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 2023

FINANCIAL HIGHLIGHTS

	Unaudited six months ended 30 June		
	2023	2022	**Change**
	US$'000	*US$'000*	
Revenue	**188,909**	229,277	-17.6%
Gross profit	**22,456**	25,268	-11.1%
Loss for the period	**(1,465)**	(212)	591.0%
Loss attributable to owners of the Company	**(1,468)**	(216)	579.6%
Basic loss per share	**(0.10) US cents**	(0.01) US cents	
Diluted loss per share	**(0.10) US cents**	(0.01) US cents	
Interim dividend proposed per share	**0.229 US cents**	– US cents	
Total dividends paid and proposed per share	**0.229 US cents**	– 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 2023 together with the comparative figures for the corresponding period in the previous year.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30 June 2023** ***US$'000***	Audited 31 December 2022 *US$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**145,610**	152,074
Right-of-use assets		**4,846**	5,152
Intangible assets		**2,267**	2,080
Long-term prepayments and other receivables		**1,369**	1,301
Investment in an associate		**3,776**	4,174
Total non-current assets		**157,868**	164,781
Current assets			
Inventories		**151,506**	140,527
Trade receivables	*4*	**29,959**	33,990
Prepayments and other receivables		**11,663**	18,738
Amounts due from related parties		**490**	126
Structured bank deposits		**346**	–
Short-term bank deposits and pledged bank deposits		**15,931**	–
Cash and cash equivalents		**24,660**	47,810
Total current assets		**234,555**	241,191
Total assets		**392,423**	405,972

	Note	Unaudited 30 June 2023 US$'000	Audited 31 December 2022 US$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital		**15,228**	15,228
Reserves		**273,382**	276,260
		288,610	291,488
Non-controlling interest		**213**	230
Total equity		**288,823**	291,718
LIABILITIES			
Non-current liabilities			
Bank borrowings		**2,656**	3,431
Lease liabilities		**2,903**	3,035
Deferred income tax liabilities		**577**	577
Retirement benefit obligations		**1,519**	1,526
Total non-current liabilities		**7,655**	8,569
Current liabilities			
Trade payables	*5*	**19,623**	27,591
Accruals and other payables		**13,974**	20,140
Amounts due to related parties		**1,959**	149
Bank borrowings		**58,751**	56,190
Lease liabilities		**425**	443
Current income tax liabilities		**1,213**	1,172
Total current liabilities		**95,945**	105,685
Total liabilities		**103,600**	114,254
Total equity and liabilities		**392,423**	405,972

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Six months ended 30 June	
		2023	2022
	Note	***US$'000***	*US$'000*
Revenue	*3*	**188,909**	229,277
Cost of sales	*7*	**(166,453)**	(204,009)
Gross profit		**22,456**	25,268
Other gains – net	*6*	**265**	255
Selling and distribution expenses	*7*	**(9,953)**	(12,408)
Administrative expenses	*7*	**(11,351)**	(11,946)
Operating profit		**1,417**	1,169
Finance income		**196**	120
Finance costs		**(1,636)**	(268)
Finance costs – net	*8*	**(1,440)**	(148)
Share of post-tax loss of an associate		**(398)**	(301)
(Loss)/profit before income tax		**(421)**	720
Income tax expense	*9*	**(1,044)**	(932)
Loss for the period		**(1,465)**	(212)
Loss attributable to:			
– Owners of the Company		**(1,468)**	(216)
– Non-controlling interest		**3**	4
		(1,465)	(212)
Loss per share for loss attributable to the owners of the Company			
– Basic and diluted loss per share *(expressed in US cents)*		**(0.10)**	(0.01)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June	
	2023	2022
	US$'000	*US$'000*
Loss for the period	**(1,465)**	(212)
Other comprehensive loss		
Items that may be reclassified to profit or loss		
Currency translation differences	**(1,410)**	(1,579)
Total comprehensive loss for the period	**(2,875)**	(1,791)
Total comprehensive loss for the period attributable to:		
– Owners of the Company	**(2,878)**	(1,795)
– Non-controlling interest	**3**	4
	(2,875)	(1,791)

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 2023 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 2022, 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 2022, 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 2023, but do not have any significant impact on the preparation of this interim condensed consolidated financial information.

HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of accounting policies (amendments)
HKAS 8 (Amendments)	Definition of accounting estimates (amendments)
HKAS 12 (Amendments)	Deferred tax related to assets and liabilities arising from a single transaction (amendments)
HKAS 12 (Amendments)	International tax reform — pillar two model rules (amendments)
HKFRS 17	Insurance contracts
HKFRS 17 (Amendments)	Amendments to HKFRS 17
HKFRS 17 (Amendments)	Initial application of HKFRS 17 and HKFRS 9 – comparative information

(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 2023 and have not been early adopted.

		Effective for annual periods beginning on or after
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
HKAS 7 and HKFRS 7 (Amendments)	Supplier finance arrangements (amendments)	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 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 2023, 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 (2022: same).

(i) Segment revenue

	Unaudited	
	Six months ended 30 June	
	2023	2022
	US$'000	*US$'000*
Sales of goods		
Timing of revenue recognition		
At a point in time	**188,909**	229,277

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	
	2023	2022
	US$'000	*US$'000*
Vietnam	**82,311**	100,472
Japan	**34,328**	39,980
The PRC	**27,247**	29,814
The US	**14,706**	18,735
Taiwan	**6,469**	16,343
ASEAN member countries (other than Vietnam)	**14,536**	16,549
Other regions	**9,312**	7,384
Total revenue	**188,909**	229,277

4. Trade receivables

	Unaudited As at 30 June 2023 ***US$'000***	Audited As at 31 December 2022 *US$'000*
Trade receivables from third parties	**30,348**	34,379
Less: loss allowance	**(389)**	(389)
Trade receivables – net	**29,959**	33,990

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 2023 and 31 December 2022, the ageing of the trade receivables based on invoice date was as follows:

	Unaudited As at 30 June 2023 ***US$'000***	Audited As at 31 December 2022 *US$'000*
0 – 30 days	**16,727**	24,014
31 – 90 days	**12,021**	9,069
91 – 180 days	**942**	604
181 – 365 days	**345**	172
Over 365 days	**313**	520
	30,348	34,379

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 2023 and 2022 reconciles to the opening loss allowance as follows:

	Unaudited	
	Six months ended 30 June	
	2023	2022
	US$'000	*US$'000*
Opening loss allowance as at 1 January	**389**	323
Decrease in loss allowance recognised in condensed consolidated income statement during the period	**–**	(16)
Closing loss allowance as at 30 June	**389**	307

5. Trade payables

As at 30 June 2023 and 31 December 2022, the ageing of the trade payables based on invoice date was as follows:

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2023	2022
	US$'000	*US$'000*
0 – 30 days	**13,146**	25,334
31 – 90 days	**3,427**	2,257
91 – 180 days	**2,851**	–
Over 181 days	**199**	–
	19,623	27,591

6. Other gains – net

	Unaudited Six months ended 30 June **2023** ***US$'000***	 2022 *US$'000*
Net exchange gains/(losses)	**46**	(113)
Loss on disposal of property, plant and equipment	**(23)**	(18)
Sales of scrap materials	**144**	170
Government grant	**9**	34
Fair value gain on structured bank deposits	**1**	58
Others	**88**	124
Other gains – net	**265**	255

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 **2023** ***US$'000***	 2022 *US$'000*
Changes in inventories and consumables used	**138,612**	173,419
Amortisation of intangible assets	**35**	69
Amortisation of right-of-use assets	**274**	250
Auditors' remuneration	**129**	130
Depreciation on property, plant and equipment	**10,725**	8,805
Employee benefit expenses	**20,156**	20,111
Reversal of loss allowance of trade receivables *(Note 4)*	**–**	(16)
Provision for inventories	**172**	–
Payment for short-term leases	**77**	25
Technical support fee	**1,602**	1,994
Travelling expenses	**905**	779
Transportation expenses	**3,432**	8,120
Advertising expenses	**740**	1,136
Other expenses	**10,898**	13,541
Total cost of sales, selling and distribution expenses and administrative expenses	**187,757**	228,363

8. Finance costs - net

	Unaudited	
	Six months ended 30 June	
	2023	2022
	US$'000	*US$'000*
Finance income:		
– Interest income on short-term bank deposits	**196**	120
Finance costs:		
– Interest expense on bank borrowings	**(1,587)**	(222)
– Interest expenses on lease liabilities	**(49)**	(46)
Finance costs	**(1,636)**	(268)
Finance costs – net	**(1,440)**	(148)

9. Income tax expense

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

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

	Unaudited	
	Six months ended 30 June	
	2023	2022
	US$'000	*US$'000*
Enterprise income tax ("**EIT**")	**1,044**	1,413
Deferred income tax	**–**	(481)
	1,044	932

EIT is provided on the basis of the statutory profit for financial reporting purposes, adjusted for income and expenses items which are not assessable or deductible for income tax purposes.

(i) ***Vietnam***

The applicable EIT rate for the Group's principal operation in Vietnam is 15%, which is an incentive tax rate offered by the Vietnam Government and is stipulated in the respective subsidiary's investment license. For non-principal operation in Vietnam, the applicable EIT rate for the Group is 20%.

(ii) ***The PRC***

The applicable EIT rate for the Group's operation in the PRC is 25%.

(iii) ***Singapore/Hong Kong/Cambodia***

No Singapore/Hong Kong/Cambodia profits tax has been provided as the Group had no estimated assessable profit arising in or derived from Singapore, Hong Kong and Cambodia during the period.

(iv) ***Taiwan***

The applicable EIT rate for the Group's operations in Taiwan is 20%.

10. Loss per share

Basic loss per share is calculated by dividing the loss attributable to owners of the Company of US$1,468,000 (2022: loss of US$216,000) by weighted average of ordinary shares of 1,522,742,000 (2022: 1,522,742,000) in issue during the period.

Diluted loss per share is the same as the basic loss per share as there are no dilutive instruments for the periods ended 30 June 2023 and 2022.

11. Dividends

A final dividend of US$2,466,000 that related to the year ended 31 December 2021 was declared on 27 May 2022 and paid in June 2022. No final dividend was declared nor paid related to the year ended 31 December 2022.

On 22 August 2023, the Board resolved to declare an interim dividend of 0.229 US cents per share (2022: none). This interim dividend, amounting to US$3,487,000 (2022: none), has not been recognised as a liability in this interim condensed consolidated financial information.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS OVERVIEW

In 2022, the global economy was impacted by the novel coronavirus (COVID-19), and Vietnam was affected by the implementation of social distancing measures. The pandemic is further under control in 2023 and countries around the world have gradually reopened. However, with global energy and raw material prices continuing to fluctuate due to the ongoing Russian-Ukrainian war, the US embarking on a cycle of interest rate hikes and inflationary risks rising, the global economy is not optimistic and the road to recovery of various economies remain fraught with challenges and uncertainties.

In the first half of 2023, the Vietnamese government effectively controlled the outbreak of the pandemic. Total import and export trade volume was approximately US$316.65 billion, with a trade surplus of approximately US$12.25 billion, recorded a significant increase over the same period in 2022. In the first half of 2023, the Russian-Ukrainian war continued to affect the global economy. Although energy and raw material prices showed signs of stabilizing compared with the same period in 2022, global inflation continued to weigh on the recovery of economic activities. As Vietnam's central bank adjusted its monetary policy flexibly in 2023, the exchange rate of Vietnamese Dong to US Dollar has been stable and inflation has been effectively contained. The Consumer Price Index (CPI) of Vietnam increased by 3.29% year-on-year in the first half of 2023, below the 4.5% inflation target.

The Group's revenue in the first half of 2023 was approximately US$188,909,000, a decrease of 17.6% or US$40,368,000 compared with the same period last year. The main reason for the decline in revenue was that, in addition to the sluggish economy in Vietnam in the first half of the year, the sales and revenue of the Group's key product, MSG, were affected by the economic situation and the consequent decline in market demand. However, thanks to the Group's flexible price adjustment strategy, gross profit margin during the period was higher than the same period last year. Sales volume and revenue of modified starch increased due to the growth in export to the European market. The weak economy in the European and US markets, decline in industrial demand and lackluster consumption momentum resulted in a drop in the overall revenue of starch sugar. For specialty chemicals products, amid the economic downturn and significant drop in demand, revenue and profit dropped significantly compared with the same period last year. As for hydrochloric acid, the average selling price was lowered due to price competition in the industry, resulting in a decrease in revenue and gross profit compared with the same period last year. 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, revenue of some of the Group's other products, including coffee and bulk food ingredients, were slightly higher compared with the same period last year, as consumption in Mainland China recovered from the stagnation in the second half of 2022 following the scrapping of pandemic control measures in the first half of 2023. The decline in revenue and profit of the Group in the period was mainly due to the weak global economy, lower market demand and the continued high energy prices. Overall gross profit margin increased from 11.0% in the first half of 2022 to 11.9%, and gross profit was US$22,456,000, a decrease of US$2,812,000 from the same period last year due to the decrease in sales volume; net profit margin decreased from -0.1% in the same period of 2022 to -0.8 %; net loss was US$1,465,000, a decrease of US$1,253,000 over 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 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. However, the overall economic growth rate (GDP) of Vietnam was only 3.72% during the period, far below the Vietnamese government's expected target of 6.2%, indicating that the recovery of Vietnam's economic activities has slowed down, mainly due to the fact that the inflation in Europe, the US and Japan has not been alleviated. As a result, both the output and orders of Vietnamese enterprises have decreased. In the first half of the year, the total import and export trade decreased by 15.2% compared with the same period in 2022, though still maintaining a trade surplus of US$12.25 billion.

In the first half of 2023, Vietnam's overall economic recovery slowed down. The US Dollar continued to strengthen due to the multiple interest rate hikes since 2022, leading to the tightening of global capital and slowing economic recovery. As a result, Vietnam's manufacturing industry was still faced with fluctuations in raw material prices, rising energy prices and pressure from falling international market demand. Looking ahead to the second half of the year, the Vietnamese government has vigorously proposed policies to ease inflationary pressures and create new space for enterprise development as the economy recovers. Vietnam has set the inflation rate target at 4.5% and the economic growth target at 6.5%. With the easing of the pandemic in the first half of 2023, China's industrial chain and supply chain gradually recovered, and it is expected to reach its reach its economic growth target of 5.0% in 2023, an increase of 2 percentage points compared with 2022. As the recovery of service and consumption in China has been relatively slow and demand has not returned to pre-epidemic levels, inflation has been relatively moderate and inflation rate is expected to be controlled to below 3%.

II. BUSINESS ANALYSIS

(1) Sales Analysis by Market

Unit: US$'000

Country	First half of 2023		First half of 2022		Difference	
	Amount	**%**	*Amount*	%	*Amount*	%
Vietnam	**82,311**	**43.6%**	100,472	43.8%	-18,161	-18.1%
Japan	**34,328**	**18.2%**	39,980	17.4%	-5,652	-14.1%
PRC	**27,247**	**14.4%**	29,814	13.0%	-2,567	-8.6%
ASEAN	**14,536**	**7.7%**	16,549	7.2%	-2,013	-12.2%
US	**14,706**	**7.8%**	18,735	8.2%	-4,029	-21.5%
Others	**15,781**	**8.4%**	23,727	10.3%	-7,946	-33.5%
Total	**188,909**	**100.0%**	229,277	100.0%	-40,368	-17.6%

1. Vietnam

Vietnam is the Group's largest market. During the first half of 2023, revenue was approximately US$82,311,000, a decrease of approximately US$18,161,000 or -18.1% from the same period in 2022, with share of revenue dropping from 43.8% to 43.6%.The decline in revenue from Vietnam during the period was mainly due to poor market conditions and thus reduced demand for MSG, seasonings and specialty chemical products, which in turn affected sales and revenue. During the period, the Group made efforts on consolidating its sales channels, introducing new products to adjust product structure and flexibly adjusting its price strategy, with a view to driving sales volume and revenue growth in the second half of the year.

2. Japan

Japan is the Group's second largest market. Although the pandemic eased during the period, the market was also affected by the global economy. The economic recovery was slow, and the demand for MSG in the consumer market fell, resulting in the drop in sales volume and revenue for the Group. The Group will continue to promote cross-sector applications of its products and actively develop high-value-added products, with an aim to drive the overall growth in revenue and profit in the second half of the year. Revenue for the period was approximately US$34,328,000, a decrease of approximately US$5,652,000 or -14.1% from the first half of 2022, with share of revenue increasing from 17.4% to 18.2%.

3. The PRC

During the period, revenue from China was approximately US$27,247,000, a decrease of approximately US$2,567,000 or -8.6% from the first half of 2022, with share of revenue rising from 13.0% to 14.4%. The revenue drop in China market compared with the same period last year was mainly due to the decline in shipment and revenue of various products, as a result of the sluggish market consumer demand and slow economic recovery caused by the Zero-COVID policy.

4. The ASEAN Market

During the period, revenue from the ASEAN market (except Vietnam) was approximately US$14,536,000, a decrease of approximately US$2,013,000 or -12.2% compared with the same period in 2022. Its share of revenue increased slightly from 7.2% to 7.7%, mainly because the decline in sales volume and revenue of MSG and modified starch products was relatively small compared with that in other markets. 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 during the period was approximately US$14,706,000, a decrease of approximately US$4,029,000 or -21.5% from the same period in 2022, while its revenue share decreased slightly from 8.2% to 7.8%. The decline in performance during the period was mainly due to the high inventory and poor economy of US customers. The market demand for starch sugar products fell sharply, resulting in the decline in selling prices and sales volume, which in turn led to the decrease in revenue and thus profit. The Group will maintain its key sales channels and customers, consolidate its production and sales value chain, and continue to develop products to meet customer needs and improve product competitiveness. As the inventory reduces, the sales performance in the future is still optimistic.

6. Other Markets

Other markets are mainly Taiwan, Korea and the EU. During the period, total revenue was approximately US$15,781,000, a decrease of approximately US$7,946,000 or -33.5% from 2022. Its share the Group's total revenue fell from 10.3% to 8.4%, mainly due to the decrease in market demand for MSG and CMS-related fertilizers, which led to the decline in revenue.

(2) Sales Analysis by Product

Unit: US$'000

Item	First half of 2023		First half of 2022		Difference	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
MSG and Seasonings	**112,826**	**59.7%**	141,269	61.6%	-28,443	-20.1%
Modified Starch, Native Starch and Starch Sugar	**31,288**	**16.6%**	36,336	15.8%	-5,048	-13.9%
Specialty Chemicals	**10,799**	**5.7%**	15,849	6.9%	-5,050	-31.9%
Fertilizers and Feed Products	**17,355**	**9.2%**	19,336	8.4%	-1,981	-10.2%
Others	**16,641**	**8.8%**	16,487	7.2%	154	0.9%
Total	**188,909**	**100.0%**	229,277	100.0%	-40,368	-17.6%

1. MSG and Seasonings

Revenue from MSG and seasoning-related products was approximately US$112,826,000 during the period, a decrease of US$28,443,000 or -20.1% compared with the same period in 2022. The decrease in performance was mainly due to the decline in demand in various markets such as Vietnam, Japan, the ASEAN market, and Taiwan, which resulted in a decline in sales volume and revenue. The overall revenue of MSG and seasoning-related products decreased, and the share of revenue dropped from 61.6% in the same period of 2022 to 59.7%.

2. Modified Starch/Native Starch/Starch Sugar

Modified starch, native starch and starch sugar products recorded revenue of approximately US$31,288,000, a decrease of approximately US$5,048,000 or -13.9% compared with the same period of 2022, as sales volume and revenue of starch sugar declined due to the weak market conditions in the US. The Group has continued to actively develop new markets and new products with higher added value and deepen cooperation with leading companies around the world, which points to promising profit potential for the future.

3. Specialty Chemicals, Fertilizers and Feed Products

Specialty chemicals including hydrochloric acid, soda and bleach are sold in the Vietnamese market. During the period, the total revenue of specialty chemicals products was approximately US$10,799,000, a decrease of approximately US$5,050,000 or -31.9% from the same period in 2022, and its share of the Group's total revenue decreased from 6.9% to 5.7%.

During the period, revenue and gross profit of soda products dropped due to the downturn in the market and drop in market demand. Due to the price competition in the industry, the sales volume and selling price of hydrochloric acid products declined, resulting in a decrease in overall revenue and profit.

In terms of fertilizers and feed products, the sales volume of solid fertilizer feed decreased during the period, mainly due to the overall weak market demand. It was also affected by the upward price adjustments as a result of the rise in costs, and the recent fluctuations material prices, which has caused the market to adopt a wait-and-see approach and delay purchases. In the second half of the year, the Group will actively launch products with new specifications, explore new customers and improve its product mix, and adopt a flexible price adjustment strategy, with a view to return to growth in revenue and profit. It will also continue to promote high-value-added specialty fertilizer products and develop new sales channels. Revenue of fertilizers and feed products was approximately US$17,355,000, a decrease of US$1,981,000 or -10.2% from the same period in 2022, and its share of the Group's total revenue increased from 8.4% to 9.2%.

4. Other Products

Revenue of other products was approximately US$16,641,000, an increase of approximately US$154,000 or 0.9% from the same period in 2022, and its share of the Group's total revenue increased from 7.2% to 8.8%. The improvement in performance during the period was mainly due to the slight recovery of the consumer market after the cancellation of pandemic restrictions in the early 2023 in China. The sales volume of coffee beans and bulk food ingredients increased, resulting in rise in revenue.

III. MAJOR RAW MATERIALS/ENERGY OVERVIEW

(1) Cassava/Starch

In the 2022/23 production season, the output of major plantation areas such as Thailand, Vietnam, and Cambodia was stable, and prices in the whole season were relatively steady. However, due to the end of the production season and the concerns over the impact of the El Nino weather phenomenon on the next season's output, the market demand was still strong and the prices rose sharply. The Group has developed more new sources of supply according to its annual strategy, in a bid to control production costs and increase profitability.

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 2022/23 was still slightly lower than the previous year. As the use of molasses to produce ethanol increased, there was no significant increase in exports from various countries. The Group has closely monitored the impact of climate on the supply in various production areas.

Overall, the total output of molasses and the export trade volume in 2022/23 are not very optimistic and thus prices remain high. The Group will continue to monitor changes in the international molasses market and actively develop more new sources to ensure a stable supply of raw materials.

(3) Energy

Crude oil: In the first half of 2023, international oil prices showed a downward trend, with Brent crude oil and WTI falling by approximately 14% period-on-period, and decreasing 24% and 26% year-on-year. Main factors contributing to the decline in international oil prices included supply exceeding demand, poor global economic conditions, and the Federal Reserve's monetary policy. It is expected that economic conditions will improve in the second half of 2023, and international oil prices are likely to rise.

Coal: The impact of the Russia-Ukraine War subsided in the first half of 2023. The global supply of natural gas, crude oil and coal stabilized. International coal prices fell sharply, but were still much higher than before the Russia-Ukraine war. The Group will continue to monitor changes in the energy industry, devise reactive measures with agility, and continue implement power-saving measures.

Electricity: In the first half of 2023, there was a power shortage in Vietnam as hydropower generation was affected by extreme weather. Besides, the Vietnamese government raised electricity prices by 3% in May 2023, which impacted enterprises in the country to a certain extent amid the economic recovery. The Group has been using a cogeneration power system to ensure a stable supply of electricity. It will continue to explore strategy 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's cash and cash equivalents and bank deposits amounted to US$40,937,000 a decrease of US$6,873,000 or around 14.4%, when compared with the end of 2022. Total borrowings amounted to US$61,407,000, an increase of US$1,786,000 or approximately 3.0% from the end of 2022. The borrowings were mainly denominated in US dollars, accounting for 73.8%.

Trade receivables amounted to US$29,959,000, a decrease of US$4,031,000 or approximately -11.9% from the end of 2022. Total inventory amounted to US$151,506,000, an increase of US$10,979,000 or approximately 7.8% from the end of 2022.

During the period, the decrease in trade payables led to the Group's current ratio increasing from 2.29 at the end of 2022 to 2.44. The Group's financial structure remains stable.

(2) Capital Expenditure

During the period, the Group's capital expenditure amounted to US$4,724,000, lower than US$7,137,000 in the first half of 2022. The capital expenditure incurred was mainly due to the continuation of last year's projects including the organic maltose line of the subsidiary in Vietnam and the pregelatinized starch project. Due to the COVID-19 pandemic and the Russian-Ukraine war, there will be greater uncertainties in the operating environment in 2023. The Group has continued to actively pursue several development and investment projects. However, those projects will be carefully reviewed. There were no new major projects requiring substantial capital expenditure during the period in addition to the aforementioned projects.

(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 (USD). From March 2023 to June 2023, the State Bank of Vietnam (SBV) cut interest rates 4 times to stabilize inflation and exchange rates. As a result, the exchange rate of the VND remains stable. Vietnam is expected to continue its export growth and maintain trade surplus in 2023. Despite the continued interest rate hikes in the US and a strong US Dollar, the VND is expected to remain stable in the second half of 2023.

The Group's subsidiaries in the PRC are mainly engaged in local sales with transactions denominated in RMB. Although the RMB is under depreciation pressure, it has still maintained a high degree of flexibility. In the first half of 2023, it first appreciated and then depreciated. In February, it once appreciated to RMB6.7/USD, and at the end of June, it depreciated to RMB7.2/USD. Its overall trend in 2023 should depend on future changes in the global economy and the resilience of China's economic recovery. The Group will continue to monitor the exchange rate between RMB and USD.

(4) Loss Per Share and Dividends

Basic loss per share were -0.10 US cents for the period. The board of directors decided to pay an interim dividend of 0.229 US cents per share. Payout ratio was -237.5%.

V. PROSPECTS

Since 2022, the supply of energy and raw materials have been unstable and inflation has 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, affecting global conomic recovery and 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 improve 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.

Since 2022, in addition to the ongoing Russia-Ukraine War, interest rate hikes by the world's major central banks have raised fears of an economic recession. Demand from the US, Europe, and emerging markets have all slowed, adding enormous uncertainty to the prospects of global economic recovery and the Group's operations. Nevertheless, with its existing operational strategies, enhanced development of domestic and overseas markets, and well-established sales network, as well the expectation that raw material unit prices will stabilize slightly in the second half of 2023, the Group is confident it can leverage its operational strengths to promote the cautious recovery of the overall business.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend for the six months ended 30 June 2023 of 0.229 US cents per share. The interim dividend will be paid on 5 October 2023 in HK dollar to shareholders whose names appear on the register of members of the Company on 20 September 2023. The HK$ equivalent of the interim dividend is 1.7881465 HK cents per share, which is based on the exchange rate of US$ against HK$ at US$1.00 to HK$7.8085 as quoted by The Hong Kong Association of Banks on 22 August 2023.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 18 September 2023 to Wednesday, 20 September 2023 (both days inclusive), during such period no transfer of the Company's shares will be registered. In order to be eligible to receive the interim dividend for the six months ended 30 June 2023, unregistered holders of the Company's shares must lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on Friday, 15 September 2023.

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 2023.

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 2023.

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 2023, 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 23 May 2023 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 2023. 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 2023 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 2023.

PUBLICATION OF INTERIM REPORT

The Company's interim report for the six months ended 30 June 2023 containing all the relevant information required by Appendix 16 to the Listing Rules of the Hong Kong Stock Exchange will be dispatched to shareholders and published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.vedaninternational.com) in due course.

APPRECIATION

The Board would like to take this opportunity to express our sincere thanks to our shareholders for their support and to our staff for their commitment and diligence during the period.

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

Hong Kong, 22 August 2023

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