

Chairman's Statement

主席報告書

The uncertainties of the European debt crisis and the sluggish growth of the global economy in 2012 have dampened demand. These factors, combined with conservative consumption sentiment in the market have seriously affected the Group's results in the first half. Although carbohydrate prices have stabilised earlier this year, the continuous sharp increase in Vietnam's natural gas and energy costs has in turn caused a surge in production cost which offset overall profits. Under these adverse business conditions, the Group has focused on enhancing the flexibility of its procurement, improving production efficiency, stepping up sales efforts and developing new products to alleviate the impact of those conditions on sales and the effect of increasing energy prices on costs this year. The measures taken have helped the Group broaden its sources of income, reduce expenditures and maintain profitability.

The Group's operations in the first half of 2012 recorded a turnover of approximately US\$179,000,000, a decrease of around 3.6% when compared with the same period in 2011. The decline was mainly attributable to the overall economic malaise which caused the revenue in the Group's major markets in Vietnam, the PRC and Japan to drop to varying degrees. Fortunately, the Group was able to secure raw materials at a lower cost earlier this year, which contributed to an increase in gross profit by 15.9% year-on-year. Net profit also reached US\$3,230,000, a surge of approximately 160.7% against the same period last year.

In terms of geographical distribution and segmental performance, the serious inflation and trade imbalance that emerged in Vietnam, the Group's major market, last year has come under better control and its exchange rate has stabilised this year, thanks to the tight monetary policy of the Vietnamese Government. However, the subsequent slowdown in economic growth and international economic headwinds have further affected the production, exports and domestic consumption market in Vietnam. The resulting unfavourable operating environment has created greater challenges for the country and the Group alike. Although the Group has been focusing on enhancing distribution channels and branding, its turnover in the first half of the year still dropped by 1.2% year-on-year. The Group's operations in the PRC also performed unsatisfactorily in the first half of the year. The weak economy has had a considerably adverse impact on the Group's business and its revenue in the PRC market decreased by 26.8% year-on-year. While the business expansion of modified starch in the PRC made notable progress this year, the intense competition in the MSG market, unstable product prices and the limited production scale which prohibited the Group to realise economies of scale fully as well as turn down orders all led to higher costs and affected the Group's overall profitability.

The Japanese economy has continued its weak performance ever since the earthquake and tsunami last year, which led to a year-on-year drop of 14.5% in the Group's results in the Japanese market. However, the results of the ASEAN market grew notably by 51.2% over that of last year benefitting from the Group's geographical advantage of proximity and its solid business and operational foundation in the region.

In terms of products, consumption sentiment has been conservative as a result of the gloomy economy which affected sales of the Group's products such as MSG and starch products targeting consumers which increased by only 0.4% and decreased by 4.3% respectively. However, supported by the consistently stable demand, specialty chemicals such as the hydrochloric acid and caustic soda and fertilisers businesses continued to grow in the first half by 12.2% and 17.6% over the same period last year.

隨著歐債危機的不確定因素，二零一二年全球經濟衰退，疲弱的需求造成景氣持續下滑，市場保守的消費氛圍嚴重影響集團今年上半年的業務成績。雖然今年初的醃質原料價格已稍趨緩和，但越南的天然氣及能源價格卻仍持續大幅度的調漲，墊高生產成本，反蝕整體獲利。在此低迷的景氣下，集團二零一二年的主要營運重點仍致力於強化採購彈性、提升生產效率、加強銷售力度與開發新產品項目，以減緩因經濟環境對銷售所帶來的衝擊與能源對成本之不利影響，以期開源節流，並努力維持獲利的空間。

綜觀集團於二零一二年上半年之營運，營業額達1億7仟9佰萬美元，相較二零一一年同期減少約3.6%，主要即受到整體經濟景氣趨緩的影響，致使集團於主要市場包括越南、中國與日本地區之營收均有不同程度的下滑。所幸集團今年初掌握到價格較低之原料，致使毛利較去年同期提升15.9%，淨利亦達323萬美元，較去年同期增加約160.7%。

以各地區市場與業務經營分析，在集團的主要市場越南，雖然政府實施緊縮的貨幣政策已稍控制去年嚴重的通貨膨脹與貿易失衡，並穩定其匯率，但隨之而來的卻是經濟成長的下滑，同時又受到國際景氣低迷的拖累，對越南的生產出口與國內消費市場更是雪上加霜，這些嚴峻的經營環境對越南的營運產生相當程度的挑戰。雖然集團不斷致力於通路與品牌的經營，但上半年的業績仍較去年同期下滑1.2%。而集團在中國區在今年上半年的營運業績不理想，由於景氣不佳，使業務受到相當程度的影響，營收較去年同期衰退26.8%。雖然今年中國區的變性澱粉之業務推展已有顯著的成長，但味精市場競爭激烈、產品售價不穩定及公司生產規模的受制，無法發揮規模經濟的情況下，導致成本相對較高，影響整體盈利水平。

另外，日本國內的經濟自去年地震受創後，即持續衰退不振，景氣一直低迷，以致集團銷售於日本市場的業績亦較去年同期衰退14.5%。唯東盟成員國市場受惠於地利之優勢與深耕的基礎，本期業績較上期大幅成長51.2%。

以產品種類而論，受到景氣影響，消費意願趨於保守，集團主要用於末端消費者的產品如味精、澱粉產品等銷售均受到影響，分別僅成長0.4%及下降4.3%。但特化產品（鹽酸與蘇打）肥飼料因仍有持續與穩定的需求，故業績在今年上半年仍維持成長，分別較去年同期成長12.2%及17.6%。

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As sluggish growth in the macro-economy affected our performance in the first half of the year, the Group has reviewed our operations and procedures and enhanced the speed of response and effectiveness of our procedures to potential changes in the business or operating environmental. In our operations during the second half of the year, the key area of focus for the Group is to promptly adjust to the trends of raw materials prices, so as to stabilise our production costs. To accomplish this, the Group has set up a procurement team to expand and diversify sources aimed at minimising related costs.

Taking into account the demand and supply situation, the Group is studying the feasibility of diversifying into the starch processing business. It has devised several preliminary alternative plans and believes that investment in this business would yield a return in the near future. As the price of natural gas in Vietnam is increasing continuously and poses serious threats to our production cost, the Group is evaluating alternatives with the aim to retain our competitive edge in production. In addition, the profit from the PRC market was unsatisfactory, which spurred the Group into continuing to rationalise its operations last year, including the disposal of land and certain factories of Shanghai Vedan. It also integrated efforts related to market coverage and channels, and consolidated resources so as to realise greater efficiencies and reduce costs.

At this critical juncture, apart from rationalising production costs, the Group is continuing to bolster its presence in major markets and maintain product prices in order to preserve its profit margins. With regard to its operations in Vietnam and the PRC, the Group intends to aggressively strengthen its marketing strategies, as well as further expand distribution and sales channels in order to realise the full potential of the Group's sales network. At the same time, to further raise brand awareness, the Group is planning to launch new products related to current product lines, as well as enhance its sales presence. On the other hand, the Group is identifying potential collaborative projects to bolster its geographical coverage, enhance its international exposure, and ultimately improve efficiency while both broadening its revenue streams and raising its profits.

Under the prevailing unfavourable economic and operational environment, the Group faces many challenges. As a first step to tackle the challenges, the Group is currently conducting in-depth analysis before proceeding to planning, and setting strategic directions. Though it is not easy to control or predict macroeconomic trends, the Group has confidence in the fundamentals of its business, as well as its production technology and strength of its marketing network. We believe that our prudent approach to both operations and business development fully leverages our edge in production and sales. We believe by implementing the strategies for market expansion and branding, we can mitigate the impact from an adverse turn in the macro-economy. The management and staff at all level recognise the urgency of these testing times, but our prudent approach, innovative vision and pragmatic style will help us to overcome the existing challenges and bring our business to the next level.

By Order of the Board
Yang, Tou-Hsiung
Chairman

Hong Kong, 21 August 2012

由於上半年的整體經濟狀況造成業績下滑，對此，集團也檢討加強對環境變化的應變速度與機制。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。

有鑒於需求與產銷情勢，集團目前正積極投入澱粉深加工產品的評估，目前已有幾項較成熟之方案，相信不需多久的時間，應可帶來可觀的成果。另外，越南的天然氣價格不斷調漲，已對公司之生產成本造成嚴重的威脅，故集團目前針對能源項目，也正審慎研擬應對方案或替代措施以維持生產之競爭力。同時，因中國區獲利狀況不甚理想，集團自去年至今持續進行營運的整合，包括於去年出售上海味丹若干土地與廠房，並進行區域整合與通路精耕，使集團得以集中更多資源，發揮更大的經營效果，並節省開支。

集團在此嚴苛的時間，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能力。在越南與中國區的業務，將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。

以目前全球的經濟情勢與經營環境，集團的營運存在諸多挑戰。對於此等變數，集團有深入的檢討與規劃，並擬訂相關的策略以因應迎面而來的挑戰。雖然整個大環境的變化不容易控制或預測，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，使大環境的因素對集團的衝擊可以降至最低。管理層與各級同仁均體認到目前艱困的環境，我們將以謹慎的態度、開創的眼光與務實的做法，共同努力來克服眼前之困難，為集團開拓更寬廣的事業及領域。

承董事會命
主席
楊頭雄

香港，二零一二年八月二十一日