



【for immediate release】

## Vedan's turnover grows for fifth consecutive year

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## 2006 net profit increases by 37.3% to HK\$85.14 million

### Results Highlights

	For the year ended 31 December		
	2006	2005	Change
	(US\$'000)	(US\$'000)	
<b>Turnover</b>	<b>290,695</b>	257,904	<b>+12.7%</b>
<b>Gross Profit</b>	<b>53,473</b>	44,444	<b>+20.3%</b>
<b>Net Profit</b>	<b>10,915</b>	7,947	<b>+37.3%</b>
<b>Basic Earnings Per Share (US cent)</b>	<b>0.716</b>	0.52	<b>+37.7%</b>
<b>Final Dividend Per Share (US cent)</b>	<b>0.158</b>	0.112	<b>+41.1%</b>
<b>Total Dividend Per Share (US cent)</b>	<b>0.358</b>	0.313	<b>+14.4%</b>

(Hong Kong, 20 March 2007) – **Vedan International (Holdings) Limited** (“Vedan International” or the “Group”) (SEHK: 2317) today announced its annual results for the year ended 31 December 2006.

During the year under review, total turnover of the Group increased by 12.7% to US\$290,695,000 (around HK\$2,267 million) when compared with last year's. Gross profit increased by 20.3% to US\$53,473,000 (around HK\$417 million). Net profit was US\$10,915,000 (HK\$85.14 million), representing a significant growth of 37.3% against the previous year. Gross profit margin and net profit margin were 18.4% (2005: 17.2%) and 3.8% (2005: 3.1%) respectively. Basic earnings per share were approximately 0.716 US cent (approximately 5.62 HK cents). The Board of Directors recommended the payment of a final dividend of 0.158 US cent (around 1.25 HK cents). Together with the interim dividend of 0.200 US cent (around 1.56 HK cents) already paid, total dividend payout ratio for the year was around 50%.

**Mr. Yang Tou Hsiung, Chairman of Vedan International**, said, “The Group achieved satisfactory growth in 2006. It is the fifth consecutive year that its turnover has double-digit growth. Although still facing pressure from persistently high raw material costs and severe competitions, the Group overcame all the difficult challenges and reported significant increase in gross profit and net profit. All these were fruits of our efforts to gradually raise product prices, apply stringent cost control, undertake flexible production strategy and realize the goals we set for the supply chain in China.”

## **Business Overview**

By product type, MSG and GA are still the core products of the Group, contributing together 79.4% of the Group's total turnover. The sales of MSG and GA increased by 1.5% and 173.3%, to US\$189,493,000 and US\$41,275,000, respectively compared with the previous year. In light of the persistently narrow margin of lysine, the Group shifted one-third of the lysine production capacity to produce GA in 2006. As such, the sales of lysine dropped 24.6% to US\$15,320,000.

As for its starch business, after the Group acquired the Ve-Yu Starch Factory in Gia Lai province of Vietnam in late 2005, it has extended the sourcing network of cassava to Central Vietnam, which in turn boosted its turnover from US\$145,000 to US\$4,404,000. Modified starch is also a core product in grooming by the Group. The Group has been injecting resources continually into developing new applications for modified starch on constant rise. Sales of modified starch increased by 11.5% against last year to US\$17,088,000 this year.

During the year under review, sales in markets including Vietnam, Japan, China and ASEAN countries reported notable growth. Vietnam is not only the Group's major production base, but also its largest core market, which accounted for 52.1% of the Group's total turnover. Japan is the major lysine export market of the Group. Affected by the reduction of lysine production, total turnover from Japan only increased by a slight 0.8%. Turnover generated in China increased by 15.1% to US\$44,751,000, brought in by core products including MSG, accounting for 90% of total revenue, and modified starch, value-added seasonings and GA.

**Mr. Yang Kun Hsiang, CEO of Vedan International**, said, "All our products, in particular GA but lysine, reported satisfactory growth last year. Strategically shifted part of its flexible production facilities to manufacture higher margin GA, our Vietnam plant reported substantial growth in turnover. Furthermore, we were able to achieve increased profit by raising product prices. With molasses price starting to come down yet not accounted for in 2006, the Group's profit did not fully reflect the positive effect of reduction in raw material costs."

## **Prospects**

Looking ahead, Vietnam will remain as the Group's core market. After the accession of Vietnam to the WTO in January 2007, we look forward to seeing it achieving magnificent economic growth and rising living standard for its citizens, which will translate into demand for quality and diverse consumer products, thus more opportunities for the Group's development in the long run. The Group will strive to improve operational efficiency, its production technology and product quality, so as to extend its reach in the market and enhance profitability.

As for the China market, the Group sees huge potentials. Persistent industrialization in the country will prompt more people to dine out and an increase in supply of processed foods by restaurants and other suppliers who use the Group's edible modified starch. The Group's R&D centre has been developing new applications for the Group's existing products and new products that meet customers' needs. Our efforts in the past two years have started to bear fruits, as reflected in the strong sales and turnover in the fourth quarter of 2006.

Regarding the development of raw materials, the Group will expand procurement of cassava from sources in Central and Northern Vietnam and promote the plantation of cassava in neighbouring countries like Cambodia and Lao. To explore new raw material sources, we continued the trial cultivation of tropical sugar beet and also promoted it in other provinces in Vietnam. After two-year experiments, the trial cultivation reported encouraging results, and is expected to consolidate the Group's competitive advantages.

The Group will actively integrate its production facilities to allow it to combat severe competitions. It intends to transfer the production facilities in Xiamen Mao Tai factory to Shandong Vedan Snowflake. This move will not only lower production costs of the Xiamen plant, but will also allow Shandong Vedan Snowflake to build an all-round operation and ultimately enhance the Group's competitiveness. To ensure long-term development, the Group will also actively look for potential partners boasting cost advantage in China to form strategic alliances.

**Mr. Yang** concluded, "Looking ahead in the year of 2007, by adopting prudent and flexible strategies, we will seek to capture business opportunities, actively develop innovative products and explore new markets to enhance our competitiveness, and in turn generate better returns for our shareholders."

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*Enclosed: Condensed Consolidated Profit and Loss Account for FY2006*

**About Vedan International (Holdings) Limited**

Vedan International is a leading producer of fermentation-based amino acids, food additive products and cassava starch-based industrial products in Asia. Leveraging its production facilities in Vietnam and the PRC, its products are sold to food distributors, international trading companies and the food, paper, textile and chemical products producers in Vietnam, the other ASEAN countries, the PRC, Japan and Taiwan. Most of its products are marketed under the **VEDAN** brand name. For details, please refer to [www.vedaninternational.com](http://www.vedaninternational.com).

**For more information**

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**CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT  
 FOR THE YEAR ENDED 31 DECEMBER 2006**

	2006 US'000	Audited 2005 US'000
Turnover	<b>290,695</b>	257,904
Cost of sales	<b>(237,222)</b>	(213,460)
Gross profit	<b>53,473</b>	44,444
Other revenues	<b>491</b>	420
Selling and distribution expenses	<b>(16,058)</b>	(15,555)
Administration expenses	<b>(19,010)</b>	(17,584)
Net other operating income/ (expenses)	<b>1,697</b>	2,487
Operating profit	<b>20,593</b>	14,212
Finance costs	<b>(5,831)</b>	(3,972)
Profit before taxation	<b>14,762</b>	10,240
Taxation	<b>(3,827)</b>	(2,293)
Profit for the year	<b>10,935</b>	7,947
Attributable to:		
– Equity holders	<b>10,915</b>	7,947
– Minority shareholders	<b>20</b>	-
Dividend		
–paid	<b>3,026</b>	3,060
–proposed	<b>2,432</b>	1,708
Basic earnings per share (US cents)	<b>0.716</b>	0.52
Amortised profit per share (US cents)	0.716	0.52