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

(Incorporated under the laws of the Cayman Islands with limited liability)

(Stock code: 02317)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2013

FINANCIAL HIGHLIGHTS

	Unaudited six months ended 30 June		
	2013	2012	**Change**
	US$'000	*US$'000*	
Revenue	**166,956**	179,966	(7.2%)
Gross profit	**24,916**	30,230	(17.6%)
Profit for the period	**1,521**	3,228	(52.9%)
Profit attributable to owners	**1,920**	3,673	(47.7%)
Basic earnings per share	**0.13 US cents**	0.24 US cents	
Diluted earnings per share	**0.13 US cents**	0.24 US cents	
Interim dividend proposed per share	**0.101 US cents**	0.144 US cents	
Total dividends paid and proposed per share	**0.246 US cents**	0.455 US cents	

INTERIM RESULTS

The board of directors (the "Board") 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 2013 together with the comparative figures for the corresponding period in the previous year.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30 June 2013 *US$'000***	Audited 31 December 2012 *US$'000*
ASSETS			
Non-current assets			
Land use rights		**2,216**	2,205
Property, plant and equipment		**133,147**	140,626
Intangible assets		**11,723**	12,226
Long-term loan and receivables		**127**	134
Investment in an associate		**3,033**	3,042
Deferred income tax assets		**24**	58
Total non-current assets		**150,270**	158,291
Current assets			
Inventories		**107,974**	91,096
Trade receivables	*4*	**33,806**	41,703
Amount due from the non-controlling interest of a subsidiary		**1,416**	1,405
Prepayments and other receivables		**9,514**	9,339
Current income tax recoverable		**–**	41
Short-term bank deposits		**5,966**	7,387
Cash and cash equivalents		**28,322**	42,567
		186,998	193,538
Non-current assets held for sale		**–**	1,900
Total current assets		**186,998**	195,438
Total assets		**337,268**	353,729

	Note	Unaudited 30 June 2013 US$'000	Audited 31 December 2012 US$'000
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**15,228**	15,228
Reserves			
– Proposed interim/final dividends	*12*	**1,536**	2,205
– Others		**256,268**	254,977
		273,032	272,410
Non-controlling interest		**(1,361)**	(1,010)
Total equity		**271,671**	271,400
LIABILITIES			
Non-current liabilities			
Bank borrowings		**3,243**	5,267
Deferred income tax liabilities		**5,693**	6,180
Provision for long service payment		**1,294**	1,262
Total non-current liabilities		**10,230**	12,709
Current liabilities			
Trade payables	*5*	**22,519**	23,113
Accruals and other payables		**10,065**	15,732
Amount due to related parties		**323**	323
Bank borrowings		**17,418**	23,273
Current portion of non-current bank borrowings		**4,045**	4,679
Current income tax liabilities		**997**	2,500
Total current liabilities		**55,367**	69,620
Total liabilities		**65,597**	82,329
Total equity and liabilities		**337,268**	353,729
Net current assets		**131,631**	125,818
Total assets less current liabilities		**281,901**	284,109

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
		2013	2012
	Note	***US$'000***	*US$'000*
Revenue	*3*	**166,956**	179,966
Cost of sales	*8*	**(142,040)**	(149,736)
Gross profit		**24,916**	30,230
Other (losses)/gains – net	*6*	**(10)**	290
Gain on disposal of non-current assets held for sale	*7*	**986**	–
Selling and distribution expenses	*8*	**(11,396)**	(11,189)
Administrative expenses	*8*	**(12,259)**	(14,050)
Operating profit		**2,237**	5,281
Finance income		**495**	521
Finance costs		**(434)**	(659)
Finance income/(costs) – net	*9*	**61**	(138)
Share of post-tax loss of an associate		**(9)**	(114)
Profit before income tax		**2,289**	5,029
Income tax expense	*10*	**(768)**	(1,801)
Profit for the period		**1,521**	3,228
Profit attributable to:			
– Owners of the Company		**1,920**	3,673
– Non-controlling interest		**(399)**	(445)
		1,521	3,228
Earnings per share for profit attributable to the owners of the Company			
– Basic earnings per share *(expressed in US cents)*	*11*	**0.13**	0.24
– Diluted earnings per share *(expressed in US cents)*	*11*	**0.13**	0.24

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2013	2012
	US$'000	*US$'000*
Profit for the period	**1,521**	3,228
Other comprehensive income		
Item that may be reclassified to profit or loss		
Currency translation differences	**955**	(207)
Total comprehensive income for the period	**2,476**	3,021
Total comprehensive income for the period attributable to:		
– Owners of the Company	**2,827**	3,472
– Non-controlling interest	**(351)**	(451)
	2,476	3,021

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2013 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 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

2 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 2012, 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.

(a) The following new standards, interpretation and amendments/revisions to standards are mandatory for the first time for the financial year beginning 1 January 2013, but are not currently relevant for the Group and have had no impact upon the reported financial information.

HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 19 (Amendment)	Employee Benefits
HKAS 27 (Revised)	Separate Financial Statements
HKAS 28 (Revised)	Associates and Joint Ventures
HKFRS 1 (Amendment)	First Time Adoption on Government Loans
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurements
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine
Amendments to HKFRSs 10, 11 and 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
Annual improvements project	Improvements to HKASs and HKFRSs 2011

(b) The following new standards, interpretation and amendments to standards have been issued, but are not effective for the financial year beginning 1 January 2013 and have not been early adopted.

		Effective for accounting periods beginning on or after
HKAS 32 (Amendment)	Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date and Transition Disclosures	1 January 2015
HKFRS 9	Financial Instruments	1 January 2015
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-financial Assets	1 January 2014
Amendments to HKFRSs 10, 12 and HKAS 27 (Revised 2011)	Investment Entities	1 January 2014
HK(IFRIC) – Int 21	Levies	1 January 2014

The Group has already commenced an assessment of the impact of adopting the above new standards, interpretation and amendments to standards. The Group is not yet in a position to state whether substantial changes to the Group's accounting policies and financial statements presentation will result.

3 Segment analysis

The chief operating decision-maker has been identified as the Board of Directors collectively. The Directors review the Group's policies and information for the purposes of assessing performance and allocating resources.

The Group presents its operating segment results (below) based on the information reviewed by the chief operating decision-makers and used to make strategic decision. This information includes segment revenue, segment assets and capital expenditures.

The chief operating decision-makers 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	
	2013	2012
	US$'000	*US$'000*
Vietnam	**79,698**	83,778
The PRC	**17,342**	17,287
Japan	**40,434**	37,764
Taiwan	**7,735**	5,788
ASEAN member countries (other than Vietnam)	**16,647**	24,560
Other regions	**5,100**	10,789
	166,956	179,966

(ii) Capital expenditures

	Six months ended 30 June	
	2013	2012
	US$'000	*US$'000*
Vietnam	**2,403**	2,401
The PRC	**1,917**	912
	4,320	3,313

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	As at
	30 June	31 December
	2013	2012
	US$'000	*US$'000*
Vietnam	**271,482**	287,876
The PRC	**57,550**	57,082
Hong Kong	**7,457**	8,308
Taiwan	**698**	401
Singapore	**81**	62
	337,268	353,729

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

4 Trade receivables

	As at 30 June 2013 US$'000	As at 31 December 2012 US$'000
Trade receivables from third parties	**35,112**	43,207
Trade receivables from a related party	**336**	105
Less: provision for impairment of trade receivables	**(1,642)**	(1,609)
	33,806	41,703

The credit terms of trade receivables range from cash on delivery to 90 days. At 30 June 2013 and 31 December 2012, the ageing of the trade receivables based on invoice date were as follows:

	As at 30 June 2013 US$'000	As at 31 December 2012 US$'000
0 – 30 days	**29,802**	36,841
31 – 90 days	**1,551**	2,891
91 – 180 days	**1,772**	1,808
181 – 365 days	**738**	36
Over 365 days	**1,585**	1,736
	35,448	43,312

5 Trade payables

As at 30 June 2013, the ageing of the trade payables based on invoice date was as follows:

	As at 30 June 2013 *US$'000*	As at 31 December 2012 *US$'000*
0 – 30 days	**19,694**	18,978
31 – 90 days	**2,790**	3,921
91 – 180 days	**7**	170
181 – 365 days	**28**	3
Over 365 days	**–**	41
	22,519	23,113

6 Other (losses)/gains – net

	Six months ended 30 June	
	2013 *US$'000*	2012 *US$'000*
Net exchange losses	**(217)**	(66)
(Loss)/gain on disposal of property, plant and equipment	**(28)**	10
Sales of scrap materials	**147**	179
Others	**88**	167
	(10)	290

7 Gain on disposal of non-current assets held for sale

In November 2012, Veyu Enterprise Co. Ltd ("Veyu"), a wholly owned subsidiary of Vedan (Vietnam) Enterprise Corporation Limited ("Vietnam Vedan"), entered into an agreement with an independent third party, to dispose of its property, plant and equipment located in Gia Lai Province in Vietnam for VND 60,000,000,000 (equivalent to US$2,886,000). This transaction was completed in April 2013 and the relevant net gain of US$986,000 had been recognised during the period ended 30 June 2013.

8 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	
	2013	2012
	US$'000	*US$'000*
Changes in inventories of finished goods and work in progress	**(7,029)**	2,749
Raw materials and consumables used	**129,788**	126,857
Amortisation of intangible assets	**667**	729
Amortisation of land use rights	**26**	25
Depreciation on property, plant and equipment	**11,182**	11,718
Impairment charge on property, plant and equipment	**–**	322
Operating lease expenses in respect of leasehold land	**110**	97
Employee benefit expenses	**14,261**	13,195
Provision for impairment of trade receivables *(Note 4)*	**33**	74
Other expenses	**16,657**	19,209
Total cost of sales, selling and distribution expenses and administrative expenses	**165,695**	174,975

9 Finance (income)/costs – net

	Six months ended 30 June	
	2013	2012
	US$'000	*US$'000*
Finance income – interest income on short-term bank deposits	**(495)**	(521)
Interest expense on bank borrowings	**434**	610
Amortisation of discount on long-term payable to a related party	**–**	49
Finance costs	**434**	659
Finance (income)/costs – net	**(61)**	138

10 Income tax expense

Taxation on profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of income tax charged/(credited) to the consolidated income statement represents:

	Six months ended 30 June	
	2013	2012
	US$'000	*US$'000*
Enterprise income tax	**1,255**	2,247
Deferred income tax	**(487)**	(446)
	768	1,801

11 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company of US$1,920,000 (2012: US$3,673,000) by 1,522,742,000 (2012: 1,522,742,000) ordinary shares in issue during the period.

Diluted earnings per share is the same as basic earnings per share as there are no dilutive instruments for the periods ended 30 June 2013 and 2012.

12 Dividends

	Six months ended 30 June	
	2013	2012
	US$'000	*US$'000*
2012 final dividend, paid of 0.145 US cents (2011: 0.311 US cents) per ordinary share	**2,205**	4,740
2013 interim dividend, proposed of 0.101 US cents (2012 interim: 0.144 US cents) per ordinary share	**1,536**	2,200
	3,741	6,940

13 Subsequent event

On 15 August 2013, Vietnam Vedan entered into an Equipment Procurement Agreement with an independent third party, to purchase a Pulverized Coal Firing Boiler at a consideration of US$44,250,000 (equivalent to approximately HK$342,937,500).

MANAGEMENT DISCUSSION AND ANALYSIS

1. Business Overview

Major economies around the world reported varying economic performances in the first half of 2013. In the US, as a result of the implementation of quantitative easing (QE) policy and commencement of shale gas exploitation, its unemployment rate was progressively reduced and inflation was under effective control. Thus, the US economy is expected to continue on the road to recovery. In Japan, the new Prime Minister announced measures to depreciate the Japanese yen after taking office. Economic stimulus measures to promote growth there have also enjoyed initial success. In the PRC, due to continued appreciation of the RMB and soaring salaries, the country is transforming from a large exporter into a huge consumer. As growth continued to slow down, the Chinese economy recorded a GDP growth of 7.8% in the period under review, a slight decline of 0.2 percentage point when compared to the corresponding period last year. Countries in the European Union (EU) had persistently high unemployment rates and their economic recovery was adversely affected by many uncertainties and therefore should continue to face considerable difficulties. As for Vietnam, GDP growth was just 4.9% in the first half of 2013. Although the inflation rate dropped to 6.7%, it was still higher than the GDP growth rate. The Central Bank in Vietnam has cut interest rates three times during the period under review in order to stimulate the economy. However, the economic condition remained weak as the banks still faced the problem of doubtful debts, manufacturers were burdened with high inventories, and consumers were held back from spending by conservative sentiment.

The Group's revenue during the period reached US$166,956,000, a decline of 7.2% or US$13,010,000 year-on-year. This was mainly attributable to the sales decrease of US$11,683,000 and US$2,803,000 in MSG and GA respectively. Gross profit dropped by US$5,314,000 or approximately 17.6% year-on-year to US$24,916,000. Gross profit margin decreased to 14.9% from 16.8% in the corresponding period last year while net profit margin declined from 1.8% to 0.9%. Net profit amounted to US$1,521,000, a decline of 52.9% or US$1,707,000 year-on-year. Both revenue and profit declined during the period, the net profit in particular substantially dropped by 52.9%.

The main reasons for the decline in both revenue and profit during the period were: (1) as a result of price competition by the MSG players in the PRC with a low MSG selling price for both export markets and industrial use; (2) Vietnam Vedan's production cost of MSG soared notably due to substantial rising costs of natural gas and ammonia subsequently squeezing the Group's gross profit; (3) as the economic growth of Vietnam slowed down, consumer confidence remained weak and consumer spending power decreased. Guided by the consideration of "Profit is the top priority" as a responding measure, the Group has temporarily reduced the supply of lower margin industrial MSG, and instead has focused on branded and small-package MSG sales in order to strengthen its position as the market leader and lay a foundation for developing related consumer goods.

2. Business Analysis

(a) Sales Analysis by Product

Unit: US$'000

	Six Months Ended 30 June					
Product	**2013**		**2012**		**Difference**	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
MSG	116,558	69.8%	128,241	71.3%	(11,683)	(9.1%)
GA	167	0.1%	2,970	1.7%	(2,803)	(94.4%)
Modified starch/ Native starch	20,630	12.4%	22,539	12.5%	(1,909)	(8.5%)
Specialty chemicals	10,601	6.3%	10,320	5.7%	281	2.7%
Fertiliser and feed	15,193	9.1%	12,464	6.9%	2,729	21.9%
Others	3,807	2.3%	3,432	1.9%	375	10.9%
Total	166,956	100.0%	179,966	100.0%	(13,010)	(7.2%)

(i) MSG and GA

During the period, revenue of MSG operations reached US$116,558,000, accounting for 69.8% of total revenue, which was around 9.1% or US$11,683,000 lower than the same period last year. The decline was due to the drop of sales of MSG for industrial use, in particular in larger areas such as the EU and ASEAN where sales plummeted more than 90%. Other areas such as Vietnam also recorded moderate decreases, except for Japan which benefited from the stronger spending power of local consumers.

The Group has tentatively suspended almost all of the supply of GA to local players in Vietnam and so only US$167,000 of revenue was recorded, which was US$2,803,000, or around 94.4%, less than the corresponding period last year.

(ii) Modified starch/Native starch

In the first half of 2013, the revenue of native starch was 51.3%, or US$1,638,000 less than the same period last year, as the Group disposed Veyu, which mainly produces native starch in Gia Lai Province in Vietnam during the period. Hence, the production volume of this product decreased after the transaction. And the sales of modified starch were US$19,074,000, comparable with that during the same period last year.

(iii) Specialty chemicals/Fertiliser and feed

Specialty chemicals including hydrochloric acid, soda and bleach are sold in Vietnam. During the period, the sales volume of hydrochloric acid increased, which boosted the revenue of specialty chemicals by 2.7%, or US$281,000, to US$10,601,000, with its contribution to total revenue up from 5.7% to 6.3%.

Benefitting from higher added value of fertiliser and feed, the Group managed to increase the selling prices. Although sales in ASEAN member countries decreased, the revenue from Vietnam and Taiwan increased, so the revenue of these products amounted to US$15,193,000, 21.9% or US$2,729,000 higher than the same period last year. Its proportion of the total revenue of the Group climbed from 6.9% to 9.1% thus, the increasing importance of fertiliser and feed for the Group is clear.

(b) Sales Analysis by Market

Unit: US$'000

	Six Months Ended 30 June					
Area	**2013**		**2012**		**Difference**	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
Vietnam	79,698	47.7%	83,778	46.6%	(4,080)	(4.9%)
Japan	40,434	24.2%	37,764	21.0%	2,670	7.1%
The PRC	17,342	10.4%	17,287	9.6%	55	0.3%
ASEAN member countries	16,647	10.0%	24,560	13.6%	(7,913)	(32.2%)
Other regions	12,835	7.7%	16,577	9.2%	(3,742)	(22.6%)
Total	166,956	100.0%	179,966	100.0%	(13,010)	(7.2%)

(i) Vietnam

Facing decreasing consumer spending power and rising energy costs in Vietnam, the Group reduced its supply of GA, of lower margin, to local MSG players and cut sales of industrial MSG through its approach of "Profit is the top priority". As a result, the Group's sales from Vietnam dropped by US$4,080,000 or approximately 4.9% in the first half of 2013, and its total revenue amounted to US$79,698,000. Sales performance of other products such as specialty chemicals and modified starch remained comparable with that of last year.

(ii) Japan

Economic conditions in Japan have improved during the first half of the year. With the introduction of an economic stimulus policy by the local government and the rising spending power of consumers, the Group's revenue in Japan reached US$40,434,000, a growth of US$2,670,000 or approximately 7.1% year-on-year. Revenue from the Japanese market accounted for 24.2% of the Group's total revenue, up from 21.0% in the last corresponding period.

(iii) The PRC

Revenue in the PRC rose slightly by 0.3% to US$17,342,000. Sales of all products did not experience much changes. However, the gross profit of MSG increased slightly due to a decrease of cost of goods sold while revenue from modified starch achieved a growth of 4.6% during the period under review.

(iv) ASEAN member countries

During the period under review, revenue from ASEAN member countries was US$16,647,000, down by US$7,913,000 or approximately 32.2% from US$24,560,000 in the corresponding period last year. This was because the Group cancelled some low margin industrial MSG orders and focused more on the sale of its own branded and small package MSG sales in line with its strategic direction.

(v) Other regions

Revenue from other regions declined by US$3,742,000 or approximately 22.6% to US$12,835,000. Revenue from this market accounted for 7.7% of the Group's total revenue, down from 9.2% in the corresponding period last year. This was mainly attributed by the weak economic conditions in Europe and the low prices resulting from the price competition among industry peers.

3. Major Raw Materials Overview

(a) Cassava

After years of dedicated effort, the related plantation area in Vietnam reached 560,000 hectares with an annual production of 9,400,000 tonnes in 2012. In 2012, more than 4,200,000 tonnes of dried cassava and cassava starch were exported valued at US$1,350,000,000, making it the third largest agricultural export product in the country, right after rice and coffee. Vietnam is now the second largest producer of cassava and cassava starch-related products in the world.

With such wide applications, there is strong demand for cassava and cassava starch in the market. During the period, the price of cassava (raw material) was 8.5% higher than the corresponding period last year. Although cassava price may decline slightly in the short term, it is expected to increase to a new high after the governments of Thailand and Vietnam implement biomass-energy policies which encourage the production of cassava-based alcohol, in addition to increased use of cassava for conversion into alcohol in China.

(b) Molasses

During the period, oversupply of molasses around the world dragged down international prices of the product. In Vietnam, according to the data from the Molasses Industry Association, 16,000,000 tonnes of sugar cane was processed at large molasses factories there, and a record high of more than 1,500,000 tonnes of molasses were produced, so the product price slightly dropped during the period. However, the global supply is expected to be reduced by half in the coming six months, which will support a turnaround in the selling price because of the subsequent limited supply.

(c) Energy

Vietnam Vedan has replaced heavy oil with natural gas for power generation starting from 2003, the price of the latter has gradually climbed since 2010. In the first half of 2013, the price of natural gas was even 30% higher than the same period last year. During the period under review, the electricity costs in Vietnam increased by around 10%. Therefore, the production costs have also started to increase similarly and are expected to rise further in step with the cost of natural gas in the second half of the year.

4. Financial Review

(a) Liquidity and Financial Resources

In response to the Central Bank of Vietnam's moves to decrease the interest rate on Vietnam Dong deposits during the period, the Group utilised part of its deposits denominated in Vietnam Dong to repay the borrowings in US dollars. As at 30 June 2013, the Group had cash and bank deposits of US$34,288,000, which was around 31.4% or US$15,666,000 lower than the end of last year. Short-term bank borrowings amounted to US$21,463,000, which was US$6,489,000 or around 23.2% less than at the end of last year, while middle-to-long-term bank borrowings amounted to US$3,243,000 which was US$2,024,000 or around 38.4% less than at the end of last year. Total bank borrowings decreased by US$8,513,000, or around 25.6%, to US$24,706,000, of which 96.0% was denominated in US dollars and the remaining 4.0% denominated in New Taiwan dollars. The proportions of short-term and middle-to-long-term bank borrowings were 86.9% and 13.1%.

Trade receivables dropped US$7,897,000, or around 18.9%, to US$33,806,000, and around 84.1% of them were due within 30 days. Inventory amounted to US$107,974,000, an increase of US$16,878,000 (around 18.5%).

In light of the reduced borrowings, the gearing ratio (total borrowings to total capital ratio) was 8.3%, which was lower than the 10.9% at the end of last year. Net gearing ratio (total borrowings less cash and deposits to total capital ratio) was -3.2%. Current ratio increased from 2.8 at the end of last year to 3.4, due to the decrease in short-term bank borrowings and increase in inventories.

(b) Capital Expenditure

During the period under review, capital expenditure amounted to approximately US$4,320,000, US$1,007,000 more than the amount of US$3,313,000 in the corresponding period of 2012.

(c) Exchange Rate

For one and a half years the Vietnam Government had maintained the exchange rate at US$1 to 20,828 Vietnam Dong. On 28 June 2013, the Government finally adjusted the USD/VND rate to 21,036, a depreciation of 1%. Transactions within the rate plus or minus 1% are allowed in the local financial market. Experts expect the exchange rate to stablise during the second half of the year.

The Group's subsidiaries in the PRC, Shanghai Vedan Enterprise Co. Ltd., Shandong Vedan Snowflake Enterprise Co., Ltd. and Maotai Foods (Xiamen) Co. Ltd. focus on sales in China's domestic market. During the period, the value of the RMB appreciated by 1.73%.

(d) Dividend

Basic earnings per share for the period were 0.13 US cents. The Board of Directors decided to distribute a dividend of 0.101 US cents per share, with dividend payout ratio of 80%.

5. Prospects

As stated in the 2012 annual report, 2013 is likely to present an unfavourable and uncertain operating environment. In response, the Group intends to continue to implement its strategy and plans to advance its business towards its objective step by step. The Group is of the view that the second half of the year will be full of both challenges and opportunities.

While the PRC economy as well as various industries have been expanding rapidly for many years, its economic growth has started to slow down recently. Also affected by decline in global market demand, overcapacity can be seen in different sectors there, including the MSG industry in the PRC. In the first half of the year, the selling price of MSG in the country has remained at low levels because of oversupply but it is expected that some large factories will reduce production in the second half, and the selling price will likely rise by then. Regarding operations within the PRC, the Group completed the integration of two factories in the first half, and we began to see the benefit in better production efficiency. In the coming months, the Group plans to continue to improve procurement procedures including packaging material, raw materials and transportation, utilising outsourced services for flexibility. It also intends to strengthen the relationship between sales and production, and reducing sales of products with lower margins in order to boost the overall profitability in this area.

The economy in Vietnam has faced severe challenges in the first half of the year. Rising energy costs could not be reflected in the selling price and passed on to customers, which suppressed margins. In the second half of the year, the cost pressure has yet to disappear but the selling price may rise because the MSG players in the PRC will reduce production volume. The development of the amylase is expected to see results in the coming months. The construction of the maltose factory is nearly completed and should start production soon, which will benefit the diversification of starch business.

As the Group provides customised fertiliser products for customers, which has increased the value added of the product line, revenue from fertilisers recorded growth in the first half of the year. The Group will continue to increase its efforts to develop this segment in the future.

In order to further enhance the Group's business development and its manufacturing facilities in Vietnam, on 15 August 2013, Vietnam Vedan entered into the Equipment Procurement Agreement with an independent third party, to purchase the Pulverized Coal Firing Boiler at a consideration of US$44,250,000 (equivalent to approximately HK$342,937,500).

In the second half of the year, the Group will implement the measures set in its long term strategies as scheduled, including developing the alternative energy and carbohydrates solutions and arranging flexible production according to market demand, expanding business in the emerging countries within ASEAN, strengthening its brand and expanding its distribution channels and extending its market reach so as to establish middle to long term competitive advantages and growth drivers.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend for the six months ended 30 June 2013 of 0.101 US cents per share. The interim dividend will be paid on 10 October 2013 in HK dollar to shareholders whose name appear on the register of members of the Company on 27 September 2013. The HK$ equivalent of the interim dividend is 0.782 HK cents per share, which is based on the exchange rate of US$ against HK$ at US$1.00 to HK$7.7446 as quoted by The Hong Kong Association of Banks on 20 August 2013.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 25 September 2013 to Friday, 27 September 2013 (both days inclusive), during such period no transfer of the Company's shares will be registered. In order to be eligible to receive the interim dividend for the six months ended 30 June 2013, unregistered holders of the Company's shares must lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 24 September 2013.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased or sold or redeemed any of the Company's shares during the six months ended 30 June 2013.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has made specific enquiries of all Directors to confirm that they have complied with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules of the Hong Kong Stock Exchange") during the reporting period up to 30 June 2013.

COMPLIANCE WITH APPENDIX 14 OF THE LISTING RULES OF THE HONG KONG STOCK EXCHANGE

The Company has complied with the provisions of the Corporate Governance Code ("CG Code") set out in Appendix 14 of the Listing Rules of the Hong Kong Stock Exchange during the reporting period up to 30 June 2013.

In respect of code provisions A.6.7 and E.1.2 of the CG Code, Mr. HUANG, Ching-Jung and Mr. CHOU, Szu-Cheng, the Non-executive Directors and Mr. CHEN, Joen-Ray and Mr. HSIEH, Lung-Fa, two of the Independent Non-executive Directors were not in the position to attend the annual general meeting of the Company held on 21 May 2013 due to business commitments.

AUDIT COMMITTEE

The Audit Committee has reviewed with the 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 condensed consolidated financial information for the six months ended 30 June 2013. The Audit Committee comprises the four Independent Non-executive Directors of the Company.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement will be published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company's website (www.vedaninternational.com).

The Company's 2013 interim report will be dispatched to shareholders and published on the websites of the Company and The Stock Exchange of Hong Kong Limited in due course.

APPRECIATION

The Board 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
Vedan International (Holdings) Limited
YANG, Kun-Hsiang
Executive Director and Chief Executive Officer

Hong Kong
20 August 2013

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

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

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
Mr. HSIEH, Lung-Fa