

Chairman's Statement

主席報告書

During the first half of 2020, the global economy was impacted by the outbreak of COVID-19 pandemic at the beginning of the year and hence economic activities in all key regions substantially reduced. Consumption stagnated in general and the supply of some commodities was out-of-balance for a short while during the period due to the interruptions of transportation as a result of the lockdowns and containment measures implemented by certain regions. All major economies around the world including the US, EU, the PRC, and Central and South America were seriously affected and the global economic growth was also dealt a blow by the pandemic, adding uncertainties to the overall operating environment. Although the Group's largest market Vietnam imposed entry restrictions on foreigners and managed to effectively control the spread of COVID-19 pandemic within the country, its economic growth slowed down as the country's major trading partners were still confronted by the negative impacts of the pandemic. However, based on various key economic indicators, Vietnam is expected to achieve overall positive economic growth going forward.

As for the Group's operation during the first half of 2020, prices of some of its key raw materials increased, while the demand and selling prices of various products fell due to the COVID-19 pandemic and intensified competition. Among these products, MSG, hydrochloric acid, soda and fertilisers and feed products experienced contractions in both sales and profits because of the pandemic and keen competition. Revenue of modified starch, maltose and trading of distribution products improved in response to the stronger demand and promotion of new product. To operate in an environment fraught with uncertainties, the Group focused on sourcing raw materials flexibly, actively expanding business, stepping up sales, developing new products and new markets in its operations during the period, all in a bid to stabilise revenue and broaden profit.

Looking at the Group's business operations and revenue during the period, its revenue amounted to approximately US\$173,936,000, a reduction of US\$1,240,000, or around 0.7%, compared to the first half of last year (the same period last year). In particular, modified starch, maltose and trading of distribution products in the PRC recorded notable increase, while sales of MSG, hydrochloric acid, soda and fertilisers and feed products declined due to weaker demand and intensified competition, which led to a decrease in revenue for these products. Gross profit for the period was approximately US\$30,827,000, and gross profit margin decreased by 11.9% from the same period last year to 17.7%. The decrease in gross profit was mainly because of the rise in some of the raw materials prices and lower demand for certain products, as well as the intensified competition which resulted in the decrease in sales volume and selling prices. Net profit for the period amounted to approximately US\$5,894,000, or US\$6,266,000 lower than the same period last year. Net profit margin was 3.4%. The reason behind the notable reduction in net profit for the period was due to the absence of disposal gain of approximately US\$3,940,000 generated from the Group's subsidiary Shandong Vedan Snowflake Enterprise Co., Ltd recorded in the last corresponding period.

綜觀2020年上半年，全球經濟受到年初爆發的「新冠病毒」（新型冠狀病毒COVID-19）疫情衝擊，使得各主要區域的經濟活動均急速降溫。於期間內，整體消費趨緩停滯，某些區域實施隔離，運輸不便，使部份商品供需短期失衡，全球各主要經濟體如美國、歐盟、中國、中南美洲等都受到顯著影響，全球經濟增長均受到衝擊，整體環境充滿不確定之變數。本集團最大的市場—越南，目前雖然因實施境外入境管制，而使國內能較穩定地控制疫情，但因為其主要貿易夥伴仍遭受疫情影響，因此經濟增長速度有所放緩，但依各項主要經濟指標預測，越南之總體經濟發展，仍將朝正面成長之趨勢。

本集團於期內（2020年上半年）之營運，部份主要原料價格上升，同時，多項產品因受到疫情與競爭的影響而出現需求與售價下滑。其中味精、鹽酸、蘇打與肥飼料產品於市場因受到疫情與激烈競爭影響，使銷售與盈利受到壓縮。另外在變性澱粉、麥芽糖與貿易代理品項，因需求增加與推動新產品銷售，致使營收增加。面對現階段充滿不確定性之環境，本集團期內的主要營運重點為致力實行靈活的原料採購，並積極拓展業務與加強銷售力度，開發新產品與新市場，以期穩固營收與擴增利潤空間。

綜觀本集團於期內之營運與獲利，營業額約173,936,000美元，較去年上半年（「前期」）減少約124萬美元，下降約0.7%。其中變性澱粉、麥芽糖、與中國區的貿易代理品等業績有較明顯之提升，而味精與鹽酸、蘇打與肥飼料產品之銷售卻因需求下降與競爭致使營業額下滑。另外，期內毛利為約3,082.7萬美元，毛利率17.7%，較前期下跌11.9%。毛利下跌主要原因為期內部份原料價格上漲及部份產品需求下滑，同時受壓於競爭之影響，銷量與售價均出現下滑。本期淨利為約589.4萬美元，較前期減少約626.6萬美元，淨利率為3.4%。本期淨利差異較大之另一主因為去年因處置子公司山東味丹雪花公司結算後所帶來之利益（約394萬美元），故造成本集團期內淨利大幅減少。

Major geographic markets and segment performance of the Group varied in accordance with the demand for products and the degree of competition in different markets. In Vietnam, the performance of various products including MSG, modified starch and feed products improved alongside the increasing market demand, driven by stable product quality, strong brand influence and the support of well-established sales channels. However, the selling prices and sales volume and thus the revenue of seasonings, maltose and hydrochloric acid, soda and feed products within the specialty chemicals segment fell substantially because of the COVID-19 pandemic, weaker demand and price competition in the market. Therefore, the Group's overall revenue from Vietnam dropped by 4.1% year-on-year during the period. In the PRC market, products such as MSG, seasonings and starch, which were impacted by the COVID-19 pandemic, limitations on product transportation and weaker demand, recorded a decrease in sales volume, hence the Group's performance in those segments faced a downturn compared to the same period last year. However, revenue from trading of distribution products, frozen food and coffee beans increased remarkably year-on-year, thanks to segmentation of sales regions and stronger sales channels. Overall revenue of the PRC market recorded a growth of around 7.4% from the same period of last year. Recovery of the Japanese economy was relatively slow. The COVID-19 pandemic added with price competition faced by the products dragged down sales volume of the Group's MSG, modified starch and fertilisers in Japan. As a result, the Group's performance in this market declined by around 5.5% year-on-year. With respect to the ASEAN market, its main products including MSG, modified starch and fertilisers declined in sales volume with weaker market demand, hence revenue from the market fell notably by 10.4% year-on-year. In the US, as sales gradually picked up due to the Group's effort in promoting modified starch and maltose products and exploring new markets and new customers, its US operations rebounded by approximately 10.2%.

有關本集團各主要市場與業務經營，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，包括味精、變性澱粉與飼料等產品業績憑藉穩定的品質、品牌與銷售通路，配合市場需求推升業績增長。但因受到疫情影響，調味料、麥芽糖、特化產品之鹽酸與蘇打與肥料產品，因受到需求下降及市場低價競爭之因素，售價與銷售量均下跌，致使該等產品營收有較大幅度之下滑。故此本集團於期內在越南市場之營收，較前期下滑4.1%。而本集團在中國區的營運，主要受到疫情影響，產品運輸及需求均受到限制，味精、調味料與澱粉銷量減少，業績較前期下滑；但是期內之貿易代理品項，速凍食品與咖啡豆，因銷售區域區隔與通路之強化，營收較前期有較大幅之增長，致使中國區整體營收較前期增長7.4%。另外，日本市場的營運，因其經濟景氣復甦較慢，加上疫情擴散，且多項產品於市場仍存在價格競爭，故此該市場之味精、變性澱粉與肥料等產品銷售量下降，使本集團於此市場的業績較前期下滑約5.5%。而東盟市場主要產品，味精、變性澱粉與肥料產品銷售量亦因市場需求下滑而降低，使本期此等地區之業績較前期大幅下滑10.4%。除此之外，美國市場整體之營運因積極推展變性澱粉與麥芽糖產品，以及成功開發新市場新客戶，銷售逐漸錄得增長，業績也上升約10.2%。

By product items, the Group's major products are MSG and seasonings. Although operations and sales remained stable in Vietnam, the PRC and other overseas markets were impacted by the COVID-19 pandemic and international market competition, hence the overall revenue was around 1.7% lower than the last corresponding period. With regard to another key product category of modified starch products, the supply and price of its raw materials, cassava, stabilised compared to the same period last year and products with new specifications were also launched during the period. The demand for modified starch products was lower in Japan and the ASEAN market, but Vietnam, the US and the PRC all recorded stable growth in the product. Therefore, sales and revenue of modified starch increased in general. Maltose was another key starch product that also benefited from the stable price and supply of raw materials and the introduction of high value-added products, boosting sales volume during the period. Maltose achieved satisfactory sales growth in the US, and therefore, revenue from starch products and maltose increased by approximately 2.8% against the same period last year. Observing the market potential and bright development prospects of these products, the Group is working hard on the development of these products and their variants, hoping to offer more diverse and high value-added products. As for hydrochloric acid and soda products within the specialty chemicals segment, industries related to these products including the iron and steel, beer and hospitality sectors were seriously impacted by the pandemic and demand decreased sharply. Hydrochloric acid and soda also recorded lower selling price and sales volume due to market competition, and revenue of these products fell markedly during the period. Overall revenue of specialty chemicals decreased significantly by 27.6% year-on-year. With regard to operation of the Group's fertiliser products, overall sales dropped by about 5.1% against the last corresponding period due to climate change, unstable plantation period of agricultural products and the outbreak of African Swine Fever in Vietnam. To cope with these, the Group has been actively developing fertilisers and feed products with higher added value based on market conditions and seeking new customers to drive revenue and profit growth. With regard to trading of distribution products in the PRC including bulk food ingredients and coffee beans, performance improved notably and recorded growth of 59.2% year-on-year mainly due to the Group's strategy to strengthen the product mix and sales network.

以產品類別分析，本集團主要的味精與調味料產品，雖然越南市場之營運銷售仍維持穩定，但中國與外銷的各地市場，由於受到疫情與國際競爭的影響，整體營收較前期下降約1.7%。本集團另一項重要的變性澱粉產品，於期內因木薯原料供應與價格較前期穩定，且推展新規格品項，雖然在日本與東協市場因需求下滑，但越南、美國與中國等市場卻有穩定的增長，使本集團整體變性澱粉銷售與營收增加。本集團於澱粉產品之另一項重要項目－麥芽糖產品，同樣於期內受惠於原料價格穩定供應以及推展高附加價值產品，使銷售量增加，尤其在美國的銷售有不俗的成長表現，故於期內澱粉產品與麥芽糖之營業額較去年同期增加約2.8%。本集團目前相當重視此類產品的市場潛力與發展，並致力於開發此類產品與其延伸產品，以期發展多元化產品與開創更高之產品附加價值。另外，在特化產品中的鹽酸與蘇打產品，受到疫情波及，此產品之相關客戶產業，如鋼鐵、啤酒、旅館等營運均受到相當大衝擊，需求急速萎縮。此外，鹽酸蘇打產品也受到市場低價競爭，使得期內銷售之量價俱跌，營收有較大幅度的下滑，故整體特化產品業績較前期明顯下跌27.6%。而本集團的肥料產品營運，由於氣候變化以及農產品栽種期不穩定，同時因越南仍受到非洲豬瘟的漫延，故肥飼料整體銷售額較前期下滑約5.1%。對此，本集團將因應此市場趨勢，積極發展較高附加價值之肥飼料產品，以開發新客戶，推升營收與獲利。另外在中國區的大宗食材與咖啡豆等貿易代理商品，因透過強化產品組合與銷售網絡，期內業績大幅增加，較前期增長59.2%。

In the first half of 2020, the Group's operation was affected by the weak demand for various products due to the COVID-19 pandemic and also the price competition as well as price hikes of some of the raw materials. To address these issues, the Group focused on strengthening its business, improving cost control measures and developing new products and new markets. It also adopted more flexible and comprehensive materials procurement model and upgraded its production technologies to stabilise costs and maintain competitiveness in production. In terms of marketing strategy, apart from continuing to grow the Vietnam market, the Group also strived for development in the emerging markets with promising growth potential and the strengthening of distribution channels. For the relatively mature sales channels, the Group adjusted its sales and marketing strategy in order to enhance and unleash the full potential of its sales network. It has also stepped up research and development of new products, which will be introduced to the market with the aim of boosting the influence of its brand and sales channels. Within the PRC operation, the Group continued to strengthen its business development team, to boost the trading of the distribution products with higher added value and to expand in the markets of different regions for marketing efficiency.

Looking ahead to the second half of 2020, the Group realises that its operations will continue to encounter rapid changes in the business environment. In particular, the possible shortage of local raw materials in Vietnam, rising raw materials prices in the international markets, price competition for various products and softened demand due to the COVID-19 pandemic are potentially greater concerns. Nevertheless, the sustainable growth of Vietnam's economy presents tremendous business opportunities. The Group remains cautiously optimistic towards the prospects of the Vietnam market and will take more forceful strides to enter new markets and develop new products in order to enhance its brand influence. By more effectively utilising its channel resources, the Group will be able to operate its business more flexibly and dynamically. It will also formulate appropriate strategies aiming to capture opportunities and cope with the rapidly evolving business environment. At the same time, the Group will strive to secure major sources of raw materials and explore alternative sources so as to stabilise production costs, and hasten the development of new products and the pace of forming strategic alliances. In doing so, as Vietnam further opens its market and its economy continues to steadily grow, the Group will not only be able to strengthen and effectively execute its sales strategies, but can also further expand to different businesses and markets. Building on a solid business foundation, the Group is confident that its businesses will continue to advance along the right track of development. All of our management are also well aware of the Group's opportunities and responsibilities in the changing business environment. By adopting an open and proactive approach, we will execute the Group's planned operation strategies pragmatically and diligently, all in a bid to achieve greater breakthroughs and development in terms of results and operations.

By Order of the Board
Yang Tou-Hsiung
Chairman

25 August 2020

本集團於上半年的營運，主要因新冠肺炎疫情造成多項產品的需求不振，亦需面對市場低價競爭與部份原料價格上漲的挑戰，故本集團在期內除專注於強化業務與改善成本，同時亦致力於開拓新產品與新市場之發展。本集團除採取靈活多元的原料採購模式與持續提升生產技術，以穩定成本及維持生產競爭力外，在行銷戰略上，除深耕越南本地市場，並著力於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，本集團再整合其行銷策略，深耕銷售網絡，以發揮通路價值；同時，本集團積極強化研發新產品與精規劃導入相關新產品之銷售，延伸品牌及通路的加乘效果。中國區的營運方面，本集團將持續強化業務團隊，發展高附加價值之貿易代理品，並努力深耕區域市場以發揮行銷綜效。

展望2020年下半年，我們體會到本集團在營運上仍將面臨多項不穩定因素，尤其是面對越南本地原料潛在短缺，國際市場原料價格提升、多項產品於市場低價競爭與肺炎疫情所造成的需求不振等多項不確定因素，均是來年較大的隱憂。但是憑著越南經濟持續的成長，面對深具潛力的商機，本集團將仍抱持審慎樂觀的態度，加快腳步投入發展新產品新市場，藉擴大品牌的效益，善用通路資源，提升經營的彈性與機動性，以掌握時機及因應快速變化的經營環境擬訂相關的策略。同時，本集團將繼續努力取得主原料與探索替代性原料以穩定生產成本，加速新產品發展或策略聯盟的腳步，才能在越南開放的市場與經濟的穩定成長下，強化並發揮業務銷售策略，同時把握機會在各事業領域與市場進行更進一步的拓展。本集團相信，在目前的經營基礎之下，本集團將持續朝向正面的方向發展。而本集團的各級管理層，亦深切體會到本集團在多變的經營環境中的契機與所肩負之責任，將會以開放的眼光與積極的心態，務實並謹慎地執行本集團各項營運策略，以期為本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

2020年8月25日