁的努力與經驗，管理層相信接下來的經營績效仍是審慎樂觀的。

承董事會命
主席
楊頭雄

香港，二零一一年八月二十三日

