

Management Discussion and Analysis

管理層討論及分析

I. BUSINESS OVERVIEW

Global economic growth in 2018 slowed down when compared to 2017 as the year-on-year global GDP growth was roughly flat. Different countries showed a mixed performance in terms of economic growth, with the emerging economies generally outperforming the developed countries. Apart from a few products, the price of bulk commodities and various raw materials had generally declined. However, the unemployment rate was relatively low around the world as a whole. According to statistics released by the International Monetary Fund (IMF), among the major economies, in terms of GDP, only the US saw an upward trend, while the Eurozone and Japan faced a downside. In the emerging markets, aside from very few countries such as India and Vietnam, other economies slowed down to varying degrees. Economic analysis reports mentioned that, despite the international financial crisis showing signs of easing, there are still risks of uncertainty. In particular, since the second quarter of 2019, the Sino-US trade conflict has added uncertainties to the global economy, trading and exchange rates. Hence, how to maintain steady progress in the path of recovery and making adjustment to maintain stable growth has become the top agenda item on the economic policy of many countries.

The GDP of Vietnam in 2018 reached 7.08%, the highest in the past decade, exceeding the pre-set growth target of 6.7%. The GDP growth in both the first and fourth quarters was above 7%, mainly attributable to the steady growth of the manufacturing industry and personal consumption, strong export and the inflow of foreign direct investment (FDI). The average consumer price index (CPI) was 3.54%, higher than that of last year. Total import and export trading value set a new historical high of approximately US\$482.2 billion. Total exports rose by 13.8% year-on-year while total imports increased by 11.5%, resulting in a trade surplus for the third consecutive year. Meanwhile, the inflow of FDI amounted to US\$19.1 billion, climbing to a new high for the third consecutive year and representing a year-on-year growth of 9.1%. The total capital arising from registration of new enterprises with foreign investors, the increase in capital injection and the acquisition of equity interest by foreign investors together was approximately 99% of that in 2017. Foreign exchange reserves also jumped to a new high. Vietnam's stock market outperformed other Asian countries, reaching the highest investment by foreign capital of the past three years. The interest rate and exchange rate still remained within a stable range. The exchange rate of the Vietnam Dong against the US dollar depreciated only slightly by 1.8% during the year. The economic growth in Vietnam in 2018 continued to contribute to the outstanding performance, making the country one of the most attractive investment destinations in the Asia Pacific region.

一、業務總覽

2018年世界經濟增長較2017年出現放緩跡象，世界GDP增長率與2017年大約持平，各國表現不一，當中新興經濟體優於已開發國家。大宗商品與各種原物料除少數產品外，價格普遍回落，然而，失業率在全球總體上處於相對較低的時期。國際貨幣基金組織(IMF)的數據顯示，主要經濟區域只有美國GDP出現上升趨勢，歐元區和日本等均出現下滑現象，新興市場除了印度、越南等極少數國家外，其他經濟體亦有不同程度的回落。多篇經濟分析報告均提到雖然國際金融危機已有所緩和，但仍存在一些不確定風險，尤其在第二季起，中美貿易磨擦使全球經濟、貿易與匯率增添更多變數。故如何在維持復甦步伐進中求穩，調整應變以穩定增長，成為各國經濟政策的首要任務。

越南2018年GDP增長率達7.08%，創近10年高位，超過預定增長目標6.7%，其中，第一季度與第四季度的GDP增長率超過7%，主要受惠於製造業與私人消費的穩定增長、強勁出口及國際直接投資(FDI)流入。平均消費物價指數(CPI)較2017年上漲3.54%，進出口貿易總額創下歷史新高，約達4,822億美元，出口總額同比增長13.8%，進口總額增長11.5%，連續三年實現貿易順差。同時FDI資金到位率連續三年創下新紀錄，為191億美元，同比增長9.1%，而外商投資的新增企業註冊，增加注資及收購股權等資金總額約為2017年的99%。外匯存款亦創新高，另外，越南股市在亞洲國家中一枝獨秀，外資創下近三年來最大幅度超買，而利率與匯率仍維持穩定，越南盾兌美元全年僅微貶1.8%。故越南2018年經濟增長持續締造亮眼表現，成為亞太地區最具吸引力的投資地區之一。

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管理層討論及分析

I. BUSINESS OVERVIEW (continued)

While the growth of the global economy slowed down, various economic indicators in Vietnam showed an outstanding performance. This was also accompanied by more intense competition and the rise in raw material and energy prices. The Group saw both growth and decline in its main products. For instance, the growth in market demand for specialty chemicals, fertilisers and feed products pushed up revenue and gross profit, while the rising costs of energy and main raw materials led to a drop in gross profit of MSG, modified starch and maltose products despite the Group recorded an increase in revenue in these products. In 2018, the Group's revenue increased by 10.5% or US\$33,967,000 year-on-year to US\$356,772,000, gross profit decreased by 0.9% or US\$639,000 year-on-year to US\$67,498,000, while the overall gross profit margin was down from 21.1% in 2017 to 18.9%. The Group's net profit declined by 7.2% or US\$1,344,000 year-on-year to US\$17,394,000, with net profit margin down from 5.8% to 4.9% year-on-year. To cope with market competition, the cost increased could not be fully reflected in the selling prices. Hence, cost climbing higher than the increase in product prices led to a slight decrease in the Group's profit despite the growth in revenue recorded during the year.

It is generally forecast that the global economy will continue to show a sluggish growth trend in 2019 and will still face uncertainties caused by the policies of major nations. Apart from the changes to the Sino-US trade friction, the political tension arising from Brexit and populism, the effects of extreme weather and the conflicts in the Middle East and South Asia, the economic factors such as the possible continued interest rate hikes in the US, the implementation of supply-side structural reform in the PRC as well as the rising energy prices will also add uncertainties which may affect economic growth. On the contrary, in Vietnam, the government has actively participated in the consolidation of the regional economy. It has benefitted from the introduction of FDI facilitated by, for example, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the European Union's free trade agreements (FTA). Vietnam has also benefitted from the shift of investment from foreign investors to the country to avoid the trade tensions. However, it still has to face the risks caused by the Sino-US trade disputes and non-tariff barriers for export products. Amid such changes, the Group will remain prudent and will formulate and execute flexible action plans to respond to the challenges of the business environment. It will endeavour to expand to new businesses, develop new products and new markets, control production costs and review its strategic alliance, in a bid to achieve further breakthroughs and development.

一、業務總覽（續）

雖然世界經濟出現增長趨緩的情況，但越南各項經濟指標表現優異，惟同時也帶來更多競爭，部分原物料與能源價格的上漲。綜觀集團主要產品互有漲跌，如特化產品、肥飼料因市場需求上升，帶動營收與毛利增加；味精、變性澱粉與麥芽糖等因能源與主要原料成本上漲，營收雖然增加但毛利反而減少。2018年年內集團營業額達356,772,000美元，較去年增加10.5%或金額33,967,000美元；毛利達67,498,000美元，較去年減少0.9%或金額639,000美元。集團總體毛利率由2017年的21.1%降至18.9%；集團溢利為17,394,000美元，較去年減少7.2%或金額1,344,000美元；淨利率則由同期5.8%降至4.9%。由於市場競爭因素，無法完全將上漲之成本反映於售價上。由於成本較價格上漲之幅度高，集團於本年之營收需錄得增長，但利潤稍為下降。

全球經濟總體預測在2019年仍出現增長趨緩的態勢，及普遍存在政策的不確定性。除中美貿易磨擦的變化，英國脫歐及民粹主義崛起政治緊張局勢，極端氣候、中東與南亞的衝突等問題外，經濟上如美國可能持續升息，中國推動供給側結構性改革，及能源價格上漲等因素，都將對經濟增長產生更多的變數。但反觀越南，政府積極參與區域經濟整合，如跨太平洋夥伴全面進步協定(CPTPP)、歐盟自由貿易協定(FTA)等有助於引進FDI而獲益，加上外商為避免貿易緊張局勢而轉進該國投資而從中受惠，但仍受到中美貿易爭端，出口產品遭遇非關稅壁壘的風險。對這些經濟環境的變化，集團將保持謹慎的態度，靈活調整策略來面對經營環境的挑戰，致力於拓展新業務，開發新產品及新市場，控制生產成本，以及檢討策略聯盟，令集團有更進一步的突破與發展。

Management Discussion and Analysis

管理層討論及分析

II. BUSINESS ANALYSIS

(1) Sales Analysis by Market

二、營業分析

(一) 市場銷售分析

Unit: US\$'000

單位：千美元

Country	國家	2018 二零一八年		2017 二零一七年		Difference 差異	
		Amount 金額	%	Amount 金額	%	Amount 金額	%
Vietnam	越南	177,753	49.8%	162,986	50.5%	14,767	9.1%
Japan	日本	63,015	17.7%	64,199	19.9%	(1,184)	(1.8%)
PRC	中國	39,004	10.9%	29,056	9.0%	9,948	34.2%
ASEAN	東盟國家	31,593	8.9%	31,792	9.8%	(199)	(0.6%)
US	美國	20,327	5.7%	16,761	5.2%	3,566	21.3%
Others	其他	25,080	7.0%	18,011	5.6%	7,069	39.2%
Total	合計	356,772	100.0%	322,805	100.0%	33,967	10.5%

1. Vietnam

Vietnam is the largest market of the Group. In 2018, due to the steady growth in the economic sentiment in Vietnam, the market consumption power there increased. As such, the Group's revenue from the market rose by 9.1% or US\$14,767,000 year-on-year to approximately US\$177,753,000. The increase in revenue was mainly attributable to the Group's mounting of vigorous sales promotions and other business activities for MSG and seasonings to boost sales volume. The sales and selling prices of soda, modified starch and maltose increased due to the growth in market demand, which resulting in the rise in revenue. At the same time, selling price of fertilisers and feed products was adjusted upward. The revenue rose despite a drop in overall sales volume. The Group also actively developed new special fertiliser products. As revenue from other markets increased, the share of the revenue from the Vietnam market decreased slightly to 49.8% of the Group's total revenue from 50.5% in 2017.

1. 越南市場

越南為本集團第一大市場，主因越南於2018年經濟景氣穩定增長，市場消費能力增加，故集團於此市場之營收約177,753,000美元，較2017年增加9.1%或金額14,767,000美元。主要由於強化味精與調味料促銷與業務活動，推動銷量而提升營收。蘇打、變性澱粉與麥芽糖均因市場需求增加，提高銷量與售價，令營業額亦隨之增加。肥飼料調增售價，整體銷量雖然下滑，但營收增長，集團也積極布局新專用肥料產品。由於其他市場業績增加，故越南市場營收佔比由2017年50.5%微降至49.8%。

II. BUSINESS ANALYSIS (continued)

(1) Sales Analysis by Market (continued)

2. Japan

Japan is the second largest market of the Group. The performance of the market declined during the year, mainly due to the slower-than-expected recovery of the Japanese economy and the competition in the MSG product market. Thus, to maintain a stable performance in this long standing market, the Group has adopted a more flexible sales strategy which led to a drop in revenue. Revenue from modified starch and fertiliser and feed products rose due to the increase in the selling prices of these products to maintain a reasonable profit. In Japan, apart from MSG, the Group's active efforts to develop and expand the modified starch segment also made a noteworthy contribution to the performance during the year. Revenue from the market amounted to US\$63,015,000 during the year, representing a decrease of 1.8% or US\$1,184,000 from 2017. The share of revenue generated from Japan accounted for 17.7% of the Group's total revenue, slightly lower than the 19.9% recorded in 2017.

3. The PRC

Revenue from the PRC market increased by 34.2% or US\$9,948,000 to US\$39,004,000 during the year. Its share of the Group's total revenue climbed from 9.0% in 2017 to 10.9%. The changes in the sales volume and selling price of the MSG market during the year resulted in the rise of sales volume and selling price of MSG. The demand for modified starch, fertiliser and feed products increased, which led to a year-on-year growth in sales volume and revenue. Moreover, the trading of the distribution products in the PRC market developed by the Group in recent years saw a gradual growth during the year, which drove the increase in revenue. Consequently, the sales of the PRC market jumped significantly when compared with last year.

二、營業分析（續）

（一）市場銷售分析（續）

2. 日本市場

日本為本集團第二大市場，本年業績有所下滑，主要由於日本經濟復甦不如預期，同時味精產品亦面臨市場競爭，故集團為穩定此長期經營之市場，集團採取較彈性的銷售策略，致使營業額減少。變性澱粉與肥飼料為維持合理利潤而增加售價，營業額隨之增加。日本市場除味精外，集團亦積極投入變性澱粉之開發與拓展，對本年業績也有明顯的貢獻。年內於本區域營業額達63,015,000美元，較2017年減少1.8%或金額1,184,000美元，日本市場期內營收佔比為17.7%，稍低於2017年之19.9%。

3. 中國市場

本年中國市場營收為39,004,000美元，較2017年增加34.2%或金額9,948,000美元，營收佔比由2017年9.0%增至10.9%。年內因味精市場量價出現變化，使味精銷售量與價格均有所提升。同時，變性澱粉及肥飼料因需求增加，銷售量與營收均較去年同期提升。另外，中國區於近年所積極投入之貿易代理品項，於本年也有逐步展現增長，帶動營收之增長。使中國市場之銷售較上期有顯著提升。

II. BUSINESS ANALYSIS (continued)

(1) Sales Analysis by Market (continued)

4. ASEAN member countries

During the year, revenue from ASEAN member countries, excluding Vietnam, modestly decreased by 0.6% or US\$199,000 year-on-year to US\$31,593,000. Its contribution to the Group's total revenue was down from 9.8% to 8.9%. The decrease was mainly because the revenue growth of MSG in the ASEAN market was below expectation. Sales volume of its customers dropped due to the continued price competition of MSG, leading to the decrease of revenue. However, the revenue of modified starch, fertiliser and feed grew due to the greater demand for these products. 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 second half of 2018, which will, in the initial stage, focus on developing the market and deploying related networks, and will put more effort to develop the market by strengthening sales and promotion of different products. The subsidiary is positioned as a base for further development, and is expected to facilitate a breakthrough in the growth in ASEAN market.

5. The US

Revenue from the US market reached US\$20,327,000 during the year, representing a rise of 21.3% or US\$3,566,000 from 2017. The proportion of its revenue from the market increased to 5.7% from 5.2% in 2017. The improvement was mainly attributable to the increase in sales volume of MSG. Also, driven by a higher shipment of maltose in the second half of the year to cater to the demand, sales performance of this product was better than the same period last year. Besides, the Group is actively developing new markets and new clientele for organic maltose and modified starch.

二、營業分析（續）

（一）市場銷售分析（續）

4. 東盟市場

本年東盟市場，除越南之外，營收為31,593,000美元，較2017年稍減0.6%或金額199,000美元，佔集團總營收由9.8%降至8.9%。主要由於味精在東盟市場未如預期增長，因味精價格持續低價競爭，導致客戶銷量下滑，影響營業額，但澱粉與肥料因需求增加而帶動營收增長。東盟市場為集團主要持續開拓之重點市場，已於2018下半年於柬埔寨成立子公司，初期將著重開拓市場與網路佈局，並將更積極投入與強化該市場各項產品之銷售推廣，期望日後以此為前進基地，對東盟各市場應有較具突破性之增長。

5. 美國市場

美國市場年內營收20,327,000美元較2017年增加21.3%或金額3,566,000美元，營收佔比由2017年5.2%增至5.7%。業績上升主要由於味精銷售量的增加，同時麥芽糖於下半年因應需求而出貨量增加，使銷售表現優於去年，另外集團正積極拓銷有機糖漿與變性澱粉之新市場與新客戶群。

Management Discussion and Analysis

管理層討論及分析

II. BUSINESS ANALYSIS (continued)

(1) Sales Analysis by Market (continued)

6. Other regions

Other regions mainly include Taiwan, Korea and the European Union ("EU"). Total revenue rose by 39.2% or US\$7,069,000 during the year amounting to US\$25,080,000. The growth in revenue was mainly driven by higher sales of MSG and modified starch. The share of the revenue from other regions increased to 7.0% of the Group's total revenue from 5.6%.

(2) Sales Analysis by Product

二、營業分析（續）

（一）市場銷售分析（續）

6. 其他市場

其他主要為台灣、韓國及歐盟市場，本年合計營收達25,080,000美元，此等營收增加主要由於味精與變性澱粉之增長所致。較2017年增加39.2%或金額7,069,000美元，佔集團總營收由5.6%增至7.0%。

（二）產品銷售分析

Unit: US\$'000

單位：千美元

Item	項目	2018		2017		Difference	
		二零一八年		二零一七年		差異	
		Amount	%	Amount	%	Amount	%
		金額	%	金額	%	金額	%
MSG and seasonings	味精+調味料	235,331	66.0%	223,612	69.3%	11,719	5.2%
Modified starch & native starch & maltose	變性澱粉+天然澱粉+麥芽糖	56,128	15.7%	44,182	13.7%	11,946	27.0%
Specialty chemicals	特化產品	32,552	9.1%	29,012	9.0%	3,540	12.2%
Fertilisers and feed products	肥料與飼料	21,165	5.9%	18,425	5.7%	2,740	14.9%
Others	其他	11,596	3.3%	7,574	2.3%	4,022	53.1%
Total	合計	356,772	100.0%	322,805	100.0%	33,967	10.5%

1. MSG and seasonings

During the year, revenue from MSG and seasonings-related products amounted to US\$235,331,000, representing a year-on-year increase of 5.2%, or US\$11,719,000. The revenue growth of MSG was mainly owed to the rising of sales volume caused by the strengthening of promotion and business activities in Vietnam and the easing of import competition between the PRC and Vietnam. Beside revenue of MSG from Taiwan, the US and Europe also increased. Notwithstanding the revenue from Japan and ASEAN dropped in varying degrees, the Group's revenue from MSG achieved a modest growth. Generally speaking, the revenue growth of MSG and seasonings-related products was less than that of other products of the Group. The contribution of these products decreased to 66% of the Group's total revenue from 69.3% in 2017.

1. 味精與調味料

年內味精和調味料相關產品營收235,331,000美元，較2017年增加5.2%或金額11,719,000美元，味精營收增加主要由於越南市場加強促銷及業務活動，另中國與越南進口競爭較為趨緩而提升銷售量。而在台灣、美國與歐洲之味精營收亦有增長，但在日本與東盟市場卻仍有不同幅度之減少，導致集團味精表現於年內僅小幅增加。整體而言，味精和調味料相關產品較集團內其他產品增長幅度小，故佔集團總營收由2017年69.3%降至66%。

II. BUSINESS ANALYSIS (continued)

(2) Sales Analysis by Product (continued)

2. *Modified starch/Native starch/Maltose*

During the year, cassava, the raw material for producing modified and native starch and maltose products, was in serious supply shortage due to a plague of pests on its plantations. The price of cassava starch surged as a result of the jump in market demand, leading also to the rise in both the selling price and sales volume of the Group's cassava products. However, the growth in revenue was not able to offset the growth in costs. During the year, revenue from modified and native starch and maltose products climbed 27.0% year-on-year, or US\$11,946,000, to US\$56,128,000. Sales of modified starch showed higher growth in Vietnam, the ASEAN market, the PRC and Europe. The sales volume and selling price of maltose also improved due to a continuous increase in demand. At present, the Group is actively developing and expanding new products with higher added values, including organic syrup and starch products as well as new markets. Growth is expected in this segment in the future.

3. *Specialty chemicals/Fertilisers and feed products*

Specialty chemicals including hydrochloric acid, soda and bleach are sold in the Vietnam market. During the year, the Vietnam economy continued to grow steadily resulting in the increasing demand for basic industrial chemicals. Revenue from specialty chemicals was up by 12.2%, or US\$3,540,000, year-on-year from US\$32,552,000 during the year. Its proportion of the Group's total revenue increased from 9.0% to 9.1%. At the same time, global demand for soda products increased but supply was reduced. This translated into a higher sales volume and selling price and thus higher revenue for the Group. As for hydrochloric acid, the relatively large proportion of output used internally by the Group during the year, together with the price competition with imported products and local manufacturers combined to cause the drop of selling price and sales performance. The Group has carried out the expansion plan for specialty chemicals production facilities to boost the growth of this product.

二、營業分析（續）

（二）產品銷售分析（續）

2. *變性澱粉／天然澱粉／麥芽糖*

年內變性澱粉、天然澱粉與麥芽糖產品，因於年內，原料木薯產區受病蟲害影響導致大量短缺，木薯澱粉市場需求突增，價格飆升，使集團售價與銷量皆上漲，但營收之增加不及成本之增加。集團年內變性澱粉、天然澱粉與麥芽糖產品營收達56,128,000美元，較2017年增加27%或金額11,946,000美元。變性澱粉的銷售在越南、東盟市場、中國及歐洲均有較大幅度之增長。麥芽糖因需求持續增加，銷量與售價亦隨之上升，目前集團積極研發附加價值較高的有機糖漿與澱粉的新產品與開發新市場，未來增長之機會應可期待。

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。年內因越南經濟穩定增長，對此基礎工業產品需求增加，特化產品營收年內合計達32,552,000美元，較2017年增加12.2%或金額3,540,000美元，佔集團總營收由9%增至9.1%。同時，蘇打產品因國際市場需求增加，但供應卻減少，使集團銷量與售價皆上漲，致使營收增加。但鹽酸產品因年內自用量增加，另外亦受到進口與本地廠商之低價競爭，調降售價，致使業績下滑。集團已執行酸鹼廠擴廠計畫，以擴充此項產品的增長。

II. BUSINESS ANALYSIS (continued)

(2) Sales Analysis by Product (continued)

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

During the year, the price of fertilisers and feed products were adjusted according to market conditions and a growth and drop in selling prices and sales volume were seen. Overall, revenue of this segment climbed resulting partly from the stronger demand from the PRC market which drove up selling price, and partly from the Group's efforts to promote and develop new special fertilisers and feed products and engage new agents in key development zones and conducting a trial run on farms. The Group's revenue from fertilisers and feed products increased by 14.9%, or US\$2,740,000, year-on-year to US\$21,165,000 and its contribution to the Group's total revenue rose from 5.7% to 5.9%.

4. Other products

Other products mainly include new products and agent products that the Group distributes and sells in Vietnam and the PRC. Revenue reached US\$11,596,000, up 53.1% or US\$4,022,000 year-on-year, making up 3.3% of the Group's total revenue, up from 2.3% in the past year. The growth in revenue was attributable to the Group's strategy to promote new trade product, to form a special sales unit and to strengthen the building of sales channels. The substantial growth in sales volume of products distributed in the PRC including coffee beans, frozen food and wines was another reason for the improvement in revenue.

二、營業分析（續）

（二）產品銷售分析（續）

3. 特化產品與肥飼料（續）

至於肥飼料，年內各產品依市況調整價格，售價與銷量互有漲跌。整體而言，主要由於中國市場需求增加，推動售價之提升，致使營業額增長，另一方面集團積極布局新專用肥飼料產品，並選定重點發展區域新代理及農場試驗，有助於推動營收增長。集團肥飼料產品營收達21,165,000美元，較2017年增加14.9%或金額2,740,000美元，佔集團總營收由5.7%增至5.9%。

4. 其他產品

其他產品主要為集團於越南與中國區所經營之新產品與代理品，營收達11,596,000美元，較2017年增加53.1%或金額4,022,000美元，佔集團總營收由2.3%增至3.3%。主要為集團推廣之新貿易產品銷售，成立專責銷售單位，加強建立銷售管道之策略奏效，尤其中國區所代理之咖啡豆、冷凍食品與酒等銷售產品銷量大幅增長，營業額亦隨之增加。

III. MAJOR RAW MATERIALS/ENERGY OVERVIEW

1. Cassava

The area of cassava plantations were reduced in Vietnam, Thailand and Cambodia during the 2017/2018 harvest period. This, plus the pest attack on the crops at this time resulted in an ongoing cassava supply shortage, substantially pushed up the price of raw materials of cassava and starch. Due to the change in farmers' plantation habits, effects of climate change and market competition, it is expected that the supply of new material cassava will continue to be affected in 2019. As a result, the production of the Group's cassava starch-related products will face challenge. Hence, in addition to relying on information links to secure raw material supply sources, the Group will also strive to implement its procurement strategy effectively and form strategic alliances with supply channels to ensure the access to stable raw material supplies.

2. Molasses

The global sugar market experienced a supply shortage in 2016/2017. Sugar production reached a new high in the 2017/2018 harvest period while demand fell. Hence, the price of molasses stabilised in 2018. According to the report issued by the International Sugar Organisation, the excess global supply of sugar would compensate for a reduction in production volume of 2,000,000 tonnes by key sugar producing countries in 2018/2019. In 2019, as Brazil continues to use more sugar cane to produce ethanol, India remains vulnerable to adverse climate conditions and pest attacks, the EU is reducing the sugar plantation area, Thailand continues to implement a biomass energy business plan, as well as the food and beverage producers are reducing sugar content in their products to meet the rising health awareness of consumers, therefore production and export volume of sugar may continue to drop. As for molasses, the Group needs to monitor various factors that are expected to slightly push up the price of molasses including plantation area, climate change and biomass energy policy.

三、主要原料／能源概況

(一) 木薯

於2017/2018年的產季，越南、泰國及柬埔寨之木薯種植面積都減少，加上2017/2018年產季發生木薯病蟲害，使得木薯供應量持續不足，引致木薯與澱粉原料價格大幅攀升。同時，隨著農民的種植習慣、氣候變化與市場競爭，預期2019年木薯原料供應仍將受到影響，此將使集團木薯澱粉相關產品之生產面臨挑戰。故集團除透過資訊連結來掌握原料供應來源外，將更致力於運用採購策略與建立策略聯盟供應管道，以掌握原料的穩定供應。

(二) 糖蜜

世界糖市於2016/2017年供不應求，但進入2017/2018年產季，糖生產量創新高紀錄，糖需求市場反而減少，故糖蜜價格於2018年回穩。根據國際糖業組織(International Sugar Organization)報告，全球供應量過剩，足以填補2018/2019年主要產糖國200萬噸的減產量。集團預計2019年受到巴西持續將更多甘蔗用於生產乙醇、印度天氣與蟲害之憂慮、歐盟種植面積減少、泰國仍持續其生質能源產業計劃等影響，加上由於消費者越來越注重健康，食品和飲料生產商可能繼續減少產品的含糖量，預估糖產量與出口量將可能下降。而糖蜜部分，仍需觀察種植面積、氣候變化及生質能源政策等影響因素，預估應稍微推升糖蜜價格。

III. MAJOR RAW MATERIALS/ENERGY OVERVIEW (continued)

3. Energy

The global energy landscape has changed drastically in 2018. Among the oil producing countries, the US shale oil industry experienced rapid growth and increased crude oil production in 2018. Greater fluctuations in petroleum prices made renewable energy more competitive. The coal market has also recovered from the in-depth global adjustments conducted in preceding years. In 2018, except for countries in Europe and the US, all other major coal producing countries maintained their growth in coal production volume. A report issued by the International Energy Agency (IEA) stated that although developed countries are reducing the use of coal, emerging economies represented by India, Indonesia and Vietnam still have huge demand for coal as a means to quickly enhance power generation. Thus, coal price is expected to remain at a high level.

With regard to electricity price, the Vietnam Government continued to implement policy to stabilise related prices in 2018 which is essential for supporting steady economic growth and a stable inflation rate. However, as Vietnam has already achieved the goal of controlling its inflation rate at below 4% in 2018, the country has decided to adjust the electricity price in the second quarter of 2019.

IV. FINANCIAL REVIEW

(1) Liquidity and Financial Resources

The Group had cash and cash equivalent, short-term bank deposits, and structured bank deposits of US\$58,445,000, US\$11,200,000 or about 16.1% less than that at the end of 2017. Short-term bank borrowings increased year-on-year by US\$1,590,000 or about 21.0% to US\$9,173,000. The decrease in bank deposits and rise in short-term bank borrowings were mainly due to the increase in procurement of agricultural products to ensure stable raw material sources and prices. Long-term bank borrowings declined by US\$821,000 or around 3.0% to US\$26,993,000. Total bank borrowings amounted to US\$36,166,000, US\$769,000 or around 2.2% more than that at the end of 2017. All of the borrowings were denominated in US dollars. The proportions of short-term and long-term bank borrowings were 25.4% and 74.6% respectively. During the period, net finance income of US\$97,000 was recorded in 2018 while US\$49,000 was recorded in 2017.

三、主要原料／能源概況（續）

（三）能源

世界能源形勢在2018年產生較大變化，產油國中的美國頁岩油田年內快速增長使得2018年原油產量增加，致使石油價格出現大幅波動，再生能源更具競爭力。煤炭市場在經歷了前幾年的全球性深度調整之後已經出現復甦，2018年除歐美國家外，世界其餘主要產煤國家煤炭產量都保持增長態勢。國際能源署(IEA)報告中指出，近年已發達國家正減少對煤炭的使用，然而印度、印尼、越南為代表的新興經濟體卻迅速提高發電量，對煤炭的需求大幅提升，所以預估煤炭價格可能維持在高檔區。

在電價方面，越南政府於2018年為維持穩定的經濟成長與通貨膨脹率，維持穩定電價政策。但由於越南在2018年通脹率達到4%以下的目標，故此決定在2019年第二季調整電費。

四、財務回顧

（一）流動資金與財政資源

集團現金及現金等價物，銀行短期存款和結構性銀行存款為58,445,000美元，較2017年底減少11,200,000美元，約16.1%。短期借款為9,173,000美元，較2017年底增加1,590,000美元，約21%。存款減少與短期借款增加，主要因為增加購買農產品原料，以穩定原料來源與價格；長期借款為26,993,000美元，減少821,000美元，約3.0%。借款總額為36,166,000美元，較2017年底增加769,000美元或增加約2.2%，全為美元借款；短期和長期借款比率為25.4%比74.6%。期內淨財政收入由2017年49,000美元增至2018年97,000美元。

IV. FINANCIAL REVIEW (continued)

(1) Liquidity and Financial Resources (continued)

Trade receivables were US\$33,151,000, representing an increase of US\$1,500,000 or around 4.7% when compared with that in the end of 2017. Around 63.5% of the trade receivables were aged within 30 days. As at 31 December 2018, total inventory was US\$91,102,000, up by US\$8,234,000 or around 9.9% when compared with that in the end of 2017. The increase in inventory was mainly attributable to the growth in the Group's finished products and raw materials for production in January 2019.

As a result of the slight increase in both bank borrowings and equity ratio, the Group's gearing ratio (total borrowings to total equity ratio) was 12.6%, nearly the same as the 12.5% recorded at the end of 2017. With cash on hand exceeding borrowings, net gearing ratio (total borrowings less cash and deposits to total equity ratio) was negative in both 2017 and 2018.

Current liabilities for the period increased at the increase of short-term borrowings and payables, the Group's current ratio slightly decreased from 3.8 in the end of 2017 to 3.3 in 2018, while the quick ratio declined from 2.2 in the end of 2017 to 1.8 due to the increase in inventory. Although both the current ratio and the quick ratio dropped, the financial position of the Group remained sound.

(2) Capital expenditure

During the period, capital expenditure amounted to approximately US\$25,520,000, US\$4,981,000 higher than the capital expenditure of US\$20,539,000 recorded in 2017.

四、財務回顧(續)

(一) 流動資金與財政資源(續)

應收貿易帳款為33,151,000美元，較2017年底增加1,500,000美元，約4.7%，30天期內應收帳款佔約63.5%。存貨總額於2018年12月31日為91,102,000美元，較2017年底增加8,234,000美元，約9.9%。存貨增加主要是期內集團成品增加與為2019年1月生產所需之原材料增加所致。

因借款及股東權益都稍為增加，資本負債比（總借款比股東權益）為12.6%，接近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2017年與2018年皆為負數。

期內，短期借款與應付款項增加導致流動負債增加，流動比率2018年底為3.3，稍低於2017年底之3.8，速動比率因庫存增加，由2017年底之2.2降為1.8，雖然流動比率與速動比率均下降，但集團財務結構仍是穩健。

(二) 資本支出

期內資本支出共約25,520,000美元，較2017年資本支出的20,539,000美元增加4,981,000美元。

IV. FINANCIAL REVIEW (continued)

(3) Exchange rate

In 2018, Vietnam achieved the highest economic growth in the current decade with a record high import and export trading volume, foreign exchange reserves and foreign direct investment capital adequacy ratio. All these factors were favourable to stabilising the exchange rate of the Vietnam Dong. The State Bank of Vietnam announced that the Vietnam Dong depreciated by 1.78% in 2018, from 22,425 Vietnam Dong/US dollar in the end of 2017 down to 22,825 Vietnam Dong/US dollar in the end of 2018. But the depreciation of the Vietnam Dong was still far lower than other currencies. In 2018, affected by the escalation of the Sino-US trade dispute, the exchange rate of the RMB continued to fall which also caused the Vietnam Dong to depreciate. The bank rate in December was more than 23,100 Vietnam Dong to US\$1. However, experts believe the depreciation pressure on exchange rates will be lessened as the PRC and US will continue to negotiate over trade issues in 2019 and which seems to have taken a favourable turn. That plus the inflation rate in Vietnam being under control in the past few years have led to a general expectation that the depreciation of the Vietnam Dong will only be mild.

The Group's subsidiaries in the PRC are mainly responsible for local sales with transactions denominated in RMB. The RMB exchange rate appreciated by 6% against the US dollar in 2017. The trend of the RMB exchange rate in 2018 was basically stabilized, followed by depreciating. In mid-to-late April, the exchange rate between the RMB and the US dollar fell due to the escalation of Sino-US trade friction, the strong rebound of US dollar indices, quicker depreciation of the currencies of the emerging markets, continuous fermentation of global disputes and the slowdown in PRC economic growth. The RMB and the US dollar fell by a total of 4.9% in 2018. The PRC could face greater impact if the Sino-US trade war lasts longer. Therefore the Group will keep a constant watch on changes in the exchange rates of the RMB.

(4) Earnings per share and dividends

Basic earnings per share were 0.94 US cents for the period. The Board has resolved to declare payment of final dividend of 0.265 US cents per share. The dividend payout ratio was 60%.

四、財務回顧（續）

（三）匯率

越南2018年經濟增長為近10年最高，進出口貿易總額與外匯存底創歷年新高，外國人直接投資資金到位率創新紀錄，這些因素均有利於穩定匯率。越南國家銀行公佈的2018年中心匯率貶值1.78%，由2017年底的22,425越南盾／美元，貶值至2018年底的22,825越南盾／美元，而越幣貶值幅度仍遠低於其他貨幣。2018年受到中美貿易爭端加劇影響，人民幣匯率一路下滑，亦帶動越南盾貶值，於12月份，銀行美元匯兌越南盾已超過23,100越南盾換一美元。不過專家認為，2019年中美將進行貿易談判，談判前景似有轉機，匯率貶值壓力將會減少，而且越南通貨膨脹率在這幾年來都得到控制，故一般預期，越南盾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。2017年人民幣兌美元總計升值6%，2018年人民幣匯率走勢總體呈現先穩後貶，自4月中下旬，隨著中美貿易摩擦升級，美元指數強勢反彈，新興市場貨幣加速貶值，加上全球貿易摩擦不斷發酵，國內經濟增長持續承壓等多重因素影響，人民幣兌美元匯率持續承壓下挫，2018年合計貶值4.9%。中美貿易摩擦持續時間越長，對中國的影響便越大，故此集團仍需密切觀察人民幣的變化。

（四）每股盈利及股息

本期每股基本盈利為0.94美仙。董事會決定派發末期股息每股0.265美仙。派息率為60%。

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V. PROSPECTS

Looking ahead to 2019, though facing a changing global backdrop and shifting economic trends such as the uncertainties associated with the development of the Sino-US trade issues and conflicts in certain regions, the Group remains optimistic about the global economic trend. To address the uncertainties and risks arising from the unstable supply and prices of raw materials, excess production of a number of products in the market and rapid change in industry operation and competition, the Group will continue to strengthen its development, cooperation with partners and innovation and adopt effective measures to fuel market development and achieve higher growth.

The Group has reinforced its business foundation in recent years, striving diligently in various aspects including utilising resources to lower costs, enhancing product quality and production efficiency, maintaining long term and close relationships with customers, expanding domestic and overseas markets and developing new products, new markets and new customers. These efforts have started to bear fruit. Looking ahead, despite facing considerable operational uncertainties, the Group will continue to adhere to and forcefully implement its set development strategies to align its goals, mission and strategies, in order to realise long-term development and operational efficiency. These strategies include:

- Restructure the product lines to focus on core products, with an aim 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 to enhance market positioning and brand competitiveness; adjust its business structure, increase the number of new agents, secure new customers and at the same time enhance the existing distribution channels and sustain and apply its brand influence, with the objective of empowering overall business performance and expansion.
- Explore procurement channels for raw material diversification and strengthen its access to critical raw material sources to provide flexibility.
- Continue to improve production technologies thereby bolstering production efficiency, and also increase capital expenditure in order to expand production of high-potential products so as to maintain its industry leadership and continue to promote the implementation of energy-saving projects.

五、展望

展望2019年之發展，面對全球性景氣與經濟形勢的變化，如中美貿易摩擦的演變與某些區域衝突等所牽動的不確定因素等，集團對於全球經濟趨勢仍持審慎的態度。面對原料供應與價格不穩定、市場上多項產品產能過剩及產業經營競爭變化迅速等不確定因素與風險，集團將持續加強開發、合作與創新，採取各種有效措施以增強市場發展，進一步取得成長。

近年來，集團紮實執行各項基礎工作，充分利用資源來降低成本、提高產品品質與生產效率，深耕客戶關係以維持長期的緊密關係，強化拓展海內外市場，開發新產品新區域新客戶群，並已取得初步改善成效。展望未來，集團雖仍面臨經營環境的不確定性，但仍將聚焦於執行組織既定的發展策略，落實策略的行動方案，以達願景、使命與策略的緊密結合，追求長遠發展與經營成效，其中包含：

- 透過產品線的重新組合，把焦點放在核心產品上，以提升高附加價值產品的比重，減少低毛利品項，維持產品的合理利潤。
- 積極投入新產品開發，以提升新市場業務，強化在市場中的定位，並提升品牌競爭優勢；透過業務組織的調整，增加新代理、新客戶的拓展，同時再深耕目前既有市場的通路，並延續與發揮品牌價值，以強化集團整體業績表現與業務拓展。
- 增加原料多元化之採購管道與通路，以增強並靈活掌握關鍵大宗原料之穩定來源。
- 持續改善生產技術及提高生產效率，同時再增加資本支出的投入，擴充潛力產品的生產規模，以維持產業領先地位，並持續推動節能省電專案。

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V. PROSPECTS (continued)

- Draw on the Group's own resources and innovations breakthroughs from the execution of its strategies, combine the strengths of industry peers and players in other industries and strengthen the communications with strategic partners; work closely with customers and gear up for developing customised products so as to boost its new product portfolio and expand the third party product business to diversify product channels and marketing strategies in order to meet the needs of customers in niche markets.
- Adopt the co-opetition strategy and use its production base in Vietnam to actively develop ASEAN and Free Trade Agreement (FTA) covered markets. The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) that will take effect soon will also be conducive to the development of relevant new high-value businesses.
- Consider extending its foothold in ASEAN countries and continuing its development in these countries, expand into other business segments with its core products, extend its business and distribution network, create new market opportunities, broaden its brand influence and eventually expand its business presence.
- Promote diversified marketing and business management models to provide greater convenience and flexibility in product distribution and information exchange, as well as strengthen network marketing activities, marketing data analysis and customer relations management.
- Use financial management to devise strategies aiming to enhance operations efficiency and also lower operations costs and optimise asset utilisation rate, thus maximising shareholder value. Steps will also be taken to carry out effective capital management to mitigate the risk of foreign exchange and interest rate fluctuations amidst increased turbulence in financial markets.

Operating in a rapidly changing environment, the Group will maintain flexibility in conducting its business and adjust its strategic approach in order to maintain its competitiveness and cooperative relations. Apart from tackling fundamental operational tasks, the Group will also devote greater efforts to implement strategies and target new business environments. While the current situation presents many challenges, the Group also sees many development opportunities. The management is confident that by implementing strategies based on its existing operational foundation as well as reviewing and implementing various strategies in a prudent and proactive manner, the Group will be able to seize more development opportunities in the industry and realise operational efficiency to achieve breakthroughs and advancement in its operations.

五、展望(續)

- 有效運用集團資源及行動策略的創新突破，並結合同業異業，持續加強策略聯盟之溝通；緊密結合客戶關係，朝向客製化生產發展，以提升新產品規模；並擴充代理產品業務，加強產品通路行銷策略，以滿足分眾市場客戶需求。
- 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，另外跨太平洋夥伴全面進步協定(CPTPP)即將生效，有助於拓展相關具價值優勢的新事業。
- 思考持續前進東盟國家設立營運據點，以核心產品帶領拓展其他業務，並延伸業務與行銷網路，開創新市場商機，延伸品牌的營銷力度，以擴增集團的事業版圖。
- 推動多元行銷與業務管理方式，提高產品流通與訊息交換的便利與機動彈性，並加強網路行銷工具，分析行銷數據與管理客戶關係。
- 運用財務管理，在提升效益的同時，致力下降營運成本與提高資產使用效率，創造股東價值最大化，並於金融市場震盪幅度增大之際，做好營運資金管理，降低匯率及利率的風險。

隨著經營環境快速的變化，管理層將彈性靈活執行各項行動方案，不斷轉變思維來維持競爭與合作，除實行經營基本工作外，面對新經濟環境變化亦會落實相應的策略，展望目前局勢，雖有挑戰但仍存在發展機會。管理層相信憑著運用既有的經營基礎，並以更謹慎積極的態度，檢視及推動各項策略，掌握更多產業發展機會，發揮集團營運綜效，以期有更進一步的突破與發展。