

Chairman's Statement

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The recovery of the global economy has proceeded at a slow pace during the first half of 2013 as uncertainties remain about the strength of the rebound in many regions, particularly but not confined to, countries in the European Union. The economies and the corresponding market sentiment in emerging markets, in particular Vietnam, were still stagnant which in turn eroded consumer confidence. The consequent conservative consumption pattern has inevitably adversely affected the Group's results during the reporting period. Although there were no notable fluctuations in the supply of raw materials during the first half of the year, the price of natural gas and energy continued to rise in Vietnam, substantially pushing up production costs. Meanwhile, the intense price competition among MSG industry players has also squeezed the Group's overall profitability. Facing such serious challenges in both sales and production, the Group's focus of operations for the rest of this year is on securing low cost raw materials, flexibly adjusting production operations to enhance cost efficiencies, implementing energy saving measures and stepping up sales and marketing efforts while developing new products. These measures can help alleviate the impact of those unfavourable conditions on sales and the effect of increasing energy prices on costs, by reducing expenses and broadening the Group's sources of income, thus enabling it to maintain profitability.

Looking at the Group's operation and profit in the first half of this year, the turnover was US\$166,956,000, a decrease of around 7.2% when compared with the corresponding period last year. The decline was mainly attributable to market competition which caused the turnover in the Group's major markets in Vietnam, ASEAN and Europe to drop by varying degrees. At the same time, the rising prices of natural gas and energy in Vietnam, the Group's major production base, have substantially increased the Group's production costs. Thus, the gross profit of the Group dropped by 17.6% year-on-year. Net profit was also lowered by about 52.9% to US\$1,521,000.

In terms of geographical markets and segmental performance, the critical factor is that the serious inflation and trade imbalance which emerged in Vietnam, the Group's major market, appears to be better managed while the country's exchange rate has stabilised, thanks to the fiscal policy of the Vietnamese Government. However, the subsequent slowdown in economic growth in the country and international economic headwinds have further affected both its exports and domestic consumption. The resulting unfavourable operating environment has presented strident challenges for the Group's operations, most notably the production in the country. Although the Group has been focusing on strengthening its distribution channels and enhancing branding, the competition centred on low prices among MSG peers has still affected the overall sales and resulted in a year-on-year drop of 4.9% in the revenues in the Vietnam market. In our PRC operation, after a period of production and sales integration, the cost of sales of MSG dropped slightly in the first half of the year leading to a slight rise in gross profit. The modified starch business also recorded a stable growth of 4.6%. With the launch of some stimulus measures, the economy in Japan showed signs of a rebound and consumption demand improved slightly, thus this market recorded encouraging growth of 7.1% year-on-year. However, the prices of products in the ASEAN and European markets remained very low due to the fierce price competition. As such, these regions were seriously affected and revenues in ASEAN region contracted substantially by 32.2% when compared with the same period last year.

全球經濟在二零一三年上半年復甦緩慢，對很多地區如歐洲等國家景氣之回升仍存在變數，而新興國家，尤其是越南，經濟與市場景氣仍低迷，影響消費者信心，此保守的消費氛圍也影響到期內集團的業務成績。另一方面，今年上半年的原料價格雖無明顯波動，但越南的天然氣及能源價格卻仍持續的調漲，使生產成本大幅提高。與此同時，味精同業於市場上的低價競爭亦侵蝕集團的整體獲利。故面對此等銷售與生產的挑戰，集團今年的主要營運重點在於致力掌握低價原料、彈性調節生產以提升成本效益、著手能源因應對策、加強銷售力度與開發新產品項目等，以減緩因經濟環境對銷售所帶來的衝擊與能源調漲之不利影響，以期開源節流，努力維持獲利的空間。

綜觀集團於今年上半年之營運與獲利，期內營業額達166,956,000美元，相較去年同期下滑約7.2%。營收不如預期，其中主要受到市場競爭的影響，致使集團的主要市場，包括越南、東盟與歐洲地區之營業額均有不同程度的下滑。同時，集團主要的生產基地，越南的天然氣及能源價格持續飆漲，生產成本大幅提高，使毛利較去年同期明顯下降17.6%，而淨利僅餘約1,521,000美元，較去年同期下降約52.9%。

以各地區市場與業務經營分析，集團在各主要市場，尤其是越南地區，雖然政府的金融政策已穩定控制嚴重的通貨膨脹與貿易失衡，並穩定匯率，但隨之而來的卻是經濟成長的下滑，同時又受到國際景氣不穩定的波及，對越南的生產出口與國內消費市場也造成影響，這些嚴峻的經營環境對集團在越南的營運產生相當程度的挑戰。同時，在味精同業在市場的低價競爭之下，雖然集團不斷努力於通路與品牌的經營，但仍影響整體銷售，使越南市場之業績較去年同期下滑4.9%。而集團在中國區的營運，經過一段時間的產銷整合，於上半年的味精銷售成本稍降，致使毛利微增，而變性澱粉之業務推展，也有穩定的4.6%成長。另外，日本國內的經濟景氣似有回溫，消費需求稍有提升，使集團銷售於日本市場的業績亦較去年同期提升7.1%。但東盟與歐洲市場於上半年因市場上同業低價的競爭，產品於市場上的售價甚低，但集團仍以利潤為主要考量，不參與低價之競爭，造成此兩個區域的業務受到嚴重影響，致使本期東盟地區的業績較上年同期大幅減少32.2%。

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As for products, adversely affected by the poor sentiment and product price competition, the revenue of MSG, the Group's principal product, recorded a year-on-year drop of 9.1%. Although the prices of cassava and energy surged during the period, the revenue of modified starch, another key product of our Group, remained at a similar level as the corresponding period last year, as the Group diligently strived to bolster its sales network. Supported by the consistently stable demand in the face of the generally unfavourable environment, specialty chemicals such as soda and hydrochloric acid, the essential raw materials of the industry, managed to grow by 2.7% over the same period last year. Benefitting from the greater market demand, the performance of its fertiliser and feed products achieved a year-on-year growth of 21.9%, thanks to our more aggressive marketing activities in recent years. In another positive development, to tap the growing demand and sales of amylase in Vietnam, the Group built a new maltose plant in 2012 and started a trial run in the first half of this year. The new plant will not only enhance the production efficiency of maltose production, but also diversify the Group's starch business and ultimately create a new revenue growth driver.

In order to address the current unstable market and intense competition, the Group has reviewed and enhanced the speed and effectiveness of its procedures in coping with potential changes in the operating environment. In 2013, the key area of focus in its operations is to promptly adjust to fluctuations of raw materials prices so as to stabilise its production costs, as well as diversify and expand raw material procurement strategy aimed at minimising cost fluctuations and risks. As for the surging energy costs, on top of implementing energy-saving initiatives, the Group is also focusing on alternative energy solutions and has come up with counter measures to maintain its competitiveness in production operations. It has also continued to enhance research and development (R&D) capabilities to develop innovative products and improve production efficiencies to complement the above-mentioned cost control measures.

As for the Group's business strategies, apart from bolstering its presence in major markets and maintaining profit margins, the Group has also planned to explore new markets while at the same time expanding its sales network. To further develop its sales and operations in Vietnam and the PRC, the Group intends to aggressively strengthen its marketing strategies, as well as further extend distribution and sales channels in order to realise the full potential of the Group's sales network. At the same time, the Group is planning to launch new products related to current product lines, as well as enhance its sales presence to boost its brand awareness. In addition to actively expanding the starch business in the PRC, the Group is also consolidating its businesses in Shanghai and Xiamen plants, enhancing its branding efforts and its distribution network as well as allocating more resources to maximise its operational efficiency while minimising unnecessary costs. On the other hand, the Group is identifying potential collaborative projects that can extend its geographical coverage, bolster its international exposure, and ultimately improve efficiency while both broadening its revenue streams and boosting its profits.

以產品類別分析，受到景氣低迷與產品低價競爭的影響，集團主要的味精產品營收較去年同期下降9.1%。集團另一項重要的變性澱粉產品在期內雖然面對木薯原料及能源價格上漲，但因集團仍努力銷售網絡之鞏固，致使營收仍與去年同期持平。特用代學品包括蘇打與鹽酸為基礎工業之必須原料，故雖處於不利的景氣環境，但仍有持續與穩定的需求，業績尚能較去年同期成長2.7%。而集團的肥飼料產品，因市場需求持續增加，在幾年來努力的推廣下，業績亦較去年同期成長21.9%。更進一步，集團有鑒於越南市場對澱粉糖的需求與產銷造好，於去年籌設麥芽糖廠，於今年上半年已開始試產，未來不僅可更充分發揮現有糖漿廠之生產效率，使集團之澱粉事業更多元化，並增加集團整體營收貢獻。

面對現階段不穩定的景氣與激烈競爭的挑戰，集團已檢討加強對環境變化的應變速度與機制。故在今年的經營上，集團首先仍是要掌握生產原料價格波動的趨勢，冀使集團的生產成本先得以穩定，靈活並積極採取更多元化及廣泛的原料收購策略，以期將成本波動與風險降至最低。另外，集團為因應能源成本持續的上漲，除積極再加強節能省電專案外，目前針對替代能源的項目，已採取應對方案以維持生產之競爭力。而除上述的成本控制策略外，亦將持續強化研發產品項目以增進生產效能與開發新產品。

而在業務策略的執行上，除鞏固主要銷售市場並努力維持獲利水準外，同時亦計劃開拓新市場，擴大銷售版圖。於越南與中國區的銷售經營，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，計劃導入相關新的產品與銷售之運作，延伸品牌的加乘效果。目前中國區除大力投入澱粉事業的拓展外，上海廠與廈門廠正進行營運的整合與業務區域之合併，並強化品牌與通路精耕，使集團得以集中更多資源，發揮更大的經營效果，並節省不必要之開支，以降低費用成本。另一方面，集團也將掌握機會，積極檢討尋找各項策略聯盟合作的項目，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。

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Under the prevailing unfavourable economic and operating environment, the Group faces many challenges and difficulties. To tackle the challenges and uncertainties, the Group has been conducting an in-depth analysis of its current situation as a prelude to planning and setting strategic directions. Though it is impossible to control and not easy to predict macroeconomic trends, we believe that our prudent operational approach and strategies for market expansion and branding can mitigate the impact from an adverse macroeconomic turn. The management and staff at all levels well appreciate the urgency required during these changing times. We believe that our prudent approach guided by our innovative vision should help us create effective operational and business development strategies and successfully execute the necessary measures over the medium and long term to overcome the existing challenges and explore new opportunities, and bring our business to the next level.

By Order of the Board
Yang, Tou-Hsiung
Chairman

Hong Kong, 20 August 2013

以目前全球的經濟形勢與經營環境而言，集團的營運的確仍存在諸多嚴峻的挑戰。對於此等變數，集團已有深入的檢討與規劃，並擬訂相關的策略以應對迎面而來的挑戰。雖然整個大環境的變化不容易控制或預測，但管理層仍將以穩健的經營方針，深化市場的經營與延伸品牌的價值等策略，以期將大環境的因素對集團的衝擊降至最低。同時，管理層與各級同仁均已體認到目前多變的環境，我們將以謹慎的態度、開創的眼光來檢討未來中長期的經營策略，尋求更多的商機，共同努力來克服眼前的困難，並為集團的未來開拓更具發展的事業及領域。

承董事會命
主席
楊頭雄

香港二零一三年八月二十日