

# Chairman's Statement

## 主席報告書

In the first half of 2018, looking at the global economic environment, major economies generally maintained stable growth as in 2017, with emerging markets continuing to grow faster than developed countries. Overall, the global economy managed to recover and grow steadily in the first quarter. However, since the beginning of the second quarter, with the Sino-US trade conflict worsening, depreciation of various currencies against the US dollar, increasing debt of governments around the world, tension arising in the Middle East, as well as climate change, uncertainty again overshadowed the global economy. The continuous surge in international oil price and fluctuation of exchange rate and interest rate in different countries increased the risk of inflation. In Vietnam, economic sentiment continued to improve in the first half of 2018, with foreign investment increasing steadily, price index persistently low, and total import and export rose with trade surplus. The exchange rate of the Vietnam Dong depreciated only 1.0% in the first half year, meaning the currency stayed relatively stable. Hence, Vietnam showed an overall stable economic growth in the first half year, and that presented the Group with the opportunity to enhance its financial performance.

During the period, revenue from the Group's core products including MSG, modified starch, soda and fertiliser and feed products increased, due to the improving market sentiment that boosted demand. However, persistently rising coal price and prices of raw materials, such as cassava and industrial salt, pushed up production costs. For some of the Group's products, their selling prices continued to stay in a low level because the market competition remained keen, while production costs climbed, thus their profits were squeezed to some extent. The Group therefore continued to put major effort on stabilising costs, actively expanding its business, boosting sales and developing new products and markets during the period, with an aim to expand its profit margin.

As for the operations and profit for the period, the Group recorded revenue amounting to approximately US\$167,803,000, increased US\$11,155,000 when compared to the same period last year (first half of 2017). The increase was mainly due to the stronger demand for its different products stimulating rise in sales volume as well as selling prices and in turn the Group's total revenue. Regarding production costs, while prices of sugar sources tapered a bit, energy cost and the prices of certain raw materials increased, hence overall production costs climbed. Gross profit for the period was US\$33,356,000 and gross profit margin dropped by 1.7% year-on-year to 19.9%. Net profit was US\$9,086,000, approximately US\$200,000 less year-on-year, and net profit margin was 5.4%.

在2018年上半年全球的經濟環境，各主要經濟體大多維持2017年穩定的成長表現，其中新興國家之經濟增長速度仍高於發達國家。整體而言，全球第一季之經濟表現均有穩定的復甦與成長。但自第二季起，隨著美、中貿易摩擦加劇，各國匯率對美元的競貶，全球政府債務增加，中東緊張情勢再起，加上氣候變遷之影響，使得全球經濟再次蒙上不確定之變化。而國際原油價格持續上升，各國匯率與利率的波動起伏，亦造成通貨膨脹攀升之風險。而越南在2018年上半年，經濟景氣持續升溫，外資投資穩定增加，物價指數仍維持在低水平，進出口金額穩定提升，持續維持於順差狀態。越南盾匯率上半年相對穩定，僅貶值1.0%，反映越南上半年之整體經濟環境穩定成長，此亦有助於集團對業績正面提升。

集團於期內之多項主要產品，如味精、變性澱粉、蘇打與肥飼料等，因市場景氣升溫而需求提升，致使營收增加。然而由於煤炭價格、木薯與工業鹽等原料價格持續上漲，導致生產成本上升。其中部份產品之市場競爭仍然激烈，售價仍保持在低水平，故在生產成本的上升情況下，獲利受到些許壓縮。有鑑於此，集團期內的主要營運重點為致力穩定成本，積極拓展業務與加強銷售力度，開發新產品與新市場，以期擴展利潤空間。

綜觀集團於期內之營運與獲利，營業額約1億6仟8百萬美元，比前期（2017年上半年）增加約1,116萬美元，主要因為多項產品之需求增加，使銷售量與售價均錄得增長，推動整體營業額向上。另外，雖然糖源價格略跌，但是能源成本與部份原料價格卻上漲，使得整體生產成本上升，期內毛利額約3,336萬美元，毛利率19.9%，較前期略跌1.7%，淨利為909萬美元，較前期減少約20萬美元，淨利率為5.4%。

Regarding major geographic markets and segment performance, the demand for products and level of competition varied from market to market. In Vietnam, overall economic sentiment picked up steadily and the performance of various products including MSG, seasonings, modified starch, maltose, soda, fertiliser and feed products improved alongside the increasing market demand. The sales volume and selling price and thus the revenue of the specialty chemical hydrochloric acid, however, dropped because more of the product was used by the Group for production internally and also because of price competition in the market during the period. Hence, in Vietnam, based on stable quality products, strong brand influence and the support of well-established sales channels with a thorough grasp of market demand, the Group was able to boost sales and overall revenue from Vietnam rose by 10.7% year-on-year. In the PRC market, major products such as MSG and seasonings, which were still affected by price competition, performed much the same as in the same period last year. Despite that, overall revenue from the PRC market grew by about 27% year-on-year with starch and trade products managing notable revenue growth during the period. In Japan, as a result of the slower upturn of economic sentiment and the continued price competition faced by various products, selling prices of key products including MSG, modified starch and fertilisers slightly dropped. As such, the Group's sales volume in this market also fell and revenue was down by about 5.1% when compared with the same period last year. With respect to the ASEAN market, while strong demand fuelled revenue from fertiliser and feed products and modified starch, competition restricted the sales volume of MSG and maltose, therefore results of the market were about the same as in the same previous period. In the US, with MSG products affected by market competition, the Group's overall sales in the market slid, while in Europe, increase in increasing demand bolstered the performance of MSG, modified starch and fertiliser and feed products.

By product, revenue from the Group's major products MSG and seasonings, with market competition easing, grew by about 1.5% when compared with same period of last year. As for starch products, another key segment of the Group, with price of the raw material cassava and demand for products surging during the period, the Group sold more modified starch and cassava starch at higher selling prices, and as a result revenue from the segment swelled. Maltose was another key starch product that also benefited from the higher price of cassava and recorded higher sales volume, selling price and revenue during the period. Therefore, revenue from starch products and maltose for the period saw a notable 25.8% increase against the last corresponding period. Seeing the market potential and bright development prospects of these products, the Group is working hard on their development and exploring different extended products, that it may offer diverse products to customers and raise the value of its products. Regarding the speciality chemicals segment, basic chemicals like hydrochloric acid and soda were in steady demand in Vietnam as the economy continued to improve. Hydrochloric acid, however, saw a drop in sales volume and selling price with the Group using more of the product internally and also because of market competition during the period. Soda, on the other hand, recorded notable growth in revenue, and hence the entire specialty chemicals segment saw a 12.0% increase in revenue against the same period last year. As for the fertiliser and feed products, they were in higher demand in Vietnam, ASEAN countries, Taiwan and Europe, hence both their selling prices and results increased. In particular, the Group secured new feed products customers in Vietnam, hence achieved relatively better sales of the products. In all, sales volume of fertiliser and feed products grew by approximately 9.3% year-on-year.

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個別表現。在越南市場，因整體經濟景氣穩定成長，包括味精、調味料、變性澱粉、麥芽糖、蘇打與肥飼料等業績隨著市場需求提升而增加，其中特化產品鹽酸，因期內集團內部生產使用量增加，且因市場低價競爭之因素，致使售價下滑，量價俱跌，營收下降。故集團期內在越南市場，藉著穩定的品質、品牌推廣與銷售通路，配合市場需求推升業績，致使越南整體區域內業績，較前期上升10.7%。而集團在中國區的營運，主要產品味精與調味料產品仍受到市場價格競爭的影響，業績與前期約略持平。但於期內，澱粉與貿易品項之營收均較前期錄得較大幅之增長，以致中國區整體營收較前期有約27%的增長。另外，日本市場的營運，因經濟景氣恢復較慢，且多項產品之市場價格競爭持續，該市場之主要銷售產品，如味精、變性澱粉與肥料等因競爭而售價略有下降，使集團於此市場的銷售量下滑，業績亦較前期下滑約5.1%。而東盟市場雖然受惠於期內肥飼料及變性澱粉的需求提升而營收增加，但味精與麥芽糖因競爭而使銷售量降低，使期內此等地區之表現與前期持平。除此之外，美國市場整體之營運因味精產品受到市場競爭的影響，銷售略有下滑，而歐洲因需求提升，使味精、變性澱粉與肥飼料之業績均上升。

以產品類別分析，由於競爭趨緩，集團主要的產品味精與調味料產品整體營收較前期略增約1.5%。集團另一項重要產品澱粉產品，於期內因木薯原料價格飆升，需求急增，使集團變性澱粉與木薯澱粉的銷售量均錄得增加，售價亦有所調漲，營收也隨之增加。集團於澱粉產品之另一項重要產品麥芽糖產品，同樣於期內受惠於木薯原料價格調漲，使銷售量增加，產品售價上升，營收亦隨之增加。故此期內澱粉產品與麥芽糖之營業額較前期明顯增加約25.8%。集團目前相當重視此類產品於市場的潛力與發展，並致力於開發此類產品之延伸產品，以期發展多元化產品與開創更高的產品價值。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，市場對基礎化學品有穩定的需求，雖然鹽酸產品因期內集團生產使用量增加與市場競爭使量價俱跌，但蘇打之業績卻有顯著的增長，故整體特化產品的營收相較前期提升12.0%。而集團的肥飼料產品，因越南、東盟、台灣與歐洲市場的需求提升，其售價亦有所提升，故此業績增加，尤其飼料產品於越南本地成功開發了新客戶，銷售較前期佳。故肥飼料產品之銷售額較前期也增加約9.3%。

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During the period, with various products facing price competition and bearing higher production costs, the Group focused on strengthening its businesses and improving cost control, and at the same time developing new products and markets. The Group adopted a more flexible raw material procurement approach and continued to improve production technologies during the period to help stabilise costs, as well as maintain competitiveness in production. In terms of marketing strategy, the Group set up a subsidiary in Cambodia during the period to help it promote local sales network and look for new business opportunities. On boosting sales, other than growing the Vietnam market, the Group also put effort on developing emerging markets with promising growth potential. It also strengthened its distribution channels and, for the relatively mature sales channels, the Group adjusted its sales and marketing strategy, to enhance and realise the full potential of its sales network. Furthermore, it stepped up research and development of new products, which will be introduced to the market to the end of boosting its brand influence multiple folds. For the PRC operation, the Group continued to strengthen its business development team and strive to expand markets in different regions and develop new high gross profit products.

Looking at the second half year, we are aware that the Group will still be operating in a fast changing environment and the prices of some raw materials may rise and the market will continue to be competitive. Nonetheless, the Group will make more forceful strides into new markets and in developing new products, and by enhancing its brand influence, using its channel resources effectively, it aims to raise the flexibility and speed of action of its operations. Relevant strategies will be formulated to help the Group to capture opportunities and cope with the fast evolving operating environment. At the same time, the Group will continue to exert on stabilising production costs, hastening development of new products and the pace of the strategic alliances. In doing so, we shall be able to strengthen and effectively execute our sales strategies in Vietnam with a more open market and steadily growing economy. We shall also have opportunities to further expand our different businesses and markets. Building on its existing business foundation, the Group believes its businesses will march in a positive direction towards growth. All management of the Group are well aware of the opportunities in the changing operating environment and their responsibilities, hence will execute the set operational strategies of the Group with care and pragmatism, thereby help the Group develop and make breakthroughs in operation and with its results.

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

28 August 2018

集團於期內因應市場多項產品的低價競爭與生產成本的上升，故專注於強化業務與改善成本，同時致力於開拓新產品與發展新市場。集團於期內除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，維持生產競爭力外，在行銷戰略上，集團已於期內於柬埔寨設立子公司，以佈局並強化當地的銷售網絡與尋求新商機。同時在行銷業務方面，除精耕越南本地市場，並著力發展具潛質之新興市場，強化通路架構。對於較為成熟的通路，集團會再整合其行銷策略，深耕銷售網絡，以發揮通路價值；同時，積極研發新產品與藉著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，集團持續強化業務團隊，努力精耕區域市場與開發高毛利的產品。

展望下半年，我們體會到集團在營運上，仍會面臨經營環境的快速變化，部份原料價格可能上漲，市場持續競爭的態勢，但是集團將更大腳步投入新產品及新市場的發展，藉著擴大品牌效益，善用通路資源，提升經營的彈性與機動性，因應快速變化的經營環境擬訂相關的策略，以掌握時機。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，務求在越南開放的市場與經濟穩定成長下，強化並發揮業務銷售策略，同時也將對各事業領域與市場，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成長的方向發展。而集團的各級主管同仁，亦深切體會到集團於多變的經營環境中的發展契機與所肩負之責任，將會以開創的眼光與積極的態度，務實並謹慎地執行集團擬定之各項營運策略，努力對集團業績與經營有更大的突破與發展。

承董事會命  
主席  
楊頭雄

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