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INTERNATIONAL

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)

**RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016**

FINANCIAL HIGHLIGHTS

	Year ended 31 December		Difference
	2016	2015	
	<i>US\$'000</i>	<i>US\$'000</i>	
Revenue	327,640	327,821	0%
Gross profit	79,030	60,703	30.2%
Profit for the year	22,233	11,830	87.9%
Profit attributable to owners	22,501	12,095	86.0%
Basic earnings per share	1.48 US cents	0.79 US cents	
Diluted earnings per share	1.48 US cents	0.79 US cents	
Final dividend proposed per share	0.837 US cents	0.301 US cents	
Total dividends paid and proposed per share	1.478 US cents	0.476 US cents	

RESULTS

The Board of Directors (the “Board”) of Vedan International (Holdings) Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2016, together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2016	2015
	Notes	US\$'000	US\$'000
Revenue	2, 5	327,640	327,821
Cost of sales	7	(248,610)	(267,118)
Gross profit		79,030	60,703
Other losses – net	6	(4,090)	(1,786)
Selling and distribution expenses	7	(21,517)	(20,737)
Administrative expenses	7	(24,743)	(21,937)
Operating profit		28,680	16,243
Finance income		686	799
Finance costs		(875)	(1,136)
Finance costs – net	8	(189)	(337)
Share of post-tax loss of an associate		(15)	(28)
Profit before income tax		28,476	15,878
Income tax expense	9	(6,243)	(4,048)
Profit for the year		22,233	11,830
Profit attributable to:			
Owners of the Company		22,501	12,095
Non-controlling interest		(268)	(265)
		22,233	11,830
Earnings per share for profit attributable to the owners of the Company during the year (expressed in US cents per share)			
Basic earnings per share	11	1.48	0.79
Diluted earnings per share	11	1.48	0.79

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>
Profit for the year	<u>22,233</u>	<u>11,830</u>
Other comprehensive loss:		
Item that may be reclassified to profit or loss		
Currency translation differences	<u>(2,073)</u>	<u>(2,789)</u>
Other comprehensive loss for the year, net of tax	<u>(2,073)</u>	<u>(2,789)</u>
Total comprehensive income for the year	<u><u>20,160</u></u>	<u><u>9,041</u></u>
Total comprehensive income/(loss) for the year attributable to:		
– Owners of the Company	<u>20,261</u>	9,159
– Non-controlling interest	<u>(101)</u>	<u>(118)</u>
Total comprehensive income for the year	<u><u>20,160</u></u>	<u><u>9,041</u></u>

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2016	2015
	Note	US\$'000	US\$'000
ASSETS			
Non-current assets			
Land use rights		2,321	2,544
Property, plant and equipment		143,263	156,603
Intangible assets		8,677	9,177
Long-term trade receivables	3	168	–
Long-term loan and receivables		90	70
Investment in an associate		3,350	3,365
Total non-current assets		157,869	171,759
Current assets			
Inventories		65,282	80,037
Trade receivables	3	27,825	29,863
Amount due from the non-controlling interest of a subsidiary		823	879
Short-term loan to an associate		120	120
Prepayments and other receivables		13,283	10,451
Short-term bank deposits		33,287	19,330
Cash and cash equivalents		55,210	44,190
Total current assets		195,830	184,870
Non-current assets held for sale		3,091	–
Total assets		356,790	356,629
EQUITY			
Equity attributable to owners of the Company			
Share capital		15,228	15,228
Reserves		266,307	260,390
		281,535	275,618
Non-controlling interest		(2,329)	(2,168)
Total equity		279,206	273,450

		As at 31 December	
		2016	2015
	<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
LIABILITIES			
Non-current liabilities			
Bank borrowings		24,190	28,613
Deferred income tax liabilities		3,416	4,178
Retirement benefit obligations		1,386	1,230
Long-term environmental provision		113	–
		<hr/>	<hr/>
Total non-current liabilities		29,105	34,021
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current liabilities			
Trade payables	4	18,296	10,686
Accruals and other payables		15,637	13,548
Amounts due to related parties		836	946
Bank borrowings		12,620	23,113
Current income tax liabilities		1,090	865
		<hr/>	<hr/>
Total current liabilities		48,479	49,158
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total liabilities		77,584	83,179
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total equity and liabilities		356,790	356,629
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NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1 Basis of preparation

The consolidated financial information of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial information have been prepared under the historical cost convention.

The preparation of consolidated financial information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

- (a) The following new standards, interpretations and amendments to standards are mandatory for the Company for the first time for the financial year beginning on or after 1 January 2016, but have not had any significant impact on the preparation of the consolidated financial information.

HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
HKAS 1 (Amendment)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements
Annual Improvements Project	Annual Improvements 2012-2014 Cycle

- (b) The following new standards, interpretation and amendments to standards have been issued, but are not effective for the financial year beginning on 1 January 2016 and have not been early adopted.

		Effective for annual periods beginning on or after
HKAS 7 (Amendments)	Statement of cash flows	1 January 2017
HKAS 12 (Amendments)	Income taxes	1 January 2017

		Effective for annual periods beginning on or after
HKFRS 2	Classification and Measurement of Share-based Payment Transactions (amendments)	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 (amendments)	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

2 Segment information

The chief operating decision-maker has been identified as the Executive 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-maker, and used to make strategic decisions. This information includes segment revenue, segment capital expenditure, segment assets, segment non-current assets, other than financial instruments and deferred income tax assets and segment liabilities.

The chief operating decision-maker considers the business mainly from a geographical aspect. In presenting information on the basis of operating segments, segment revenue is based on the geographical presence of customers. Segment capital expenditure, segment assets, segment non-current assets, other than financial instruments and deferred income tax assets and segment liabilities are based on the geographical location of the assets or liabilities.

The chief operating decision maker mainly assesses the performance based on revenue derived by each geographical segment and product nature. Accordingly, the segment performance is restricted to revenue information.

Revenue of approximately US\$34,126,000 (2015: US\$45,453,000) is derived from a single external customer located in Japan. This revenue is attributable to the MSG/GA segment.

(a) *Segment revenue*

	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
Vietnam	160,615	169,527
Japan	66,793	64,176
The PRC	31,853	34,480
America	19,042	11,031
Taiwan	10,649	12,765
ASEAN member countries (other than Vietnam)	32,422	28,992
Other regions	6,266	6,850
	<u>327,640</u>	<u>327,821</u>

	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
MSG/GA	228,893	230,344
Modified starch/Native starch	40,393	38,628
Specialty chemicals	22,518	22,557
Fertiliser and feed products	15,613	19,782
Others	20,223	16,510
	<u>327,640</u>	<u>327,821</u>

(b) *Capital expenditures*

	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
Vietnam	11,903	13,145
The PRC	250	151
	<u>12,153</u>	<u>13,296</u>

Capital expenditures are attributed to segments based on where the assets are located.

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

(c) *Assets*

	2016	2015
	<i>US\$'000</i>	<i>US\$'000</i>
Vietnam	285,341	298,634
The PRC	42,710	45,608
Hong Kong	28,211	10,784
Taiwan	384	1,511
Singapore	144	92
	<hr/>	<hr/>
Total assets per consolidated balance sheet	356,790	356,629
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Total assets are attributed to segments based on where the assets are located.

Property, plant and equipment are monitored by the management at the operating segment level. The following is a summary of amortisation, depreciation, impairment of non-current assets, income tax expense and share of loss of an associate for each operating segment.

	Amortisation and depreciation	Impairment	Income tax expense	Share of loss of an associate
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
2016				
Vietnam	17,438	2,882	6,117	15
The PRC	1,231	–	82	–
Others	–	–	44	–
	<hr/>	<hr/>	<hr/>	<hr/>
	18,669	2,882	6,243	15
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
2015				
Vietnam	19,615	1,790	3,989	28
The PRC	1,527	–	12	–
Others	–	–	47	–
	<hr/>	<hr/>	<hr/>	<hr/>
	21,142	1,790	4,048	28
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

(d) *Non-current assets, other than financial instruments, by location:*

	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
Vietnam	135,101	146,704
The PRC	<u>19,160</u>	<u>21,620</u>
Total	<u><u>154,261</u></u>	<u><u>168,324</u></u>

(e) *Liabilities*

	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
Vietnam	67,856	69,951
The PRC	4,617	3,880
Hong Kong	3,726	7,689
Taiwan	1,339	1,613
Singapore	<u>46</u>	<u>46</u>
Total liabilities per consolidated balance sheet	<u><u>77,584</u></u>	<u><u>83,179</u></u>

3 Trade receivables

	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
Non-current trade receivables	168	–
Current trade receivables	<u>27,825</u>	<u>29,863</u>
Total trade receivables	<u><u>27,993</u></u>	<u><u>29,863</u></u>
	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
Trade receivables from third parties	28,379	30,216
<i>Less: provision for impairment of trade receivables</i>	<u>(386)</u>	<u>(353)</u>
Trade receivables – net	<u><u>27,993</u></u>	<u><u>29,863</u></u>

The credit terms of trade receivables range from cash on delivery to 60 days. The Group may grant a longer credit period to certain customers and it is subject to the satisfactory results of credit assessment. The ageing of the trade receivables based on invoice date is as follows:

	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
0 – 30 days	26,388	27,124
31 – 90 days	770	1,920
91 – 180 days	271	624
181 – 365 days	584	166
Over 365 days	366	382
	28,379	30,216

4 Trade payables

At 31 December 2016, the ageing of trade payables based on invoice date is as follows:

	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
0 – 30 days	17,232	7,872
31 – 90 days	1,026	2,654
91 – 180 days	4	31
181 – 365 days	7	99
Over 365 days	27	30
	18,296	10,686

5 Revenue

The Group manufactures and sells fermentation-based food additives, biochemical products and cassava starch-based industrial products including modified starch, glucose syrup, MSG, soda and acid. Revenues recognised for the years ended 31 December 2016 and 2015 were US\$327,640,000 and US\$327,821,000 respectively.

6 Other losses – net

	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
Net exchange loss	(1,102)	(1,155)
Loss on disposal of property, plant and equipment	(176)	(474)
Impairment of property, plant and equipment	(2,882)	(1,790)
Sales of scrap materials	501	608
Gain on disposal of assets held for sale	–	460
Others	(431)	565
	<u>(4,090)</u>	<u>(1,786)</u>

7 Expenses by nature

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

	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
Changes in inventories and consumables used	196,996	216,542
Amortisation of intangible assets	133	318
Amortisation of land use rights	61	66
Auditor's remuneration		
– Audit services	320	305
– Non-audit services	5	30
Depreciation on property, plant and equipment	18,475	20,758
Operating leases expenses in respect of leasehold land	305	326
Employee benefit expenses	36,973	31,364
Provision/(reversal of provision) for impairment of trade receivables	33	(38)
Technical support fee	2,156	2,216
Travelling expenses	1,486	1,473
Transportation expenses	8,893	8,795
Advertising expenses	3,147	2,989
Other expenses	25,887	24,648
	<u>294,870</u>	<u>309,792</u>
Total cost of sales, selling and distribution expenses and administrative expenses	<u>294,870</u>	<u>309,792</u>

8 Finance costs – net

	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
Finance income	686	799
Interest expense on bank borrowings	(900)	(1,269)
<i>Less: amounts capitalised on qualifying assets</i>	25	133
Finance costs	(875)	(1,136)
Finance costs – net	(189)	(337)

9 Income tax expense

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

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

	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
Enterprise income tax (“EIT”)	6,993	4,633
Under-provision of income tax in previous years	12	9
Total current tax	7,005	4,642
Deferred income tax	(762)	(594)
	6,243	4,048

10 Dividends

A final dividend of US\$4,583,000 that relates to the year ended 31 December 2015 was declared in May 2016 and was paid in June 2016 (2015: nil).

The interim dividends paid in 2016 was US\$9,761,000 (0.641 US cents per share) (2015: US\$2,670,000, 0.175 US cents per share). A final dividend in respect of the year ended 31 December 2016 of 0.837 US cents per share, amounting to a total dividend of US\$12,740,000, is to be proposed for approval at the annual general meeting on 23 May 2017. These consolidated financial information do not reflect this dividend payable.

	2016 <i>US\$'000</i>	2015 <i>US\$'000</i>
Interim dividend paid of 0.641 US cents (2015: 0.175 US cents) per ordinary share	9,761	2,670
Proposed final dividend of 0.837 US cents (2015: 0.301 US cents) per ordinary share	<u>12,740</u>	<u>4,583</u>
	<u><u>22,501</u></u>	<u><u>7,253</u></u>

11 Earnings per share

(a) *Basic*

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2016	2015
Profit attributable to owners of the Company (<i>US\$'000</i>)	22,501	12,095
Weighted average number of ordinary shares in issue (<i>thousands</i>)	<u><u>1,522,742</u></u>	<u><u>1,522,742</u></u>
Basic earnings per share (<i>US cents per share</i>)	<u><u>1.48</u></u>	<u><u>0.79</u></u>

(b) *Diluted*

Diluted earnings per share is same as basic earnings per share as there are no dilutive instruments for the years ended 31 December 2016 and 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS OVERVIEW

In 2016, the recovery of the global economy continued to be sluggish, mainly because the pace of growth of developed countries including the US, Japan and Europe fell below expectations, the PRC economy has undergone a fundamental shift, political and economic conditions in Europe and the Middle East were unstable and the growth momentum of emerging markets slowed down. In addition, uncertainties brought by the course of Brexit after the referendum in June and other variables in the global economy have affected the financial markets, global trading and the confidence of consumers and investors. In 2016, global economic growth dropped to 2.4%, the lowest since the global financial tsunami in 2008.

Vietnam's Gross Domestic Product (GDP) grew 6.21% in 2016, lower than 6.68% in 2015, mainly due to weather change. In the first half of the year, Vietnam suffered from severe drought and soil salinisation, hence forestry and aquaculture only increased 1.36%, the lowest in five years, which dragged down the overall GDP growth. During the year, the Consumer Price Index (CPI) in Vietnam climbed to 2.66%, with prices of food and beverage products up around 2%. Besides, Vietnam recorded a trading surplus with foreign capital flowing into the country, so its foreign exchange reserve surged to a historical high of US\$41 billion, which can help to stabilise the exchange rate of the Vietnam Dong. The country's economic growth target for 2017 is 6.7%, and is expected to exceed the growth in 2016.

The Group's revenue for the year under review amounted to approximately US\$327,640,000, which was US\$181,000, slightly lower than in the previous year. Its gross profit of US\$79,030,000 leaped 30.2% or US\$18,327,000 above the previous year with overall gross profit margin up from 18.5% of the previous year to 24.1% in 2016. The Group's net profit for the year also surged US\$10,403,000 or 87.9% year-on-year to US\$22,233,000 with net profit margin up from 3.6% of the previous year to 6.8%. The profit growth during the period was mainly attributable to: 1) stable material and energy costs, 2) continuous strengthening of the brand and channels, and 3) a higher export market share. These factors are also likely to bolster the Group's operating performance in 2017. Although material and energy costs are expected to rise and in fact have slightly increased, the Vietnamese government has signed several free trade agreements. As the market has increasingly become more open, the economy in Vietnam is expected to rebound gradually. Therefore, the Group will strive to maintain steady performance in its operations, and the management is prudently optimistic about its business prospects in the near-term future.

2. FINANCIAL REVIEW

(1) Liquidity and Financial Resources

As at 31 December 2016, the Group had cash and short-term bank deposits of US\$88,497,000, US\$24,977,000 or around 39.3% higher than at the end of 2015. Short-term bank borrowings decreased by US\$10,493,000 or around 45.4% to US\$12,620,000 compared to the end of 2015, while mid-to-long-term bank borrowings declined by US\$4,423,000 or around 15.5% to US\$24,190,000. Total bank borrowings amounted to US\$36,810,000, US\$14,916,000 or around 28.8% less than that at the end of 2015. The borrowings were mainly denominated in US dollars, which accounted for 98.6% of the total, with the remaining 1.3% denominated in New Taiwan dollars. The proportions of short-term and medium-to-long-term bank borrowings were 34.3% and 65.7% respectively. Net interest expenses during the year dropped by about US\$148,000 from the corresponding period of the previous year.

Trade receivables for the period were US\$27,993,000, representing a decrease of US\$1,870,000 or around 6.3% when compared with the end of 2015. Around 93.0% of the trade receivables were due within 30 days. Total inventory was US\$65,282,000, down by US\$14,755,000 or around 18.4% when compared with that of the end of 2015.

The gearing ratio (total borrowings to total capital ratio) was 13.2% during the year, which was lower than 18.9% in the end of 2015 due to the decline in bank borrowings. And as cash was higher than borrowings, the Group's net gearing ratio (total borrowings less cash and deposits to total capital ratio) was -18.5%, a further drop from -4.3% at the end of 2015.

Current liabilities decreased sharply because of a decrease in short-term borrowings, so current ratio rose from 3.8 at the end of 2015 to 4.0, while the quick ratio increased from 2.1 to 2.7. The financial position of the Group remained sound.

(2) Capital expenditure

During the year, capital expenditure amounted to approximately US\$12,153,000, US\$1,143,000 lower than the capital expenditure of US\$13,296,000 recorded in the previous year.

3. EXCHANGE RATE

During the year, many foreign companies made investments in Vietnam based on their strong confidence in the future development of the country, and the investment capital inflow by way of foreign direct investment (FDI) was impressive. The annual foreign exchange reserve of Vietnam reached a historical high of US\$41,000,000,000, which has provided the Vietnam Dong support to maintain a stable exchange rate of the currency to the US dollar. The State Bank of Vietnam has adopted a new exchange rate management system since 4 January 2016, in which it adjusted the daily fixed exchange rate based on the domestic and overseas economic conditions of the day. This system has made the Vietnam Dong less vulnerable to the external impact and the foreign currency speculative activities. Consequently, the Vietnam Dong was relatively stable when compared with other currencies in the first half of the year. Since the second half of the year, the currency was also affected by the depreciation of the RMB, anxieties about Brexit and the US presidential election in November as well as the interest rate hike by the Federal Reserve in December. The sharp increase in the value of the US dollar has inevitably led to the depreciation of the Vietnam Dong, but the exchange rate remained relatively stable when compared with other currencies. The Vietnam Dong only depreciated against US dollar by 1.1% to 1.2% in 2016. The State Bank of Vietnam expects the imports into the country will continue to grow in 2017, but exports will tend to drop due to the comparatively weak competitive position of the Vietnam Dong against other currencies and could potentially cause the trade deficit. The international trade cash flow will also affect the exchange rate of the Vietnam Dong and the currency is generally expected to show a slight depreciation in 2017.

The Group's subsidiaries in the PRC are mainly for domestic distribution and the transactions there are denominated in RMB. During 2015, the median exchange rate of the RMB depreciated by 6%. Stepping into 2016, the RMB-USD exchange rate was better managed, with only a moderate increase recorded in the first quarter while it started to depreciate again in the second quarter of the year. It further depreciated after the result of the Brexit referendum in the UK was announced. The RMB depreciation suffered the biggest fall in 2016 since the RMB's huge depreciation in 1994. For the whole year of 2016, the RMB depreciated by 6.6%. Many experts believe that trend of depreciation of the RMB will continue in 2017.

Approximately 50% of the Group's revenue was in US dollars. This could basically balance out the need for the US dollars, so the potential exchange risk was relatively low. The Group continues to closely monitor the changes of exchange rates of various currencies and endeavours to avoid exchange loss resulting from large volatility in the operations as much as possible.

4. DIVIDENDS

Basic earnings per share were 1.48 US cents. The Board has resolved to declare the payment of a final dividend of 0.837 US cents. The dividend payout ratio was 100%.

5. PROSPECTS

Looking ahead to the development in 2017, amidst the changing global backdrop and economic shifts, global economic growth estimates are generally optimistic yet prudent. However, the overall economy and trade demand still has not demonstrated a recovery to any great extent. There is still excess production capacity and supply of products, while the price competition in the industry that the Group is involved in is expected to continue. Moreover, the uncertainties over the policies of the world's major countries lead to more complicated economic conditions in the future, which in turn cause uncertainties to the operations of the Group.

In recent years, the Group has reinforced its corporate structure, secured stable raw material supplies, improved production efficiency, stabilized production costs, enhanced marketing and business development efforts and developed new products, new markets and new customers and so on. As a consequence, initial signs of improvement are evident. Despite of facing numerous uncertainties in the future, the Group will continue to adhere to its development strategies and adopt measures to ensure such strategies are well-implemented, including:

- Product lines will be restructured to raise the proportion of high value-added products. The number of items with low gross profit will be reduced to maintain the reasonable product profitability.
- New products will be developed as the Group seeks out new markets. It will increase the number of new agents and customers, enhance the existing distribution channels and maximise the branding efforts so as to further reinforce the Group’s business development.
- The Group will strengthen the procurement of key materials in bulk quantities.
- The Group will continue to enhance production technology in order to improve the production efficiency, and at the same time continue to implement energy-saving projects.
- The Group will develop customised production techniques and enhance the production scale of new products by more effectively utilising its resources, collaborating with different industries and customers, and conducting regular evaluations. More products from third parties will be introduced to fulfill customers’ needs in a segmented market and bolster offerings to niche markets.
- Based on the strategy of “co-opetition,” the production base in Vietnam will be used to develop markets in ASEAN and FTA nations. This complementary relationship can develop relevant businesses with added value.
- The Group will consider pursuing its market penetration in ASEAN countries by setting up business footholds, so as to extend its business network from Vietnam, explore business opportunities for its products, broaden its brand influence and eventually expand its business presence.

- By strengthening its financial management, the Group can enhance efficiency and optimise the asset utilisation rate. Steps will also be taken to mitigate the risk of foreign exchange and interest rate fluctuations amidst the increased turbulence in financial markets.

The Group will maintain flexible approaches at operating level to cope with the rapidly changing business environment. Apart from maintaining fundamental operations, the Group will also devote more efforts to formulating strategies for new environments. While there are challenges in the current situation, there are still opportunities. The management is confident that by implementing strategies cautiously and prudently based on its solid business foundation and capturing opportunities actively and efficiently, the Group will achieve further breakthroughs and development in its operations.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's shares during the year ended 31 December 2016.

CORPORATE GOVERNANCE

The Company is strongly committed to maintaining good corporate governance. The Directors aim to continually review and enhance corporate governance practices of the Group.

Save and except for code provision E.1.2 as set out below, the Company has complied with the provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") during the reporting period:

In respect of code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting and should also invite the chairman of the audit, remuneration and nomination committees to attend. Mr. YANG, Tou-Hsiung, the Chairman of the Board was not able to attend the annual general meeting of the Company held on 24 May 2016 due to business commitments.

AUDIT COMMITTEE

The Audit Committee, comprising all the Independent Non-executive Directors of the Company, has reviewed the results of the Group for the year ended 31 December 2016 and has discussed with the management the accounting principles and practices adopted by the Group, and its internal controls and financial reporting matters.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

FINAL DIVIDEND, CLOSURE OF REGISTER OF MEMBERS AND RECORD DATE OF ANNUAL GENERAL MEETING

The Board recommended the payment of a final dividend of 0.837 US cents (2015: 0.301 US cents), subject to the approval of such final dividend by the shareholders at the annual general meeting of the Company to be held on 23 May 2017 (the "2017 Annual General Meeting"). It is expected that the proposed final dividend will be paid on or around 9 June 2017 to shareholders registered on 31 May 2017.

The register of members of the Company will be closed from Saturday, 27 May 2017 to Wednesday, 31 May 2017, both days inclusive during such period no transfer of shares will be effected. In order to be eligible to receive the proposed final dividend, unregistered holders of shares of the Company should ensure all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Tengis Limited, 22/F, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 26 May 2017.

The record date of the 2017 Annual General Meeting will be Wednesday, 17 May 2017. Shareholders whose names appear on the register of members of the Company on 17 May 2017 will be eligible to attend and vote at the 2017 Annual General Meeting.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement was published on the Hong Kong Stock Exchange's website at (www.hkexnews.hk) and the Company's website at (www.vedaninternational.com). The Company's 2016 annual report containing all the information required under the Listing Rules will be dispatched to shareholders and published on the websites of the Hong Kong Stock Exchange and the Company in due course.

OUR APPRECIATION

Finally, the Board would like to express our gratitude to the shareholders, business partners and customers for their unfaltering support. We would also like to thank our dedicated staff for their contributions to the Group.

By Order of the Board

Vedan International (Holdings) Limited

YANG, Kun-Hsiang

Executive Director and Chief Executive Officer

Hong Kong, 28 March 2017

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

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