

Chairman's Statement

主席報告書

Regarding the global economy in the first half of 2019, following the intensifying trade dispute between the United States (US) and the People's Republic of China (PRC), and new geopolitical uncertainties emerging in the Middle East, Europe and Asia Pacific, the economic growth in Europe, the US and PRC has slowed down. Plus the impact of climate change and the tighter oil supply caused by the tension in Middle East, have added a degree of volatility to the global economy. Foreign exchange and interest rates have fluctuated along with the twists and turns of the economic performances and regulatory measures. As a result, the market generally expects the global economic growth to weaken in 2019 amid these uncertainties. Looking at Vietnam in the first half of 2019, the economy remained strong with GDP growing 6.76%. Foreign investment has been rising steadily, as has the commodity price index. Total imports and exports again recorded a trade surplus for the country. The exchange rate of the Vietnam Dong against the US Dollar stayed relatively stable, only slightly depreciating by 1.8% compared to that of last year. Hence, Vietnam showed an overall robust economic growth in the first half year, and that presented the Group with the opportunity to enhance its financial performance.

The sales volume and selling prices of the Group's core products including MSG, modified starch, maltose and fertiliser and feed products stabilised or increased, due to rising demand in various markets, notably boosting its revenue. However, persistent high prices of coal and some raw materials have affected the production costs and constricted profitability. As such, the Group mainly focused on stabilising operating costs, actively expanding business and sales and marketing efforts, and developing new products and markets in the period, in order to raise its profit margin.

As for the business operations and revenue during the period, the Group's revenue amounted to approximately US\$175,176,000, a solid increase of around US\$7,373,000, or around 4.4%, when compared with the same period last year. The increase was mainly due to stronger demand for its different products, stimulating a rise in sales volume as well as selling prices and, in turn, boosting the Group's total sales revenue. While prices of sugar sources remained stable, energy cost and the prices of certain raw materials increased, hence overall production costs stayed at level similar to that of last corresponding period. Gross profit for the period increased year-on-year by 4.9% to approximately US\$34,995,000 and gross profit margin reached 20.0%. Net profit was US\$12,160,000, approximately US\$3,074,000 higher year-on-year, and net profit margin was 6.9%. Another main reason behind the increase in net profit was the capital gain generated from disposal of a subsidiary in Shandong.

2019年上半年，隨著中美貿易摩擦加劇，中東、歐洲與亞太等地區不穩定之局勢升溫，歐美國家與中國之經濟增長放緩，加上氣候變化所帶來的影響，以及中東局勢緊張所造成的原油供應限制等變數，使全球經濟增添不確定性，而各國的匯率與利率也因經濟表現的轉折與調控而出現波動起伏。鑑於以上的不確定因素，一般預測2019年的全球經濟增長將趨疲軟。反觀越南在2019年上半年，經濟景氣持續穩定，GDP增長率達6.76%，外國投資穩定增加，物價指數保持穩定，貿易維持順差狀態，越南盾兌美元匯率雖較去年微跌1.8%，但仍相對穩定。越南上半年的整體經濟呈穩定增長，有助集團推動其業績發展。

集團於本期營運多項主要產品，其中包括味精、變性澱粉、麥芽糖與肥飼料等，因各地市場需求提升，銷售量及售價得以維持或提升，致使集團營收明顯增加。然而，由於煤炭價格與部份原料價格仍然高企，影響生產成本，獲利因此受到限制。有鑑於此，集團本期的主要營運重點仍致力於穩定成本，積極拓展業務與加強銷售力度，開發新產品及拓展新市場，以擴增利潤空間。

綜觀集團於本期的營運與獲利，營業額約1億7千5百萬美元，較去年同期增加約738萬美元，增幅約4.4%。增長主要因為多項產品需求增加，使銷售量與售價均見上升，推升整體營業額。另外，雖然糖源等原料價格持平，但是能源成本與部份原料價格高企，使整體生產成本較去年同期約略持平，本期毛利額約3,500萬美元，較去年同期上升4.9%，毛利率20.0%，淨利為1,216萬美元，較去年同期增加約307萬美元，淨利率為6.9%。本期淨利提升的另一個主要原因，為集團處分山東子公司結算後所帶來的利潤。

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 in the period. The performance of various products including MSG, modified starch and feed products has benefited from stable quality, strong brand and broad sales channels, and improved alongside the increasing market demand. In the period, the sales volume and thus the revenue of soda and hydrochloric acid in the specialty chemicals segment dropped dramatically, as their selling prices decreased due to cut-throat competition in the market. As a result, the overall performance in the Vietnam market only increased slightly by 0.1% as compared with the same period last year. In the PRC market, the performance of major products such as MSG and seasonings was much the same as in the same period last year, as the benefit of the stronger supply chain was mitigated by rising material costs and keen price competition. Revenue of starch and trade products grew substantially from the corresponding period last year as a result of expanding into new products and channels, leading to around an 19.1% year-on-year revenue growth in the PRC. Regarding the operation in Japan, despite a slower upturn of economic sentiment and lower selling prices of MSG products due to continued price competition, sales volume picked up generating moderately higher revenue to the Group. The performance of modified starch also recorded obvious growth and resulting revenue also increased by approximately 13.6% from the corresponding period last year, because the Group has focused on developing new high-end products in that market. With respect to the ASEAN market, while strong demand fuelled revenue from fertiliser and feed products in the period, competition restricted the sales volume of MSG and modified starch, therefore revenue from the market declined by 15.1% from the same period last year. In the US, with sales of MSG and maltose products picking up, the Group's overall performance in this market has greatly improved, while rising demand in Europe has boosted the sales of MSG and fertiliser and feed products there.

By product, revenue from MSG and seasonings, the Group's major products, grew by about 2.6% when compared with same period of last year, as competition of certain products in some markets has eased. As for starch products, another key segment of the Group, as the price of the raw material cassava and demand for products surged during the period, the Group sold more modified starch and cassava starch at higher selling prices, resulting in greater revenue from the segment. Maltose was another key starch product that also benefited from the higher price of cassava and recorded a higher sales volume, selling price and revenue during the period. Therefore, revenue from starch products and maltose for the period saw around a 12.8% increase against the last corresponding period. Seeing the market potential and bright development prospects of these products, the Group is working hard on the development of these products and their variants, so that it may offer more diverse and value-added products. Regarding hydrochloric acid and soda in the specialty chemicals segment, India has suspended imports and destabilised demand and supply internationally. Excessive supply caused their international prices to plummet and imported goods competed with low selling prices, so the sales volume and selling prices of these products both dropped and revenue of overall specialty chemicals slid 17.4% from the same period in 2018. As for the the Group's fertiliser and feed products, these were in higher demand in Vietnam, ASEAN countries, Taiwan and Europe, with particularly higher sales of feed products to new customers in Vietnam, hence both their selling prices and revenue increased. In all, sales volume of fertiliser and feed products grew by approximately 18.2% year-on-year.

就集團各個主要市場與業務經營而言，各地市場對不同產品的需求與競爭均有個別表現。在本期內，越南市場因整體經濟發展穩定，味精、變性澱粉與飼料等，藉由穩定的品質、品牌知名度與銷售通路，配合市場需求推升業績增長，業績隨著市場需求上升而增加，但是特化產品、蘇打與鹽酸，因市場低價競爭的因素，以致售價下滑，量價俱跌，該產品於期內之營收因此有較大幅的下滑，使越南整體區域業績僅較前期微升0.1%。至於集團在中國區的營運，主要產品為味精與調味料，集團雖然強化供應鏈之推展，但仍受到原料價格提升與市場價格的競爭所影響，故此業績較去年同期約持平，澱粉與貿易項目因新產品與新通路的拓展，營收均較去年同期大幅增長，使中國區整體營收較去年同期增長約19.1%。另外，日本市場方面，經濟復甦緩慢，該市場的味精產品售價雖因競爭而下調，但銷售數量卻錄得增加，使營收略有上升。而變性澱粉產品方面，由於集團於該市場專注發展的高階新項目逐漸取得成效，業績故錄得明顯的增長，使該市場營收較去年同期增長約13.6%。東盟市場方面，雖然受惠於期內肥飼料需求提升而營收略增，但味精與變性澱粉因市場競爭而銷售量下降，使本期此等地區的業績較去年同期下降15.1%。除此之外，美國市場整體的營運因味精與麥芽糖產品銷售回溫，業績錄得大幅上升，而歐洲因味精與肥飼料需求提升，業績亦有所上升。

以產品類別分析，集團的主要產品為味精與調味料產品，在個別市場，由於部份產品競爭趨緩，整體營收較去年同期增長約2.6%。集團另一項重要產品澱粉因期內木薯原料價格續升而需求增加，使集團變性澱粉與木薯澱粉的銷售量均有所增加，售價調漲，營收也隨之增加。集團澱粉產品中另一項重要品項麥芽糖產品，同樣於期內受到原料木薯價格調漲影響，使銷售量增加，售價調漲，營收亦增加。因此，澱粉產品與麥芽糖之營業額較去年同期增加約12.8%。集團目前相當重視該類產品於市場的潛力與發展，並致力開發及延伸此類產品，以發展多元化產品及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，因為印度暫停進口，使國際供需失衡，供過於求，令國際價格急跌，進口產品低價競爭，造成價量俱跌，因此，整體特化產品營收較去年同期下滑17.4%。而集團的肥飼料產品業績，因越南、東盟、台灣與歐洲市場的需求及售價提升而增加，其中飼料產品於越南本地成功開發新客戶，銷售較佳，故肥飼料產品的銷售額較去年同期增加約18.2%。

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During the period, with a number of products facing cut-throat price competition and bearing higher production costs, the Group has focused on strengthening its businesses and enhancing cost control, and at the same time developing new products and new markets. Towards that end, the Group has adopted a more flexible approach to procure raw materials and continued to improve production technologies during the period to help stabilise costs, as well as maintain competitiveness in its production. In terms of marketing strategy, the Group set up a subsidiary in Cambodia last year in order to promote a local sales network and explore new business opportunities. In order to boost sales, apart from continuing to grow the Vietnam market, the Group has also put efforts into developing emerging markets with promising growth potential. At the same time, it has also strengthened its distribution channels. For the relatively mature sales channels, the Group has adjusted its sales and marketing strategy, in order to enhance and realise the full potential of its sales network. Furthermore, it has stepped up research and development of new products, which will be introduced to the market with the aim of substantially boosting its brand influence. Within the PRC operation, the Group has continued to strengthen its business development team, strived to expand markets in different regions, and developed and introduced new products with higher gross profit margin.

Looking ahead to the second half of 2019, we are aware that the Group will still be operating in a fast-changing business environment. The prices of raw materials may rise and the market will continue to be competitive. Nevertheless, the sustainable growth of the Vietnam economy presents huge business opportunities. Therefore, the Group will take more forceful strides into new markets and in developing new products in order to enhance its brand influence. By more effectively using its channels resources, it can operate its business more flexibly and dynamically. We will formulate appropriate strategies aiming to help the Group to capture opportunities and cope with the rapidly evolving business environment. At the same time, the Group will continue to strive to stabilise production costs, and hasten development of new products and the pace of strategic alliances. In doing so, we shall be able to strengthen and effectively execute our sales strategies in Vietnam as the country opens its market and its economy continues to steadily grow. We shall also have further opportunities to further expand our different businesses and markets. Building on its existing solid business foundation, the Group believes that it will bolster its offerings to niche markets and will implement its strategies. All management of the Group are well aware of the opportunities in the changing business environment and their responsibilities, hence they will pragmatically and diligently execute the Group's set operational strategies with an open mind and proactive approach, and thereby develop and achieve breakthroughs in its results and its operations.

By Order of the Board
Yang Tou-Hsiung
Chairman

27 August 2019

集團於期內為應付市場多項產品的低價競爭與生產成本上漲，集中強化業務與改善成本，同時致力開拓新產品與擴展新市場。集團於期內除了採取靈活多元的原料採購模式及持續提升生產技術，以穩定成本及維持生產競爭力外，在行銷策略上，集團已於去年設立柬埔寨子公司，以佈局並強化當地銷售與尋求新商機。同時，在行銷業務方面，除精耕越南本地市場，集團亦著力發展具潛力的新興市場，強化通路架構，對於較為成熟的通路，集團將整合其行銷策略，深耕銷售網絡，以發揮通路價值；同時積極研發新產品及規劃引進相關新產品的銷售，延伸品牌的加乘效果。而在中國區的營運，集團將持續強化業務團隊，努力精耕區域市場，開發並引入高毛利的新產品。

展望2019年下半年，我們體會到集團在營運上仍面臨經營環境的快速變化，包括原料上漲的可能性，以及市場持續競爭的態勢。然而，越南經濟持續增長，同時也帶來深具潛力的商機。集團將以更大腳步投入發展新產品及新市場，藉此擴大品牌效益，善用通路資源，提升經營彈性與機動性，並擬訂相關策略，以掌握時機及回應快速變化的經營環境。同時，集團將繼續努力穩定生產成本，加快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，同時也將把握機會進一步拓展各個事業領域及市場。集團相信，在目前的經營基礎下，將更強化集團利基的發揮與落實開展各項策略。而集團的管理層，在多變的經營環境中，深切體會到當中的發展契機及所肩負的責任，並將會以開放的眼光與積極的態度，務實且謹慎地執行集團擬訂的各項營運策略，為集團的業績與經營帶來更大的突破與發展。

承董事會命
主席
楊頭雄

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