

Vedan International (Holdings) Limited
味丹國際(控股)有限公司

Flavor the world
with Taste and Delight
為世界添上美味與歡欣



2005 Interim Results

30 August 2005

Highlights

Summary of Interim Results



Six months ended 30 June, USD million

	2004	2005	Change
Turnover	109.4	117.4	+7.2%
Gross Profit	37.4	23.4	-37.5%
Net Profit	15.7	5.7	-63.8%
Basic EPS per share (US cents)	1.04	0.37*	-64.4%
Dividend per share, interim (US cents)	0.506	0.201	-60.3%
Gross profit margin	34.2%	19.9%	N/A
Net profit margin	14.3%	4.8%	N/A

* 2004 Weighted average of ordinary shares in issue was 1,511,472,000 while it is 1,522,742,000 in 2005.

What Went Wrong – 1H 2005 Vs 1H 2004

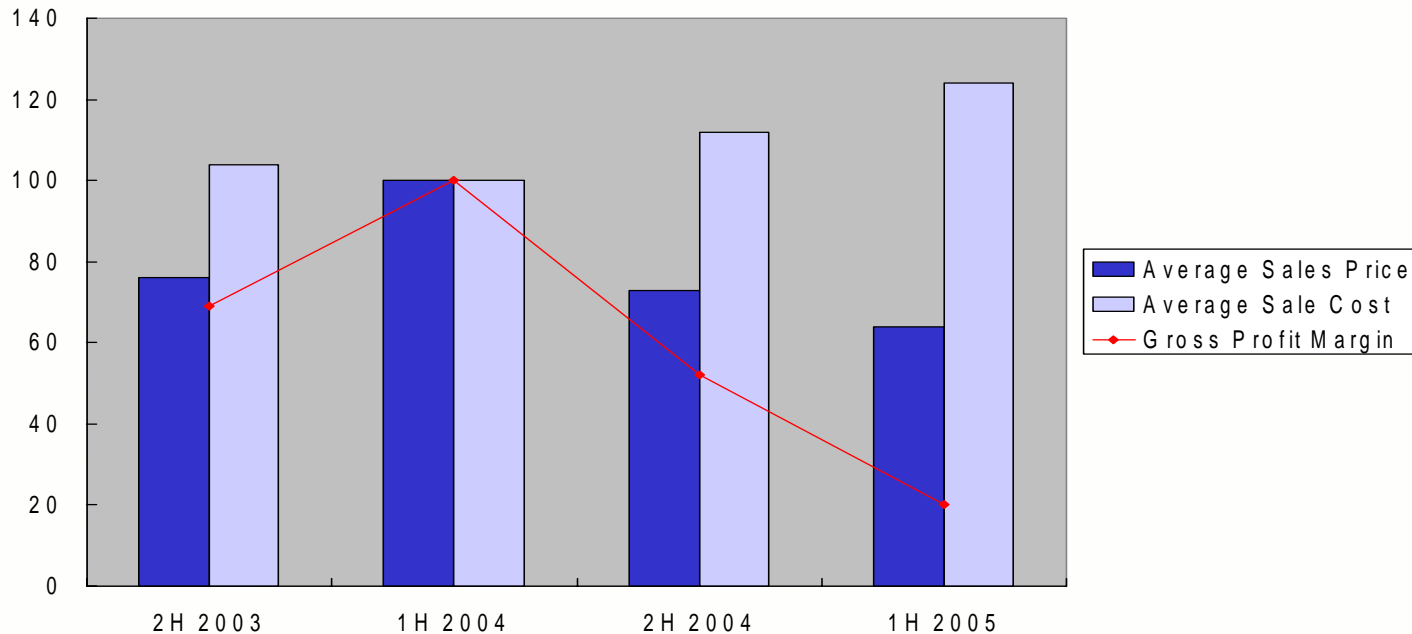
- **Lysine prices declined dramatically (average 36%)**
 - **Over-supply in the PRC**
 - **Outbreak of bird flu in Asia and pig-borne Streptococcus suis bacteria (豬鏈球菌) in the PRC**
 - **Weak demand for soybean and corn**
- **Lysine production cost increased by around 24%**
- **MSG prices were stable or slightly increased, but production cost increased by around 15%**
- **As a result, gross profit from lysine operations decreased 8.9 million while gross profit from MSG operations decreased 5.3 million**

However, for rest of 2005 and 2006:

- **Lysine prices appeared to have stabilized. We do not expect significant further deterioration**
- **Raw material costs have also reached a plateau**

Pressure on Lysine Price

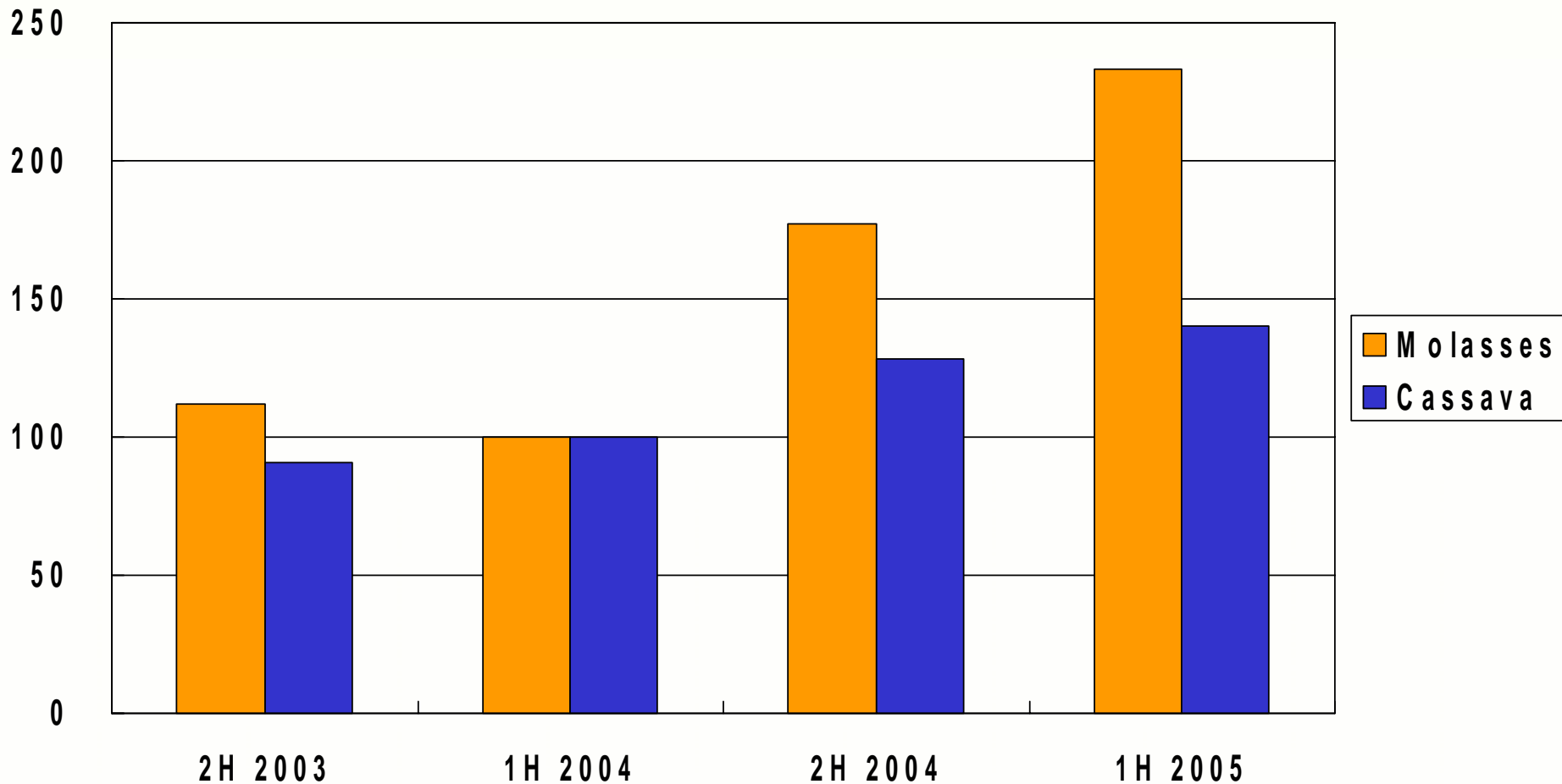
	2H 2003	1H 2004	2H 2004	1H 2005
Average Sale Price	76	100	73	64
Average Sale Cost	104	100	112	124
Gross Profit Margin	69	100	52	20



Note: Take the price of 1H 2004 as the base to calculate the change from 2H2003-1H 2005

Pressure on Production Costs

The Prices of Molasses and Cassava increased since 2H 2003



Note: Take the price of 1H 2004 as the base to calculate the change from 2H2003-1H 2005

- Prices of raw materials standing high pushed up by persistently hefty oil prices

Molasses:

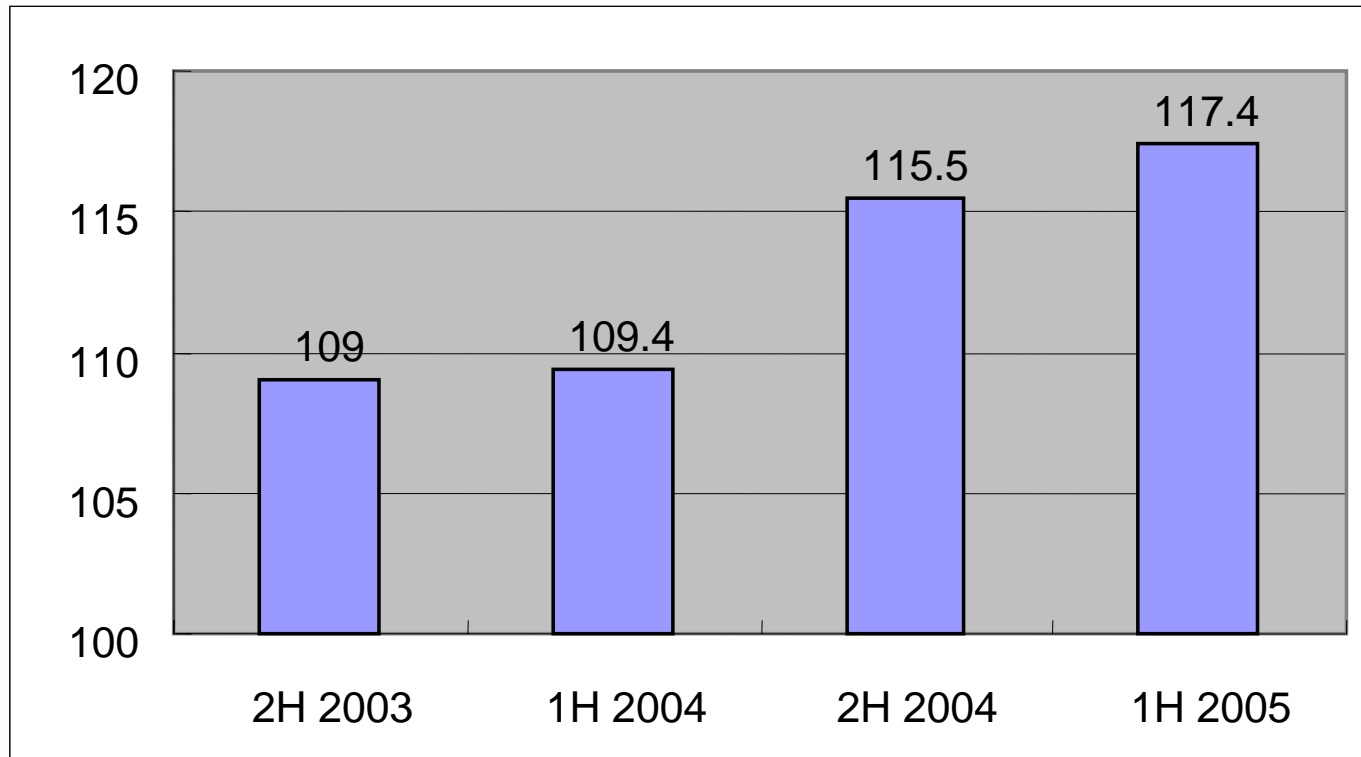
- Due to high oil prices, molasses to alcohol production scheme becomes economically viable thus pushing molasses price to a historical high
- Price of molasses nearly doubled which affected profitability of major products such as MSG and lysine

Cassava:

- Price of cassava also rose significantly due to increased purchase by China, Korea and other countries. Serious drought in Thailand also contributed to supply shortage of cassava products in the world market

Sales revenue keeps growing

US million	2H 2003	1H 2004	2H 2004	1H 2005
Sales	109.0	109.4	115.5	117.4



Key Financial Figures

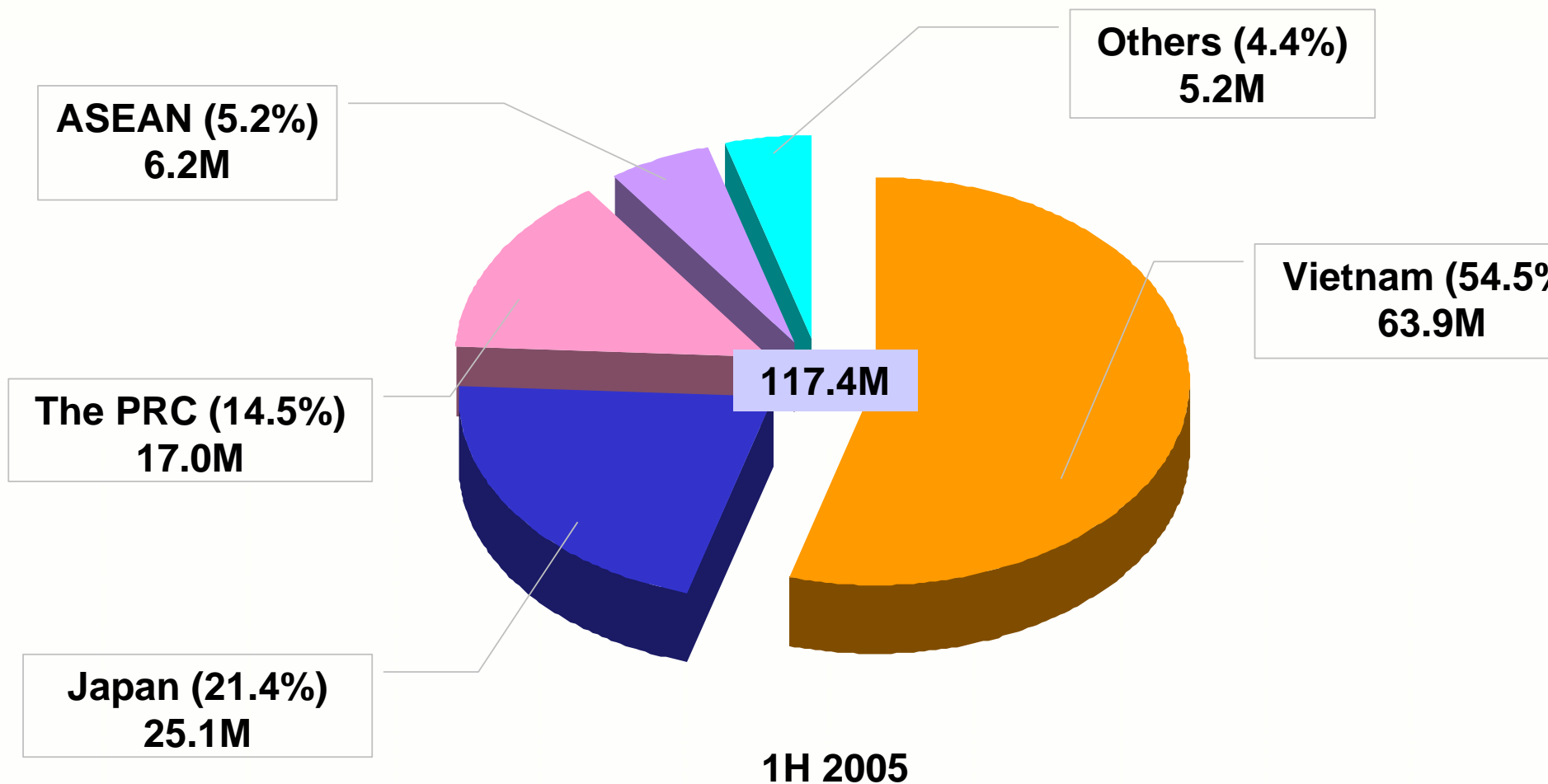


	30 Jun 2004	30 Jun 2005
Cash (USD million)	39.6	20.4
Current Ratio (Times)	1.61	1.65
Net Gearing Ratio* (%)	14.36%	25.4%
ROE Ratio (%) Six months	6.7%	2.4%

* *Net debt / equity*

Business Review

Revenue by Markets



Major Market Analysis



Vietnam



4.5% to US\$63.9 million

- Growth in sales volume and turnover; driven by higher MSG, modified starch and caustic soda sales
- The weak lysine price dragged down profit

Japan



3.7% to US\$25.1 million

- MSG growth rate 37.3% to 15M, modified starch growth rate 1 to 3.6M
- Revenue from lysine decreases 6.4M (49.2%), compare to 1H 2004

ASEAN



53.1% to US\$6.2 million

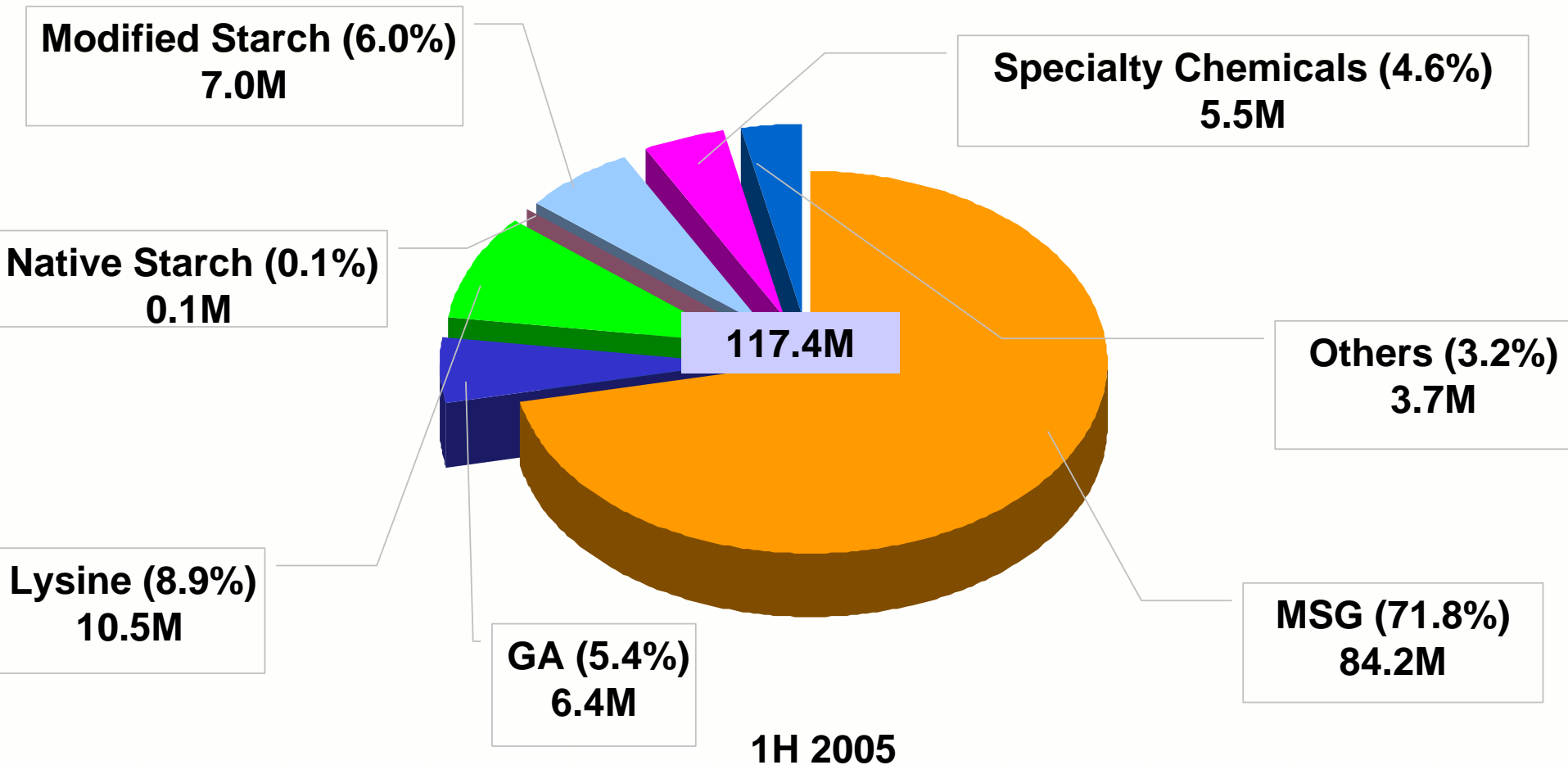
- Sales growth through effective market expansion activities, MS grew 68%. Modified starch also achieved significant growth of 20.9%

The PRC

 **45.6% to US\$17.0 million**

- Contribution from Shanghai Vedan; MSG sales grows 58% compare with 1H 2004.
- Sales of modified starch enjoyed significant growth
- Overall prospects remain promising

Turnover by Products



Major Products Analysis



MSG



16.2% to US\$84.2 million

- Increasing contribution from Shanghai Vedan
- In PRC, continuing consolidate the distribution network and expand sales coverage
- Sales from ASEAN countries and Japan increased
- Surge of molasses costs affected profit margins
- Stable growth in sales is expected when new crystallization production facilities are ready for operation
- Improvement in margins is anticipated with the Group's efforts in expanding carbohydrates sources

Lysine



44.4% to US\$10.5 million

- Due to increasing supply and subsisting weak demand for lysine, as well as weak market for soybean and corn, lysine price dropped 36% in 1H 2005 compared with 1H 2004
- Subsisting low prices of lysine adversely affected profit margins

Major Products Analysis

Modified Starch



78.3% to US\$7.0 million

- Strategically increased production of modified starch for better profit margins

Native Starch



97.0% to US\$0.14 million

- Strategically reduced sales of native starch to focus on the modified starch market that enjoys a higher margin
- Expansion in production capacity in Vietnam

Specialty Chemicals



96.4% to US\$5.5 million

- Rapid economic growth in Vietnam prompted market demand

GA



43.1% to US\$1.9 million

- Expanded production capacity for GA products

Business Strategies

Major Strategies

- **Continue to execute the price increase policy systematically to mitigate pressure on material costs**
- **Diversify raw material sources and expand sources of procurement**
- **Strengthen production efficiency of China operations**
- **Speeding up new product development, plant construction and market penetration, including modified starched for food industry, high-value added seasoning and r-PGA**

Molasses:

- Source from different countries such as Pakistan and Eastern Europe in addition to the existing major source in neighbouring countries such as Thailand
- Import raw sugar to replace molasses

New Source of Carbohydrates

- Currently working with Syngenta in Switzerland to cultivate tropical sugar beet in Vietnam; and was granted exclusive distribution rights in Vietnam
- Progress is satisfactory, expect to reap benefits next year and see significantly lowering in costs

Cassava:

- The newly acquired Ve-Thai Tapioca-Starch Co., Ltd. in Gia-Lai Province and the starch factory in Ha Tinh Province will be ready for operation in Q4 2005 and next year respectively

Enhance sales and profitability by launching new high value products:

r-PGA

- The r-PGA factory in Vietnam is expected to be completed at the end of 2005 or the 1Q of 2006

High Value Added Seasoning

- In Vietnam, the construction of the new factory for producing high value-added seasonings has been completed at the end of July, product is introduced into market in the 3Q.
- In Shanghai, prepare for the setting up of a new high value added seasonings facility, and has begun the trial sales and marketing activities

Acquisitions during the review period:

- Completion of acquisition of Shanghai Vedan Food, which has already brought in significant contribution
- Acquired Ve-Thai Tapioca-Starch Co., Ltd. in Gia-Lai Province to expand material sources and facilitate the prospering starch operation

Strategic Alliance:

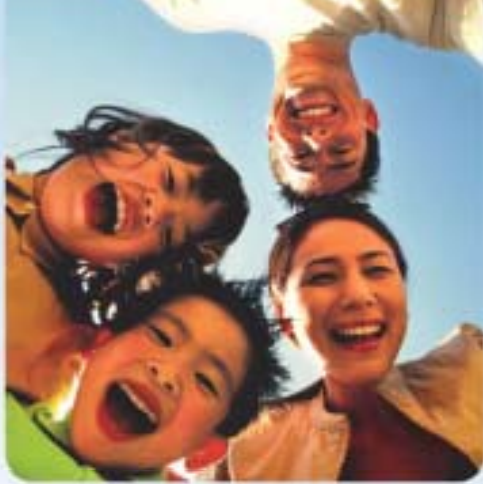
- Discussions with Shangdong Snowflake Biochemistry Co., Inc. regarding the establishment of joint-venture a GA factory is continuing
- Due diligence work have been completed and now is in final phase of negotiations

- Expand capacity of Ve–Thai Tapioca Starch factory from 60MT/day to 100MT/day
- Construction of a modified starch production facility in the Shanghai factory; capable of producing 10,000 tons of modified starch per year; initially construction is expected to be completed in Q3 2005
- Currently building a starch factory in Ha Tinh Province in progress; capable of producing both native starch and modified starch expect to be ready for operation in the 1H 2006

- Currently assessing the feasibility of using rice as raw material to produce high value added rice protein and starch syrup; related technique has been developed, large scale trial production will commence in due course
- Continue to develop modified starch products, especially its application in the food and beverage industry, to bring higher value to the products
- Continue to develop more high end high value products with better margins
- Improve production technology and process to raise efficiency and reduce production costs

Prospects

- Lysine prices appeared to have stabilized
 - Raw material prices reached a plateau
 - Our sales keep growing
 - New product launch
 - Expanded capacity and enhanced production and operational efficiency
- ⇒ **Margin and profitability will gradually pick up**



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