



Vedan International (Holdings) Limited
味丹國際(控股)有限公司

Stock Code: 2317

2005 Annual Results

22 March 2006



Highlights



Highlights

- Turnover growth across all markets
- MSG, GA and modified starch are the growth drivers
- Vietnam maintained as the largest single market, ASEAN and PRC registered a remarkable growth
- Profit shrunk due to rising raw materials cost and price suppression of lysine
- Increased MSG prices gradually without compromise sales growth
- Realized the company strategy in M&A and investment
- Achieved good progress in developing new sources of carbohydrates

Summary of Final Results

Year ended 31 December
USD million

	2005	2004	Change
Turnover	257.9	225.0	+14.6%
Gross Profit	44.4	64.8	-31.4%
Net Profit	7.9	24.3	-67.4%
EPS (US cents)	0.52	1.61	-67.7%
Gross profit margin	17.2%	28.8%	
Net profit margin	3.1%	10.8%	

Balance Sheet

	As of 31 Dec 2005 (USD million)	As of 31 Dec 2004 (USD million)	Change
Cash	28.0	33.2	-15.7%
Short-Term Debt	49.9	41.1	+21.4%
Long-Term Debt	29.7	25.7	+15.6%
Total Debt	79.6	66.8	+19.2%
Shareholders' Equity	236.7	234.5	+0.9%
Debt to Equity Ratio(%)	33.7%	28.5%	

Key Financial Figures

	31 Dec 2005	31 Dec 2004
Current Ratio (Times)	1.58	1.79
Net Gearing Ratio* (%)	21.8%	14.4%
ROE Ratio (%)	3.4%	10.6%

** net debt / equity*

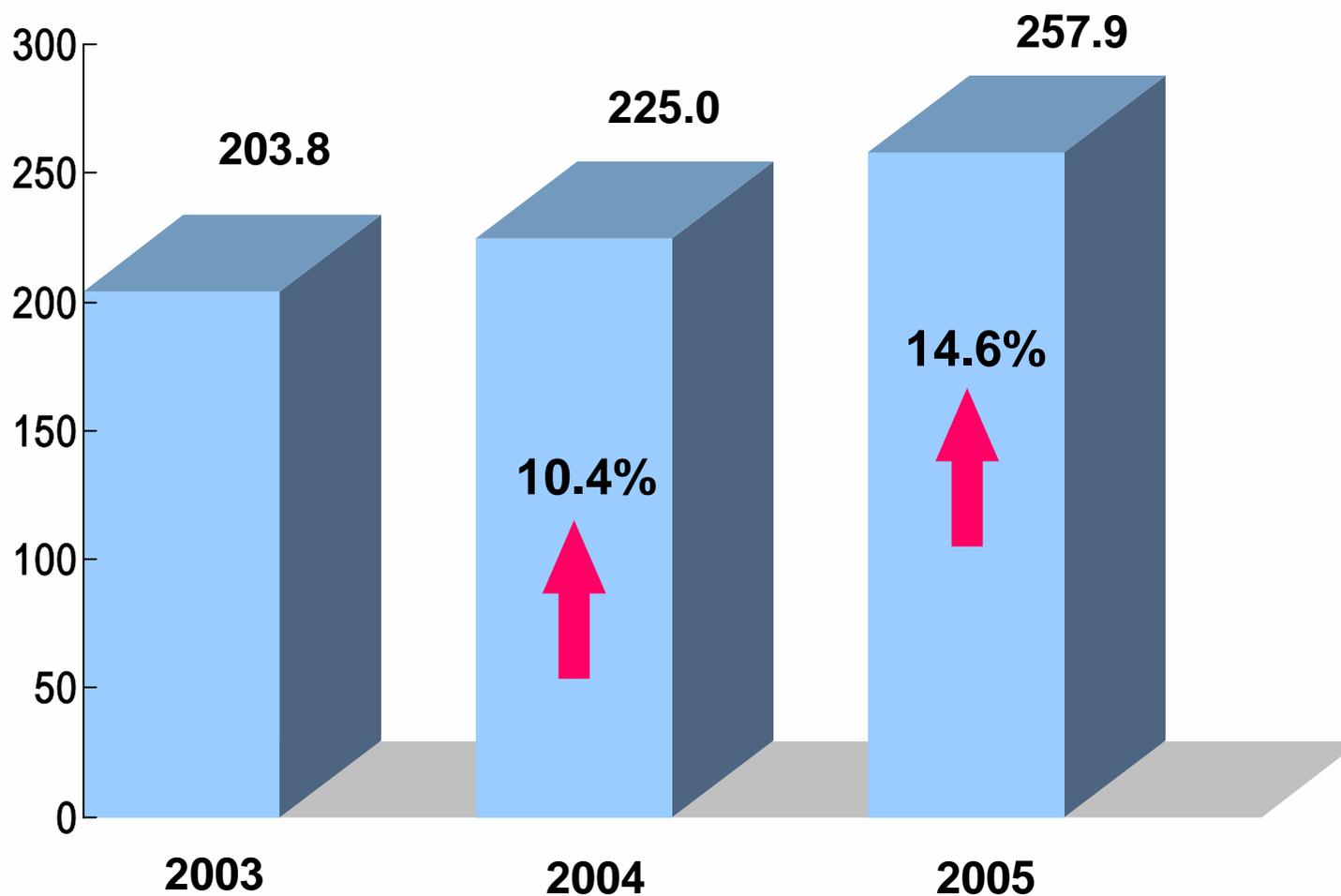
Business Review



Market Analysis

Turnover in the Past 3 Years

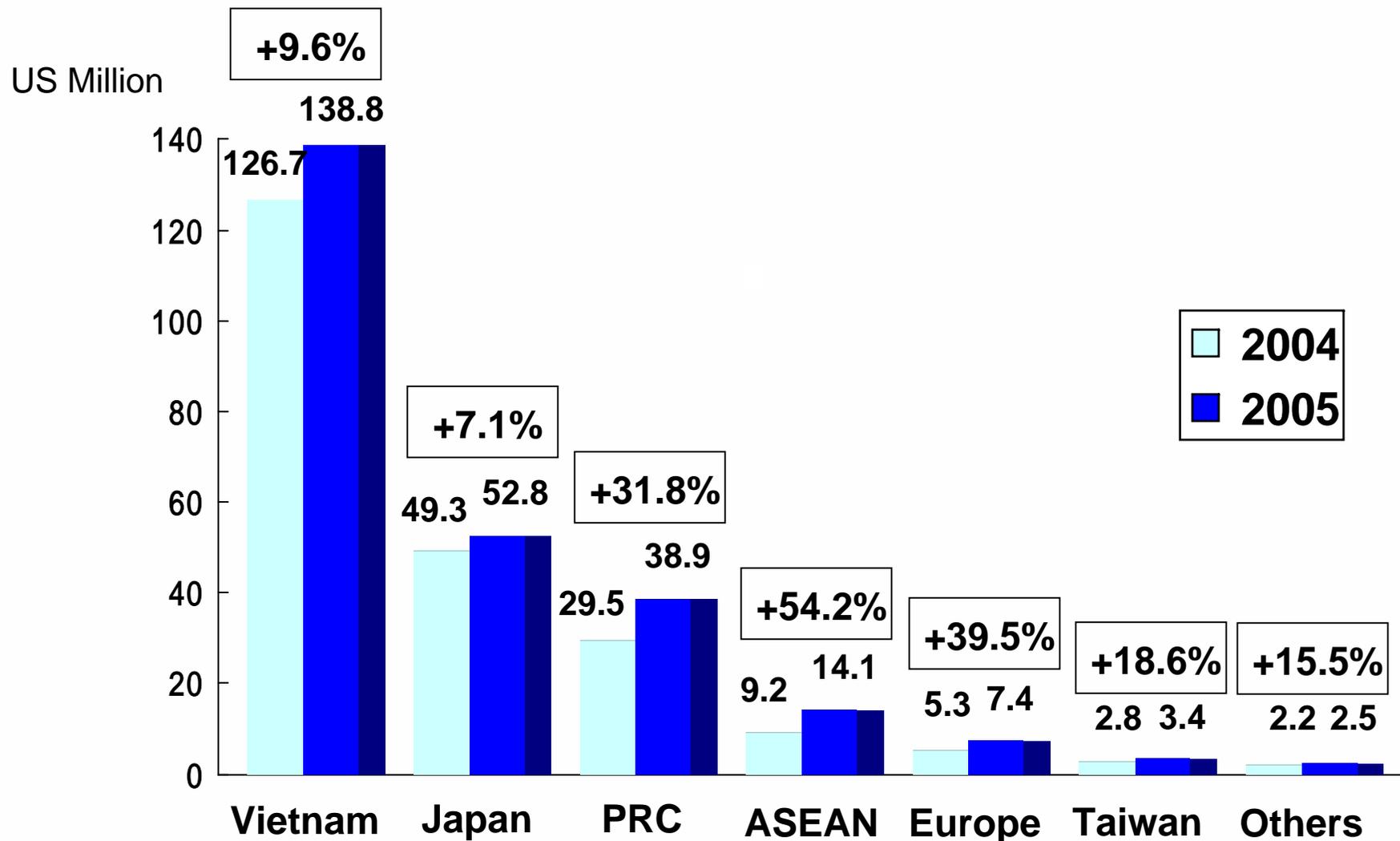
US Million



For the year ended 31 December

Market Analysis

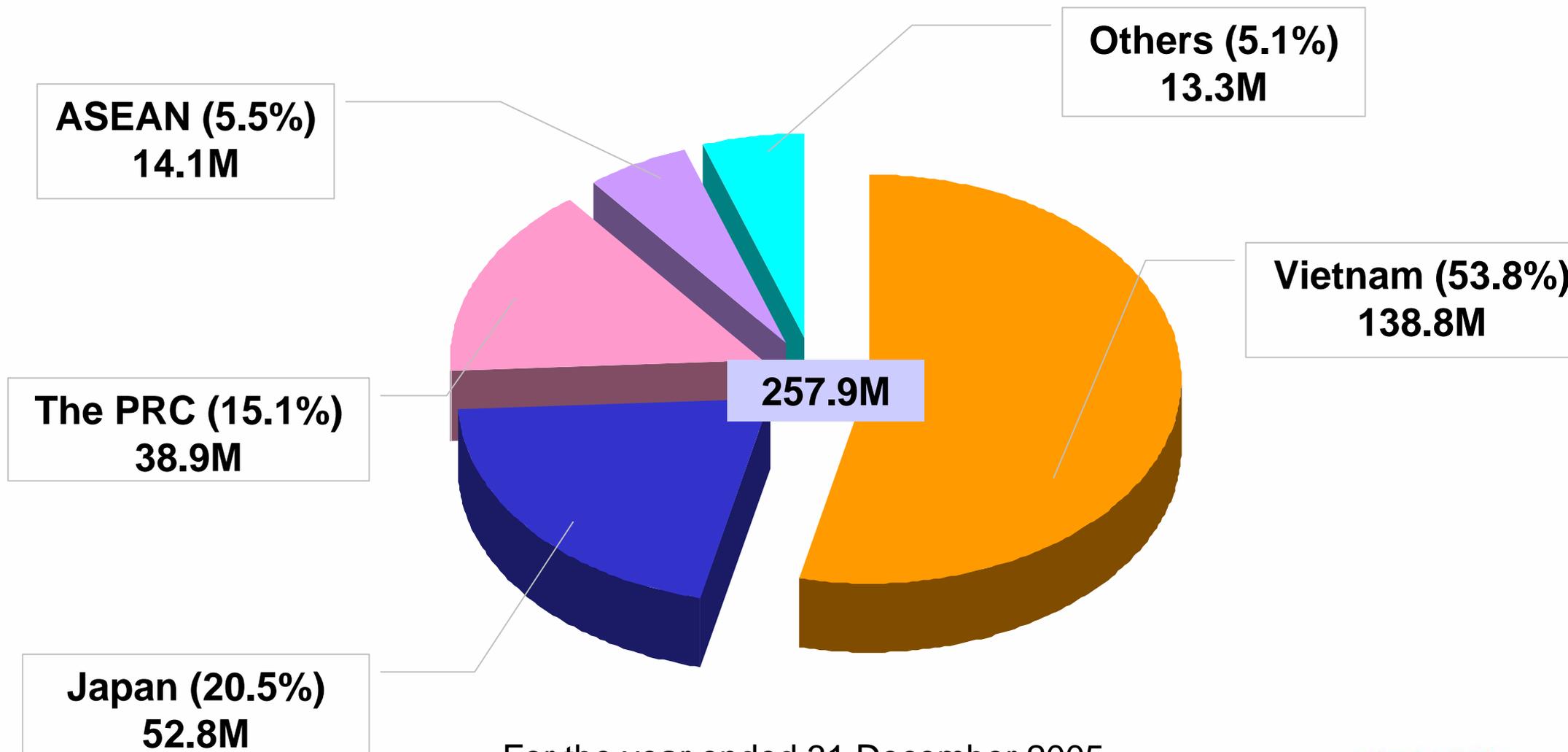
Revenue Growth Across all Markets



For the year ended 31 December 2005

Market Analysis

Revenue by Markets



For the year ended 31 December 2005

Major Market Analysis

Vietnam



9.6% to US\$138.8 million

- Significant growth in sales of MSG, GA, modified starch, caustic soda and hydrochloric acid
 - Supported by new customers, sales of modified starch increased
 - MSG,GA remain stable increasing
 - Capacity expansion to meet market demand, resulted in soda and hydrochloric acid turnover and profit increase significantly
- Lysine sales decreased by 35% due to price drop

Major Market Analysis

PRC

 **31.8% to US\$38.9 million**

- Acquisition of Shanghai Vedan Foods
- Enhanced supply chain management
- Effectively penetrated second tier cities
- Significant growth in MSG ( 37.7%) and beverage manufacturing ( 115.4%) business

Japan

 **7.1% to US\$52.8 million**

- Rapid expansion of MSG and modified starch business

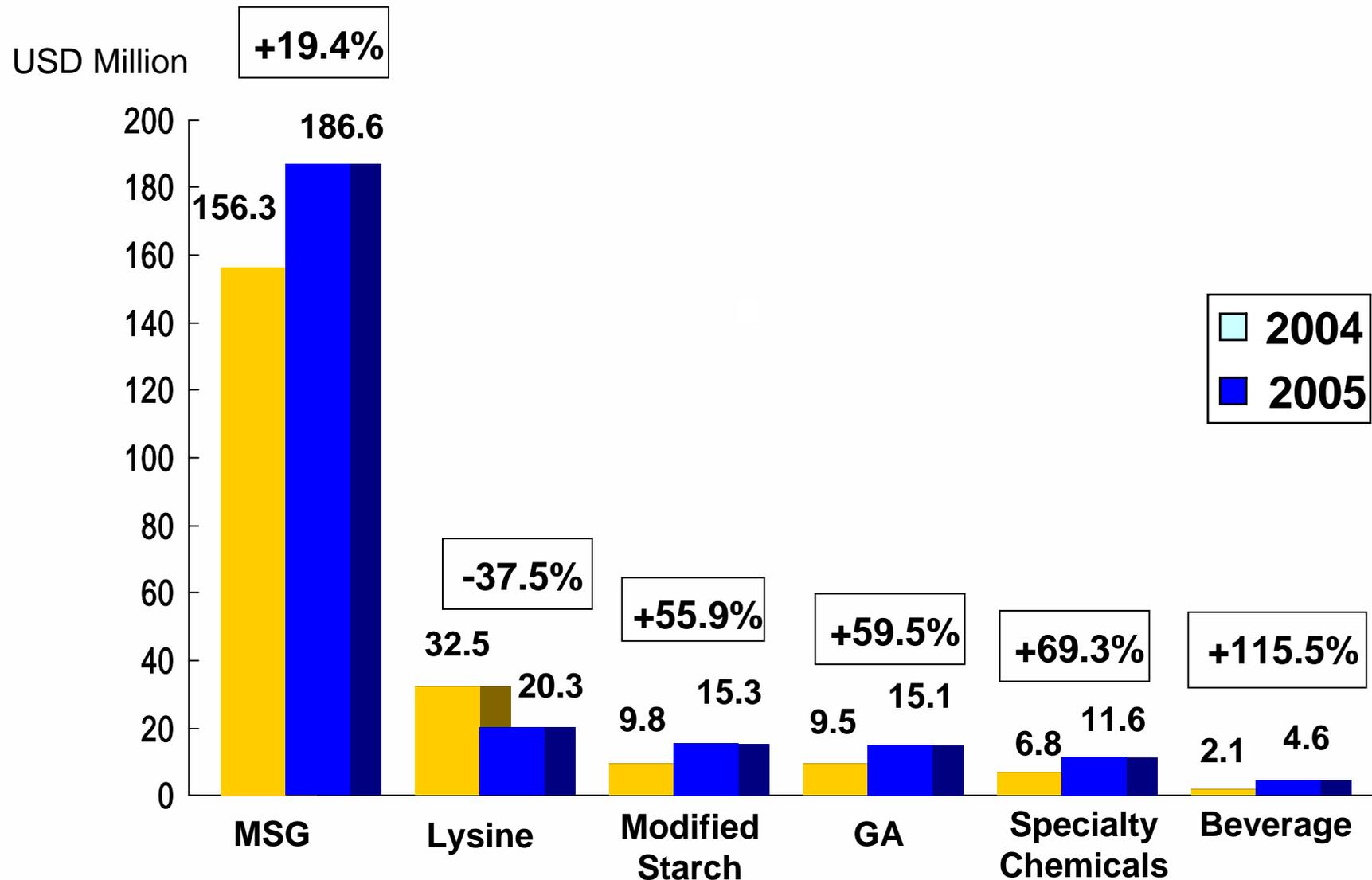
ASEAN

 **54.2% to US\$14.1 million**

- The highest growth rate among all markets

Product Analysis

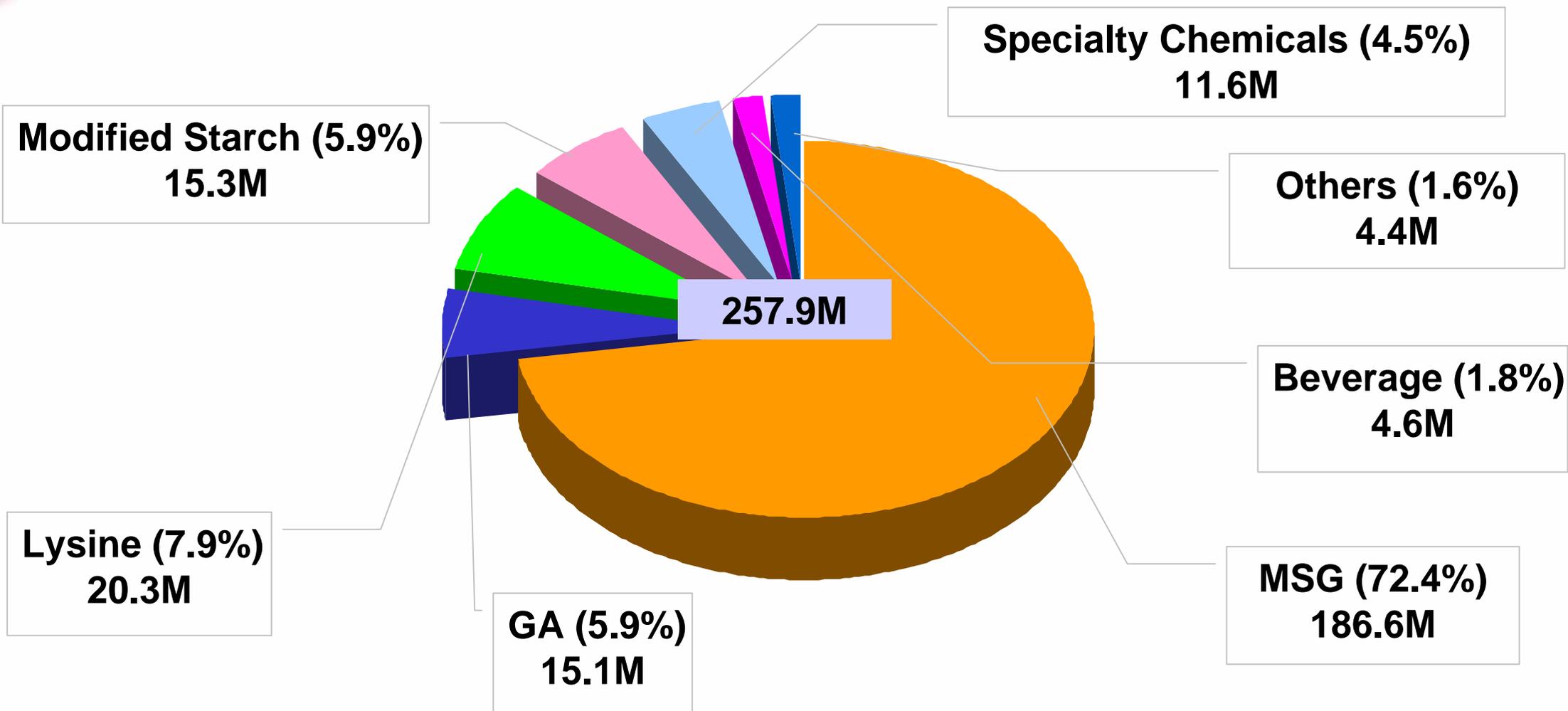
Turnover by Products



For the year ended 31 December 2005

Product Analysis

Turnover by Products



For the year ended 31 December 2005

Major Product Analysis

MSG

- Market demand continued strong
- Adjusted sales prices gradually to offset profits shrink

 **19.4% to US\$186.6 million**

Modified Starch

- Continue to develop new products and customers base resulted in high growth rate

 **55.9% to US \$15.3 million**

Specialty Chemicals

- Capacity expansion to meet strong market demand

 **69.3% to US\$11.6 million**

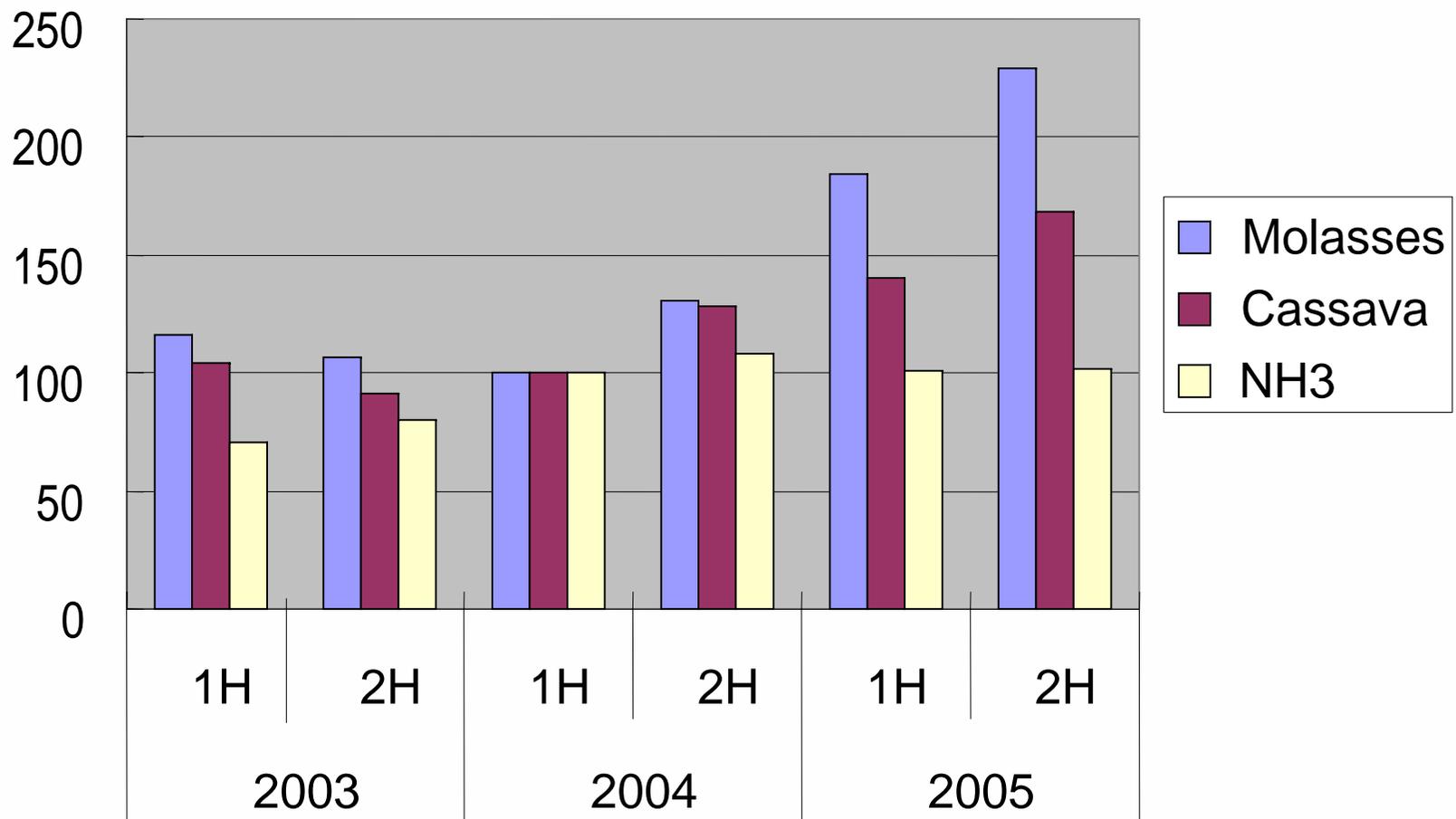
New Products

- Launched high value-added seasoning from September 2005 in Vietnam
- Launched “Hoping” & “Vedan” branded chicken essence from July 2005 in PRC

Major Raw Material Price Trend

**Price trend of major raw materials
(With 1H of 2004 as the base period)**

Index



2006 1Q raw material prices remain stable

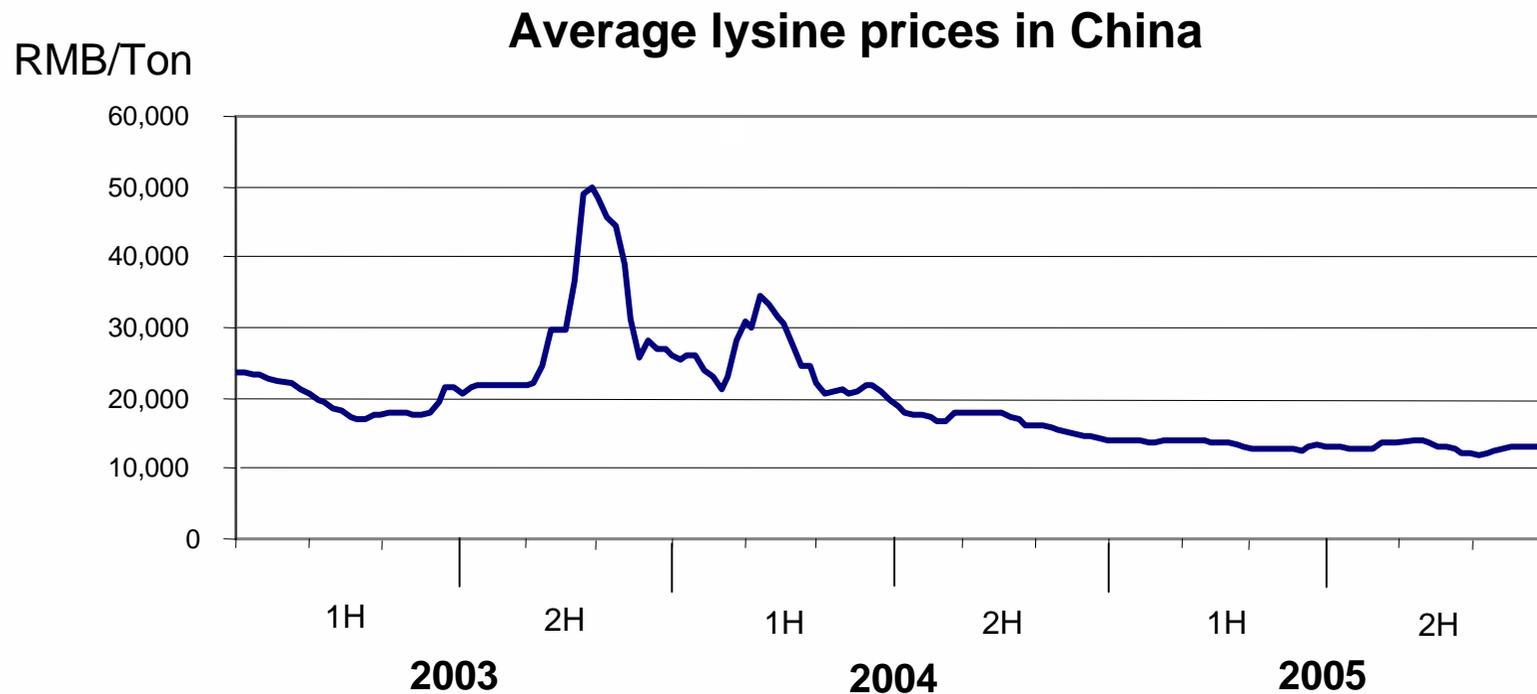
Lysine Price Trend

Lysine



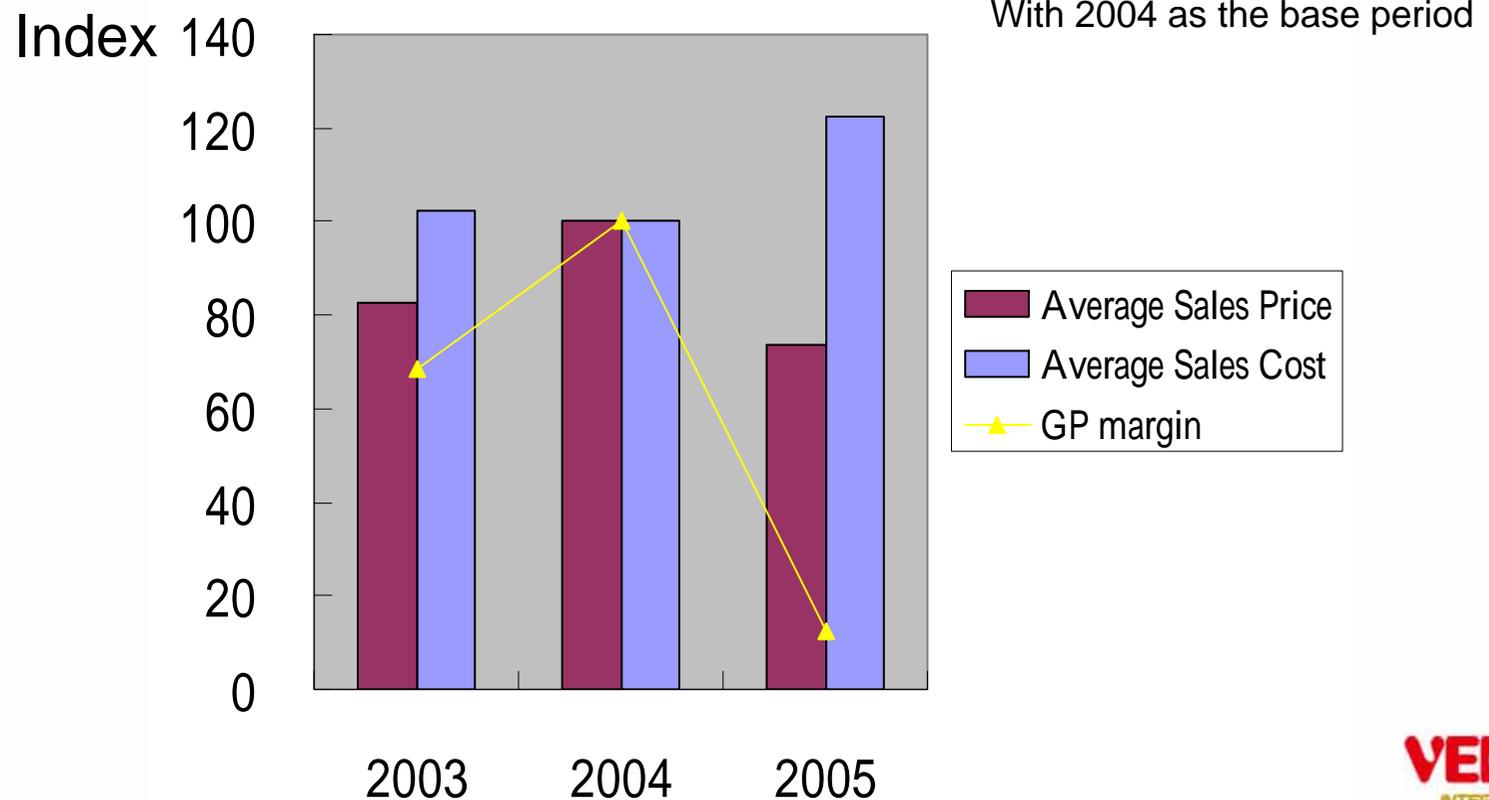
37.5% to US\$20.3 million

- International price dropped continuously
- Strategically reduced production and increased MSG output



Lysine Profit Shrink

	Average Sales Price	Average Sales Cost	Gross Profit Margin
2003	83	102	68
2004	100	100	100
2005	74	122	12

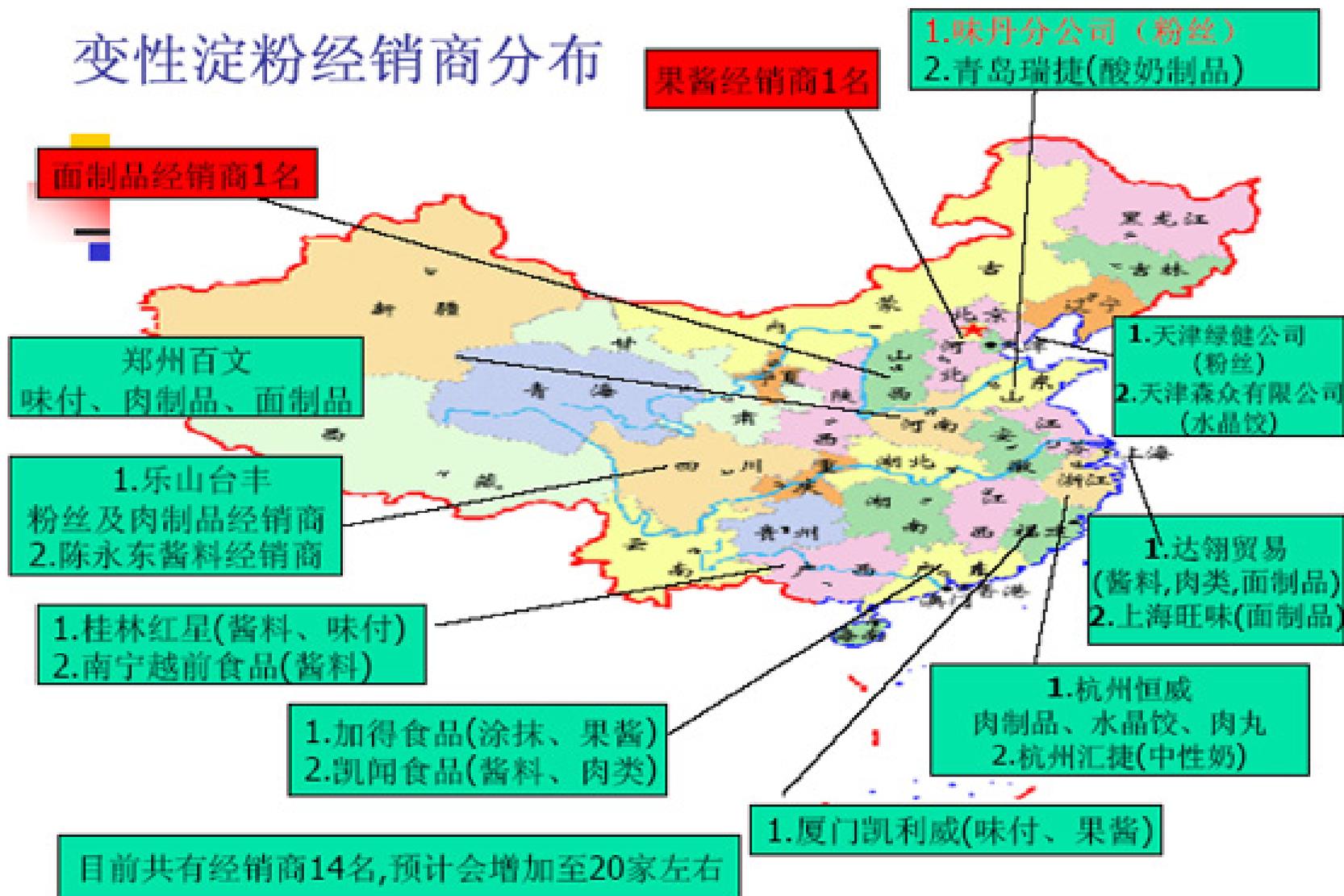


Strategic Moves in PRC

- Completed the acquisition of Shanghai Vedan Food and related fixed assets
- Expanded market focus to include second tier wholesale market, catering, supermarkets and industrial markets
- Strengthened distribution network
- Reinforce supply chain by forming strategic alliances with GA and MSG suppliers
- Lowered production cost and sales expenses
- Shanghai's compound modified starch factory commenced operation in 3Q 2005

Distribution of Modified Starch

变性淀粉经销商分布



Strategic Moves in PRC

- Established Joint Venture with Shandong Xue Hua Bio Chemical Co., Ltd. to form Shandong Vedan Snowflake Enterprise Co., Ltd.
 - Registered capital: US\$12 million
 - Planned total investment: US\$25 million
 - Vedan holds 70% of shares
 - Annual production capacity:
 - 25,500 tonnes of GA
 - 30,000 tonnes of MSG
 - Other products plans include modified starch, lysine, seasonings and etc.
 - Operation expect to start in April 2006

Research and Development

- Expanded organization and added R&D facilities
- Developed 20 new modified starch products, resulted in significant modified starch business growth
- Launched 3 high value added seasoning with good market response
- Developed improved bacterial strain and processes
- Developed food grade lysine production technology
- Other important projects actively under development, include new sources of carbohydrates, such as tropical sugar beet cultivation and processing, rice starch and rice protein production, expanded γ -PGA applications, and industrial cellulose, etc.

Future Plans & Strategies For 2006



Future Plans and Strategies

Measures to Mitigate High Raw Material Costs

- Increase consumption of cassava starch to substitute high price molasses in production
- Continue to develop new sugar substitutes, such as tropical sugar beet and expand the scale of trial cultivation
- Acquired Ve-Thai Starch Factory and expanded its production capacity
- Planned new addition of starch factory in Ha Tinh Province to supply cassava and complement future development of starch business
- Continue to work with potential customers for rice protein applications and make rice starch a new viable source of carbohydrates

Rice Protein

功能性米蛋白 *Isolated Rice protein and Rice Peptides*

1. 大米蛋白應用使用訴求是以『功能性』(Functionalities)和『價格優勢』(Lower Price)，取代下列蛋白質配料：

酪蛋白 (Casein)

卵蛋白 (Egg albumen)

乳清蛋白 (Whey protein isolate)

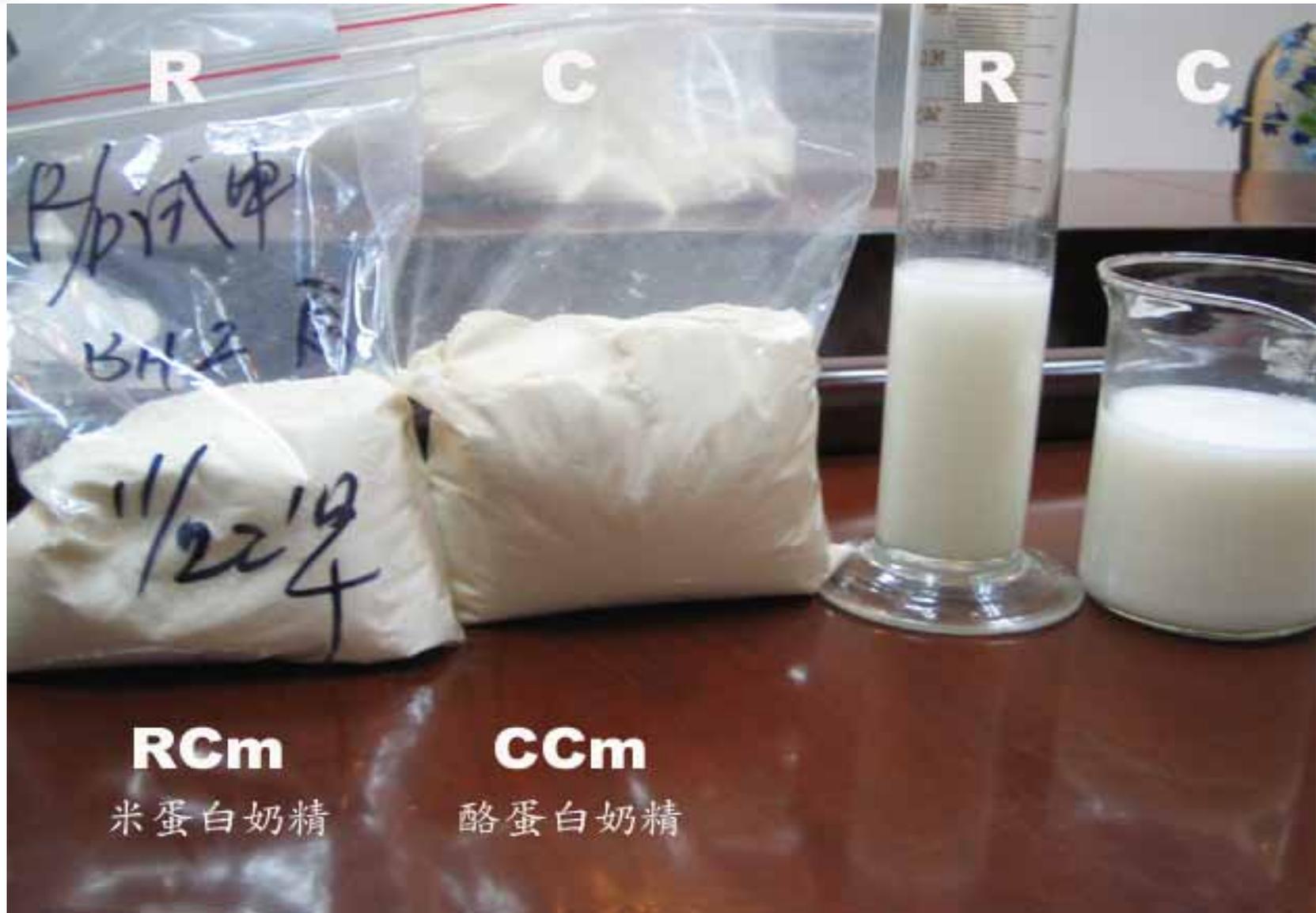
分離大豆蛋白 (Soy protein isolate)

高磷鈣酪蛋白肽 (Casein phosphate peptide or Casein calcium peptide)。



Price Trend of Proteins in the PRC market 2006 (Pre-tax)

Types of Protein	Price (RMB/T)	Grade	Functionality
Rice Protein	16,000	Feed Grade	-
Soy Protein	15,000	Food Grade	Gel
Soy Protein	16,000	Food Grade	Disperser
Albumen	60,000	Food Grade	Vesicant
Whey Protein Isolate	40,000	Food Grade	Gel
Casein	75,000	Food Grade	Emulsifier
Casein Phosphate Peptide	240,000	Food Grade	24%CCP



RCm

米蛋白奶精

CCm

酪蛋白奶精

China Market Strategy

- Introduce improved technology into Shandong Vedan Snowflake for better operational efficiency
- Enhance the supply chain management to meet the increased market demand and improve the profit margin
- Continue to expand the penetration of second tier and third tier cities by adopting geographical pricing strategy
- Continue to introduce new products into Shanghai Vedan to take advantage of its resources
- Continue to seek M&A opportunities

Improvement of Profitability

- Continue to execute price increase policy
- Increase high value-added seasoning product market penetration both in Vietnam and PRC
- Adopt cost control measures
- Technology improvement to increase productivity and reduce production cost

New Product Development

- Speed-up construction work of -PGA production facility. Expect completion on 2nd quarter, 2006
- Continue to develop in high value modified starches for food applications and seasonings
- Seeking opportunities for fermentation based new products by forming joint partnership with major players

Veda-SP

Veda-MT for Meat Foods

- 冷冻鱼丸 *Fish Ball*
- 猪肉贡丸 *Meat Ball*
- 鱼板鱼糕 *Kamaboko*
- 仿蟹棒 *Crab Meat*

Veda-CT for Snack

Veda-VM for Vermicellii

Veda-SS for Sauce

Veda-FR for Batter

Veda-YO for Dairy Foods

Veda-DP for Glace Dumpling

Veda-NL for LL-Noodles

• 20% Acetylated Tapioca Starch • Gums
Long-Life Noodle
非油炸 保长期



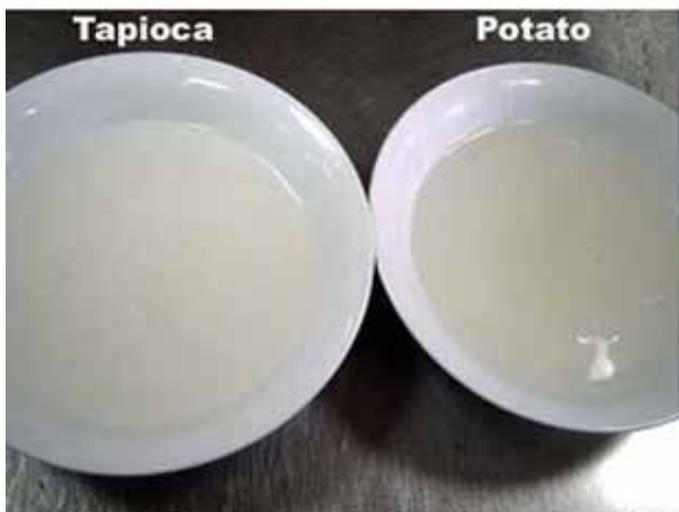
Potato Starch



苡芡粉

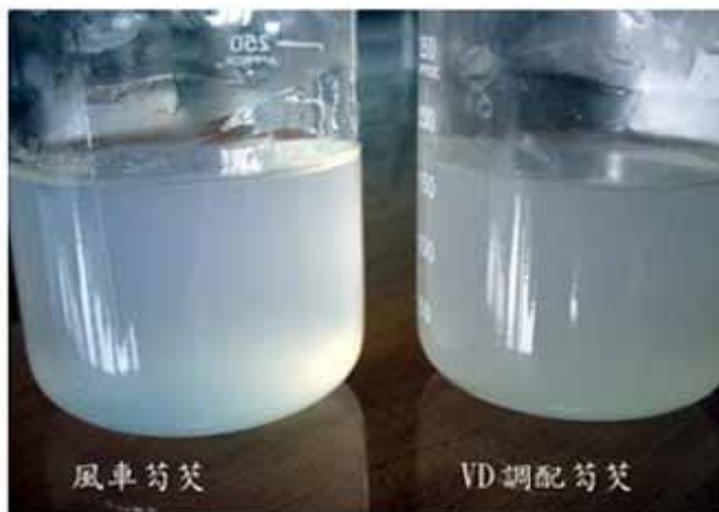


TAPIOCA STARCH



Tapioca

Potato



風車苡芡

VD調配苡芡



Ppt after 30 min

1

Tapioca

2

Cn Potato

3

Avebe Potato

Veda-SS的特别之处

- Veda-SS与国民淀粉Colflo-67、Thick-flo的对照实验
 - 添加量：3.0%；
 - 放置时间：30天；
 - 在不添加胶体情况下，Colflo-67与Thick-flo均出现分层现象，Veda-SS依然保持稳定状态；





+6% Veda-MT

+6% Corn Starch



水晶餃



變性澱粉

澄粉



Veda-DP





Mission

**“To be Asia’s leading manufacturer of
fermentation-based amino acids,
food additive products and
cassava starch based products”**



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