



Chairman's Statement 主席報告書

Armed With Modern Technology
And Sound Management, We Have
Successfully Created A Number Of
Quality Products To Cater To The
Consumers' Tastes And Demands.

憑著現代科技設備
與管理，我們開創多種
優質產品，以迎合
消費者的口味和要求。

Yang, Tou-Hsiung 楊頭雄
Chairman 主席

Long-established in Asia, Vedan International (Holdings) Limited is a premier manufacturer of fermentation-based amino acids, food additive and cassava starch-based products. Its prominent reputation has been built on the quality manufacture of MSG, a key food additive lying at the heart of the unique tastes of Asia's two billion consumers. The Group's vision of the future is simple: to expand and enrich its markets across the Asian region while developing new products for the demand of consumers.

In 2017, the global economy began to recover on the back of more stable raw material prices, gradual recovery of the economy in Europe and stronger economic momentum in the US, which in turn drove the economies of emerging countries to grow steadily as well as stimulate international trade. However, ongoing geopolitical tension and unrest in regions such as Europe, the Middle East and Asia, combined with interest rate hikes by the US Federal Reserve, led to fluctuations in currency exchange rates and interest rates, triggering the threat of inflation. All of these factors consequently brought uncertainty to the market.

味丹國際(控股)有限公司立足亞洲，是以醱酵生產技術生產氨基酸、食品添加物和本薯澱粉類產品的知名生產商。味丹國際的成功奠基於其生產優質的味精產品上，而此主要食品添加物在亞洲二十億消費群眾的口味中佔有重要地位。集團未來的目標：拓展及加強亞洲市場，發展新產品，以滿足消費者的需求。

二零一七年全球的經濟環境，隨著原物料價格回穩，歐美國家經濟的逐步復甦，帶動新興國家之經濟升溫與國際貿易轉趨活躍，各地市場經濟成長回溫穩定。雖然如此，在歐洲、中東與亞洲等區域的緊張與動盪情勢持續，加上美元幾次的升息，牽動貨幣匯率及利率的起伏並醞釀通貨膨脹，此等因素使市場景氣存在變數。

With regard to our operations, the selling price and revenue of our major products, in particular MSG and modified starch, were affected by price competition in the market. Compounding matters, the surge in the unit price of coal boosted energy costs which has been just stabilised recently, hence the overall cost of production increased. Our profit margin was directly affected by such intense price competition in the market and rising production costs. The Group has therefore continued to direct focus on stabilising costs, actively expand its business and boost sales, and develop new products and markets, with the ultimate goal of strengthening profitability.

Looking at the Group's operations and profit during the year, revenue amounted to approximately US\$322,000,000, around US\$4,830,000 less than the preceding year, which was mainly due to intense price competition in the MSG and modified starch segments. Such competition also dragged down selling prices and subsequently affected business growth. While overall raw materials prices stood firm or modestly tapered, energy cost increased, resulting in an overall rise in production costs. Gross profit margin for the year was 21.1%, and gross profit declined appreciably by 13.8% from the previous year to approximately US\$68,140,000. Net profit declined by US\$3,490,000 from the preceding year to US\$18,730,000, with net profit margin at 5.8%.

Regarding major geographic markets and segment performance, the demand for products and level of competition varied from market to market. In Vietnam, the overall economy recorded stable growth, and the prices of various raw materials remained stable. The performances of some of our products, including soda, fertiliser and feed products improved along with gradually increasing market demand. Energy costs have, however, increased due to rising coal prices, while the selling prices of MSG, modified starch and maltose products dropped due to fierce price competition, which in turn impacted on overall sales. In Vietnam, though adversely affected by declining selling prices and increasing production costs, we were nonetheless able to increase overall revenue by 1.5% year-on-year owing to our solid branding and sales channels and growth spurred by continuous development of new products in new markets. As for the PRC, although the local economy has been gradually recovering, the Group's operations still encountered headwinds as the MSG and starch products businesses suffered from intense price competition. We have worked hard to maintain profitability, and were modestly successful that the profit is slightly higher than the preceding year, even though revenue was approximately 8.8% lower than the previous year. In respect of Japan and Korea, sales of fertilisers stabilised due to greater demand in the two countries, but the selling prices of MSG and modified starch declined slightly owing to competition, hence revenue slid by roughly 3.0% in these markets when compared with 2016. With respect to ASEAN countries, while revenue increased due to greater demand for fertiliser and feed products as well as maltose during the year, the selling prices of MSG and modified starch decreased. Consequently, revenue derived from ASEAN countries fell by approximately 1.9% when compared with the previous year. It is worth noting as well that our operations in Europe and the US were affected by intense competition, which led to a modest decline in revenue.

集團於二零一七年度之營運，由於主要產品，尤其是味精與變性澱粉，於市場上受到低價的競爭，售價與營收均受到影響。同時，由於煤炭價格的單價提升，致使剛回穩的能源成本又再度上揚，生產成本亦因而有所提高。故在市場低價的競爭與生產成本的上升的情況下，獲利直接受壓。有鑑於此，集團本年的主要營運重點仍為致力穩定成本，積極地拓展業務與加強銷售力度，開發新產品與新市場，以提升利潤空間。

綜觀集團於本年之營運與獲利，營業額約3億2仟2佰萬美元，比去年下滑約483萬美元。主要因為味精與變性澱粉於市場上價格的激烈競爭，售價下滑，影響業績增長。然而，雖然整體原料價格持平或略降，但能源成本上升，使整體生產成本提高，毛利率為21.1%，毛利額約6,814萬美元，較去年大幅下跌13.8%。而淨利為1,873萬美元，較去年減少349萬美元，淨利率為5.8%。

綜觀集團各主要市場與業務經營分析，各地市場對不同產品的需求與競爭均有不同表現。在越南市場，因整體經濟景氣穩定成長，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。另外，能源成本因煤炭價格上漲而上升，而且味精、變性澱粉與麥芽糖產品亦受到市場價格競爭，以致售價下滑，影響整體銷售進度。然而，雖然產品售價下降與生產成本上升，但集團於年內藉著穩定的品牌力與銷售通路，加上集團新產品於新市場的持續經營略有增長，令越南整體區域內業績較去年略為提升1.5%。然而，集團在中國區的營運，雖經濟景氣逐漸恢復，但味精與澱粉產品仍受到市場價格的競爭，業績仍稍受到影響。而公司以利潤為主要考量，故雖然獲利較去年略增，但營收較去年下滑約8.8%。另外，就日本與韓國市場的營運而言，雖然肥料於該等區域因需求增加而銷售穩定，但味精與變性澱粉卻因競爭使售價略有下降，以致集團於此市場的業績較去年下滑約3.0%。而東盟市場雖然受惠於年內肥飼料及麥芽糖的需求提升而增加營收，但味精與變性澱粉同樣因下調售價，使本年此等地區之業績較去年下滑約1.9%。除此之外，歐美市場整體之營運因也受到市場競爭的影響，營收亦略為下滑。

As for the performance of the Group's products, MSG and seasonings, our major products were affected by weaker selling prices and rising costs, and in particular, by keen competition in Vietnam and the PRC. As a consequence, overall revenue fell by approximately 3.0% when compared with 2016. With regard to starch, which is another key product segment, revenue has contracted by around 15.8% from the preceding year, even as raw material prices have remained stable. The reason for the decrease was cut-throat price competition in the PRC, Japan and Taiwan markets. A further product that is part of the starch product category is maltose. While rapid revenue growth was achieved in 2016, new competitors emerged in Vietnam during 2017. Consequently, the selling price did not increase along with sales volume, resulting in a decline in revenue of around 5.9% year-on-year. Nevertheless, the Group remains confident in the potential of this product and in the market, and is developing maltose and related products that possess higher value and margins. In respect of hydrochloric acid and soda, which are under the specialty chemicals segment, their performance grew steadily, with revenue up 28.8% year-on-year. This was due to more stable demand for fundamental chemicals in Vietnam as market sentiment in the country gradually improved along with the strengthening economy. With regard to our fertiliser and feed products, the demand from Vietnam, Japan and ASEAN markets expanded, with sales also climbing strongly by approximately 18.0% from the previous year, and this was despite the selling price of similar products remaining low. Demand has begun to rise amid keen market competition.

就以產品別分析而言，集團主要的味精與調味料產品，由於售價下滑與成本提高的影響，尤其於越南與中國地區競爭尤為激烈，整體營收較去年減少約3.0%。集團另一項重要的澱粉產品，雖然受惠原料價格穩定，但由於在中國、日本與台灣的銷售，部份品項受到市場低價競爭的影響，使該產品業績較去年明顯下滑約15.8%。集團於澱粉產品之另一項重要的麥芽糖產品，雖然二零一六年增長快速，但年內越南有新增數家競爭者，故雖然銷售數量仍有增長，但售價下跌，使營業額較去年略降約5.9%。雖然如此，集團目前仍看好此類產品在此市場的潛力與發展，並致力於此類產品與延伸產品之開發，以發展多元化產品與開創更高之產品價值。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，集團生產之鹽酸與蘇打業績也有穩健的增長，業績較去年大幅增加28.8%。而集團的肥飼料產品，因越南、日本與東盟市場的需求提升，雖然市場上競爭激烈，同類產品價格仍低，但需求上升，銷售額較去年也增加約18.0%。

In view of intense price competition and rise in production costs during the year, the Group directed its focus on strengthening its businesses and improving cost controls, while at the same time developing new products and expanding its markets. It is worth noting as well that the Group plans to set up a subsidiary in Cambodia in a move to promote local sales and seek new business opportunities. To cope with the rapidly evolving and competitive environment, the Group will review and timely devise contingency strategies and mechanisms, as well as adopt a more flexible raw material procurement procedure. Furthermore, it will steadily work towards improving production procedures and technologies. Such efforts will help to stabilise costs and maintain the competitiveness of the Group's production capabilities. Besides, given that trading opportunities and conditions in Vietnam and ASEAN countries have been gradually improving, leading to prospects of mid-to-long-term economic growth. The Group will therefore also leverage its sales and marketing capabilities to seize opportunities to expand, particularly in the Vietnam market, though maintaining an eye on emerging markets that hold development potential. Concurrently, the Group will strengthen its distribution channels. Yet another effort by the Group will be to integrate its marketing strategies as it widens its sales channels in order to realize the full potential of its sales network. Furthermore, research and development will be intensified so as to introduce new products and raise brand awareness. As for the PRC operation specifically, besides bolstering the business development team, the Group will continue to expand in regional markets and develop new products with higher gross profit margin. Apart from that, the Group will continue to identify and evaluate potential acquisitions and strategic collaborations as it leverages its strength in niche markets and international experience to accelerate expansion of its overseas business presence, a benefit of which also includes greater operational efficiency and profitability.

年內，集團主要因應市場的低價競爭與上升之生產成本，故專注強化業務與改善成本，並致力開拓新產品與新市場之發展，集團計劃於柬埔寨增設附屬公司，佈局強化當地銷售及尋求新商機。集團了解目前競爭環境變化快速，面對此環境變化，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，越南與東協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，除精耕越南本地市場之外，並著力於具發展潛質空間之新興市場，強化通路架構，對於較為成熟的通路，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，集團將再努力於區域市場之精耕與開發高毛利新產品。此外，集團仍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，以擴張經營綜效及增加盈利。

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We realize that the operating environment and market competition will continue to rapidly evolve. In 2018, there will nonetheless be ample opportunities created by broad-based global economic growth. As for Vedan International's operations, we expect the Group to face challenges in the form of further escalation in raw material prices and keen competition. To address these issues, we will increase investment in developing new products and penetrating new markets. By enhancing our branding efforts and more effectively utilising channel resources, we will strive to improve the flexibility and capability of our operations. In general, we will formulate strategies for capturing opportunities created in response to the fast-changing operating environment. At the same time, we will continue to stabilise production costs and look for strategic collaboration opportunities. In this way, we trust that we will be able to strengthen and effectively execute sales strategies in an increasingly open market, including in Vietnam where economic growth has been stabilising. This will facilitate further expansion into different business sectors and markets. Leveraging our strong business foundation, our operations will develop and grow in a suitable and positive manner. We are aware of the changing operating environment and the opportunities presented to the Company, as well as the responsibilities that it bears. The management at every level will therefore execute strategies in a pragmatic and prudent manner, with the aim of achieving further breakthroughs and milestones in terms of its business performance and overall development.

By Order of the Board
Yang Tou-Hsiung
Chairman

27 March 2018

我們體會到目前經營環境與市場競爭仍充滿快速變化的特性，展望二零一八年，面對世界經濟持續的增長，雖然存在許多機會，然而在集團的營運上，雖然仍會面臨原料上漲，市場競爭的態勢，但是集團將更大腳步投入新產品新市場的發展，藉由擴大品牌的效益，善用通路的資源，提升經營的彈性與機動性，擬訂相關的策略，以掌握時機及因應快速變化的經營環境。同時，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，這才能在越南開放市場與經濟穩定增長下，強化並發揮業務銷售策略，同時也將有機會對於各事業領域與市場，進一步的拓展。集團也相信，在目前的經營基礎下，經營將持續朝向正面與成長的方向發展。而集團管理層，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

二零一八年三月二十七日