VEDAN INTERNATIONAL

VEDAN INTERNATIONAL (HOLDINGS) LIMITED
味丹國際(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2317)

SUMMARISED INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2009

FINANCIAL HIGHLIGHTS

	Unaudited Six months ended 30 June 2009 *US$'000*	Unaudited Six months ended 30 June 2008 *US$'000*	**Change**
Turnover	133,462	182,735	(26.9)%
Profit before taxation	10,574	11,312	(6.5)%
Profit attributable to shareholders	8,303	9,278	(10.5)%
Basic earnings per share *(US cents)*	0.55	0.61	(9.8)%
Diluted earnings per share *(US cents)*	N/A	N/A	
Interim dividend declared per share			
(US cents)	0.273	0.305	
(HK cents)	2.129	2.379	

INTERIM RESULTS

The board of directors (the "Directors") of Vedan International (Holdings) Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2009 together with the comparative figures for the corresponding period in the previous year.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2009

		Unaudited	
		Six months ended 30 June	
		2009	2008
	Note	***US$'000***	*US$'000*
Turnover	*4*	**133,462**	182,735
Cost of sales	*11*	**(101,401)**	(148,802)
Gross profit		**32,061**	33,933
Other (losses)/gains – net	*10*	**(584)**	67
Selling and distribution expenses	*11*	**(6,679)**	(9,556)
Administrative expenses	*11*	**(13,627)**	(12,113)
Operating profit		**11,171**	12,331
Finance costs – net	*12*	**(597)**	(1,019)
Profit before income tax		**10,574**	11,312
Income tax expense	*13*	**(2,629)**	(2,806)
Profit for the period		**7,945**	8,506
Profit attributable to:			
– equity holders of the Company		**8,303**	9,278
– minority interest		**(358)**	(772)
		7,945	8,506
Earnings per share for profit attributable to the equity holders of the Company		***US cents per Share***	*US cents per share*
– basic	*14*	**0.55**	0.61
– diluted	*14*	**N/A**	N/A
		US$'000	*US$'000*
Dividends	*15*	**4,152**	4,644

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30 JUNE 2009

	Note	Unaudited 30 June 2009 US$'000	Audited 31 December 2008 US$'000
ASSETS			
Non-current assets			
Land use rights	*5*	**6,540**	6,609
Property, plant and equipment	*5*	**190,730**	183,672
Intangible assets	*5*	**16,817**	17,540
Prepayment for property, plant and equipment		**2,845**	4,400
Held-to-maturity financial asset		**3,007**	3,130
		219,939	215,351
Current assets			
Inventories		**70,875**	72,496
Trade receivables	*6*	**29,576**	28,878
Amount due from a minority shareholder of a subsidiary		**1,129**	1,370
Prepayments and other receivables		**9,369**	6,098
Tax recoverable		**28**	18
Cash and cash equivalents		**22,692**	36,286
		133,669	145,146
Total assets		**353,608**	360,497
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*7*	**15,228**	15,228
Reserves			
– Proposed dividends		**4,152**	–
– Others		**243,995**	239,803
		263,375	255,031
Minority interest		**2,522**	2,879
Total equity		**265,897**	257,910

	Note	Unaudited 30 June 2009 US$'000	Audited 31 December 2008 US$'000
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings	*9*	**11,673**	7,552
Deferred income tax liabilities		**8,931**	9,497
Long-term payable to a related party		**4,968**	5,902
Provision for long service payment		**1,265**	1,133
Total non-current liabilities		**26,837**	24,084
Current liabilities			
Trade payables	*8*	**15,708**	14,335
Accruals and other payables		**11,235**	13,660
Due to related parties		**2,035**	2,000
Short-term bank borrowings	*9*	**23,941**	38,660
Current portion of long-term bank borrowings	*9*	**4,998**	6,940
Taxation payable		**2,957**	2,908
		60,874	78,503
Total liabilities		**87,711**	102,587
Total equity and liabilities		**353,608**	360,497
Net current assets		**72,795**	66,643
Total assets less current liabilities		**292,734**	281,994

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June	
	2009	2008
	US$'000	*US$'000*
Profit for the period	**7,945**	8,506
Other comprehensive income		
Currency translation differences	**42**	2,741
Total comprehensive income for the period	**7,987**	11,247
Total comprehensive income attributable to:		
– equity holders of the Company	**8,344**	11,747
– minority interest	**(357)**	(500)
	7,987	11,247

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Unaudited						
	Attributable to the equity holders of the Company						
	Share capital	**Share premium**	**Exchange reserve**	**Merger reserve**	**Retained earnings**	**Minority interest**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Balance at 1 January 2008	15,228	47,358	7,631	79,994	102,920	4,585	257,716
Profit for the period	–	–	–	–	9,278	(772)	8,506
Other comprehensive income:							
Currency translation differences	–	–	2,469	–	–	272	2,741
Total comprehensive income for the period ended 30 June 2008	–	–	2,469	–	9,278	(500)	11,247
Dividends	–	–	–	–	(4,432)	–	(4,432)
Balance at 30 June 2008	15,228	47,358	10,100	79,994	107,766	4,085	264,531
Balance at 1 January 2009	15,228	47,358	10,204	79,994	102,247	2,879	257,910
Profit for the period	–	–	–	–	8,303	(358)	7,945
Other comprehensive income:							
Currency translation differences	–	–	41	–	–	1	42
Total comprehensive income for the period ended 30 June 2009	–	–	41	–	8,303	(357)	7,987
Balance at 30 June 2009	15,228	47,358	10,245	79,994	110,550	2,522	265,897

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

	Unaudited	
	Six month ended 30 June	
	2009	2008
	US$'000	*US$'000*
Net cash generated from operating activities – net	**20,288**	4,498
Net cash used in investing activities – net	**(20,292)**	(9,558)
Net cash (used in)/generated from financing activities – net	**(13,613)**	22,496
Net (decrease)/increase in cash and cash equivalents	**(13,617)**	17,436
Cash and cash equivalents at start of period	**36,286**	17,324
Effect of foreign exchange rate changes	**23**	317
Cash and cash equivalents at end of period	**22,692**	35,077

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General information

Vedan International (Holdings) Limited ("the Company") and its subsidiaries (together, the "Group") manufacture and sell fermentation-based food additives, biochemical products and cassava starch-based industrial products including modified starch, glucose syrup, Monosodium Glutamate ("MSG"), soda, acid and beverages. The products are sold to food distributors, international trading companies, and manufacturers of food, paper, textiles, and chemical products in Vietnam, other ASEAN member countries, the People's Republic of China (the "PRC"), Japan, Taiwan, and several European countries.

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is Century Yard, Cricket Square, Hutchins Drive, George Town P.O. Box 2681 GT, Grand Cayman, British West Indies.

The Company has its primary listing on the Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information is presented in US dollars (US$), unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board of Directors on 9 September 2009.

This condensed consolidated interim financial information has not been audited.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2009 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2008, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009.

- HKAS 1 (revised), "Presentation of financial statements" – The revised standard prohibits the presentation of items of income and expenses (that is "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All "non-owner changes in equity" are required to be shown in a performance statement.

  Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

  The Group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

- HKAS 23 (Revised), "Borrowing costs". It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The adoption of HKAS 23 (Revised) has no significant impact on the Group's condensed consolidated interim financial information.

- HKFRS 8, "Operating segments" – HKFRS 8 replaces HKAS 14, "Segment reporting". It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes.

  Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Board of Directors that makes strategic decisions.

  Goodwill is allocated by management to groups of cash-generating units on a segment level. There is no change in reportable segments. There has been no impact on the measurement of the Group's assets and liabilities.

- Amendment to HKFRS 7, "Financial instruments: disclosures" – The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements ending 31 December 2009.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant for the Group.

HKAS 16 (Amendment)	Property, Plant and Equipment
HKAS 19 (Amendment)	Employee Benefits
HKAS 20 (Amendment)	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 27 (Amendment)	Consolidated and Separate Financial Statements
HKAS 28 (Amendment)	Investments in Associates
HKAS 29 (Amendment)	Financial Reporting in Hyperinflationary Economies
HKAS 31 (Amendment)	Interest in Joint Venture
HKAS 32 and HKAS 1 (Amendment)	Puttable Financial Instruments and Obligations
HKAS 36 (Amendment)	Impairment of Assets
HKAS 38 (Amendment)	Intangible Assets
HKAS 39 (Amendment)	Financial instruments: Recognition and Measurement
HKAS 41 (Amendment)	Agriculture
HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations
HK(IFRIC) – Int 9 (Amendment)	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation

The following new standards, amendment/revisions to standard and interpretations have been issued, but are not effective for the financial year beginning 1 January 2009 and have not been early adopted.

		Effective for accounting periods beginning on or after
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1 July 2009
HKAS 39 (Amendments)	Eligible Hedged Items	1 July 2009
HKFRS 3 (Revised)	Business Combinations	1 July 2009
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners	1 July 2009
HK(IFRIC) – Int 18	Transfers of Assets from Customers	1 July 2009

The Group has already commenced an assessment of the related impact of adopting the above new standards, amendment/revisions to standards and interpretations to the Group. The Group is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the financial statements will be resulted.

In addition, the Hong Kong Institute of Certified Public Accountants also published a number of amendments for the existing standards under its annual improvement project. These amendments are not expected to have a significant financial impact on the results and financial position of the Group.

4 Segment analysis

The chief operating decision-maker has been identified as the Board of Directors. The Directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions. These reports include segment revenue, segment assets and capital expenditures.

The Board of Directors consider the business from a geographical aspect. In presenting information on the basis of operating segments, segment revenue is based on the geographical presence of customers. Segment assets and capital expenditures are based on the geographical location of the assets.

(i) ***Segment revenue***

	Six months ended 30 June	
	2009	2008
	US$'000	*US$'000*
Vietnam	**65,081**	77,649
The PRC	**24,350**	27,622
Japan	**31,622**	34,538
Taiwan	**4,475**	5,124
ASEAN member countries (other than Vietnam)	**3,590**	24,736
Other regions	**4,344**	13,066
	133,462	182,735

(ii) ***Capital expenditures***

	Six months ended 30 June	
	2009	2008
	US$'000	*US$'000*
Vietnam	**21,951**	9,213
The PRC	**181**	608
	22,132	9,821

Capital expenditures are allocated based on where the assets located.

Capital expenditures comprise additions of property, plant and equipment and intangible assets.

(iii) ***Total assets***

	As at	
	30 June	31 December
	2009	2008
	US$'000	*US$'000*
Vietnam	**286,846**	280,299
The PRC	**64,704**	71,255
Hong Kong	**920**	8,448
Taiwan	**1,074**	431
Singapore	**64**	64
	353,608	360,497

Total assets are allocated based on where the assets are located.

5 Capital expenditure

	Intangible asset						
	Software and license	**Goodwill**	**Trademarks**	**Brand name**	**Total**	**Property, plant and equipment**	**Land use rights**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Opening net book amount as at 1 January 2008	275	7,674	8,664	914	17,527	197,848	6,320
Exchange differences	–	451	–	–	451	2,160	410
Additions	1,048	–	–	–	1,048	8,773	–
Disposals	–	–	–	–	–	(28)	–
Amortisation and depreciation	(146)	–	(605)	(57)	(808)	(14,562)	(72)
Closing net book amount as at 30 June 2008	1,177	8,125	8,059	857	18,218	194,191	6,658
Opening net book amount as at 1 January 2009	1,133	8,152	7,455	800	17,540	183,672	6,609
Exchange differences	–	3	–	–	3	13	3
Additions	–	–	–	–	–	22,132	–
Disposals	–	–	–	–	–	(21)	–
Impairment loss	–	–	–	–	–	(312)	–
Amortisation and depreciation	(65)	–	(604)	(57)	(726)	(14,754)	(72)
Closing net book amount as at 30 June 2009	1,068	8,155	6,851	743	16,817	190,730	6,540

6 Trade receivables

	As at	
	30 June	31 December
	2009	2008
	US$'000	*US$'000*
Trade receivables from third parties	**31,111**	28,985
Trade receivables from a related party	**82**	320
Less: provision for impairment of trade receivables	**(1,617)**	(427)
	29,576	28,878

The credit terms of trade receivables range from cash on delivery to 120 days. At 30 June 2009 and 31 December 2008, the ageing analysis of the trade receivables is as follows:

	As at	
	30 June	31 December
	2009	2008
	US$'000	*US$'000*
0 – 90 days	**24,142**	22,050
91 – 180 days	**3,443**	4,471
181 – 365 days	**1,769**	2,707
Over 365 days	**1,839**	77
	31,193	29,305

7 Share capital

	Authorised		
		Ordinary shares	
	Par value	**Number of shares**	
	US$		*US$'000*
At 30 June 2009 and 31 December 2008	0.01	10,000,000,000	100,000

	Issued and fully paid		
	Ordinary shares		
	Par value	**Number of shares**	
	US$		*US$'000*
At 30 June 2009 and 31 December 2008	0.01	1,522,742,000	15,228

On 13 June 2003, a share option scheme and a pre-IPO share option plan were approved pursuant to a written resolution of all the shareholders of the Company.

(a) Under the share option scheme, the board of directors may at its discretion offer options to any directors, employees, business partners or their trustees of the Group which entitle them to subscribe for shares in aggregate not exceeding 10% of the shares in issue from time to time. These options have a duration of ten years from the date of grant, but shall lapse where the grantee ceases to be employed by the Company or its subsidiaries. No share options were granted by the Company under the share option scheme during the current period and previous years.

(b) Under the pre-IPO share option plan ("Pre-IPO Share Option Scheme"), the board of directors may at its discretion offer options to any directors or employees of the Group and its subsidiaries which entitle them to subscribe for shares of the Company. On 13 June 2003, 24,500,000 options and 5,270,000 options were granted to directors of the Company and employees of the Group, respectively, under the Pre-IPO Share Option Scheme. At 30 June 2009, all share options were lapsed.

8 Trade payables

The ageing analysis of trade payables is as follows:

	As at	
	30 June 2009	31 December 2008
	US$'000	*US$'000*
Current	**14,767**	7,733
31 – 90 days	**696**	3,201
91 – 180 days	**84**	3,368
181 – 365 days	**142**	33
Over 365 days	**19**	–
	15,708	14,335

9 Bank borrowings

	As at	
	30 June	31 December
	2009	2008
	US$'000	*US$'000*
Long-term bank borrowings		
– secured	**2,810**	3,746
– unsecured	**13,861**	10,746
Current portion of long-term bank borrowings	**(4,998)**	(6,940)
	11,673	7,552
Short-term bank borrowings		
– unsecured	**23,941**	38,660

The Group's long-term bank loans were repayable as follows:

	As at	
	30 June	31 December
	2009	2008
	US$'000	*US$'000*
Within one year	**4,998**	6,940
In the second year	**935**	7,552
In the third to fifth year	**10,738**	–
	16,671	14,492

The carrying amounts of the borrowings are denominated in the following currencies:

	As at	
	30 June	31 December
	2009	2008
	US$'000	*US$'000*
US dollar	**38,022**	46,752
Renminbi	**–**	5,487
New Taiwan dollar	**2,590**	913
	40,612	53,152

10 Other (losses)/gains – net

	Six months ended 30 June	
	2009	2008
	US$'000	*US$'000*
Net exchange losses	**(431)**	(631)
Gain/(loss) on disposal of property, plant and equipment	**23**	(14)
Sales of scrap materials	**68**	249
Interest income from held-to-maturity financial asset	**118**	124
Others	**(362)**	339
	(584)	67

11 Expenses by nature

Expenses included in cost of sales, selling and distribution expenses and administrative expenses are analysed as follows:

	Six months ended 30 June	
	2009	2008
	US$'000	*US$'000*
Changes in inventories of finished goods and work in progress	**(843)**	3,526
Raw materials and consumables used	**83,295**	124,680
Amortisation of trademarks	**604**	605
Amortisation of brand name	**57**	57
Amortisation of land use rights	**72**	72
Amortisation of software	**65**	146
Depreciation on property, plant and equipment	**14,754**	14,562
Operating lease expenses in respect of leasehold land	**95**	73
Employee benefit expenses	**10,598**	10,810
Provision for impairment of trade receivable – net	**1,210**	–
Provision for impairment of property, plant and equipment	**312**	–
Other expenses	**11,488**	15,940
Total cost of sales, selling and distribution expenses and administrative expenses	**121,707**	170,471

12 Finance costs – net

	Six months ended 30 June	
	2009	2008
	US$'000	*US$'000*
Interest expense on bank borrowings	**790**	1,378
Amortisation of discount on long-term payable to a related party	**180**	220
Interest income on bank deposits	**(373)**	(579)
	597	1,019

13 Income tax expense

The amount of income tax charged to the consolidated income statement represents:

	Six months ended 30 June	
	2009	2008
	US$'000	*US$'000*
Enterprise income tax	**3,195**	3,397
Deferred income tax	**(566)**	(591)
	2,629	2,806

(i) Vietnam

Enterprise income tax ("EIT") is provided on the basis of the statutory profit for financial reporting purposes, adjusted for income and expenses items which are not assessable or deductible for income tax purposes. The applicable EIT rates for the Group's operation in Vietnam range from 10% to 25%, as stipulated in the respective subsidiaries' investment licenses.

(ii) The PRC

EIT is provided on the basis of the statutory profit for financial reporting purposes, adjusted for income and expenses items which are not assessable or deductible for income tax purposes. The applicable EIT rates for the Group's operation in the PRC range from 12.5% to 25%.

(iii) Singapore/Hong Kong

No Singapore/Hong Kong profits tax has been provided as the Group had no estimated assessable profit arising in or derived from Singapore and Hong Kong during the period.

(iv) Taiwan

EIT is provided on the basis of the statutory profit for financial reporting purposes, adjusted for income and expenses items which are not assessable or deductible for income tax purposes. The applicable EIT rate for the Group's operations in Taiwan is 25%.

14 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company of US$8,303,000 (2008: US$9,278,000) by 1,522,742,000 (2008: 1,522,742,000) ordinary shares in issue during the period.

Diluted earnings per share is calculated by adjusting the number of ordinary shares outstanding to assume conversion of all share options. During the six months period ended 30 June 2009, the outstanding share option has an anti-dilutive effect. Therefore, the diluted earnings per share for the period ended 30 June 2009 is the same as basic earnings per share.

15 Dividends

	Six months ended 30 June	
	2009	2008
	US$'000	*US$'000*
2008 final, paid of nil (2007: US 0.29105 cents per ordinary share)	**–**	4,432
2009 interim, proposed of US0.273 cents (2008 interim: US 0.305 cents) per ordinary share	**4,152**	4,644
	4,152	9,076

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

Although the global economy was still slack in the review period under the impact of the global financial crisis that erupted in the second half of last year, the price of petroleum and raw materials such as molasses had climbed from their low points last year and posed considerable pressure on cost and sales of the Group. The cutting back and suspension of production in Vietnam, the Group's major production base, since the fourth quarter last year led to reduction in turnover and increase in costs in the review period. At the concerted effort of all staff, the Group made an overall turnover of US$133,462,000 for the period, down by approximately 27% or US$49,273,000 year-on-year. The notable reduction in turnover was from the reduced production capacity, but with average selling price up markedly, overall profit did not decline as substantially as that of turnover. Gross profit of the Group for the period reduced to US$32,061,000 from US$33,933,000, representing a decrease of approximately 5.5% or US$1,872,000, which was far less than decline in revenue. As for net profit, it decreased by approximately 11% or US$975,000 to US$8,303,000 with net profit margin at 5.3% which was slightly higher than 5.1% recorded in the same period last year.

Taking into account the effect of reducing production capacity on the market and customers, the Group's MSG sales strategy for the period was geared towards providing stable supply as committed to long-term customers and increasing supply to end users. These efforts were aimed at fulfilling the Group's commitment to long-term customers and avoiding substantial drop in profit. Also, to alleviate the impact brought by reduction in MSG production, the Group kicked off its supply chain mechanism and imported GA to produce MSG for sale. Thus, MSG, the major product of the Group, recorded sales of US$102,978,000 for the period, representing a decrease of approximately 13.4% or US$15,979,000 when compared with the same period last year. Production of lysine was suspended because of low demand and international price, and environmental protection issues. The Group stopped selling GA to industry peers during the period but used it to produce MSG to meet market demand. The Group will gradually resume putting out GA starting from the third quarter. Since installation of wastewater treatment equipment was not completed during the period, turnover from starch product dropped by 38.7%. The Group expects its revenue to return to normal level after completion of installation of all relevant facilities in the third quarter.

As a result of the production cut and suspension at the Vietnam plant, revenue from all different markets of the Group declined in different degrees. However, the percentages of decline in major markets including Vietnam, Japan and China were only 16.2%, 8.4% and 11.8% respectively which were lower than the 27% drop in total turnover. This proved the effectiveness of the Group's core market and product strategies in helping it minimise loss. The Group thanks its long term partners for their continuous support and care during this challenging period.

Although nearly all major products of the Group including fermented amino acids products, modified starch and specialty chemicals faced possible drop in turnover because of the restricted production capacity in the first half of 2009, the Company was able to flexibly adjust production processes to improve efficiency, and maximise production capacity while complying with environmental requirements, hence minimised the drop in turnover. It also took the opportunity to fine-tune its domestic sales and retail system and strategies so as to strengthen and consolidate the Vietnam and China markets. When the environmental protection equipment and solid fertilizer recycle production lines are completed in the third and fourth quarter respectively, production of the Group is expected to gradually resume normal and be able to excel in due course.

Business analysis

(1) Sales analysis by product

Unit: US$'000

Item	**First half of 2009**		**First half of 2008**		**Growth/(Drop)** *(%)*	
	USD'000	*%*	*USD'000*	*%*	*Diff.*	*%*
MSG	102,978	77.2	118,957	65.1	(15,979)	(13.4)
GA	425	0.3	12,634	6.9	(12,209)	(96.6)
Lysine	842	0.6	14,913	8.2	(14,071)	(94.4)
Starch	11,216	8.4	18,286	10.0	(7,070)	(38.7)
Specialty Chemicals	7,036	5.3	8,768	4.8	(1,732)	(19.8)
Fertilizer	6,505	4.9	5,131	2.8	1,374	26.8
Others	4,460	3.3	4,046	2.2	414	10.2
Total	**133,462**	**100.0**	**182,735**	**100.0**	**(49,273)**	**(27.0)**

1. **MSG and GA**

Turnover from MSG business in the period was US$102,978,000, down by 13.4% or US$15,979,000 against the same period last year. The decrease in turnover was mainly attributable to the reduced production capacity and the Group's strategy to reduce MSG supply for industrial use and certain supply to overseas customers. However, the Group continued to meet demand for MSG product of long-term customers and at the best of its ability cater for the sales need of its own brand products. As for GA, the Group adjusted related sales strategy. With the understanding of customers, it suspended sales of GA and processed the product and used it to produce MSG to satisfy market demand. Thus, the turnover of GA was only US$425,000 for the period, a notable decrease of 96.6% when compared with US$12,634,000 in the same period last year. To maintain cooperative relationship with long-term GA customers, the Group's Vietnam plant will gradually resume supply of GA starting in the third quarter. Turnover from the two products accounted for 77.5% of the Group total as compared to 72% in the same period last year.

2. **Lysine**

As international lysine price continued to stay low, the Group started to shift part of the capacity to producing GA to support MSG supply in the second half of last year. Lysine production was stopped in the period. Thus, the turnover from lysine was only US$842,000 for the period, representing a marked decrease of 94.4% when compared to US$14,913,000 in the same period last year and accounted for less than 1% of the total turnover of the Group. The Group expects all environmental protection equipment to be installed in its Vietnam plant in the fourth quarter and by then it will assess market conditions and re-consider production of lysine.

3. **Modified Starch/Natural Starch**

Decreased production capacity caused turnover from starch business to drop by 38.7% to US$11,216,000, from US$18,286,000 in the previous period. The percentage of turnover contribution of starch products to total turnover of the Group also decreased, by 10%, to 8.4%. Wastewater treatment equipment relevant to the production of modified starch are being installed and should be finished in the third quarter for full production to resume as planned.

4. Specialty chemicals and Fertilizer

During the period, demand for caustic soda and hydrochloric acid softened because of the economic slowdown, affecting the sales volume and price of the Group's products. Besides, the Group did not exercise full production of these products after taking into account of restricted production capacity. However, it expects supply to return to normal by the fourth quarter of the year, driven by reviving market and improved production capacity. The turnover from specialty chemicals reached US$7,036,000, which was US$1,732,000 less than that of the same period last year. Turnover contribution from the segment to total turnover increased from 4.8% in the same period in 2008 to 5.3%.

Fertilizer products were the only ones that were supported by expanded capacity during the period with Phase II of our solid fertilizer plant commencing operation in the third quarter last year. Turnover from this product category was US$6,505,000, a gain of around 26.8%, or US$1,374,000, when compared to US$5,131,000 in the same period last year, accounting for 4.9% of the total turnover of the Group verses 2.8% in the last corresponding period.

(2) Market Analysis

Unit: US$'000

REGIONS	**First half of 2009**		**First half of 2008**		**Growth/(Drop)(%)**	
	US'000	*%*	*US'000*	*%*	*Diff*	*%*
Vietnam	65,081	48.8	77,649	42.5	(12,568)	(16.2)
Japan	31,622	23.7	34,538	18.9	(2,916)	(8.4)
China	24,350	18.2	27,622	15.1	(3,272)	(11.8)
Taiwan	4,475	3.4	5,124	2.8	(649)	(12.7)
Asean countries	3,590	2.7	24,736	13.5	(21,146)	(85.5)
European	1,916	1.4	5,684	3.1	(3,768)	(66.3)
Other regions	2,428	1.8	7,382	4.1	(4,954)	(67.1)
Total	**133,462**	**100.0**	**182,735**	**100.0**	**(49,273)**	**(27.0)**

1. **Vietnam**

In the first half of 2009, sales of MSG in this market reached a level similar to that of the same period last year. However, as output of GA and lysine, which were sold primarily in Vietnam, was markedly reduced, turnover from them dropped markedly by around 16.2% or US$12,568,000 to US$65,081,000 from US$77,649,000 in the previous period. Contribution from Vietnam to total turnover increased to 48.8% for the period from 42.5% in the previous corresponding period. The Group expects turnover from the market to increase when the Group gradually resumes GA production.

2. **Japan**

The Group enjoys long-standing relationship with its Japanese customers, which has bolstered steady growth of its business in the market over the years. Thus, MSG business in the market did not decline in Japan during the period, although demand for lysine and modified starch of the market was not fully met because of the production reduction in Vietnam. As a result, turnover from Japan was down by 8.4%, or US$2,916,000, from US$34,538,000 in the last corresponding period to US$ 31,622,000, the smallest decline among all markets of the Group. Contribution from the Japan market to total turnover increased from 18.9% in the same period last year to 23.7%.

3. **China**

Turnover from China was US$24,350,000, representing a decrease of 11.8%, or US$3,272,000, against US$27,622,000 in the same period last year. The decrease was mainly attributable to sharp decline in supply of modified starch resulting from decreased production at Vedan Vietnam and the marked decrease in sales during the period with Shandong Snowflake undertaking production adjustment in the first quarter. The latter, however, has gradually resumed production since the second quarter. Turnover from the China market to total turnover increased to 18.2% from 15.1% in the same period last year.

4. **ASEAN Countries**

During the period, ASEAN countries were affected the most by the production reduction at Vedan Vietnam. Turnover from this market to total turnover dropped to 2.7% from 13.5% in the same period last year. Turnover of the segment plunged by 85.5%, or US$21,146,000, to US$3,590,000 from US$24,736,000 in the last corresponding period mainly because of MSG supply falling short of demand and the very limited supply of GA and lysine to the market which is a major consumer of these products.

Raw materials/costs

Although material costs dropped sharply in the fourth quarter last year alongside the economic downturn, in the first half of 2009, the Group saw raw material prices fluctuated with the price of molasses climbed about 40% and energy cost rose with oil prices, while the price of cassava and liquid ammonia dropped around 50% and 26% respectively. However, when international demand picks up and the prices of oil and most agricultural products start to rise in the second half of 2009, the prices of cassava and molasses will follow. The Group has already made procurement plans that will allow it to satisfy production demand in the second half year at stable costs.

Financial Review

(1) Cash flow and financial resources

As at June 2009, cash and bank deposits of the Group amounted to US$22,692,000, which was US$13,594,000 lower than that of the last corresponding period and was mainly used to repay bank borrowings. Total bank borrowings decreased from US$53,152,000 at end of last year to US$40,612,000. Total repayment was US$12,540,000 during the period, down by 23.6%. Account receivables slightly increased by approximately 2.4% or US$698,000. Inventory reduced by approximately 2.2% or US$1,621,000. Account payables amounted to US$15,708,000, an increase of approximately 9.6% or US$1,373,000 against the end of last year. Bank borrowings are mainly denominated in the US dollar (93.6%) and Taiwan dollar (6.4%). To fund the setting up of solid fertilizer production lines and purchase of concentration equipment during the period, long-term loans increased to US$11,673,000 from US$7,552,000 at the end of last year. Short-term loans dropped significantly by US$14,719,000 to US$23,941,000 against US$38,660,000 at the end of last year. Of all the loans, 28.7% were long-term loans and 71.3% were short-term loans. Gearing ratio (total loans over shareholders interest) was 15.3%. Net gearing ratio (after deducting cash and deposit) was 6.7%. Current ratio rose from 1.85 to 2.20 because of decreased short-term loans. Interest expenses declined as both loan rate and loan amount down, and net interest cost was US$597,000, about 0.4% of the total turnover.

(2) Capital Expenditure

During the period, the Group's capital expenditure amounted to US$22,132,000, mainly used in setting up solid fertilizer production lines and purchase of concentration equipment for improving environmental protection provisions and resources recycling. Most of the equipment will be delivered for installation to begin in the third quarter and testing to follow. All related works are expected to be completed in the fourth quarter. To support the above investment, the Group has secured long-term loans of US$11,000,000 and US$9,000,000 for a term of six and five years respectively from two banks. The two loans were available and allocated during the period and are expected to be all used up at the end of the year. The remaining balances will be paid by internal funds.

(3) Exchange Rate

Vietnam has also been adversely affected by the global financial crisis since September 2008. The Vietnam Dong depreciated by 1.8% during the period. Since export sales of Vedan Vietnam were mainly settled in US dollars, the Group was able to maintain exchange balance. For Vedan Shanghai and Xiamen Maotai, which serve mainly domestic demand in China, the exchange rate between RMB and US dollars stayed stable during the period.

(4) Dividend

Basic earnings per share for the period were 0.55 US cents. The Board of Directors has resolved to give out dividend of 0.273 US cents, representing a payout ratio of 50%.

Progress of the Environmental Protection Issue at the Vietnam Plant

– In early May 2009, Head of the Environmental Protection Department of Vietnam visited the Vietnam plant to review conditions. His report confirmed that the environmental protection standards at Vedan Vietnam have improved and are meeting standards under government regulations. It also requested the Company to implement and complete all improvement initiatives proposed according to schedule.

- The Company is working according to the improvement proposal approved by the Environmental Protection Department. The 3rd and 4th batch of crucial equipment for concentration facility and resources recycling in solid fertilizer production have been delivered and are currently being installed. Related works are expected to be completed in the fourth quarter for all operations to return to return to normal.

- As of end of June 2009, the Vietnam plant has been in full compliance to environmental protection regulations including having paid water treatment fee of the total sum equivalent to US$5,785,000, 75% of the total fee, on time. It will pay the remaining US$1,928,000 in the second half of 2009.

- Regarding the damage claims from the neighbouring farmers and fishermen, the Environmental Protection Department had scholars from the National University of Ho Chi Minh City formed an investigation taskforce to verify the claims of the farmers and fishermen and assess the extent of responsibility of Vedan and other plants that caused the pollution. The investigation report is expected to be completed in the second half of the year.

- Vedan Vietnam has started works related to ISO14001 environmental management system in early 2009 and expects to gain accreditation by November 2009.

- Phuoc Thai factory of Vedan Vietnam in Dong Nai Province had completed environmental protection measures which are all in compliance with local government standards. Besides, other starch factories in Binh Phuoc, Gia Lai and Ha Tinh provinces also finished installation of equipments in relation to environmental protection at the bio-gas production lines. These facilities will start operation in the new production season.

Prospects

In the coming half year, the Group will continue to push forward with works in relation to adding environmental processing equipment and solid fertilizer production facilities at its Vietnam plant to make sure production will resume smoothly and as early as possible, allowing it to forge ahead in realising the goal becoming a green enterprise that values the environment and is dedicated to building a sustainable environment.

To secure stable carbohydrate sources at competitive cost has been a consistent pursuit of the Group. The Group deferred plantation of cassava in Cambodia and Laos because of the environmental incident last year. It expects to continue related plan in the second half year to address the anticipated vigorous fluctuation in price of raw materials in the future. The Group has set up "Carbohydrates Operation Division" for active exploration in carbohydrate sources and related areas.

Recently, many MSG manufacturers in China have expanded production capacities notably. This trend has not only affected the MSG market in the country, but has also led to more intense competition in the international market. In mid-August 2009, China and ASEAN countries signed the ASEAN-China Free Trade Agreement which will take effect on 1 January 2010. The agreement will boost trading activities between China and all ASEAN countries meaning the different products of the Group will be presented with bigger challenges. However, the agreement will also present a good opportunity to the Group to integrate the resources of its companies in China and Vietnam and optimise operational efficiency.

The global financial crisis and economic downturn have caused rapid changes to the operating environment. The Group, however, has seized the opportunity to reform its business. Apart from stepping up distribution channel development, the Group also put efforts into boosting its sale teams, assessing import trends or the potential of new products. Moreover, to shape up internally, the Group has started work in relation to gaining ISO14001 environmental management certification and implementation of an Enterprise Resources Planning (ERP) system. Expansion of international market will be a key focus of the Group in the hope of resuming supply to existing markets and customers. All these efforts are going to help consolidate the foundation and facilitate growth of the Group in the years to come.

INTERIM DIVIDEND AND CLOSE OF REGISTER

The Board of Directors has resolved to declare an interim dividend of 0.273 US cents (2.129 HK cents) per share for the year ending 31 December 2009.

The share register will be closed from 5 October to 9 October 2009, both days inclusive, during which period no transfer of shares will be registered. Dividend warrants will be dispatched to shareholders on or about 16 October 2009. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Register, Tricor Tengis Limited of 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 2 October 2009.

EMPLOYEE INFORMATION

On 30 June 2009, the Group had 3,710 employees of whom 2,872 are based in Vietnam, 823 in China, 14 in Taiwan and 1 in Hong Kong.

The Group remunerates its employees based on their work performance, professional experiences and prevailing industry practices and related policies and packages are reviewed periodically by the management. Apart from pension funds, discretionary bonuses and share options are awarded to certain employees according to individual performance assessment.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

COMPLIANCE OF THE MODEL CODE FOR DIRECTORS' SHARE DEALING

All Directors have confirmed, following specific enquiry by the Company, that they complied with the required standards set out in the Model Code for Directors' Share Dealing as set out in Appendix 10 to the Listing Rules throughout the review period.

CORPORATE GOVERNANCE AND COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to building and maintaining high standards of corporate governance practices. The Company has complied with all requirements set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Listing Rules throughout the six months ended on 30 June 2009.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited interim financial report for the six months ended 30 June 2009. The Audit Committee comprises the three independent non-executive directors of the Company.

PUBLICATION OF FINANCIAL INFORMATION

The Company's 2009 interim report containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be available on the website of the Stock Exchange (http://www.hkex.com.hk) and our website (http://www.vedaninternational.com) in due course.

APPRECIATION

The board of directors would like to take this opportunity to express our sincere thanks to our shareholders for their support and to our staff for their commitment and diligence during the period.

By Order of the Board
YANG Kun-Hsiang
Director and Chief Executive Officer

Hong Kong
8 September 2009

As at the date of this announcement, our Board comprises the following members:–

Executive Directors:–
Mr. YANG, Tou-Hsiung
Mr. YANG, Cheng
Mr. YANG, Kun-Hsiang
Mr. YANG, Chen-Wen

Non-executive Directors:–
Mr. HUANG, Ching-Jung
Mr. CHOU, Szu-cheng

Independent non-executive Directors:–
Mr. CHAO, Pei-Hong
Mr. KO Jim-Chen
Mr. CHEN Joen-Ray