

# Management Discussion and Analysis

## 管理層研討及分析

Despite the unstable global economy and rising oil prices pushing up raw material costs, the Group saw significant growth in the first half of 2004. Bird flu outbreaks affected many regions of the world in the beginning of the year including several provinces in Vietnam. The Vietnamese government, however, was able to act appropriately to contain the problem, hence sustained overall economic growth. The economy grew by 7.1% for the first half of the year. For the second half of the year, the government predicted a 7.7%-8.0% growth, and the annual growth target is 7.5%.

To protect its operations against the threats of bird flu, the Group implemented stringent control measures covering the purchase of raw materials, admission of personnel and vehicles into its premises, and the hygienic standards of its production facilities. During the review period, hefty oil and raw material prices did not affect the Group's performance as it has switched to using natural gas as fuel for production in December 2003 after pipeline installation was completed in November 2003. Fuel supply and cost have remained stable for the Group since then.

Riding on the growth momentum built up since the second half of last year, the Group saw all-round steady growth in its businesses. As raw material supply and prices were steady, production cost was effectively controlled. The Group secured strong results for the first half year, with total turnover and profit breaking previous records.

The Chinese government has adopted a series of macroeconomic control policies to curb over-heated economic activities in the country. On the other hand, with international grain prices rising, the prices of main ingredients of glutamic acid (GA), such as corn, also remained high, driving up GA price. Heeding the high material prices, manufacturers adjusted their stocks. However, as the overall demand for MSG has been rising, the Group still managed to achieve sales gains in the Chinese market during the review period.

本集團在二零零四年上半年度的業績顯著上升，縱然受到整體國際經濟情勢不穩定，以及國際油價節節上漲，造成許多相關原材料價格高漲的影響。年初期間，禽流感在全球多個地區肆虐，所幸越南政府政策應付得宜，雖然好幾個省也出現禽流感個案，但整體經濟仍持續攀升。上半年，越南總體經濟取得7.1%的成長。而下半年，政府預測將有7.7~8.0%的增長，全年的目標是7.5%。

對本集團來說，在禽流感發生期間，本集團採取嚴格的管制措施，包括原材料的採購、車輛人員進出公司大門的管制、環境衛生的加強，使本集團能順利越過挑戰。而在能源價格飆漲方面，部份原材料價格雖有提升，但因本集團已於去年十一月完成天然氣的管路施工，並在十二月開始改用天然氣生產，以致有價格穩定的熱能供應，未受到油價飆漲的影響。

在越南方面，本集團繼續去年下半年的成長動力，今年上半年，各項業績仍呈穩定成長，原料供應來源和價格穩定，成本繼續獲得有效控制。整個集團，今年上半年的業績仍有亮麗的表現，總營業額和利潤都再次打破過去記錄。

在中國方面，政府為了抑制過熱的經濟活動，採取了一系列的宏觀調控政策。另一方面，主要受到國際穀物價格的影響，玉米等重要谷氨酸製造原料售價一直居高不下，因此谷氨酸的價格也被迫調漲。而原材料價格提升，亦促使各生產商作庫存調整。但受惠於味精需求的蓬勃增長，本集團於中國市場的銷售仍較去年同期上升。

# Management Discussion and Analysis (continued)

## 管理層研討及分析(續)

### Financial Review

For the first half of 2004, the Group recorded turnover of US\$109,439,000, a 15.5% growth over the same period last year. Net profit jumped by 57.9% to reach US\$15,677,000. Basic earnings per share stood at US1.04 cents (HK 8.1 cents). Compared to the same period of last year, gross profit margin rose from 25.3% to 34.2%, whilst net profit margin rose from 10.5% to 14.3%. The Directors has recommended interim dividend of US 0.506 cents (HK 3.947 cents) per share.

The Group's cash flow from operations was 121% higher at US\$14,143,000. However, since investment was made to expand production capacity and in merger and acquisition in the PRC during the first half year, the total cash outflow for investing activities was US\$2,551,000. EBITDA at end of the reporting period was US\$31,819,000, an increase of US\$5,134,000 over same period last year.

Benefiting from significant rise in profit, as at 30 June 2004, the total bank cash balance was US\$39,589,000, US\$4,142,000 higher compared to the level at the end of last year. Bank borrowings rose 1.7%. Gearing ratio (total debts / equity) decreased slightly from 24.8% to 24.4% and the net gearing ratio (net debts / equity) dropped from 9.0% to 7.4%. As for current ratio, it improved from 209.3% to 212.1%.

### Product Analysis

Compared with the same period last year, the sales of MSG, the Group's key product, again recorded double-digit growth. Turnover grew 11.6%, from US\$64,935,000 to US\$72,497,000. Turnover in Vietnam grew by 14.3%, mainly due to the following reasons:

- Continuous growth of the Vietnamese economy and rapid expansion of consumption, especially in the food processing industry.
- Effective nationwide promotional activities to boost sales in the first quarter.
- Effective market penetration facilitated by the offer of sales support to franchisees, expansion of vehicle fleet and market development in rural and mountainous regions.

### 財務回顧

二零零四年上半年，本集團錄得營業額109,439,000美元，較去年同期上升15.5%，純利達15,677,000美元，較去年同期大幅上升57.9%，每股基本盈利為1.04美仙(8.1港仙)。與去年同期比較，毛利率由25.3%升至34.2%。純利率由10.5%升至14.3%。董事局建議派發中期股息每股0.506美仙(3.947港仙)。

在現金流量方面，經營業務產生之現金流入14,143,000美元，較去年同期上升121%，但投資活動使用之總現金流出為2,551,000美元，主要是因為今年集團增加投資，以擴大各項產品產能，同時對於中國市場的經營與併購活動，也在上半年開始落實。EBITDA為31,819,000美元，比去年同期增加5,134,000美元。

本集團受惠於獲利大幅成長，截至二零零四年六月三十日之銀行現金結餘總共為39,589,000美元，比二零零三年底增加4,142,000美元，銀行借款比去年底略增約1.7%。縱然負債比率(總負債／資本)由24.8%下降至24.4%，淨負債比率(淨借款／資本)卻由9.0%降為7.4%。流動比率則由209.3%增加到212.1%。

### 產品分析

比較去年同期本期內，本集團最主要產品味精繼續取得雙位數的增長，營業額增加了11.6%，由64,935,000美元增加到72,497,000美元。其中越南市場的銷售額增加了14.3%，主要有賴下列因素：

- 越南經濟持續增長而消費，特別是食品加工業急速擴充。
- 有效的全國性推廣活動推動首季的銷量。
- 向特許商提供銷售援助、擴充車隊及開發郊區及山區市場均有助有效地滲透市場。

## Management Discussion and Analysis (continued)

### 管理層研討及分析 (續)

The sales of MSG in the PRC also grew by 19.4%. After dropping drastically in the first half of last year during the Severe Acute Respiratory Syndrome (“SARS”) outbreak, sales of MSG stabilized towards the end of last year. In the Japan market, MSG sales dropped 13.5% in the first half year due to a major customer there made seasonal stock adjustment and delayed goods delivery. As for other regions, including Southeast Asia and Europe, although they only contributed 8.7% to the total sales of MSG, phenomenal growth of 52% and 40.6% was recorded respectively.

To meet the strong market demand for MSG, the Group has planned new capital expenditure to expand production capacity. The new production lines are expected to commence operation in the fourth quarter.

Benefiting from persistently strong market demand and rising market prices, sales of lysine products increased by 60.4%, from US\$11,723,000 in the same period last year to US\$18,808,000. In addition to the strong growth in the export market, domestic sales in Vietnam also grew more than 60%. The turnover of lysine in Vietnam constituted approximately 31% of the total lysine turnover. It should be pointed out; however, lysine price tends to have a cyclical pattern, depending very much on the supply and demand situation of soybean and corn. How long the price of lysine will continue to stay at the higher level needs to be closely watched.

Starch-based products also experienced high growth. Compared with the same period last year, turnover increased by 63.2%, from US\$5,260,000 to US\$8,587,000. The sales of modified starch in particular rose a remarkable 108%. The addition of new customers and strengthening confidence among existing customers brought in more new orders. The Group's new clients came mainly from China, Europe and Australia. The Group sees continuous growth in the sales of starch-based products and expects the products to contribute an increasing share to its total turnover.

中國市場的味精銷售也增加了19.4%。去年上半年，由於受到非典型肺炎的影響，中國市場味精銷售大幅下降，至去年年底慢慢趨於穩定。日本市場方面，則由於其中有一大客戶，因進行庫存調節的影響，延緩出貨速度，導致上半年的味精總銷售額下降了13.5%。其他市場地區，包括東南亞國家市場以及歐洲地區市場，味精總銷售額雖只佔全部味精的8.7%，但增長強勁，分別取得52%和40.6%的成長。

為配合市場對味精產品的殷切需求，本集團已積極增加設備，擴大產能，新的生產線將於第四季完成。

賴氨酸產品方面，受惠於市場的持續強勁需求以及價格的提升，上半年的營業額比較去年同期增加了60.4%，由11,723,000美元增加至18,808,000美元。除外銷市場有強勁增長，越南內銷市場也有超過60%的增長。越南市場的賴氨酸營業額，約佔全部賴氨酸市場營業額的31%。但是值得注意的是：賴氨酸市場價格，因受大豆和玉米供需平衡的影響很大，在過去，經常顯示出一種週期性。這次的高價週期將持續多久，必須注意觀察。

在澱粉產品方面，也有大幅度的成長，比較去年同期，營業額增加了63.2%，由5,260,000美元增加到8,587,000美元。其中化工澱粉產品更增加達108%。主要原因是本集團成功開發新的客戶，而舊客戶也對本集團的產品增加信心，不斷增加新的訂單。新的客戶主要來自中國、歐洲和澳洲，未來這項產品仍會繼續大幅成長，所佔本集團整體營業額的比重，也會繼續增加。

# Management Discussion and Analysis (continued)

## 管理層研討及分析(續)

### Market Analysis

#### Vietnam

Compared with the same period last year, all major markets of the Group reported double-digit growth. Vietnam remained as our largest market, with turnover growing 12%, from US\$54,573,000 to US\$61,142,000. Except for GA, other products in this market posted significant expansion:

		2004	2003	Growth Rate 增加幅度
MSG	味精	\$46,627,000	\$40,806,000	+ 14.3%
Lysine	賴氨酸	\$5,781,000	\$3,609,000	+ 60.2%
Starch products	澱粉產品	\$1,205,000	\$650,000	+ 85.4%
GA	谷氨酸	\$3,695,000	\$5,469,000	- 32.4%

The reasons behind growth for these products in Vietnam have discussed above. The drop in GA sales was caused by customers request changing their processing pattern by replacing GA with MSG for direct processing. This change is beneficial to both the Group and its customers.

#### Japan

Total turnover in this market rose by 12.9%, from US\$23,102,000 to US\$26,078,000. The main boost was growth of lysine business. As a result of higher prices, sales of lysine rose 60.5% from US\$8,114,000 to US\$13,027,000. However, one of our major clients readjusted its stock purchase plan during the period, delaying purchase leading to a 13.5% drop in our MSG turnover. MSG sales should return to normal in the second half year.

### 市場分析

#### 越南市場

比較去年同期，本集團各主要市場在本期內都有超過雙位數以上的增長。最大的越南市場，增長幅度達12%，營業額由54,573,000美元，增加到61,142,000美元。在此市場之各項主要產品表現，除谷氨酸外其它產品都有顯著的成長，具體數據如下：

各項產品在越南市場增長之理由，已如上述，而谷氨酸銷售額下降的主要原因是客戶改變要求，以味精取代谷氨酸直接加工生產。這種改變，符合本集團與客戶雙方的效益。

#### 日本市場

在日本市場方面，總營業額也成長了12.9%，由23,102,000美元，增加到26,078,000美元。主要原因是賴氨酸的業務，因受價格調漲的影響，營業額成長了60.5%，由8,114,000美元，增加到13,027,000美元。但在味精業務方面，因大客戶之一在期內進行庫存調整，進貨延緩，導致營業額下降了13.5%。下半年，出貨應趨於正常。

# Management Discussion and Analysis (continued)

## 管理層研討及分析 (續)

### PRC

With SARS gradually came under control in the PRC during the second half of last year, people have been eating out again and their dining expenditure have returned to normal. The Group saw significant improvement in its total turnover in the first half of this year, rising by 32%, from US\$8,814,000 to US\$11,643,000. MSG sales also rose steadily, from US\$7,242,000 to US\$8,647,000, a 19.4% increase compared with the same period last year. Starch-based products experienced rapid growth, from last year's US\$147,000 to this year's US\$2,191,000, an over 15 times growth. The Group has been building its sales network for starch related products in the PRC since 2002, and has gained the confidence of some large industrial users. Besides receiving more orders from these customers, the Group has also been working hard to win new clients, and as such expects continuous growth in the future. For the beverage business, turnover dropped from US\$1,090,000 in the first half of 2003 to US\$719,000.

### ASEAN countries

Another major market of the Group, the ASEAN countries, recorded an enormous growth of 60% in the period under review, with turnover rising from US\$2,516,000 to US\$4,023,000. Currently, the Group mainly sells MSG and starch to the ASEAN countries. While MSG sales from the market increased 52%, from US\$2,284,000 to US\$3,471,000, the turnover from starch sale, though still of a relatively small amount, saw considerable growth of 138%, from US\$232,000 to US\$552,000. Armed with free trade agreements with Vietnam and taking into consideration the huge combined population of the ASEAN market, the Group will strive to grow this market. In fact, having established a stable foothold in the Vietnamese market, the Group started to penetrate the ASEAN market in 2003 and recorded 22% year-on-year growth in the market. Thanks to the continuous efforts of our sales team, the results in the first half of 2004 was satisfactory, pointing to excellent prospect for the rest of the year.

### 中國市場

至於中國市場方面，由於非典型肺炎在去年下半年已慢慢獲得控制，人民飲食消費也回復正常，因此今年上半年總營收有顯著成長，由8,814,000美元增加到11,643,000美元，增加幅度達32%。味精的銷售也逐步上升，與去年同期比較，由7,242,000美元，增加到8,647,000美元，增長幅度達19.4%。此外，澱粉產品的增長亦相當迅速，由去年同期的147,000美元，增加到今年上半年的2,191,000美元，成長15倍。本集團自二零零二年開始已慢慢建立在中國市場的澱粉產品銷售通路，一些較大工業加工客戶，對本集團的產品經過一段時間的測試，已有信心，並已開始慢慢增加訂單用量，而本集團也繼續的開發新的客戶，未來應會繼續的增長。至於飲料業務，則由二零零三年上半年的營業額1,090,000美元降至719,000美元。

### 東盟國家

本集團另一個重要市場東盟市場在期內錄得60%的大幅度增長，營業額由2,516,000美元增加至4,023,000美元。目前，本集團銷往東盟地區的主要產品是味精和澱粉。味精的業務增長了52%，由2,284,000美元增加到3,471,000美元，而澱粉產品的營業額雖然仍少，但卻增加了可觀的138%，由232,000美元增加到552,000美元。本集團認為東盟地區擁有廣大人口，而且和越南又有自由貿易協定，是未來集團應該積極爭取的重要市場。因此，在鞏固越南市場後，本集團即自二零零三年開始，積極的往東盟市場擴展，在二零零三年已有良好成績，按年業績增長了22%。今年在集團業務部人員的努力下，二零零四年上半年更錄得滿意成績，而下半年相信應會繼續有好的增長。

# Management Discussion and Analysis (continued)

## 管理層研討及分析(續)

### Other markets

The Group's sales department worked aggressively to develop new markets. During the first half of this year, the Group made a proactive start in developing markets in Europe, Australia, Russia, and South Africa. More efforts will be directed to these markets and the Group expects that more progress will be made.

### Prospects

The Group achieved notable growth for the first half of 2004. Looking ahead into the second half, the overall economic situation and business environment remain to be seen. Results of elections in different countries may indirectly affect regional economic situations. However, the Group remains optimistic about the prospect of the Asian markets. To ensure the achievement of its business targets, the Group has adopted various policies and will carefully evaluate and address anticipated changes. The rest of the year should see operation of the Group grow steadily with the following strategic advancements:

#### 1. Economic benefits from switching to using natural gas as fuel

The Group shifted from using heavy oil to natural gas as fuel from December 2003, and its benefits were reflected in the first half of the year. The cost saving effect was also attained as planned. The move will continue to bring considerable contribution to the Group's profit.

#### 2. Expansion plan for various products

To meet the robust market demand for the Group's products, the Board of Directors approved a series of capital expenditure in 2004. Part of the funds went into expanding in Vietnam the production capacity of MSG, GA, hydrochloric acid, soda, starch, and modified starch, and also to develop new products. The rest was used to ratify acquisition and strategic alliances in China. Factory expansion is now underway and expected to be completed by the fourth quarter. If trial production is favorable, the plant will commence production by the end of the year, and the boosted production capacities of various products will translate into outstanding turnover growth for the Group.

### 其他市場

其他新的市場，本集團業務部門也積極努力開發。在今年上半年，包括歐洲、澳洲、俄羅斯、和南非已積極展開。未來針對這些新的市場集團將投入更多努力，期望有更大的發展。

### 展望

二零零四年上半年，集團已取得明顯的增長。展望下半年，整體經濟情勢與環境變化仍有待觀察。而各地大選結果也可能間接影響地區性的經濟情勢變化。但預期亞洲區域的發展將維持樂觀，為達到業務目標，集團已採取相關對策，並將謹慎面對和評估各項變化，隨著下列各項發展策略的推進，下半年的經營情況將維持穩定增長的局面。

#### 1. 改用天然氣發電所帶來的經濟效益

二零零三年十二月已完成以天然氣取代燃油發電的計劃，在今年的上半年已發揮它應有的效益，所節省的成本開支，達到集團所預期目標。這項計劃的完成，將會繼續為集團帶來可觀的盈利貢獻。

#### 2. 各產品項的擴廠計劃

為應付市場對本集團產品的強烈需求，集團董事會已通過二零零四年的資本支出一系列，一方面擴大在越南各項產品的生產產能以滿足市場需求，其中包括味精、谷氨酸、鹽酸、蘇打、澱粉、化工澱粉等固有產品之產能擴增，及新產品生產投資；另一方面也落實在中國的一些併購和策略聯盟計劃。擴廠工程目前正積極進行中，預計今年第四季可完成。如試產順利，在年底之前可投入生產，工程擴建完成後，各項產品的產能將大幅提升，而集團的營業額亦將再創高峰。

# Management Discussion and Analysis (continued)

## 管理層研討及分析 (續)

### 3. Pursuit of merger, acquisition, and strategic alliance programs in China

The Group's different development plans in China proceeded smoothly as planned. First of all, after rounds of negotiation, the Group signed an acquisition agreement with Shanghai Vedan Foods in May, which was formally approved by shareholders at the extraordinary general meeting held on 16 June. With 12 years' history in China, Shanghai Vedan Foods and its brand, "Hoping" enjoy high brand awareness in Shanghai city, and also Jiangsu and Zhejiang provinces. Currently it sells 10,000 tons of MSG per year.

The acquisition plan has two parts. The first is the acquisition of Shanghai Vedan's MSG business, including the transfer of the trademark "Hoping", all sales networks and all production and management personnel in relation to MSG operations, at a consideration of RMB51,800,000. The second is the acquisition of land and facilities, including the 178,000 sqm land at the prime location next to Che Xing Road, Songjiang District, Shanghai, and the existing production workshop warehouse, office, dormitory, and public facilities there at a consideration of RMB92,580,000. The Group expects to receive multiple benefits when the acquisition is completed:

- Consolidation of branding and marketing resources for expanding its MSG business. With the existing sales networks of Shanghai Vedan Foods, the Group can quickly obtain a stronghold of the MSG market in Jiangsu and Zhejiang provinces and the city of Shanghai.
- Integration of sales networks in Shanghai and Xiamen for selling new products. The Group has secured a significant share in the starch-based product market in China, and has also successfully developed several high value-added flavor seasonings. The extended sales network will further enhance the market shares of these products.

### 3. 中國併購和策略聯盟的計劃逐步落實

在中國的業務方面，集團仍依既定目標，逐步的落實各項計劃。首先，上海味丹食品的併購案，經過多次的談判交涉，已於今年五月份完成簽約，並於六月十六日的特別股東會中正式通過。上海味丹食品在中國已有12年的經營歷史，所建立的品牌"皇品"，在上海市、江蘇省和浙江省享有高知名度。目前，其味精銷售量達每年10,000噸。

此併購案分兩部分，第一部分是味精業務的併購，包括商標「皇品」的所有轉移，接收所有經銷網路以及所有熟悉味精業務之生產和營運人員。此部份的收購價格是51,800,000人民幣。第二部分是土地和廠房的收購，包括位於良好地點的上海市松江工業區車新公路旁的一塊佔地178,000平方米，以及地上的現有生產車間、倉庫、辦公室、宿舍和公用設施。這部分的收購價格是92,580,000人民幣，完成上海味丹併購後，集團預期將可獲得下列的綜合效益：

- 整合品牌與行銷資源，擴增味精業務。以上海味丹食品既有的銷售通路，快速取得二省一市，即江蘇省、浙江省和上海市的味精市場地位。
- 結合上海與廈門之行銷通路，銷售新產品。除味精外，集團在中國的澱粉產品銷售也已取得重要市場地位，再加上集團已成功開發的高附加價值風味調味料和複合調味料，正可利用此行銷網絡，擴大市場銷售。



# Management Discussion and Analysis (continued)

## 管理層研討及分析(續)

- With the addition of existing factory facilities, the Group is able to quickly set up production lines for modified starch, high-value seasonings, and the newly developed poly-glutamic acid (PGA). Being right next door to its customers, the production base will enable the Group to secure larger market shares. Furthermore, not having to build new production facilities from scratch saved the Group capital expenditure and time.
- The Group decided to expand the scale of its operation in China, and had hired senior managers to oversee the consolidation of its businesses. Applying its existing hardware and software facilities, the Group can efficiently set up its China operational headquarters and flagship production base, and start hiring the right personnel, serving customers and building transportation networks, etc.
- 可利用現有的廠房，快速引入化工澱粉、高價值調味料以及集團新開發的生化產品聚合谷氨酸等的生產線，建立在中國的生產基地，由於廠房毗鄰客戶，將有助集團取得更大的市場佔有率。此外，集團不需要再去另找生產據點，省卻建廠的資本支出，也省卻建廠的時間，對集團相當有利。
- 集團已決定擴大中國的營運規模，並已增聘高階經營主管，整合中國相關業務的營運。利用現有的相關軟硬體設施，可以最有效率的形式成立集團的中國營運總部及旗艦生產基地，加快人材招攬、客戶服務、建立運輸網絡等各項工作的展開。

The acquisition of Shanghai Vedan Foods only marked the beginning of the Group's search for suitable mergers, acquisitions and strategic partners in enterprises that enjoy high brand awareness and possess extensive sales network.

Another important task of the Group is to set up a highly efficient yet low cost raw material production base in China. After careful observation, assessment, and actual cooperation, the Group signed a Letter of Intent with a producer in China on 8 July. The Group agreed to establish a joint venture to produce GA for the Group's MSG production and for the production of other types of products, including seasoning and health food, etc.

The Group is cautiously optimistic in implementing its development strategy in China. It will carefully monitor market situations, such as the possible consolidation of the industry in response to the macroeconomic control measures recently introduced by the Chinese government, when administering its strategy and plans.

完成上海味丹食品併購案只是一個開始，集團仍會繼續尋找適當的併購與策略聯盟對象，尤其是有高品牌知名度和廣泛銷售網絡的對象為優先考量。

集團在中國另外一項重要的工作是建立一個高效率、低成本的原料生產基地。經過一段長時間的考察，評估以及實際的合作關係，集團已於今年的七月八日和一家中國的大型廠商共同簽署一項意向書。根據意向書條款，集團將與這家廠商成立一家中外合營公司。合營公司之業務範圍將包括生產谷氨酸、賴氨酸、味精、糖相關食品、調味品及健康食品等等。

對於中國策略推動，集團秉持審慎樂觀的態度，謹慎評估，逐步進行，尤其目前宏觀調控措施，可能引起業界重新整合的契機，集團將密切觀察市場之情況。



# Management Discussion and Analysis (continued)

## 管理層研討及分析 (續)

### 4. New product development and continuous market penetration

The Group sees future growth drivers in new product development and market penetration. It has successfully developed two new products – PGA and high value-added seasoning – which are ready for trial launch. New facilities are planned for their production and related efforts are progressing smoothly. The two products can be launched the earliest at the end of this year or the beginning of next year.

PGA is a biodegradable and highly water-absorbent bio-chemical polymer introduced by Taiwan Vedan and produced by the Group in Vietnam. PGA has wide range of usage, including in agriculture, water and sewage treatment, food processing, cosmetics and household products production, etc.

The other new product group is high value-added seasoning, which is a high quality seasoning with MSG as the main component. The Group has already developed several different types of flavors, which have already been tested in the market and are ready for launch as planned.

In fact, through outsourced production in 2003, the Group has already test marketed this type of new products in China and gathered consumer preference information to be used for improvement of product attributes. In addition, the Group will also enhance its research and development capability so as to continuously expand its product scope and present new products to the market. The Group has established a starch-based products development center, which will be run by experienced professionals with doctorate degree and is scheduled to begin operation in the fourth quarter of this year.

### 4. 新產品的開發和市場持續滲透

新產品的開發和市場滲透是未來集團持續成長的重要動力來源。目前已有兩項新的產品，包括聚谷氨酸及風味調味料和複合調味料，已達試銷的階段，而集團亦正在規劃興建廠房，目前進度理想，預計最快在今年年底或最遲明年年初可以正式推出市場。

其中一項是生物可分解以及吸水力極強的生化產品聚谷氨酸 (l-polyglutamic acid)，此項新產品和新技術是由台灣味丹引進，由集團在越南生產。此項新產品的用途非常廣，包括農業、水質及污水處理、食品加工、化粧品以及家庭用品方面等的應用。

另外一項新產品是附加價值較高的風味調味料和複合調味料。這是一種以味精為基本原料調配而成的高級調味品，目前集團已開發出多種不同口味的產品，並已經過市場和消費者測試。準備工作已經大致就緒，並將如期於市場推出。

事實上，集團已於二零零三年透過委外加工方式將此產品在中國試推，以測試市場反應，作為實際開發市場的資訊收集，用以改良產品特性。除此之外，集團也將加強本身的研發能力，未來預期會有更多的新產品推出市場。集團已成立澱粉產品開發中心，由擁有多年經驗並具博士學位的專家來主持，此中心將於今年第四季起開始運作。

# Management Discussion and Analysis (continued)

## 管理層研討及分析 (續)

Looking ahead at the rest of the year, the Group will closely observe the economic situations of its different markets: whether the inflation and interest rate in Vietnam can be effectively controlled, and whether the Chinese economy subjected to austerity measures can manage a “soft landing”. Supply and prices situation of products and raw materials will also be monitored. Concluding from the progress made in carrying out its business plans and new investment initiatives, the Group is confident of sustaining stable growth for its business in the second half of the year, and achieving overall year-end results surpassing those in 2003.

**YANG Kun-Hsiang**

*Director and CEO*

Hong Kong, 31 August 2004

展望今年下半年，集團將密切留意整體經濟發展，包括越南國內的通貨膨脹率和利率是否能獲得有效控制，和中國國內的宏觀調控政策是否能讓經濟軟著陸，以及產品和原材料供應與價格狀況等。但綜觀目前各項業務計劃的執行績效以及一些新投資方案的推動進度，集團仍有信心在今年下半年繼續維持穩定成長，全年業績將會超出二零零三年的水準，再創另一高峰。

**楊坤祥**

*董事及行政總裁*

香港，二零零四年八月三十一日