

Chairman's Statement

主席報告書



The Group reported satisfactory operational and financial results in the first three quarters of 2008. However, came the fourth quarter during which the global financial crisis hit and the Group had to cut production at the Vietnam plant because of violation of environmental standards in September, sales of major products of the Group were affected and in turn the overall performance of the Group fell below expectation.

For the entire year, the Group made US\$348,557,000 in turnover, up 9.8% when compared with 2007. Excluding the about US\$7,729,000 environmental fee paid by the Vietnam plant, net operating profit was approximately US\$16,132,000. Deducting the environmental fee, profit attributable to equity holders of the Company amounted to US\$8,403,000, around 50% lower than that of 2007. The fee of US\$7,713,000 was deemed appropriate by the Vietnam government as a result of the incident of violation of environmental standards by the plant in September 2008. The amount would be recognized in all in FY 2008 according to Hong Kong Financial Reporting Standards. At the same time, the Group cut production of MSG, lysine and starch products because of restriction of environmental protection provisions, hence the sales, turnover and profitability of the products declined. Furthermore, profit from the Shandong plant was lower than expected because the adjustment in selling prices was not able to reflect risen raw material and fuel costs fully. It led to lowered profit and ultimately affected the Group's overall profitability.

集團於二零零八年前三季的營運與業績原維持有不錯的增長，但於第四季，由於受到全球金融海嘯效應影響，以及越南廠在9月份發生環保事件，俾使該廠之生產活動暫時減產，多項主要產品的生產與銷售因此受到影響，致使集團整體之業績不如預期。

整體而言，集團於二零零八年之營運，營業額達348,557,000美元，較二零零七年提升9.8%，原營運淨利為約16,132,000美元，但因繳交越南廠環保事件所引起之追收環保水處理費約770萬美元，致使股東權益獲利降至8,403,000美元，較二零零七年度減少約50%。此項主因為集團所屬之越南廠於二零零八年九月份發生環保事件，越南政府要求公司追繳環保水費約7,713,000美元。依國際會計準則規範，此追繳費用全部將於二零零八年度認列。同時，二零零八年第四季因受到環保處理設備的限制，味精，賴氨酸與澱粉產品之生產產能減少，連帶造成銷售量的降低，營業額與獲利的下滑。另外，山東廠因去年之原料及能源成本較高，而在市場售價未能及時提升的狀況下，獲利亦不如預期，影響集團整體之盈利水準。

By geographical market and business segment, excluding the 6.55% decrease in the Vietnam market affected by the environmental issue, all markets of the Group reported growth, in particular the Japan market, which surged 54.8%. As for the China and ASEAN markets, they grew by 10% and 6.2% respectively. Other regions, including Europe, the US and Korea, though accounted only for approximately 9% of the Group's total turnover, boasted together an about 34.4% leap in turnover against 2007. By product, sales of core products in 2008 had steady growth, with sales of MSG, modified starch and specialty chemicals all reported double-digit growth in their main markets. Seasonings and fertilizers which the Group has been actively promoting recently recorded 95.3% and 124% growth respectively. These operational results speak to the promising prospects of the new businesses of the Group.

ABOUT THE ENVIRONMENTAL ISSUE

The environmental issue at the Vietnam plant was a result of operational negligence of the Group. To meet fast growing demand for its products in the market, the Group had focused mainly on boosting production capacity and neglected the need to make sure environmental provisions at the plant are upgraded to match the capacity expansion. This led to wastewater discharge from the plant failing to meet environmental protection standards. After the matter came to light when relevant government department inspected the plant in September, the Group immediately began to implement remedial measures including upgrading the three sets of wastewater treatment equipment at the plant, drawing up plan to install two new sets of wastewater treatment equipment and additional recycling facilities including special condensation equipment and a solid fertilizer plant.

The by-products including wastewater and fermentation liquors the Vietnam plant produces do not contain any toxic substance and heavy metal that are harmful to human beings. However, the fermentation liquors contain amino acids, bacterial proteins and other nutrients, which can be condensed and turned into fertilizers and animal feeds. The CMS, Vedagro and solid fertilizers produced now are all sold in Vietnam and to overseas markets. In the incident, the Vietnam government not only required the Group to improve and upgrade the environmental protection equipment at the plant, but also imposed a fine of US\$16,000 and an additional environmental fee amounting to US\$7,713,000 to be paid in two years.

以各地區市場分析與業務經營而言，除越南市場於第四季受到環保事件的波及，稍有5.2%的下降外，其他各地區仍是持續成長，尤其在日本市場業績更是成長54.8%，中國市場與東盟市場也有穩定地成長10%與6.2%，其他市場包含歐洲、美國與韓國等地，雖然此區域的營業金額僅佔公司約9%之營業額，但卻較二零零七年快速成長約34.4%。另一方面，以產品別分析而言，集團的核心產品在二零零八年的營業表現也都有穩健的成長，味精、變性澱粉與特用化學品在各主要市場都有超過雙位數成長的表現。尤其集團近來積極推動的風味調味料與肥料產品，也有95.3%與124%成長的業績。這些營運成果的增長也顯示集團在產業的發展應可期待。

環保事件的說明

越南廠環保事件的發生，是公司在經營上產生了疏忽，主要是之前為了因應市場對產品快速增加的需求，公司對各項產品採取急速的擴產，導致尚在規劃中的環保設備未能及時趕上生產的進度來同步擴充，致使處理廢水能力不足，而將未符合標準的廢水排出；及至去年九月份，越南權責單位舉發上述情事，公司接受調查並立即配合所有相關之環保補正措施與處理方式，其中包括立即強化現有的三套廢水處理設備，規劃新增設兩套廢水處理設備，規劃新增設資源化設備（包括特殊濃縮設備與固體肥料廠）。

越南廠生產產生的相關廢水與醱酵母液副產品，都不含有危害人體的毒性物質與重金屬。而醱酵母液因為含有氨基酸、菌體蛋白質與其他營養成份，經濃縮後再製成肥料與飼料產品。現有的生產設備所生產的CMS、Vedagro與固體肥料等產品，都已充分銷售越南與國外市場。在本次事件中，越南政府除要求公司對相關環保設施做改善與提升外，並處以約16,000美元的罰款及分兩年支付的追繳7,713,000美元之環保水處理費。

The environment issue was the primary factor affecting the operation and profitability of the Group for 2008 in addition to causing material impacts on the production, sales, good will and capital standing of the Vietnam plant. The management would like to take this opportunity to apologise to the people of Vietnam and shareholders for the inconvenience caused to them by the incident. The Group also wishes to pledge determination to and confidence in completing improvement works at the plant as promised and becoming a green enterprise.

Vedan Vietnam will implement remedial measures pursuant to the requirements of local government including improving the existing wastewater treatment equipment at the plant, installing additional wastewater treatment facilities and establishing a new production plant for recycling by-products into fertilizer products. At the same time, the Group has commenced trial production of Bio-gas (Biological fuel) at its starch plants in Binh Phuoc and Gai Lai of Vietnam at the beginning of 2009, which agrees with the Clean Development Mechanism ("CDM") with emphasis on environmentally friendly processing and lowering of carbon emissions advocated by the United Nations. The Ha Tinh starch plant will also start related trial production in the third quarter this year. Furthermore, the Company has started work in relation to securing ISO14001 certification and expects to gain accreditation within 2009. The Group hopes to achieve a complete change in the organisation in the aspect of environmental protection from its operational principles to both the hardware and software of its management system. Its goal is to become an environmentally responsible enterprise that runs a business conducive to the sustainability of the world.

At the break of the incident, the Group took a number of immediate measures to maintain stability of its daily operation and alleviate adverse impacts from the issue. These measures included activating the raw material supply chain to ease pressure from the production cut. The Group also placed order for additional relevant environmental protection equipment, which will be installed and are expected to gradually begin operation this year. By then, the Vietnam plant will be able to resume full production.

此環保事件確為二零零八年影響集團營運與獲利最重大之因素，對越南廠的生產、銷售、商譽與資金均有實質的影響。管理層在此也對越南社會大眾與所有股東，因為此事件所造成的不安與影響，深刻致歉。在此同時，集團下定決心，而且也有信心要將相關的環保工作確實做好，目標是要成為環保的綠色企業。

越南廠對環保的改善做法，將配合按照越南政府所要求的相關改善措施，強化現有廢水處理設備，增設廢水處理設施與增設資源化肥飼料生產廠，同時集團也已於平福省及嘉萊省兩地的澱粉生產廠中，在2009年初進行Bio-gas（生物燃料）生產廠的試俾，這是配合聯合國推動清潔發展機制(CDM)的一項工作，以達到環保處理與減碳的功能。而在河靜省澱粉廠也預計於今年第三季導入試俾運轉。同時，公司已經展開ISO14001認證工作的進行，預計在今年內取得此項國際環保認證。集團希望藉從觀念，制度與軟硬體設備，由裏而外徹底改善，做好環保的工作，達到愛護環境，永續經營的目標。

對於環保事件發生後，在生產的應變方面，集團也立即採取幾項應變措施以穩定及減輕對經營的衝擊，其中包括啟動原料供應鍊運作，以減低因降載生產的衝擊。同時，越南廠已增購改善環保相關設備，預計於今年內可逐步完成建置投入運轉，待建置完成後，立即可恢復至原有的生產產能。

OUTLOOK FOR 2009

In 2009, the world will continue to be overshadowed by the global economic downturn. Raw material prices are expected to soften, but the selling prices of products will also face pressures resulting from market factors. Given the uncertain economy and the temporary reduced capacity of the Vietnam plant, the Group will take a more prudent approach in operating its business in the coming year, aiming for profit, combination of flexible application of its raw material and product supply chains, stronger sales in major markets, stable selling prices of products and lower costs.

The Group will also capitalise on the change in the economic environment to consolidate its overall marketing strategy and strengthen its distribution channel set up so as to gain direct control over its sales network and raise the value of the distribution channels. Furthermore, heeding the liberalised market for trading activities in Vietnam, the Group will seek to begin related trading and sales businesses riding on already established channels. The Group will also look for different opportunities and cooperative projects in the growingly open and mature business environment in Vietnam. By combining its local advantages and international experience, the Group is hopeful of achieving integrated benefits and additional synergies for its operations.

Although the Group was affected by the poor economic environment and the production cut at its Vietnam plant in the past year, the management believes the Group has strong fundamentals and competitive strengths to assume market leadership, and also is presented with a growth market. The environment issue has no doubt dealt a blow on the Group's short-term performance, but when the improvement measures are eventually completed, the Group is confident of becoming a proud green enterprise and delivering outstanding production and sales performances. Here, again, the Group apologises for its negligence and hopes to prove in time its sincerity in honouring its responsibility to the society and improving its profitability. We are determined not to disappoint the society and our shareholders who have placed their trust in us and have high hopes for us over the years.

By order of the Board

Yang, Tou-Hsiung
Chairman

Hong Kong, 7 April 2009

二零零九年之佈局

延續二零零八年的經濟情勢，今年全球的景氣仍籠罩在低迷的氣氛中，雖然原物料價格趨緩，但是產品售價也可能受到因市場因素所產生的壓力。故基於整體經濟景氣的不確定因素與越南廠生產產能的限制，集團今年將採取較穩健的經營策略，將以獲利為主要目標，結合原料與產品供應鍊的彈性運作，鞏固主要市場銷售，穩定售價與降低成本為主要工作項目。

集團也將利用此經濟轉變的時機，再加強整合整體的行銷策略與進行通路架構之深耕，直接掌握銷售網絡，以提升通路價值。同時，配合越南已開放之貿易環境，集團將藉由已成熟的通路，規劃投入相關貿易與銷售之運作。另一方面，對於日益開放與成長的越南經營環境，集團也將掌握機會，積極檢討尋找各項合作項目，結合地緣利基與國際經驗，以期能強化經營綜效與加乘效果。

集團雖然今年遭遇總體經濟景氣低迷與越南生產產能的限制，但是，管理層相信集團核心產業的基本面仍看好，市場對產品的需求還是有增無減，集團在產業界中也仍具備領先的競爭能力。雖然，環保事件的確造成集團在短期間的挫折，但在今年內逐步完成環保改善以後，集團有信心不僅將成為環保的綠色企業，更能全力衝刺生產與銷售業績。我們要再次因公司疏失引起本次環保事件向社會大眾與股東道歉，集團將用誠心與時間來證明我們對社會責任與盈利提升的決心與努力，以不負從過去到現在，社會大眾與股東們對集團的信賴與期望。

承董事會命

主席
楊頭雄

香港二零零九年四月七日



STANDING OUT IN A SPECIALIZED INDUSTRY

投注於專門產業中的 佼佼者

As a successful long-term player in a market with significant entry barriers, Vedan International has distinct competitive advantages that add real value to its products. With advanced expertise in large-scale fermentation technology, starch processing conversion technology and chemical and electro-chemical technology, Vedan International is developing new products which represent the latest breakthroughs in industrial science and look set to be major profit drivers in the future.

味丹國際所從事的產業入行屏障高，而集團能長期屹立其中，是因為本身獨特的競爭優勢能附加真正的價值於產品中。擁有大規模之醱酵、澱粉加工轉換、化學和電解化學等先進技術，味丹國際不斷發展突破產業科學的新產品，為未來盈利創造強勁的動力。憑著現代科技設備與管理，我們成功始創多種優質產品，以迎合消費者的口味和要求。