

Chairman's Statement

主席報告書

In the first half of 2015, the global economy was affected by the uncertainties in Europe and certain emerging markets, so the markets remained volatile, the prevailing atmosphere was fluctuating and consumers became more conservative, which ultimately affected our business growth during the period. However, the new energy supply system at the Vietnam factory was completed at the beginning of this year, while material costs remained quite stable during the period, the production cost gradually stabilised which facilitated higher profitability. Nevertheless, the severe competition in the MSG market has shown no sign of abating, which affected not only our major markets but also the overall profitability of the Group. To cope with this situation, the Group has switched its focus to business expansion, sales efforts and product development with the ultimate aim to boost profit.

Looking at the Group's operations and financial performance for the first half of the year, turnover amounted to about US\$158,150,000 in the period under review, a growth of around 3.6% when compared with the corresponding period last year. The revenue only increased slightly, mainly due to the depreciation of the Japanese yen, which dragged down the sales amount, affecting the business considerably. However, the Group's gross profit grew 7.4% from the corresponding period last year to US\$25,741,000 as the production cost at the Vietnam factory decreased due to more efficient energy utilisation. Net profit of the Group also increased by US\$4,174,000 to US\$4,216,000. Compared with the second half of last year, net profit margin achieved a turnaround and reached 2.7%.

In terms of geographic markets and segmental performance, in Vietnam, the economy was on the track of recovery and the sales of various products of the Group including MSG, hydrochloric acid, soda and maltose recorded an increase due to lower energy cost and enhanced competitiveness. Thus, overall performance of this region grew by 9.5% from the same period last year. Regarding the operation in the PRC, the sales of modified starch was slightly higher than that of the corresponding period. However, sales of MSG and seasoning products were suppressed by fierce market competition. Therefore sales in the PRC only registered a 0.3% growth during the period. Moreover, sales in Japan were affected by the tough price competition among our peers, along with the weak Japanese economy and the significant depreciation of the Japanese yen, the selling price of all products declined. Consequently, the sales performance in Japan decreased by 13.0% from the same period last year. The ASEAN and European markets experienced an even more adverse impact due to the cut-throat price competition among our peers in the first half of the year. Thus, the prices of products in these two markets have remained very low. The Group has resisted engaging in competition based solely on price because profitability remains its key consideration. As such, sales and revenues of MSG in these regions contracted significantly when compared with the same period last year. However, sales of MSG in the US market benefited from the imposition of an anti-dumping tax on products from China. As a result, the revenue of the US market surged notably by several times when compared to the same period last year.

二零一五年上半年全球的經濟環境，受到歐洲與部份新興市場不穩定因素的影響，整體經濟與市場景氣仍不明朗，籠罩在起伏的氛圍中，致使消費心態仍處保守，影響期內集團的業務增長。不過，集團越南廠所新設置之能源供應系統已於今年初如期順利完成，加上期內原料價格尚屬穩定，致使生產成本得以逐漸回穩，獲利提升。雖然如此，味精同業於市場上的低價競爭仍未見緩和，除衝擊集團各主要市場外，也影響集團的獲利水準。有鑑於此，集團今年的主要營運重點在於積極拓展業務、加強銷售力度與開發新產品等，以開創更高的利潤空間。

綜觀集團於今年上半年之營運與獲利，期內營業額約1億5仟8佰1拾5萬美元，相較去年同期增長約3.6%。營收僅微幅上升，主要因為在日本市場受到日圓貶值的影響，銷售額下滑，大幅影響業績。縱然如此，毛利也因越南廠使用能源效率改善，生產成本下降，使毛利達2,574.1萬美元，較去年同期上升7.4%。集團淨利為421.6萬美元，較去年同期增加417.4萬美元。較去年下半年，則是由虧損轉為盈利，淨利率2.7%。

以集團各主要市場與業務經營分析，在越南地區，經濟景氣漸緩復甦，配合越南廠能源成本下降，競爭力提升，使多項產品之銷售，包括味精、鹽酸、蘇打與麥芽糖等產品均有增長，整體區域內業績較去年同期上升9.5%。而集團在中國區的營運，雖然變性澱粉之銷售相較去年有稍明顯的增長，但味精與風味調味料於市場上因受到競爭的影響，銷售成長仍受到抑制，故中國區於期內僅約0.3%持平的增長。另外，日本市場的銷售除受到同業低價的衝擊外，日本經濟的低迷，日圓匯率大幅貶值，各項產品售價隨之調降，造成集團於日本市場的銷售業績亦較去年同期下降13.0%。東盟與歐洲市場於上半年受到同業低價競爭的影響更甚，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顯著影響，致使本期業績較去年明顯下滑。然而，對美國市場的味精銷售卻因美國對中國產品課徵反傾銷稅，使今年上半年該地區業績較去年同期錄得大幅倍數的升幅。

As for an analysis of product performance, its leading product, MSG, has boasted higher competitiveness as the Group has managed to gradually lower its energy costs from the beginning of the year. Consequently, both revenue and profit of this major product have increased when compared to the corresponding period last year. Sales of modified starch, another key product of the Group, decreased by 13.9% as the demand slowed down due to adjustment to inventory by some of the Group's customers and the price competition among its peers in Thailand during the period under review. Among the specialty chemicals, soda, together with hydrochloric acid, recorded a period-to-period growth of 15.1% in revenue which was attributable to greater demand from the infrastructural industry in the Vietnam market. Sales of fertiliser and feed products remained about the same as compared to the same period last year due to lower short-term demand in the market resulting from the good harvest of agricultural products in some regions. Moreover, to tap the growing demand and sales of amylase in Vietnam, a new maltose plant has been constructed and has started operation. Turnover of maltose soared by 81.4% period-to-period in the first half of the year. The new plant has not only served as a new revenue growth driver, but has also enhanced the production efficiency of its existing syrup plant and diversified the Group's starch business.

The Vietnam plant has completed the construction of the new energy supply system in the first half of 2015. As the more efficient system has improved cost structure, the Group has managed to achieve a turnaround and gradually gained growth momentum. However, threats arising from the current intense price competition among its peers have continued to grow while overall economic uncertainties linger in the operating environment. To cope with these challenges, the Group will review its strategies and mechanism from time to time by adopting a more flexible raw material procurement model as well as improving the production technologies so as to stabilise the costs and enhance production competitiveness. In addition, with regards to the sales and marketing, the Group will strive to explore opportunities in the emerging markets with development potential in order to extend its distribution channels. To support the current product lines, the Group will aggressively strengthen its marketing strategies as well as extend its sales channels in order to realise the full potential of its sales network while enhancing its sales presence to boost its brand awareness. The Group is also seizing opportunities, proactively identifying potential acquisition and strategic collaborative projects, and by using its geographical reach and international experience, aiming to improve efficiency while broadening its revenue streams. The Group is also continuing to bolster its research and development (R&D) capabilities to boost production efficiency and develop innovative products.

以產品類別分析，集團主要的味精產品，由於年初已逐漸改善能源成本，提高競爭力，使本項主力產品之營收與獲利均較去年同期有所提升。集團另一項重要的變性澱粉產品，在期內因部份客戶調整庫存，且受到泰國同業競爭，需求趨緩，銷售下滑13.9%。但在特化產品中的鹽酸與蘇打，受惠於越南基礎工業的需求漸增，業績較去年同期成長15.1%。而集團的肥飼料產品，因部份區域之農產品豐收，短期市場需求降低，銷售與去年同期約略持平。此外，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，今年上半年麥芽糖之營業額較去年同期增加81.4%，其獲利也逐步提升，除增加營收之動能外，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。

越南廠於二零一五年上半年完成新能源供應系統之建置，在成本改善的驅動下，集團轉虧為盈，逐漸升溫動能。雖然如此，現階段同業在市場的低價競爭威脅有增無減，總體經濟的不確定因素仍充滿在經營的環境中。面對此等環境變化，集團一方面會隨時檢討應變策略與機制，除了採取更靈活的原料採購模式與持續提升生產技術，以期穩定成本，維持生產競爭力；另一方面，在行銷業務方面，集團將著力於具潛力空間之新興市場，強化其通路架構，對於已成熟的通路，將更整合集團的行銷策略，深耕銷售網絡，以發揮通路價值，並藉由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，積極檢討尋找各項併購或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 to the Group's operations. To tackle the challenges ahead, the Group is conducting an in-depth review and analysis of its current position as well as market situation as a prelude to planning and setting future strategic directions. We believe that the competitiveness of the Group's production operations has improved since the beginning of this year. This improvement enhances the confidence of the management and frontline team in promoting sales and further expanding into different business sectors. As the Group enters a benign phase of the business cycle, it has observed positive signs of an upswing as its operation develops and advances. Recognising the ever-changing operating environment, the opportunities presented to the Company as well as the responsibilities it shoulders, the management at all levels will execute the set operational strategies of the Group in a proactive, pragmatic and prudent manner. In this way, acting in concert our colleagues will advance the Group's business to greater heights as well as generate more fruitful returns for shareholders.

By Order of the Board
Yang, Tou-Hsiung
Chairman

Hong Kong, 25 August 2015

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挑戰與困難，對於此等變數，集團將隨時深入的檢討與規劃，並擬訂相關的策略以因應迎面而來的挑戰。集團相信在今年起，我們的生產競爭力獲得改善，這也讓經營團隊更有信心在業務銷售面得以發揮，同時亦可思考各事業領域更進一步的開拓。集團也相信，在此良性循環之下，經營將持續朝向正面與進步的發展。而集團的各級主管同仁，亦深切體認多變的環境、公司的契機與所肩負之責任，將會以開創的眼光、積極的態度，務實並謹慎地執行集團擬具之各項營運策略，以期共同為開創集團未來另一個業績的高峰及提高對股東的回報而奮鬥努力。

承董事會命
主席
楊頭雄

香港二零一五年八月二十五日