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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)

**RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

FINANCIAL HIGHLIGHTS

	Year ended 31 December		Difference
	2022	2021	
	US\$'000	US\$'000	
Revenue	451,007	382,361	18.0%
Gross profit	43,349	60,373	-39.3%
(Loss)/profit for the year	(4,384)	11,032	-139.7%
(Loss)/profit attributable to owners	(4,386)	11,014	-139.8%
Basic (loss)/earnings per share	(0.29) US cents	0.72 US cents	
Diluted (loss)/earnings per share	(0.29) US cents	0.72 US cents	
Final dividend proposed per share	- US cents	0.162 US cents	
Total dividends paid and proposed per share	- US cents	0.434 US cents	

RESULTS

The Board of Directors (the “Board”) of Vedan International (Holdings) Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2022, together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December	
		2022 US\$'000	2021 US\$'000
Revenue	2(a)	451,007	382,361
Cost of sales	6	<u>(407,658)</u>	<u>(321,988)</u>
Gross profit		43,349	60,373
Selling and distribution expenses	6	(24,566)	(23,121)
Administrative expenses	6	(22,118)	(23,905)
Other gains – net	5	<u>219</u>	<u>1,635</u>
Operating (loss)/profit		<u>(3,116)</u>	<u>14,982</u>
Finance income		398	569
Finance costs		<u>(951)</u>	<u>(336)</u>
Finance (costs)/income – net	7	<u>(553)</u>	<u>233</u>
Share of post-tax loss of an associate		<u>(528)</u>	<u>(201)</u>
(Loss)/profit before income tax		(4,197)	15,014
Income tax expense	8	<u>(187)</u>	<u>(3,982)</u>
(Loss)/profit for the year		<u>(4,384)</u>	<u>11,032</u>
(Loss)/profit attributable to:			
Owners of the Company		(4,386)	11,014
Non-controlling interest		<u>2</u>	<u>18</u>
		<u>(4,384)</u>	<u>11,032</u>
(Loss)/earnings per share for (loss)/profit attributable to the owners of the Company during the year (expressed in US cents per share)			
Basic (loss)/earnings per share	10	<u>(0.29)</u>	<u>0.72</u>
Diluted (loss)/earnings per share	10	<u>(0.29)</u>	<u>0.72</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2022	2021
	<i>US\$'000</i>	<i>US\$'000</i>
(Loss)/profit for the year	(4,384)	11,032
Other comprehensive (loss)/income:		
<i>Item that may be reclassified to profit or loss</i>		
Currency translation differences	(3,449)	907
Other comprehensive (loss)/income for the year, net of tax	<u>(3,449)</u>	<u>907</u>
Total comprehensive (loss)/income for the year	<u><u>(7,833)</u></u>	<u><u>11,939</u></u>
Total comprehensive (loss)/income for the year attributable to:		
– Owners of the Company	(7,835)	11,921
– Non-controlling interest	<u>2</u>	<u>18</u>
Total comprehensive (loss)/income for the year	<u><u>(7,833)</u></u>	<u><u>11,939</u></u>

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2022	2021
	Note	US\$'000	US\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		152,074	158,339
Right-of-use assets		5,152	4,841
Intangible assets		2,080	2,100
Long-term prepayments		1,301	2,718
Investment in an associate		4,174	4,702
		<u>164,781</u>	<u>172,700</u>
Total non-current assets		164,781	172,700
Current assets			
Inventories		140,527	101,648
Trade receivables	3	33,990	32,164
Prepayments and other receivables		18,738	11,449
Amounts due from related parties		126	1,442
Structured bank deposits		–	2,533
Pledged bank deposits		–	1,075
Cash and cash equivalents		47,810	66,136
		<u>241,191</u>	<u>216,447</u>
Total current assets		241,191	216,447
Total assets		405,972	389,147
EQUITY			
Equity attributable to owners of the Company			
Share capital		15,228	15,228
Reserves		276,260	286,561
		<u>291,488</u>	<u>301,789</u>
Non-controlling interest		230	228
		<u>291,718</u>	<u>302,017</u>
Total equity		291,718	302,017

		As at 31 December	
		2022	2021
	<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
LIABILITIES			
Non-current liabilities			
Bank borrowings		3,431	8,647
Lease liabilities		3,035	2,650
Deferred income tax liabilities		577	1,665
Retirement benefit obligations		1,526	1,505
		<hr/>	<hr/>
Total non-current liabilities		8,569	14,467
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current liabilities			
Trade payables	4	27,591	17,510
Accruals and other payables		20,140	21,316
Amounts due to related parties		149	517
Bank borrowings		56,190	31,661
Lease liabilities		443	369
Current income tax liabilities		1,172	1,290
		<hr/>	<hr/>
Total current liabilities		105,685	72,663
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total liabilities		114,254	87,130
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Total equity and liabilities		405,972	389,147
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NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”) and disclosure requirements of the Hong Kong Companies Ordinance Cap.622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of non-current liabilities and plan assets of defined benefit plan and the structured bank deposits which are measured at fair value.

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

(a) Amendments to standards and accounting guideline adopted by the Group

The Group has applied the following amendments to standards and accounting guideline which are mandatory for the Company for the first time for the financial year beginning on 1 January 2022:

Annual improvements project (Amendments)	Annual improvements to HKFRSs 2018-2020 (amendments)
HKAS 16 (Amendments)	Property, plant and equipment: proceeds before intended use
HKAS 37 (Amendments)	Onerous contracts – cost to fulfilling a contract
HKFRS 3 (Amendments)	Reference to conceptual framework
HKFRS 16 (Amendments)	Covid-19-related rent concessions beyond 2021
AG 5 (Revised)	Revised accounting guideline 5 merger accounting for common control combinations

The adoption of the above amendments to standards and accounting guideline did not have any material impact on the current period or any prior periods.

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

		Effective for annual periods beginning on or after
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of accounting policies (amendments)	1 January 2023
HKAS 8 (Amendments)	Definition of accounting estimates (amendments)	1 January 2023
HKAS 12 (Amendments)	Deferred tax related to assets and liabilities arising from a single transaction (amendments)	1 January 2023
HKFRS17	Insurance contracts	1 January 2023
HKFRS17 (Amendments)	Amendments to HKFRS 17	1 January 2023
HKFRS17 (Amendments)	Initial application of HKFRS 17 and HKFRS 9 – comparative information	1 January 2023
HKAS 1 (Amendments)	Classification of liabilities as current or non-current (amendments)	1 January 2024
HKAS 1 (Amendments)	Non-current liabilities with covenants (amendments)	1 January 2024
HKFRS 16 (Amendments)	Lease liability in a sale and leaseback (amendments)	1 January 2024
HK Int 5 (Revised)	Hong Kong Interpretation 5 (Revised) – presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause (HK Int 5 (Revised))	1 January 2024
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture (amendments)	To be determined

The directors of the Company have assessed the financial impact on the Group of the adoption of the above Amendments. There are no Amendments that are not yet effective and that would be expected to have a material impact on the Group in the future reporting periods and on foreseeable future transactions. The Group intends to adopt the Amendments when they become effective.

2 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 year ended 31 December 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, GA and others (2021: same).

(a) Revenue

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Sales of goods	<u>451,007</u>	<u>382,361</u>

Revenue recognised in relation to contract liabilities

The Group receives payments from certain customers in advance of the performance under the contracts. The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	<u>5,885</u>	<u>4,230</u>

During the year ended 31 December 2022, revenue of approximately US\$53,734,000 (2021: US\$41,509,000) is derived from a single external customer located in Japan. The revenue is attributable to MSG/GA products.

All contracts are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Vietnam	194,999	169,363
Japan	83,083	62,832
The PRC	62,663	63,447
ASEAN member countries (other than Vietnam)	35,991	29,067
America	36,256	26,132
Other regions	38,015	31,520
	<u>451,007</u>	<u>382,361</u>

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

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Vietnam	153,058	158,693
The PRC	10,422	11,287
Cambodia	—	2
	<u>163,480</u>	<u>169,982</u>
Total	<u>163,480</u>	<u>169,982</u>

3 Trade receivables

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Trade receivables from third parties	34,379	32,487
<i>Less: loss allowance</i>	<u>(389)</u>	<u>(323)</u>
Trade receivables – net	<u>33,990</u>	<u>32,164</u>

The carrying values of the Group's trade receivables approximate their fair values due to their short maturity.

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

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
0 – 30 days	24,014	21,790
31 – 90 days	9,069	9,694
91 – 180 days	604	368
181 – 365 days	172	124
Over 365 days	<u>520</u>	<u>511</u>
	<u>34,379</u>	<u>32,487</u>

4 Trade payables

At 31 December 2022 and 2021, the ageing of trade payables based on invoice date is as follows:

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
0 – 30 days	25,334	16,851
31 – 90 days	<u>2,257</u>	<u>659</u>
	<u>27,591</u>	<u>17,510</u>

5 Other gains – net

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Net exchange (losses)/gains	(489)	387
(Loss)/gain on disposal of property, plant and equipment	(36)	47
Sales of scrap materials	330	240
Government grants	114	96
Fair value gains on structural bank deposits	52	151
Others	<u>248</u>	<u>714</u>
	<u>219</u>	<u>1,635</u>

6 Expenses by nature

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

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Changes in inventories and consumables used	355,425	271,177
Amortisation of intangible assets	137	127
Amortisation of right-of-use assets	549	405
Auditor's remuneration		
– Audit services	345	355
– Non-audit services	4	4
Depreciation on property, plant and equipment	17,746	17,679
Written off of property, plant and equipment	895	–
Reversal of impairment of inventories	(12)	(113)
Write-off of inventory	–	16
Expense relating to short-term lease	75	47
Employee benefit expenses	39,236	45,384
Provision for/(reversal of) of loss allowance of trade receivables	66	(39)
Loss on lease modification	1	–
Technical support fee	2,139	2,210
Travelling expenses	1,562	1,270
Transportation expenses	12,345	11,714
Advertising expenses	2,071	3,115
Repair and maintenance expenses	13,059	9,890
Other expenses	8,699	5,773
	<hr/>	<hr/>
Total cost of sales, selling and distribution expenses and administrative expenses	454,342	369,014

7 Finance (costs)/income – net

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Bank interest income	393	562
Interest income from an associate	<u>5</u>	<u>7</u>
Finance income	----- 398	----- 569
Interest expense on bank borrowings	(1,122)	(469)
Interest expense on lease liabilities	(104)	(92)
<i>Less: amounts capitalised on qualifying assets</i>	<u>275</u>	<u>225</u>
Finance costs	----- (951)	----- (336)
Finance (costs)/income – net	<u><u>(553)</u></u>	<u><u>233</u></u>

8 Income tax expense

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

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

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Enterprise income tax (“EIT”)	1,271	4,465
Under/(over) provision of income tax in previous years	<u>4</u>	<u>(14)</u>
Total current tax	1,275	4,451
Deferred income tax	<u>(1,088)</u>	<u>(469)</u>
	<u><u>187</u></u>	<u><u>3,982</u></u>

9 Dividends

A final dividend of 0.162 US cents per share amounting to US\$2,466,000 that relates to the year ended 31 December 2021 was declared on 24 May 2022 and paid in June 2022.

The board does not recommend the payment of final dividend in respect of the year ended 31 December 2022.

10 (Loss)/earnings per share

(a) Basic

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

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
(Loss)/profit attributable to owners of the Company <i>(US\$'000)</i>	(4,386)	11,014
Weighted average number of ordinary shares in issue <i>(thousands)</i>	<u>1,522,742</u>	<u>1,522,742</u>
Basic (loss)/earnings per share <i>(US cents per share)</i>	<u><u>(0.29)</u></u>	<u><u>0.72</u></u>

(b) Diluted

Diluted earnings per share is same as basic (loss)/earnings per share as there are no dilutive instruments for the years ended 31 December 2022 and 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS OVERVIEW

In 2022, the COVID-19 pandemic situation gradually improved. However, the outbreak of the Russia-Ukraine war led to soaring global energy and raw material prices and a sharp rise in global inflation risks. In addition, the US initiated a cycle of interest rate hikes, giving little room for optimism. Global economic growth decreased from 5.6% in 2021 to 3.4% during the year, indicating that the path to economic recovery remains full of challenges and uncertainties in various countries.

During the year, the Vietnamese government effectively brought the pandemic outbreak under control and subsequently opened its borders on 15 March 2022. The flow of people and goods gradually resumed. Total import and export trade volume increased from approximately US\$668.6 billion in 2021 to approximately US\$730.2 billion, with a trade surplus of approximately US\$12.0 billion, an increase of 18% over 2021. Looking back at 2022, the Russia-Ukraine war impacted the global economy, with a sharp rise in energy and raw material prices leading to global inflation. However, the Vietnamese Dong depreciated only slightly against the US Dollar by 1.97% in 2022 due to the effective stabilization of the exchange rate by the Vietnamese government. The Consumer Price Index (CPI) increased by 3.15% year-on-year, below the 4% inflation target. Compared with the global inflation rate of 8.8%, Vietnam performed well in curbing inflation. Its overall GDP growth was strong at 8.02%, better than the 6% expected by the Vietnamese government, indicating the strength of the recovery in Vietnam's economic activity.

The Group's revenue for 2022 was approximately US\$451,007,000, an increase of 18.0% or US\$68,646,000 over the same period last year. The revenue growth was mainly attributable to the increase in sales volume and revenue of the Group's key products such as MSG due to the increase in demand and sales prices, in addition to the rebound in economic activity in Vietnam as compared with last year. Nevertheless, as a result of the soaring raw material prices and energy costs, the gross profit declined significantly during the year when compared with the previous year. The Group moderately adjusted the selling price of modified starch to cope with the rising raw material prices and continued to develop new products, resulting in overall revenue growth. With regard to maltose, its orders dropped sharply due to weak market sentiment in the US, resulting in lower sales volume and gross profit. As for specialty chemicals, both revenue and profit grew significantly over last year as the Group adjusted its selling prices. Given the price competition among industry peers, hydrochloric acid recorded an increase in sales volume, but revenue and gross profit were lower than last year due to lower average selling prices. Regarding 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, sales volume and revenue of some of the Group's other products, including coffee and bulk food ingredients, were lower than last year due to logistics issues and a significant contraction in 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 year but its profit declined due to rising raw material and energy costs. The overall gross profit margin fell to 9.6% from 15.8% in 2021. Gross profit amounted to US\$43,349,000, a year-on-year decrease of US\$17,024,000. Net profit margin dropped to -0.1% from 2.9% in the same period of 2021. Net loss was US\$4,384,000, a year-on-year decline of US\$15,416,000.

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 such as 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 is beneficial to the overall development of the country. Furthermore, with the improvement of the pandemic situation since the beginning of 2022, social distancing measures have been gradually lifted and the economy has slowly recovered. Vietnam's overall GDP growth was strong at 8.02%, better than the 6% target of the Vietnamese government. The PRC continued to adhere to its zero-COVID policy for most of 2022, which severely hit business activities. There was much disruption in the supply chain, impacting the global economy. As a result, the PRC's economic growth was only 3% in 2022, a notable decline when compared with 2021 (8.1%). The PRC has accelerated the easing of its lockdown policy since late 2022, but its economic growth has remained unsatisfactory in the short term. It is expected to improve in the spring of 2023. A more meaningful rebound is expected to occur in the second half of 2023, with economic growth estimated at 5% in 2023.

The global economy was affected by rising raw material and energy prices and the interest rate hike of the US dollar, which raised the possibility of economic recession. The timing of the end of the Russia-Ukraine war, the cessation of interest rate hikes and developments in the PRC following the relaxation of its restrictions are key to the economic recovery in 2023. Based on the outlook of the impact of the changing international economic situation on the Group, the Group will adopt a steady development strategy to strengthen the consolidation of its supply chain operation and management, seek strategic alliances with industry peers or different industries, and continue to step up efforts to develop high-value products in order to enhance the Group's core competitiveness and create greater business value.

II. BUSINESS ANALYSIS

(1) Sales Analysis by Market

Country	2022		2021		Difference	
	US\$'000	%	US\$'000	%	US\$'000	%
Vietnam	194,999	43.2%	169,363	44.3%	25,636	15.1%
Japan	83,083	18.4%	62,832	16.4%	20,251	32.2%
PRC	62,663	13.9%	63,447	16.6%	(784)	(1.2%)
ASEAN	35,991	8.0%	29,067	7.6%	6,924	23.8%
US	36,256	8.0%	26,132	6.8%	10,124	38.7%
Others	38,015	8.4%	31,520	8.3%	6,495	20.6%
Total	451,007	100.0%	382,361	100.0%	68,646	18.0%

1. Vietnam

Vietnam is the Group's largest market. During the year, revenue was approximately US\$194,999,000, an increase of approximately US\$25,636,000, or 15.1%, when compared with the same period last year, though its share of revenue slightly fell from 44.3% to 43.2%. The increase in revenue from Vietnam during the year was mainly due to the Group's price adjustments of MSG, modified starch and soda products in response to rising costs, as well as enhanced inventory control and production efficiency, which effectively boosted sales volume and revenue. In addition, the Group made efforts to consolidate its sales channels and adjust the structure of fertilizers and feed products during the year, resulting in growth in both unit prices and revenue.

2. *Japan*

Japan is the Group's second largest market. As the country's economy gradually recovered as a result of the improving pandemic situation during the year, demand from the MSG consumer market rebounded, and the Group moderately adjusted its selling prices to reflect rising costs, leading to a rise in revenue. The Group also continued to expand its customer base in the starch and fertilizer product markets, promote cross-sector applications and actively developed high-value-added products, supporting the overall growth in revenue and profit. Revenue for the year was approximately US\$83,083,000, an increase of approximately US\$20,251,000 or 32.2% when compared with 2021, and its share of the Group's revenue rose from 16.4% to 18.4%.

3. *The PRC*

During the year, revenue from the PRC market was approximately US\$62,663,000, a decrease of approximately US\$784,000 or 1.2% against 2021, and its share of revenue declined from 16.6% to 13.9%. The contraction in revenue 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 year, which led to lower shipment volume and revenue from various products.

4. *The ASEAN Market*

Revenue from the ASEAN market (excluding Vietnam) amounted to approximately US\$35,991,000, an increase of approximately US\$6,924,000 or 23.8% relative to the same period in 2021. Its share of the Group's total revenue climbed slightly from 7.6% to 8.0%, mainly due to the growth in sales volume and revenue of MSG and fertilizers. The ASEAN market has always been a key market for the Group to aggressively develop. The Group hopes to realize its industry advantages 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 a breakthrough in sales performance.

5. *The US*

Revenue from the US market was approximately US\$36,256,000 during the year, an increase of approximately US\$10,124,000 or 38.7% compared with the same period in 2021, and its share of the Group's revenue increased from 6.8% to 8.0%. The increase in revenue during the year was mainly due to the growth in market demand for MSG, which pushed up selling prices, sales volume and revenue. With the Group mastering key sales channels and customers, consolidating its production and sales value chain, developing products to meet customer needs and improving product competitiveness, it will continue to monitor the sentiment and performance of the US market and support its customers in expanding their market.

6. *Other Markets*

Other markets are mainly Taiwan, Korea and the EU. Total revenue during the year was approximately US\$38,015,000, up by approximately US\$6,495,000 or 20.6% against the same period in 2021. Its share of the Group's total revenue increased from 8.3% to 8.4%, mainly due to the significant increase in revenue resulting from the rising market demand for modified starch.

(2) Sales Analysis by Product

Item	2022		2021		Difference	
	US\$'000	%	US\$'000	%	US\$'000	%
MSG and Seasonings	277,042	61.4%	226,991	59.4%	50,051	22.0%
Modified Starch, Native Starch and Starch Sugar	74,973	16.6%	67,684	17.7%	7,289	10.8%
Specialty Chemicals	28,302	6.3%	21,330	5.6%	6,972	32.7%
Fertilizers and Feed Products	35,634	7.9%	28,870	7.6%	6,764	23.4%
Others	35,056	7.8%	37,486	9.8%	(2,430)	(6.5%)
Total	<u>451,007</u>	<u>100.0%</u>	<u>382,361</u>	<u>100.0%</u>	<u>68,646</u>	<u>18.0%</u>

1. *MSG and Seasonings*

During the year, revenue from MSG and seasoning-related products amounted to approximately US\$277,042,000, a surge of approximately US\$50,051,000 or 22.0% when compared with 2021. The growth was mainly due to the rising demand in the Vietnam, Japan, ASEAN and US markets. In addition, the Group raised the selling prices of its products to reflect the sharp rise in raw material and energy costs, resulting in higher sales volume and revenue. The revenue contribution from MSG and seasoning-related products jumped from 59.4% in 2021 to 61.4%.

2. *Modified Starch/Native Starch/Starch Sugar*

Modified starch, native starch and starch sugar products recorded higher total sales and profit during the year, with revenue up by around US\$7,289,000 or 10.8% to approximately US\$74,973,000. This was attributable to the stabilization of cassava raw material prices, effective procurement strategies and the increase in demand for organic products during the year. The sales volume and revenue of native starch and modified starch decreased in the PRC due to the sluggish local market. However, the Group continued to actively develop new products with higher added value and deepen cooperation with leading companies around the world, which points to promising profit potential for the future. As for starch sugar products, as sentiment in Europe and the US remained subdued, customers reduced their order placement leading to a year-on-year decline in revenue.

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\$28,302,000 during the year, an increase of approximately US\$6,972,000 or 32.7% when compared with 2021, which accounted for 6.3% of the Group's total revenue, up from 5.6%.

Soda product prices increased significantly during the year, and revenue and gross profit surged accordingly. Affected by low price competition, sales volume of hydrochloric acid products rose slightly, but selling prices dropped modestly due to market conditions. Overall revenue and gross profit also fell marginally compared with the previous period.

As for fertilizers and feed products, sales volume of solid fertilizers and feed products declined during the year, 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. It will continue to promote high-value-added specialty fertilizer products and develop new sales channels going forward. Revenue from fertilizers and feed products increased by US\$6,764,000 or 23.4% year-on-year to approximately US\$35,634,000, and its contribution to the Group's total revenue rose from 7.6% to 7.9%.

4. *Other Products*

Revenue from other products was approximately US\$35,056,000, a decrease of approximately US\$2,430,000 or 6.5% compared with 2021, and the segment's revenue contribution to the Group's total revenue fell from 9.8% to 7.8%. 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 sales volume of coffee beans and bulk food ingredients distributed in the PRC.

III. MAJOR RAW MATERIALS/ENERGY OVERVIEW

(1) Cassava/Starch

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 cassava production increased at the beginning of 2022, the price gradually returned to a reasonable level. In response, the Group explored more new supply sources, seized the right procurement timing and adjusted inventory levels to control procurement costs in 2022 and improved profits. In 2023, 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 2021/22 was 65,800,000 tons, up slightly from 64,530,000 tons in 2020/21, an increase of approximately 1,000,000 tons. The strong trend in molasses prices, which have remained at historically high levels for a long time, is due to 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 certain molasses exporting countries to non-exporting or importing countries in 2021/22, resulting in an undersupply.

Global molasses production volume in 2022/23 is estimated to reach 66,800,000 tons, slightly higher than in 2021/2022. All other countries (except India) will not export significant quantities of molasses, and India will utilize a significant portion of molasses in its ethanol production plan, which will result in higher demand in sugar and molasses.

Overall, there was a small increase in total molasses production in 2022/23, but the outlook for export volumes of this product is not positive, as a considerable portion of the increase in output will be used for ethanol production. Market prices for molasses are expected to remain firm. The Group will continue to closely monitor changes in the international molasses market and actively develop additional new supply sources to ensure stable access to raw materials.

(3) Energy

Crude oil:

In 2022, the conflict between the West and Russia intensified. Both sides 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. At one point, European ICE Brent crude oil approached US\$140/barrel, setting a new record since the financial crisis in 2008. In 2021, the rise in international crude oil prices was mainly due to the increase in demand after countries lifted lockdown measures and OPEC+ reduced production or resumed it slowly. The increase in crude oil prices in 2022 was mainly because the conflict between Russia and Ukraine blocked the export of Russian natural gas and crude oil, resulting in an imbalance in the supply and demand of energy and inflation.

Coal:

International coal prices rose again in January 2022 after Indonesia issued a ban on coal exports. In late February, the outbreak of the Russia-Ukraine conflict triggered a surge in natural gas prices, as well as global coal prices, which soared to a record high of nearly US\$400 per ton in March 2022. As of May, coal prices in Europe and Australia have rebounded again, and the price of high-quality Australian coal climbed to an all-time high of US\$425 per ton. As of September, the price of high-quality coal reached US\$443 per ton.

In 2023, natural gas and coal prices are expected to remain high and stabilize only in the second half of 2023, depending on the development of the Russia-Ukraine conflict.

Electricity:

The Vietnamese government reopened its borders at the beginning of 2022. To revitalize economic activity, electricity tariffs remained unchanged and stable. Moreover, plans have been made to upgrade electricity engineering works to meet the demand for electricity as production activities resume post-COVID. However, with the influx of foreign capital and the impact of rising international energy costs, the Vietnamese government is considering raising the electricity tariff in 2023 in response to rising energy costs and the lack of coal supply, but it has also stated that it will carefully review the possible tariff hike as it may trigger inflation.

The Group has been using a cogeneration power system to ensure a stable supply of electricity. It will continue to promote energy saving measures and increase flexibility in procuring coal and natural gas to reduce the impact of rising energy costs on the Group.

IV. FINANCIAL REVIEW

(1) Liquidity and Financial Resources

The Group had cash and cash equivalents, short-term bank deposits and term deposits amounting to US\$47,810,000, a decrease of US\$21,934,000, or around 31.4%, when compared with the end of 2021. Total bank borrowings amounted to US\$59,621,000, an increase of US\$19,313,000 or approximately 47.9% from the end of 2021. The borrowings were mainly denominated in US dollars, accounting for 94.5%

Trade receivables amounted to US\$33,990,000, an increase of US\$1,826,000 or approximately 5.7% from the end of 2021. Total inventory was US\$140,527,000, an increase of US\$38,878,000 or approximately 38.2% from the end of 2021.

During the year, 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 2.28. The Group's financial structure remained healthy.

(2) Exchange Rate

Vietnam's ample foreign exchange reserves have kept the Vietnamese Dong (VND) stable 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 (USD). The central exchange rate for the VND announced by the State Bank of Vietnam slightly depreciated by 1.97% at the end of 2022. Vietnam is expected to maintain its export growth and a trade surplus in 2023. However, the VND will face increasing pressure to depreciate in 2023 as the US raises interest rates continuously and the US dollar strengthens. The Group will closely monitor the interest rate hikes in the US and exchange rate movement between USD and VND.

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 in 2023. However, the currency will maintain a higher degree of flexibility. At one point in the second half of 2022, the currency depreciated to around RMB7.3/USD, but rebounded to around RMB6.9/USD at year end. Looking ahead to 2023, the currency will depend on the interest rate hikes in the US and the economic recovery of the PRC, and the Group will continue to monitor changes in the exchange rate between RMB and USD.

(3) Loss per Share and Dividends

Basic loss per share were 0.288 US cents for the year. The Board decided not to declare any dividend.

V. PROSPECTS

In 2022, the supply of energy and raw materials remained unstable and inflation continued to be high due to the ongoing impact of COVID-19 and uncertainty over when the Russia-Ukraine conflict will end. In an effort to curb inflation, the US has increased interest rates, which drove up operating and capital costs of companies and increased pressure on businesses. Downside risks to the global economy have risen sharply, impacting economic recovery and growth.

Despite the unprecedented economic environment and changes, 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, focus more on meeting customer and consumer needs, optimize its flexible cost structure and industry chain integration, and implement its action plan to ultimately create new growth drivers and improve its capacity to generate profit. The main tasks and directions are set forth below:

- Expand product lines and optimize the product mix, partially reform existing products, study the expansion of extended products, and gradually develop value-added products. The Group will also increase the development of highly functional and high-value-added products to enlarge market share and boost profit from product sales.
- Actively expand into new channels and markets, adjust product positioning and sales tactics, look for cooperative partners to expand market scale, and strengthen brand positioning and competitive advantages so as to improve the Group's results performance.
- Continue to promote technological advances in production, enhance production efficiency, improve operational and management techniques and utilize key technologies to enhance core competitiveness in order to achieve the dual objectives of improving quality and reducing costs.
- Capture the market trends of bulk raw materials, actively look for alternative raw material solutions, maintain stable cooperative relations with domestic and overseas suppliers and flexibly execute procurement strategies to ensure a stable supply of raw materials.

- Adopt the “co-opetition” strategy to boost product and service value, leverage its production base in Vietnam to actively develop the ASEAN market and the markets of the FTA, CPTPP and RCEP, and via mutual support within the Group, realize its core advantages and expand the Group’s business presence.
- Accelerate the formation of strategic alliances or cooperative links with different businesses to jointly develop markets through effective consolidation of resources, and strengthen its research and development (R&D) function to realize technological breakthroughs and facilitate the upgrade and transformation of the Group, in addition to the introduction of new products, the expansion of its business scale and the improvement of business performance.
- Establish a strategic organizational structure and dedicated strategic teams to enhance the organizational efficiency of all units, coordinate the operational action plans of each company, integrate the Group’s resources, explore strategic M&As and alliances, and continue to expand the Group’s operations in order to improve revenue, profit and economies of scale.
- Expedite the introduction of an electronic process and information system for the management and application of Big Data in order to obtain immediate feedback, optimize business processes and respond to customer needs in a timely manner.
- Adopt strategies for ongoing management of capital allocation, improve the operational efficiency of assets and reduce the risk of changes in financial markets amid the volatile global financial markets.

The economic situation in 2023 is not promising. 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, hence the Group must remain caution 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 united workforce committed to facing challenges, the Group is confident that it can overcome the difficulties and leverage its operational strengths to facilitate the rapid recovery of its operations. The Group also hopes to achieve better results in the future.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's shares during the year ended 31 December 2022.

CORPORATE GOVERNANCE

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

Save and except for code provision F.2.2 as set out below, the Company has complied with the provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") during the reporting period:

In respect of code provision 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 was not able to attend the annual general meeting of the Company held on 24 May 2022 due to business commitments.

AUDIT COMMITTEE

The Audit Committee, comprising all the Independent Non-executive Directors of the Company, has reviewed the results of the Group for the year ended 31 December 2022 and has discussed with management the accounting principles and practices adopted by the Group, and its internal controls and financial reporting matters.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

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

Final dividend

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: 0.162 US cents).

Closure of register of members and date of Annual General Meeting

The register of members of the Company will be closed from Thursday, 18 May 2023 to Tuesday, 23 May 2023, (both days inclusive), during such period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2023 annual general meeting of the Company to be held on Tuesday, 23 May 2023, unregistered holders of shares of the Company should ensure all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Tengis Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 17 May 2023.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement was published on the Hong Kong Stock Exchange's website at (www.hkexnews.hk) and the Company's website at (www.vedaninternational.com). The Company's 2022 annual report containing all the information required under the Listing Rules will be dispatched to shareholders and published on the websites of the Hong Kong Stock Exchange and of the Company in due course.

OUR APPRECIATION

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

By Order of the Board
Vedan International (Holdings) Limited
YANG, Kun-Hsiang
Executive Director and Chief Executive Officer

Hong Kong, 21 March 2023

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

Executive Directors:–

Mr. YANG, Tou-Hsiung
Mr. YANG, Cheng
Mr. YANG, Kun-Hsiang
Mr. YANG, Chen-Wen
Mr. YANG, Kun-Chou

Non-executive Directors:–

Mr. HUANG, Ching-Jung
Mr. CHOU, Szu-Cheng

Independent non-executive Directors:–

Mr. CHAO, Pei-Hong
Mr. KO, Jim-Chen
Mr. CHEN, Joen-Ray
Mr. HUANG, Chung-Fong