



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

Stock Code: 2317

## 2006 Annual Results

20 March 2007



# Highlights



# Highlights

- Total turnover increased by 12.7% to US\$290.7 million, double-digit growth for the fifth consecutive year
- Net profit increased by 37.3% to US\$10.9 million despite persistently high material costs and severe competition
- MSG (味精) and GA(谷氨酸) remained as main growth drivers, contributing 79.4% of total turnover
- Vietnam remained as the largest single market with huge development potentials
- China and ASEAN markets are growth drivers
- Diversification of carbohydrate raw material sources continue to make progress

# Summary of Final Results

Year ended 31 December

	<b>2006</b> USD million	<b>2005</b> USD million	Change
<b>Turnover</b>	<b>290.7</b>	257.9	+12.7%
<b>Gross profit</b>	<b>53.5</b>	44.4	+20.3%
<b>Net profit</b>	<b>10.9</b>	7.9	+37.3%
<b>Basic EPS per share</b> (US cents)	<b>0.716</b>	0.52	+37.7%
<b>Final dividend per share</b> (US cents)	<b>0.158</b>	0.112	+41.1%
<b>Gross profit margin</b>	<b>18.4%</b>	17.2%	+1.2% pt
<b>Net profit margin</b>	<b>3.8%</b>	3.1%	+0.7% pt

# Key Financial Figures

	As at 31 Dec 2006	As at 31 Dec 2005
<b>Current Ratio (Times)</b>	<b>1.63</b>	<b>1.60</b>
<b>Net Gearing Ratio* (%)</b>	<b>23%</b>	<b>21.8%</b>
<b>ROE Ratio (%)</b>	<b>4.5%</b>	<b>3.4%</b>

\* *net debt / equity*

# Balance Sheet

	<b>As at 31 Dec 2006 (USD million )</b>	<b>As at 31 Dec 2005 (USD million)</b>	<b>Change</b>
<b>Cash</b>	<b>17.3</b>	<b>28.0</b>	<b>-38.2%</b>
<b>Short-Term Debt</b>	<b>52.0</b>	<b>49.9</b>	<b>+4.2%</b>
<b>Long-Term Debt</b>	<b>21.3</b>	<b>29.7</b>	<b>-28.3%</b>
<b>Total Bank Debt</b>	<b>73.3</b>	<b>79.6</b>	<b>-7.9%</b>
<b>Shareholders' Equity</b>	<b>244.0</b>	<b>236.7</b>	<b>+3.1%</b>
<b>Debt to Equity Ratio(%)</b>	<b>30.1%</b>	<b>33.7%</b>	

# Business Review

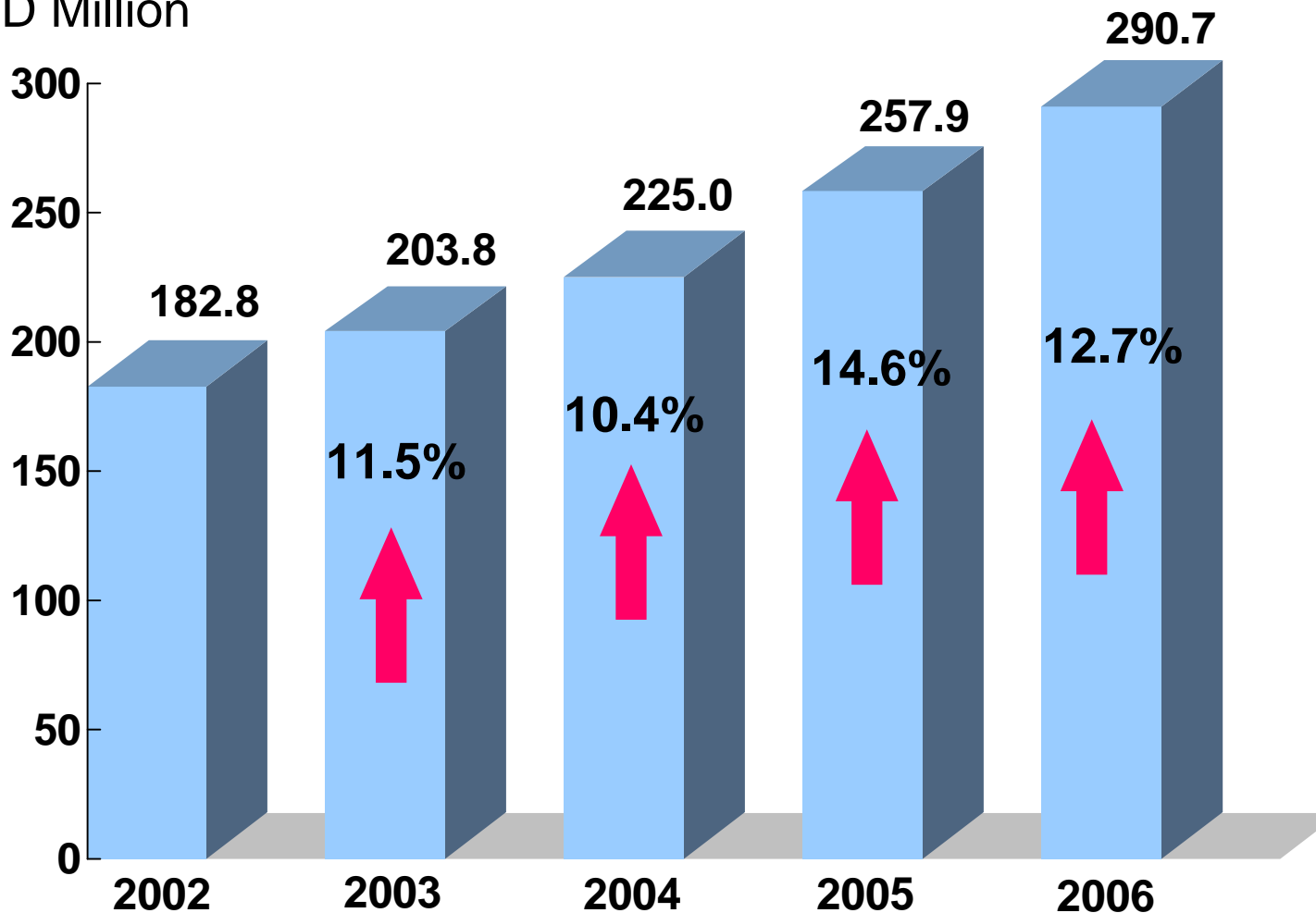


# Market Analysis

## Turnover in the Past 5 Years

For the year ended 31 December

USD Million

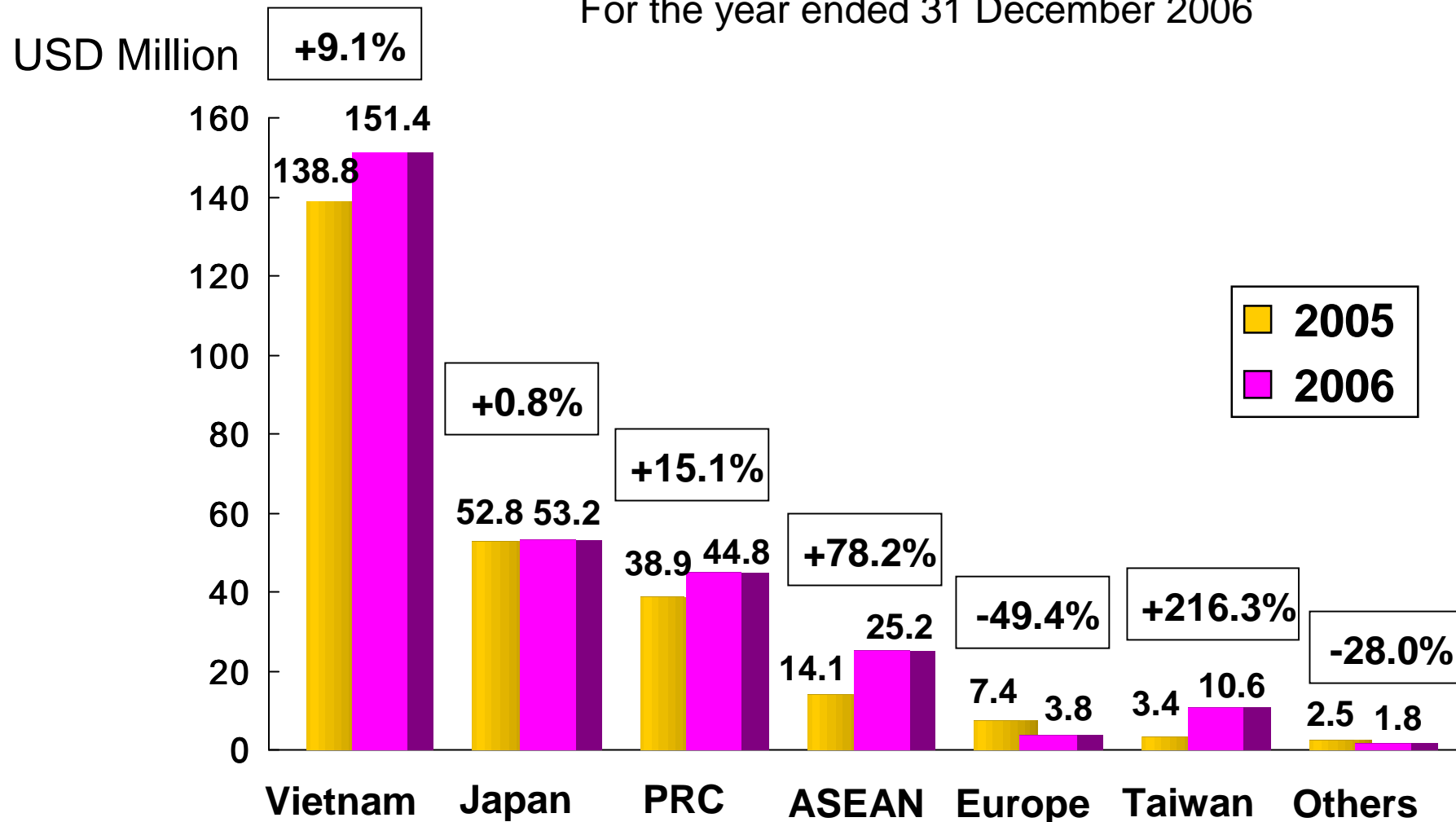




# Market Analysis

## Turnover Growth in 2006

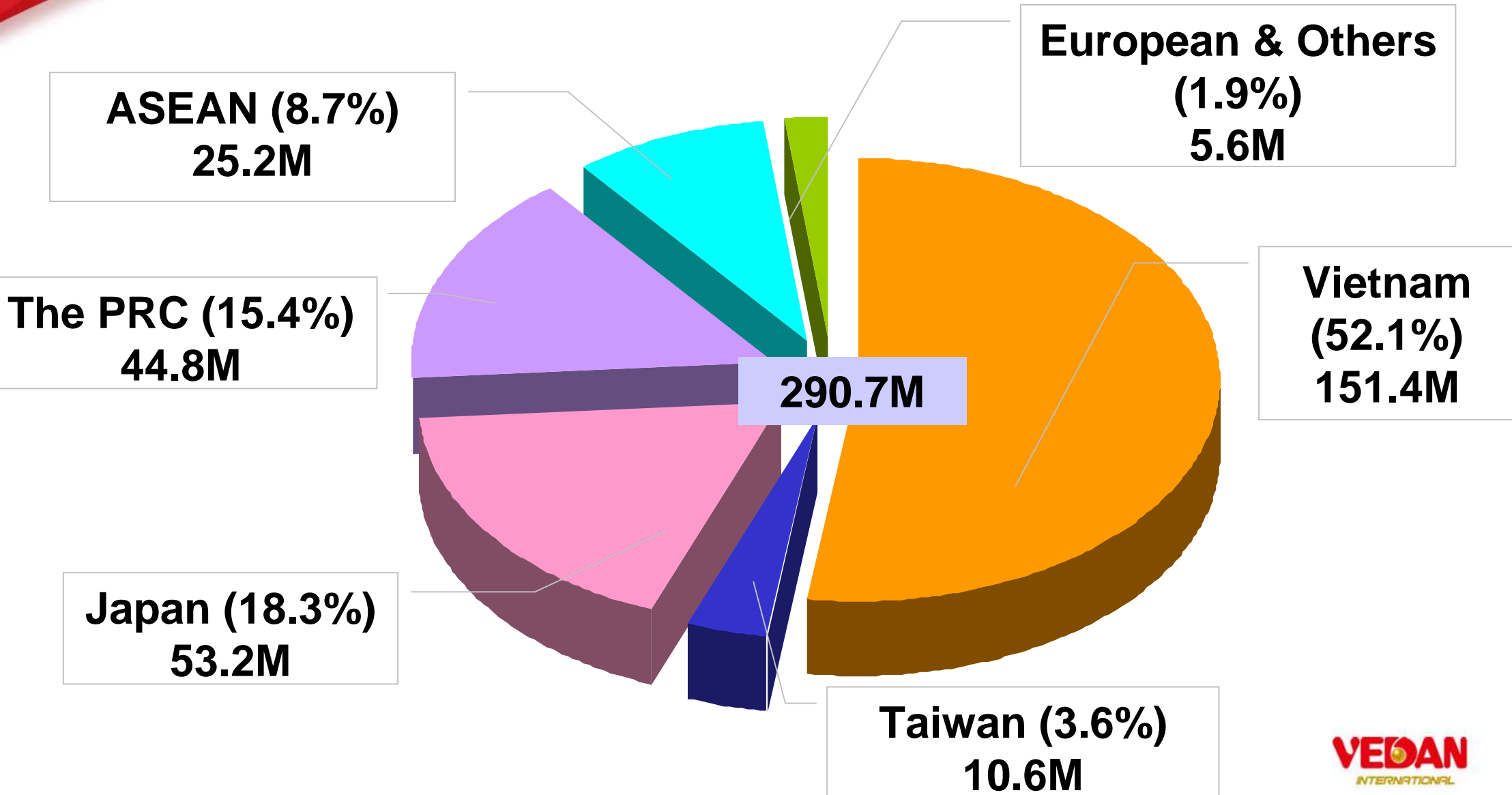
For the year ended 31 December 2006



# Market Analysis

## Turnover by Markets

For the year ended 31 December 2006



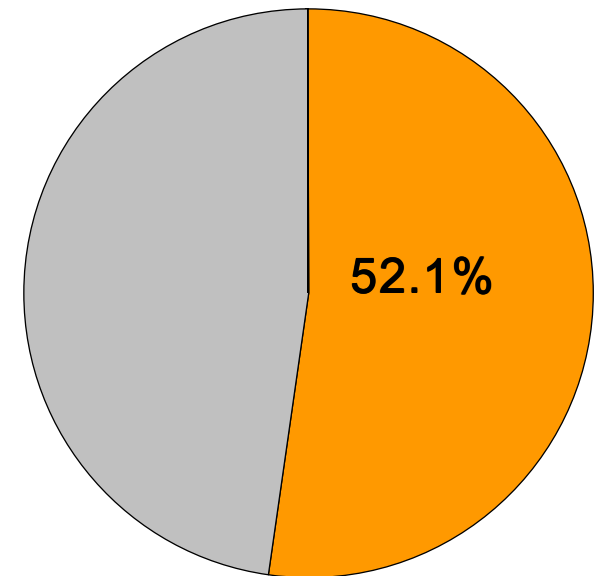
# Major Market Analysis

## Vietnam



9.1% to US\$151.4 million

- Principal market recording continuous growth
- Significant contribution from sales of MSG (味精), GA (谷氨酸) and starch products (澱粉產品)
- Expect rapid economic growth and huge development potential after accession to WTO



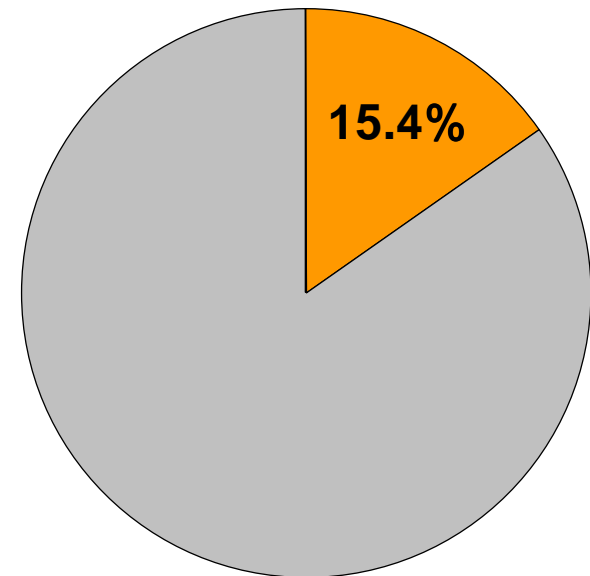
# Major Market Analysis

PRC



**15.1% to US\$44.8 million**

- Growing to become a key market
- MSG accounted for 90% of total sales
- MSG and starch products markets expanding from southern and eastern China to northern & NE China
- Newly launched high value-added seasonings gaining market acceptance



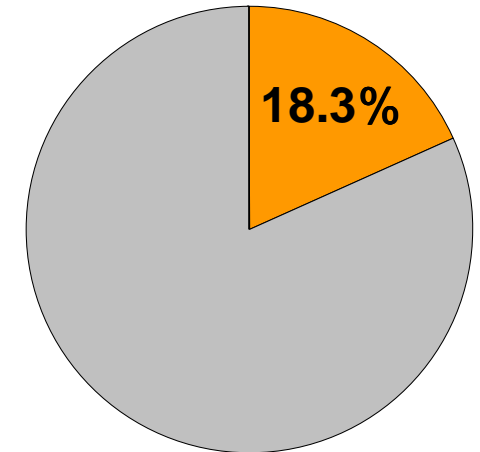
# Major Market Analysis

## Japan



**0.8% to US\$53.2 million**

- Meager growth as a result of reduced lysine production
- Steady MSG turnover growth
  - Demand for high quality MSG products increased
  - Long-standing relationship with Japanese customers
  - Modified starch reported satisfactory growth

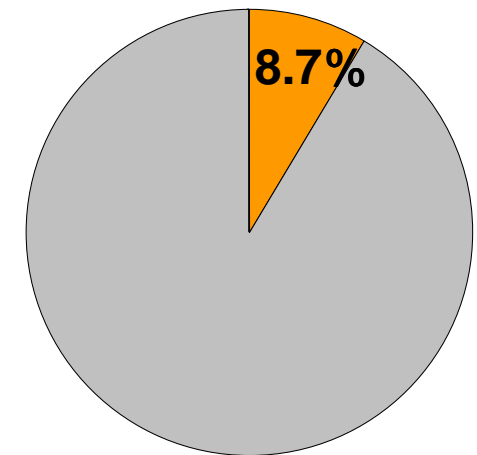


## ASEAN



**78.2 % to US\$25.2 million**

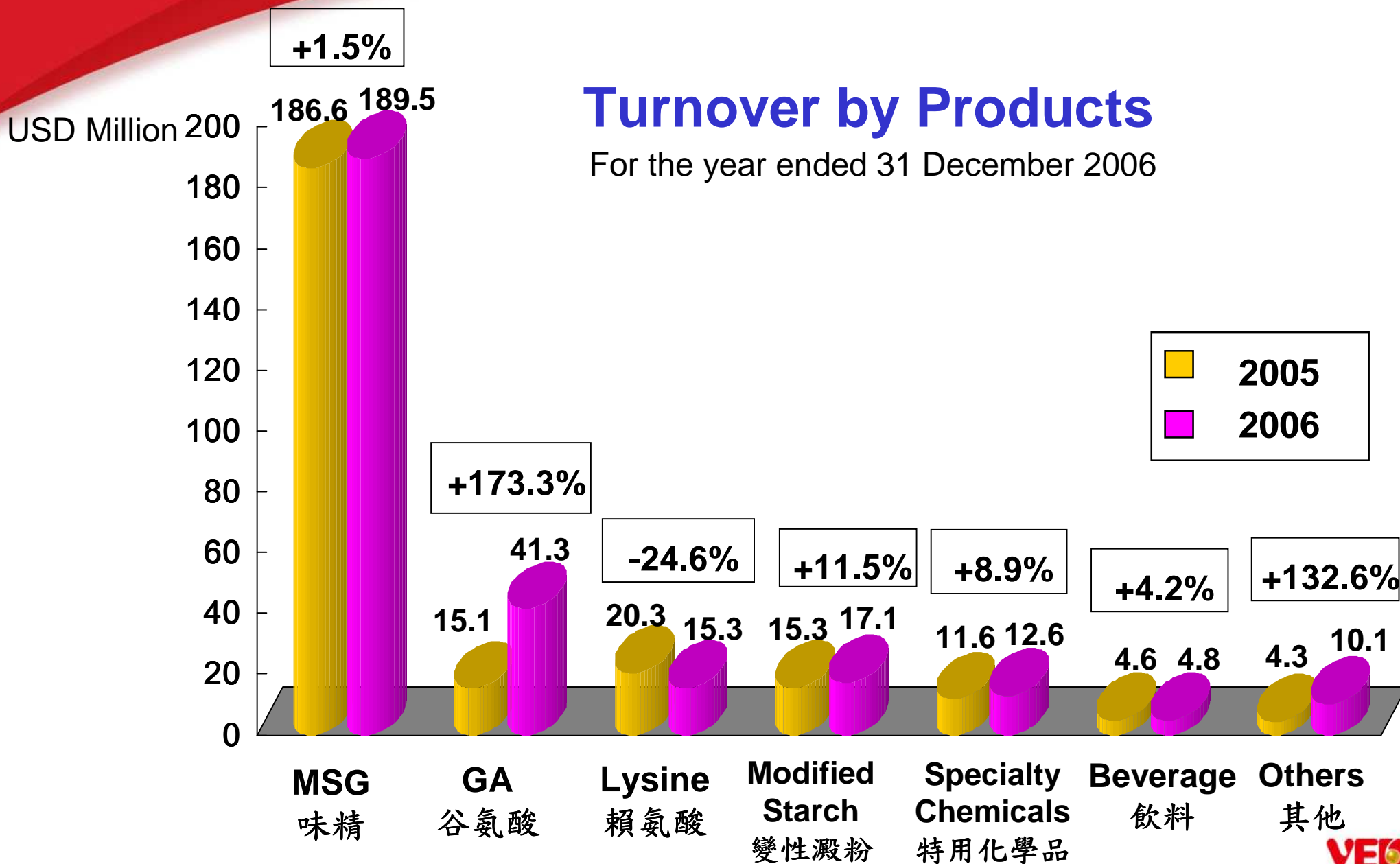
- Significant growth in sales of MSG, GA and modified starch, riding on production and geographical advantages of Vietnam operation
- More business opportunities driven by AFTA Free Trade Zone and Vietnam's accession to WTO



# Product Analysis

## Turnover by Products

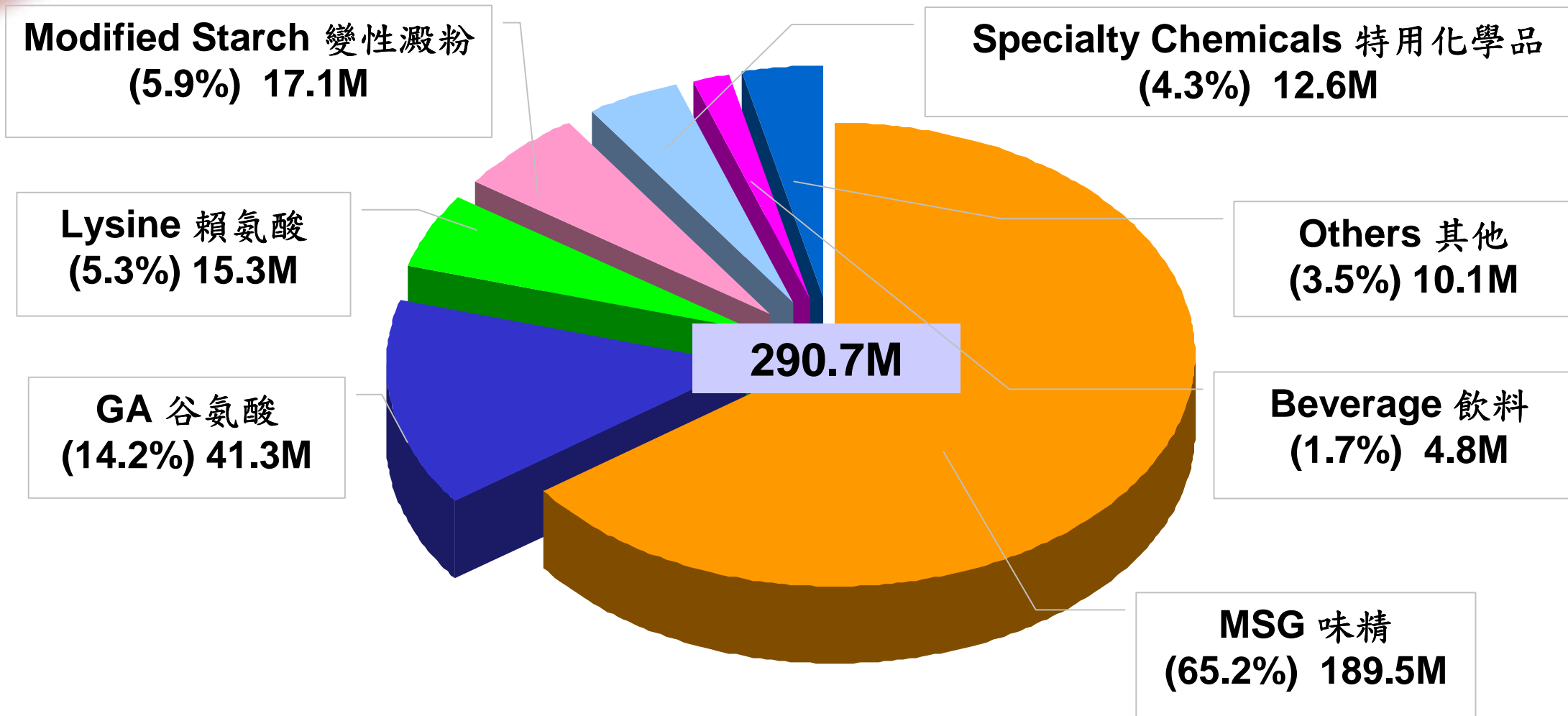
For the year ended 31 December 2006



# Product Analysis

## Turnover by Products

For the year ended 31 December 2006



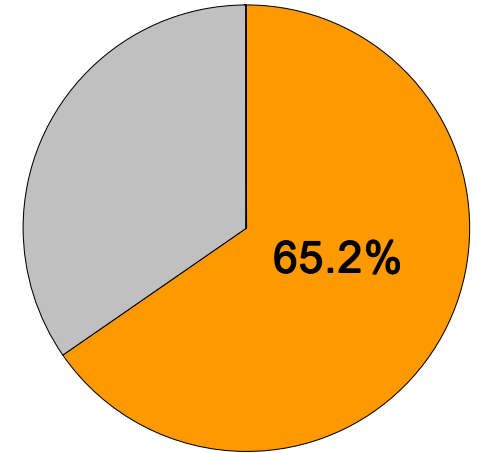
# Product Analysis

## MSG (味精)



**1.5% to US\$189.5 million**

- Strategic retreat from low margin markets, such as Europe
- Strengthened own brands, promoting retail consumer packages to gain foothold in beverage and consumer markets
- Raised selling price to assure reasonable profit margin

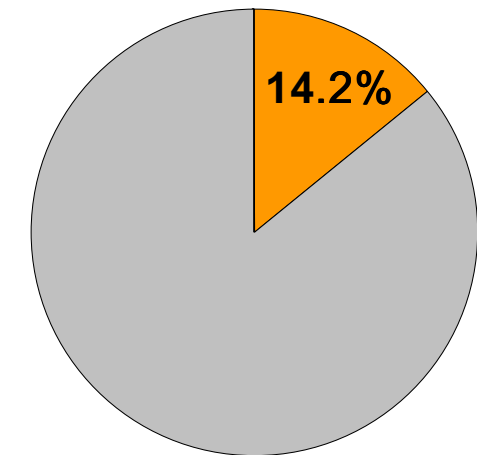


## GA (谷氨酸)



**173.3% to US\$41.3 million**

- Significant increase in sales due to:
  - Reduced lysine output and increased GA production
  - Increasing demand from Taiwan and ASEAN markets
  - Shandong Vedan Snowflake (山東味丹雪花) operation since April 2006





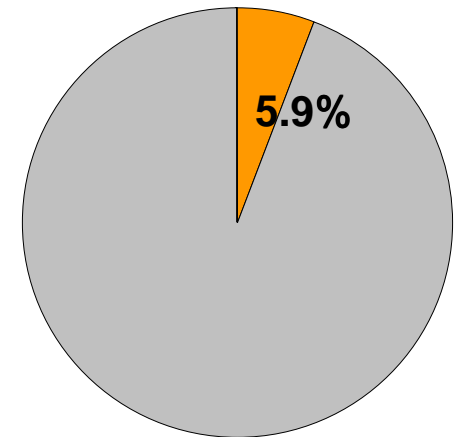
# Product Analysis

Native Starch 天然澱粉  2937% to US\$4,404,000

Modified Starch 變性澱粉  11.5% to US\$17,088,000

## Starch (澱粉產品)

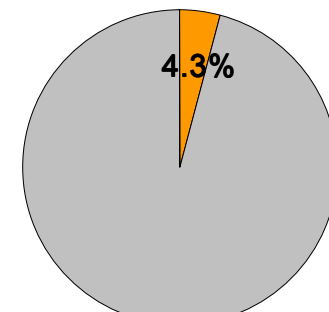
- Ve-Yu starch factory boosted native starch production capacity significantly
- Constantly develop new applications for modified starch to cater for diverse market needs
- Demand for food products and processed foods in China set to rise
- China, Europe and ASEAN registered remarkable growth



## Specialty Chemicals (特用化學品)

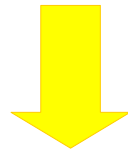
 8.9% to US\$12.6 million

- Growth in sales of caustic soda (蘇打) and hydrochloric acid (鹽酸) continues
- Rising demand in basic industrial chemicals



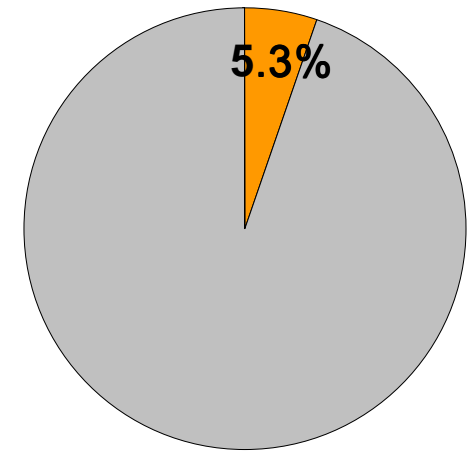
# Product Analysis

## Lysine (賴氨酸)



24.6% to US\$15.3 million

- Shifted 1/3 production capacity for lysine with narrow margin to produce GA (谷氨酸)
- International corn and soybean prices continue to increase and growing feed industry expected to see lysine price pick up gradually



# Review of Raw Materials

## Molasses (糖蜜)

- Price persistently high in 2H 2006, thus pushed up production cost of MSG, GA & lysine
- Reduced consumption, substituted by lower cost starch carbohydrates

## Cassava (木薯)

- Favorable weather increased cassava supply and kept cassava price stable
- Sourcing of cassava will be extended to Central or Northern Vietnam to assure steady cassava supply and better cost control

# Review of Raw Materials

## Liquid Ammonia (液氨)

- Price stood high in 1H 2006, but dropped in 2H due to increase in supply
- Price usually rises in winter and has picked up again since beginning of 2007

## Tropical Sugar Beet (熱帶甜菜)

- Trial cultivation reported encouraging results
- Potential as cost-competitive substitute of raw materials

# Expansion and New Product Plants

## Vietnam

- **Ve-Yu starch factory completed acquisition**
  - Achieved sales of US\$3.53 million in 2006
  - Target to expand daily production capacity to 200 tonnes by 2008
- **Ha Tinh starch plant**
  - 100 tonnes/ day native starch production line to commence operation in 2007
  - Expand production of native starch in phases and plan to produce modified starch or other downstream products
- **$\gamma$ -PGA plant**
  - Completed trial run in Q4 2006
  - Commenced production of  $\gamma$ -PGA for agricultural & aqua-cultural uses
  - To extend application for cosmetics & food products

# Expansion and New Product Plants

## PRC

- **JV – Shandong Vedan Snowflake**
  - Commenced operation in April 2006
  - Current annual production capacity - 24,000 tonnes of GA and 25,000 tonnes of MSG
  - Move the MSG production facilities in Xiamen to Shandong. Expand annual capacity to 50,000 tonnes of MSG
- **Shanghai**
  - Production of value-added seasonings to commence in Dec 2006
  - Plan to put out more products including food sources and compound modified starches

# Expansion and New Product Plants

## PRC

- **Xiamen**
  - Add packaging factory for MSG and seasonings
  - Construct warehouse facilities to boost logistic capabilities in southern China
- Continue to look for cost competitive production bases and potential partners to form strategic alliances

# Research and Development

- Expand and diversify  $\gamma$ -PGA applications
- Continue to develop new modified starch products for processed food applications
- Increase harvest yield and expand area of trial cultivation of tropical sugar beet
- Enhance fermentation production efficiency and product recovery yield
- Conduct feasibility studies on starch sugars production
- Develop processes to convert starch processing by-product into high value cellulose products
- Develop new value-added seasonings



# Development Plan for 2007



# Future Development Focus

- Complete construction of Ha Tinh starch factory as soon as possible, phase I to be completed by the end of 2007 and begin operation
- Tighten relationship with farmers, suppliers and sugar manufacturers to ensure stable raw material supply
- Accelerate trial cultivation and promotion of tropical sugar beet to achieve the target of replacing part of the raw materials as soon as possible
- Strengthen R&D, especially in the area of new product development

# Future Development Focus

- Integrate the Group's strengths to take advantage of Vietnam's accession to the WTO
- Ride on strengthening trading ties between China and ASEAN countries and India to expand market presence
- Expand the production scale of Shandong Vedan Snowflake to cater for demand in and around Xiamen (northern China) and Shanghai (central China), and eventually to cover Northern or North-Eastern China
- Continue to look for cost-competitive production bases and strategic alliances in China to strengthen competitiveness in the region
- Continue to promote starch products business and diversify downstream products. Firmly establish starch based products as the core business of the Group

# Mission

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



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