

# Management Discussion and Analysis

## 管理層討論及分析

### I. BUSINESS OVERVIEW

In the first half of the year, global economic continued to improve since 2017, with major regions achieving good performance in terms of production, consumption, trade and control over unemployment rate. Among the major economies, the United States recorded steady growth in various economic data. Economic growth was achieved in Europe, but the growth rate appeared to be slackening. In the PRC, the economy grew close to 6.6% in the first half of the year, slightly slower than last year by 0.3%. The Japanese economy continued to manage modest growth and emerging economies continued to grow faster than developed counterparts. Generally speaking, different regions achieved steady recovery and the growth momentum in economic performance in the first quarter. However, since the beginning of the second quarter, with broke out of the Sino-US trade war, tightening of liquidity of US dollar, increasing debts of governments worldwide and geopolitical risks, the tensioning of situations in the Middle East and the effects of climate change, the global economy is full of uncertainties. In addition, persistently strong international crude oil price and fluctuation of exchange rates and interest rates in different countries increased the inflation risk. In Vietnam, the economy grew the fastest pace since 2011, with GDP up by 7.08% in the first half of 2018. Foreign investment in the country continued to increase steadily, up by 8.4% as compared with last year. CPI growth rate remained low at 3.29%. Total import and export rose with trade surplus prevailing since 2016 and the Vietnam Dong only depreciated by 1.0%, being relatively stable. All these positive economic data indicated that the Vietnamese economy will continue to grow this year.

In the first half of the year, the Group's revenue climbed by 7.1% or US\$11,155,000 year-on-year to US\$167,803,000. The increase in revenue during the period was mainly owed to the increase in demand for MSG, modified starch, soda, fertilisers and feed products, pushing up their prices and sales volumes. However, the prices of some raw materials and energy increased markedly during the period, and having to cope with market competition, the cost increase could not be fully reflected in the selling prices. Hence, with costs climbing higher than increase in product prices, the Group's gross profit margin and net profit margin for the period dropped.

### 一、業務總覽

今年上半年全球經濟基本延續2017年的復甦榮景，各經濟區域於生產、消費、貿易與失業率的控制均有不錯的表現。其中全球主要經濟體中，美國各項經濟數據均顯示穩定增長，歐洲經濟雖有增長但有放緩之趨勢。中國上半年經濟增長將達到6.6%，較去年略降0.3%。日本經濟持續緩步復甦的態勢，而新興市場國家的經濟增長速度仍高於發達國家。整體而言，第一季全球各區域的經濟表現均穩定復甦及呈現增長勢頭。但自第二季起，隨著中美貿易戰的序幕拉開、美元流動性吃緊、全球政府債務增加與地緣政治風險、中東緊張局勢升溫，以及氣候變遷，使全球經濟再次受到不明朗因素影響。同時，加上國際原油價格維持強勁，各國匯率與利率不穩，亦造成通貨膨脹攀升的風險。而越南2018年上半年經濟增長達2011年以來的最高水平，GDP增長率達7.08%，創七年來新高，外資投資持續穩定增長，較去年增加8.4%，物價指數增長率維持3.29%的低水平，進出口總量上升，維持2016年以來出口順差狀態，匯率上半年貶值1.0%，相對穩定，此等各項正面的經濟數據，均有助越南於本年經濟持續增長。

集團上半年，營收達167,803,000美元，較去年同期增長7.1%，金額11,155,000美元。本期營收增加主要為味精、變性澱粉、蘇打與肥飼料之需求增加，價格及銷量均有增加，導致營收相對提升，不過因期內部份原料與能源價格較大幅度上漲，以及市場競爭的因素，無法完全將上漲之成本反映於售價上，故使成本上升幅度高於價格上漲之幅度，造成集團期內毛利率與淨利率下降。

## Management Discussion and Analysis 管理層討論及分析

By market, revenue from Vietnam's market grew by US\$8,168,000, or 10.7%, year-on-year. Among different products sold, MSG, modified starch, soda, fertilisers and feed products recorded more notable growth in results. In the PRC, revenue grew by US\$3,578,000, or 27.0%, year-on-year, mainly attributable to the higher revenue from starch and trade products. In Japan, revenue decreased by US\$1,598,000, or 5.1%, year-on-year, mainly because of the drop in revenue from MSG, modified starch and fertilisers and feed products. In the United States, revenue for the first half of 2018 decreased by US\$1,176,000, or 11.9%, year-on-year, mainly due to the decline in revenue from MSG. In the ASEAN market, revenue remained at the same level as in the first half of 2017, slightly up by 0.1% or US\$9,000. In Taiwan and other regions, revenue rose by US\$2,174,000, or 23%, which was attributable to the growth in revenue from modified starch in Taiwan and from MSG, modified starch, fertilisers and feed products in Europe.

On products, in general, as costs climbed and selling prices of products followed, revenue from all major products increased. Soda products, in particular, recorded growth in both sales volume and selling prices. Hence, its revenue climbed by 20.5% or US\$1,973,000. As for starch products, thanks to the increasing demand during the period, revenue improved by 27.7%, or US\$4,457,000, more in revenue. Revenue from the Group's major product, MSG also climbed by 1.2% or US\$1,339,000.

The Group's gross profit amounted to US\$33,356,000 for the period, down by 1.4%, or US\$462,000, when compared with the same period of 2017 and its overall gross profit margin narrowed to 19.9% from 21.6% in the same period of 2017. Net profit declined by US\$195,000, or 2.1%, to US\$9,086,000 when compared with the same period of 2017 and net profit margin was 5.4%, down from 5.9% in 2017. The drop in gross profit and net profit was mainly due to the large increase in coal prices which resulted in higher energy costs and also the price increase of major raw materials like industrial salt and cassava starch, which pushed up production costs. The increase in costs was not reflected in the prices of some products.

在市場方面，越南市場營收較去年同期增加8,168,000美元或10.7%，其中味精、變性澱粉、蘇打與肥飼料之業績有較明顯增加。中國市場營收較去年同期增加3,578,000美元或27.0%，主要為澱粉與貿易品項營收增加所致。日本市場於期內營收較去年減少1,598,000美元或5.1%，主要因為味精、變性澱粉與肥料之營收減少。美國市場2018上半年營收亦較去年同期減少1,176,000美元，下降11.9%，主要是味精營收下滑。東盟市場營收仍維持2017上半年水平，營收略增0.1%或金額9,000美元。於台灣及其他市場增加2,174,000美元或23%，主要是台灣市場變性澱粉與歐洲市場於味精、變性澱粉與肥飼料之營收增加。

在產品方面，因期內成本上升，產品售價均隨之上漲，各主要產品營收均有增加，特別是蘇打產品，量與價俱增，營收較去年增加20.5%或金額1,973,000美元。另外澱粉類產品，因為期內需求增加，使營收亦增加27.7%或金額4,457,000美元。主要產品味精之營收亦增加1.2%或金額1,339,000美元。

集團本期毛利達33,356,000美元，較2017年同期減少1.4%或金額462,000美元。集團整體毛利率由2017年同期21.6%至19.9%，集團淨利為9,086,000美元，較2017年同期減少195,000美元，相當於2.1%，淨利率由2017年5.9%降至5.4%。毛利與淨利減少的主因是能源成本煤炭價格大幅上漲以及主要原料如工業鹽、木薯澱粉價格也均上升，製造生產成本增加，部份產品售價反映不及成本之增加所致。

## II. BUSINESS ANALYSIS

## 二、營業分析

## (1) Sales Analysis by Market

## (一) 市場銷售分析

Unit: US\$'000

單位：千美元

Country	國家	First half of 2018		First half of 2017		Difference	
		2018年上半年	%	2017年上半年	%	差異	%
		Amount	%	Amount	%	Amount	%
		金額	%	金額	%	金額	%
Vietnam	越南	84,644	50.4%	76,476	48.8%	8,168	10.7%
Japan	日本	29,867	17.8%	31,465	20.1%	-1,598	-5.1%
PRC	中國	16,835	10.0%	13,257	8.5%	3,578	27.0%
ASEAN	東盟成員國	16,089	9.6%	16,080	10.3%	9	0.1%
US	美國	8,731	5.2%	9,907	6.3%	-1,176	-11.9%
Others	其他	11,637	7.0%	9,463	6.0%	2,174	23.0%
Total	合計	167,803	100.0%	156,648	100.0%	11,155	7.1%

## 1. Vietnam

Vietnam is the largest market of the Group. In the first half of 2018, along with the improving economy, market consumption sentiment in Vietnam also warmed up. As such, the Group's revenue from the market rose by 10.7%, or US\$8,168,000, year-on-year to approximately US\$84,644,000. The increase in revenue was mainly attributable to the Group mounting vigorous sales promotion and other business activities for MSG and seasonings, amid easing market competition, resulting in rise in sales volume and average selling price. Furthermore, higher market demand for soda, modified starch, maltose and fertilisers boosted their sales volumes and selling prices, and accordingly contributed to the growth of revenue. As the revenue from Vietnam swelled quite markedly when compared with the same period last year, contribution from the market increased to 50.4% of the Group's total revenue from 48.8% in the first half of 2017.

## 1. 越南市場

越南為集團第一大市場，因越南於2018年上半年經濟景氣好轉，市場消費氣氛較熱絡，故集團於此市場之營收約84,644,000美元，較2017年同期增加10.7%或金額8,168,000美元。增加主要由於強化味精與調味料促銷與業務活動，加上競爭趨緩，銷量與平均售價均有提升。另外，蘇打、變性澱粉、麥芽糖與肥料均因市場需求增加，銷售量增加且售價調漲，推升營收之增長。因越南市場營收相較去年同期有較大幅度之增長，故越南市場營收佔比由2017上半年48.8%增至50.4%。

## 2. Japan

Japan is the second largest market and a long-standing stable market of the Group. Although production costs rose during the period, since the Japanese economy was growing slowly, it was difficult for the Group to adjust product prices. In order to keep the established market stable, and to ensure its products make stable profits, the Group adjusted its inventory to match customers' demand. As a result, revenue of MSG, starch and fertilisers from the market dropped slightly. Revenue from Japan for the period decreased by 5.1%, or US\$1,598,000, to US\$29,867,000 when compared with the first half of 2017, and the contribution from the market accounted for 17.8% of the Group's total revenue, lower than the 20.1% in 2017.

## 3. PRC

Revenue from the PRC increased by 27.0%, or US\$3,578,000, year-on-year to US\$16,835,000 during the period, making up 10.0% to the Group's total revenue, up from 8.5% in the first half of 2017. The market recorded revenue growth higher than that of last year, mainly because of the higher sales of starch and the significant sales growth of new trade products.

## 4. ASEAN member countries

During the period, revenue from ASEAN member countries, excluding Vietnam, amounted to US\$16,089,000, similar to that in the same period last year, just up slight by 0.1% or US\$9,000. Performance of the ASEAN market remained flat, short of expectation, mainly due to competition on price causing a drop in the price of MSG and also a slight decline in MSG sales volume. However, both modified starch and fertilisers recorded growth in sales volume as demand increased. The ASEAN market is a major long-term development focus of the Group. A subsidiary was thus set up in Cambodia by the Group in the first half of the year, which will in the initial stage focus on developing the market and deployment of related network and structure, and then put more effort into growing the market by strengthening sales and promotion of different products. The Group aims at setting the subsidiary as good foundation to support development and expansion of its business in the ASEAN market.

## 2. 日本市場

日本為集團第二大市場，是集團長期穩定之市場，期內集團生產成本雖然上升，但日本市場經濟增長仍然緩慢，不易調價，為穩定此長期經營之市場，同時維持穩定之產品利潤，配合客戶進行庫存調整，使味精、澱粉與肥料之營收均略有減少，使期內日本市場營收達29,867,000美元較2017上半年減少5.1%或金額1,598,000美元，營收佔比為17.8%，低於2017上半年的20.1%。

## 3. 中國市場

本期中國市場營收為16,835,000美元，較2017年同期增加27.0%或金額3,578,000美元，營收佔比由2017上半年8.5%增至10.0%。中國市場期內營收較去年有較高之增幅，主要為澱粉銷售增加以及貿易新產品之銷售有較大幅之增長。

## 4. 東盟市場

期內東盟市場，除越南之外，營收16,089,000美元，較2017年同期微升0.1%或金額9,000美元。東盟市場僅維持持平之表現，未如預期之增長，主要由於味精業績持續低價競爭，使價格仍稍下滑，銷售量亦略為減少，但變性澱粉與肥料因需求增加而令銷售增長。東盟市場為集團主要持續開拓之重點市場，已於今年上半年成立柬埔寨子公司，初期將著重開拓市場與佈局網絡架構，並將更積極投入與強化該市場各項產品之銷售推廣，期望以此為出發點，為日後東盟各市場之拓展與精耕，奠立良好之基礎。

5. The US

Revenue from the US market reached US\$8,731,000 for the period, a decrease of 11.9%, or US\$1,176,000, from US\$9,907,000 in the first half of 2017. Its contribution to the Group's total revenue was down from 6.3% to 5.2%. The revenue decline mainly due to competition in the MSG market suppressing selling price of MSG. Also, as organic maltose, which performed well last year, was subject to reconfirmation of specifications this year, full shipment had not been made. Sales of the product, however, has been resuming gradually. In addition to MSG and maltose, the Group is actively developing modified starch business in the US, thus growth is expected for the market in the future.

6. Other regions

Other regions mainly include Taiwan and the European Union ("EU"). As sales of MSG, modified starch and fertilisers increased during the period, total revenue from other regions rose by 23.0%, or US\$2,174,000, to US\$11,637,000, as compared to US\$9,463,000 in the same period in 2017. The market accounted for 7.0% of the Group's total revenue, up from 6.0% in the same period in 2017.

(2) Sales Analysis by Product

Unit : US\$'000

Item	項目	First half of 2018		First half of 2017		Difference	
		2018年上半年		2017年上半年		差異	
		Amount	%	Amount	%	Amount	%
		金額	%	金額	%	金額	%
MSG and seasonings	味精+調味料	110,938	66.1%	109,251	69.7%	1,687	1.5%
Modified starch & native starch & maltose	變性澱粉 +天然澱粉 +麥芽糖	26,062	15.5%	20,724	13.2%	5,338	25.8%
Specialty chemicals	特化產品	15,378	9.2%	13,735	8.8%	1,643	12.0%
Fertilisers and feed products	肥飼料	10,600	6.3%	9,701	6.2%	899	9.3%
Others	其他	4,825	2.9%	3,237	2.1%	1,588	49.1%
Total	合計	167,803	100.0%	156,648	100.0%	11,155	7.1%

5. 美國

美國市場期內營收8,731,000美元較2017上半年9,907,000美元減少11.9%，金額1,176,000美元，營收佔比由6.3%降至5.2%。業績下降主要由於味精市場競爭，售價較低。同時去年有較好表現之有機麥芽糖，今年因規格的再確認，未能全面出貨，目前正逐步恢復銷售。美國市場除味精與麥芽糖外，集團亦正積極投入變性澱粉之開拓，未來之增長應可期待。

6. 其它市場

其他市場主要為台灣及歐盟市場，本期味精、變性澱粉與肥料銷售增加，合計營收達11,637,000美元，比2017年同期9,463,000美元增加23.0%或金額2,174,000美元，佔集團總營收由6.0%增至7.0%。

(二) 產品銷售分析

單位：千美元

**1. MSG and seasonings**

During the period, revenue from MSG and seasonings-related products amounted to US\$110,938,000, an increase of 1.5%, or US\$1,687,000, against the corresponding period in 2017. The revenue growth was mainly owed to the Group strengthening promotion and business activities in the first half year and the import competition easing in Vietnam, resulting in increase in sales volume and a slight rise in price, contributing to the more notable growth in revenue from MSG in the Vietnam market. However, MSG sales were down in varying extent in Japan, ASEAN market and the US, hence overall the results of MSG business only grew marginally during the period. The revenue contribution from MSG and seasonings-related products to the Group's total revenue for the period decreased from 69.7% in the first half of 2017 to 66.1%.

**2. Modified starch/Native starch/Maltose**

With cassava, the raw material for producing native starch, modified starch and maltose products, in short supply during the period, the market price of and demand for cassava starch both surged and, as a result, the Group sold more products and at higher prices, and accordingly revenue from the products grew. During the period, revenue from native starch, modified starch and maltose products climbed 25.8%, or US\$5,338,000, year-on-year to US\$26,062,000. Sales of modified starch increased in all other markets except a slight drop was recorded in Japan and in the PRC. Sales volume and selling price of maltose also improved due to increase in demand. The Group continued to actively promote organic maltose, which has higher added value. Starch-related products accounted for 15.5% of the Group's total revenue, up from 13.2% in the same period last year. The Group sees the segment as crucial to its business in the future, hence has continued to develop new products and new markets for it.

**1. 味精與調味料**

期內味精和調味料相關產品營收110,938,000美元，較2017年同期增加1.5%或金額1,687,000美元，味精營收增加主要由於上半年的強化促銷及業務活動與越南進口競爭較為趨緩，銷售量增加，價格也微幅提升，導致越南市場味精營收有較大幅度增加。不過，味精在日本、東盟市場與美國都仍有不同幅度的減少，導致集團味精表現於期內僅小幅增加。整體而言，味精和調味料相關產品佔集團總營收由2017上半年69.7%降至66.1%。

**2. 變性澱粉／天然澱粉／麥芽糖**

期內天然澱粉、變性澱粉與麥芽糖產品，於期內因原料木薯短缺，木薯澱粉市場價格飆升，需求突增，使集團銷售量增加，售價上漲，營收也隨著增加。集團期內天然澱粉、變性澱粉與麥芽糖產品營收達26,062,000美元，比2017年同比增加25.8%或金額5,338,000美元，變性澱粉的銷售除了日本及中國輕微減少外，在其他市場銷售均有提升。另外，麥芽糖亦因需求增加，銷售量與售價亦隨之上升，目前集團仍積極推展附加價值較高之有機麥芽糖。澱粉相關產品佔集團總營收由13.2%提升至15.5%。集團仍積極開發與澱粉相關產品的新產品與新市場，為集團未來重要之經營產品。

**3. Specialty chemicals/Fertilisers and feed products**

Specialty chemicals including hydrochloric acid, soda and bleach are sold in Vietnam market. During the period, the Vietnam economy continued to grow and so did its demand for basic industrial chemicals. At the same time, global demand for soda products increased, and with production reduced in the PRC, selling price of the product climbed, which translated into higher revenue and profit for the Group. As for hydrochloric acid, a relatively large proportion of output was used internally by the Group and less was sold in the market during the period, together with the competition with imported products and local manufacturers, selling price of hydrochloric acid and sales of the product dropped. Overall, the revenue from specialty chemicals was up by 12.0%, or US\$1,643,000, year-on-year to US\$15,378,000, and its contribution to the Group's total revenue rose from 8.8% to 9.2%.

Regarding fertilisers and feed products, with Europe seeing strong grain harvest during the period and the rather low-priced substitutes of the products, sales of fertilisers dropped, but their selling prices increased, hence turnover from them was maintained. For feed products, the Group secured new customers in Vietnam during the period, hence the sales was relatively well. The Group's revenue from fertilisers and feed products increased by 9.3%, or US\$899,000, year-on-year to US\$10,600,000 and its contribution to the Group's total revenue rose from 6.2% to 6.3%.

**4. Other products**

Revenue from other products reached US\$4,825,000, up by 49.1% year-on-year. The growth was principally attributable to the Group's effort to promote sale of new trade products. The Group strengthened its sales channel building strategy in response to market demand and established a special sales unit being responsible for channel operation. Contribution from other products to the Group's total revenue increased from 2.1% to 2.9%.

**3. 特化產品與肥飼料**

特化產品包括鹽酸、蘇打、漂白水均於越南銷售。期內因越南經濟持續升溫，對此基礎工業產品之需求增加，同時，因國際市場需求增加，加上中國同業減產，蘇打產品需求強勁，故蘇打售價隨著市場需求上漲，營收與獲利同步提升。但鹽酸產品因公司於期內自用較多，減少市場銷售量，同時亦有進口及本地廠商之競爭，使售價下調及業績下滑。總體而言，特化產品營收達15,378,000美元，較2017年同期增加12.0%或金額1,643,000美元，佔集團總營收由8.8%增至9.2%。

至於肥飼料產品，因於期內歐洲穀物豐收，替代品價格較低，造成肥料銷售量減少，但售價有所提高以維持營業額。另一方面，本期於越南本地開發新飼料客戶，銷售較佳。故集團肥飼料產品營收達10,600,000美元，較2017年同期增加9.3%或金額899,000美元，佔集團總營收由6.2%增至6.3%。

**4. 其他產品**

其他產品營收達4,825,000美元，與2017上半年增加49.1%，主要為集團推廣之新貿易產品之銷售。因應市場需求，加強建立銷售管道之策略，成立專責銷售單位經營通路，故取得較高之營收增長，此「其他產品」佔集團總營收由2.1%增至2.9%。

### III. MAJOR RAW MATERIALS/ENERGY OVERVIEW

#### (1) Cassava

With cassava price in the slump the last harvest season in 2016/2017, cassava plantations for harvest in 2017/2018 had been reduced in Vietnam, Thailand and Cambodia. That, plus pests and other attacks on the crop in this growth period in 2018/2019, cassava output dropped and the shortage in supply pushed up selling price substantially. Procurement of agricultural products is subject to various factors, the more important being climate, pests and farmers' plan. Therefore, on top of knowing well and being able to secure raw material supply and sources, the Group will strive to implement its procurement strategy effectively and form strategic alliance with supply channels to ensure it has access to stable raw material supply.

#### (2) Molasses

Molasses was in short supply worldwide in 2016/2017, but the sugar market stabilised in 2017/2018 with Brazil, India and Thailand affording stronger outputs. Hence, abundant supply is expected for the global sugar market in the coming year. However, for molasses, a close watch must be kept on the output of ethanol, which the fuel consumption gradually increased. If international crude oil price continues to increase and countries are using more and more gasoline ethanol, demand for fuel ethanol may increase. In turn, more molasses may be used to produce fermentation-based ethanol, which means it is possible that the demand for molasses will grow and its price will increase.

#### (3) Energy

Demand for coal has been increasing worldwide since 2017. With coal supply consistently falling short of demand and demand for coal growing in South Asian countries including India, Indonesia, Japan and Pakistan, international coal price has continued to climb. According to findings of analysis on global energy demand elasticity, in the second half of 2018, global coal demand will continue to increase while supply will continue to be limited, and with international crude oil price climbing, coal price is expected to stay at a higher level.

With regard to electricity price, it is expected to remain steady, which is essential for supporting steady economic growth and keeping inflation rate stable.

### 三、主要原料／能源概況

#### (一) 木薯

因前季(2016/2017)的木薯價格低迷，故於2017/2018之產季，在越南、泰國、柬埔寨之木薯種植面積都減少，加上此2018-2019產季內產生木薯病蟲害，使木薯產量減少，木薯短缺造成價格大漲。農產品之收購受限於天候因素、病蟲害、農民種植意願等因素影響較大，集團除密切了解與掌握原料供應與來源之外，將更致力於採購策略之運用與建立策盟供應管道，以掌握原料穩定供應。

#### (二) 糖蜜

世界糖蜜市場經過2016/2017年供不應求的情況後，2017/2018年度全球糖市場回穩，巴西、印度和泰國生產皆有增加，預計接續年度全球糖市場仍將供應充足。雖然糖市場供應仍將充足，但糖蜜部份，仍需觀察目前正持續增長之燃料乙醇之產量的使用量，如國際原油價格持續上揚，以及各國對汽油乙醇之使用比例持續增加時，燃料乙醇之需求隨即可能增加，如此亦可能增加利用糖蜜醱酵生產乙醇，將增加糖蜜使用量並推升糖蜜價格之可能性。

#### (三) 能源

2017年以來全球煤炭需求同步步入上升期，供給面相對增加量有限，而印度、印尼、日本以及巴基斯坦等南亞國家需求拉動力逐步增強，供需推動國際煤價持續上揚。2018下半年，根據全球能源需求彈性的研判，國際煤炭需求仍將持續，而供給釋放依然有限，且國際油價攀升，一般預期煤炭價格將仍保持較高的價位。

在電價方面，為維持穩定的經濟成長與之通貨膨脹率，可以預期電價將維持持續的穩定狀況。



#### IV. FINANCIAL REVIEW

##### (1) Liquidity and Financial Resources

The Group had cash and bank deposits of US\$39,356,000, which is US\$30,289,000, or about 43.5%, less than at the end of 2017. Short-term bank borrowings increased by US\$5,000, or about 0.03%, to US\$15,911,000 compared to the amount at the end of 2017, and medium-to-long term bank borrowings declined by US\$1,113,000, or about 5.7%, to US\$18,378,000. Total bank borrowings were US\$34,289,000, US\$1,108,000, or about 3.1%, less than at the end of 2017. Of the total borrowings, 96.7% were denominated in US dollars and the remaining 3.3% in New Taiwan dollars. The proportions of short-term and medium-to-long-term bank borrowings were 46.4% and 53.6% respectively. The Group had net finance income of US\$85,000 in the period while it had a net finance cost of US\$213,000 in the first half of 2017.

Trade receivables were US\$29,187,000, down by US\$2,464,000, or about 7.8%, when compared to the amount at the end of 2017. About 93.2% of the trade receivables were due within 30 days. As at 30 June 2018, the Group had inventory of total worth US\$107,156,000, up by US\$24,288,000 or around 29.3%, when compared to that at the end of 2017. The increase in inventory during the period was the result of the Group increasing bulk purchase of agricultural raw materials, and accordingly raw material inventory increased.

With bank borrowings reduced, the Group's gearing ratio (total borrowings to total capital ratio) for the period was 12.1% versus 12.5% at the end of 2017. And, with cash on hand exceeding borrowings, net gearing ratio (total borrowings less cash and deposits to total capital ratio) was negative at 30 June 2018 and at the end of 2017.

Current liabilities for the period decreased sharply at the increase of short-term borrowings and payables, so the Group's current ratio increased from 3.82 at the end of 2017 to 4.18, thus the financial position of the Group remained sound.

#### 四、財務回顧

##### (一) 流動資金和財政資源

集團現金和銀行存款為39,356,000美元，比2017年底減少30,289,000美元，約43.5%。短期借款為15,911,000美元，比2017年底增加5,000美元，約0.03%；中長期借款為18,378,000美元，減少1,113,000美元，約5.7%。借款總額為34,289,000美元，比2017年底減少1,108,000美元或約3.1%。借款以美元為主，佔96.7%，其餘為新台幣佔3.3%；短期和中長期借款比率分別為46.4%及53.6%。期內集團錄得財政收入為85,000美元，而2017年上半年則為財政支出213,000美元。

應收貿易帳款為29,187,000美元，比2017年底減少2,464,000美元，約7.8%，30天期內應收帳款佔約93.2%。存貨總額於2018年06月30日為107,156,000美元，比2017年底增加24,288,000美元，約29.3%。存貨大增主要是期內集團增購農產原料等大宗物質，故原料庫存增加。

因借款減少，資本負債比（總借款比股東權益）為12.1%，小於2017年底的12.5%；由於現金高於借款，淨資本負債比（總借款扣除現金和存款比股東權益）於2018年6月30日及2017年底為負數。

期內，短期借款與應付款項增加導致流動負債大幅減少，流動比率因此由2017年底之3.82增至4.18，財務結構仍然穩健。

## (2) Capital expenditure

During the reporting period, capital expenditure amounted to approximately US\$12,688,000, US\$1,804,000 more than the US\$10,884,000 in the first half of 2017.

## (3) Exchange rate

The Vietnamese economy remained stable in the first half of the year, with export volume climbing notably and inflation moderately, hence the country's foreign exchange reserve surged to a historical high, and these factors together contributed to the stable exchange rate of the Vietnam Dong. The State Bank of Vietnam announced that the Vietnam Dong depreciated 1.0% in the first half of 2018, and the core exchange rate was 22,650 Vietnam Dong to US\$1. The exchange rate remained stable in the first five months, and came June, with the US dollar appreciating against different currencies, the Sino-US trade conflict escalating and the RMB depreciating fast, the Vietnam Dong was affected and started to depreciate, a trend expected to continue to August. The bank rate in August was more than 23,300 Vietnam Dong to US\$1. However, experts think, with Vietnam still recording trade surplus, hence has an increasing foreign exchange reserve, plus continuing to see steady economic growth, the Vietnam Dong is expected to keep depreciating along with other currencies in the second half year, but only mildly.

The Group's subsidiaries in the PRC are mainly responsible for local sales with transactions denominated in RMB. In 2015 and 2016, the median exchange rate of RMB depreciated by 6% to 6.6% against US dollar and in 2017 appreciated by approximately 6%. Stepping into January 2018, the onshore price of RMB had grown accumulatively by 3.5%, the highest single-month increase since after the new RMB exchange rate management system took effect/unification of official and swap exchange rates of the RMB in 1994. However, as the Sino-US trade war kept escalating, the US dollar rebounded markedly, and the RMB to US dollar exchange rate started to slide at the end of April, and in the three months by the end of July, the RMB had depreciated more than 8.5%. Expecting the Sino-US trade war to continue in the foreseeable future, the market considers it essential to keep constant watch on changes with the RMB.

## (二) 資本支出

期內資本支出共約12,688,000美元，比2017上半年資本支出的10,884,000美元增加1,804,000美元。

## (三) 匯率

越南上半年因經濟保持穩定，出口額大幅上升，通脹溫和成長，外匯存底為歷年來新高，這些因素均對匯率穩定有所幫助。越南國家銀行公佈的匯率2018上半年貶值1.0%，中心匯率為22,650越盾匯兌1美元。前5個月匯率維持穩定，6月份因美元在全球增值，中美貿易磨擦加劇，人民幣急速貶值，亦連動造成越幣貶值，貶值趨勢繼續至8月。於8月份，銀行美元匯兌越幣已超過23,300越盾兌一美元。不過專家認為，因越南貿易仍順差，外匯存底增加，且越南仍將維持穩定之經濟成長，故一般預期，越幣下半年可能仍會跟隨其他貨幣繼續貶值，惟貶值幅度將不致於過大。

集團中國區子公司主要以中國國內銷售為主，交易以人民幣計算。2015年及2016年人民幣對美元中間價貶值6%-6.6%，2017年升值約6%。進入2018年1月在岸價累計升值達3.5%，創1994年匯率並軌以來最大單月升幅。不過，隨著美、中貿易戰升級後，美元大幅反彈，而人民幣兌美元匯率於4月底開始續貶，至7月底，人民幣3個月跌幅超過8.5%。市場預測美、中貿易戰今年仍將持續，仍需密切觀察人民幣的變化。

#### (4) Earning per shares and Dividend

Basic and diluted earnings per share were 0.60 US cents for the period. The Board has resolved to declare payment of an interim dividend of 0.298 US cents per share. Dividend payout ratio was 50%.

#### V. PROSPECTS

Looking ahead at the second half of 2018, with global economic situations and outlook changing fast, uncertainties and risks are going to surface in the economy at large and in relation to raw material supply. In the market, a number of products are still affected by excessive production capacity, hence are in surplus supply, and industries are expected to cope with a fast-changing operating environment, volatile prices and keen competition. In addition, with the policies of large countries being uncertain, industries will be facing even more complex economic conditions.

The Group has reinforced its business foundation in recent years, working hard on various aspects including securing stable supply of raw materials, improving production efficiency, stabilising production costs, strengthening marketing and business development, and developing new products, new markets and new customers, and these efforts have started to bear fruit. Looking ahead, despite having to face considerable operational uncertainties, the Group will continue to adhere to and forcefully implement its set development strategies, including:

- Restructure its product lines to raise the proportion of high value-added products and reduce the number of low gross profit items to maintain overall profit of products at a reasonable level.
- Actively develop new products and boost business in new markets, strengthen its business structure, increase the number of new agents and secure new customers, plus enhance existing distribution channels and sustain and apply its brand influence, to the end of empowering overall business development.
- Actively pursue the use of diverse raw materials and strengthen its access to critical raw material sources to provide flexibility.
- Continuous effort will be made to upgrade production technologies thereby improve production efficiency, and the Group will also increase capital expenditure to expand production of high-potential products and continue to implement energy-saving measures.

#### (四) 每股盈利及股息

本期每股基本及攤薄盈利為0.60美仙，董事會決定派發股息每股0.298美仙，派息率為50%。

#### 五、展望

展望2018年下半年，面對變化迅速的全球性景氣與經濟形勢的變化，仍有多項整體經濟與原料供應的不確定因素及風險存在。市場上仍有多項產品的產能仍然過剩，存在供大於求的情況，各產業經營變化迅速，預期價格的波動與競爭仍將存在。另外，面對全世界各主要大國政策面的不確定因素，將使未來的經營情勢變化更形複雜。

近年來，集團執行各項紮根的基礎工作，掌握穩定原料供應，提升生產效率，穩定生產成本，強化行銷與業務的拓展，開發新產品新市場新客戶，已可見初步改善成效。展望未來，集團雖仍面臨經營的不確定性，但仍將積極落實既定的發展策略，強化落實力度，持續推動進行，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，提升新市場的業務；透過業務組織的強化，增加新代理、新客戶的拓展；同時再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。
- 增加多元化原料使用，再強化並靈活掌握關鍵大宗原料來源。
- 繼續提升技術以不斷改善生產效益，同時再增加投入資本支出，擴充潛力產品的生產規模，並持續推動節能省電專案。

## Management Discussion and Analysis 管理層討論及分析

- The Group will apply its own resources and combine the strengths of industry peers and players in other industries, continue to step up review of the effectiveness of strategic alliances, work closely with customers and gear up for developing customised products so as to boost its new product portfolio. Different third party products will be introduced to meet the needs of customers in specific market segments and bolster offerings to niche markets.
  - By adopting the “co-opetition” strategy, the Group will use its production base in Vietnam to actively develop ASEAN and Free Trade Agreement (FTA) covered markets, pursuing development of relevant new high-value businesses.
  - By establishing foothold in ASEAN countries, extend its business and distribution network, create business opportunities for its products, broaden its brand influence and eventually expand its business presence across the region.
  - The Group will strengthen financial management, aiming to enhance efficiency and effectiveness and also maximise asset utilisation rate. It will strive to effective management of exchange rate and interest rate risks arising in the increasingly turbulent financial market.
- 運用集團資源，結合同業異業，持續與加強策略聯盟之檢討；緊密結合客戶，並朝向客制化生產開發，以提升新產品規模；並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自由貿易協定(FTA)的合作市場，拓展相關具有價值優勢的新事業。
  - 思考前進東盟國家設立營運據點，以延伸業務與行銷網絡，開創產品商機，延伸品牌力度，擴增公司的事業版圖。
  - 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，做好匯率及利率的風險管理工作。

Operating in a rapidly changing environment, the Group will maintain flexibility in conducting business. Apart from tackling fundamental operational tasks, the Group will also devote greater efforts on implementing strategies devised targeting new business environments. While the current situation presents many challenges, the Group also see in it many development opportunities. The management is confident that by implementing strategies based on its existing well-established operational foundation cautiously and prudently and continuing to proactively capture opportunities, the Group will be able to continue to develop its business and make breakthroughs in operation.

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，面對新環境而延伸的策略，更將積極投入，展望目前局勢，雖有挑戰，卻仍存在許多發展機會。經營層相信在運用既有的經營基礎，並以謹慎的態度，落實的執行各項策略，並積極有效率機動彈性的把握機會，以期集團營運有更一步的突破與發展。