

# Chairman's Statement

## 主席報告書

In the first half of 2016, the global economy was still troubled by uncertainties. The shifts of the market and economic conditions of the PRC, Brexit, uncertainty in Europe and Middle East and a sluggish economy due to lagging international oil prices combined to impact the fluctuation on international exchange rates and interest rates. Other unstable factors have added uncertainty to the improving economic and market atmosphere. Consumers have become more cautious, which ultimately affected the Group's business growth during the period. However, material and energy costs of our Vietnam factory have remained relatively stable in the period, so production costs have gradually stabilised and facilitated higher overall profitability. Nevertheless, the intense price competition in MSG markets has shown no signs of abating, which affected not only the Group's major markets but also its overall profitability. To cope with this situation, this year the Group has switched its focus to business expansion through strengthening sales efforts and product development with the ultimate aim to boost profit.

Looking at the Group's operations and financial performance for the period, turnover amounted to about US\$163,000,000 during the period, which was 3% slightly higher than last corresponding period. Although the competitiveness of the Group's production operations has improved during the period, and that the overall sales volume have recorded growth in most of the regions and products, the Group's revenue has recorded a slight increase mainly due to the price competition among industry players in Vietnam and international markets as well as the recent depreciation of the Japanese yen affecting its local market. These factors have dragged down the market selling price and thus have considerably affected the Group's business growth. Nevertheless, the Group's gross profit for the first half grew substantially by 57% from the corresponding period to US\$40,340,000 as the Vietnam factory tightened control on production costs. Net profit of the Group increased by US\$9,660,000 to US\$13,870,000 with a net profit margin of 8.5%.

二零一六年全球上半年的經濟環境充滿不確定的變數，中國景氣變化、英國脫離歐盟、歐洲與中東局勢尚未明朗與因國際油價疲軟所導致的低迷景氣仍未恢復等，牽動國際匯率及利率的波動。這些不穩定的因素使原本剛萌芽的經濟與市場景氣，再度籠罩於陰晴不定的氛圍中，致使各地市場消費心態仍保守，亦抑制期內集團業務的發揮。然而，集團越南廠期內由於原料與能源價格尚屬穩定，使生產成本得以逐漸回穩，整體獲利提升。雖然如此，味精同業於各地市場上的低價競爭卻仍未見緩和，除衝擊集團各主要市場業務外，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仍致力於積極的業務拓展、加強銷售力度與開發新產品等，以開創更高的利潤空間。

綜觀集團於本期之營運與獲利，期內營業額約1億6仟3佰萬美元，較去年同期略為增長3%。期內雖然生產競爭力回升，大部份區域與產品銷售數量有成長，但營收僅微幅上升主要由於競爭者於越南與國際市場低價的競爭，以及日本市場早前受到日圓貶值的影響等，使市場售價下滑，致使影響業績增長。同時，因越南廠加強生產成本控制，使上半年毛利額達4,034萬美元，較去年同期提升57%。淨利為1,387萬美元，較去年增加966萬美元，淨利率8.5%。

In terms of geographic markets and segment performance, in Vietnam, the economy was on the road to recovery and the sales of various products of the Group including modified starch, maltose and soda recorded an increase due to tightened control on production costs and enhanced the competitiveness of the Vietnam plant. However, our major product, MSG, recorded lower revenue in the first half of the year when compared to the same period last year due to the price war with imported products into Vietnam. Since protective measures were implemented against imported MSG in Vietnam this April, the Group expected the product price will gradually return to reasonable market levels under this policy. Besides, the agriculture in Vietnam and other areas was affected by changing climate, so the sales of fertiliser and feed products were impacted as well. In all, the revenue dropped 5.9% from the same period last year in Vietnam, while the operations in the PRC recorded about 7% of increase in revenue from the corresponding period last year, thanks to the flexible sales model which has benefited the business growth of MSG and trading product mix, even as the overall economic growth conditions slowed down and the RMB continued to depreciate. As for Japan, the sales was mainly affected by the weak local economy and the fluctuating exchange rate of the Japanese yen, so while sales have increased, the Group's business in Japan has remained at a similar level as the previous corresponding period because the selling prices of each product remained at a relatively low level. ASEAN and European markets experienced lower sales due to the struggle between selling prices and expenses in the same period last year, but sales have gradually returned to normal during the present period with the revenue of these regions growing year-on-year by 15% and 9% respectively. The sales of MSG in the US boosted the overall results in this market considerably when compared with the same period last year, thanks to the adjustment on tariffs and stronger distribution channels.

As for the performance of our products, the revenue of the Group's leading product, MSG, rose slightly because of keen market competition. Nevertheless, the Group's effective control on material and energy costs this year boosted its competitiveness and thus the sales to the US and ASEAN markets increased, so the overall profitability of this product was stronger than the same period last year. As for the starch products, the Group's modified starch experienced a slightly higher demand in the first half of the year since the Group focused on higher margin products, so the profitability of this product increased and the revenues rose by around 9% from the same period last year. During the period, turnover of the maltose plant established in Vietnam surged by around 75% from the same period last year, leading to considerable improvement in profitability as well. In addition to the stronger revenue momentum in starch products, sales of these products can also capitalise on the production efficiency of the maltose plant and advance our starch business towards a more diversified development. The performance of soda under the specialty chemicals segment recorded steady and continuous growth from the same period last year, benefitting from the stable demand from the infrastructure sector in Vietnam. However, sales of fertiliser and feed products decreased year-on-year as market competition intensified due to price reductions in competing products caused by decreasing market demand and reinforced by a lower short-term demand in the market.

綜觀集團各主要市場與業務經營，在越南市場，因經濟景氣逐漸緩慢復甦，配合越南廠生產成本掌控，競爭力提升，使數項產品之銷售，包括變性澱粉、麥芽糖與蘇打等產品均有增長。但主要產品味精因進口至越南的競品低價競爭，上半年營收較去年同期下滑，而越南於今年4月起對進口味精實施防衛措施，藉由此項措施，集團也預期將應可逐漸導引價格，回歸市場基本面。另外，因氣候的變化，越南與各地農業均受到影響，使肥料與飼料之銷售受到影響。整體而言，越南區域內業績較去年同期下滑5.9%。而集團在中國區的營運，雖然整體經濟景氣趨緩與人民幣貶值的影響，但集團採取靈活的銷售模式，使味精與貿易品項的業務錄得增長，營收較去年同期有約7%的提升。另外，日本市場的銷售主要仍受到日本經濟的低迷與日元匯率波動之影響，雖然於該區域的銷量增加，但各項產品售價仍然偏低，使集團銷售於日本市場的業績跟去年同期相約。而東盟與歐洲市場去年同期因售價與銷售費用的考量，銷售量較少，本期已逐漸恢復，致使此等地區之業績較去年同期分別增加15%與9%。美國市場的味精銷售因關稅變化與強化通路拓展因素，使本期該區域業績比去年同期有較大幅度的增長。

按產品類別分析，集團主要的味精產品，因市場競爭激烈，營收僅微幅成長，但由於今年原料與能源成本得到穩定掌控，競爭力提升，集團增加對美國與東盟之銷售，使本項產品之獲利較去年同期有所提升。而集團澱粉產品中的變性澱粉，因上半年需求略增，同時集團亦致力於較高毛利之品項，使該產品獲利提升，業績亦較去年提升約9%。另外，近年越南所增設之麥芽糖廠於本期之營業額較去年同期大幅增加約75%，其獲利也明顯進步，此項產品除增加澱粉產品之營收動能外，更可充分發揮現有糖漿廠之生產效率，使集團之澱粉事業朝向更多元化發展。在特化產品中的蘇打品項，因受惠於越南基礎工業穩定的需求，較去年同期仍有持續穩定之成長。但集團的肥飼料產品，因市場需求下降，同類產品價格下滑，致使市場競爭激烈，且短期需求降低，銷售較去年同期有較大幅度減少。

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To cope with the overall economic uncertainties in the operating environment and facing the changing environment, the Group has reviewed its strategies and procedures from time to time and has adopted a more flexible raw material procurement model as well as improved the production technologies so as to stabilise the costs and enhance the competitiveness of its production operations. Besides, the Group has continued to develop new products, markets and customers, as well as strengthen its brands. The Vietnam government has entered into a number of free trade agreements including the Trans-Pacific Partnership Agreement. These initiatives are expected to boost medium-to-long-term economic growth. In the area of sales and marketing, the Group is seizing the opportunities to expand in the local Vietnam market while focusing on emerging markets with development potential as well as strengthening its distribution channels. For the mature channels, the Group is integrating its marketing strategies and expanding its sales channels in order to realise the full potential of its sales network while introducing new products to boost brand awareness. As for the PRC operation, in addition to bolstering its business development team, the Group continues to extend its reach into regional markets and to develop new products with higher gross profit. The Group is also evaluating and identifying potential acquisitions and strategic collaborative projects, and by leveraging 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. These efforts are helping the Group to lengthen the life cycle of its products and enhance its brand presence and coverage.

We realise that the prevailing uncertain global economic conditions and operating environment present many growth opportunities but also tough challenges for the Group's operations. Facing these headwinds, the Group is conducting an in-depth review and planning exercise, as well as formulating appropriate strategies to capture the opportunities and overcome the challenges ahead.

Looking ahead to the second half of 2016, the Group will endeavour to maintain its existing competitiveness in production operations. An open market and current stable economic growth in Vietnam have enhanced the confidence of the operation team in promoting sales and further expanding into different business sectors. As the Group enters an upward 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 is implementing the operational strategies set by the Group in a proactive, pragmatic and prudent manner, aiming to advance its business to a new growth stage as well as generate more fruitful returns for its shareholders.

By Order of the Board  
**Yang, Tou-Hsiung**  
Chairman

Hong Kong, 23 August 2016

雖然整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，集團會不時檢討應變策略與機制，將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，新產品、新市場與新客戶的持續開發，再強化品牌的深耕，配合越南政府參與包括「跨太平洋夥伴關係」(TPP)協議的多項自由貿易協定，預期將會帶動中長期經濟發展之潛力。有鑒於此，集團將把握機會，在行銷業務方面精耕越南本地市場，並著力於具潛力之新興市場，強化通路架構，對於已成熟的通路，將進一步整合集團的行銷策略，深耕銷售網絡，以發揮通路價值。同時，集團將藉由規劃導入相關新產品之銷售，延伸品牌的加乘效果。而在中國區的營運，除了再強化業務團隊，將再努力於區域市場之精耕與開發高毛利新產品。此外，集團也將持續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。同時，集團也將持續強化研發項目，以增進生產效能與開發新產品，延伸產品生命週期，增強品牌力度與廣度。

我們深刻體會到目前全球的許多不確定性之經濟情勢與經營環境，對集團的營運，雖然仍有許多成長機會，但確實也存在諸多挑戰。面對此等變數，集團將更深入的檢討與規劃，並擬訂相關的策略以掌握時機及因應迎面而來的挑戰。

展望二零一六年下半年，集團將努力維持既有的生產競爭力，面對越南開放的市場與經濟穩定的成長現況，經營團隊更有信心在業務銷售面得以發揮，同時將對各事業領域進行更進一步的拓展。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，將會以開創的眼光與積極的態度，務實並謹慎地來執行集團擬定的各項營運策略，以開創集團未來另一個階段的業績成長，並期可以提高對股東的回報。

承董事會命  
主席  
楊頭雄

香港二零一六年八月二十三日