



[For Immediate Release]

## Vedan Announces 2005 Annual Results

\* \* \*

### New products launched to brace future growth

	12 months ended 31 December		
	2005	2004	Change
	(US\$'000)	(US\$'000)	(%)
Turnover	257,904	224,976	+14.6%
Gross Profit	44,444	64,772	-31.4%
Net Profit	7,947	24,334	-67.3%
Basic Earnings per Share (US cents)	0.52	1.61	-67.7%
Final Dividend per share (US cents)	0.112	0.453	-75.3%
Total Dividend for the Year (US cents)	0.313	0.959	-67.4%

**(Hong Kong, March 22, 2006)** Vedan International (Holdings) Limited ("Vedan International" or the "Group", SEHK: 2317), today announced its final results for the 12 months ended 31 December 2005.

During the period under review, Vedan International recorded turnover of US\$257,904,000 (HK\$2,011,651,200), a 14.6% rise compared with the previous year with net profit amounted to US\$7,947,000 (HK\$61,986,600). Basic earnings per share were 0.52 US cents (4.056 HK cents). The Board of Directors recommended the payment of a final dividend of 0.112 US cents (0.8736 HK cents). Together with the interim dividend of 0.201 US cents (1.5678 HK cents) already paid, dividend pay out ratio for the year was 60%.

**Mr. Yang Tou Hsiung, Chairman of Vedan International**, said, "2005 was ridden with challenges for us. Although our overall business operation continued to show steady growth and market demand for our major products was strong, the Group's profitability for the year was affected by the surge in molasses price and the persistently low lysine price."

The Group's financial position remained healthy and stable. As at 31 December 2005, the Group had bank cash balance of US\$27,987,000, and its net gearing ratio was 21.8%, whilst current ratio was 1.58.

## Business Review

All the Group's major markets saw satisfactory sales growth in 2005. Vietnam and Japan remained as the Group's two major markets. Their turnover grew 9.6% and 7.1% to US\$138,842,000 and US\$52,778,000 respectively, accounting for 53.8% and 20.5% of the Group total. Turnover of the PRC market amounted to US\$38,867,000, 31.8% higher than that of last year. The ASEAN market (excluding Vietnam) recorded a turnover of US\$14,119,000, a remarkable jump of 54.2% as compared with 2004. Turnover in the European market increased by a notable 39.5% to US\$7,438,000.

The Group also recorded steady growth in product sales, while at the same time, was able to adjust upward the sales price of MSG, its core product, during the period under review. The turnover from MSG grew by 19.4% to US\$186,611,000 in 2005, accounting for 72.4% of the Group total. Turnover from GA amounted to US\$15,104,000, 59.5% higher than last year. As for the modified starch business, its turnover grew 55.9% to US\$15,327,000 attributable to the Group's efforts to expand this business segment in 2005. Turnover from specialty chemicals also rose 69.3% to US\$11,578,000. With raw materials costs persistently high and the sales price of lysine suppressed, the Group strategically reduced the production of lysine and increased MSG output, and as such, the turnover of lysine business decreased by approximately 37.5% to US\$20,327,000.

## Prospects

Looking ahead, the Group will focus on several business strategies to boost competitiveness in coming years. These include:

1. Diversification of raw material sources already shown satisfactory preliminary results

Molasses is one of the major raw materials of the Group's core products, namely MSG, GA and lysine. Affected by high oil price, the price of molasses surged approximately 77% in 2005 as compared with 2004. Although the Group does not expect further substantial increase in molasses price, it considered finding new sources of carbohydrates, an important instrument to helping it better control cost and support its future business growth. The Group will secure more cassava supply on one hand and on the other develop new sources of carbohydrates such as rice starch and tropical sugar beet. The cultivation of sugar beet in particular has achieved satisfactory preliminary results. The Group will continue to expand the scale of the trial cultivation in 2006 to mirror the Group's efforts in the area.

2. Optimize product structure and advance technology to boost profitability

The Group concerted some of the lysine production lines to produce MSG products with higher margins. It also plans to increase the production of high technology and high margin products, especially modified starch for food use. In addition, the construction of the  $\gamma$ -PGA plant is scheduled to complete in the second quarter of this year. This new plant will mark the breakthrough and advancement of the Group's many years' efforts and achievement in amino acids fermentation technology and product development, It will also contribute to a wider product mix and adding new value to the Group's products.

3. Seize opportunities in the PRC to increase market share

The PRC has seen fast and robust economic growth in the past few years. The Group completed the acquisition of Shanghai Vedan Foods and established the Joint Venture Company Shandong Vedan Snowflake Enterprise Co., Ltd. last year. These moves will help to secure stable supply of GA and MSG for the Group and expand market territory in the PRC. The Group started to see results of its efforts in consolidating its distribution channels and brand building in the past year and has plans to strengthen its sales network in the coming year extending into second tier wholesalers, restaurants, supermarkets and industrial customers. It will also expand sales of high value-added products.

4. Establish another core business to expand income source

After the Group established a starch research centre in the second half of 2004, more than 20 new starch products have been developed. The new products launched to the market were very well received as reflected in remarkable increase in both unit price and sales volume of starch products. The acquisition of VeYu starch factory in November last year and the planned new addition of the starch factory in Ha Tinh Province by end of this year or early next year are also expected to ensuring the stable supply of cassava and help reduce the production cost. In the coming years, the Group will focus on developing the PRC, Japan, Southeast Asia and Taiwan markets aiming to boost profits to the Group.

**Mr. Yang Kun-Hsiang, CEO of Vedan International concluded,** "Although our profits slipped during the review period due to persistent high material costs, we have strong confidence in the prospects of the markets and our business operations. We believe our forward looking operational strategies and business development directions are correct and will bring concrete results.

"The short-term, and middle to long-term plans, we carefully formulated which will enable us to achieve long-term operational objectives and deliver more satisfactory results in the future."

— 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. With 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, 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](http://www.vedaninternational.com).

**For Press Enquiries**

**Strategic Financial Relations Limited**

Veron Ng +852 2864 4831    veron@strategic.com.hk  
Shirley Lo +852 2864 4847    shirleylo@strategic.com.hk  
Fax :        +852 2527 1196

**Enclosed: Consolidated income statements for 2005**

**Vedan International (Holdings) Limited**  
**CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2005**

	<b>Audited</b>	
	<b>Twelve months ended 31<sup>st</sup> December</b>	
	<b>2004</b>	<b>2005</b>
	<b><u>(US\$'000)</u></b>	<b><u>(US\$'000)</u></b>
Turnover	224,976	257,904
Cost of sales	(160,204)	( 213,460 )
<hr/>		
Gross Profit	64,772	44,444
Other revenues	394	725
Selling and distribution expenses	(16,575)	(15,555)
Administration expenses	(17,223)	(17,584)
Net other operating income	431	2,487
<hr/>		
Operating profit	31,799	14,517
Finance costs	(1,912)	4,277
<hr/>		
Profit before taxation	29,887	10,240
Taxation	(5,553)	(2,293)
<hr/>		
Profit attributable to shareholders	24,334	7,947
Dividends		
– Paid	7,705	3,060
– Proposed	6,895	1,708
Basic earnings per share (US cents)	1.61	0.52
Diluted earnings per share (US cents)	1.58	0.52

- END -