

Chairman's Statement

主席報告書

Across the global economy in 2017, stabilisation of raw material prices and gradual recovery of the economy of developed countries, including Europe and the US in turn drove the economy of emerging countries to grow steadily. However, the continuous tension and unrest in regions such as Europe, the US, the Middle East and Asia combined with several interest hikes by the US Federal Reserve, have caused fluctuations in currency exchange rates and interest rates and these factors have added uncertainties to the global economy and markets.

Regarding our operations during the period (the first half of 2017), the selling price and revenue of our major products, in particular MSG and modified starch, were seriously affected by price competition in the market. Also, the surge of coal price since the end of last year has boosted the energy cost which has just stabilized after going up yet again, hence the overall production costs also increased. Due to price competition in the market and rising production costs, our profit margin was directly squeezed. Thus, the Group (as defined in page 23) has switched its focus to stabilise costs, actively expand its business and boost sales while developing new products and markets, with the ultimate aim to strengthen profitability.

Looking at the Group's operations and profit during the period, turnover amounted to approximately US\$156,648,000, around US\$6,519,000 less than the same period last year, which was mainly attributable to the intense price competition of MSG and modified starch in the markets, which dragged down the selling prices and subsequently affected the business growth. While overall materials prices stood firm or dropped slightly, energy cost has increased, so overall production costs still climbed. Gross profit for the period dropped significantly by 16.2% to approximately US\$33,818,000, with gross profit margin at 21.6%. Net profit for the period was reduced by US\$4,591,000 to US\$9,281,000, with net profit margin at 5.9%.

2017年全球的經濟環境，隨著原材料價格逐漸回穩，歐美國家經濟緩步復甦，使新興國家之經濟得以提升。雖然如此，在歐洲、美國、中東與亞洲等區域的緊張與動盪情勢持續，加上美元多次的加息，引至貨幣匯率及利率波動，此等因素促使市場景氣充滿不確定之變數。

集團於期內(2017年上半年)之營運，因主要產品，尤其是味精與變性澱粉，於市場上受到低價的競爭，嚴重影響售價與營收。同時，由於煤炭價格於去年底開始突然飆升，致使剛回穩之能源成本又再度上揚，生產成本提高。故在市場低價的競爭與生產成本的提高之下，獲利直接受到壓縮。有鑑於此，集團(定義載於23頁)今年的主要營運重點仍致力穩定成本，積極地拓展業務，加強銷售力度及開發新產品與新市場等，以期擴增利潤空間。

綜觀集團期內之營運與獲利，營業額約1億5仟7佰萬美元，比去年同期下滑約652萬美元。主要由於味精與變性澱粉於市場上價格的激烈競爭，以致售價下滑，影響業績成長。另外，雖然整體原料價格持平或略降，但能源成本提高，使整體生產成本上升，本期毛利額約3,382萬美元，較去年大幅下跌16.2%，毛利率21.6%。本期淨利為928萬美元，較去年減少459萬美元，淨利率5.9%。

Regarding major geographic markets and segment performance, in Vietnam, the overall economy remained generally stable, as did the prices of various raw materials. The results of some products, including soda and fertilisers, improved along with gradually increasing market demand. But energy costs have increased due to rising coal prices, and selling prices of MSG and maltose products dropped due to price competition, which has had an impact on the overall sales. Affected by the decreasing selling prices and increasing production costs, the overall revenue from the Vietnam market fell 2.1% from the corresponding period last year. In the PRC, the Group's operations were also adversely affected because the economy has not yet recovered and the MSG products' business has been suffered from intense market price competition. The Company has strived to maintain its profitability by avoiding price competition, so the profit was slightly better, even as revenue was around 20.9% less than the same period last year. While in Japan and Korea, the operations recorded stable sales of MSG, modified starch and fertilisers, so the revenue in these segments grew around 0.9% from the same period last year. In ASEAN countries, thanks to the growing demand of MSG, modified starch and fertilisers during the period, the sales of this region climbed around 5.5% from the corresponding period last year. On top of this, the operations in Europe and the US and the selling prices were also affected by market competition, which created a negative impact on the revenue.

As for the performance of the Group's products, its major product, MSG, was affected by the sliding selling price and rising costs and also the keen competition in Vietnam and the PRC, so overall revenue dropped by approximately 5.3% compared to the same period in 2016 and the profitability of this product also decreased. The sales of another key product, starch, also recorded a notable decrease of around 23.3% even the raw materials prices have remained stable as the sales of certain products in the PRC and Taiwan were hit by cut-throat price competition. In respect of hydrochloric acid and soda, which are under the specialty chemicals segment, revenue of such products grew steadily by 30.4% when compared with the previous year. This was attributable to the more stable demand for fundamental chemicals in Vietnam as market sentiment in the country gradually improved. Regarding the Group's fertiliser products, as the demand of the ASEAN and Vietnam markets grew, sales rose by approximately 14.2% year-on-year, despite the fact that the selling price of similar products remained low amidst the keen market competition. Thanks to the growing demand and increasing sales of amylase in Vietnam, sales from its new maltose plant there achieved rapid growth last year. This year, while sales volume still recorded growth, nonetheless the selling price dropped due to the entry of several new competitors in that market. As a result, the revenue slightly dropped by approximately 3.9% when compared to the previous year. Nevertheless, the Group is confident in the potential and development of this product, and the Group is developing related products so as to broaden the scope of its business and the source of its profitability.

綜觀集團各主要市場與業務經營分析，在越南市場，因整體經濟景氣穩定，多項原料價格穩定，部份產品包括蘇打與肥飼料等業績隨著市場需求逐漸恢復而增加。但是能源成本因煤炭價格飆漲而上揚，同時，味精與麥芽糖產品亦受到市場低價競爭的衝擊，致使售價下滑，影響整體銷售進度。故受到產品售價下降與生產成本提高的影響，越南整體區域內業績較去年同期下滑2.1%。同時，集團在中國區的營運，因經濟景氣尚未恢復及味精產品受到市場低價的競爭，使業績受到影響。然而，公司以利潤為主要考量，儘量避免陷入價格戰爭，以致雖然獲利較去年略增，但營收較去年同期下滑約20.9%。另外，就日本與韓國市場的營運而言，受惠味精、變性澱粉與肥料於該等區域銷售穩定，集團於該市場的業績較去年同期輕微增長約0.9%。而東盟市場於期內受惠於味精、變性澱粉與肥飼料的需求提升，使今年此等地區之業績較去年上升約5.5%。除此之外，歐美市場的營運及售價也受到市場競爭的影響，以致營收下滑。

就以產品別分析而言，集團主要的味精產品，由於售價下滑與受成本提高的影響，加上於越南與中國地區的激烈競爭，整體營收較比年同期減少約5.3%而其獲利亦有下降。集團另一項重要的澱粉產品，雖然原材料價格穩定，但由於中國與台灣部份品項的銷售受到市場相當低價競爭的影響，使該產品業績較去年明顯下滑約23.3%。另外，在特化產品中的鹽酸與蘇打產品，因越南景氣的逐漸提升，對基礎化學品有穩定需求，公司生產之鹽酸與蘇打業績也有穩健的成長，業績較去年大幅增加30.4%。而集團的肥飼料產品，東盟與越南市場的需求提升，雖然市場競爭激烈，但同類產品價格仍低，加上需求升溫，銷售額較去年也增加約14.2%。此外，集團有鑒於越南市場對澱粉糖的需求與產銷情勢，增設麥芽糖廠，雖然去年銷量快速上升，但由於今年越南新增數家競爭者，故即使銷售數量上升，但售價下調，使營業額較去年略降約3.9%。雖然如此，集團目前仍看好此市場的潛力與發展，並致力開發與延伸此類產品，以發展多元化產品與開創更高的產品價值。

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During the period, in view of the intense price competition in the market and the rise of production costs, the Group has focused on strengthening businesses and improving costs while developing new products and expanding its markets. The Group also plans to open a subsidiary in Cambodia in the second half of the year in order to promote local sales and seek new business opportunities. To cope with these challenges in the rapidly changing competitive environment, the Group will review its strategies and mechanisms on a timely basis and adopt a more flexible raw material procurement procedure, as well as improve production technologies. Such actions will help stabilise costs and maintain the competitiveness of its production capabilities. On the other hand, trading opportunities and conditions in Vietnam have gradually improved, which will boost mid-to-long-term economic growth. In the area of sales and marketing, the Group will seize opportunities to expand in the Vietnam market, while also focusing on emerging markets with development potential as well as strengthening its distribution channels. For the mature channels, the Group will integrate its marketing strategies and expand its sales channels in order to realise the full potential of its sales network. Meanwhile, it will also increase Research and Development efforts on new products and introduce new products to raise brand awareness. As for the PRC operation, in addition to bolstering its business development team, the Group will continue to expand in regional markets and develop new products with higher gross profit and margins. The Group will also continue to identify and evaluate potential acquisitions and strategic collaboration in projects, leverage its geographical reach and international experience, and accelerate expansion of its overseas business presence in order to improve its operational efficiency and profit.

We realise that the uncertain operating environment and market competition will present many growth opportunities, but also tough challenges to the Group's operations. In the face of these opportunities and challenges, the Group will conduct comprehensive planning and assessments on a timely basis, as well as carefully formulate relevant strategies to capture the opportunities and overcome the challenges ahead. Looking at the second half of 2017, the Group will continue to stabilise the production costs and accelerate the development of new products or strategic collaboration. In this way, the Group will be able to strengthen and carry out its sales strategies amidst the increasingly open market and stable economic growth in Vietnam, and further expand into different business sectors. Based on the current business foundation, it has observed signs of an upswing as its operations develop and advance. Aware of the ever-changing operating environment and the opportunities presented to the Company, as well as the responsibilities it bears, the management at all levels will execute strategies devised by the Group with a visionary insight and in a proactive, pragmatic and prudent manner, with the aim of achieving further progress and solid growth in both results and operations.

By Order of the Board
Yang Tou-Hsiung
Chairman

29 August 2017

集團於回顧期內，主要為因應市場的低價競爭與上升的生產成本，故致力強化業務與改善成本，並銳意開拓新產品與發展新市場，集團亦計劃於今年下半年於柬埔寨增設子公司，以強化當地銷售與尋求新商機。面對變化快速的競爭環境，集團將隨時檢討擬訂應變策略與機制，採取靈活的原料採購模式與持續提升生產技術，以穩定成本，維持生產競爭力。另一方面，越南區域的貿易機會與景氣逐漸恢復，預料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，並致力於具潛質空間之新興市場，強化通路架構，對於已成熟的通路，將再整合集團的行銷策略，深耕銷售網絡，以發揮通路價值；同時，集團將強化合研發新產品與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，加速佈局海外據點，以期擴張經營綜效及增加盈利。

我們深刻體會到目前經營環境與市場競爭仍充滿不確定性，對集團的營運而言，雖然仍有許多成長機會，但確實也存在諸多挑戰，面對此等機會與挑戰，集團將作更深入的檢討與規劃，並擬訂相關的策略以掌握時機及對應迎面而來的挑戰。展望2017年下半年，集團將持續努力穩定生產成本，加速新產品發展或策略聯盟的腳步，面對越南開放的市場與經濟的成長現況，集團將強化並發揮業務銷售策略，同時將有機會對於各事業領域與市場，進行更進一步的拓展。集團也相信，在目前的經營基礎之下，經營將持續朝向正面與進步的發展方向。而集團的各級主管同仁亦深切體會處於多變的環境中，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具之各項營運策略，努力對集團的業績與經營有更高的突破與發展。

承董事會命
主席
楊頭雄

2017年8月29日