

Chairman's Statement

主席報告書

Recovery of the global economy has proceeded at a slow pace in the first half of 2014. However, the unstable economic environment and volatile markets have still loomed large in emerging economies, particularly in Vietnam, which has also demonstrated a weak consumption sentiment. Against this backdrop, the Group's business performance has been adversely affected. Although there were no notable fluctuations in the price of raw materials during the first half of this year, the price of natural gas and energy continued to rise in Vietnam, thus exacerbating already high production costs. Meanwhile, the intense price competition among MSG industry players has also presented challenges to the Group's major markets and further squeezed its overall profitability. Confronted with such serious issues in both sales and production, the Group's focus of operations for this year is on securing low cost raw materials, flexibly adjusting production operations to enhance cost efficiency, and accelerating implementation of energy-saving initiatives while increasing the marketing efforts and developing new products. These strategic directions can help alleviate the impact of increasing energy prices on costs and the unfavourable conditions for sales by reducing expenses and broadening the Group's income streams, thus enabling it to maintain profitability.

Looking at the Group's operations and profit in the first half of this year, the turnover was US\$152,705,000, a decrease of around 8.5% when compared with the corresponding period last year. The decline was mainly attributable to fierce price competition among industry players which caused the turnover of the Group's major markets in Vietnam, Japan, 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 increased the Group's production costs. In view of this situation, the Group has strived to improve and adjust its production and followed its strategic directive of "Profit is the top priority". Thus the gross profit of the Group dropped by only 3.8% year-on-year. Net profit was US\$42,000.

In terms of geographical markets and segment performance, in Vietnam, the Group's major market, 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 its production operations within the country. Although the Group has been focusing on strengthening its distribution channels and enhancing its branding efforts, the competition centred on low prices among MSG peers has still affected the sales of unbranded large packaging MSG, resulting in a period-on-period drop of 4.9% in the revenues from the market in Vietnam. Our PRC operation has also been seriously affected by the market competition, which suppressed the selling price while also slowing the sales, resulting in a decrease of approximately 10.1% over the same period last year. Similarly, the sales of the Japan market were also reduced by the price competition, which has also led to a substantial decline in the selling price there as well. Consequently, the sales performance of the Group in the Japan market has decreased by 10.1%. The ASEAN and European markets experienced an even more adverse impact due to the cutthroat price competition in the first half of the year. The prices of products in these two markets have remained very low. The Group has resisted engaging in competition solely based on price because profitability remains its key consideration. As such, sales and revenues of MSG in these regions contracted substantially when compared with the same period last year.

2014年全球經濟景氣雖有緩慢的復甦，但在新興國家，尤其是越南，卻尚籠罩在不穩定的經濟與市場景氣，消費氛圍仍不熱熾，影響到期內集團的業務成績。另一方面，雖然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調漲，使生產成本居高不下。同時，味精同業於市場上的低價競爭，除衝擊集團各主要市場外，也嚴重侵蝕集團的整體獲利。面對此等銷售與生產的挑戰，集團今年的主要營運重點致力於掌握低價原料，彈性調節生產以提升成本效率，加速實現新能源方案，加強銷售力度與開發新產品項目等，以減緩因競爭環境對銷售所帶來的衝擊與能源調漲的不利影響，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152,705,000美元，相較去年同期下降約8.5%。營收不如預期，主要即受到同業壓價的影響，致使集團的主要市場，包括越南、日本、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調漲，生產成本提高。有見及此，集團致力改善調整生產，落實「確保盈利優先」的業務策略，使毛利僅較去年同期下降3.8%，淨利則錄得42,000美元。

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，受到景氣不穩定的波及，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。同時，在味精低價業者進口銷售威脅之下，雖然集團不斷努力於通路與品牌的經營，但仍影響無品牌大包裝味精的銷售，使整體區域內業績較去年同期下滑4.9%。而集團在中國區的營運，同樣嚴重受到市場競爭影響，售價無法提升，銷售亦趨緩，造成約10.1%下滑。另外，日本市場的銷售同樣也受到產品削價的衝擊，售價大幅調降，使集團銷售於日本市場的業績亦較去年同期大幅下降10.1%。而東盟與歐洲市場於上半年受到此衝擊的影響更甚，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，造成此兩個區域的味精銷售受到嚴重影響，致使本期業績較上期大幅減少。

As for product analysis, the Group's major product, MSG, lowered selling prices in various markets due to the price competition among peers. When compared to the corresponding period last year, revenue of MSG dropped by 9.7% as the Group has reduced the sales to food processing users, which generated lower profit, so as to bolster the Group's profitability. Revenue of modified starch, another key product of the Group, rose by 5.3% as the price of raw materials declined slightly. Among the specialty chemicals, soda recorded a drop in revenue due to a very low price of imported products in the Vietnam market and the ongoing unfavourable environment of related application industries. Sales of hydrochloric acid, another product, recorded a period-on-period growth benefitting from the greater demand of the metal processing industry in Vietnam. The price of the fertiliser and feed products of the Group maintained stable growth, thanks to the increasing market demand. However, the sales decreased due to adjustment to the production volume in the first half of this year. Moreover, to tap the growing demand and sales of amylase in Vietnam, the new maltose plant has completed equipment installation. The new plant will not only enhance the production efficiency of its existing syrup plant, but also diversify the Group's starch business and ultimately create a new revenue growth driver.

In the first half of this year, the stagnant economic environment and market competition has caused the Group's overall business performance to drop. The operating environment in the second half of this year is expected to remain difficult as well. As such, the Group has reviewed and enhanced the efficiency and effectiveness of its procedures to better cope with potential changes in the operating environment. The key priority for the Group in its operations is to promptly adjust to fluctuations in raw materials prices, as well as to diversify and expand raw material procurement strategies aimed at minimising cost fluctuations, stabilising production costs and reducing risk. To address the surging energy costs, besides implementing energy-saving initiatives, the Group has also invested in alternative energy solutions to maintain its production competitiveness in the long run. To further develop its operations in Vietnam and the PRC, the Group is aggressively strengthening its marketing strategies, as well as extending distribution and sales channels in order to realise the full potential of the Group's sales network. Meanwhile, the Group is planning to launch new products to complement current product lines, as well as enhance its sales presence to boost its brand awareness. Besides, the Group is identifying potential collaborative projects with partners that can extend its geographical coverage, bolster its international exposure, and ultimately improve efficiency while both broadening its revenue streams and boosting its profits. It is also continuing to advance its research and development (R&D) capabilities to improve production efficiency and develop innovative products in order to best leverage the cost control measures.

以產品個別分析，集團主要的味精產品，由於同業低價競爭的影響，於很多市場均調降售價。但為確保集團的利潤，集團策略性降低利潤較低之食品加工用戶的銷售，致使營收較去年同期下降9.7%。集團另一項重要的變性澱粉產品在期內因原材料價格微幅下跌，銷售成長5.3%。在特化產品中的蘇打，因為在越南市場進口產品價格甚低，以及相關應用產業之景氣仍未恢復，使營收下滑。不過，另一項鹽酸產品，卻受惠於越南金屬加工業的需求增加，銷售較去年同期有所增長。而集團的肥飼料產品，雖市場需求持續增加，售價亦維持穩定上升，但上半年因產量的調節，銷售相對降低。另外，集團有鑒於越南市場對澱粉糖的需求與產銷情勢，增設之麥芽糖廠，目前已完成設置其相關之設備，未來不僅可更充分發揮現有糖漿廠之生產效率，俾使集團之澱粉事業更多元化，並增加營收之增長動力。

由於上半年不振的經濟氛圍與市場競爭影響，造成整體業績下滑，但集團也已預期到下半年經營的環境仍然困難。對此，集團也檢討加強對環境變化的應變速度與機制。集團首先仍是要掌握生產原料價格的趨勢，靈活並積極採取更多元化與廣泛的採購策略，以期將成本波動降至最低，冀使集團的生產成本得以穩定。此外集團為應對越南廠能源成本不斷持續上漲，除積極再加強節能省電專案外，目前正投入新替代能源的項目，以維持長期生產之競爭力。另一方面，在越南與中國區的業務，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，規劃導入相關新產品之銷售，延伸品牌的加乘效果。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；亦持續強化研發項目，以增進生產效能與開發新產品。

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We realise that the prevailing global economic conditions and operating environment still pose tough challenges and difficulties to the Group's business and operations. To tackle the challenges and uncertainties ahead, the Group will conduct an in-depth analysis of its current situation as a prelude to planning and setting future strategic directions. Though it is not easy to control or predict macroeconomic trends, the management believe that our prudent operational approach and strategies for market expansion and branding can mitigate the effects of an adverse macroeconomic situation. The management and all of our staff well appreciate the careful attention to trends required during these changing times. We believe that our prudent approach, guided by our innovative vision, can help us formulate and successfully execute effective operational and business development strategies over the medium and long term to overcome the current challenges and explore new opportunities in order to bring our business to new heights.

By order of the Board
Yang, Tou-Hsiung
Chairman

Hong Kong, 26 August 2014

我們深刻體會到目前全球的經濟情勢與經營環境，對集團的營運的確仍存在諸多嚴峻的挑戰與困難，對於此等變數，集團將深入的檢討與規劃，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並不容易控制或預測，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，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，二零一四年八月二十六日