

Management Discussion and Analysis

管理層討論及分析

I. BUSINESS OVERVIEW

In 2016, the recovery of the global economy continued to be sluggish, mainly because the pace of growth of developed countries including the US, Japan and Europe fell below expectations, the PRC economy has undergone a fundamental shift, political and economic conditions in Europe and the Middle East were unstable and the growth momentum of emerging markets slowed down. In addition, uncertainties brought by the course of Brexit after the referendum in June and other variables in the global economy have affected the financial markets, global trading and the confidence of consumers and investors. In 2016, global economic growth dropped to 2.4%, the lowest since the global financial tsunami in 2008.

Vietnam's Gross Domestic Product (GDP) grew 6.21% in 2016, lower than 6.68% in 2015, mainly due to weather change. In the first half of the year, Vietnam suffered from severe drought and soil salinisation, hence forestry and aquaculture only increased 1.36%, the lowest in five years, which dragged down the overall GDP growth. During the year, the Consumer Price Index (CPI) in Vietnam climbed to 2.66%, with prices of food and beverage products up around 2%. Besides, Vietnam recorded a trading surplus with foreign capital flowing into the country, so its foreign exchange reserve surged to a historical high of US\$41 billion, which can help to stabilise the exchange rate of the Vietnam Dong. The country's economic growth target for 2017 is 6.7%, and is expected to exceed the growth in 2016.

The Group's revenue for the year under review amounted to approximately US\$327,640,000, which was US\$181,000, slightly lower than in the previous year. Its gross profit of US\$79,030,000 leaped 30.2% or US\$18,327,000 above the previous year with overall gross profit margin up from 18.5% of the previous year to 24.1% in 2016. The Group's net profit for the year also surged US\$10,403,000 or 87.9% year-on-year to US\$22,233,000 with net profit margin up from 3.6% of the previous year to 6.8%. The profit growth during the period was mainly attributable to: 1) stable material and energy costs, 2) continuous strengthening of the brand and channels, and 3) a higher export market share. These factors are also likely to bolster the Group's operating performance in 2017. Although material and energy costs are expected to rise and in fact have slightly increased, the Vietnamese government has signed several free trade agreements. As the market has increasingly become more open, the economy in Vietnam is expected to rebound gradually. Therefore, the Group will strive to maintain steady performance in its operations, and the management is prudently optimistic about its business prospects in the near-term future.

一、業務總覽

二零一六年，全球經濟景氣復甦乏力，主要受美日歐等先進國家恢復表現未如預期、中國經濟景氣變化、歐洲與中東政經局勢不穩定、新興市場增長放緩等因素影響，加上英國於六月脫歐所帶來的不確定性，全球經濟仍存在多項變數，衝擊金融市場及全球貿易，影響消費者與投資人信心。二零一六年全球經濟增長下跌至2.4%，創二零零八年全球金融海嘯以來的最低點。

越南二零一六年生產總值(GDP)增長率為6.21%，低於二零一五年的6.68%，主要受到天氣變遷影響。越南今年上半年遇嚴重乾旱及土壤鹽化，林業與水產業僅微幅上升1.36%，為5年來最低，拖累總體國內生產總值(GDP)的增長。年內，越南的消費者物價指數(CPI)增至2.66%，食品及飲料業物價上升約2%。另外，越南今年貿易為順差，加上外資湧入，以致外匯存底創歷史新高達410億美元，有助於穩定越南盾匯率。二零一七年越南經濟增長目標為6.7%，預料將高於二零一六年。

集團今年營收約327,640,000美元，比上年同期稍微下降181,000美元。集團毛利為79,030,000美元，比上年增长30.2%或金額18,327,000美元。集團整體毛利率由18.5%上升至24.1%，集團淨利為22,233,000美元，較上年增長87.9%或10,403,000美元，淨利率由3.6%上升至6.8%。獲利顯著增長主要由於下列幾個因素：1)原料價格與能源成本穩定。2)持續的品牌與通路強化。3)外銷市場份額提升等影響，這些因素或將繼續影響二零一七年的經營表現。雖然目前可以預測原料與能源的價格已經輕微上升，但隨著越南政府已簽署多項自由貿易協定及市場再多方開放，預料越南經濟景氣將逐漸回升，集團將努力穩定而務實的營穩策略。管理層對業務前景保持審慎樂觀的態度。

II. BUSINESS ANALYSIS

i. Sales Analysis by Market

二、營業分析

(一) 市場銷售分析

		Unit : US\$'000				單位 : 千美元	
Area	地區	2016 二零一六年		2015 二零一五年		Difference 差異	
		Amount 金額	%	Amount 金額	%	Amount 金額	%
Vietnam	越南	160,615	49.0%	169,527	51.7%	-8,912	-5.3%
Japan	日本	66,793	20.4%	64,176	19.6%	2,617	4.1%
The PRC	中國	31,853	9.7%	34,480	10.5%	-2,627	-7.6%
ASEAN	東盟	32,422	9.9%	28,992	8.8%	3,430	11.8%
Other regions	其他	35,957	11.0%	30,646	9.4%	5,311	17.3%
Total	合計	327,640	100.0%	327,821	100.0%	-181	-0.1%

1. Vietnam

During the year under review, the Group's turnover in Vietnam market dropped by 5.3% or US\$8,912,000 to approximately US\$160,615,000. The sales of modified starch and amylase products increased this year, but other products were continuously imported from overseas, so the market prices were chaotic with intense competition and the average selling price of various products declined as a result. The extended influence of El Nino in the previous year leading to drought and soil salinisation in different places in the first half of the year has caused considerable damage to the crops in Vietnam, and drastically affected local agriculture. The Group's fertiliser and feed product sales in Vietnam have notably decreased as a result when compared with that of the previous year. These developments have trimmed down the revenue, and the share of Vietnam market dropped from 51.7% in 2015 to 49.0%.

1 越南市場

二零一六年越南市場營業額約160,615,000美元，較上年減少5.3%或金額8,912,000美元。雖然變性澱粉與澱粉糖產品於今年有所增長，但由於其他產品由國外進口仍繼續進行，造成市場價格混亂，形成競爭，故多項產品平均售價下跌。其中也因上年聖嬰現象的延伸與影響，越南農作物受到相當大的影響。今年的上半年多處乾旱、土壤鹽化，影響農業甚鉅，使集團於越南區域之肥料與飼料銷售較上年同期顯著下滑。此等因素造成營收減少，以致越南市場營收佔比由二零一五年51.7%降至49.0%。

II. BUSINESS ANALYSIS (continued)

i. Sales Analysis by Market (continued)

2. Japan

The Group's revenue from the Japan market increased in the second half during the year, and total revenue for the year was up 4.1% or US\$2,617,000 to US\$66,793,000 year-on-year. The major reasons for the increase were the Group's efforts to leverage stable customer relationships, commit to product quality and secure new customers. Hence, the proportion of revenue from the Japan market to total revenue reached 20.4% during the year, higher than 19.6% in the previous year, and the country remained as the second largest geographic sales market. The Japanese yen was highly volatile during the year due to concerns about Brexit and the result of the US presidential election, the Group will pay close attention to the fluctuations and trends of its exchange rate in the future.

3. The PRC

Revenue from the PRC market reached US\$31,853,000, representing a decrease of US\$2,627,000 or 7.6% from the previous year. Its share in the Group's total revenue reduced from 10.5% in the previous year to 9.7%. The decrease in revenue in this market was due to the combined effect of slower economic growth, sluggish sales and decrease in product selling prices, which have affected the overall revenue accordingly.

4. ASEAN member countries

In the ASEAN market, excluding Vietnam, revenue increased by 11.8% or US\$3,430,000 in the previous year to US\$32,422,000 during this year, and its proportion of the Group's total revenue increased from 8.8% to 9.9%. The Group's efforts to consolidate market channels, actively secure new markets and customers and the free trade agreements among ASEAN member countries gradually yielded benefits and enhanced competitiveness, and all of these factors have combined to boost the sales and ultimately the Group's revenue.

二、營業分析(續)

(一) 市場銷售分析(續)

2 日本市場

集團日本市場年內下半年營收增加，全年營收達66,793,000美元，較上年增加4.1%或金額2,617,000美元。由於集團致力於充分的客戶穩定關係，產品的品質確保與新客戶的開發，使日本市場於本期之營收佔集團總營收達20.4%，高於上年之19.6%，仍為集團第二大銷售市場。年內，日圓受到英國脫歐與美國總統選舉結果影響，匯率大幅波動，集團將密切留意日圓匯率未來之波動與走勢。

3 中國市場

本年中國市場營收為31,853,000美元，較上年減少2,627,000美元或7.6%，營收佔比由上年同期的10.5%降至9.7%。中國市場營收減少主要是因為經濟成長放緩，銷售動能不振，且產品銷售價格下降，相對影響整體的營收表現。

4 東盟市場

本年東盟市場，除越南之外，營收為32,422,000美元，較上年增加11.8%或金額3,430,000美元，佔集團總營收由8.8%增至9.9%。營收增加主要由於集團致力鞏固市場通路，積極開發新市場新客戶，對於東盟國家間的自由貿易協定影響，也逐漸有效顯現，致競爭力增加，銷售得以增長。

II. BUSINESS ANALYSIS (continued)

i. Sales Analysis by Market (continued)

5. Other regions

Revenue from other regions totaled US\$35,957,000 during the year, representing an increase of 17.3% or US\$5,311,000 from US\$30,646,000 in the corresponding period of the previous year. The proportion of this segment of the Group's total revenue increased from 9.4% to 11% mainly due to the growth in the US and other new markets. Among the products sold in these markets, except for MSG-related products, new products including maltose and fertilisers began to bear fruits, thanks to the efforts in securing new customers.

ii. Sales Analysis by Product

二、營業分析(續)

(一) 市場銷售分析(續)

5 其它市場

本年其它市場營收為35,957,000美元，比上年同期的30,646,000美元增加17.3%或金額5,311,000美元，佔集團總營收由9.4%增至11.0%。這主要由於美國與其他新市場的業績增長，而在這些市場銷售的產品項目內，除了味精相關產品外，麥芽糖與肥飼料等新產品，也因積極開發客戶而有些成果。

(二) 產品銷售分析

		Unit : US\$'000				單位：千美元	
Products	項目	2016 二零一六年		2015 二零一五年		Difference 差異	
		Amount 金額	%	Amount 金額	%	Amount 金額	%
MSG/GA	味精／谷氨酸	228,893	69.9%	230,344	70.3%	-1,451	-0.6%
Modified starch/Native starch	變性澱粉／天然澱粉	40,393	12.3%	38,628	11.8%	1,765	4.6%
Specialty chemicals	特化產品	22,518	6.9%	22,557	6.9%	-39	-0.2%
Fertilisers and feed products	肥飼料產品	15,613	4.8%	19,782	6.0%	-4,169	-21.1%
Others	其他	20,223	6.1%	16,510	5.0%	3,713	22.5%
Total	總共	327,640	100.0%	327,821	100.0%	-181	-0.1%

1. MSG and GA

Revenue of MSG and GA amounted to US\$228,893,000 during the year, 0.6% or US\$1,451,000 less than the previous year. The decrease in revenue was mainly attributable to a larger volume of imported goods into Vietnam leading to keen market competition and lower average selling prices, thus eventually notably affecting the revenue. However, the Group recorded growth to varying extent in overseas markets including the US, EU, ASEAN and Japan. In all, this product's proportion in overall revenue marginally dropped from 70.3% of the previous year to 69.9% in 2016.

1 味精和谷氨酸

年內，味精和谷氨酸相關產品營收為228,893,000美元，較上年減少0.6%或金額1,451,000美元。營收減少的主要原因是由於越南內銷市場的持續進口產品仍多，為因應市場的競爭態勢，造成平均價格下滑，導致有較大幅度的營收減少。但是，集團在外銷市場上包括美國、歐盟、東盟以及日本市場的營收卻錄得不同幅度的增長。整體而言，此產品項佔集團總營收由上年的70.3%稍微下降至今年的69.9%。

II. BUSINESS ANALYSIS (continued)

ii. Sales Analysis by Product (continued)

2. Modified starch/Native starch

The Group's starch (both modified starch and native starch) recorded a revenue of US\$40,393,000 during the year, up by 4.6% or US\$1,765,000 in the previous year, mainly due to stable production costs and the positive results from new product development and new customers. Sales of modified starch recorded growth in many geographic markets. Thanks to the increased sales, its proportion within the Group's total revenue increased from 11.8% to 12.3%.

The amylase business that the Group launched in recent years has become the star product, generating a revenue of US\$10,814,000, soaring 60.5% or approximately US\$4,075,000 higher than the same period of the previous year. The increase was mainly because its product quality gradually gained recognition from current customers as well as the Group has also successfully secured new customers which served to boost the sales.

3. Specialty chemicals/Fertilisers and feed products

Specialty chemicals including hydrochloric acid, soda and bleach are principally sold in the Vietnam market. The revenue from specialty chemicals during the period amounted to US\$22,518,000 slightly decreased by 0.2% or US\$39,000 year-on-year and the contribution to the Group's total revenue was maintained at 6.9%. During the year, all industries in Vietnam were affected by the slowing economic growth which also directly hit the demand of fundamental chemical raw materials and especially the import of similar products. This has led to an imbalance in supply and demand and erratic fluctuations or drops in prices which eventually affected the revenue of related products. However, the trend has improved in the fourth quarter, together with the gradual recovery in the sentiment in Vietnam of the economy has driven the recovery in demand for basic chemicals. The year-on-year growth in sales volume of these products also indicates that there is room for growth in the specialty chemicals sector. The turnover of hydrochloric acid during the period has been US\$5,881,000, representing an increase of 0.6% or US\$38,000. Turnover of soda decreased by 0.9% or US\$123,000 to US\$14,039,000.

二、營業分析(續)

(二) 產品銷售分析(續)

2 變性澱粉/天然澱粉

集團澱粉(變性澱粉和天然澱粉)於本年的營收達40,393,000美元,較上年增加4.6%或金額1,765,000美元,主要由於集團生產成本穩定,積極推出新產品以及開發新客戶已略見成效,變性澱粉在各市場銷售均有增長。因營收增加,澱粉佔集團總營收由11.8%增至12.3%。

集團近年所新推出的澱粉糖產品,表現亮麗,營收達10,814,000美元,較上年同期增長60.5%,約4,075,000美元,主要因其品質逐漸受到客戶肯定,加上積極開發新客戶,銷售亦逐步增長。

3 特化產品/肥飼料

特化產品包括在越南市場銷售的鹽酸、蘇打、漂白水。特化產品本年的營收達22,518,000美元,較上年稍微減少0.2%或金額39,000美元,佔集團總營收維持6.9%。年內,越南各行各業都受到經濟增長放緩影響,致基本化學原料的需求也直接受到衝擊,尤其類似產品的進口,造成供求不均,價格混亂與下滑,影響相關產品的營收。然而,此現象已經在第四季有所改善,且越南經濟景氣緩步回升,對基礎化學品之需求逐漸回升,由於此等產品銷售數量較上年均有增長,預料此特化產品仍將會有增長空間。年內的鹽酸營業額為5,881,000美元,較上年增長0.6%或38,000美元。蘇打營業額達14,039,000美元較上年減少0.9%或123,000美元。

II. BUSINESS ANALYSIS (continued)

ii. Sales Analysis by Product (continued)

3. Specialty chemicals/Fertilisers and feed products (continued)

In the first half of 2016, some regions in Vietnam suffered from drought and soil salinisation due to the unfavorable weather. Demand for fertilisers dropped sharply within a short period of time and resulted in excess supply in Vietnam's fertilisers market. Increase in imports of similar products has also led to more severe price competition and the eventual substantial decline in the market price of fertilisers in Vietnam. The international sales market was also affected by similar price competition. All of these factors have led to the Group's fertilisers and feed products substantially decrease in revenue. Revenue of the products during the period amounted to US\$15,613,000, representing a year-on-year decrease of 21.1% or US\$4,169,000. Its contribution to the Group's total revenue also dropped from 6.0% to 4.8%.

III. MAJOR RAW MATERIALS/ENERGY OVERVIEW

1. Cassava/Starch

More farmers in Vietnam have expanded cassava plantation areas because the price of rubber has shown a greater decline during the year under review. The plantation areas in Vietnam's neighbour Cambodia have also expanded, this together with the upgrade in plantation technologies have resulted in the rising production volume of cassava, therefore, the Group also imported raw materials from Cambodia. Although the overall cassava supply in Southeast Asia has increased, the oversupply of corn grain in the PRC and other factors have led to weaker demand from the country for the import of cassava raw materials, and eventually affected the mass export of cassava materials from Vietnam to the PRC. The price of cassava starch has therefore dropped considerably.

二、營業分析(續)

(二) 產品銷售分析(續)

3 特化產品/肥飼料(續)

二零一六年上半年起，受到氣候影響，越南部份地區乾旱與土壤鹽化，肥料短期需求急速下降，以致越南肥料市場供過於求，加上進口同類產品繁多，市場價格競爭激烈，造成越南肥料市場售價大幅下滑。同時國際外銷市場也遭遇同樣的價格競爭，故使集團肥飼料產品營收大幅減少，本年營收達15,613,000美元，較上年減少21.1%或金額4,169,000美元，佔集團總營收由6.0%降至4.8%。

三、主要原料/能源概況

(一) 木薯/澱粉

本年內，橡膠價格大幅下降，越南農民從而增加木薯種植面積，而鄰國柬埔寨種植面積也上升，加上栽植技術改善，木薯產量增加，故集團也從柬埔寨進口原料使用。整體東南亞木薯供應相對增加，但越南木薯干原料大量出口至中國的現象，也受到中國玉米餘糧過剩與其他因素影響，中國對木薯干原料進口需求相對減少，導致市場上的木薯澱粉價格大幅下降。

III. MAJOR RAW MATERIALS/ENERGY OVERVIEW (continued)

2. Molasses/Sugar source

After suffering from oversupply and a substantial price drop over a few consecutive years in the global sugar manufacturing industry, the global sugar market finally experienced a supply shortage due to climate change and a subsequent adjustment in the production volume in the industry in 2016. The production volume of major sugar manufacturing countries such as Thailand, Brazil and India has also been reduced. Prices of raw sugar rose to their highest level in recent years. The change in the sugar manufacturing industry also affected the production capacity and price of molasses and amylase. Looking at 2016/2017, the normal climate condition would see a possible increase in production volume in various countries, and the market will realise a balance in supply and demand while the price of sugar will be less volatile. The Group will continue with its strategies of securing stable sugar sources, looking for those sources which can be used as raw material and adopting flexible procurement procedures so as to ensure a stable supply of these raw materials.

3. Energy

The energy price has rebounded after hovering at low levels for a long period of time. The price is expected to gradually rise in the future.

As for coal, the Group's core fuel for production, after attaining the high level of more than US\$130/tonne, the global coal price has been dropping sharply to a trough of about US\$40/tonne in February 2016. A direct reason for the decline was the breakthrough in exploitation technology for shale gas in the US, which has directly and indirectly dragged down crude oil prices to a great extent. The deep-rooted causes of the decline included the excess supply and weak demand in key markets including the US and Europe. However, in the second half of 2016, factors such as the closing or reduction of production by some of the international production facilities, the PRC's policy to reduce inventory days and the international energy price have alleviated the imbalance in supply and demand in the coal market. The market has started to show notable improvement since the second and third quarter in 2016. And after experiencing a long period of decline, the price of coal has rebounded sharply and the Group expects the price to continue to rise in 2017.

三、主要原料／能源概況(續)

(二) 糖蜜／糖源

世界上的製糖業，在連續幾年產量過剩，價格大幅下滑後，加上二零一六年受到氣候影響，產業的生產量調節，製糖大國泰國、巴西、印度產量均有減少，全球糖市轉向供應短缺。於年底時，原糖價格已升至多年來的高位，而製糖產業的變化相對影響相關糖蜜及澱粉糖的產能與價格變化。展望二零一六／二零一七年度，若天氣條件正常，各國產量可能增加，市場將轉向供需平衡，預測糖價應不會有太大波動。公司將秉持掌握穩定糖源原則，尋找各項可以供應為原料的糖源，發揮彈性的採購機制，創造穩定原料的取得。

(三) 能源

整體而言，能源價格經過較長時間低迷狀態後，已經回轉反彈，預料價格將逐步上揚。

就本集團主力燃料煤炭而言，世界煤炭價格自創下超越130美元／噸的高位後一路震盪下跌，直到二零一六年二月觸底至約40美元／噸。下跌的直接原因為美國頁岩氣的突破性技術開採，直接間接均很大程度造成原油價格下降；而更深層的原因，理應在於美國、歐洲等關鍵市場正處於供過於求和需求增長低迷的現狀。但二零一六下半年以來，部份國際煤炭產能退出、減量生產，受中國降低庫存量天數政策與國際能源價格等多重因素影響，煤炭市場供需失衡的局面有所緩和，二零一六年的第二、三季起，煤炭市場形勢開始明顯好轉，在經歷較長時間下滑後，煤炭價格出現強勢反彈，故預計二零一七年，煤炭市場價格或將承壓回調，價格預期上揚。

III. MAJOR RAW MATERIALS/ENERGY OVERVIEW (continued)

3. Energy (continued)

The wholesale price of electricity in Vietnam has increased 2% to 5% in 2016, which was mainly attributable to the increase in coal prices and the strong US dollar in late 2016. The price of electricity is expected to rise in 2017 as well. Nevertheless, the Group has reduced the purchase of external electricity and increased the use of self-generated electricity since the adoption of the co-generation power system. Consequently, the rise of electricity charges has only posed a minimal impact on the Group's operations.

IV. FINANCIAL REVIEW

1. Liquidity and Financial Resources

As at 31 December 2016, the Group had cash and short-term bank deposits of US\$88,497,000, US\$24,977,000 or around 39.3% higher than at the end of 2015. Short-term bank borrowings decreased by US\$10,493,000 or around 45.4% to US\$12,620,000 compared to the end of 2015, while mid-to-long-term bank borrowings declined by US\$4,423,000 or around 15.5% to US\$24,190,000. Total bank borrowings amounted to US\$36,810,000, US\$14,916,000 or around 28.8% less than that at the end of 2016. The borrowings were mainly denominated in US dollars, which accounted for 98.6% of the total, with the remaining 1.3% denominated in New Taiwan dollars. The proportions of short-term and medium-to-long-term bank borrowings were 34.3% and 65.7% respectively. Net interest expenses during the year dropped by about US\$148,000 from the corresponding period of the previous year.

Trade receivables for the period were US\$27,993,000, representing a decrease of US\$1,870,000 or around 6.3% when compared with the end of 2015. Around 93.0% of the trade receivables were due within 30 days. Total inventory was US\$65,282,000, down by US\$14,755,000 or around 18.4% when compared with the end of 2015.

The gearing ratio (total borrowings to total capital ratio) was 13.2% during the year, which was lower than 18.9% in the end of 2015 due to the decline in bank borrowings. And as cash was higher than borrowings, the Group's net gearing ratio (total borrowings less cash and deposits to total capital ratio) was -18.5%, a further drop from -4.3% at the end of 2015.

三、主要原料／能源概況（續）

（三）能源（續）

在電價方面，二零一六年越南批發電價增加2%-5%。主因為二零一六年底煤炭價格上升，美元走強，預計二零一七年電價將會調升，但集團使用汽電共生發電系統，外購電力比例相對減少，使用自生產電力增加，電力價格調漲對集團影響較為有限。

四、財務回顧

（一）流動資金和財政資源

截至二零一六年十二月三十一日，集團現金和銀行短期存款為88,497,000美元，比上年底增加24,977,000美元，約39.3%。短期借款為12,620,000美元，比上年底減少10,493,000美元，約45.4%；中長期借款為24,190,000美元，比上年底減少4,423,000美元約15.5%。借款總額為36,810,000美元，比上年底減少14,916,000美元或約28.8%。借款以美元為主，佔98.6%，其餘為新台幣佔1.3%；短期和中長期借款比率為34.3%比65.7%。今年淨利息費用同比上年減少約148,000美元。

本期應收貿易帳款為27,993,000美元，比上年底減少1,870,000美元，約6.3%，30天應收帳款佔比約93.0%。存貨總額為65,282,000美元比去年底減少14,755,000美元，約18.4%。

因借款減少，資本負債比（總借款比股東權益）為13.2%，少於上年底的18.9%；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）為-18.5%，低於二零一五年底的-4.3%。

IV. FINANCIAL REVIEW (continued)

1. Liquidity and Financial Resources (continued)

Current liabilities decreased sharply because of a decrease in short-term borrowings, so current ratio rose from 3.8 at the end of 2015 to 4.0, while the quick ratio increased from 2.1 to 2.7. The financial position of the Group remained sound.

2. Capital expenditure

During the year, capital expenditure amounted to approximately US\$12,153,000, US\$1,143,000 lower than the capital expenditure of US\$13,296,000 recorded in the pervious year.

3. Exchange rate

During the year, many foreign companies made investments in Vietnam based on their strong confidence in the future development of the country, and the investment capital inflow by way of foreign direct investment (FDI) was impressive. The annual foreign exchange reserve of Vietnam reached a historical high of US\$41,000,000,000, which has provided the Vietnam Dong support to maintain a stable exchange rate of the currency to the US dollar. The State Bank of Vietnam has adopted a new exchange rate management system since 4 January 2016, in which it adjusted the daily fixed exchange rate of the day based on the domestic and overseas economic conditions of the day. This system has made the Vietnam Dong less vulnerable to the external impact and the foreign currency speculative activities. Consequently, the Vietnam Dong was relatively stable when compared with other currencies in the first half of the year. Since the second half of the year, the currency was also affected by the depreciation of the RMB, anxieties about Brexit and the US presidential election in November as well as the interest rate hike by the Federal Reserve in December. The sharp increase in the value of the US dollar has inevitably led to the depreciation of the Vietnam Dong, but the exchange rate remained relatively stable when compared with other currencies. The Vietnam Dong only depreciated against US dollar by 1.1% to 1.2% in 2016. The State Bank of Vietnam expects the imports into the country will continue to grow in 2017, but exports will tend to drop due to the comparatively weak competitive position of the Vietnam Dong against other currencies and could potentially cause the trade deficit. The international trade cash flow will also affect the exchange rate of the Vietnam Dong and the currency is generally expected to show a slight depreciation in 2017.

四、財務回顧(續)

(一) 流動資金和財政資源(續)

本期短期借款減少，導致流動負債大幅減少，流動比率因此由去年底之3.8倍提升為4.0倍，速動比率由2.1倍提升為2.7倍，集團財務結構仍然穩健。

(二) 資本支出

期內資本支出共約12,153,000美元，比上年資本支出的13,296,000美元減少1,143,000美元。

(三) 匯率

年內，基於對越南未來發展的信心，吸引多國外資進行投資，外國直接投資(FDI)的投資資金流入強勁，越南全年外匯儲備達到410億美元，創歷史新高，致越南盾較有實力保持兌美元匯率平穩。越南央行於二零一六年一月四日起實施新的匯率管理機制，根據國內外經濟發展情況每天調整當日固定匯率。新匯率調整機制使越南盾減少受外界影響干擾以及在越南的外幣投機，使越南盾於上半年較其他貨幣穩定。下半年起，越南盾經歷了人民幣貶值、英國脫歐、美國十一月份大選以及美聯儲十二月份加息，美元急劇上升，雖使越南盾貶值，但其匯率仍然相對比其他貨幣穩定，二零一六年越南盾兌美元僅貶值1.1-1.2%。越南央行認為越南二零一七年進口將繼續增長，且因越南盾與其他貨幣相對競爭力較弱，二零一七年越南出口估計將會下滑，可能造成貿易逆差。而國際貿易現金流也將會影響越南盾匯率，一般預測，越南盾於二零一七年將微幅貶值。

IV. FINANCIAL REVIEW (continued)

3. Exchange rate (continued)

The Group's subsidiaries in the PRC are mainly for domestic distribution and the transactions there are denominated in RMB. During 2015, the median exchange rate of the RMB depreciated by 6%. Stepping into 2016, the RMB-USD exchange rate was better managed, with only a moderate increase recorded in the first quarter while it started to depreciate again in the second quarter of the year. It further depreciated after the result of the Brexit referendum in the UK was announced. The RMB depreciation suffered the biggest fall in 2016 since the RMB's huge depreciation in 1994. For the whole year of 2016, the RMB depreciated by 6.6%. Many experts believe that trend of depreciation of the RMB will continue in 2017.

Approximately 50% of the Group's revenue was in US dollars. This could basically balance out the need for the US dollars, so the potential exchange risk was relatively low. The Group continues to closely monitor the changes of exchange rates of various currencies and endeavours to avoid exchange loss resulting from large volatility in the operations as much as possible.

4. Dividends

Basic earnings per share were 1.48 US cents. The Board has resolved to declare the payment of a final dividend of 0.837 US cents. The dividend payout ratio was 100%.

V. PROSPECTS

Looking ahead to the development in 2017, amidst the changing global backdrop and economic shifts, global economic growth estimates are generally optimistic yet prudent. However, the overall economy and trade demand still has not demonstrated a recovery to any great extent. There is still excess production capacity and supply of products, while the price competition in the industry that the Group is involved in is expected to continue. Moreover, the uncertainties over the policies of the world's major countries lead to more complicated economic conditions in the future, which in turn uncertainties to the operations of the Group.

四、財務回顧(續)

(三) 匯率(續)

集團中國區各子公司主要以中國國內銷售為主，交易以人民幣計算。二零一五年人民幣中間價累計貶值6%。踏入二零一六年，人民幣兌美元匯率在走勢受到控制後第一季度小幅升值，但第二季度又開始陷入貶值。在英國脫歐公投結果揭曉後，跌勢進一步加劇。二零一六年人民幣貶值創出一九九四年人民幣大幅貶值以來的最大貶值幅度。從二零一六年全年來看，人民幣貶值6.6%。眾多專家認為，二零一七年人民幣仍是貶值趨勢。

集團營收約50%為美元收入，基本上可平衡對美元需求，匯率風險也相對較低，但集團仍將隨時密切注意各種貨幣匯率之變化，並可能規避營運上有波動過大之匯率損失。

(四) 股息

本期每股基本盈利為1.48美仙。董事會決定派發股息每股0.837美仙，派息率為100%。

五、展望

展望二零一七年，面對全球性景氣與經濟情勢的變化，雖然集團對整體全球經濟增長預測均保持審慎樂觀態度，但仍可明顯觀察到，整體經濟與貿易需求仍未見大幅復甦態勢，而尚有眾多品項產品的產能仍然存在過剩及供大於求的情況，預料低價競爭仍將持續。此外，面對全世界各主要大國的政策不確定的影響，未來的經濟情勢變化將更形複雜。這對於集團的經營，確實仍存在許多不確定因素。

Management Discussion and Analysis 管理層討論及分析

V. PROSPECTS (continued)

In recent years, the Group has reinforced its corporate structure, secured stable raw material supplies, improved production efficiency, stabilized production costs, enhanced marketing and business development efforts and developed new products, new markets and new customers and so on. As a consequence, initial signs of improvement are evident. Despite of facing numerous uncertainties in the future, the Group will continue to adhere to its development strategies and adopt measures to ensure such strategies are well-implemented, including:

- Product lines will be restructured to raise the proportion of high value-added products. The number of items with low gross profit will be reduced to maintain the reasonable product profitability.
- New products will be developed as the Group seeks out new markets. It will increase the number of new agents and customers, enhance the existing distribution channels and maximise the branding efforts so as to further reinforce the Group's business development.
- The Group will strengthen the procurement of key materials in bulk quantities.
- The Group will continue to enhance production technology in order to improve the production efficiency, and at the same time continue to implement energy-saving projects.
- The Group will develop customised production techniques and enhance the production scale of new products by more effectively utilising its resources, collaborating with different industries and customers, and conducting regular evaluations. More products from third parties will be introduced to fulfill customers' needs in a segmented market and bolster offerings to niche markets.
- Based on the strategy of "co-opetition," the production base in Vietnam will be used to develop markets in ASEAN and FTA nations. This complementary relationship can develop relevant businesses with added value.

五、展望(續)

經過近年來，集團執行各項紮根的基礎工作，包括掌握穩定原料供應，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、新市場和新客戶等，已可見初步改善成效。面對未來，集團雖面臨許多經營的不確定性，但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：

- 透過重組產品線，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，拓展新市場的業務，增加新代理、新客戶，同時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。
- 再強化並靈活掌握關鍵大宗原料的來源。
- 繼續提升技術以不斷改善生產效益，同時，持續推動節能省電專案。
- 運用集團資源，結合同業異業，持續策盟檢討，緊密結合客戶，朝向客制化生產開發，提升新產品規模化，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，積極發展東協市場與有簽訂自由貿易協定(FTA)的合作市場，在互補互利的前提下，拓展相關具有價值優勢的事業。

Management Discussion and Analysis 管理層討論及分析

V. PROSPECTS (continued)

- The Group will consider pursuing its market penetration in ASEAN countries by setting up business footholds, so as to extend its business network from Vietnam, explore business opportunities for its products, broaden its brand influence and eventually expand its business presence.
- By strengthening its financial management, the Group can enhance efficiency and optimise the asset utilisation rate. Steps will also be taken to mitigate the risk of foreign exchange and interest rate fluctuations amidst the increased turbulence in financial markets.

The Group will maintain flexible approaches at operating level to cope with the rapidly changing business environment. Apart from maintaining fundamental operations, the Group will also devote more efforts to formulating strategies for new environments. While there are challenges in the current situation, there are still opportunities. The management is confident that by implementing strategies cautiously and prudently based on its solid business foundation and capturing opportunities actively and efficiently, the Group will achieve further breakthroughs and development in its operations.

五、展望(續)

- 考慮於東盟國家設立營運據點，以延伸越南業務網絡，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、利率的風險管理工作。

隨著經營環境變化快速，集團的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，卻仍有機會。管理層相信在運用既有的經營基礎，謹慎落實的執行各項策略，並積極有效率地把握機會，集團將有更進一步的突破與發展。