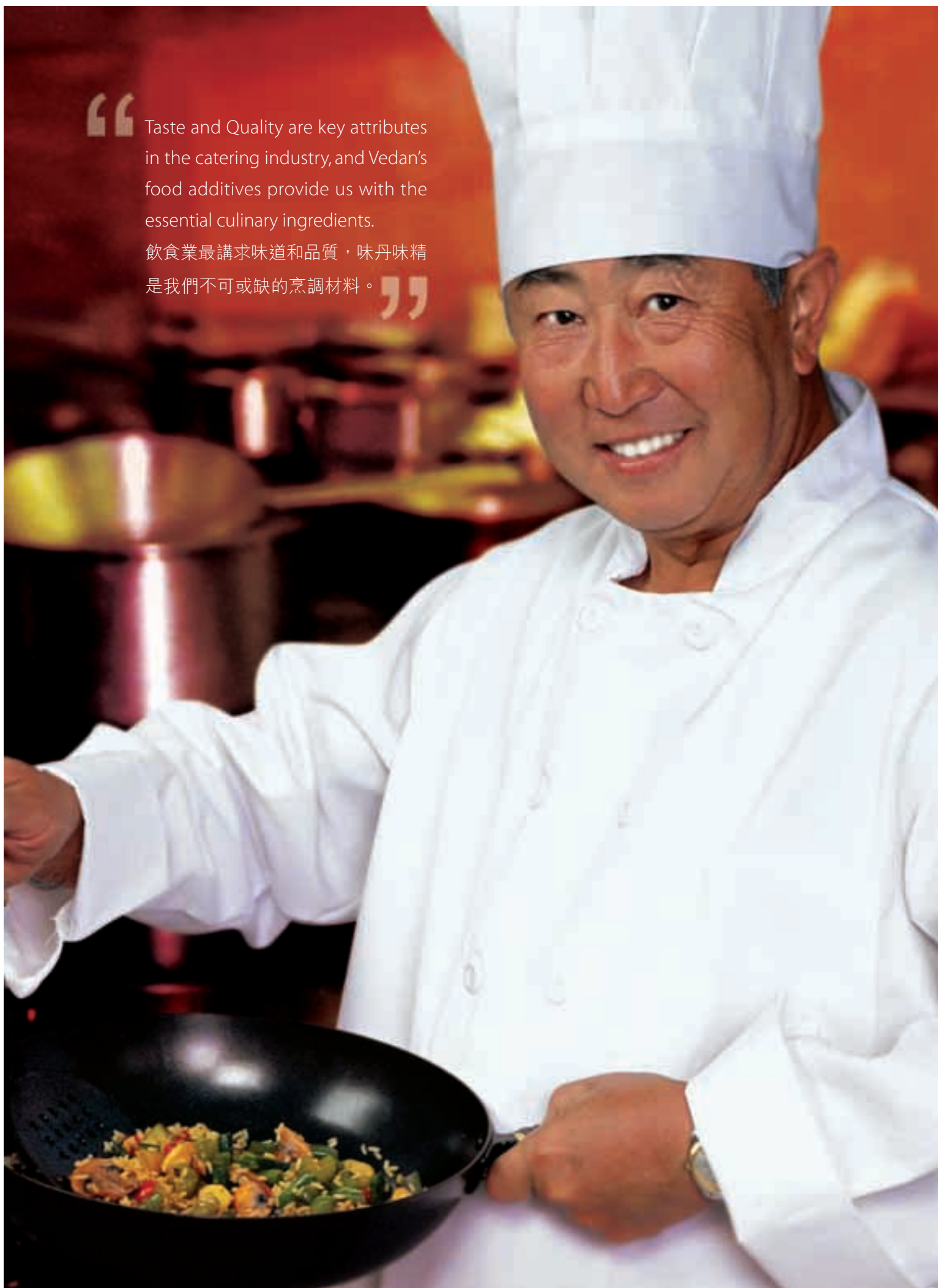


“ Taste and Quality are key attributes in the catering industry, and Vedan's food additives provide us with the essential culinary ingredients.

飲食業最講求味道和品質，味丹味精是我們不可或缺的烹調材料。 ”



# Standing Out in a specialized industry 一個專門產業中的佼佼者

As a successful long-term player in a market with significant entry barriers, Vedan International has distinct competitive advantages that add real value to its products. With advanced expertise in large-scale fermentation technology, starch processing conversion technology and chemical and electro-chemical technology, Vedan International is developing new products which represent the latest breakthroughs in industrial science and look set to be major profit drivers in the future.

味丹國際所從事的產業入行屏障高，而集團能長期屹立其中，是因為本身獨特的競爭優勢能附加真正的價值於產品中。擁有大規模之醱酵、澱粉加工轉換、化學和電解化學等先進技術，味丹國際能不斷發展突破產業科學的新產品，為未來盈利創造強勁的動力。



# Management Discussion and Analysis

## 管理層討論與分析

### Business Overview

In the year under review, the Asia Pacific region experienced stable growth. Performances in China and Vietnam were particularly impressive. Recording economic growth of 9.1% and 7.2% respectively, they were the fastest growing countries in the region. This favorable business environment has fostered significant growth for the Group.

The Group has recorded double-digit growth in sales for the past two consecutive years. In 2002, the Group experienced sales growth of 12.1% to reach a turnover of US\$182,790,000 while in 2003, it achieved an increase of 11.5% to reach US\$203,797,000. The gross profit margin increased from 25.0% in 2002 to 26.8% in 2003, representing a growth of 19.7%. At the same time, the net profit margin grew from 8.98% in 2002 to 10.83% in 2003. Net profit attributable to shareholders registered an impressive surge of 34.6% from US\$16,409,000 in 2002 to US\$22,079,000 in 2003, exceeding the US\$19,100,000 profit forecast in the listing prospectus by 15.6%. Earnings per share were 1.72 US cents (13.4 HK cents).

Despite the impact of SARS in the first six months, 2003 was a fruitful year for Vedan. The Group was listed on the Main Board of The Stock Exchange of Hong Kong on 27 June 2003, marking a major milestone in its business development. At the same time, the Group recorded encouraging results during the year, with a record high in turnover and profits.

### Operational Analysis

#### (1) About Vedan Vietnam

##### 1. Large-scale fully integrated production model

With the Group's well-established production plants and consolidated market presence in Vietnam, this market remains the Group's major revenue contributor and growth driver. This was mainly attributable to the investments and sustained efforts that have been put into this market since 1991. Over the past decade, leveraging its unique business model, with the injection of considerable financial and human resources into the business, the Group has developed a large-scale vertical and horizontal integrated production system, from promoting the cultivation of agricultural raw materials, sourcing and processing to producing various end-use amino acid products. The production of the Group's own raw materials not only creates an additional product line, they also provide supplies for its downstream factories. Alternatively, these raw materials can be separately sold in the market. These benefits enable the Group to enjoy added production flexibilities and cost-efficiencies. Leveraging its advanced technology and production programme, coupled with the low costs and diversified raw materials available in Vietnam, the Group is not restricted to a single source of raw materials, and this helps avert the risk of inadequate supplies and price fluctuations.

### 業務總覽

於回顧年度內，亞洲太平洋區整體經濟穩定成長，其中，尤以中國和越南之表現最為突出，分別取得9.1%及7.2%的經濟增長率，並成為區內增長最蓬勃的國家，為集團之業務創造有利的經營環境。

集團連續兩年取得雙位數字的營業成長，分別是二零零二年增加12.1%，二零零三年再增加11.5%，總金額達到182,790,000美元及203,797,000美元。在毛利率方面，則從二零零二年的25.0%增加到二零零三年的26.8%，增加幅度為19.7%。純利率方面，則從二零零二年的8.98%增加到二零零三年的10.83%，純利總金額由16,409,000美元顯著增加到22,079,000美元，增加幅度達34.6%，亦同時較上市招股書所載之19,100,000美元的純利預測高出15.6%，每股基本盈利為1.72美仙（13.4港仙）。

二零零三年雖受上半年SARS的部份影響，集團業績表現仍是豐收的一年。集團於二零零三年六月二十七日於香港聯合交易所主板成功上市，標緻著業務發展的新紀元。此外，集團之業績，亦令人十分鼓舞，營業額和盈利均創出新高紀錄。

### 經營分析

#### (一) 在味丹越南公司方面

##### 1. 大規模的完整生產體系

集團目前的主要營收來源和成長動力，還是來自越南已建立的生產基地和已深耕的市場，主要的原因是集團從一九九一年起，在越南的投資和經營已有較長的時間投入經營。過去10年來，集團藉由一套獨特的經營模式，大量投入人力、物力和財力，建造出一個垂直和平行整合的大規模完整生產體系，從農產品原料的種植推廣和採購加工開始，到生產各種氨基酸成品，再從中間原料，經過不同的加工體系，生產另系列的產品，一個廠的產品可以作為另一個下游廠的原料，也可單獨作為產品在市場出售，具有高度的生產彈性與效率。配合越南當地多樣化的便宜原料、生產技術和製程的設計，令集團不受單一原料供應限制，使生產成本可以降低，並避免原料不足和價格變動的風險。



Apart from the highly flexible and efficient production processes, the Group has built for itself a comprehensive range of facilities such as water, electricity and steam systems. It also possesses two advanced co-generation power plants, which supply low cost electricity and steam to all production floors, each of which also has its own comprehensive production water treatment system. In addition, the Group has three separate water purifying systems for effluent treatment. Just as importantly, it owns two private port terminals which can berth two vessels each of up to 12,000 tonnes. This helps reduce transportation costs for both raw materials and finished products.

## 2. Famous brand name

Since the Group's products have been marketed in Vietnam for nearly 25 years, the "Vedan" brand has become a household name in the market. In the past decade, the Group has been working relentlessly to increase awareness of its brand name, while at the same time expanding the Group's sales network.

Currently, Vedan has an extensive sales network in Vietnam covering approximately 200 primary agents and over 1,500 secondary agents. Vedan's products are available at over 50,000 retail outlet and 60,000 stalls throughout the country. In addition, products are also sold to 13,500 restaurants and 1,200 processing plants. The Group adopts different sales strategies in different regions. Some are operated by the Group itself, some are operated by large agents whilst some are operated by regional agents. The Group's products have penetrated every big city and province, as well as rural, suburban and border areas. The Group's goal is: where there is a shop, there will be a Vedan product. However, there are still many provinces and regions, owing to their hilly terrains, that are still inaccessible by heavy-duty vehicles. As such, the Group is planning to subsidize local agents in the purchase of light vehicles, to further penetrate the hilly regions and villages.

Apart from expanding its sales network, the Group continues to enhance training for its sales and marketing personnel. In addition to vocational training, the Group also provides overseas training opportunities. Upon completion of these programmes, employees will get back to their sales team and take up regional business administration responsibilities, making use of their special sales knowledge. By continuing to explore the opportunities in the market and provide training to the employees, coupled with the intensive advertising, promotional activities and exhibitions, the brand image will be further enhanced.

The costs of raw materials account for about 50% of the Group's total production costs. Among all raw materials, basic agricultural raw materials, such as cassava, molasses and wet starches are primary ingredients. Over the past 10 years, the Group has committed a great deal of resources and time

具有高度彈性和高效率的生產製程體系之外，集團也已建立完善的基礎設施，包括水、電和蒸汽的供應體系。集團擁有兩座先進的汽電共生發電廠，供應低成本的電力和蒸汽給各生產車間，各廠自己也都擁有完善的製程用水處理系統。至於各廠排放水的處理，則有三套不同體系的設備來加以淨化處理。更重要的，集團擁有自己專用的國際性碼頭兩座，可同時容納二艘12,000噸級的船舶停靠，對於原料和產品貨物的運輸，提供有利的條件和開支的節省。

## 2. 家喻戶曉的品牌知名度

在市場方面，由於集團經營越南市場已有將近25年的歷史，味丹品牌知名度已是家喻戶曉。過去10年來，集團對於品牌知名度的提升更是不遺餘力，不敢掉以輕心。一方面，不斷的強化品牌策略，另一方面，也不斷的深耕行銷通路。

目前，集團於越南的銷售網絡包括一級代理近200家，二級代理逾1,500家，零售商店逾50,000家，市場攤位逾60,000家，餐館客戶逾13,500家，加工廠客戶1,200家，不同的區域採取不同的行銷策略，其中包括集團自己經營方式、大代理商經營方式與區域代理商經營方式。行銷管道涵蓋省會大城市、鄉村地區、山區以及邊界地區都有集團產品的通路。集團的行銷目標是只要有商店，就有集團產品，雖然目前尚有些地區，由於地勢較高，山路狹窄，大型車輛運輸進出不便，然而集團已積極規劃，配合當地代理商補助購買小型車輛，進行打通山區村落的行銷路線。

除了行銷通路的健全，銷售業務和行銷管理人才的培訓，集團也持續加強，除經常性教育訓練之外，更選派員工赴國外考察受訓，學習專業知識，再投入行銷業務團隊，執行各個市場區域的業務管理工作，如此持續的市場通路深耕與人材培訓工作，配合整體緊密的廣告活動、促銷活動、陳列展示活動等等，都在顯示集團產品品牌知名度的提升與鞏固，這些因素有效提升越南整體銷售額豐富穩定和便宜的原料供應。

集團的主要原料佔成本比率約50%，其中尤以基本農產品原料，包括木薯、糖蜜和粗製澱粉為最重要。過去10年來，集團已投入很多時間和資源，針對高產量木薯品種的研發，輔導農民種植技術，



developing new strain of high-yield cassava, training local farmers in the planting techniques and building a relationship of trust with them. By employing a right purchasing policies and the assistance from the local agricultural authority, cassava plantations have been multiplying, from thousands of hectares in the past to the current 250,000 to 300,000 hectares. The cultivation of cassava is also highly encouraged by the local government. Unlike corn, which is an international commodity and is used by some countries to process starch, cassava is a regionally produced product. Not only does corn price fluctuates frequently, its annual harvest is also unstable due to its sensitivity to climatic change. The processing of cassava starch is also comparatively simple, and the investment is relatively small. For this reason, cassava starch generally is cheaper than corn starch and rice starch.

As for molasses, Vietnam has 44 sizeable sugar production plants, producing 500,000 metric tonnes of molasses every year. Of this quantity, 60% can be supplied to the Group with the remainder being used for animal feed and alcohol production. In addition, many family businesses near the Group's plants are engaged in the production of raw cassava starch, providing the Group with yet another material source at reasonable price.

Two other important raw materials are imported industrial salts and liquid ammonia. Industrial salts mainly comes from India and Australia whilst liquid ammonia is imported from Indonesia and Malaysia. These materials are conveniently imported through the Group's own port facilities. From the second half of 2004, it is expected that Vietnam can start to produce its own liquid ammonia. The output in the initial stage will not be substantial. However, the Group expects to source a certain amount locally and reduce the imports so as to lower the cost of transportation and tariffs. As such, the Group is currently negotiating the purchase of these products.

The Group's other cost advantage with regard to basic raw materials is its scale of production. Large orders every year place the Group in a favorable position during price negotiations, enabling the Group to source its materials at bargain prices.

### 3. Higher cost competitiveness

Over the past 2 years, the Group has been preparing for the use of natural gas replacing heavy oil to generate electricity and produce steam, as the price of heavy oil is more unstable and expensive than natural gas. Tying in with the schedule of British Petroleum's work in laying pipelines from the off-shore to the mainland, the Group commenced its natural gas electricity generation in December last year. With investment for the project at US\$2,800,000, the project is expected to bring annual saving of at least US\$4,000,000 for the Group. This

已建立廣大農民之間的信任，透過合理彈性的採購政策的執行以及主管農業的政府單位的推廣與輔導，都已有很好的成果。木薯原料種植面積，每年成倍數成長，由過去的幾萬公頃，增加到目前的25-30萬公頃，木薯種植已列入政府鼓勵種植的農作物之一。木薯是一種屬於區域性的商品，不像國外一些國家主要使用玉米來加工澱粉，而玉米是一種屬於國際性的期貨，它不只是價格起伏變化較大，同時，因受氣候影響較敏感，每年的收穫皆呈不穩定狀態。另外，木薯澱粉的加工相對簡單，投資金額也較小，因此，木薯澱粉的價格比玉米澱粉或大米澱粉也相對的便宜。

糖蜜方面，越南有44家具規模的糖廠，每年生產將近50萬噸的糖蜜，除部分做為飼料和酒精外，有將近60%可供集團生產使用。另外，在集團工廠附近，有很多當地家庭企業從事初級木薯粗澱粉的生產，集團也可利用這些粗澱粉，以合理價格採購供作原料使用。

集團另外二項比較重要的原料是工業鹽和液氨，除少部份越南當地合乎品質的工業鹽外，主要是靠進口。工業鹽主要來自澳洲和印度，而液氨則自印尼和馬來西亞進口。集團利用自有的專用碼頭，這二項原料可以很順利的進口，價格相對合理。而越南國內預估由二零零四年下半年起，將可以自己生產液氨，初期，數量不會很大，但屆時，集團希望能在當地採購一部分，減少自國外進口的數量，也減少運輸和關稅的成本，集團已積極展開此項採購相關事宜。

集團在基本原料的另一項價格優勢是本身生產規模大，每年使用量多，在採購價格的談判上，也站在比較有利的地位，比一些競爭者的採購價格通常可以取得較優惠的價格。

### 3. 成本競爭力的提升

過去兩年來，集團積極的準備和進行改換以天然氣來作為燃料的工程，過去是用重油，但目前重油價格不穩定，同時價格也比天然氣高很多。配合英國石油公司的工程進度，自離集團福泰生產基地不遠的頭頓外海，佈設管線引進到陸地上，集團已於二零零三年十二月開始使用天然氣。專案的投資金額是280萬美金，預計每年可為集團節省至少400萬



will raise the Group's cost competitiveness substantially as energy costs account for 15-20% of the total production costs. The cost of production in each plant has fallen significantly after adopting natural gas as energy source.

The profit of the Group has increased, and the Group's internal financial resources have also improved after the listing, which has enhanced the Group's financial structure. With lower interest expenses, the Group's finance costs were also reduced.

Computerized management systems have enhanced information flow, raised management efficiencies and reduced administration costs. The Group has also continued to provide training, recruit high-calibre personnel and enhance localization, to increase production and management efficiencies and lower expenses and production costs.

By raising the standard of its "software", such as enhancing management capabilities, improving production processes, raising product quality, and streamlining the allocation of raw materials and maintenance work, the Group has been working to raise utilization rates and production capacities and subsequently reduce the production cost. Currently, production capacities for the Group's major products, including MSG, GA, soda and hydrochloric acid are saturated. However, production capacities for its starch and modified starch related facilities have not yet been fully utilized. Output has been increased with the strengthening of its software systems:

美金，大大提升了成本的競爭力。集團的生產能源成本佔約 15-20% 的成本，改換成天然氣作為燃料生產電力與蒸汽後，大幅度的降低了各工廠的生產成本。

集團利潤增加，再加上上市後，自有資金也增加，財務結構跟著改善，利息費用減少，財務費用跟著降低。

集團積極落實電腦化系統，強化資訊流通，也提升管理效率，間接降低行政管理成本。同時，集團持續加強教育訓練，提升本土化幹部，並積極聘任優秀人材，增加生產與管理效率，降低各項費用與成本。

利用管理能力、製程改良、品質提升、原料調配、維修制度等等軟體技術的提升，以提升設備的利用率和產能致使降低成本也是集團一直努力的方向。目前，集團幾項重要產品，包括味精、賴氨酸、燒鹼和氫氯酸的產能都已達飽和狀態，而澱粉與化工澱粉雖未達全量設備生產，但產量也大幅提升。藉由各項軟體技術的提升主要產品產量增加具體如下表所示：

Products	產品	2003 Output (tonnes) 產量 (噸)	2002 Output (tonnes) 產量 (噸)	Growth (%) 增加幅度 (%)
MSG and GA	味精和麩酸	148,524	134,766	10.2%
Lysine	賴氨酸	17,418	16,837	3.5%
Starch	澱粉	50,723	15,355	230.3%
Wet starch	粗製濕澱粉	62,618	23,340	168.3%
Modified starch	化工澱粉	14,468	11,774	22.9%
Syrup	糖漿	67,334	56,938	18.2%
Soda (100%)	燒鹼 (100%)	63,160	62,171	1.6%
Hydrochloric Acid (32%)	氫氯酸 (32%)	172,401	168,336	2.4%

Note : There is still room for expanding starch and modified starch productions while capacities for other products are already saturated.  
註：澱粉和化工澱粉產能尚有空餘，其它產品的產能則已達飽和。

# Management Discussion and Analysis

## 管理層討論與分析

### (2) Orsan Vietnam

Orsan Vietnam was previously owned by Orsan of France. It was acquired by the Group in 2003 and has become a wholly-owned subsidiary of Vietnam Vedan. The "Orsan" MSG brand name enjoys a high level of public awareness in Vietnam, especially in the central region. At the time of the acquisition, Orsan Vietnam's production capacity and sales volume was in the region of 5,000 tonnes per year. After the acquisition, the Group closed all inefficient production lines, with remaining products continuing to be sold under the "Orsan" brand name. After the acquisition, the Group has been actively strengthening its sales administration system, through:

- Expanding its market presence - increasing points of sale, strengthening its sales network and increasing market share.
- Enhancing the distribution and agency system - increasing promotional activities, sales and marketing personnel, improving product displays, establishing an effective bonus system and subsidizing agents' transport vehicle fees.
- Raising management efficiencies and controlling administration expenses - accelerating the speed of delivery, monitoring account receivables, maintenance fees, packaging costs, inventory controls and staff training. Under the Group's intensive consolidation programmes, sales volumes increased over 100% in two years. Figures are shown below:

Year	年度	2003	2002	2001
Sales volume (tonnes)	銷售量 (噸)	11,373	8,640	5,121
Growth	增加幅度	31.6%	68.7%	-

### (3) Xiamen Mao Tai

Compared with the success of Vietnam Vedan and Orsan Vietnam, the performance of Xiamen Mao Tai, the Group's operations in the PRC has yet to meet the set growth target.

For the first half of 2003, the outbreak of SARS had an adverse impact on all industries, and the catering industry was no exception. As such, sales of MSG dropped 9.6% in the first half of the year. As the SARS threat receded, the overstocking of inventory led to keen competition in the industry in the 3rd quarter of 2003. Prices dropped. In the 4th quarter, the price became more stable. However, there was a shortage of raw materials and transportation schedules were tight. All these factors affected the performance of Xiamen Mao Tai.

### (二) 在 Orsan 越南公司方面

Orsan 越南公司原為法國 Orsan 越南所擁有，二零零三年由集團併購，成為味丹越南公司的子公司。「Orsan」味精品牌在越南，尤其是中部地區，有一定的知名度。併購時，Orsan 越南每年的產能和銷售量約只有 5,000 噸，集團併購後，先暫時停止低效率的製程生產線，只保留包裝生產線，由味丹越南公司提供產品原料，以「Orsan」品牌進行包裝銷售。集團接手後，積極整頓行銷管理系統，具體執行下列幾項措施：

- 拓展市場，增加行銷據點，強化流通管道，深耕市場。
- 強化經銷代理制度，加強促銷活動，增加業務人員，輔導陳列鋪貨，健全獎勵制度，補助代理的車輛費用等。
- 提升管理效率，控制管理費用，包括出貨速度的加強，應收賬款的管控，人力資源的培訓，維修費用和包裝費用的控制、庫存量的管控等。在集團密集的整頓之下，短短二年之內，銷售量成長了超過100%，具體數字如下：

### (三) 在廈門茂泰公司方面

相較於味丹越南公司和 Orsan 越南公司，集團在中國所擁有的廈門茂泰公司，因為受到一些外在因素的影響，業績表現並不理想。

二零零三年上半年，由於 SARS 的爆發，對於各行各業的經營造成巨大衝擊，餐飲業方面也不例外，受到嚴重影響，味精銷售量跟著下滑，減少了 9.6%。而下半年，在 SARS 過後，各味精生產廠有庫存壓力，致使第三季的味精市場形成激烈的競爭，價格往下滑落。第四季雖然價格有穩定下來，但由於原材料嚴重短缺，原材料的價格大幅上漲，再加上運輸緊張等因素，也都直接影響到集團的廈門茂泰公司的業績表現。



Faced with the challenges in the PRC in 2003, the Group adopted a number of contingency measures, including the sourcing of more suppliers, a change in sales strategies, adjusting the sales proportion of household, catering and industrial clients, inventory controls and balancing production and sales volumes. Although the overall performance of Xiamen Mao Tai did not meet expected growth, its performance in the second half of the year has improved as compared to the first half, maintaining its overall performance for the year slightly lower than 2002, with turnover reaching US\$21,600,000, while profit decreased to US\$9,000.

### Product analysis

The Group's major products are amino acid products, including MSG, GA and lysine, cassava starch, modified starch, caustic soda and hydrochloric acid. In addition, the Group produces animal feed and fertilizers through the processing of by-products.

MSG remains the Group's key product, accounting for 69% of its turnover in 2003 - a slight drop from 70% in 2002. Sales however, grew by 9.6% against 2002. Demand for MSG products are still strong in Vietnam. The Group's MSG brand name "Orsan" achieved even higher growth of over 31% in sales. At the same time, the Group has successfully penetrated the MSG markets in Southeast Asia and Eastern Europe. In the foreseeable future, MSG products will remain the Group's key product. During the period under review, the price of MSG products remained stable. Coupled with the Group's flexibility in using and selecting its raw materials for production and the downward movement of raw material prices, the sales for the Group's MSG products grew from US\$128,200,000 in 2002 to US\$140,600,000 in 2003.

During the period, sales of another major group product, lysine, went up 21.5%, with its contribution to the Group's turnover growing from 12.4% in 2002 to 13.5% in 2003. Turnover and sales volume for the year were US\$27,423,000 and 17,418 tonnes respectively. As the supply of corn and soya beans experienced tight demand during the period, prices for these materials went up substantially. In addition, there was strong demand for lysine in the PRC, causing a shortage in the product. As such, prices rose substantially to the benefit of the Group. Although demand for lysine was temporarily affected by the bird flu outbreak, demand in Asia is expected to develop steadily.

GA is an amino acid, used mainly for MSG production. Currently, the Group's major clients are two other MSG production plants in Vietnam, and the Group's Xiamen production plant. Since there was a strong demand for the Group's MSG product and the gross profit margins of GA is lower than MSG, the Group sold unrefined products to a GA customer for their further processing, turning more GA into MSG production instead of directly supplying this customer with

面對二零零三年中國大環境變化的影響，集團已採取多項應對措施，包括尋找多廠原料供應，改變銷售策略，調整家庭、餐飲和工業用戶的比例、庫存量的管控、產銷平衡等。雖然整體表現，未能達到預期的成長，但因下半年的業績有比上半年提升，使全年的業績比二零零二年只輕微下降，營業額達 21,600,000 美金，利潤方面則降為 9,000 美元。

### 產品分析

本集團之主要產品為氨基酸產品，包括味精、谷氨酸及賴氨酸、木薯澱粉、化工澱粉、食品級的蘇打和鹽酸。另外，集團也生產一些由加工副產品所製成的飼料和肥料。

味精仍是集團之最重要產品，佔總營業額之69%，和上年度的70%比較稍為降一點。越南國內市場對味精產品仍呈強勁需求，集團旗下味精品牌「Orsan」更取得逾31%的成長，而集團對東南亞國家和東歐國家的味精市場也逐步的展開，預計在可預見的將來，味精產品仍將是集團的主力產品。此項產品銷售額比起二零零二年，增加了9.6%。回顧期內，味精的市場價格，仍呈穩定狀態，配合集團靈活的原材料組合選擇及原材料價格的下滑，讓味精產品之銷售額由二零零二年的128,200,000美元上升至二零零三年的140,600,000美元。

集團另一項主力產品為賴氨酸，在期內，銷售額增長21.5%，而其佔營業額比重由二零零二年之12.4%增加到13.5%，營業額及銷售量分別為27,423,000美元和17,418噸。由於玉米和大豆的國際市場供應緊張令價格大幅上揚以及中國的強勁需求，賴氨酸的供需在期內產生不平衡，價格也跟著大幅上漲。集團的賴氨酸產品也跟著受惠。整體而言，雖受禽流感疫情影響，需求量有短暫停滯，但賴氨酸的亞洲市場，仍將成穩定的成長。

谷氨酸是氨基酸的一種，主要是做為味精的生產原料，目前的主要客戶是越南的另外二家味精生產工廠和集團在廈門的生產工廠。由於谷氨酸的毛利率比味精低，同時，集團的味精市場需求又有供不應求的現象，因此，集團已說服在越南的一家谷氨酸客戶，購買味精粗製品再加工，而不直接使用谷氨



# Management Discussion and Analysis

## 管理層討論與分析

GA, hence strategically decreasing the sales volume of GA. At the same time, to save tariffs and transportation costs, the Group's Xiamen production plant has been actively seeking additional sources of supply in the PRC. So far, the Group has successfully secured three GA suppliers for its Xiamen plant in the PRC. Owing to the fact that the Group is a primary user of GA to produce MSG, thus controlling the sales of GA, total sales of GA fell from 28,690MT in 2002 to 15,470MT in 2003.

The past year has been highly rewarding for the Group's starch-based products. The Group began producing modified starch in 2001 for clients in Japan, China and Taiwan. After a year, the market has expanded to Australia, South Africa, India, Russia, Brazil and Southeast Asia. As clients are very satisfied with the Group's product quality, the Group has seen an increased number of orders every year. In addition, the Group has successfully secured new clients and has also been working to expand the product range of its modified starch products. Currently, the Group supplies over 50 different starch products to clients in a variety of industries, including the paper, food processing, fermentation and textile industries. Compared to 2002, sales from starch climbed from 10,413 tonnes to 40,332 tonnes in 2003 with a growth of 287% while the sales of modified starch increased from 10,458 tonnes to 12,977 tonnes, a growth of 24%.

### Market Analysis

In 2003, Vietnam remained the Group's largest market, with turnover growing 29% to reach US\$119,041,000. It accounted for 58% of the Group's turnover. This increase was driven by the Group's MSG and GA products. During the period, Vietnam's economy registered stable growth. Despite the outbreak of SARS and the war in Iraq, the country's economic performance was not substantially affected. In addition, under the positive measures taken by the government, the country achieved economic growth of 7.2%, which helped to stimulate a strong buying appetite among the people. As such, the country's catering and food processing industry experienced steady growth. At the same time, the Group further enhanced sales and marketing activities, including increasing points of sale in the suburban and rural regions and carrying out advertising and promotional activities. In addition, propelled by the fact that the Group's competitors have reduced imports of GA raw materials, shifting their sourcing to the Group, the Group's leading market position is further enhanced.

Japan was the Group's second largest market, with a growth of 8.6% in turnover against 2002 to reach US\$46,627,000 making a contribution of 23% to the Group's total turnover. This growth was attributable to the rise in the price of MSG and lysine products. In addition, the Group successfully secured new clients for its starch products, driving both sales volumes and turnover upwards in this market.

酸，策略性地減少谷氨酸銷售量。而集團的廈門廠也積極在中國內地尋找多家谷氨酸供應商，如此，可節省關稅和運輸費用，並降低越南谷氨酸供應量，而廈門廠目前已有三家穩定的供應來源。由於儘量利用谷氨酸生產味精，並控制銷售量的因素，谷氨酸銷售由二零零二年的28,690公噸降為二零零三年的15,470公噸。

在澱粉產品方面是集團豐收的一年。集團自二零零一年開始，才生產化工澱粉，過去市場只限於日本、中國和台灣，經由一年多的努力，市場已擴充到澳洲、南非、印度、蘇聯、巴西及東南亞地區。集團所生產的產品品質逐漸受到客戶的肯定，原有客戶每年採購量逐步增加，新客戶也繼續開發成功，同時集團的化工澱粉種類也不斷的開發創新，目前已可供應約50種不同規格的產品，供應不同行業的客戶使用，包括造紙業、食品加工業、醱酵工業以及紡織工業等。比起二零零二年，澱粉的銷售量由10,413噸增加到二零零三年40,332噸，增幅達287%，化工澱粉方面則由10,458噸增加到12,977噸，增幅達24%。

### 市場分析

二零零三年，越南仍是集團最大市場，營業額較二零零二年增加29%，達119,041,000美元，佔集團總營業額的58%。銷售額的上升，主要由味精及谷氨酸等產品帶動。在期內，越南的經濟仍呈穩定成長，上半年雖有SARS的事件以及伊拉克戰爭，但沒有造成嚴重的影響，在政府的積極推動下國家總體經濟仍取得7.2%的成長。經濟成長有效帶動國民消費意願，國內的食品市場和食品加工業仍維持穩定成長。而集團也大力加強各產品的行銷活動，包括增加邊界地區、鄉村地區與山區的銷售據點，各種廣告促銷活動的推行，再加上競爭者減少進口谷氨酸原料，轉而向集團採購等等因素，使得集團在越南的市場領導地位進一步加強。

日本為集團第二大市場，其營業額較二零零二年上升8.6%達46,627,000美元，佔總營業額23%。營業額上升主要是味精與賴氨酸的售價有調升，另外，澱粉產品方面，集團也成功開發了多家新的客戶，銷售量和營業額都有成長。



In the PRC, owing to the outbreak of SARS during the first half of the year, the catering industry in the country was adversely affected, and the Group's performance was therefore driven downwards by 9.6% in the first half of the year. Fortunately, the effects of SARS were short-lived, and there was a gradual pick up during the second half of the year. As such, turnover for the year dropped only by 3%, while the contribution of this market to the Group's total turnover therefore narrowed to 11% against 12% in 2002.

An achievement worth noting is that turnover from the ASEAN countries (excluding Vietnam) experienced significant growth during the period. Sales of MSG increased by 101%, from 2,180 tonnes in 2002 to 4,384 tonnes this year. Total operating profit increased by 22% from US\$4,664,000 to US\$5,686,000, with another leap anticipated in the near future.

In Taiwan, the Group stopped supplying MSG and lysine products to two Japanese clients via Taiwan Vedan, and is now supplying the two clients with these products directly from July. As such, turnover from this market was down by 52%, with a lower contribution of 3%, compared to 7% in 2002.

## Financial Review

As at 31 December 2003, the Group continued to hold a solid financial position, maintaining strong and steady cash flows from its operating activities. As at the year end date, the cash and bank balances of the Group stood at US\$35,447,000 consisting of about 55.3% in Hong Kong dollars, 17.1% in US dollars, 23.3% in Dong and 4.3% in other currencies. Although the Group has a very strong cash position, credit facilities have nevertheless been put into place for contingency purposes. As at 31 December 2003, the Group's total available credit facilities amounted to US\$81,000,000.

As at the year end date, the Group maintained a healthy current ratio at 2.09. Total bank loans were reduced by 46.2% to US\$55,784,000 against the end of 2002. The Group's gearing ratio of the Group, based on total liabilities to shareholders' funds of US\$225,123,000 was 24.8%. The ratio of mid-to-long-term borrowings to short-term borrowings was 43.5% : 56.5% (2002: 18.5% : 81.5%). The loans consisted of about 94.8% in US dollars, 2.5% in RMB and the remainder in Dong. After deduction of bank balances, the net gearing ratio will be reduced to approximately 9%.

As at 31 December 2003, the net assets of the Group were US\$225,123,000.

中國市場方面，去年上半年度，由於 SARS 之爆發，對中國的餐飲業造成影響，因此，集團之中國市場於期內未能達到預期的增長。上半年業績滑落了 9.6%，所幸 SARS 的影響沒有持續很久，下半年的業績有稍微恢復，但全年營業額仍下降了約 3%。在集團營業額中所佔比重也從二零零二年的 12% 降到 11%。

值得一提的是，東盟國家（越南除外）的營業額在期內有大幅的成長。味精銷售方面，數量成長了 101%，由二零零二年的 2,180 噸增加到 4,384 噸。總營收方面則增加了 22%，由 4,664,000 美元增加到 5,686,000 美元。此地區的業務，預計在未來，會再有大幅度的成長。

台灣市場方面，集團自去年七月起，停止經由台灣味丹銷售味精和賴氨酸產品予兩家日本客戶，而改由集團直接銷售給該等客戶，因此，台灣市場的營業額降低了 52%，佔總營業額的比重也由二零零二年 7% 降為 3%。

## 財務回顧

截至二零零三年十二月三十一日止，集團的財務狀況穩健，並於營運活動中累積強勁及穩定之現金流量。於年結日，集團擁有現金與銀行結存約 35,447,000 美元。其中港幣約佔 55.3%，美元佔 17.1%，越南盾 23.3%，其餘 4.3% 為其他貨幣。縱使集團持有充裕現金，但仍然維持一定水平之銀行綜合信用額，以備不時之需。於二零零三年十二月三十一日，集團可動用之總信用額為 81,000,000 美元。

於年結日，集團的流動比率維持於 2.09 之充裕水平，銀行總借款額比二零零二年底減少 46.2% 至 55,784,000 美元，根據股東資金約 225,123,000 美元計算之資本負債比率約為 24.8%，其中長期及短期借款比例為 43.5% : 56.5%，去年同期則為 18.5% : 81.5%，當中美金借款約佔 94.8%，人民幣 2.5%，其餘為越南盾。若扣除現金和銀行結存，淨負債比率則降至約 9%。

於二零零三年十二月三十一日止，集團的資產淨值約為 225,123,000 美元。

# Management Discussion and Analysis

## 管理層討論與分析

As at the year end date, the Group had no material contingent liabilities. The Group's income and expenditure were denominated mainly in US dollars and Dong. Although the exchange rate between US dollars and Dong remains stable, the Group closely monitors the exchange rate of the Dong, and if necessary, the Group will adopt appropriate hedging policies to reduce its currency risks. As at 31 December 2003, the Group made no material losses or profits from foreign exchange, and hence no hedging arrangements were implemented.

The Directors are confident that the Group's existing financial resources will be sufficient to satisfy its working capital requirements.

### Prospects for 2004

According to forecasts by the Asian Development Bank, the economy of the Asia Pacific region will experience an average growth of 6.1% in 2004, among which the PRC and Vietnam are expected to achieve the highest economic growth rates of 8.5% and 8.0% respectively. In addition, the economy of Southeast Asia has largely recovered from the financial crisis in the past. In the Group's another important market, Japan, its recent economic development has created a backdrop of prosperity. Coupled with the recovery in Southeast Asia, the Group is cautiously optimistic about its development for the coming year. Building on past successes, Vedan will continue its forward-looking corporate strategies, to bring better returns to shareholders on the one hand, and to ensure its mid-to-long term growth on the other.

In the next few years, the Group's growth will be driven by a variety of factors, including the higher cost effectiveness brought about by the shift to natural gas energy source; higher competitiveness through the expansion in the production of primary raw materials; the growth in turnover and profit through expanded production capacities; the introduction of advanced technology; the development of new products, and the synergies gained through mergers, acquisitions and strategic alliance. To achieve these ends, the management has created a comprehensive plan, and reserved US\$35,000,000 for capital expenditure this year.

#### (1) Increasing investment and expanding production capacity

##### MSG and GA

The Group expands the production capacity of MSG year by year. In 2001, it has already reached 140,000 tonnes. Owing to the rapid growth of business in the 4th quarter of 2003, the production capacity is saturated. This growth was reached earlier than expected. Based on the business projections for 2004 and 2005, the production capacity of MSG should be expanded by investing in more hardware facilities, so as to meet market demand. The Group plans to raise MSG annual production capacity from 148,000 tonnes to 180,000 tonnes.

於年結日，集團並無重大或然負債。集團大部份交易主要以美元和越南盾結算。縱然越南盾兌美元匯率穩定，然而本集團仍對越盾走勢保持密切之觀察，且依實際之需要採用對沖政策，以減少因外幣匯率變動而造成損失。於二零零三年十二月三十一日止，集團並無重大之匯兌收益和虧損風險。本集團現階段無進行任何外幣對沖活動。

根據集團可供動用之財務資源，董事認為集團已具備足夠營運資金以應付日常業務之需要。

### 二零零四年展望

根據亞洲發展銀行之預測，亞洲地區經濟在 2004 年，將有 6.1% 的平均增長幅度，其中，尤以中國和越南之經濟增長預測為最高，分別為 8.5% 及 8.0%。另外東南亞地區的經濟已自過去的財務危機中大幅度地復甦過來。最近以來，集團另一個重要的日本市場，經濟發展也呈現前所未有的榮景。這些樂觀的預測和實際發展，也提供集團未來一年審慎樂觀的發展前景，集團將繼續貫徹其前瞻的企業策略，一方面為股東創造更佳的回報，另一方面更確保集團未來的中長期發展。

預期未來幾年內，集團的業績成長將來自多方面，包括改換以天然氣為能源所帶來的成本效益，擴大各項產品產能所帶來的成果，擴大基本原材料所帶來的競爭力和經濟效益，提升技術、開發新產品所帶來的營業成長和獲利率的再提升及通過併購與策盟所帶來的綜效等等，為達到目標，管理層已制定一套周詳的計劃，並預留 35,000,000 美元作為二零零四年度的資本支出。

#### (一) 增加投資，擴大產能

##### 味精與谷氨酸方面

集團在越南的味精產能經過逐年擴充，在二零零一年已達到 140,000 噸後，到二零零三年的第四季因業務的快速成長，產量雖再提升的結果，仍已達到飽和，目前產能已全量發揮，這比集團原先預估的要提早。根據二零零四年和二零零五年的業務成長預算，味精的產能必須要再擴充，增加硬體的設備投資，才能滿足市場的需求。集團計劃將味精年產



Installation of the facilities is expected to be completed in the 4th quarter of this year.

For MSG business, apart from the growth in the Vietnamese market, ASEAN markets (excluding Vietnam) and the China market will be the Group's focus for development and expansion this year and in coming years. Before listing, the ASEAN markets were the clients of Taiwan Vedan. After listing, these businesses came under the Group's supervision. At present, since the Group's production capacity is inadequate, some of the accounts have not yet been transferred. Taking advantage of the Group's location in the ASEAN and PRC markets, there is much room to expand sales of MSG products in these markets.

#### Starch-based product

As mentioned, this part of the business has achieved a breakthrough in 2003, representing impressive growth of 107% in turnover against 2002, from US\$5,249,000 to US\$10,883,000. Clients' recognition of the Group's product quality, the rise in the number of orders and the addition of new clients are the main reasons for the phenomenal growth in business. To meet the accelerating demand in the market in future, the Group has decided to raise the production capacity of modified starch from 40,000 tonnes to 60,000 tonnes. Three new production plants for primary starch will be set up in Vietnam to raise the production capacity by 50%.

#### Specialty Chemicals

This is another product whose production capacity should be expanded. At present, the annual production capacity of the Group's caustic soda and hydrochloric acids are 60,000 tonnes (100%NaOH) and 170,000 tonnes (32%HCL) respectively. Their production capacities are saturated. To match the Group's expanding production capacity of MSG and the demand in the Vietnamese market, the Group had purchased and designed additional facilities to increase the production capacity by one-third. Annual production of caustic soda will reach 80,000 tonnes (100%NaOH), that of hydrochloric acid will reach 227,000 tonnes (32%HCL), while the annual production of hypochlorite will rise from 12,000 tonnes to 16,000 tonnes.

#### (2) Enhance raw materials supply to lower production costs

Raw materials account for 50% of total production costs. Among them, cassava, wet starches, molasses and liquid ammonia are the most important materials.

- Natural gas is the main raw material for the co-generation power plants. In the past, Vietnam did not produce natural gas, the power plants used heavy oil to generate electricity and produce steam. The price of heavy

oil can be from the current 148,000 tonnes, increased to 180,000 tonnes, equipment installation is expected to be completed in the 4th quarter of this year.

In the MSG business, apart from the growth in the Vietnamese market, ASEAN markets (excluding Vietnam) and the China market will be the Group's focus for development and expansion this year and in coming years. Before listing, the ASEAN markets were the clients of Taiwan Vedan. After listing, these businesses came under the Group's supervision. At present, since the Group's production capacity is inadequate, some of the accounts have not yet been transferred. Taking advantage of the Group's location in the ASEAN and PRC markets, there is much room to expand sales of MSG products in these markets.

#### Starch-based product

As mentioned, this part of the business has achieved a breakthrough in 2003, representing impressive growth of 107% in turnover against 2002, from US\$5,249,000 to US\$10,883,000. Clients' recognition of the Group's product quality, the rise in the number of orders and the addition of new clients are the main reasons for the phenomenal growth in business. To meet the accelerating demand in the market in future, the Group has decided to raise the production capacity of modified starch from 40,000 tonnes to 60,000 tonnes. Three new production plants for primary starch will be set up in Vietnam to raise the production capacity by 50%.

#### Specialty Chemicals

This is another product whose production capacity should be expanded. At present, the annual production capacity of the Group's caustic soda and hydrochloric acids are 60,000 tonnes (100%NaOH) and 170,000 tonnes (32%HCL) respectively. Their production capacities are saturated. To match the Group's expanding production capacity of MSG and the demand in the Vietnamese market, the Group had purchased and designed additional facilities to increase the production capacity by one-third. Annual production of caustic soda will reach 80,000 tonnes (100%NaOH), that of hydrochloric acid will reach 227,000 tonnes (32%HCL), while the annual production of hypochlorite will rise from 12,000 tonnes to 16,000 tonnes.

#### (2) Enhance raw materials supply to lower production costs

Raw materials account for 50% of total production costs. Among them, cassava, wet starches, molasses and liquid ammonia are the most important materials.

- Natural gas is the main raw material for the co-generation power plants. In the past, Vietnam did not produce natural gas, the power plants used heavy oil to generate electricity and produce steam. The price of heavy



oil is relatively high and the supply is unstable. Because Vietnam does not produce heavy oil, it has to rely on imports. Later on, British Petroleum invested to lay pipelines from the sea to the land. With this, Vietnam started to produce its own natural gas. After two years of efforts, the Group shifted from heavy oil to natural gas for electricity generation from December 2003. Natural gas is carried directly through exclusive pipelines to the Group's plants. Since then, the operation has been going smoothly. It not only lowers the maintenance fee for the furnace and makes the operation more efficient, but it also saves costs at each production plants, especially the plants for MSG, specialty chemicals and lysine.

- Cassava and wet starch are the major raw materials to produce native starch, modified starch and glucose syrup. Over the past 10 years, with the Group's efforts, the area for cassava plantation had been increasing quickly in Vietnam every year. The supply increases accordingly and the price is comparatively stable. In 2002, the Group purchased around 146,320 tonnes of cassava and 62,520 tonnes of wet starch. In 2003, the purchase of cassava rose by 172% to 399,160 tonnes and the purchase of wet starch increased by 21% to 75,890 tonnes, while the purchase price dropped by 8.5% and 14% respectively. To align production capacity with the Group's expansion plans and to cope with the increasing market demand for starch products, the Group will build three additional starch raw material processing plants in central Vietnam. One of them will be located in central northern Vietnam where the climate and soil are suitable for cassava plantation. The local government has already expressed their strong desires to facilitate the Group's development by providing 20,000 hectares for plantation. It has also agreed to offer the most favourable investment environment to the Group. That area is near Laos and the Laotian border is also suitable for cassava plantation. Some of the raw materials can be provided by Laos in future. More importantly, there is a deep sea port nearby, which can serve vessels of 45,000 tonnes at one time. This will definitely help in the Group's exports in future. At the moment the Group is actively pursuing the investment plans. Production capacity for starch products is expected to be around 36,000 tonnes in the initial stages. The other plant will be built in central Vietnam. The Group is also planning to acquire a starch factory with an annual production rate of 10,000 tonnes. The Group will gradually increase investment to raise annual production capacities to 25,000 tonnes. The third plan is to build a cassava starch processing plant near the Cambodian border. In the past, the Group has successfully encouraged the cultivation of cassava among farmers there, resulting in plantations of 2,000 hectares. The Group therefore aims to build a

格高，供應量又不穩定，越南自己本身尚未生產全部要靠進口。後來英國石油公司投入大量資金將天然氣由外海鋪設管線引到岸上，越南國內開始有自己的天然氣生產。集團經過二年的努力，終於在二零零三年十二月開始由重油轉換為使用天然氣來作為能源原料，天然氣的供應來源有專用管線，直接引進到工廠內，使用方便。自使用以後，操作順利，不只燃燒鍋爐本身的維修費用降低、效率提高，對於各個生產工廠的能源節省與成本降低，尤其是味精廠、酸鹼廠和賴氨酸廠，都有很大幫助。

- 木薯和粗製澱粉是集團生產原始澱粉、化工澱粉和澱粉糖漿的主要原料。過去十年來，在集團的努力下，越南的木薯種植面積每年快速成長，供應量也逐年增多，價格相對穩定。二零零二年，集團採購了約146,320噸的木薯和62,520噸的粗製澱粉，但在二零零三年木薯採購量達399,160噸，增加了172%，而粗製澱粉的採購量達75,890噸，增加了21%，採購單價則分別降低8.5%和14%。為應付集團的生產擴充計劃以及澱粉產品本身市場需求的增加，集團已決定在越南國內再設立三個澱粉加工廠。其中一個在越南中北部，此地區氣候和土壤適合木薯種植，當地政府已表達強烈配合意願提供種植面積20,000公頃，並同意給予集團最優惠的投資條件。該省緊臨寮國，而寮國邊界地區也很適合木薯的種植，未來部分原料也可由寮國供應。更重要的是該省已有一個深水港，可容納45,000噸的船舶停靠，對未來集團的產品出口有很大的幫助。目前，集團已積極投入籌建工作，初期產能預計為每年36,000噸的原始澱粉。另外一個加工廠地點是在越南中部。集團希望以併購的方式，收購年產10,000噸的現有生產廠，然後再增加投資，提升產能到25,000噸。第三個地點，集團的計劃是在靠近柬埔寨的邊境地區設立木薯加工廠，過去集團已在當地推廣約2,000公頃的



processing plant in the region to further promote the cultivation of cassava and expand plantation areas. However, the plan is still in its initial stage, and no concrete plans have as yet emerged.

- Molasses is another important raw material for the Group. At present there are 44 sizeable sugar production plants in Vietnam, producing 1,000,000 metric tonnes of refined sugar and 500,000 metric tonnes of molasses. Affected by the weather and market price, farmers do not grow sugar cane regularly in the past. This led to an unstable production of sugar and molasses. In recent years, with the assistance and guidance of the government, the quantity for sugar cane plantation has become more stable. The business of the sugar production plants has also become steady. In 2002, the Group purchased 120,300 tonnes of molasses in Vietnam and 402,530 tonnes through imports. In 2003, the purchase in Vietnam grew to 337,300 tonnes while the imports dropped to 292,870 tonnes. Purchase price dropped 10% and 3% respectively. In the past, the Group used to purchase molasses through trading agents in the country. To reduce raw material costs, the Group will directly source supplies from large-scale sugar plants in the future.
- Another important raw material is liquid ammonia. Liquid ammonia is the source of nitrogen for microorganisms during fermentation. Since there was no reliable supplier for liquid ammonia in Vietnam, the Group has relied heavily on imported materials. Price of liquid ammonia fluctuates in the international market while the suitable suppliers are also limited. From July this year, the Vietnam gas company will be able to produce liquid ammonia. The production plant is just 40 km away from the Group's plants. The Group is currently in talks with the company, with a view to sourcing liquid ammonia locally from Vietnam from July onwards, to achieve its ultimate goal of sourcing products locally in Vietnam to lower transportation costs.

### (3) Develop new products, raise technologies, strengthen research and development capabilities

The Group's core business and products are based on fermentation technology, accumulating 40 years of experience. However, science and technology are developing rapidly, especially in the area of bio-technology. The Group, therefore, should continue to strive for new innovations, strengthen its research capacity and look for break-through, so as to maintain its highest level of competitiveness.

Before listing, research and development were mainly assisted and guided by Taiwan Vedan. In future, the Group will earmark extra funds for research, employ more staff for the research projects and strengthen its capacities in research, development and technology. The Group has seen positive results in its

種植面積。未來希望在當地直接設立加工廠，並擴大木薯種植面積，此方案目前尚在初步考察階段，尚未有具體落實計劃。

- 糖蜜是集團另一項很重要的原料。目前越南共有較具規模的糖廠44家，生產精製糖約1,000,000噸，糖蜜約500,000噸。但由於受到氣候影響以及市場糖價的影響，農民對甘蔗的種植並不穩定，導致糖和糖蜜的生產也不穩定。近年來，在政府的輔導下，農民的種植面積趨於穩定，糖廠的經營生產也相對穩定。二零零二年，集團在越南國內的採購量是120,300噸，進口補充402,530噸，二零零三年，在國內採購增加為337,300噸，而進口量降到292,870噸，採購單價也分別降低10%和3%。過去國內的糖蜜採購，大都透過中間商，未來集團將慢慢轉為和幾家較大規模糖廠直接簽訂合同採購，以降低採購成本。
- 集團另外一項重要原料是液氨。液氨主要是供應醱酵微生物所需營養氮源，過去越南沒有可靠來源的液氨，因此集團全部靠進口來供應。而液氨的國際市場價格波動比較大，供應商來源也有限，但自二零零四年下半年開始，越南國內將可自行生產。生產工廠離集團工廠所在地約只40公里。目前集團正積極和對方討論中，下半年開始集團將可能將部分需求轉由本地採購，未來如果本地供應穩定，集團希望全部在越南國內採購，如此將可節省可觀運輸成本。

### (三) 提升技術，開發新產品並加強研發能力

集團的核心事業和核心產品是以醱酵技術為基礎，並累積40年的經驗。但科學的進步日新月異，尤其是在生物科技方面，因此，集團本身，必需要不斷的創新，不斷的加強研發能力，不斷的尋求突破，才能維持強大的競爭力。

上市前研究發展工作，主要是靠台灣味丹支援並提供技術指導。未來，集團將提高研究經費、增聘研發人員、增強本身的研發和技術能力。目前，集團本身在味精醱酵技術方面，已有一些好的研發成

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research on MSG fermentation technologies, which have proved to be successful in the laboratories and pilot plant. The Group is now trying to optimize the production conditions with a view to scale up to mass production. With regard to its starch conversion activities, the Group is gearing up to establish this year a starch research center which is expected to play an important role in the development of the Group's starch product business.

For the development of the Group in future, it is important to develop more new products. The Group will commence production of two new products this year, namely Poly Glutamic Acid (PGA) and value-added seasonings. PGA is a bio-chemical polymer manufactured using innovative technology. Its raw materials are GA and starch syrup, which are mass produced by the Group. Since it is bio-degradable and highly water-absorbent, it has wide range of applications, including cosmetics, food, baby diapers, sanitary napkins, agricultural and medicine. The product has been successfully produced in pilot scale, and the design for the PGA production process has been completed. Mass production is expected to commence in late 2004 or early 2005. Investment in the initial stages will amount to US\$4,000,000.

Value-added seasonings are another newly developed product from the Group. Its main component is MSG which is mixed with some other natural ingredients to produce various taste of natural seasonings. In some developing countries, including PRC and Southeast Asia where the living standard of the people is constantly on the rise, consumer demand for different high-end seasonings will also increase. The seasonings have more added value than MSG. Its demand in the market will grow even faster in future. Currently, there are four to five different value-added seasoning products expected to be launched in the second half of the year.

#### (4) Increase brand awareness and expand the sales network

The Group's brand name enjoys a long history of 40 years in the market and is well received in Vietnam, several provinces in Southeastern PRC and parts of Southeast Asia. However, the Group has to increase its brand awareness in many other regions and countries. In future, the Group will increase its budget to step up media advertising and promotional activities. As the ASEAN Free Trade Area will come into force in 2006, trade obstacles for exports from Vietnam to nine other Asian countries will be cleared. To capture these opportunities, the Group will actively open up the market in this region. The Group has already established its points of sale in Indonesia, Cambodia, Malaysia and Burma. Recently, the Group is also trying to crack-up the market in Laos and gradually expand the market penetration into this important free trade block.

果，在實驗室和實驗工廠已證明有好的成績，現在積極進行最適化條件的試驗以便能移轉大型化量產。至於澱粉轉化技術方面，集團準備在今年，成立澱粉研究發展中心，預計未來此研發中心，將對集團未來澱粉加工事業的發展，發揮重要效果。

集團的未來成長，新產品的開發也將佔很重要的角色。今年集團將有兩項新產品投入生產，包括聚谷氨酸和複合調味料。聚谷氨酸是一種新技術生產的生化聚合物，它是以前已有大量生產的谷氨酸和澱粉糖漿為原料，再經過特殊的發酵工藝所生產的一種生化產品。由於它是生物可分解的生化聚合物，又有很高的吸水能力，因此它的用途很廣，包括化妝品、食品、嬰兒尿布、衛生棉、農業、醫藥等等。這項新產品已在小型試驗工廠試量產，而其生產流程已設計完成，集團預計在二零零四年底或二零零五年初可投入生產。初期，第一階段的投資金額約為4,000,000美元。

集團另一種新產品是複合調味料，這是一種以味精為主要成份，再混合一些天然調味料等調配而成的天然調味品。在一些開發中國家，包括中國、東南亞等地區，隨著人民生活水準的提高，消費者對各種高價值的不同調味品的需求，也日益增加。此種複合調味料的附加價值比味精高，未來市場的需求量成長也會較快。目前集團已開發出來四至五種不同口味的複合調味料，預定今年下半年可推出市場銷售。

#### (四) 強化品牌，擴大物流通路，提升行銷業績

集團的品牌在市場已有40年的歷史，在一些市場地區，包括越南、中國東南部幾個省份以及東南亞部分國家享有很高的知名度，但尚有很多地區和國家仍需要再加強品牌的形象和知名度。未來集團將持續增加預算費用，加強媒體廣告和促銷活動，將集團既有的品牌知名度的基礎，再擴大到東南亞其他國家。東盟自由貿易區將自二零零六年開始全面啟動。由越南輸出到其他九個國家的貨物，已不再有關稅的障礙，集團將掌握此東南亞自由貿易區的優勢，整合資源，強化貿易，也強化對東南亞地區廣大市場的滲透。目前集團在印尼、柬埔寨、馬來西亞和緬甸等國已經有行銷據點，最近正積極開拓泰國市場，集團將利用這些既有據點，逐步擴充開展行銷業務。



To expand the market, it is important to strengthen the sales network. Currently, in Vietnam and other Southeast Asian countries, the Group's products are mainly marketed through traditional shops and market stalls. However, as positive economic development takes place, a change in consumer behavior is expected. In view of this, the Group will observe the trend of the market closely and further expand its sales network to cover mega stores, supermarkets and convenience stores in future.

#### (5) Integrating resources, exploring strategic alliances

To accelerate the development of an enterprise, co-operation with competitors, suppliers and strategic alliances are possible shortcuts. In the past, the Group's co-operation with the two Japanese competitors and raw material suppliers are significant examples. These co-operations are very helpful to the Group's operation and development. Through acquisition or strategic alliance, the parties can make good use of each other's strengths to make up for their own weaknesses. Along with the parties' strategies, they can benefit from one another. Since the Group possesses plenty of strengths, it is in talks with several internationally renowned companies and groups for the joint production of some new products. In future, the Group will be more active in searching for partnerships and strategic alliances to boost the development of the business.

#### (6) Prospects in the PRC Market

PRC is the world's biggest market for MSG. At present, the annual demand is estimated at 1,000,000 tonnes but is growing rapidly each year. Consumption of MSG per head is relatively low, when compared to countries such as Taiwan, Japan, Korea, and Vietnam, where eating habits are similar. Consumption of MSG per head in Taiwan is about 2,000 grams per year, while in the PRC it is only 600 grams. There is room for market growth but the PRC MSG market is a fragmented market. In the past, there used to be nearly 200 MSG production plants of different sizes. After consolidation, only about 40 sizable plants are left. After further consolidation, it is expected that only a few sizable and competitive plants will remain. Another characteristic of the PRC market is that most brand names are strong only regionally but not nationally.

The Group's MSG products landed in the PRC market through Hong Kong as early as the late 1970s and early 1980s. To date, the Group's brand name has a history of more than 20 years in the PRC market and is particularly well recognized in the southeastern provinces. In 1995, the Group set up its first production plant by acquisition of the present Xiamen Complex. It produced beverages till 1998. Then it started the production of MSG

市場要擴充，行銷通路的加強也很重要。目前在越南以及其他東南亞國家的市場行銷通路大部分還是靠傳統的小商店和市場攤位。但是隨著經濟的發展，人民生活水平的提升，消費型態以及市場通路也會有所改變。集團將會密切注意市場形態的轉變，未來將投入更多資源，跟著這種轉變建立新的行銷管道和通路，這些包括大型的超市、一般超市、便利商店等等。

#### (五) 整合資源，開展策略聯盟

要加速一個企業的成長，利用同業合作，供應商合作或策略聯盟的方式，是一條可行的捷徑。過去集團與日本兩家同業的合作案以及和原料供應商的合作方式都是很成功的例子。這些合作案，對集團的經營和發展都有很大的幫助，利用併購、策略聯盟等合作方式，開展強弱互補的工作，將隨著集團的成長策略逐步推動，達到利用整合的綜合效果，截長補短，創造利益。由於集團所具有的一些優勢條件，目前已有幾家國際知名廠商和集團接洽談判有關一些新產品的合作生產案。未來集團將會更積極主動，尋找同業合作和策略聯盟以加速業務的發展。

#### (六) 中國市場的展望

對味精來說，中國市場是全世界最大的一個市場，目前的市場年需求量，一般的估計大約在1,000,000噸，同時每年以高速度成長，因為比起鄰近相同飲食習慣的國家，包括台灣、日本、韓國、越南等，人均消費量仍偏低。台灣的人均消費量每年約2,000公克，而中國卻只有600公克左右，因此市場的成長，尚有很大的空間，但是中國市場也是一個很分散和雜亂的市場。過去全中國有將近200家大大小小的生產工廠，目前已經過整合剩下約40家較具規模的生產工廠，未來預計會再整合，只剩下幾家較具規模和有競爭力的工廠。中國市場另一個特性是各個品牌，大都屬區域性的強勢品牌，鮮少有全國性的強勢品牌。

集團的味精產品早在一九七零年代末期和一九八零年代初即已經透過香港代理商進入中國市場。因此，到目前為止，集團的品牌在中國市場出現已有20多年的歷史，品牌知名度較高的地區主要集中在東南部幾個省。集團在一九九五年才進入中國設立生產基地，以併購的方式，買下現有的廈門廠房，



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with a production capacity of 25,000 tonnes per year. Since there were no fermentation facilities in the Xiamen Complex at the beginning, the raw materials needed such as GA were provided by Vietnam Vedan. In order to save tariffs and transportation costs, the Xiamen Complex has been trying to find local sources of GA supply in China. After a certain period of adjustment and with the Group's technical support, the quality of GA produced by the other three production plants met the standard of the Xiamen Complex, and the supply of GA from Vietnam Vedan is gradually reduced. At present, the three GA production plants can fully meet the demand from the Xiamen Complex.

### Strategies for expansion in the PRC market:

#### 1. Mergers, acquisitions and strategic alliances

As the PRC market is highly-regionalized and there is a huge difference in scale between the large and small factories, the Group is actively seeking potential companies for mergers, acquisitions and the forming of strategic alliances. To achieve the Group's goal to expand the PRC market, the focus of the Group's business development in the PRC will use its current Xiamen plant as a base and expand to cover provinces along the coast through mergers, acquisitions and strategic alliances. Currently, the Group is in talks with several targets and has commenced assessments and evaluations, with a view to adding one or two companies into the Group's activities this year, to boost growth in the PRC market. In planning for these mergers and acquisitions, the Group recognizes the importance of securing a stable and cheap supply of GA, a primary ingredient in MSG production. In view of this, the Group is considering forming strategic alliances, to ensure that there is stable and adequate supply of raw materials. In addition, the PRC has signed an agreement with ASEAN countries to create a larger free trade region within the next decade. By that time, tariffs for goods exported from Vietnam to the PRC will be lowered or waived. Since Vietnam is close to the PRC, GA and MSG products produced by the Group in Vietnam will enjoy higher flexibility and competitiveness.

#### 2. Strengthen the awareness of the brand name

In the future, the Group will continue to strengthen the awareness of its brand name. Based on market research and survey on consumer behaviour, the Group is discussing the allocation of advertisements and strategies on promotional activities with some marketing and advertising companies. The Group will further implement its market penetration strategy to focus on Fujian and Guangdong. By increasing the budget, expanding the sales network, and strengthening the advertising and promotional activities, the brand awareness is raised and the Group's good image is reaffirmed among the consumers.

#### 3. Enhance localization policies

The Group believes that the implementation of localization policies will benefit the operations of the Group's business. The Group has basically achieved its

初期生產飲料，一直到一九九八年，才開始設廠生產味精，產能是每年25,000噸。因為廈門廠本身沒有醱酵設備，因此剛開始的時期，所需要的谷氨酸原料，皆由集團的越南廠供應，後來，為了要節省關稅以及運輸費用，廈門廠和中國內地三家生產廠經過一段時間的配合，並由集團提供技術輔導，他們所生產的麩酸品質已能符合廈門廠的要求。越南廠的谷氨酸供應，即逐步減少。目前，三家內地味精廠，已能提供廈門廠的全部谷氨酸需求。

### 未來在中國的成長策略已朝下列幾個方向在進行：

#### 1. 併購和策略聯盟

由於中國市場地域性強勢品牌與大小廠差異大的兩個特點，集團已積極評估、尋找併購與策略聯盟的對象，為達成中國市場成長策略目標，集團中國業務發展重心，將以現有廈門廠為起點，經由併購與策盟方式，拓展在沿海各省的業務。目前集團已與幾家可能對象，展開評估，期望在今年可以達成一至兩家併購或策盟的目標，促使集團在中國市場可以加倍成長。長期來說，廈門廠以及其他新併購工廠的谷氨酸原料穩定和便宜的供應來源是很重要的。這方面，集團主要是採取策略聯盟的方式進行谷氨酸原料確保。另外一個重要的發展是中國已和東盟簽定協議，在未來十年內，雙方將成立一個更大的自由貿易區，由越南輸往中國的貨物將降低或免除關稅，而越南緊鄰中國，由越南生產的谷氨酸，甚至味精對集團的經營將更有彈性，並可強化競爭力。

#### 2. 品牌力度的加強

未來，集團將持續的進行品牌知名度加強的工作，目前已和行銷廣告公司討論與合作，從市場研究和消費者習慣的了解，做為籌劃市場廣告投放以及市場促銷活動的基礎。集團本身將進一步採取市場精耕策略，集中福建和廣東兩省，增加預算，擴大行銷通路、加強廣告和促銷活動，以提升品牌知名度，確立消費者對集團品牌的良好形象。

#### 3. 加強本土化政策的推行

集團認為成功的本土化政策推行將直接影響經營的成果。谷氨酸的採購，原則上已達本土化目標，



localization goal in terms of material supply, especially for GA. In the field of human resources, the Group will continue to recruit suitable personnel and provide training to its employees. With skilled localized employees, the Group will then be able to expand its business in the PRC, especially in sales, and attain its goal.

2004 is crucial to the Group's development in the PRC. With all the above strategies in place, the Group is cautiously optimistic about its business development in the PRC.

Looking forward in 2004, the Group expects another year of satisfactory results for its core products, enabling it to lay solid foundations for its mid-to-long term development. Since the production base in Vietnam has now been fully established, the Group will build on this production platform to penetrate the PRC and Southeast Asian markets, while gearing up to fuel growth through mergers, acquisitions and strategic alliances. Coupled with the launch of new products, constant controls and the reduction of sales and production costs, and the rise in management efficiencies, the Group is committed to continue to bring the best returns.

### Employees

As at 31 December 2003, the Group had a total of 2,438 employees, of whom 1,936 were employed by Vedan Vietnam, 325 were employed by Xiamen Mao Tai Company in the PRC and 177 employed by Orsan Complex in Vietnam. The Group's employees are paid in accordance with prevailing industry practices, the financial performance of the Group and the work performance of employees. Other fringe benefits such as residential insurance, medical benefits and provident fund are provided to employees to ensure both their loyalty and competitiveness. To raise work quality and the management abilities of its employees, and to accelerate the implementation of localization policies and computerized operation policies, the Group provides job rotation, in-house training and external training courses to employees. Share options are also available to certain senior staff and staff who perform well.

### Use of proceeds from the New Issue

Shares of the Group commenced trading on the main board of The Hong Kong Stock Exchange Limited ("Stock Exchange") on 27 June 2003. Based on the offer price of HK\$0.89 per share, the issue of 362,888,000 new shares raised approximately US\$41,406,000 (equivalent to approximately HK\$322,970,000) for the Group.

As at 31 December 2003, approximately US\$2,000,000 (equivalent to approximately HK\$15,600,000) of the net proceeds has been used for the modification of co-generation power plants in Vietnam; approximately US\$17,070,000 (equivalent to approximately HK\$133,146,000) for business operations and repayments debts; and the remainder of approximately US\$22,336,000 (equivalent to approximately HK\$174,220,800) will be used for product development, marketing and promotional activities, expansion of production capacities and merger and acquisition activities as planned. All cash on hand has been placed as bank deposits, while the above plans are being implemented.

上面已有說明。至於管理行銷人才方面，集團也積極的進行招才和育才的工作。有了好的本土化人才，未來集團擴大中國市場的業務，尤其是行銷業務工作方面，才能順利的推動，並達到預期的目標。

二零零四年，將是集團在中國市場發展較具關鍵的一年。藉由上述三項主要工作的持續推行和陸續落實，未來集團在中國的業務發展相信是審慎樂觀的。

對於二零零四年的展望，集團已作好充份準備，除核心產品預期可再創業務佳績外，對於中長期集團發展策略，也已奠下基礎。在越南的生產基地規模已完整建立，集團將以此生產平台為基礎，開拓中國與東南亞市場，並利用併購與策盟方式，擴大業績增長，而新產品的推出與銷售，成本持續控制與降低，管理效率的再提升等等更可期望為集團帶來更佳利益。

### 僱員薪酬及培訓資料

於二零零三年十二月三十一日，本集團共僱有員工 2,438 名，包括受僱於味丹越南廠 1,936 名員工，廈門茂泰廠 325 名員工及越南歐桑廠 177 名員工。本集團一般根據行業慣例、集團業績及個別員工表現釐定僱員薪酬。其他員工福利包括住宿保險、醫療及退休金等，以確保競爭力及員工之忠誠度。為增進員工專業素質及管理能力的，落實本土化政策及加快電子化營運，集團亦為員工提供職務輪換，內訓及外訓機會。集團並設有一套員工購股權計劃，並選定若干表現優秀及高級員工給予購股權。

### 首次公開招股資金用途

集團之股份自二零零三年六月二十七日起正式於香港聯合交易所有限公司（「聯交所」）主板上市，集團以每股 0.89 港元發售股份 362,888,000 股，集資額約 41,406,000 美元（約等於 322,970,000 港元）。

截至二零零三年十二月三十一日，集資淨額中約 2,000,000 美元（約等於 15,600,000 港元）已用於越南電廠天然氣改裝工程；約 17,070,000 美元（約等於 133,146,000 港元）用於營運週轉及償還銀行借款；而剩餘之 22,336,000 美元（約等於 174,220,800 港元）將按計劃用於產品研究開發、市場推廣、擴充產能及併購活動，集團在持續執行上述計劃之同時，已將手持的現金作銀行存款。