

Management Discussion and Analysis

管理層討論及分析

1. BUSINESS OVERVIEW

Reviewing the global economic trends in the first half of the year, the worsening European debt crisis has had a serious impact on economies and financial markets around the world. As the crisis became intensified, the economic performance of the developed countries was weak in the first half of the year and the economic growth in the emerging countries also started to slowdown leading to continuous weak global demand. A potential global recession, a drop in purchasing power and a decline in trading activities seemed inevitable. Thanks to the restrictive monetary policy implemented by the Vietnamese government, inflation was under control, interest rates dropped to a stable level and trade balance was achieved. Economy recovery can be expected over the long term. However, as domestic demand is expected to remain weak and foreign trade will drop due to the decreasing demand in Europe, the US and Japan, notable economic growth is unlikely to happen in the short term. The year-on-year GDP growth was recorded at only 4.38% in Vietnam. Excluding the factor of cutting supply of GA, which delivered low gross profits, the Group was able to record revenue growth despite the unfavourable market condition in Vietnam. Revenue from the PRC dropped because of the temporary suspension of production at Shandong Vedan Snowflake Enterprise Co., Ltd. Although sales in Japan declined due to the drop in demand, sales in the ASEAN member countries market saw substantial growth in the first half of 2012 as a result of the Group's efforts to expand the business in this market during recent years.

According to product types, sales from GA dropped notably by 78.0% or US\$10,531,000 due to reduction in production, and sales of starch products decreased by US\$1,005,000 or 4.3%. Other products recorded sales growth. Particularly noteworthy, sales of fertilisers and feed and specialty chemicals (hydrochloric acid and soda) grew by 17.6% and 12.2% respectively.

The Group's overall revenue this year reached US\$179,966,000, a decline of US\$6,732,000 year-on-year. This was mainly attributed to the sales drop in the PRC and Japan, of US\$6,339,000 and US\$6,412,000 respectively. Although the total revenue dropped by 3.6%, gross profit and net profit recorded satisfactory growth, rose by 15.9% and 160.7% to US\$30,230,000 and US\$3,228,000 respectively during the period. The increase in profit was mainly due to good control of the use of raw materials. Gross profit margin increased from 14.0% to 16.8% while net profit margin rose from 0.7% to 1.8%.

一、業務總覽

回顧上半年全球經濟金融走勢，歐債危機的惡化對世界經濟、金融市場帶來重大影響。隨著歐債危機愈演愈烈，已發展國家的經濟在上半年表現疲弱，新興市場國家經濟增長也開始放緩，總需求持續疲弱。因此，全球經濟貿易走低難以避免，購買力下跌，企業普遍銷售不佳。越南因政府採取緊縮貨幣政策，通膨已獲控制，利率大幅下跌至穩定，外貿收支平衡。長期而言，經濟復甦可待。不過短期內越南需求不振，外銷則因歐、美、日等市場需求減少，經濟難以大幅成長，GDP較去年僅增長4.38%。排除減少供應低毛利的谷氨酸因素，集團在越南市場大環境不佳條件下，營收依然錄得成長。至於中國區營收則因山東味丹雪花聯營廠於回顧期內暫時停產導致衰退，而日本地區雖然因需求減緩而銷售下滑，但集團近年來深入拓展東盟成員國市場業務，東盟成員國市場營業額於二零一二上半年錄得顯著成長。

依產品類別而言，除了谷氨酸受減產影響銷售大幅衰退78.0%或10,531,000美元及澱粉產品銷售減少1,005,000美元或4.3%外，其餘產品均錄得增長，特別是肥飼料及特化產品（鹽酸、蘇打）銷售分別增長17.6%及12.2%。

集團期內總營收179,966,000美元，比去年同期減少6,732,000美元，主要由於中國及日本銷售衰退，分別減少6,339,000美元及6,412,000美元。雖然營收減少3.6%，但毛利及淨利於期內有不錯的成長，分別增長15.9%及160.7%至30,230,000美元和3,228,000美元。利潤提升的主要是因原材料掌控得宜，毛利率由14.0%增加至16.8%，淨利率則由0.7%提升至1.8%。

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2. BUSINESS ANALYSIS

二、營業分析

(1) Sales Analysis by Market

(一) 市場銷售分析

Unit: US\$'000

單位：千美元

Area	地區	For the Six Months Ended 30 June				Difference	
		二零一二上半年 2012		二零一一上半年 2011		差額	
		Amount 金額	%	Amount 金額	%	Amount 金額	%
Vietnam	越南	83,778	46.6%	84,754	45.4%	(976)	(1.2%)
The PRC	中國	17,287	9.6%	23,626	12.6%	(6,339)	(26.8%)
Japan	日本	37,764	21.0%	44,176	23.7%	(6,412)	(14.5%)
ASEAN member countries	東盟成員國	24,560	13.6%	16,245	8.7%	8,315	51.2%
Other regions	其他地區	16,577	9.2%	17,897	9.6%	(1,320)	(7.4%)
Total	總共	179,966	100.0%	186,698	100.0%	(6,732)	(3.6%)

1. Vietnam

(一) 越南市場

The Group's revenue from Vietnam was approximately US\$83,778,000 in the first half of 2012, a year-on-year decline of 1.2% or US\$976,000. The decline was mainly attributed to the decrease in supplying GA, which reported low profit margin. During the period under review, sales of GA dropped by US\$3,985,000. If GA was excluded, revenue in Vietnam would have grown by US\$3,009,000 with a growth rate of 3.9%, mainly driven by sales increase from soda, fertilisers and feed.

越南市場於二零一二年上半年營收約83,778,000美元，同比減少1.2%或976,000美元，營收減少主要是減少供應利潤低的谷氨酸所致。谷氨酸的銷售於回顧期內減少約3,985,000美元。若排除此項目，越南區其餘產品的總營收增長3,009,000美元，按年增長率為3.9%，主要銷售增長由蘇打、肥飼料等帶動。

2. Japan

(二) 日本市場

Affected by the weaker economy and gloomy market sentiment, the weakened demand led to decline in sales of MSG and modified starch, with Japan as their main export market, during the period. As a result, revenue in Japan dropped from US\$44,176,000 to US\$37,764,000, representing a decrease of 14.5% or US\$6,412,000. Revenue from the Japanese market accounted for 21.0% of the Group's total revenue, down from 23.7% last corresponding period.

日本因經濟受創，景氣低迷，期內主要外銷日本市場的味精和變性澱粉均受需求減少影響。因此，日本市場的營收金額由44,176,000美元減少至37,764,000美元，跌幅14.5%或6,412,000美元，佔集團總營收比由23.7%下降至21.0%。

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3. *The PRC*

As the Shandong plant strategically suspended the production of GA, revenue of the PRC market slid US\$6,339,000 or 26.8%. Revenue for the period was US\$17,287,000, accounting for 9.6% of the Group's total revenue, a drop from 12.6% last year. The main products were MSG, modified starch, fertilisers and feed.

4. *ASEAN member countries*

The Group has been actively expanding and developing the sale channels in the ASEAN member countries in recent years. In fact, this market has delivered the fastest revenue growth in the recent years. Revenue in the first half of 2012 was US\$24,560,000, a year-on-year growth of 51.2% from US\$16,245,000 over the same period last year, accounting for 13.6% of the Group's total revenue, up from 8.7% last year. The ASEAN member countries market has surpassed the PRC to become the Group's third largest market. Except for modified starch which recorded negative growth, all other products saw substantial growth in revenue.

5. *Other regions*

Apart from the abovementioned major markets, revenue from other regions declined by US\$1,320,000 or 7.4% to approximately US\$16,577,000 from US\$17,897,000 last year, mainly attributed to dropping sales of MSG in EU countries.

(三) 中國市場

主要由於山東廠因策略性考慮暫時停止谷氨酸生產，中國市場營收大幅減少6,339,000美元或26.8%。期內營收為17,287,000美元，佔集團營收比重由去年12.6%降至9.6%，主要銷售品項為味精、變性澱粉及肥飼料。

(四) 東盟成員國市場

近年來，集團積極開拓及發展東盟銷售通路，東盟成員國是集團這幾年營收成長最快速之地區。二零一二上半年集團東盟成員國市場營收額24,560,000美元，比去年同期16,245,000美元比較增幅達51.2%，營收額佔集團營收比重由去年8.7%增加至13.6%，取代中國市場成為集團第三大市場。此地區除了變性澱粉銷售錄得負成長，其他產品之營收均大幅度增加。

(五) 其他市場

除了上述主力市場，其他市場期內營收約為16,577,000美元，比去年營收17,897,000美元減少7.4%或1,320,000美元，主要是因歐盟市場味精銷售減少。

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(2) Sales Analysis by Product

Unit: US\$'000

(二) 產品銷售分析

單位：千美元

Product	產品名稱	For the Six Months Ended 30 June				Difference	
		二零一二上半年		二零一一上半年		差異	
		2012		2011		Amount	%
		Amount	%	Amount	%	Amount	%
		金額	%	金額	%	金額	%
MSG	味精	128,241	71.3%	127,698	68.4%	543	0.4%
GA	谷氨酸	2,970	1.7%	13,501	7.2%	(10,531)	(78.0%)
Modified starch/ Native starch	變性澱粉/ 天然澱粉	22,539	12.5%	23,544	12.6%	(1,005)	(4.3%)
Specialty chemicals	特化產品	10,320	5.7%	9,198	4.9%	1,122	12.2%
Fertilisers and feed	肥飼料	12,464	6.9%	10,596	5.7%	1,868	17.6%
Others	其他	3,432	1.9%	2,161	1.2%	1,271	58.8%
Total	總共	179,966	100.0%	186,698	100.0%	(6,732)	(3.6%)

1. MSG and GA

Revenue from MSG amounted to US\$128,241,000, a slight increase of 0.4% or US\$543,000 when compared with last year. Revenue from MSG accounted for 71.3% of total revenue, up from 68.4% in the same period last year due to the increase in revenue of 122.8% from the ASEAN member countries market. Revenue of GA dropped by US\$10,531,000 or 78.0% to US\$2,970,000 as the Shandong plant suspended production and the production in Vietnam decreased. Revenue from GA accounted for 1.7% of the Group's total revenue, down from 7.2% last year. MSG and GA together accounted for 73.0% of total revenue, a reduction from 75.6% last year.

2. Modified starch/Native starch

Starch products was the second largest revenue contributor after MSG. Revenue during the period dropped by 4.3% or US\$1,005,000 year-on-year to US\$22,539,000. Revenue from native starch increased by 12.5% while that of modified starch decreased by 6.6%. Starch products accounted for 12.5% of the Group's total revenue, slightly down from 12.6% last year.

3. Specialty chemicals/Fertilisers and feed

Revenue from specialty chemicals totaled US\$10,320,000 during the period under review, up by approximately 12.2%, or US\$1,122,000 when compared with US\$9,198,000 in the same period last year. Revenue from fertilisers and feed surged by 17.6%, or US\$10,596,000, to US\$12,464,000, due to the remarkable increase in selling prices. Share of specialty chemicals, fertilisers and feed in total revenue increased from 5.7% to 6.9%.

(一) 味精和谷氨酸

期內味精營收約128,241,000美元，比去年稍微增加0.4%或543,000美元。營收佔集團總營收比重由去年同期68.4%提升至71.3%，營收增加主要由於東盟成員國市場營收增加122.8%。另外，谷氨酸營收為2,970,000美元，主要因山東廠停產及越南廠減產，營收減少10,531,000美元或約78.0%，佔集團營收比重由7.2%下降至1.7%。味精及谷氨酸兩項產品佔總營收比重由去年75.6%降至73.0%。

(二) 變性澱粉／天然澱粉

澱粉相關產品是繼味精後集團第二大產品，期內營收額為22,539,000美元比去年減少4.3%或1,005,000美元。其中天然澱粉營收增加12.5%，變性澱粉減少6.6%。澱粉產品佔總營收比重由12.6%稍微降至12.5%。

(三) 特化產品／肥飼料

期內特化產品營收額約10,320,000美元，比去年同期9,198,000美元增加1,122,000美元或12.2%。肥飼料本期售價大幅增加，故營收比去年同期增長17.6%或10,596,000美元至12,464,000美元，佔總營收比重由5.7%增加至6.9%。

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3. MAJOR RAW MATERIALS/ENERGY OVERVIEW

(1) Cassava/Cassava starch

While the price of cassava surged last year, the global increase in plantation area of cassava led to an abundant harvest and hence a price decline in the first half of 2012. However, corn price has been rising recently which will in turn affect cassava price. The Group will pay attention to its impact on the next production season.

(2) Molasses/Saccharified liquid

The increase in the plantation area of sugar cane in the production season in 2011/12 has led to a surge in the production volume of cane sugar, which in turn drove up the supply of molasses to reach its highest since 1990. In addition, the demand for molasses dropped in Vietnam, thus the Group purchased more molasses in Vietnam for production.

(3) Energy

Energy cost contributed to high proportion of the production cost at Vietnam plant. The Vietnam plant was mainly powered by natural gas but the price of natural gas has risen to a different extent in recent years. In the first half of this year, price of natural gas had a sharp rise and price of electricity also increased by another 5%, impacting severely on the production cost.

4. FINANCIAL REVIEW

(1) Liquidity and Financial Resources

During the period under review, cash and bank deposits of the Group amounted to US\$ 34,833,000, which was 23.5% or US\$10,685,000 less than that in the end of 2011. This was mainly due to the repayment of certain bank borrowings and accounts payables and the increase in accounts receivables. Short-term bank borrowings were US\$29,795,000, an increase of US\$1,668,000, while middle-to-long-term bank borrowings totaled US\$7,289,000, a decrease of US\$2,657,000. 97.7% and 2.3% of total bank borrowings were in US dollars and in New Taiwan dollar respectively. The proportion of short-term and middle-to-long-term bank borrowings were 80.3% and 19.7%. Total borrowings dropped by US\$989,000 or 2.6%.

Accounts receivable increased by US\$4,452,000, or around 13.6%, to US\$37,166,000 as compared with that at the end of 2011, and they were mostly within 30 days. Inventories, totaling US\$97,043,000, increased by US\$1,705,000 (around 1.8%). It is mainly caused by the increase in raw materials inventories and decrease in finished goods inventories.

三、主要原料／能源概況

(一) 木薯／木薯澱粉

由於去年木薯大幅漲價，各國木薯種植面積增加，木薯豐收，因此今年上半年的價格下滑。但最近全球玉米價格上揚，由於木薯價格易受玉米影響，將注意對下個產季的影響。

(二) 糖蜜／糖化液

二零一一年產季因甘蔗種植面積增加，蔗糖大幅增產帶動糖蜜產量上升，使二零一一年全球糖蜜產量達到一九九零年來最高峰。同時，由於越南市場需求下降，集團本期中採購較多越南糖蜜供應生產使用。

(三) 能源

能源成本佔越南廠生產成本比重仍高，越南廠主要以天然氣發電，近年來天然氣均有不同幅度的上漲。今年上半年更大幅度上調，同時越南電價也再提高5%，對於生產成本造成巨大負擔與影響。

四、財務回顧

(一) 流動資金和財政資源

期內集團現金和銀行存款為34,833,000美元比二零一一年底減少23.5%或10,685,000美元，主要是償還部分銀行借款、應付帳款及支應應收帳款增加。短期借款為29,795,000美元，增加1,668,000美元；中長期借款為7,289,000美元，減少2,657,000美元。集團銀行借款97.7%以美元借款，2.3%以新臺幣借款；短期和中長期借款比率為80.3%比19.7%。總借款比二零一一年底減少989,000美元或減少2.6%。

應收帳款為37,166,000美元，較二零一一年底增加4,452,000美元，約13.6%，主要是在30天期內應收帳款；存貨為97,043,000美元，增加1,705,000美元（約1.8%），主要為原料存貨增加，但成品存貨則下降。

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Gearing ratio (total bank borrowings over total capital) was 12.1%, which was lower than 12.3% at the end of 2011. Net gearing ratio (total borrowings after deducting cash and deposits over total capital) was 0.7%. Current ratio increased from 2.6 at the end of last year to 2.8 because of the decrease in current assets and current liabilities, with the greater reduction in current liabilities.

(2) Capital Expenditure

During the period under review, capital expenditure was lower, amounting to approximately US\$3,313,000, US\$4,257,000 less than the US\$7,570,000 in the first half of 2011.

5. EXCHANGE RATE

The Vietnamese Government announced a number of new monetary control and foreign exchange policies in 2011. Exports for the period grew by 22.7%, far exceeding the 6.3% growth in imports during the review period. The breakeven in foreign exchange and the increase in foreign exchange reserves have helped stabilise the exchange rate of the Vietnam Dong to the US Dollar. The exchange rate in late June in 2012 remained the same as the official exchange rate of US\$1 to 20,828 Vietnam Dong in late 2011. The exchange rate of RMB to US dollar maintained at around US\$1 to RMB6.3, without significant fluctuation.

6. DIVIDEND

Basic earnings per share for the period were 0.24 US cents. The Board decided to distribute a dividend of 0.144 US cents per share, representing a dividend payout ratio of 60%.

7. PROSPECTS

The Vietnamese Government has continued its policies to fend off inflation and tighten money supply since 2011. Its efforts started to bear fruit this year. However, lending to enterprises will be difficult due to the conservative credit policy of banks and the prolonged relatively high interest rates. With the unfavourable market environment characterised by low demand caused by the weak consumption sentiment, and the increase in inventory and reduction in production of the industry players, the Vietnam plant is set to face a new series of challenges.

The second half of the year is traditionally the peak season for the market. Revenue of the Group is expected to improve on the strength of its continuous efforts despite the weak economy. Securing stable supplies of raw materials will be the key of success. In the production season in 2011/2012, the Group was able to offset some of the increase in price of natural gas by securing a stable supply of cassava and molasses. The Group has started to plan for the production season in 2012/2013. It will focus on implementing a strict procurement plan to secure raw materials at the most competitive prices to obtain profit. As for its operations in the PRC, the demand for MSG and modified starch is expected to increase due to seasonal factors in the second half. Revenue and profits are also expected to rise.

資本負債比（總借款比總資本）為12.1%，低於二零一一年底的12.3%，淨資本負債比（總借款扣除現金和存款比總資本）則為0.7%。另外，流動資產及流動負債均減少，但流動負債減少幅度較大，流動比率由去年底2.6增加至2.8。

(二) 資本支出

期內資本支出較少，共約3,313,000美元，比二零一一年上半年資本支出的7,570,000美元減少4,257,000美元。

五、匯率

越南政府自從二零一一年採取一系列措施以管制貨幣及外匯，同時期內出口增長22.7%遠大於進口6.3%增長，外匯收支趨於平衡，外匯存款增加，均有利於越盾對美元匯率的穩定，較二零一一年底官價匯率1美元兌20,828越幣，二零一二年六月底匯率維持同樣水平。人民幣兌美元匯率期內大約維持在6.3人民幣兌1美元上下，並無大幅的波動。

六、股息

本期每股基本盈利為0.24美仙，董事會決定派發股息每股0.144美仙，派息率為60%。

七、展望

自二零一一年來，越南政府積極採用緊縮貨幣政策以打擊高通漲，在今年已有顯著效果。但同時銀行授信保守，預計下半年企業借款不易，利率依然偏高。由於市場消費意欲低，需求下降，產業界則存貨增加、生產減少，在不利的大環境下，越南廠將勢必面臨挑戰。

下半年將進入市場需求旺季，雖景氣不振，但在公司努力下營收應可得到改善。原材料的掌握是獲利的關鍵，二零一一／二零一二年產季因木薯與糖蜜等原料掌握得宜，成功抵銷部份天然氣大幅的上漲。於二零一二／二零一三年產季，公司已開始規劃，進行嚴密採購計劃以取得最具競爭力原料確保利潤來源。中國區營運下半年因市場季節性因素預估味精、變性澱粉需求增加，對營收、獲利將有所助益。

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The strategic operation directions in the second half of the year are outlined below:

- Strengthen and diversify the cooperation with local sugar companies and wet-starch factories so as to build a more stable supply chain
- Improve the price negotiation capability of raw materials and stabilise their supply
- Achieve flexible production according to market demand
- The construction of maltose plant has begun. The Group will further analyse the production of starch related products
- Strengthen organisational capability to address challenges and changes
- Evaluate the alternative energy solutions
- Proactively strengthen branding and expand the market reach
- Proactively evaluate business performance in the emerging countries
- Enhance development of beverage business in Vietnam market

下半年經營將大致朝下列方向進行:

- 加強與當地糖廠、濕粉廠多元化合作，建立更穩定的供應鏈。
- 提高原料議價能力及穩定供應。
- 依市場需求，靈活彈性調節生產。
- 麥芽糖建廠已開始進行，再積極評估澱粉相關產品生產投入。
- 展開強化組織能力，以因應挑戰及變革。
- 積極評估不同能源代替方案。
- 再積極強化品牌與深耕市場。
- 積極再評估投入新興國家市場的業務。
- 強力發展在越南市場的飲料事業。