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**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 2022**

**FINANCIAL HIGHLIGHTS**

|  | Unaudited six months<br>ended 30 June |                  | Change  |
|--|---------------------------------------|------------------|---------|
|  | 2022<br>US\$'000                      | 2021<br>US\$'000 |         |
| Revenue  | 229,277                               | 196,085          | 16.9%   |
| Gross profit   | 25,268                                | 38,022           | -33.5%  |
| (Loss)/profit for the period                           | (212)                                 | 10,382           | -102.0% |
| (Loss)/profit attributable to owners of the<br>Company | (216)                                 | 10,367           | -102.1% |
| Basic (loss)/earnings per share                        | (0.01) US cents                       | 0.68 US cents    |         |
| Diluted (loss)/earnings per share                      | (0.01) US cents                       | 0.68 US cents    |         |
| Interim dividend proposed per share                    | - US cents                            | 0.272 US cents   |         |
| Total dividends paid and proposed per share            | - US cents                            | 0.272 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 2022 together with the comparative figures for the corresponding period in the previous year.

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

|   |             | <b>Unaudited</b> | Audited         |
|---|-------------|------------------|-----------------|
|   |             | <b>30 June</b>   | 31 December     |
|   |             | <b>2022</b>      | 2021            |
|   | <i>Note</i> | <b>US\$'000</b>  | <b>US\$'000</b> |
| <b>ASSETS</b>   |             |                  |                 |
| <b>Non-current assets</b>                             |             |                  |                 |
| Property, plant and equipment                         |             | <b>154,461</b>   | 158,339         |
| Right-of-use assets                                   |             | <b>4,835</b>     | 4,841           |
| Intangible assets                                     |             | <b>2,085</b>     | 2,100           |
| Long-term prepayments and other receivables           |             | <b>2,108</b>     | 2,718           |
| Investment in an associate                            |             | <b>4,401</b>     | 4,702           |
|   |             | <hr/>            | <hr/>           |
| <b>Total non-current assets</b>                       |             | <b>167,890</b>   | 172,700         |
|   |             | <hr/>            | <hr/>           |
| <b>Current assets</b>                                 |             |                  |                 |
| Inventories   |             | <b>127,102</b>   | 101,648         |
| Trade receivables                                     | 4           | <b>43,557</b>    | 32,164          |
| Prepayments and other receivables                     |             | <b>20,276</b>    | 11,449          |
| Amounts due from related parties                      |             | <b>1,038</b>     | 1,442           |
| Structured bank deposits                              |             | <b>888</b>       | 2,533           |
| Short-term bank deposits and<br>pledged bank deposits |             | –                | 1,075           |
| Cash and cash equivalents                             |             | <b>31,642</b>    | 66,136          |
|   |             | <hr/>            | <hr/>           |
| <b>Total current assets</b>                           |             | <b>224,503</b>   | 216,447         |
|   |             | <hr/>            | <hr/>           |
| <b>Total assets</b>                                   |             | <b>392,393</b>   | 389,147         |
|   |             | <hr/> <hr/>      | <hr/> <hr/>     |

|   | <b>Unaudited</b>      | Audited               |
|---|-----------------------|-----------------------|
|   | <b>30 June</b>        | 31 December           |
|   | <b>2022</b>           | 2021                  |
| <i>Note</i>   | <b>US\$'000</b>       | <b>US\$'000</b>       |
| <b>EQUITY</b>                                       |                       |                       |
| <b>Equity attributable to owners of the Company</b> |                       |                       |
| Share capital                                       | 15,228                | 15,228                |
| Reserves  | <u>282,300</u>        | <u>286,561</u>        |
|   | <b>297,528</b>        | 301,789               |
| Non-controlling interest                            | <u>232</u>            | <u>228</u>            |
| <b>Total equity</b>                                 | <u><b>297,760</b></u> | <u><b>302,017</b></u> |
| <b>LIABILITIES</b>                                  |                       |                       |
| <b>Non-current liabilities</b>                      |                       |                       |
| Bank borrowings                                     | 5,696                 | 8,647                 |
| Lease liabilities                                   | 2,569                 | 2,650                 |
| Deferred income tax liabilities                     | 819                   | 1,665                 |
| Retirement benefit obligations                      | <u>1,485</u>          | <u>1,505</u>          |
| <b>Total non-current liabilities</b>                | <u><b>10,569</b></u>  | <u><b>14,467</b></u>  |
| <b>Current liabilities</b>                          |                       |                       |
| Trade payables                                      | 5 18,913              | 17,510                |
| Accruals and other payables                         | 15,809                | 21,316                |
| Amounts due to related parties                      | 2,180                 | 517                   |
| Bank borrowings                                     | 45,148                | 31,661                |
| Lease liabilities                                   | 400                   | 369                   |
| Current income tax liabilities                      | <u>1,614</u>          | <u>1,290</u>          |
| <b>Total current liabilities</b>                    | <u><b>84,064</b></u>  | <u><b>72,663</b></u>  |
| <b>Total liabilities</b>                            | <u><b>94,633</b></u>  | <u><b>87,130</b></u>  |
| <b>Total equity and liabilities</b>                 | <u><b>392,393</b></u> | <u><b>389,147</b></u> |

## INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

|  | <i>Note</i> | Unaudited                |                  |
|--|-------------|--------------------------|------------------|
|  |             | Six months ended 30 June |                  |
|  |             | 2022                     | 2021             |
|  |             | <i>US\$'000</i>          | <i>US\$'000</i>  |
| Revenue  | 3           | 229,277                  | 196,085          |
| Cost of sales  | 7           | <u>(204,009)</u>         | <u>(158,063)</u> |
| <b>Gross profit</b>  |             | <b>25,268</b>            | 38,022           |
| Other gains – net  | 6           | 255                      | 581              |
| Selling and distribution expenses  | 7           | (12,408)                 | (11,814)         |
| Administrative expenses  | 7           | <u>(11,946)</u>          | <u>(13,389)</u>  |
| <b>Operating profit</b>  |             | <u>1,169</u>             | <u>13,400</u>    |
| Finance income   |             | 120                      | 350              |
| Finance costs  |             | <u>(268)</u>             | <u>(157)</u>     |
| Finance (costs)/income – net   | 8           | <u>(148)</u>             | <u>193</u>       |
| Share of post-tax loss of an associate   |             | <u>(301)</u>             | <u>(138)</u>     |
| <b>Profit before income tax</b>  |             | <b>720</b>               | 13,455           |
| Income tax expense   | 9           | <u>(932)</u>             | <u>(3,073)</u>   |
| <b>(Loss)/profit for the period</b>  |             | <u>(212)</u>             | <u>10,382</u>    |
| <b>(Loss)/profit attributable to:</b>  |             |                          |                  |
| – Owners of the Company  |             | (216)                    | 10,367           |
| – Non-controlling interest   |             | <u>4</u>                 | <u>15</u>        |
|  |             | <u>(212)</u>             | <u>10,382</u>    |
| <b>(Loss)/earnings per share for (loss)/profit attributable to the owners of the Company</b> |             |                          |                  |
| – Basic and diluted (loss)/earnings per share<br>(expressed in US cents)                     | 10          | <u>(0.01)</u>            | <u>0.68</u>      |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

|  | <b>Unaudited</b>                |                      |
|--|---------------------------------|----------------------|
|  | <b>Six months ended 30 June</b> |                      |
|  | <b>2022</b>                     | 2021                 |
|  | <i>US\$'000</i>                 | <i>US\$'000</i>      |
| <b>(Loss)/profit for the period</b>  | <b>(212)</b>                    | 10,382               |
| <b>Other comprehensive (loss)/income</b>                                     |                                 |                      |
| <i>Items that may be reclassified to profit or loss</i>                      |                                 |                      |
| Currency translation differences   | <u>(1,579)</u>                  | <u>446</u>           |
| <b>Total comprehensive (loss)/income for the period</b>                      | <b><u>(1,791)</u></b>           | <b><u>10,828</u></b> |
| <b>Total comprehensive (loss)/income for<br/>the period attributable to:</b> |                                 |                      |
| – Owners of the Company  | <b>(1,795)</b>                  | 10,813               |
| – Non-controlling interest   | <u>4</u>                        | <u>15</u>            |
|  | <b><u>(1,791)</u></b>           | <b><u>10,828</u></b> |

# 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 2022 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 2021, 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 2021, 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 2022, but do not have any significant impact on the preparation of this interim condensed consolidated financial information.

|  |   |
|--|---|
| HKFRS 16 (Amendments)                    | COVID-19-Related Rent Concessions beyond 30 June 2021       |
| HKAS 16 (Amendments)                     | Property, Plant and Equipment: Proceeds before intended use |
| HKAS 37 (Amendments)                     | Onerous Contracts – Cost of Fulfilling a Contract           |
| HKFRS 3 (Amendments)                     | Reference to the Conceptual Framework                       |
| AG 5 (Revised)                           | Merger Accounting for Common Control Combinations           |
| Annual Improvements Project (Amendments) | Annual Improvements to HKFRSs 2018 – 2020                   |

- (b) The following new standards, amendments to standards, interpretation and accounting guideline (collectively “Amendments”) have been issued, but are not effective for the financial year beginning on 1 January 2022 and have not been early adopted.

|  |   | <b>Effective for<br/>annual periods<br/>beginning<br/>on or after</b> |
|--|---|---|
| HKAS 1 (Amendments)                                | Classification of Liabilities as Current or Non-current   | 1 January 2023  |
| HKFRS 17   | Insurance Contracts   | 1 January 2023  |
| HKFRS 17 (Amendments)                              | Amendments to HKFRS 17  | 1 January 2023  |
| HKAS 1 and HKFRS Practice Statement 2 (Amendments) | Disclosure of Accounting Policies   | 1 January 2023  |
| HKAS 8 (Amendments)                                | Definition of Accounting Estimates  | 1 January 2023  |
| HKAS 12 (Amendments)                               | Deferred Tax related to Assets and Liabilities arising from a Single Transaction  | 1 January 2023  |
| HK-Int 5 (2020)                                    | Presentation of Financial Statement<br>– Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause | 1 January 2023  |
| 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 Amendments. The directors of the Company will adopt the Amendments 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. During the period ended 30 June 2022, the Group has been operating in one single business segment, i.e. the manufacture and sale of fermentation-based food additives, biochemical products and cassava starch-based industrial products including modified starch, glucose syrup, MSG, soda, GA and others (2021: same).

#### (i) Segment revenue

|                               | Unaudited                |                |
|-------------------------------|--------------------------|----------------|
|                               | Six months ended 30 June |                |
|                               | 2022                     | 2021           |
|                               | US\$'000                 | US\$'000       |
| Sales of goods                |                          |                |
| Timing of revenue recognition |                          |                |
| At a point in time            | <u>229,277</u>           | <u>196,085</u> |

The Group's revenue by geographical location, which is determined by the geographical presence of customers, is as follows:

|   | Unaudited                |                |
|---|--------------------------|----------------|
|   | Six months ended 30 June |                |
|   | 2022                     | 2021           |
|   | US\$'000                 | US\$'000       |
| Vietnam                                     | 100,472                  | 88,526         |
| Japan                                       | 39,980                   | 32,379         |
| The PRC                                     | 29,814                   | 31,095         |
| The US                                      | 18,735                   | 13,551         |
| Taiwan                                      | 16,343                   | 12,071         |
| ASEAN member countries (other than Vietnam) | 16,549                   | 13,855         |
| Other regions                               | <u>7,384</u>             | <u>4,608</u>   |
| Total revenue                               | <u>229,277</u>           | <u>196,085</u> |



(ii) Non-current assets, other than long-term prepayments and other receivables, by location, which is determined by the country in which the asset is located, are as follows:

|         | <b>Unaudited</b> | Audited     |
|---------|------------------|-------------|
|         | <b>As at</b>     | As at       |
|         | <b>30 June</b>   | 31 December |
|         | <b>2022</b>      | 2021        |
|         | <b>US\$'000</b>  | US\$'000    |
| Vietnam | <b>155,076</b>   | 158,693     |
| The PRC | <b>10,704</b>    | 11,287      |
| Others  | <b>2</b>         | 2           |
|         | <b>165,782</b>   | 169,982     |

#### 4. Trade receivables

|                                      | <b>Unaudited</b> | Audited     |
|--------------------------------------|------------------|-------------|
|                                      | <b>As at</b>     | As at       |
|                                      | <b>30 June</b>   | 31 December |
|                                      | <b>2022</b>      | 2021        |
|                                      | <b>US\$'000</b>  | US\$'000    |
| Trade receivables from third parties | <b>43,864</b>    | 32,487      |
| Less: loss allowance                 | <b>(307)</b>     | (323)       |
| <b>Trade receivables – net</b>       | <b>43,557</b>    | 32,164      |

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 2022 and 31 December 2021, the ageing of the trade receivables based on invoice date was as follows:

|                | <b>Unaudited</b>     | Audited       |
|----------------|----------------------|---------------|
|                | <b>As at</b>         | As at         |
|                | <b>30 June</b>       | 31 December   |
|                | <b>2022</b>          | 2021          |
|                | <b>US\$'000</b>      | US\$'000      |
| 0 – 30 days    | <b>28,687</b>        | 21,790        |
| 31 – 90 days   | <b>14,326</b>        | 9,694         |
| 91 – 180 days  | <b>403</b>           | 368           |
| 181 – 365 days | <b>138</b>           | 124           |
| Over 365 days  | <b>310</b>           | 511           |
|                | <u><b>43,864</b></u> | <u>32,487</u> |

#### ***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 2022 and 2021 reconciles to the opening loss allowance as follows:

|  | <b>Unaudited</b>                |             |
|--|---------------------------------|-------------|
|  | <b>Six months ended 30 June</b> |             |
|  | <b>2022</b>                     | 2021        |
|  | <b>US\$'000</b>                 | US\$'000    |
| Opening loss allowance as at 1 January   | <b>323</b>                      | 362         |
| Decrease in loss allowance recognised in condensed consolidated income statement during the period | <u><b>(16)</b></u>              | <u>(12)</u> |
| Closing loss allowance as at 30 June   | <u><b>307</b></u>               | <u>350</u>  |

## 5. Trade payables

As at 30 June 2022 and 31 December 2021, the ageing of the trade payables based on invoice date was as follows:

|               | <b>Unaudited</b>       | Audited         |
|---------------|------------------------|-----------------|
|               | <b>As at</b>           | As at           |
|               | <b>30 June</b>         | 31 December     |
|               | <b>2022</b>            | 2021            |
|               | <b><i>US\$'000</i></b> | <i>US\$'000</i> |
| 0 – 30 days   | <b>15,739</b>          | 16,851          |
| 31 – 90 days  | <b>2,848</b>           | 659             |
| 91 – 180 days | <b>326</b>             | –               |
|               | <b>18,913</b>          | 17,510          |

## 6. Other gains – net

|  | <b>Unaudited</b>                |                 |
|--|---------------------------------|-----------------|
|  | <b>Six months ended 30 June</b> |                 |
|  | <b>2022</b>                     | 2021            |
|  | <b><i>US\$'000</i></b>          | <i>US\$'000</i> |
| Net exchange (losses)/gains                              | <b>(113)</b>                    | 115             |
| (Loss)/gain on disposal of property, plant and equipment | <b>(18)</b>                     | 49              |
| Sales of scrap materials                                 | <b>170</b>                      | 140             |
| Government grant   | <b>34</b>                       | 58              |
| Fair value gain on structured bank deposits              | <b>58</b>                       | 75              |
| Others   | <b>124</b>                      | 144             |
|  | <b>255</b>                      | 581             |

## 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 |                |
|   | 2022                     | 2021           |
|   | US\$'000                 | US\$'000       |
| Changes in inventories and consumables used   | 173,419                  | 127,705        |
| Amortisation of intangible assets   | 69                       | 57             |
| Amortisation of right-of-use assets   | 250                      | 161            |
| Auditors' remuneration  | 130                      | 137            |
| Depreciation on property, plant and equipment   | 8,805                    | 9,142          |
| Employee benefit expenses   | 20,111                   | 21,938         |
| Reversal of loss allowance of trade receivables ( <i>Note 4</i> )                     | (16)                     | (12)           |
| Payment for short-term leases   | 25                       | 31             |
| Technical support fee   | 1,994                    | 1,670          |
| Travelling expenses   | 779                      | 825            |
| Transportation expenses   | 8,120                    | 5,781          |
| Advertising expenses  | 1,136                    | 2,051          |
| Other expenses  | 13,541                   | 13,780         |
|   | <hr/>                    | <hr/>          |
| Total cost of sales, selling and distribution expenses<br>and administrative expenses | <b>228,363</b>           | <b>183,266</b> |

**8. Finance (costs)/income – net**

|   | <b>Unaudited</b>                |                   |
|---|---------------------------------|-------------------|
|   | <b>Six months ended 30 June</b> |                   |
|   | <b>2022</b>                     | <b>2021</b>       |
|   | <b>US\$'000</b>                 | <b>US\$'000</b>   |
| <b>Finance income:</b>                        |                                 |                   |
| – Interest income on short-term bank deposits | <u>120</u>                      | <u>350</u>        |
| <b>Finance costs:</b>                         |                                 |                   |
| – Interest expense on bank borrowings         | (222)                           | (118)             |
| – Interest expenses on lease liabilities      | <u>(46)</u>                     | <u>(39)</u>       |
| Finance costs                                 | <u>(268)</u>                    | <u>(157)</u>      |
| <b>Finance (costs)/income – net</b>           | <b><u>(148)</u></b>             | <b><u>193</u></b> |

**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:

|                               | <b>Unaudited</b>                |                     |
|-------------------------------|---------------------------------|---------------------|
|                               | <b>Six months ended 30 June</b> |                     |
|                               | <b>2022</b>                     | <b>2021</b>         |
|                               | <b>US\$'000</b>                 | <b>US\$'000</b>     |
| Enterprise income tax (“EIT”) | 1,413                           | 3,521               |
| Deferred income tax           | <u>(481)</u>                    | <u>(448)</u>        |
|                               | <b><u>932</u></b>               | <b><u>3,073</u></b> |

## **10. (Loss)/earnings per share**

Basic (loss)/earnings per share is calculated by dividing the loss attributable to owners of the Company of US\$216,000 (2021: profit attributable to owners of the Company of US\$10,367,000) by weighted average of ordinary shares of 1,522,742,000 (2021: 1,522,742,000) 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 2022 and 2021.

## **11. Dividends**

A final dividend of US\$2,466,000 (for the six months ended 30 June 2021: US\$7,040,000 that related to the year ended 31 December 2020) that related to the year ended 31 December 2021 was declared on 27 May 2022 and paid in June 2022.

The Board does not recommend the payment of interim dividend in respect of the six months ended 30 June 2022 (2021: interim dividend of 0.272 US cents per share amounting to US\$4,152,000, was declared).

## MANAGEMENT DISCUSSION AND ANALYSIS

### I. BUSINESS OVERVIEW

In 2021, the COVID-19 pandemic (the “Pandemic”) plunged the global economy into a serious recession. While the Pandemic situation improved slightly in 2022, the global economy does not look optimistic due to the impact of the Russia-Ukraine war that broke out at the beginning of the year, which has caused global energy and raw material prices to soar and the inflation risk to rise sharply. In addition, the US has initiated a cycle of interest rate hikes. The path to economic recovery in various countries remains full of challenges and uncertainties.

In 2021, the Vietnamese Government effectively brought the outbreak of the Pandemic under control. Total import and export trade volume of the country amounted to approximately US\$668.6 billion, with trade surplus at approximately US\$4 billion, which was still a decline when compared with that of 2020. Looking back at the first half of 2022, the Russia-Ukraine war impacted the global economy, with the sharp rise in energy and raw material prices causing global inflation. However, the exchange rate of the Vietnamese Dong against the US dollar has remained stable since last year, and Vietnam is still effectively curbing inflation. The Consumer Price Index (CPI) increased by 3.37% year-on-year, which aligned with the forecast CPI of less than 4%.

The Group’s revenue for the first half of the year was approximately US\$229,277,000, an increase of US\$33,192,000, or 16.9%, against the same period last year. The main reason for the increase in revenue was that, in addition to the improved sales atmosphere in Vietnam in the first half of the year, the sales volume and revenue of the Group’s main products, such as MSG, increased due to the rise in both demand and selling prices. Nevertheless, as a result of the soaring raw material prices and energy costs, the gross profit declined significantly this year when compared with the previous year. The Group moderately adjusted the selling price of modified starch and maltose to cope with the rising raw material prices, and it continued to develop new products, leading to overall revenue growth. As for specialty chemicals, both revenue and profit rose significantly when compared with last year, as the Group adjusted selling prices. Given the price competition among industry peers, hydrochloric acid recorded an increase in sales volume, but due to a lower average selling price, the revenue recorded only modest growth. Gross profit decreased when compared with last year due to the rising costs. Regarding the fertilizers and feed products, the Group focused on consolidating its sales channels and adjusting the product mix and endeavored to develop higher margin products. In addition, coffee and bulk food ingredients, among the Group’s other products, recorded a decrease in sales volume and revenue compared with last year due to shrinking consumption in the PRC as a result of the strict pandemic control measures implemented in the country. The Group achieved growth in revenue during the period but its profit declined, which was mainly due to the surging raw material and energy costs. Consequently, the overall gross profit margin fell to 11.0% from 19.4% in the first half of 2021. Gross profit amounted to US\$25,268,000, a decrease of US\$12,754,000 when compared with the same period last year. The net profit margin dropped to a loss of -0.1% from 5.3% in the same period of 2021. Net loss was US\$212,000, a decline of US\$10,594,000 when compared with the same period last year.

Vietnam is one of the few countries that has been relatively successful in containing the Pandemic, with stable economic growth over the long term. In the midst of the Sino-US trade conflict, Vietnam has become a target for many companies looking to relocate their production facilities. It has also actively participated in regional economic and trade consolidation, for example, by signing free trade zone agreements including the Free Trade Agreement (FTA), the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Regional Comprehensive Economic Partnership (RCEP) with developed economies such as the UK, the EU and the PRC, which are beneficial to the overall development of the country. Furthermore, with the Pandemic situation improving since the beginning of this year, social distancing measures have been gradually lifted and the economy has slowly recovered. Vietnam's GDP grew by 6.4% in the first half of the year, better than the 5.64% growth recorded in the same period of 2021. The gradual lifting of social distancing measures and the resumption of operations at most factories led to an increase in both production volume and orders. In the first half of the year, the country's trade balance turned from a deficit of US\$1.5 billion in the same period last year to a surplus of US\$710 million.

Vietnam's overall economy grew steadily in the first half of 2022. However, the manufacturing industry is still under pressure from rising raw material prices, energy prices and transportation costs due to the ongoing Russia-Ukraine war. The timing of the end of the Russia-Ukraine war will be the key factor affecting the economy in the second half of the year. With respect to the development initiatives in the second half of the year, the Vietnamese Government has vigorously proposed improvement policies in the process of economic recovery in order to alleviate inflationary pressure. Its goal is to control the inflation rate at 4% and achieve economic growth of 6.9%, hence creating new development room for enterprises. As the Pandemic situation in the PRC has improved in the second half of the year, the industry chain and supply chain have been effectively restored, and the actual economic growth in the second half of the year is expected to reach 6.4%. The actual economic growth in the PRC is expected to be 4.7% in 2022, 3.4% down from 8.1% in 2021. The recovery of services and consumption in the PRC has been relatively slow and demand has not yet returned to pre-pandemic levels. Inflation eased correspondingly, with the inflation rate targeted to be controlled at 3%.



## II. BUSINESS ANALYSIS

### (1) Sales Analysis by Market

*Unit: US\$'000*

| Country | First Half of 2022    |                      | First Half of 2021 |               | Difference    |              |
|---------|-----------------------|----------------------|--------------------|---------------|---------------|--------------|
|         | <i>Amount</i>         | <i>%</i>             | <i>Amount</i>      | <i>%</i>      | <i>Amount</i> | <i>%</i>     |
| Vietnam | <b>100,472</b>        | <b>43.8%</b>         | 88,526             | 45.1%         | 11,946        | 13.5%        |
| Japan   | <b>39,980</b>         | <b>17.4%</b>         | 32,379             | 16.5%         | 7,601         | 23.5%        |
| PRC     | <b>29,814</b>         | <b>13.0%</b>         | 31,095             | 15.9%         | -1,281        | -4.1%        |
| ASEAN   | <b>16,549</b>         | <b>7.2%</b>          | 13,855             | 7.1%          | 2,694         | 19.4%        |
| US      | <b>18,735</b>         | <b>8.2%</b>          | 13,551             | 6.9%          | 5,184         | 38.3%        |
| Others  | <b>23,727</b>         | <b>10.4%</b>         | 16,679             | 8.5%          | 7,048         | 42.3%        |
| Total   | <b><u>229,277</u></b> | <b><u>100.0%</u></b> | <u>196,085</u>     | <u>100.0%</u> | <u>33,192</u> | <u>16.9%</u> |

#### 1. Vietnam

Vietnam is the Group's largest market. In the first half of 2022, revenue was approximately US\$100,472,000, an increase of approximately US\$11,946,000, or 13.5%, compared with the same period of 2021, and its share of revenue fell from 45.1% to 43.8%. The increase in revenue in Vietnam during the period was mainly due to the Group's price adjustments of MSG, modified starch and soda products in response to rising costs, as well as the strengthening of inventory control and production efficiency, which effectively boosted sales volume and revenue. Moreover, during the period, the Group's efforts to consolidate its sales channels and adjust the product structure of fertilizer and feed caused both unit prices and revenue to grow.

## **2. *Japan***

Japan is the Group's second largest market. As the economy of the country gradually recovered due to the improving Pandemic situation during the period, demand in the MSG consumer market rebounded, and the Group moderately adjusted the selling price to reflect the rising costs, leading to the increase in revenue. The Group continued to actively expand its customer base in the starch and fertilizer and feed product markets, promote cross-sector applications, and actively developed high-value-added products, resulting in a slight growth in overall revenue and profit. Revenue amounted to approximately US\$39,980,000 during the period, an increase of approximately US\$7,601,000, or 23.5%, when compared with the first half of 2021, and its share of the Group's revenue rose from 16.5% to 17.4%.

## **3. *The PRC***

During the period, revenue from the PRC market was approximately US\$29,814,000, a decrease of approximately US\$1,281,000, or 4.1%, against the first half of 2021, and its share of revenue declined from 15.9% to 13.0%. The decline in revenue in the PRC market against the same period last year was mainly due to the slow economic recovery as a result of the implementation of the "zero-COVID" policy in the PRC during the period, leading to a decline in the shipment volume and revenue of various products.

## **4. *The ASEAN Market***

Revenue from the ASEAN market (excluding Vietnam) amounted to approximately US\$16,549,000, an increase of approximately US\$2,694,000, or 19.4%, against the same period of 2021. Its share of the Group's total revenue climbed slightly from 7.1% to 7.2%, mainly due to the growth in sales volume and revenue of the MSG and fertilizers and feed products. The ASEAN market is a key market that the Group continues to actively develop. The Group hopes to leverage its advantages in the industry and expand into this market with its core products, seek new customers, explore new markets, establish closer partnerships, and broaden its sales channels in a bid to achieve breakthrough sales performance.

## 5. The US

Revenue from the US market during the period was approximately US\$18,735,000, an increase of approximately US\$5,184,000, or 38.3%, compared with the same period in 2021, and its share of the Group's revenue increased from 6.9% to 8.2%. The increase in revenue during the period was mainly due to the growth in market demand for MSG and organic maltose products, which led to an increase in selling price and sales volume. With the Group mastering key sales channels and customers, consolidating its production value chain, and continuing to develop functional products to meet customer needs and improve product competitiveness, sales growth is anticipated.

## 6. Others

Other markets are mainly Taiwan, South Korea and the EU. Total revenue during the period was approximately US\$23,727,000, an increase of approximately US\$7,048,000, or 42.3%, against the same period of 2021. Its share of the Group's total revenue increased from 8.5% to 10.4%, mainly due to the rising market demand for MSG and CMS related fertilizers and feed products, resulting in a significant upsurge in revenue.

### (2) Sales Analysis by Product

Unit: US\$'000

| Item                | First Half of 2022 |               | First Half of 2021 |               | Difference    |              |
|---------------------|--------------------|---------------|--------------------|---------------|---------------|--------------|
|                     | Amount             | %             | Amount             | %             | Amount        | %            |
| MSG + Seasonings    | 141,269            | 61.6%         | 115,862            | 59.1%         | 25,407        | 21.9%        |
| Modified starch     |                    |               |                    |               |               |              |
| + native starch     |                    |               |                    |               |               |              |
| + maltose           | 36,336             | 15.9%         | 36,000             | 18.4%         | 336           | 0.9%         |
| Specialty chemicals | 15,849             | 6.9%          | 10,535             | 5.4%          | 5,314         | 50.4%        |
| Fertilizers and     |                    |               |                    |               |               |              |
| feed products       | 19,336             | 8.4%          | 14,957             | 7.6%          | 4,379         | 29.3%        |
| Others              | 16,487             | 7.2%          | 18,731             | 9.5%          | -2,244        | -12.0%       |
| Total               | <u>229,277</u>     | <u>100.0%</u> | <u>196,085</u>     | <u>100.0%</u> | <u>33,192</u> | <u>16.9%</u> |

### **1. *MSG and Seasonings***

During the period, revenue from MSG and seasoning-related products amounted to approximately US\$141,269,000, an increase of approximately US\$25,407,000, or 21.9%, when compared with 2021. The growth was mainly due to rising demand in Vietnam, Japan, ASEAN and US markets. In addition, the Group's upward adjustment of product selling prices to reflect the sharp rise in raw material and energy costs resulted in an increase in both sales volume and revenue. Overall revenue of the MSG and seasoning-related products increased, and their revenue contribution jumped from 59.1% in first half of 2021 to 61.6% in the first half of 2022.

### **2. *Modified starch/Native starch/Maltose***

Modified starch, native starch and maltose products recorded higher total sales and profitability during the period, with revenue up by around US\$336,000, or 0.9%, to approximately US\$36,336,000, attributable to the stabilization of cassava costs, effective procurement strategies and the increase in demand for organic products during the period. The sales volume and revenue of native starch and modified starch decreased in the PRC due to the sluggish local market. In the US, with new customers and new applications of organic maltose, the selling prices and sales volume of maltose increased, and revenue followed. The Group has continued to actively develop new products with higher added value and deepen cooperation with leading companies around the world, which is expected to lead to promising profit potential in the future.

### **3. *Specialty chemicals, fertilizers and feed products***

Specialty chemicals including hydrochloric acid, soda and bleach are sold in the Vietnamese market. Total revenue from specialty chemicals was approximately US\$15,849,000 during the period, an increase of approximately US\$5,314,000, or 50.4%, relative to the same previous period, and accounted for 6.9% of the Group's total revenue, up from 5.4%.

Soda product prices increased significantly during the period, and revenue and gross profit surged accordingly. Affected by low price competition, selling prices of hydrochloric acid products did not rise despite an increase in sales volume. Although overall revenue improved, higher costs led to a drop in profit.

As for fertilizers and feed products, the sales volume of solid fertilizers and feed products declined during the period, and overall market demand remained weak. However, the selling prices of certain products were raised to reflect rising costs, which boosted revenue. The Group actively launched products with new specifications, effectively explored new customers and improved its product mix, allowing it to set higher product prices and achieve revenue and profit growth. The Group will also continue to promote high value-added specialty fertilizer products and develop new sales channels. Revenue from fertilizers and feed products increased by US\$4,379,000, or 29.3%, year-on-year to approximately US\$19,336,000 and its contribution to the Group's total revenue rose from 7.6% to 8.4%.

#### **4. *Other products***

Revenue from other products was approximately US\$16,487,000, a decrease of approximately US\$2,244,000, or 12.0%, compared with 2021, and the segment's revenue contribution to the Group's total revenue fell from 9.5% to 7.2%. The decline in revenue was mainly due to weak consumption as a result of the strict pandemic control measures introduced in the PRC and the drop in the sales volume of coffee beans and bulk food ingredients distributed in the PRC.

### **III. MAJOR RAW MATERIALS/ENERGY OVERVIEW**

#### **(1) Cassava/Starch**

In 2020/21, major cassava producing countries in Southeast Asia recorded a growth in production volume, and the cassava output in Thailand increased significantly in particular. Nevertheless, the stronger demand in the international consumer market and the Russia-Ukraine war caused cassava and starch raw material prices to rise.

For the 2021/22 production season, output in major plantation areas such as Thailand, Vietnam and Cambodia was expected to be stable. At the beginning of the production season, cassava was still in short supply and its price was at a relatively high level. However, as the output of cassava rose at the beginning of 2022, the price gradually returned to a reasonable level, but the unit price of other starch raw materials was still at a relatively high level. In response, the Group explored more new supply sources and controlled procurement costs to increase profit. The Group will continue to strengthen its long-term strategic supplier alliance, flexibly control the source of raw materials and stabilize the procurement costs of the supply chain.

#### **(2) Molasses**

The global production volume of molasses in 2020/21 was 64,530,000 tons, a significant rise from 59,120,000 tons in 2019/20, up by approximately 5,400,000 tons, or 9%. However, the price of molasses remained at a historical high. The main reason for the strong price trend is the rise in fuel and ethanol consumption and the overall tightness of the animal feed market, coupled with the high prices of corn and wheat and the shift of some molasses exporting countries into importing countries in 2020/21, which caused the molasses supply to fall short of demand.

Global molasses production volume in 2021/22 is estimated to be slightly lower than the previous year. For example, India's molasses output in the previous production season increased by 2,000,000 tons to 13,600,000 tons, while the current estimated production volume in 2021/22 is 13,400,000 tons. It is also estimated that a significant portion of the increase in sugar cane output will be used for ethanol production.

Overall, the outlook for the total production and export volume of molasses in 2021/22 is not optimistic, and prices may remain firm. The Group will continue to closely monitor changes in the international molasses market and actively develop more new supply sources to ensure stable access to raw materials.

### **(3) Energy**

**Crude oil:** In the first half of 2022, conflicts between Western countries and Russia intensified. The parties used energy as a bargaining chip for sanctions, which triggered drastic fluctuations in the energy market and caused a further reduction in global oil supply. International crude oil prices remained high as a result.

**Coal:** To reduce reliance on Russia for energy, European regions have increased their demand for coal. Russian coal exports have been affected, and international coal prices have risen sharply. The Group will closely monitor the changes in the energy industry and devise flexible response plans.

**Electricity:** To help enterprises or work units navigate through the difficult times brought by the Pandemic, the Vietnamese Government has implemented an electricity price concession policy, while continuing to transform and upgrade electricity engineering to make sure that production demand after the Pandemic can be met and maintain stable electricity rate. The Group uses a co-generation power system to ensure it has a stable electricity supply. It also purchases electricity from external sources to mitigate the impact of rising energy costs on the Group.

## **IV. FINANCIAL REVIEW**

### **(1) Liquidity and Financial Resources**

The Group's cash and cash equivalents, short-term bank deposits and structured bank deposits amounted to US\$32,530,000 for the period, representing a decrease of US\$37,214,000, or around 53.4%, compared with the end of 2021. Short-term bank borrowings increased year-on-year by US\$13,487,000, or around 42.6%, to US\$45,148,000. Medium-to-long-term bank borrowings decreased by US\$2,951,000, or around 34.1%, to US\$5,696,000. Total bank borrowings were US\$50,844,000, an increase of US\$10,536,000, or around 26.1%, when compared with the end of 2021. The borrowings were mainly in US dollars, accounting for 95.7%.

Trade receivables amounted to US\$43,557,000, representing an increase of US\$11,393,000, or around 35.4%, when compared with the end of 2021. Total inventory amounted to US\$127,102,000, up by US\$25,454,000, or around 25.0%, when compared with the end of 2021.

As a result of the substantial increase in borrowings for the procurement of raw materials, the Group's gearing ratio (total borrowings to total equity ratio) was 17.1%, up from 13.3% at the end of 2021. With less cash on hand than borrowings, the net gearing ratio (total borrowings less cash and deposits to total equity ratio) was 6.2%, up from -9.7% at the end of 2021. During the period, the rise in short-term borrowings led to an increase in current liabilities, and, as such, the Group's current ratio decreased from 2.98 at the end of 2021 to 2.67 and the quick ratio decreased from 1.6 at the end of 2021 to 1.2. The Group's financial structure remained healthy.

### **(2) Capital Expenditure**

During the period, the Group's capital expenditure amounted to US\$7,137,000, a level similar to the US\$7,235,000 recorded in the first half of 2021. It was mainly due to the gradual completion of the expansion plan set in the previous two years and various projects by the Group's Vietnam subsidiary, as well as the impact of the Pandemic and the Russia-Ukraine war, which caused greater uncertainty in the operating environment in 2022 and prompted the Group to tentatively hold various development projects in the planning stage, reduce expenditures and wait for the right opportunities. Therefore, other than funding for continuing projects, there were no new projects requiring substantial capital expenditure during the period.



### **(3) Exchange Rate**

Vietnam's ample foreign exchange reserves have kept the Vietnamese Dong (VND) strong in recent years. The currency's performance has been relatively robust when compared with the currencies of other major ASEAN economies, such as Singapore, Indonesia and Thailand, despite the impact of the Pandemic and the appreciation of the US dollar (US\$). The central exchange rate of VND announced by the State Bank of Vietnam slightly appreciated by 0.15% in the first half of 2022, from VND23,145/USD at the end of 2021 to VND23,110/USD in the first half of 2022. The exchange rate of VND remained basically stable. Vietnam is expected to continue its export growth and maintain trade surplus in 2022. However, with continuous interest rate hikes in the US and a strong US dollar, VND will face increasing depreciation pressure in the second half of 2022. It is forecasted that the exchange rate of VND will depreciate by approximately 2% to 2.3% in 2022.

The Group's subsidiaries in the PRC are mainly engaged in local sales with transactions denominated in RMB. Affected by the interest rate hikes in the US, experts forecast that the RMB will face depreciation pressure. However, the currency will maintain higher flexibility and will remain stable relative to other key currencies. The Group will continue to monitor the changes in the RMB to US dollar exchange rate going forward.

### **(4) Loss Per Share and Dividends**

Basic loss per share were 0.0142 US cents for the period. The Board has elected not to declare a dividend payment.

## V. PROSPECTS

In 2021, countries around the world experienced a surge in the number of people infected by new variants of the COVID-19 virus, and lockdowns were imposed once again. Despite other major influential factors, including supply chain challenge and rising transportation costs, the global economic growth rate still rebounded to 5.5%, but it is expected to slow sharply to 2.9% in 2022. Economic growth is projected to slow down, mainly due to the Russia-Ukraine war, which is expected to cause energy and raw material prices to remain high, resulting in global inflation. As countries increase interest rates to control inflation, operating and capital costs will rise and put heavy pressure on companies' business operations, inevitably restricting economic growth.

Although facing an unprecedented economic environment and variables, the Group will continue to improve the flexibility of its overall operations, adjust its business portfolios and models, strengthen its organizational operations to raise management efficiency, actively develop new products, expand the scale of production, place greater focus on satisfying the demand from customers and consumers, optimize the flexible cost structure and industrial chain integration, expeditiously implement the established action plans and, ultimately, create new growth drivers to raise profitability. The main tasks and direction are set forth below:

- Expand product lines and optimize product mix, partially transform existing products, assess and launch extended products, and gradually develop high value-added products. The Group will also increase the proportion of highly functional and high value-added products to enlarge its market share and boost its profitability.
- Actively expand into new channels and new markets, adjust product positioning and sales tactics, look for cooperative partners to expand market scale, strengthen brand positioning and competitive advantages so as to improve the Group's results performance.
- Continue to advance production technologies and enhance production efficiency, improve operational and management techniques and utilize key technologies to enhance core competitiveness so as to achieve the dual objectives of raising quality and lowering costs.
- Capture the market trends of bulk raw materials, actively seek alternative raw material solutions, maintain stable cooperative relations with domestic and overseas suppliers and effectively execute procurement strategies to ensure a stable supply of raw materials.

- Adopt a “co-opetition” strategy to boost product and service value, leverage the Group’s production base in Vietnam to actively develop the ASEAN market and the markets that are signatories of the Free Trade Agreement (FTA), Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and Regional Comprehensive Economic Partnership (RCEP), and via mutual support within the Group to realize its core advantages and expand the Group’s business presence.
- Accelerate the formation of strategic alliances or cross-industry cooperation to jointly develop the markets through effective consolidation of resources, strengthen its research and development (R&D) functions to realize and seize technological breakthroughs, promote the Group’s upgrade and transformation, introduce new products, expand its business scale and improve its business performance.
- Establish a strategic organizational structure and dedicated strategic teams to enhance the organizational efficiency of all units, coordinate the Company’s operational action plans, integrate the Group’s resources, seek strategic mergers and acquisition plans, and continue to expand the Group’s operations to increase revenue, profit and scale.
- Expedite the introduction of an electronic process and information system for the management and application of big data, so as to obtain real-time feedback to optimize business processes and respond to customer needs in a timely manner.
- Continuously control capital deployment strategies, improve the operational efficiency of assets and reduce risks associated with financial market fluctuations amid global financial market volatility.

Looking ahead, the economic situation in the second half year is not optimistic. Variables such as soaring raw material and energy prices and the Russia-Ukraine war have brought great uncertainty to the prospects of global economic recovery, and the Group is still facing considerable difficulties in its operations. However, with its existing operational strategies, enhanced development of domestic and overseas markets, well-established sales network, advantage of exporting an array of products from Vietnamese factories, and staff who are united and dedicated to facing the hard times, the Group is confident it can overcome the difficulties and leverage its operational strengths to promote the rapid recovery of its operations. The Group is also hopeful that it can achieve better results in the future.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2022.

## **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 2022.

## **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 2022.

## **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 2022, save and except for the below code provision.

In respect of code provision F.2.2 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 24 May 2022 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 2022. 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 2022 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 2022.

## **PUBLICATION OF INTERIM REPORT**

The Company's interim report for the six months ended 30 June 2022 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](http://www.hkexnews.hk)) and the Company ([www.vedaninternational.com](http://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, 23 August 2022

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