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 2020

FINANCIAL HIGHLIGHTS

	Unaudited six months ended 30 June		
	2020	2019	**Change**
	US$'000	*US$'000*	
Revenue	**173,936**	175,176	(0.7%)
Gross profit	**30,827**	34,995	(11.9%)
Profit for the period	**5,894**	12,160	(51.5%)
Profit attributable to owners of the Company	**5,884**	12,148	(51.6%)
Basic earnings per share	**0.387 US cents**	0.8 US cents	
Diluted earnings per share	**0.387 US cents**	0.8 US cents	
Interim dividend proposed per share	**0.194 US cents**	0.4 US cents	
Total dividends paid and proposed per share	**0.194 US cents**	0.4 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 2020 together with the comparative figures for the corresponding period in the previous year.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30 June 2020** *US$'000*	Audited 31 December 2019 *US$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**160,371**	149,072
Right-of-use assets		**4,906**	5,073
Intangible assets		**4,579**	4,746
Long-term prepayments and other receivables		**3,017**	2,897
Investment in an associate		**5,820**	6,020
Total non-current assets		**178,693**	167,808
Current assets			
Inventories		**107,933**	95,828
Trade receivables	*4*	**34,226**	29,511
Prepayments and other receivables		**13,179**	15,975
Amount due from a related party		**376**	954
Structured bank deposits		**6,643**	2,293
Short-term bank deposits		**1,780**	15,980
Cash and cash equivalents		**32,219**	41,127
Total current assets		**196,356**	201,668
Total assets		**375,049**	369,476

	Note	Unaudited 30 June 2020 *US$'000*	Audited 31 December 2019 *US$'000*
EQUITY			
Share capital		**15,228**	15,228
Reserves		**274,333**	272,286
		289,561	287,514
Non-controlling interest		**223**	213
Total equity		**289,784**	287,727
LIABILITIES			
Non-current liabilities			
Bank borrowings		**16,826**	15,376
Lease liabilities		**2,917**	3,016
Deferred income tax liabilities		**2,323**	2,705
Retirement benefit obligations		**1,457**	1,414
Long-term environmental provision		**50**	444
Total non-current liabilities		**23,573**	22,955
Current liabilities			
Trade payables	*5*	**10,463**	12,784
Accruals and other payables		**14,878**	18,816
Amounts due to related parties		**2,349**	1,351
Bank borrowings		**31,698**	24,748
Lease liabilities		**196**	111
Current income tax liabilities		**2,108**	984
Total current liabilities		**61,692**	58,794
Total liabilities		**85,265**	81,749
Total equity and liabilities		**375,049**	369,476

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Six months ended 30 June	
		2020	2019
	Note	***US$'000***	*US$'000*
Revenue	*3*	**173,936**	175,176
Cost of sales	*7*	**(143,109)**	(140,181)
Gross profit		**30,827**	34,995
Other gains – net	*6*	**152**	4,063
Selling and distribution expenses	*7*	**(11,784)**	(12,678)
Administrative expenses	*7*	**(11,008)**	(11,766)
Operating profit		**8,187**	14,614
Finance income		**278**	398
Finance costs		**(361)**	(546)
Finance costs – net	*8*	**(83)**	(148)
Share of post-tax loss of an associate		**(200)**	(35)
Profit before income tax		**7,904**	14,431
Income tax expense	*9*	**(2,010)**	(2,271)
Profit for the period		**5,894**	12,160
Profit attributable to:			
– Owners of the Company		**5,884**	12,148
– Non-controlling interest		**10**	12
		5,894	12,160
Earnings per share for profit attributable to the owners of the Company			
– Basic and diluted earnings per share *(expressed in US cents)*	*10*	**0.39**	0.80

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June	
	2020	2019
	US$'000	*US$'000*
Profit for the period	**5,894**	12,160
Other comprehensive loss		
Items that may be reclassified to profit or loss		
Release of exchange reserve upon disposal of a subsidiary	**–**	(3,707)
Currency translation differences	**(578)**	(76)
Total comprehensive income for the period	**5,316**	8,377
Total comprehensive income for the period attributable to:		
– Owners of the Company	**5,306**	8,365
– Non-controlling interest	**10**	12
	5,316	8,377

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 Basis of preparation

This interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institution of Certified Public Accountants ("HKICPA"). The interim condensed consolidated financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, it should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), and any public announcements made by Vedan International (Holdings) Limited during the interim reporting period.

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

2 Accounting policies

Except as described in (a) below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2019, as described in the annual financial statements.

(a) The following new standards and amendments to standards are mandatory for the first time for the financial year beginning on 1 January 2020, but do not have any significant impact on the preparation of this interim condensed consolidated financial information.

HKFRS 3 (Amendments)	Definition of Business
HKAS 1 and HKAS 8 (Amendments)	Definition of Material
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Hedge Accounting (Amendments)

(b) The following new standards and amendments to standards have been issued, but are not effective for the financial year beginning on 1 January 2020 and have not been early adopted.

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 16 (Amendments)	Covid-19-related rent concessions	1 June 2020
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The directors of the Company are in the process of assessing the financial impact of the adoption of the above new standards and amendments to standards. The directors of the Company will adopt the new standards and amendments to standards when they become effective.

3 Segment information

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

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

The chief operating decision-maker considers 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***

	Unaudited Six months ended 30 June	
	2020	2019
	US$'000	*US$'000*
Vietnam	**81,259**	84,741
Japan	**32,051**	33,920
The PRC	**21,534**	20,050
The US	**13,012**	11,804
Taiwan	**9,981**	6,624
ASEAN member countries (other than Vietnam)	**12,239**	13,659
Other regions	**3,860**	4,378
Revenue per interim condensed consolidated income statement	**173,936**	175,176

	Unaudited Six months ended 30 June	
	2020	2019
	US$'000	*US$'000*
Timing of revenue recognition		
At a point in time	**173,936**	175,176

(ii) ***Capital expenditures***

	Unaudited Six months ended 30 June	
	2020	2019
	US$'000	*US$'000*
Vietnam	**20,839**	6,622
The PRC	**175**	193
	21,014	6,815

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

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

(iii) Total assets

	Unaudited **As at** **30 June** **2020** ***US$'000***	Audited As at 31 December 2019 *US$'000*
Vietnam	**328,450**	318,748
The PRC	**41,966**	42,797
Hong Kong	**3,148**	4,952
Taiwan	**1,054**	2,599
Singapore	**205**	236
Cambodia	**226**	144
	375,049	369,476

Total assets are attributed to segments based on where the assets are located.

4 Trade receivables

	Unaudited **As at** **30 June** **2020** ***US$'000***	Audited As at 31 December 2019 *US$'000*
Trade receivables from third parties	**34,679**	29,999
Less: loss allowance	**(453)**	(488)
Trade receivables – net	**34,226**	29,511

The credit terms of trade receivables generally range from cash on delivery to 90 days. The Group may grant a longer credit period to certain customers and it is subject to the satisfactory results of credit assessment. At 30 June 2020 and 31 December 2019, the ageing of the trade receivables based on invoice date was as follows:

	Unaudited As at 30 June 2020	Audited As at 31 December 2019
	US$'000	*US$'000*
0 – 30 days	**22,552**	21,622
31 – 90 days	**10,957**	6,906
91 – 180 days	**489**	697
181 – 365 days	**188**	354
Over 365 days	**493**	420
	34,679	29,999

Loss allowance of trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The closing loss allowance for trade receivables as at 30 June 2020 and 30 June 2019 reconciles to the opening loss allowance as follows:

	Unaudited Six months ended 30 June	
	2020	2019
	US$'000	*US$'000*
Opening loss allowance as at 1 January 2019 and 2020	**488**	498
(Decrease)/increase in loss allowance recognised in condensed consolidated income statement during the period	**(35)**	24
Closing loss allowance	**453**	522

5 Trade payables

As at 30 June 2020, the ageing of the trade payables based on invoice date was as follows:

	Unaudited As at 30 June 2020	Audited As at 31 December 2019
	US$'000	*US$'000*
0 – 30 days	**9,983**	11,976
31 – 90 days	**479**	808
91 – 180 days	**–**	–
Over 181 days	**1**	–
	10,463	12,784

6 Other gains – net

	Unaudited Six months ended 30 June	
	2020	2019
	US$'000	*US$'000*
Net exchange losses	**(98)**	(12)
Loss on disposal of property, plant and equipment	**(28)**	(71)
Gain on disposal of a subsidiary	**–**	3,940
Sales of scrap materials	**130**	342
Government grant	**3**	165
Fair value gain on structured bank deposits	**64**	–
Others	**81**	(301)
Other gains – net	**152**	4,063

7 Expenses by nature

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

	Unaudited	
	Six months ended 30 June	
	2020	2019
	US$'000	*US$'000*
Changes in inventories and consumables used	**115,921**	110,957
Amortisation of intangible assets	**57**	63
Amortisation of right-of-use assets	**167**	122
Auditors' remuneration	**154**	120
Depreciation on property, plant and equipment	**9,573**	10,057
Employee benefit expenses	**19,589**	19,329
Reversal of impairment of inventory	**(19)**	(219)
(Reversal of)/provision for loss allowance of trade receivables *(Note 4)*	**(35)**	24
Payment for short-term leases	**22**	48
Technical support fee	**1,503**	1,494
Travelling expenses	**767**	913
Transportation expenses	**3,784**	5,070
Advertising expenses	**1,920**	1,832
Other expenses	**12,498**	14,815
Total cost of sales, selling and distribution expenses and administrative expenses	**165,901**	164,625

8 Finance costs – net

	Unaudited Six months ended 30 June	
	2020	2019
	US$'000	*US$'000*
Finance income:		
– interest income on short-term bank deposits	**278**	350
– Unwinding of discount on non-current other receivable *(Note)*	**–**	48
Finance income	**278**	398
Finance costs:		
– Interest expense on bank borrowings	**(317)**	(511)
– Interest expenses on lease liabilities	**(44)**	(35)
Finance costs	**(361)**	(546)
Finance costs – net	**(83)**	(148)

Note:

On 22 February 2017, Vedan (Vietnam) Enterprise Corporation Limited entered into an agreement with an independent third party, to dispose of its property, plant and equipment of Ha Tinh plant at a consideration of US$3,400,000. The transaction was completed during 2017. According to the repayment schedule in the agreement, the outstanding balance as at 30 June 2020 of US$680,000 is repayable in 2020. The outstanding balance as at 30 June 2020 is non-interest bearing and is repayable within 1 year and accordingly, there was no discounting effect on this receivable for the six months ended 30 June 2020.

9 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 to the interim condensed consolidated income statement represents:

	Unaudited	
	Six months ended 30 June	
	2020	2019
	US$'000	*US$'000*
Enterprise income tax ("EIT")	**2,392**	2,487
Deferred income tax	**(382)**	(216)
	2,010	2,271

10 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company of US$5,884,000 (2019: US$12,148,000) by 1,522,742,000 (2019: 1,522,742,000) weighted average of ordinary shares in issue during the period.

Diluted earnings per share is the same as the basic earnings per share as there are no dilutive instruments for the periods ended 30 June 2020 and 2019.

11 Dividends

A final dividend of US$3,259,000 that relates to the year ended 31 December 2019 was declared on 19 May 2020 and paid in June 2020 (2019: US$4,042,000).

On 25 August 2020, the Board resolved to declare an interim dividend of 0.194 US cents per share (2019: 0.4 US cents). This interim dividend, amounting to US$2,947,000 (2019: US$6,080,000), has not been recognised as a liability in this interim condensed consolidated financial information.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS OVERVIEW

In the first half of this year, the global economy was severely impacted by the COVID-19 pandemic. According to the latest forecast by the International Monetary Fund (IMF), the global economy is estimated to contract by 4.9% in 2020. In spite of the gradual resumption of works in the PRC since February, the input and output of labour production have yet to return to the normal level. Besides, the flooding problem of several main rivers starting from June has added uncertainties to China's economic growth. Meanwhile, the US economic outlook remains highly uncertain, and most regions in the country have been locked down since March, leading to a significant contraction of economic activities. In the European Union, owing to the lockdowns in several regions, the economy contracted sharply in the first half of this year. Even though the economy stabilised in the second half of the year, the annual growth rate has yet to return to the positive level. In Japan, economy has slipped into deeper recession, and postponement of the Tokyo Olympic Games has posed negative impacts on the country's GDP. For the emerging countries, their economies are easily impacted by the difficult global economic environment due to high reliance on manufacturing exports and certain natural resources, thus their economies could enter recession for the first time in the past 60 years. Economic prospects of the Middle East countries do not appear to be optimistic either, as hit by the pandemic, sanctions and low oil prices. Moreover, the subsequent uncertainty of Sino-US trade conflicts and also various factors, including the restructuring of global supply chains, unemployment waves and debt issues, have resulted in the trends of weakening growth of the major economies around the world, bringing long-term challenges to the worldwide economies.

In Vietnam, the GDP grew by 1.81% in the first half of 2020, which was the lowest growth rate over the past decade but remained a relatively high level compared to other countries in the world. The CPI rose by 4.19%. Total imports and exports amounted to US$238,400,000,000, still with a trade surplus of approximately US$4,000,000,000. Foreign Direct Investment (FDI) was approximately US$15,670,000,000, equivalent to 85% of the amount in the same period of 2019, reflecting the effect of pandemic on the flows of foreign investment capital into Vietnam. The exchange rate of the Vietnam Dong against US dollar remained stable, only depreciating by 0.7%, mainly attributable to the supply and demand shifts in foreign exchange markets towards the shortage of US dollar. At present, as restrictions on the entry of foreigners are still being imposed by Vietnam, the pandemic situation of the country has been contained and relatively stable. However, its main trading partners are still struggling with the pandemic, so the country's economic growth is expected to slow down. Despite the fact that international landscape and conditions are expected to continue facing various unfavourable factors, a stable macroeconomic situation remains the main objective of Vietnam.

During the first half of 2020 (the "Period"), the Group's revenue amounted to approximately US$173,936,000, a drop of 0.7% or approximately US$1,240,000 compared to the first half of 2019 (the same period last year). The drop was mainly because of the declining market demand of specialty chemicals (soda and hydrochloric acid) due to the pandemic, resulting in a plunge in both sales volume and selling price. Since certain overseas markets adopted strategic price reduction due to price competition among the industry players, the revenue of MSG dropped. During the Period, the selling price of molasses raw materials rose significantly, whereas the selling price of cassava raw materials and energy price gradually stabilised. As the selling prices were unable to reflect the rising cost of products, the Group's gross profit margin declined during the Period. Moreover, the Group's net profit declined substantially as no exceptional gain was booked from the disposal of a subsidiary similar to the same period of 2019.

With regard to markets, revenue from Vietnam decreased by approximately US$3,482,000 or 4.1% year-on-year, mainly due to a significant reduction in the sales of specialty chemicals as a result of sharply lower demand and import price competition with other industry players. Revenue from the PRC market jumped by approximately US$1,484,000 or 7.4%. The notable revenue growth was mainly attributable to the effective marketing strategy of trading products. In Japan, revenue for the Period decreased by approximately US$1,869,000 or 5.5% year-on-year, mainly due to the lower demand for MSG and modified starch and intensified market competition. Revenue from the ASEAN market also declined by approximately US$1,420,000 or 10.4% year-on-year, mainly due to lower demand for MSG and modified starch and price competition in the market. Revenue from the US market for the first half of 2020 jumped by approximately US$1,208,000 or 10.2% year-on-year, driven by the higher sales volume of maltose. In Taiwan and other markets, revenue for the first half of the year climbed by approximately US$2,839,000 or 25.8%, mainly attributable to the notable revenue growth of MSG and modified starch.

With regard to products, the selling prices of most major products were adjusted downward due to price competition amidst the pandemic, hence the decline of revenue. Nonetheless, the Group's effort in developing high value-added products in recent years has started reaping the harvest, particularly the organic products of maltose and high-end products of modified starch. Consequently, selling prices increased significantly, and overall revenue rose by approximately US$836,000 or 2.8% year-on-year. As for other products, sales volume of coffee products and bulk food ingredients distributed in the PRC grew substantially, thereby driving up revenue by approximately US$3,964,000 or 59.2%.

The Group's gross profit for the Period amounted to approximately US$30,827,000, a fall of approximately US$4,168,000 or 11.9% compared to the same period of 2019. Its overall gross profit dropped to 17.7% from 20.0% in the same period of 2019. Its net profit declined by approximately US$6,266,000 or 51.5% year-on-year to approximately US$5,894,000, while net profit margin dropped to 3.4% from 6.9% in the same period of 2019. The decrease of gross profit and net profit during the Period was mainly due to higher production costs as a result of greater price hikes of some bulk raw materials. However, the selling prices of some products did not reflect the rising costs. Besides, compared to the gain (approximately US$3,940,000) generated from the disposal of a subsidiary Shandong Vedan Snowflake Enterprise Co., Ltd. in the same period of 2019, no similar disposal gain was booked during the Period.

II. BUSINESS ANALYSIS

(i) Sales Analysis by Market

Unit: US$'000

Country	**First Half of 2020**		**First Half of 2019**		**Difference**	
	Amount	***%***	*Amount*	*%*	*Amount*	*%*
Vietnam	**81,259**	**46.7%**	84,741	48.4%	(3,482)	(4.1%)
Japan	**32,051**	**18.4%**	33,920	19.4%	(1,869)	(5.5%)
PRC	**21,534**	**12.4%**	20,050	11.4%	1,484	7.4%
ASEAN	**12,239**	**7.0%**	13,659	7.8%	(1,420)	(10.4%)
US	**13,012**	**7.5%**	11,804	6.7%	1,208	10.2%
Others	**13,841**	**8.0%**	11,002	6.3%	2,839	25.8%
Total	**173,936**	**100.0%**	175,176	100.0%	(1,240)	(0.7%)

1. *Vietnam*

Vietnam is the largest market of the Group. In the first half of the year, revenue decreased by approximately US$3,482,000 or 4.1% year-on-year to approximately US$81,259,000. Sales volume and selling price of soda and hydrochloric acid products dropped because of the lower market demand and import price competition among industry players, resulting in a notable decline of revenue. Selling prices of MSG and modified starch decreased due to market competition, thus effectively pushing up the growth in sales volume and revenue. During the Period, the Group actively promoted new fertiliser products with higher added value, gradually adjusted its product structure and implemented price adjustment strategy. As a result, the profitability improved significantly despite the decline in overall revenue of fertiliser products. The overall revenue contribution from Vietnam to the Group's total revenue fell to 46.7% from 48.4% in the same period last year.

2. *Japan*

Japan remains the second largest market of the Group. However, as Japan's economy recovered in an even slower pace due to the outbreak of pandemic during the Period, sales volume and revenue of the market fell. Meanwhile, for modified starch, sales of high-end products were affected by the slowdown in market demand, thus overall revenue decreased. Revenue for the Period declined by approximately US$1,869,000 or 5.5% year-on-year to approximately US$32,051,000. The share of revenue from Japan fell to 18.4% from 19.4% in the same period last year.

3. *The PRC*

During the Period, revenue from the PRC market grew by approximately US$1,484,000 or 7.4% year-on-year to approximately US$21,534,000. The share of revenue from the PRC increased to 12.4% from 11.4% in the same period last year. The increase in revenue from the PRC market for the Period was mainly because of the wider range of trading products distributed in the PRC and strengthened management and cooperation in supply chains. Consequently, the market achieved better sales performance when compared to that of the same period last year, with significantly higher revenue.

4. The ASEAN market

Revenue from the ASEAN market, excluding Vietnam, fell by approximately US$1,420,000 or 10.4% year-on-year to approximately US$12,239,000 during the Period. The share of revenue from ASEAN market decreased to 7.0% from 7.8% in the same period last year. The decline of revenue in the Period was mainly due to the changes of market demand for modified starch amidst the pandemic and the low-price competition, leading to a more significant drop in both sales volume and revenue. Moreover, sales volume of MSG declined due to continued low-price competition in the market, resulting in a decrease of revenue. The Group has actively expanded in the ASEAN market, aiming to leverage its advantages in the industry for building an effective business model, forging close partnerships and capturing enormous business opportunities.

5. The US

Revenue from the US market rose by approximately US$1,208,000 or 10.2% year-on-year to approximately US$13,012,000 during the Period, accounting for 7.5% of the Group's total revenue, higher than 6.7% in the same period last year. The growth was mainly because the higher demand for organic products of maltose boosted both selling price and sales volume of the products. Consequently, revenue rose and contributed significantly to the profit. Since the Group has mastered the key technology with enhanced competitiveness of its products, it is expected to achieve impressive performance in the future.

6. Other markets

Other markets mainly include Taiwan, Korea and the European Union markets. Total revenue from the markets achieved a notable growth owing to the increase of sales volume of MSG and modified starch. Total revenue climbed by approximately US$2,839,000 or 25.8% year-on-year to approximately US$13,841,000. The contribution of revenue from the markets to the Group's total revenue rose to 8.0% from 6.3% in the same period last year.

(ii) Sales Analysis by Product

Unit: US$'000

Item	First Half of 2020		First Half of 2019		Difference	
	Amount	**%**	*Amount*	%	*Amount*	%
MSG & seasonings	**111,978**	**64.4%**	113,870	65.0%	(1,892)	(1.7%)
Modified starch & native starch & maltose	**30,223**	**17.4%**	29,387	16.8%	836	2.8%
Specialty chemicals	**9,199**	**5.3%**	12,704	7.3%	(3,505)	(27.6%)
Fertilisers and feed products	**11,881**	**6.8%**	12,524	7.1%	(643)	(5.1%)
Others	**10,655**	**6.1%**	6,691	3.8%	3,964	59.2%
Total	**173,936**	**100.0%**	175,176	100.0%	(1,240)	(0.7%)

1. MSG and seasonings

Revenue from MSG and seasonings products during the Period amounted to approximately US$111,978,000, a decrease of approximately US$1,892,000 or 1.7% year-on-year. The decline was mainly attributable to the significant lower demand in the PRC, Japan, US and European markets as affected by the COVID-19 pandemic in the first half and low-price competition among industry players, leading to a drop of both sales volume and revenue. Despite the sales growth in Vietnam and other markets, the performance of overall MSG and seasonings related products during the Period was still below the expectation. Thus the share of revenue decreased to 64.4% from 65.0% in the same period last year.

2. *Modified starch/native starch/maltose*

Overall sales of modified starch, native starch and maltose products were boosted as the selling price of cassava gradually stabilised. As a result, revenue from the products climbed by approximately US$836,000 or 2.8% year-on-year to approximately US$30,223,000. Sales of modified starch in the ASEAN market witnessed a greater decline due to the effect of low-price competition in the South East Asia. However, revenue from other markets achieved significant growth due to the recovery of demand for high-end modified starch. In particular, the increase in new customer base for organic maltose in the US market boosted sales volume of maltose and thus boosted the revenue growth. The revenue contribution from starch related products to the Group's total revenue climbed to 17.4% from 16.8% in the same period last year. The Group has actively developed high value-added products such as organic maltose and high-end modified starch and began to reap the harvest.

3. *Specialty chemicals and fertilisers and feed products*

Specialty chemicals including hydrochloric acid, soda and bleach are sold in the Vietnam's market. During the Period, users of basic chemical products were affected by the COVID-19 pandemic, so the demand of most customers in Vietnam and overseas shrank, which directly hit the output of specialty chemicals and stimulated price competition. Revenue from specialty chemicals amounted to approximately US$9,199,000 during the Period, down by 27.6% or around US$3,505,000, against the same period of 2019. This segment took up 5.3% of the Group's total revenue, compared to 7.3% in last corresponding period. In light of the intensified price competition of soda products, selling prices were lowered to maintain their competitiveness in the market. Hydrochloric acid also suffered from the keen competition of imported and local products. Considering the production and sales, overall sales volume of specialty chemicals dropped dramatically, along with the segmental results.

In general, fertilisers recorded lower revenue due to unstable weather and the decreasing product demand in Vietnam and the PRC. Regarding the feed products, as African swine fever was still spreading in Vietnam and deterred sales during the Period, the Group strategically adjusted production lines based on business needs. Though sales volume plunged during the Period, the Group proactively looked for new customers with new higher-end products that boast higher selling price and better profit margin. Revenue of fertilisers and feed products was approximately US$11,881,000, which decreased by 5.1% or US$643,000 from the last corresponding period, and its contribution to the Group's total revenue down from 7.1% to 6.8%.

4. Other products

Revenue of other products increased by 59.2%, or approximately US$3,964,000, from the same period of 2019 to approximately US$10,655,000, mainly attributable to higher sales volume of coffee beans and bulk food ingredients distributed in the PRC, thanks to the improved product mix and sales channel which boosted the revenue notably. This segment's contribution to the Group's total revenue grew from 3.8% to 6.1%.

III. MAJOR RAW MATERIALS/ENERGY OVERVIEW

(i) Cassava

In the production season of 2019/2020, countries like Vietnam, Thailand and Cambodia gradually resumed plantations. However, the COVID-19 pandemic has reduced the demand for ethanol, so the prices of cassava and starch raw materials remained stable compared to 2019. The cassava plantations still experienced pest problem, lower demand for feed products and plantations of alternative agricultural products, so product price and supply remained volatile. In the future, the Group will establish information linkage to strengthen strategic procurement and supply channel, timely seize the sources of raw materials, and ensure the supply of raw materials.

(ii) Molasses

Regarding the international price of molasses, decline in the output of major production areas including Thailand, India and EU areas in 2019/2020 created excessive demand for the product globally, and drove up product price to a new high in the year. However, the upward trend of molasses price reversed when the ethanol price in countries including Brazil and India decreased notably, and the supply-end changed because productions could not resume to normal in the short-term for the reason of pandemic. Given the bountiful harvest of major production nations in 2020/2021, global molasses output is expected to rise substantially by 6.1 million tonnes to 64.9 million tonnes, enough to offset the decrease of 5.8 million tonnes in the previous year. However, it is not equivalent to over-supply. Depending on the pace of economic recovery of that country, the demand for sugar cane and export of ethanol, the price of molasses will eventually go up after the market undergoes a short period of adjustment. Besides, Vietnam imported more molasses from the ASEAN countries, after its import quota was cancelled in the year, which affected and brought challenges to local molasses factories, including those supplied by the Group in Vietnam which is expected to reduce accordingly. The Group will keep an eye on any changes in the related product supply, and will look for alternative sugar sources, in order to secure a reliable supply of raw materials.

(iii) Energy

Compared to other bulk commodities, global coal production was less affected by the COVID-19 pandemic in the first half of 2020. Its annual output is expected to record moderate growth. However, as economic activities have slowed down amidst the pandemic, global coal and oil markets are expected to face excessive supply in the short term. Owing to the impacts of other unfavourable factors, international oil prices plummeted and coal price went downward. With regard to natural gas, as consumption plunged due to a warm winter in the northern hemisphere at the beginning of this year, over-supply of the product dragged down its price. According to the forecast of International Energy Agency ("IEA"), global energy demand in 2020 will decline year-on-year by 6%, of which natural gas will meet the biggest challenge of demand in history. However, experts estimate energy demand and supply to improve as the pandemic gradually mitigates in different countries in the second half of 2020, by then oil price will rebound. But for now, the Group will monitor the changes in energy industry.

Regarding the price of electricity, the Vietnamese government lowered tariff from April to June 2020 based on different demand of users, aiming to stabilise economic growth and alleviate the impacts of pandemic. The Group adopts a cogeneration power generation system for its part. As it mainly uses self-generated electricity, the adjusted electricity tariff has limited benefit on the Group.

IV. FINANCIAL REVIEW

(i) Liquidity and financial resources

The Group had cash and bank deposits of approximately US$40,642,000, down by US$18,758,000 or around 31.6% compared to the end of 2019. Short-term bank borrowings increased by US$6,950,000 or around 28.1% year-on-year to approximately US$31,698,000. Medium-to-long-term bank borrowings increased by US$1,450,000, or around 9.4%, to approximately US$16,826,000. Total bank borrowings were US$48,524,000, up by US$8,400,000 or around 20.9% compared to the end of 2019. Of the total borrowings, 97.6% were denominated in US dollars, while short-term and medium-to-long-term bank borrowings occupied 65.3% and 34.7% respectively.

Trade receivables were US$34,226,000, representing an increase of US$4,715,000 or around 16.0% compared to the end of 2019. Around 65.0% of the trade receivables were aged within 30 days. Total inventory was approximately US$107,933,000 as at 30 June 2020, up by US$12,105,000 or around 12.6% compared to the end of 2019. The increase in inventory was mainly attributable to the growth in raw materials inventory as the Group procured more bulk agricultural commodities during the Period.

As a result of the increase in both total borrowings and total equity, the Group's gearing ratio (total borrowings to total equity ratio) was 16.7%, slightly higher than the 13.9% recorded at the end of 2019. With cash on hand less than borrowings, net gearing ratio (total borrowings less cash and deposits to total equity ratio) reversed from –6.7% at the end of 2019 to 2.7%. During the Period, as the substantial increase of short-term borrowings increased the current liabilities, the Group's current ratio lowered from 3.4 at the end of 2019 to 3.2. The Group maintained a healthy financial structure.

(ii) Capital expenditure

During the Period, capital expenditure amounted to approximately US$21,014,000, or US$14,199,000 more than the capital expenditure of approximately US$6,815,000 recorded in the same period of 2019.

(iii) Exchange rate

Vietnam Dong has rebounded since the beginning of April 2020, and its exchange rate to US dollar gradually stabilised, given the impacts of pandemic on the global financial markets, and investors looking for safe haven for their assets which drove US dollar to record higher growth globally in the first half. The State Bank of Vietnam announced that the Vietnam Dong depreciated 0.7% in the first half of 2020, from 23,066 Vietnam Dong to USD1 at the end of June in 2019 to 23,229 Vietnam Dong to USD1 at the end of June in 2020. Benefited from improved macro-economy and effective management measures to stabilise the markets by the State Bank, FDI is expected to expand continuously and trading will record a surplus. Marrying the effective control of COVID-19 pandemic in the country, Vietnam Dong is expected to remain stable.

The Group's subsidiaries in the PRC are mainly responsible for local sales with transactions denominated in RMB. Following the mitigation of trade conflicts at the end of 2019, RMB to US dollar had been stabilising, but such trend was halted by the COVID-19 pandemic. In April 2020, the exchange rate of RMB to US dollar returned to RMB7 again. Facing the sluggish outlook of trade market, the growing tension of Sino-US relationship and the US presidential election, experts expect the exchange rate to be volatile moderately in the short-term and it is unlikely to rebound sharply. As such, the Group will continue to monitor the exchange rate trends.

(iv) Earnings per share and dividends

Basic and diluted earnings per share were 0.387 US cents for the Period. The Board has resolved to declare payment of an interim dividend of 0.194 US cents per share. The dividend payout ratio was 50%.

V. PROSPECTS

The global economic sentiment has been deteriorating significantly this year. Although various countries are expected to pass the peak of COVID-19 pandemic in the second half of 2020 and the global economy could start its recovery slowly, they still have to face various uncertainties, such as a potential new wave of infections after resuming the economic activities, international geopolitical risks and volatile Sino-US relationship.

Despite facing an uncertain operating environment and other difficulties such as intensified price competition and rapid change of industrial structure as the pandemic affects the supply and demand of energy, the Group already imposed alternative energy solutions a couple of years ago to reduce production costs. The moves to improve production efficiency, proactively develop new products, and strengthen the development of regional markets to gain brand recognition from customers also began to reap the harvest. In the future, the Group will march forward in an orderly manner according to its preset operational strategies. It will also accelerate the integration of upstream and downstream operations, set up alliance, enhance the ability of innovation to strengthen its competitiveness, and reinforce itself so as to reach the profit target. The main tasks and direction are listed below:

- Continues to optimise its strategic product mix to increase the proportion of higher-end products and those with added value, and improve products with lower margins in order to maintain market share and reasonable product margins.

- Further develops its current market channels and relationships with customers, actively expands other products and channels, and enlarges the scale of operations by exploring new markets in order to enhance its market presence and competitiveness of its brands, giving full play to its brand value.

- Continues to improve its production technology and product quality, develop related projects from core products for new markets, strengthen competitiveness, and explore alternative material solutions to reduce energy consumption and production costs.

- Captures the price trend of bulk raw materials, works with domestic and foreign factories, and executes strategic procurement plan.

- Utilises its production base in Vietnam to integrate resources and strengthen supply chains, continues to develop the ASEAN, Middle Asia, EU markets, and the markets which are signatories of the Free Trade Agreement (FTA), The European Union-Vietnam Free Trade Agreement (EVFTA), Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and Regional Comprehensive Economic Partnership (RCEP), with the purpose of expanding profitable businesses.

- Establishes a strategic organisational structure and special strategic teams, explores products or distribution products that match its business needs, develops products that suit customer demand, establishes strategic alliance with supplier or customer to enhance its core competitiveness and improve revenue, profit and economies of scale.

- Accelerates informatisation and electronic process to strengthen financial management, improve the efficiency of capital use, better control the risks of exchange and interest rates amidst the volatility of international financial markets, and optimise the operational efficiency of management and business expansion.

Looking into the second half, the markets will be filled with uncertainties and changes. The Group's operations will face numerous challenges, but with its already in place operational strategies, enhanced development of domestic and overseas markets, a well-established sales network, and advantage of exporting an array of products from Vietnamese factories, the Group is confident to overcome these difficulties, leverage its integrated operational strength and create a strong momentum of growth.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend for the six months ended 30 June 2020 of 0.194 US cents per share. The interim dividend will be paid on 7 October 2020 in HK dollar to shareholders whose names appear on the register of members of the Company on 22 September 2020. The HK$ equivalent of the interim dividend is 1.49768 HK cents per share, which is based on the exchange rate of US$ against HK$ at US$1.00 to HK$7.7200 as quoted by The Hong Kong Association of Banks on 25 August 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 18 September 2020 to Tuesday, 22 September 2020 (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 2020, 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Thursday, 17 September 2020.

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 2020.

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 2020.

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 2020, save and except for the below code provision.

In respect of code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. Mr. YANG, Tou-Hsiung, the Chairman of the Board could not attend the annual general meeting of the Company held on 19 May 2020 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 2020. The Audit Committee comprises the four Independent Non-executive Directors of the Company since 22 October 2018.

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2020 have been reviewed by the Group's auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The Audit Committee has reviewed the interim results for the six months ended 30 June 2020.

PUBLICATION OF INTERIM REPORT

The Company's interim report for the six months ended 30 June 2020 containing all the relevant information required by Appendix 16 to the Listing Rules of the Hong Kong Stock Exchange will be dispatched to shareholders and published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.vedaninternational.com) 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, 25 August 2020

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. HUANG, Chung-Fong