*[For immediate release]*

# VEDAN ANNOUNCES 2005 INTERIM RESULTS

Results Highlights

| | 6 months ended 30 June | | |
|---|---|---|---|
| | **2005** (US$'000) | 2004 (US$'000) | Change (%) |
| Turnover | **117,354** | 109,439 | +7.2% |
| Gross Profit | **23,361** | 37,374 | -37.5% |
| Net Profit | **5,673** | 15,677 | -63.8% |
| Earnings per Share | | | |
| - Basic (US cents) | **0.37** | 1.04 | -64.4% |
| - Fully Diluted (US cents) | **0.37** | 1.02 | -63.7% |
| Interim Dividend (US cents) | **0.201** | 0.506 | -60.3% |

(Hong Kong, 30 August 2005) – **Vedan International (Holdings) Limited** ("Vedan International" or the "Group") (SEHK: 2317) today announced its interim results for the six months ended 30 June 2005.

For the period under review, Vedan International achieved turnover of US$117,354,000 (HK$915,361,000), 7.2% higher compared with the same period last year. Gross profit decreased 37.5% to US$23,361,000 (HK$182,216,000) compared with the last corresponding period. Net profit decreased to US$5,673,000 (HK$44,249,000), representing a drop of 63.8%, and gross profit margin decreased from 34.2% to 19.9%. Net profit margin decreased from 14.3% to 4.8%. Basic earnings per share were 0.37 US cents (2.89 HK cents). The Board of Directors recommended the payment of an interim dividend of 0.201 US cent (1.57 HK cents).

**Mr. Yang Tou Hsiung, Chairman of Vedan International,** said, "In the first half of 2005, market demand for the Group's products grew stably. All of our major markets reported growth in sales, except for Japan. Turnover from the Vietnam market grew 4.5% to US$63,909,000, accounting for 54.5% of the Group's total turnover. Japan remained as the Group's second largest market. Due to the drop in turnover from lysine, turnover from this market slightly decreased by 3.7% to US$25,112,000, accounting for 21.4% of the Group's total turnover. Turnover from the PRC market increased 45.6% to US$16,958,000, constituting 14.5% of the Group's total turnover. The ASEAN market reported the fastest growth with turnover surging 53.1% to US$6,158,000."

- *more* -

By product category, MSG remained as the Group's core product, accounting for 71.8% of the Group's total turnover. The sales of lysine, starch products, GA and specialty chemicals accounted for 8.9%, 6.1%, 5.4% and 4.7% of the Group's total turnover respectively. Except for lysine which experienced substantial price slip, the sales of specialty chemicals, modified starch, GA and MSG grew 96.4%, 78.3%, 43.1% and 16.2% respectively.

The Group's profit was lower than anticipated. This was mainly attributable to the substantial price slip of lysine and the persistently high oil prices, which pushed up raw materials prices and thus the Group's production costs.

## Business Strategies

To combat the difficult business environment, Vedan has laid down certain strategies, including:

**1. Increase product prices**

Following the surge of material costs, the Group will systematically increase its product prices. It will continue to increase product prices in the second half to reflect the rising costs and minimize the effect of increasing raw material prices.

**2. Realize diverse development of carbohydrates**

In the short run, the Group will purchase from diverse sources: In addition to the existing major sources in neighbouring countries such as Thailand, the Group has started to purchase materials from other sources such as Pakistan and Eastern Europe. Besides, the Group will replace molasses with raw sugar and evaluate the feasibility of using other carbohydrates such as rice protein and starch syrup. In the medium and long term, the Group has started and will continue to work with the Swiss company, Syngenta, a world-leading agribusiness company and Mitsui and Co. (Thailand) Ltd., to cultivate tropical sugar beet in Vietnam. The Group expects the project to bear fruit in the coming year, enabling it to reduce raw material costs and expand its carbohydrate sources.

**3. Bring in contribution through acquisitions and strategic alliances**

The Group completed the acquisition of Shanghai Vedan Foods at the end of July. The efficacy of the acquisition will become evident. The Group has set up modified starch (for food processing) facilities in Shanghai Vedan Foods and has proceeded with the establishment of a chicken essence factory to realize the anticipated benefits of the acquisition. Furthermore, the audit and evaluation of the alliance with Shandong Snowflake has been completed and it is now in the final confirmation stage. The cooperation allows the Group to secure stable supply of GA raw materials and will accelerate the Group's development in the MSG market in the PRC.

In addition, the Group is expanding the production plant of the newly acquired Ve-Thai Tapioca-Starch Co., Ltd, to increase starch production capacity from 60 tonnes/day to 100 tonnes/day. The expansion is scheduled for completion by the end of this year.

**4. Expand product mix**

Trial production at the new high value added seasonings factory in Vietnam was completed successfully, and products will be introduced to the market in the third quarter. The Group also speeded up the construction of the new PGA factory which is expected to be completed by the end of this year or early 2006. The initial stage of construction of the Shanghai modified starch plant was completed. Other new products such as chicken essence based seasoning will also be launched in the second half of the year.

**5. Endeavor to complete all factory construction investment plans:**

The construction of certain new products factories stated above will be accelerated and hence completed earlier. In the second half of this year, the Group will also complete the construction of the MSG factory. The starch factory in Ha Tinh Province, Vietnam will also start production in the first half of 2006.

**6. Enhance our technology and the research and development of new products, improve our production efficiency and operational results.**

## Prospects

**Mr. Yang Kun-Hsiang, CEO of Vedan International,** said, "We are cautiously optimistic about the overall development of the Group for the second half of 2005 and into the future."

He continued, "Going forward, the rapid development of the Asian region, in particular the ASEAN countries and the PRC, will provide a solid foundation for our further business growth. The ASEAN market, which has close trading relationship with Vietnam, strong consumption power and promising potential, was made a prime focus of the Group. Besides pushing for vertical integration of our MSG operations in the PRC, we also planned to expand our product ranges, adding to them high value-added products, and step up overall sales efforts. The overall encouraging economic environment of the PRC and the recent re-valuation of the RMB, we believe, will work in favour of our investment and development in the market."

**Mr. Yang Tou Hsiung** concluded, "Although our profits slipped during the review period due to persistently hefty material costs, we have strong confidence in the markets' prospects and our solid operations. We believe our operational and investment emphases are correct and will bring concrete results. Looking ahead, to achieve robust growth, we will strive to expand low cost material sources, cut production costs, raise production efficiency, and expand our product mix. We will work hard to deliver better results to reward our shareholders for their support."

- *end* -

## About Vedan International (Holdings) Limited

Vedan International is a leading producer of fermentation-based amino acids, food additive products and cassava starch-based industrial products in Asia. Leveraging its production facilities in Vietnam and the PRC, its products are sold to food distributors, international trading companies and the food, paper, textile and chemical products producers in Vietnam, the other ASEAN countries, the PRC, Japan and Taiwan. Most of its products are marketed under the **VEDAN** brand name. For details, please refer to www.vedaninternational.com.

## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS ENDED 30TH JUNE 2005

| | **Unaudited** | |
|---|---|---|
| | **Six months ended 30th June** | |
| | **2005** | **2004** |
| | **US'000** | **US'000** |
| Turnover | 117,354 | 109,439 |
| Cost of sales | (93,993) | (72,065) |
| Gross profit | 23,361 | 37,374 |
| Other revenues | 314 | 165 |
| Selling and distribution expenses | (7,627) | (7,742) |
| Administration expenses | (8,647) | (9,813) |
| Net other operating income | 1,610 | 64 |
| Operating profit | 9,011 | 20,048 |
| Finance costs | (1,844) | (810) |
| Profit before taxation | 7,167 | 19,238 |
| Taxation | (1,494) | (3,561) |
| Profit attributable to shareholders | 5,673 | 15,677 |
| Interim dividends | 3,060 | 7,705 |
| Basic earnings per share (US cents) | 0.37 | 1.04 |
| Diluted earnings per share (US cents) | 0.37 | 1.02 |

For more information:
**Strategic Financial Relations Limited**
Veron Ng (852) 2864 4831 veron@strategic.com.hk
Shelley Yeung (852) 2864 4806 shelley@strategic.com.hk
Charmian Tsui (852) 2864 4857 charmian@strategic.com.hk
Fax: 2804 2789 / 2527 1196