



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

Stock Code: 2317

2006 Interim Results

29 August 2006



Highlights



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- Net profit increased by 166%, compared with 2H 2005; and by 6.7% compared with 1H 2005
- MSG(味精) and GA(谷氨酸) were the growth drivers
- Vietnam remained as the largest single market, ASEAN and PRC markets registered remarkable growth
- Price slump of Lysine(賴氨酸) slowed down which led to optimistic forecast
- Better control of raw materials and encouraging development of new sources of carbohydrates
- The synergy from Shandong Vedan Snowflake(山東味丹雪花) began to realize

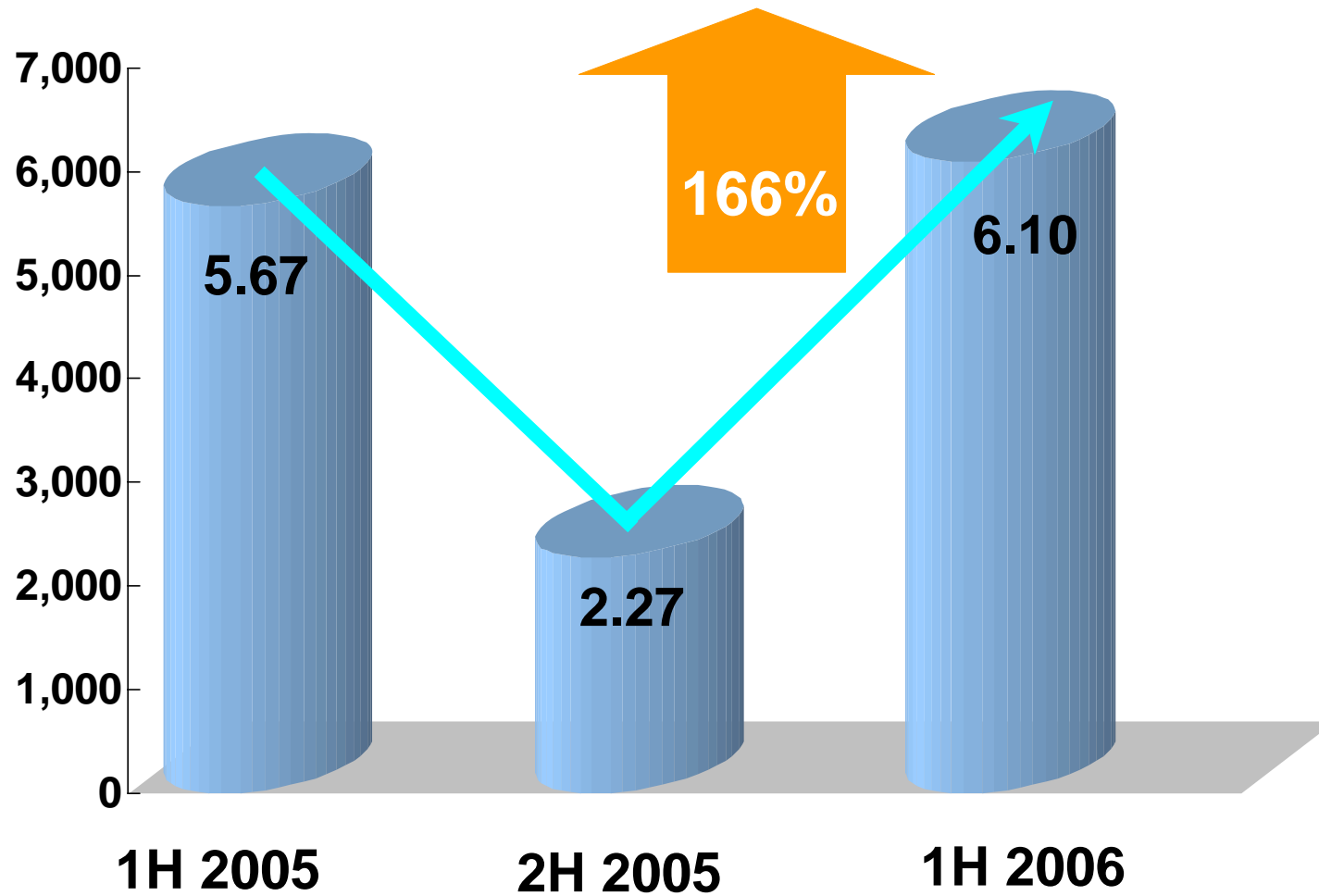
Summary of Interim Results

Six months ended 30 June

	2006 USD million	2005 USD million	Change
Turnover	141.5	117.4	+20.6%
Gross Profit	26.6	23.4	+13.8%
Net Profit	6.1	5.7	+6.7%
Basic EPS per share (US cents)	0.40	0.37	+8.1%
Dividend per share, interim (US cents)	0.200	0.201	-0.5%
Gross profit margin	18.8%	19.9%	
Net profit margin	4.3%	4.8%	

Net Profit

US Million



Key Financial Figures

As at 30 June

	2006	2005
Cash (USD million)	16.0	20.4
Current Ratio (Times)	1.45	1.65
Net Gearing Ratio* (%)	32.1%	25.4%
ROE Ratio (%)	2.5%	2.4%

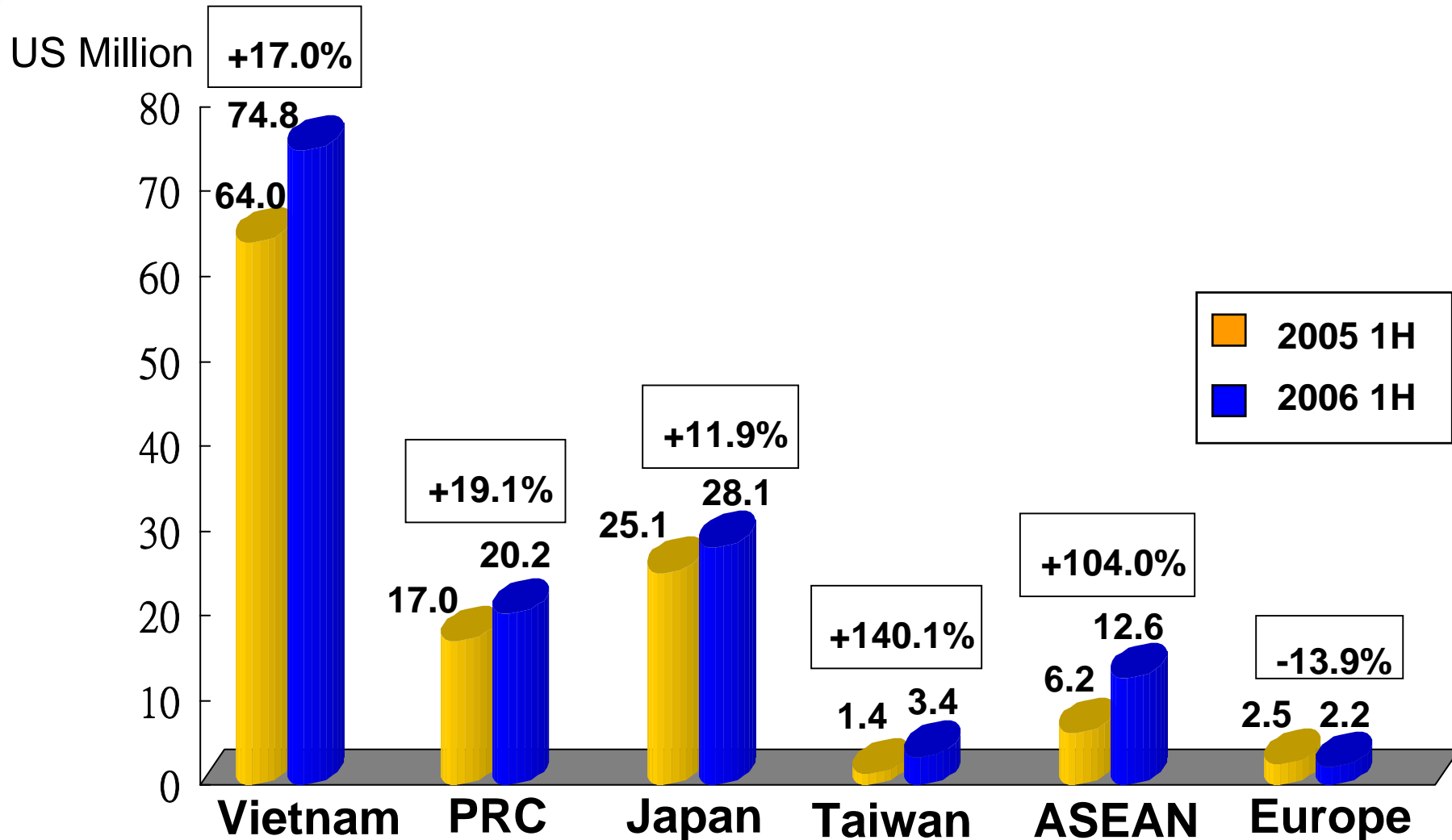
* *Net debt / equity*

Business Review



Market Analysis

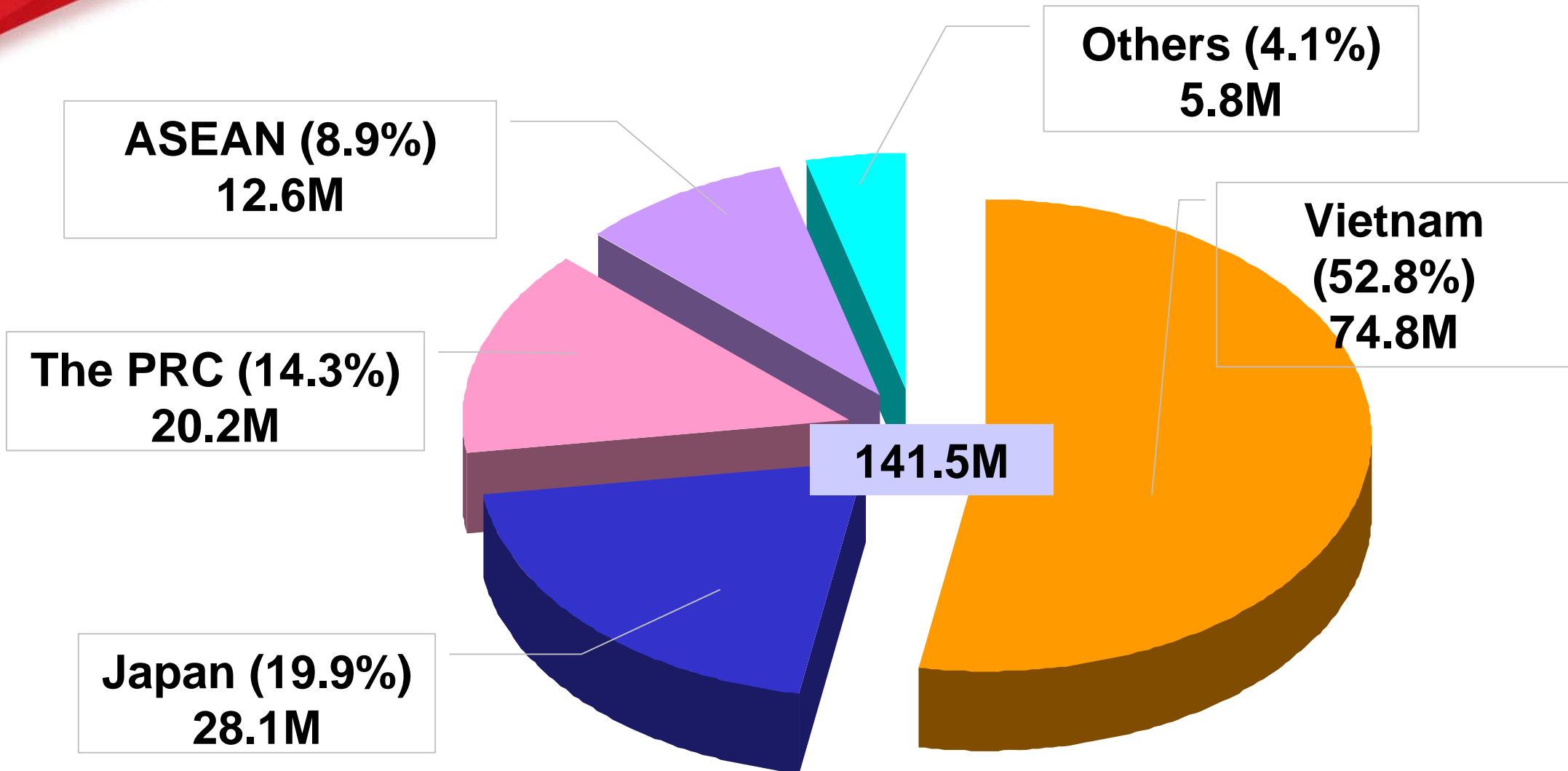
Revenue Growth Across all Major Markets



Six months ended 30 June 2006

Market Analysis

Revenue by Markets





For the six months ended 30 June 2006

Major Market Analysis

Vietnam

 **17.0% to US\$74.8 million**

- Significant growth in sales of MSG (味精) ( 8.2%) & GA (谷氨酸) ( 78.7%)
- Completed acquisition of Ve-Yu starch factory
- Strategically reduced lysine (賴氨酸) production and increased GA output

Major Market Analysis

PRC



19.1% to US\$20.2 million

- Shandong Vedan Snowflake (山東味丹雪花) began to generate revenue
- Facing challenging environment
 - Intensive competition
 - Surge in energy costs and corn price
- Expected to have better results in 2H 2006
 - The synergy of Shandong Vedan Snowflake will be substantially reflected
 - Improve the competitiveness of MSG through JV company in Shandong and tight relationship with suppliers
 - Set up chicken essence production line in Shanghai in Q3
 - Modified starch for food applications (食品用變性澱粉) are widely accepted

Major Market Analysis

Japan

 **11.9% to US\$28.1 million**

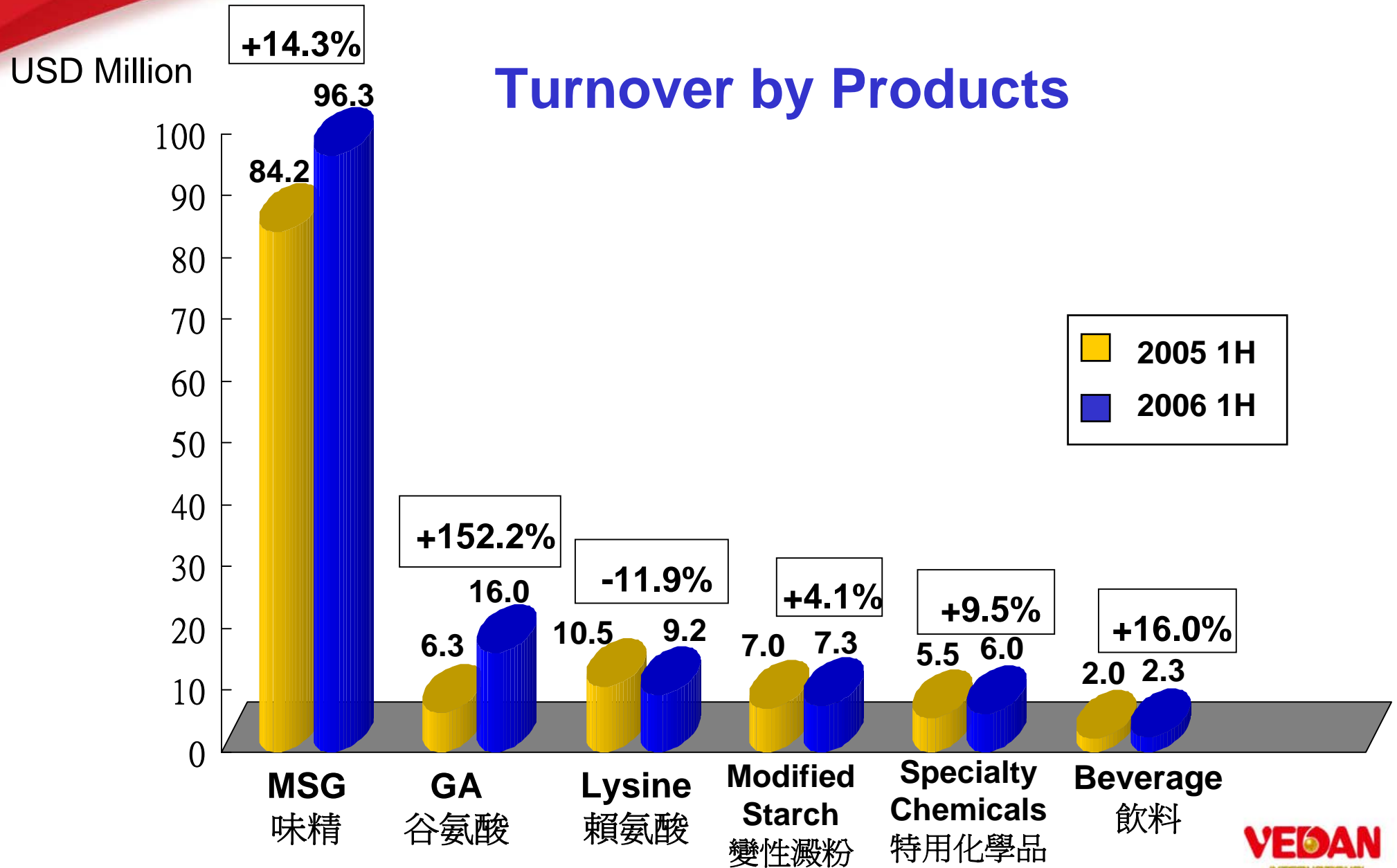
- Notable growth of MSG (味精) due to rise in quantity and price
- Japanese customers became more receptive of modified starch for food applications (食品用變性澱粉)

ASEAN

 **104% to US\$12.6 million**

- Impressive growth of MSG sales
- Stable growth of modified starch, GA and fertilizer

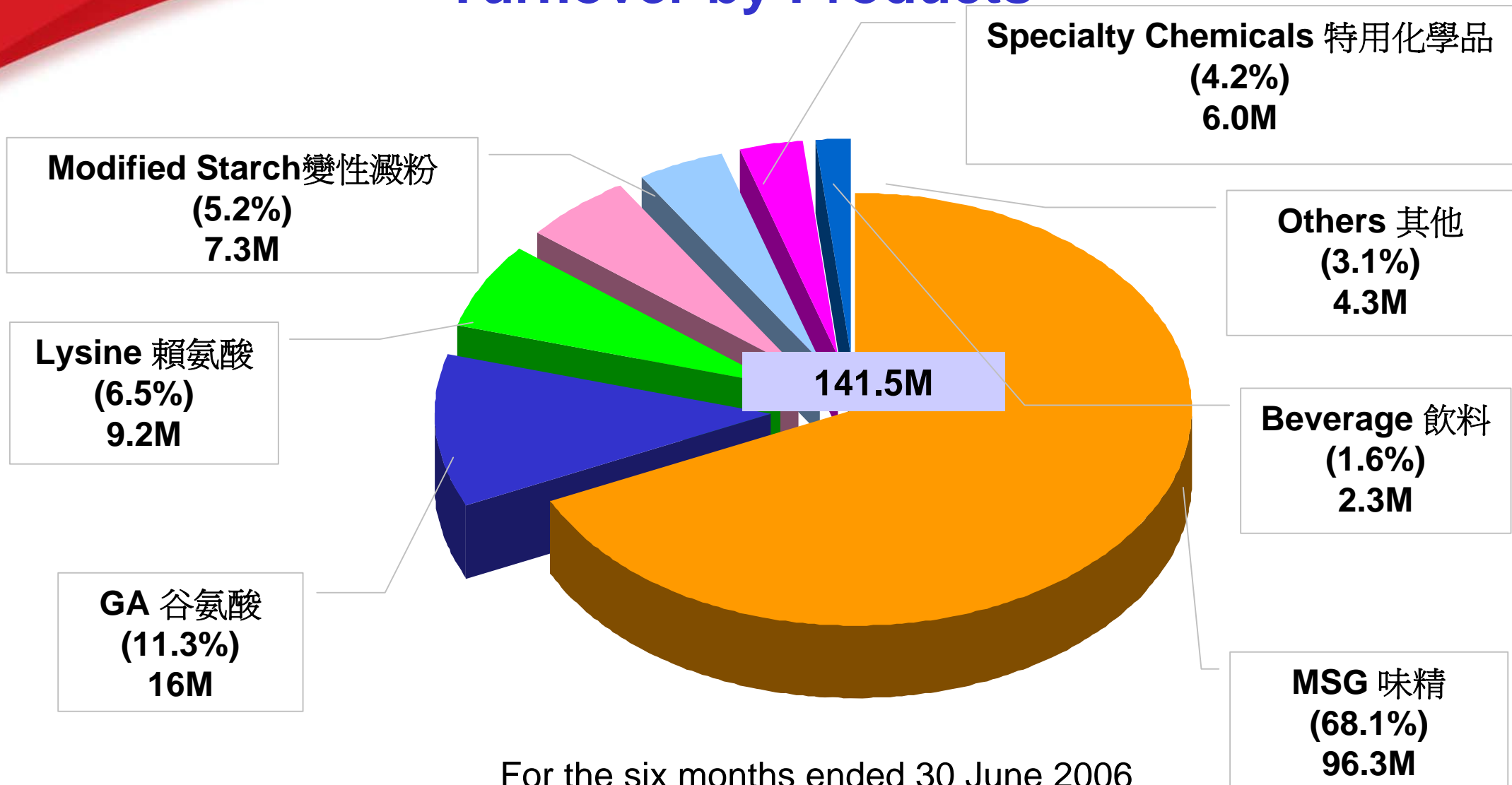
Product Analysis



For the six months ended 30 June 2006

Product Analysis

Turnover by Products



Product Analysis

MSG (味精)

 **14.3% to US\$96.3 million**

- Growth in turnover due to sales price upward adjustment
- Further market expansion in some key countries such as ASEAN and Japan

GA (谷氨酸)

 **152.2% to US \$16.0 million**

- Increased demands in ASEAN and Taiwan markets
- Shandong Vedan Snowflake has commenced operation since April
- Remarkable growth by freeing lysine facilities to produce GA

Starch (澱粉產品)

Native Starch  **887.7% to US\$1.4 million**

Modified Starch  **4.1% to US\$7.3 million**

- Strategically produced more modified starch for food applications (食品用變性澱粉) with high added value
- Contribution from newly acquired Ve-Yu starch factory
- Expect to achieve better results in Japan, Taiwan and the PRC market in 2H 2006

Product Analysis

Specialty Chemicals (特用化學品) ▲ 9.5% to US\$6.0 million

- Demand for caustic soda (蘇打) and hydrochloric acid (鹽酸) rose steadily

Lysine (賴氨酸) ▼ 11.9% to US\$9.2 million

- Price remains low but stopped falling and heading back up
- Strategically shifted capacity to produce GA (谷氨酸)
- Consolidated distribution system & penetrated market for long term gains

Review of Raw Materials

Molasses (糖蜜)

- Price persistently high but remained stable
- Substituted by lower cost starch carbohydrates
- Expect price to drop due to good harvest of cane sugar in Thailand and Vietnam

Cassava (木薯)

- Costs remained stable resulted from expanded plantation and longer harvest season
- Increased harvest in 2006/07 could lead to price drop

Liquid Ammonia (液氨)

- Price stood high due to high energy costs in 1H 2006
- International price has started to show sign of softening in 3Q due to increased supply

Review of Raw Materials

New Sources of Carbohydrates

- **Tropical sugar beet (熱帶甜菜)**

- Mastered critical cultivation conditions for the crop and enlarged cultivation scope
- Mass cultivation expected in 2007

- **Corn (玉米) & Rice starch (米澱粉)**

- Research on making the best use of the by-products to boost overall investment return

Production Facilities Expansion

Vietnam

- Phase 1 of new starch factory in Ha Tinh Province expected to commence operation in 1H 2007
- γ -PGA factory expected to commence operation in 4Q 2006

PRC

- High value-added seasoning production line in Shanghai expected to commence operation in 4Q
- Plan ahead for additional MSG production line in Shandong Vedan Snowflake
- Forge strategic alliance to build supply chain platform

Research and Development

- R&D expenses rose 16%
 - Fermentation technology improvement
 - New and high value-added products development, eg. value-added seasonings
 - Development of 16 new items of modified starch (變性澱粉) for use in food processing and other industrial applications
 - Continue to study on new application for γ -PGA
 - By-products' added-value enhancement
 - Research testing on new carbohydrates raw materials

Future Plans & Strategies



Future Plans & Strategies

Business

- Strengthen product brand and establish brand leadership
- Develop and promote new products, including value-added seasonings (風味調味料) and modified starch for food applications (食品用變性澱粉)
- Penetrate 2nd and 3rd tier cities and towns to enlarge market share
- Integrate Group resources and strengthen supply chain system
- Consolidate sales network in ASEAN market

Future Plans & Strategies

Production and R&D

- Strengthen production technology
- Improve quality and add value to products
- Flexible adoption of different carbohydrates to save production cost and secure stable supply of raw materials
- Speed up development of new and value-added products

Mission

“To be Asia’s leading manufacturer of fermentation-based amino acids, food additive products and cassava starch based products”



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