

Management Discussion and Analysis

管理層討論及分析

I. BUSINESS OVERVIEW

The global economy continued to undergo substantial changes in 2016. The recent "Brexit" referendum in the UK, the unchanging interest rate after the initial hike by the US Federal Reserve, gloomy sentiment towards the PRC economy and the political and economic variables in Europe, the Middle East and the world have all added uncertainty to the global economy, as it is undergoing profound adjustment. Among all the major economies in the world, the US economy has experienced slower growth since the second quarter of 2015 and its growth still fell behind expectations through the first half of 2016. The country's real GDP recorded an annual growth rate of only 0.8% in the first quarter of 2016, while its economic growth rate was only 1.2% in the second quarter, lower than the 2.5% expected by the market. While economic indicators such as inflation rate and unemployment rate kept fluctuating, consumer spending, fixed investment and industrial output resumed moderate growth. The economy in Europe showed a steady recovery in the first half, thanks to the improvement in consumption driven by low petroleum prices. However, the growth could slow after seeing the good start. The quantitative easing monetary policy implemented by the Japanese government has not improved local economic conditions as expected. Thus, the Japanese government has delayed the increase in national sales tax, which is expected to help improve sentiment on the spending of Japanese citizens. As for the PRC market, affected by the weak recovery in the global economy, GDP in the country grew by 6.7% year-on-year in the first half of the year, which was slightly above market expectations and indicated that the large-scale stimulus measures launched in the first quarter of the year have resulted in temporary stability in the PRC economy. However, the growth rate in China is still the lowest since 2009.

In the first half of 2016, Vietnam recorded a year-on-year growth of 5.52% in GDP, lower than the 6.28% in the first half of 2015 but higher than the 4.93%, 4.9% and 5.22% recorded in the same period between 2012 and 2014. The lower GDP recorded in the first half of 2016 was attributable to weather changes. The severe drought and soil salinisation occurred in Vietnam in the first half resulted in the negative growth rate in the region's agriculture, forestry and fishery industries. Nonetheless, the country's industries and service industries still recorded increases. Affected by the drop in petroleum and raw material prices, Vietnam's inflation rate was close to 0% in 2015, and rebounded slightly to 1.72% in the first half of 2016, which remained at a low level. Vietnam has finally returned to a trade surplus after experiencing transformation from a trade surplus position into a trade deficit position three years in a row. At the same time, its appeal to foreign companies for investment has been significantly enhanced, and the value of the country's newly-added total investment capital increased by 105.4% year-on-year. Actual capital secured for foreign-funded projects also grew by 15.1% year-on-year. Overall, the macro-social and macro-economic index showed relatively stable growth in the first half of 2016, with lower lending rate and stable exchange rates benefitting the development of companies.

一、業務總覽

二零一六年世界經濟持續發生許多變化，從最近英國「脫歐」公投，美聯儲暫緩加息，中國經濟景氣趨緩，在歐洲、中東乃至全球市場存在多項變數，全球經濟的不確定性持續增加，仍然處在深度調整期。世界主要經濟體中，美國經濟自二零一五年第二季度以來經歷了減速增長，二零一六年上半年增長始終沒有達到預期，二零一六年第一季度實際GDP年增長僅0.8%，第二季度經濟僅增長1.2%，低於市場預期的2.5%，通脹率、失業率等參考指標起伏不定，消費者支出、固定投資、工業產出恢復溫和增長。上半年歐洲經濟穩步復甦，並主要依靠低油價對消費的推動。在經歷良好開局後，增速將會有所放緩。日本貨幣寬鬆政策並未如期帶來經濟狀況的改善，故日本政府推遲上調消費稅，預計將有助於提振居民消費信心。而受世界經濟復甦疲弱，中國上半年GDP同比增長6.7%，略好於外界預期，反映第一季大規模刺激措施為大陸經濟帶來暫時性的穩定。但6.7%的成長率仍是二零零九年以來最低的增長。

越南二零一六年上半年GDP較去年同期增長5.52%，低於二零一五年上半年的6.28%，但高於二零一二至二零一四年同期的數據（分別為4.93%、4.9%及5.22%）。二零一六年上半年的GDP增長低於二零一五年同期主要由於天氣變遷，越南上半年遭逢嚴重乾旱及土壤鹽化，導致農林水產業負數成長，工業、服務業均有成長。二零一五年因石油及原物料價格下降，越南通貨膨脹率接近0%，二零一六年上半年通貨膨脹率1.72%，呈現略增趨勢，但仍屬於低位。延續三年的貿易順差轉變為逆差狀態後，越南貿易又出現順差。外國投資吸引力大幅增加，全國新批和增資額較去年同期增長105.4%，外資項目實際到位資金同比增長15.1%。整體而言，二零一六年上半年越南宏觀經濟社會指數較為穩定增長、貸款利率降低、匯率相當穩定，有利於企業的發展。

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During the period under review, the Group recorded revenue of US\$163,167,000, 3.2% or US\$5,017,000 higher than the same period last year. The increase was mainly due to the notable growth in overseas sales of MSG produced at the Vietnam plant. Revenue from modified starch and maltose under the starch product category experienced greater growth. Geographically, revenue from the US market grew substantially and increased slightly from ASEAN countries and the PRC, while the business in Vietnam recorded a reduction. Gross profit of the Group increased 56.7% or US\$14,600,000 to US\$40,341,000 as compared to the same period last year. The Group's overall gross profit margin has climbed to 24.7% from 16.3% in the corresponding period last year. Net profit for the period was US\$13,872,000, representing a growth of US\$9,656,000 when compared with the same period in 2015, and net profit margin increased substantially to 8.5% from 2.7% in 2015. Both revenue and profit have grown during the period. The principal reasons for the increase in net profit included: 1) the results of the energy cost-saving measures implemented by Vedan Vietnam; 2) price drops of some major raw materials; and 3) an increase in revenue from overseas sales. In the second half of 2016, as the Vietnamese government plans to join a number of free trade agreements, the Group expects to see smoother processing of imports and exports and an increase in domestic demand in Vietnam. Thus, it is cautiously optimistic about the Group's prospects in this market.

集團期內營收163,167,000美元，比二零一五年同期增加3.2%或金額5,017,000美元。營收增加主要來自越南廠味精外銷有顯著增長，澱粉產品中的變性澱粉及麥芽糖營收有較明顯的提升。在市場方面，美國市場則有大幅成長，東盟市場與中國市場營收亦略增加，但越南市場營收下滑。集團毛利為40,341,000美元，比二零一五年同期增加56.7%或金額14,600,000美元。集團總體毛利率由二零一五年同期16.3%增至24.7%，集團淨利13,872,000美元，比較二零一五年同期增加9,656,000美元，淨利率由二零一五年2.7%增至8.5%。營收和獲利在期內均錄得增長。獲利增長的主因：一，越南味精能源成本控制。二，部份主要原物料價格下降。三，外銷市場營收提升。二零一六年下半年，隨著越南計劃簽署多項自由貿易協定，預期進出口比較順利以及預估國內市場需求將可增加，集團業績應仍是審慎樂觀。

II. BUSINESS ANALYSIS

(1) Sales Analysis by Market

Unit: US\$'000

Area	地區	For the first half of					
		2016		2015		Difference	
		2016年上半年		2015年上半年		差異	
		Amount	%	Amount	%	Amount	%
		金額	%	金額	%	金額	%
Vietnam	越南	78,124	47.9%	83,024	52.5%	(4,900)	(5.9%)
Japan	日本	31,535	19.3%	31,625	20.0%	(90)	(0.3%)
The PRC	中國	16,755	10.3%	15,639	9.9%	1,116	7.1%
ASEAN	東盟	15,237	9.3%	13,304	8.4%	1,933	14.5%
Other regions	其他	21,516	13.2%	14,558	9.2%	6,958	47.8%
Total	合計	163,167	100.0%	158,150	100.0%	5,017	3.2%

1. Vietnam

The Group's revenue from Vietnam amounted to approximately US\$78,124,000 in the first half of 2016, a decrease of 5.9% or US\$4,900,000 from the same period last year. Revenue of MSG reduced by 4.6%, or US\$2,677,000, year-on-year due to the drop in performance of MSG and fertilisers, as well as the price war with imported MSG products. Despite this, the Vietnamese government has implemented protective measures against imported MSG and the Group expects such measures will help push the market price back to a reasonable level. In addition, the extended influence of El Niño last year leading to drought in many regions has caused considerable damage to the crops in Vietnam and has significant impact on the domestic agriculture industry. The Group's fertiliser and feed product sales in Vietnam have decreased notably as a result when compared with the corresponding period last year.

二、營業分析

(一) 市場銷售分析

單位：千美元

1. 越南市場

二零一六年上半年營收約78,124,000美元，較二零一五年同期減少5.9%或金額4,900,000美元。主要由於味精和肥料產品業績下滑，味精低價進口競爭的影響，營收較二零一五年同期減少4.6%或金額2,677,000美元。然而越南政府於今年四月起對進口味精實施防衛措施，藉由此項措施，集團也預期未來應將可使市場售價回歸市場基本面。另外，因去年「聖嬰現象」的延伸與影響，越南農作物受到相當大的影響，多處乾旱，本地農業受到打擊，使集團於越南區域之肥料與飼料銷售較去年同期顯著下滑。

2. Japan

The Group's revenue from the Japan market was US\$31,535,000, a slight drop of 0.3% or US\$90,000 when compared with the first half in 2015, and its proportion of the Group's total revenue was down from 20.0% to 19.3%. As a result of the quantitative easing monetary policy implemented by the Japanese government and collateral impact from Brexit, the Japanese yen as one of the safe-haven currencies experienced fierce fluctuations in foreign exchange valuation. The Group will pay more attention to these fluctuations in the future as Japan is now its second largest sales market.

3. The PRC

During the period under review, revenue from the PRC market reached US\$16,755,000, 7.1% or US\$1,116,000 higher than the same period in 2015. Its contribution to the Group's total revenue also increased from 9.9% in the first half of 2015 to 10.3%. The growth mainly came from the rise in revenue from MSG and starch products.

4. ASEAN member countries

During the period, revenue from ASEAN member countries, not including Vietnam, amounted to US\$15,237,000, rising by 14.5% or US\$1,933,000 year-on-year. Its contribution to the Group's total revenue was up from 8.4% to 9.3%. The increase in revenue was mainly because the Group has effectively controlled its production costs during the period, which in turn improved both competitiveness and sales performance.

5. Other regions

Revenue from other regions soared by 47.8% or US\$6,958,000 from US\$14,558,000 in the same period of 2015 to US\$21,516,000, and its proportion in the Group's total revenue increased to 13.2% from 9.2%. The Group has partly resumed sales to the US during the period as Europe and the US imposed anti-dumping taxes on MSG products from the PRC. Higher revenue growth was recorded as a result.

2. 日本市場

集團日本市場本期營收31,535,000美元，比二零一五年上半年微幅減少0.3%或金額90,000美元，故營收佔比由20.0%降至19.3%。從日本貨幣寬鬆到英國脫歐之後，日元作為避險貨幣之一，匯率波動幅度甚大。日本為集團第二大銷售市場，集團將更留意日幣匯率未來之波動與走勢。

3. 中國市場

回顧期內，中國市場營收為16,755,000美元，較二零一五年同期增長7.1%或金額1,116,000美元，營收佔比由二零一五年上半年9.9%增至10.3%。期內中國市場營收增加主要由於味精及澱粉產品營收之增長。

4. 東盟市場

期內東盟成員國市場，除越南之外，營收15,237,000美元，較二零一五年同期增加14.5%或金額1,933,000美元，佔集團總營收由8.4%增至9.3%。營收增加主要由於集團於期內已掌握穩定之生產成本，競爭力增加，故銷售增加。

5. 其它市場

其它市場營收21,516,000美元，比二零一五年同期14,558,000美元增加47.8%或金額6,958,000美元，佔集團總營收由9.2%增至13.2%。因歐美先後對中國味精出口徵收反傾銷稅，集團在期內已部份恢復外銷美國市場，營收有較大幅度成長。

(2) Sales Analysis by Product

Unit: US\$'000

(二) 產品銷售分析

單位：千美元

Products	項目	For the first half of				Difference	
		2016		2015		差異	
		2016年上半年	%	2015年上半年	%	Amount	%
		Amount	%	Amount	%	Amount	%
		金額	%	金額	%	金額	%
MSG	味精	113,498	69.6%	109,249	69.1%	4,249	3.9%
Modified starch/ Native starch	變性澱粉/ 天然澱粉	21,017	12.9%	19,197	12.1%	1,820	9.5%
Specialty chemicals	特化產品	10,530	6.4%	11,184	7.1%	(654)	(5.8%)
Fertiliser and feed products	肥飼料	8,493	5.2%	11,296	7.1%	(2,803)	(24.8%)
Others	其他	9,629	5.9%	7,224	4.6%	2,405	33.3%
Total	總共	163,167	100.0%	158,150	100.0%	5,017	3.2%

1. MSG

Revenue from MSG operations during the period rose by 3.9% or US\$4,249,000 from the same period last year to US\$113,498,000 and its contribution to the Group's total revenue marginally increased to 69.6% from 69.1% in the first half of 2015. The growth in MSG revenue was mainly due to the Group's ability to secure more stable bulk materials and stabilize energy costs, which made its MSG products more price competitive. Also, Europe and the US have imposed anti-dumping taxes on MSG products exported from the PRC. Hence, revenue from MSG sales in the US, the EU and ASEAN (excluding Vietnam) showed a notable surge.

2. Modified starch/Native starch/Amylase

Sales of modified starch/native starch gradually picked up during the period. Total revenue from this business segment increased by 9.5%, or US\$1,820,000, year-on-year to US\$21,017,000. The growth was mainly attributable to the rise in demand for modified starch across various geographic markets. The revenue contribution from starch has been enlarged from 12.1% to 12.9% of the total revenue of the Group.

The amylase business launched by the Group in recent years has achieved brilliant results in the first half of the year. Revenue increased by about US\$2,063,000 year-on-year to US\$4,802,000, mainly driven by customer recognition of the product's high quality and the subsequent growth in sales.

1. 味精

本期營收113,498,000美元，較二零一五年同期增加3.9%或金額4,249,000美元，佔集團總營收由二零一五年上半年69.1%增至69.6%。味精營收增加主要由於集團於本期掌握較穩定之大宗原料及能源成本，使味精在價格上較具有競爭力，加上歐美先後對中國味精出口徵收反傾銷稅，集團味精在美國、歐盟、與東盟市場（越南除外）營收均有較大幅度成長。

2. 變性澱粉／天然澱粉／澱粉糖

天然澱粉／變性澱粉於本期逐步恢復銷售，營收達21,017,000美元，比二零一五年同比增加9.5%或金額1,820,000美元，主要是變性澱粉在各市場需求有成長。因營收增加，澱粉佔集團總營收由12.1%增至12.9%。

集團近年所新推出的澱粉糖產品，上半年表現亮眼，營收達4,802,000美元，較去年同期增加約2,063,000美元，主要因品質逐漸受到客戶肯定，銷售亦逐步成長。

3. Specialty chemicals/fertiliser and feed products

Specialty chemicals including hydrochloric acid, soda and bleach are principally sold in the Vietnam market. These specialty chemicals are basic chemical products in the industrial sector and offer huge development potential in that country. The revenue from specialty chemicals decreased by 5.8% or US\$654,000 to US\$10,530,000 and the contribution to the Group's total revenue also decreased from 7.1% to 6.4%. The reduction was mainly due to the lower selling price of hydrochloric acid caused by the stronger competition from imported products in Vietnam in the first half of the year, together with the adjustments in production and sales of the plant which caused the sales volume to drop as well. However, as stable demand for its soda products from its Vietnamese customers continued, the Group's overall sales still improved when compared with the same period in 2015.

In the first half of 2016, some regions in Vietnam suffered from drought and soil salinisation due to the unfavourable weather. Demand for fertiliser dropped sharply within a short time and resulted in excess supply in Vietnam's fertiliser market. Imported low-priced products have also led to more severe price competition and the eventual decline in the market price of fertiliser in Vietnam. The international sales market was also affected by the low price competition in the PRC. All of these factors have caused the revenue of the Group's fertiliser and feed products to decrease by 24.8% or US\$2,803,000 year-on-year to US\$8,493,000 during the period. Its contribution to the Group's total revenue also dropped from 7.1% to 5.2%.

3. 特化產品／肥飼料

特化產品包括鹽酸、蘇打、漂白水均於越南銷售。此等特化產品為工業基本化學品，於越南極具發展潛力。特化產品營收達10,530,000美元，較二零一五年同期減少5.8%或金額654,000美元，佔集團總營收由7.1%降至6.4%。減少主要的原因為鹽酸於上半年越南進口競品增加，售價下滑，同時因廠內產銷調節，致使銷售量也有減少。但集團生產之蘇打產品因越南客戶需求穩定增加，使整體銷售仍較去年同期成長。

二零一六年上半年，因氣候影響，越南部份地區乾旱與土壤鹽化，肥料短期需求急速下降，造成越南肥料市場供過於求，加上進口低價產品，市場價格競爭激烈，造成越南肥料市場售價下滑。同時於國際外銷市場也受到中國低價競爭，故集團肥飼料產品營收減少，期內營收達8,493,000美元，較二零一五年同期減少24.8%或金額2,803,000美元，佔集團總營收由7.1%降至5.2%。

III. MAJOR RAW MATERIALS/ENERGY OVERVIEW

(1) Cassava

A noteworthy trend has been the shift of more farmers to raise cassava because the prices of certain crops have continued to drop. As such, the cassava plantation areas in Vietnam and in its neighbour Cambodia have expanded, producing more cassava for raw material use. The result of the increased supply of cassava starch and its derivative products in South East Asia, together with the rising production volume of corn starch in the PRC led to the drop in prices of cassava material and starch influenced by weaker demand for cassava starch.

(2) Molasses

Drought and soil salinization caused by climate change have affected the harvest of molasses in several countries during both 2015 and 2016. As the demand for biomass energy and fertilizer has remained strong, the export of molasses has decreased while the product price has picked up. Historical data has shown that the global molasses market has experienced five periods of excess production, but the surplus is obviously shrinking. Molasses production period is expected to record a shortage in 2015/2016, the first time in six years, reaching several million tonnes. The gap may extend to 2017, by which time the price of molasses is likely to rise.

(3) Energy

In the first half of 2016, global coal and natural gas prices have dropped, due to the excess supply and weak demand in key markets such as the US and Europe. The alternative energy solution in the cogeneration factory of Vedan Vietnam has been adopted in production in March 2015, which has helped to stabilize the production costs.

The International Energy Agency ("IEA") estimated global demand for coal to rise 0.4% to 1.1% a year in average by 2020, because economic recovery around the world appears to be slowing down, and many countries are switching to energy models with lower coal consumption while striving to develop clean energy, so the demand for coal will weaken. Major coal consumers such as the PRC and India will reduce related imports, while key coal producers such as Indonesia and Australia plan to reduce related exploitation. These trends will shrink the international coal market, and the prices of coal and gas will not have much room to increase in the second half.

The wholesale price of electricity in Vietnam has increased by 2% to 5% in 2016. Nevertheless, the Group has reduced the purchase of external electricity and increased the use of self-generated electricity since the installation of its new energy system. Consequently, the rise of electricity charges have only minimally affected the Group.

三、主要原料／能源概況

(一) 木薯

整體而言，因部份農作物價格降低較多，農民改變增加木薯種植，越南與鄰國柬埔寨種植面積增加，木薯原料產量增加。東南亞木薯澱粉與衍生產品供應增加，且中國因玉米澱粉產量增加，木薯澱粉需求減少，木薯原料及木薯澱粉價格下滑。

(二) 糖蜜

氣候影響導致嚴重乾旱及土壤鹽化對幾個產糖國二零一五與二零一六年糖之生產量構成影響，且生質能源和飼料業需求仍大，故糖蜜出口減少，價格上漲。資料顯示，雖然全球糖市之前已連續五個製糖期供過於求，惟在過剩量顯著縮小趨勢下，預計二零一五/二零一六年製糖期將為六年來首次出現供應缺口，缺口量約數百萬噸，缺口現象或持續至二零一七年亦預期糖蜜價格調漲機率提高。

(三) 能源

二零一六年上半年，全球煤炭和天然氣價格下滑，深層原因在於美國、歐洲等關鍵市場正處於供過於求和需求增長低迷的現狀。集團越南廠汽電共生廠能源替代方案已於二零一五年三月導入生產，有利於穩定生產成本。

國際能源總署(IEA)預測，至二零二零年全球煤炭需求年均成長介於0.4至1.1%之間，主要因為全球經濟復甦緩慢，加以各國能源系統逐步朝向低碳能源轉型，大力發展清潔能源，煤炭需求將趨疲軟。中國大陸和印度等煤炭消費大國削減進口煤炭採購，印尼和澳洲等煤炭出口大國計畫性減少煤炭生產，雙向作用下國際煤炭市場呈現收縮狀態，預計下半年煤炭和天然氣價格上漲的空間有限。

電價方面，二零一六年越南批發電價增加2%-5%，集團自使用新設能源系統後，外購電力減少，而使用自生產電力增加，電力價格調漲對集團影響有限。

IV. FINANCIAL REVIEW

(1) Liquidity and Financial Resources

The Group had cash and short-term bank deposits of US\$49,835,000, US\$13,685,000 or around 21.5% less than at the end of 2015. Short-term bank borrowings decreased by US\$11,278,000 or around 48.8% to US\$11,835,000 compared to the end of 2015, while middle-to-long-term bank borrowings declined by US\$3,880,000 or around 13.6% to US\$24,733,000. Total bank borrowings amounted to US\$36,568,000, US\$15,158,000 or around 29.3% less than at the end of 2015. The borrowings were mainly denominated in US dollars, which accounted for 97.9% of the total, with the remaining 2.1% denominated in New Taiwan dollars. The proportions of short-term and medium-to-long-term bank borrowings were 32.4% and 67.6% respectively. Net interest expenses during the period dropped by about US\$114,000 from the corresponding period last year.

Trade receivables were US\$32,082,000, representing an increase of US\$2,219,000 or around 7.4% when compared with late 2015. Around 89.1% of the trade receivables were due within 30 days. As at 30 June 2016, total inventory was US\$86,494,000, up by US\$6,457,000 or around 8.1% when compared with that in late 2015. During the period, the Group increased the bulk purchase of agricultural raw materials for seasonal reasons, so the raw material inventory increased by around US\$12,075,000 when compared to the end of 2015.

As the bank borrowings declined in the first half of the year, the gearing ratio (total borrowings to total capital ratio) was 13.0%, which was lower than 18.9% in the end of 2015. Net gearing ratio (total borrowings less cash and deposits to total capital ratio) was -4.7%, further dropped from -4.3% at the end of 2015.

Current liabilities decreased sharply because of a decrease in short-term borrowings and payables, so current ratio rose from 3.8 at the end of 2015 to 5.5. The financial position of the Group has remained sound.

(2) Capital expenditure

During the reporting period, capital expenditure amounted to approximately US\$2,916,000, US\$5,968,000 less than the capital expenditure of US\$8,884,000 in the first half of 2015.

四、財務回顧

(一) 流動資金和財政資源

集團現金和銀行短期存款為49,835,000美元，比二零一五年底減少13,685,000美元，約21.5%。短期借款為11,835,000美元，比二零一五年底減少11,278,000美元，約48.8%；中長期借款為24,733,000美元，減少3,880,000美元，約13.6%。借款總額為36,568,000美元，比二零一五年底減少15,158,000美元或約29.3%。借款以美元為主，佔97.9%，其餘為新台幣佔2.1%；短期和中長期借款比率為32.4%比67.6%。期內淨利息費用同比去年減少約114,000美元。

應收貿易帳款為32,082,000美元，比二零一五年底增加2,219,000美元，約7.4%，30天期內應收帳款佔約89.1%。存貨總額於二零一六年六月三十日為86,494,000美元，比二零一五年底增加6,457,000美元，約8.1%。期內集團因產季因素，增購農產原料等大宗物質，故原料庫存比二零一五年底增加約12,075,000美元。

上半年借款減少，資本負債比（總借款比股東權益）為13.0%，小於二零一五年底的18.9%；淨資本負債比（總借款扣除現金和存款比股東權益）為-4.7%，低於二零一五年底的-4.3%。

期內短期借款與應付款項減少導致流動負債大幅減少，流動比率因此由二零一五年底之3.8升為5.5，整體財務結構仍屬穩健。

(二) 資本支出

期內資本支出共約2,916,000美元，比二零一五年上半年資本支出的8,884,000美元減少5,968,000美元。

(3) Exchange rate

After the Vietnamese government signed the Trans-Pacific Partnership Agreement (“TPP”) along with other free trade agreements, the country’s foreign trade has rapidly developed, so the economy has improved which in turn has supported the local currency. In 2016, large amounts of foreign capital have flowed into Vietnam which has caused the value of the Vietnam Dong to rebound and increase slightly. At the same time, the Central Bank of Vietnam has announced that it will release the median exchange rate of Vietnam Dong to USD on a daily basis starting from 4 January 2016 in order to increase the flexibility in managing forex and stabilize the Vietnam Dong by limiting the currency fluctuation to within plus or minus 3% of the median exchange rate. On 30 June 2016, the median exchange rate was 21,873 Vietnam Dong to US\$1, i.e., 0.08% higher in the first half of the year but 0.9% lower than the same period last year. The exchange rate of the Vietnam Dong is expected to remain stable in the second half of 2016 and the depreciation should not be excessive.

The Group’s subsidiaries in the PRC are mainly for domestic distribution and the transactions there are denominated in RMB. During 2015, the median exchange rate of the RMB depreciated 6%. Stepping into 2016, the exchange rate of the RMB to the USD was better controlled, with only a moderate increase recorded in the first quarter while it started to depreciate again in the second quarter of the year. In the first half of 2016, the median exchange rate of the RMB against the USD dropped 2.1% to RMB6.6312 to US\$1, which was 8.5% lower than the same period last year. The revenue derived from RMB transactions did not account for a high proportion of the Group’s total revenue, so the risk is relatively small but the Group will continue to closely monitor it and take appropriate countermeasures when necessary.

(4) Dividends

Basic earnings per share were 0.92 US cents. The Board has resolved to declare the payment of an interim dividend of 0.641 US cents per share. The dividend payout ratio was 69.67%.

(三) 匯率

越南政府簽署「跨太平洋夥伴關係」(TPP)協議及多項自由貿易協定後，外資進入越南的速度加快，經濟形勢相對樂觀，這對越南盾形成一定的支撐。二零一六年大量外資進入越南投資，越南盾匯率走勢逆轉，小幅升值。同時，越南央行宣布從二零一六年一月四日起，每天發布越盾兌美元的中間匯率，以提高外匯管理的靈活性，但交易匯率不得超過中間匯率的上下3%，使越南盾之匯率不至波動過大。二零一六年六月三十日，越南盾中間匯率21,873越盾兌一美元，上半年小幅升值0.08%。與同期比貶值0.9%。預計下半年，越南盾匯率將繼續保持動態穩定，一般預期貶值幅度將不致過大。

集團中國區子公司主要面向中國國內銷售，交易以人民幣計算。二零一五年人民幣中間價累計貶值6%。進入二零一六年，人民幣兌美元匯率在走勢受到控制後，第一季度小幅升值，但第二季度又出現貶值的波動。二零一六年上半年，人民幣兌美元中間價6.6312人民幣兌一美元，貶值2.1%，比去年同期貶值8.5%。目前集團人民幣收入佔總營收不高，雖然相對風險程度較小，仍須緊密觀察及適時應對。

(四) 股息

本期每股基本盈利為0.92美仙，董事會決定派發股息每股0.641美仙，派息率為69.67%。

V. PROSPECTS

Looking ahead, in the face of the changing global backdrop and economic shifts, the fierce price competition within the industry is expected to continue because of excess supply resulted by the ongoing overcapacity of certain products and weak market demand. Also, the uncertain policies in many of the world's most important countries make the economic prospects even more complicated, thus creating added uncertainties for the Group's operations.

Nevertheless, the Group has reinforced its corporate structure, introduced an alternative energy solution and enhanced marketing and business development efforts in recent years. These initiatives have begun to yield results. Despite facing numerous uncertainties in the future, the Group will continue to adhere to its development strategies and adopt measures to ensure such strategies are well-implemented, including:

- Product lines will be restructured to raise the proportion of high value-added products. The number of low gross profit items will be reduced to maintain reasonable overall profitability of products.
- New products are to be developed as the Group explores new markets. We will increase the number of new agents and customers, enhance the existing distribution channels and maximize the branding efforts so as to further reinforce the business development of the Group.
- The Group will strengthen the procurement of critical materials in bulk quantities, continue to implement energy-saving projects and upgrade the production technology to improve the production efficiency.
- The Group will develop customized production techniques and enhance the production scale of new products by more effectively utilizing its resources, collaborating with different industries and customers, and conducting regular evaluations. More products from third parties will be introduced to fulfill customers' needs in a segmented market and bolster offerings to niche markets.
- Based on the strategy of "co-opetition," the production base in Vietnam will be used to develop markets in ASEAN and FTA nations. This complementary relationship can develop relevant businesses with added value.
- By strengthening its financial management, the Group can enhance efficiency and optimize the asset utilization rate. Steps will also be taken to mitigate the risk of foreign exchange and interest rate fluctuations amidst the increased turbulence in financial markets.

The management will adopt a flexible approach in adapting a rapidly changing business environment. Apart from maintaining basic operations, the Group will flexibly adjust its production based on market changes. With both challenges and opportunities in the market, on the operation front, the Group will continue to prudently and timely implement business strategies based on its solid foundation, which aims to efficiently capture the opportunities. Therefore, we remain cautiously optimistic about the Group's performance in the future.

五、展望

展望未來的發展，面對全球性景氣與經濟情勢的變化，數項產品產能過剩，需求未見復甦，供大於求情況下，預期低價的競爭仍將持續。受全世界各主要大國的政策面不確定的影響，未來的經濟形勢變化更趨複雜。這對於集團的經營，確實仍存在諸多不確定因素。

近年集團執行各項紮根的基礎工作，包括引入能源替代方案，以及強化行銷與業務的拓展，已收到初步成效。面對未來，集團雖仍面臨許多經營的不確定性，但亦將積極落實既定的發展策略，強化執行力度，持續推動發展，其中包括：

- 透過產品線的重新組合，提升高附加產品的比重，減少低毛利品項，以維持產品的合理利潤。
- 積極投入進行新產品開發，拓展新市場的業務，增加新代理、新客戶，同時深耕目前既有的市場通路，並延續與發揮品牌效益，以再強化集團整體業務的拓展。
- 再強化並掌握關鍵大宗原料，持續推動節能省電專案，同時繼續提升技術以不斷改善生產效益。
- 運用集團資源，結合同業異業，持續策盟檢討，緊密結合客戶，朝向客制化生產開發，提升新產品規模化，引進多樣化代理產品，滿足分眾市場客戶需求，強化利基市場。
- 以競合策略為基礎，利用越南生產基地，積極發展東盟市場與有簽訂FTA的合作市場，在互補互利的前提下，拓展相關具有價值優勢的事業。
- 強化財務管理，在提升效益的同時，致力資產使用效率極大化，並對於金融市場振盪幅度增大之際，做好匯率、利率的風險管理工作。

隨著經營環境變化快速，經營層面將保持彈性靈活的行動方案，除落實經營基本工作之外，更將根據市場變化彈性生產。展望目前挑戰與機會並存的局勢，經營層將繼續運用既有的經營基礎，輔以審慎嚴謹的態度，逐步落實執行各項策略，高效有序把握機會，相信集團的未來的經營依然是審慎樂觀。