

# Chairman's Statement

## 主席報告書

In the first half of 2023, affected by the Russia-Ukraine war that started last year and inflation, the global economy continued to slide and overall demand was weak. Growth of major economies, including the US, the EU, the PRC, Asia, and Central and South America, was seriously impacted, making the overall operating environment uncertain for the Group. Price surge of various raw materials was mild in the first half year, but price levels were still relatively high, thus the Group's operating costs also remained high, squeezing profit. In addition, the interest rate hike in the US posted a notable impact on financial markets worldwide and the interest rates and exchange rates of different countries, bearing down on the already fragile economic environment and its recovery. Overall global consumption sentiment turned more conservative, and Vietnam, the Group's largest market, also felt the blow. The Vietnam economy has depended all along on export, thus should markets worldwide weaken and international demand plunge, followed by the decline in export consumption, would inevitably be hit and see overall growth slow down. In the first half year, Vietnam's GDP growth was only 3.72%, lower than the expected annual growth rate of 6.5%.

During the period, the Group's revenue decreased by around 17.6%, or approximately US\$40,368,000, against the previous period, to approximately US\$188,909,000. The performances of several of the Group's major products, including MSG, starch sugar, hydrochloric acid, soda, fertilizers and feed products, declined. The Group's gross profit for the period was approximately US\$22,456,000, 11.1% less than that in the previous period, and gross profit margin was 11.9%. The decrease was mainly due to the sluggish economy of the Group's main markets and lower demand, which led to sales dropping. At the same time, with raw material prices remaining high, pushing up operating costs, profit was squeezed. Affected by the significant increase in interest rates of borrowings and rising finance cost, net profit for the period decreased by approximately US\$1,253,000 relative to the previous period to approximately -US\$1,465,000, with net profit margin down to -0.8%.

With market sentiment remaining subdued, most of the Group's products reported declining performance in key markets. In Vietnam, market demand for products such as MSG, starch, soda and fertilizers dropped and market competition prohibited rise of selling prices, as such, revenue decreased by approximately 18.1%. The Group's operations and sales in the PRC market were affected by the weak economy from market sentiment still to recover post-pandemic. As a result, overall revenue from the market was down by approximately 8.6% as compared with the previous period. In addition, the Japanese market continues to be sluggish, coupled with the severe competitive environment, the demand for MSG and modified starch dropped, resulting in an approximately 14.1% decline in the Group's revenue from the market against the previous period. The ASEAN market was also affected by inflation and poor economic sentiment, which led to a drop in sales of main products including MSG and modified starch. The Group's revenue in the region was down by 12.2% year-on-year. As for the US market, with interest rates staying high to curb inflation, yet at the same time stifling economic recovery, market consumption turned conservative and demand shrank, correspondingly the Group's performance in the US was affected. Sales of starch sugar products were impacted the most, with revenue down by approximately 21.5%. Subsequent sales strength of the overall market remains to be observed.

綜觀2023年上半年，因全球經濟受到去年烏俄戰爭與通貨膨脹之影響，經濟景氣持續下滑，整體需求轉弱。全球主要經濟體，包括美國、歐盟、中國、亞洲、中南美洲等的經濟增長都受到顯著影響與衝擊，集團整體經營環境充滿變數。同時，各項原材料價格漲勢在上半年雖較緩和，卻仍處高位，集團經營成本仍居高不下，利潤受限。另外，美元加息也明顯影響全球金融市場與各國貨幣之利率與匯率，衝擊原本仍脆弱之經濟環境、影響復甦，全球整體消費氣氛趨於保守。集團最大市場越南的經濟原本即相當倚賴外銷，一旦國際需求受世界各市場整體景氣轉弱影響，驟然大幅下滑，導致外銷受阻，景氣連帶受到很大的衝擊，消費轉趨疲弱，整體經濟增長趨緩。今年上半年，越南GDP增長率僅為3.72%，低於預期年度6.5%之增長率。

集團於期內之營業額約1億9千萬美元，較前下滑約4,037萬美元，下降約17.6%。集團幾項主要產品，包含味精、澱粉糖、鹽酸、蘇打、肥飼料等業績表現均下滑。另外，集團期內毛利額約2,246萬美元，較前期下降11.1%，毛利率為11.9%。毛利下降主要由於集團所經營之主要市場經濟景氣疲軟，需求降低，導致銷售下滑。同時，原材料價格仍處高位，推高經營成本、壓縮利潤。此外，今年集團借款利率大幅上揚，融資成本提高，使期內淨虧損為約147萬美元，較前期下降約125萬美元，淨利率降至-0.8%。

受市場較低迷景氣影響，集團在各主要市場所經營之各項產品的營收大多有所下滑。在越南市場，味精、澱粉、蘇打與肥料等產品因期內市場需求降低，加上售價因競爭的關係難以提升，使營收減少約18.1%。集團在中國區的營運，因後疫情期經濟疲弱，景氣仍未恢復，故各項產品之銷售受到影響，以致中國整體營收較前期錄得約8.6%的下滑。另外，日本市場景氣持續低迷，加上嚴峻的競爭環境，味精與變性澱粉需求降低，使集團於當地的營收較前期下滑約14.1%。而東盟市場同樣受到通脹與經濟不景氣影響，主要的銷售產品，味精與變性澱粉銷售量減少，使期內於此區域之營收較前期下滑12.2%。除此之外，美國大幅加息以壓制通脹，衝擊經濟復甦，市場消費能力轉趨保守，需求降低，繼而影響集團在當地的業績表現。其中，澱粉糖產品銷售影響較大，使營收下降約21.5%，整體市場後續之銷售表現仍需再觀察。

By product category, demand for MSG and seasoning products, the Group's main products, declined due to the weak Vietnam and PRC markets, and major export markets. Coupled with the difficulty to raise selling prices because of the intense competition in various markets, related revenue decreased by approximately 20.1% year-on-year. Demand for the Group's other major products, namely modified starch and starch sugar, also decreased during the period. However, in the Group's effort to promote new specification products and high value-added products, sales of modified starch products saw steady growth in the US, Europe, and Vietnam. As for starch sugar, due to the decline in demand and inventory destocking, its performance tumbled with relevant revenue during the period down by approximately 13.9% against the previous period. Appreciating the market potential and development prospects of these products, the Group will dedicate to develop them and associated products, so as to offer customers more diversified and high-value-added products. In addition, the hydrochloric acid and soda products in the specialized products were affected by weaker market demand in Vietnam and the decline in international prices and keen competition in the period. As such, overall revenue of specialty chemicals products shrank 31.9% when compared with the previous period. As for fertilizers and feed products, given the continuous decline in international prices of chemical fertilizers and urea, and the market generally bearish, largely in the wait-and-see mood, their sales performance was affected. For feed products, due to breakouts of livestock diseases in some markets, high breeding costs, and weaker market demand, resulting in a decline of relevant sales. Overall sales of fertilizers and feed products decreased by about 10.2% compared with the previous period. Prompted by the rapid growth of the consumer goods industry in Vietnam, the Group has cooperated with internationally renowned brands, acting as their agent to increase operating product categories and expand operation scale. Moreover, due to different regional demands, the trade products distributed by the Group, including bulk food ingredients and coffee beans in the PRC, recorded mixed sales performance, with overall sales performance climbing slightly by approximately 0.9% against the previous period.

Looking forward to the second half year, with the ongoing Russia-Ukraine war halting, energy and raw material prices remaining high, supply chains ridden with uncertainties, plus other factors like global inflation, exchange rate and interest rate fluctuation, the economic and operating environment will be complex and notably impacted. All these factors will affect the Group's operating risks and opportunities next year. The Group expects the supply of international and local raw materials, energy and packaging materials to be uncertain in the second half year, however, based on the current market supply situation, raw materials costs, energy prices and freight rates are likely to be slightly lower. That change will help to a certain extent stabilize production costs and enhance the profitability of the Group. With inflation risk prevailing, market demand still conservative, and market competition for different products intensifying, the Group's operations will face many challenges in the short term. Thus, the management will closely monitor the market trends and take timely measures accordingly. In that operating environment, the Group will flexibly arrange procurement to stabilize production costs, timely adjust its business structure, strengthen sales strategies, and speed up the development of new products or forging strategic alliances. It will also put more attention to fund management and evaluate investment with prudence, striving to save various expenses and monitor account receivables to stabilize operations.

以產品類別分析，因越南、中國與各主要外銷市場的景氣轉弱，集團主要的味精與調味料產品需求下滑，加上競爭因素使集團在各地市場不容易提升售價，營收較前期降低約20.1%。集團另一項重要產品變性澱粉與澱粉糖於期內需求下降，但集團持續致力推展新規格與高附加價值產品，使變性澱粉在美國、歐洲與越南等市場都有穩定的增長，但澱粉糖卻因需求下降，加之仍處庫存消化階段，業績有較大幅度的下跌，期內澱粉產品與澱粉糖之營業額較上期減少約13.9%。集團相當重視此類產品於市場的潛力與發展，將致力於此類產品與其延伸產品之開發，以期發展多元化產品、開創更高的產品附加價值。另外，特化產品中的鹽酸與蘇打產品，期內受越南市場需求減弱、國際價格下滑與競爭的影響，使整體特化產品營收相較前期較大幅減少31.9%。而肥飼料產品營運方面，受到國際化肥及尿素價格一直下跌的影響，市場普遍有看跌不看漲的心理，觀望氣氛濃厚，影響銷售表現。飼料方面，因部份銷售地區發生疫病、養殖成本偏高、市場需求偏弱等因素疊加，相關銷售錄得下滑。肥飼料整體銷售額仍較前期下跌約10.2%。此外，基於越南消費品產業成長快速，集團與多家國際知名品牌合作，代理相關代理，以增加營運品項，擴大營運規模。因各地區域需求不同，集團於中國區的大宗食材與咖啡豆等貿易代理商品銷售表現漲跌互現，使業績較前期僅微幅增加約0.9%。

展望下半年，烏俄戰爭持續、能源與原材料價格仍處高位，且供應仍存在不穩定性，而全球通貨膨脹、匯率與利率波動等因素，仍將對經濟與經營環境帶來相當程度之衝擊與複雜度，影響集團明年的經營風險與契機。集團預計，於下半年各項國際與本地原材料、能源與包材供應等，雖仍充滿變數，但以目前市場的供應情況來看，原材料、能源價格與運費有機會稍趨緩和，對穩定生產成本與利潤將有一定程度的助益。然而，通貨膨脹風險持續存在，市場需求仍趨保守，各項產品於市場上之競爭卻有增無減，短期的經營尚充滿挑戰，集團將密切留意市場動向並採取應對措施。有鑒於目前的經營環境，集團將更彈性地安排採購，以穩定生產成本，並適時調整營業架構、強化銷售策略，且加快新產品發展或策略聯盟的腳步。此外，集團也會更注意資金管理，審慎進行投資評估，並努力節約各項費用與留意應收帳款，以穩定經營之步調。

## Chairman's Statement 主席報告書

Although Vietnam has been affected by the sluggish economic environment in the short term, with overall economic activities slowing down slightly, it still has huge potential for development after it comes out from the short-term economic mayhem, on the back of its excellent overall operating environment and trading agreements including EVFTA, UKVFTA and RCEP signed with ASEAN, EU, the UK and other countries. Therefore, the Group remains cautiously optimistic and has stabilized the pace of its operations, enhanced operational flexibility and agility to enable it to grasp opportunities and adapt to the rapidly changing operating environment. With a solid business foundation built over the years, the Group believes its businesses will continue to advance on the right development track. Well aware of the opportunities and their responsibilities in the changing business environment, all members of the Group will, with a pioneering vision and a positive attitude, carefully and pragmatically execute the Group's operational strategies so as to achieve greater breakthroughs and development in its results and operations.

By Order of the Board

**Yang Tou-Hsiung**  
Chairman

22 August 2023

雖然越南短期內受到此等經濟環境因素的影響，整體經濟活動稍放緩，但憑藉優越的總體經營環境以及與多國，包含東協、歐盟、英國與區域各國，簽訂EVFTA、UKVFTA與RCEP等貿易協定，預期在短期經濟波動告一段落後，仍將有龐大的發展潛力。集團將仍抱持審慎樂觀的態度，穩定營運腳步，並提升經營的彈性與機動性，以把握時機，適應快速變化的經營環境。同時，集團相信，在長期經營的基礎之下，經營將持續朝向正面的方向發展。而集團的所有成員亦深切體認處於多變的經營環境中，集團的契機與所肩負之責任，將會以開創的眼光與積極的心態，務實並謹慎地來執行集團擬具之各項營運策略，以期讓集團的業績與經營取得更大的發展與突破。

承董事會命

主席  
**楊頭雄**

2023年8月22日