VEDAN INTERNATIONAL (HOLDINGS) LIMITED
味丹國際（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2317)

SUMMARISED INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2007

FINANCIAL HIGHLIGHTS

	Unaudited Six months ended 30 June 2007 *US$'000*	Unaudited Six months ended 30 June 2006 *US$'000*	Change
Turnover	**146,760**	141,473	3.7%
Profit before taxation	**9,865**	7,886	25.1%
Profit attributable to shareholders	**7,992**	6,051	32.1%
Basic earnings per share (US cents)	**0.52**	0.40	30.0%
Diluted earnings per share (US cents)	**0.52**	0.40	30.0%
Interim dividend declared per share (US cents)	**0.262**	0.200	
(HK cents)	**2.043**	1.560	

INTERIM RESULTS

The board of directors (the "Directors") 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 2007 together with the comparative figures for the corresponding period in the previous year.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2007

		Unaudited For the six months ended 30 June	
		2007	2006
	Note	***US$'000***	*US$'000*
Turnover	*4*	**146,760**	141,473
Cost of sales	*11*	**(118,345)**	(114,885)
Gross profit		**28,415**	26,588
Other gains — net	*10*	**1,382**	691
Selling and distribution expenses	*11*	**(7,176)**	(7,330)
Administrative expenses	*11*	**(10,281)**	(9,248)
Operating profit		**12,340**	10,701
Finance costs — net	*12*	**(2,475)**	(2,815)
Profit before income tax		**9,865**	7,886
Income tax expense	*13*	**(2,338)**	(1,791)
Profit for the period		**7,527**	6,095
Attributable to:			
— equity holders of the Company		**7,992**	6,051
— minority shareholder		**(465)**	44
		7,527	6,095
Earnings per share for profit attributable to the equity holders of the Company during the period		**US cents per share**	US cents per share
— Basic earnings per share	*14*	**0.52**	0.40
— Diluted earnings per share	*14*	**0.52**	0.40
Dividends	*15*	**3,996**	3,026

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2007

	Note	As at 30 June 2007 US$'000 Unaudited	As at 31 December 2006 US$'000 Audited
ASSETS			
Non-current assets			
Land use rights	*5*	**6,127**	6,038
Property, plant and equipment	*5*	**201,185**	211,688
Intangible assets	*5*	**17,630**	18,127
Loan receivable		**667**	—
Held-to-maturity financial asset		**3,236**	3,361
Deferred income tax asset		**59**	—
		228,904	239,214
Current assets			
Inventories		**73,219**	65,520
Trade receivables	*6*	**41,406**	38,150
Prepayments and other receivables		**6,337**	6,312
Tax recoverable		**—**	980
Due from a minority shareholder		**1,560**	—
Cash and cash equivalents		**15,976**	17,282
		138,498	128,244
Total assets		**367,402**	367,458
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*7*	**15,228**	15,228
Reserves			
— Proposed dividends		**3,996**	2,432
— Others		**227,472**	222,602
		246,696	240,262
Minority interest		**4,927**	3,722
Total equity		**251,623**	243,984
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings	*9*	**16,082**	21,336
Deferred income tax liabilities		**11,076**	11,449
Long-term payable to a related party	*17(b)*	**9,136**	11,023
Post-employment obligations		**927**	870
Total non-current liabilities		**37,221**	44,678

	Note	30 June 2007 US$'000 Unaudited	31 December 2006 US$'000 Audited
		As at	
Current liabilities			
Trade payables	*8*	**13,743**	17,116
Accruals and other payables		**7,186**	9,376
Due to related parties	*17(b)*	**1,305**	258
Short-term bank borrowings			
— Secured		**32,874**	27,733
— Unsecured		**11,946**	13,087
Current portion of long-term bank borrowings	*9*	**10,834**	11,162
Taxation payable		**670**	64
		78,558	78,796
Total liabilities		**115,779**	123,474
Total equity and liabilities		**367,402**	367,458
Net current assets		**59,940**	49,448
Total assets less current liabilities		**288,844**	288,662

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Unaudited						
	Attributable to the equity holders						
	Share capital	**Share premium**	**Exchange reserve**	**Merger reserve**	**Retained earnings**	**Minority interest**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2006	15,228	47,358	4,170	79,994	86,305	3,600	236,655
Profit for the period	—	—	—	—	6,051	44	6,095
Dividends	—	—	—	—	(1,708)	—	(1,708)
Exchange translation differences	—	—	277	—	—	—	277
At 30 June 2006	15,228	47,358	4,447	79,994	90,648	3,644	241,319
At 1 January 2007	**15,228**	**47,358**	**5,196**	**79,994**	**92,486**	**3,722**	**243,984**
Profit for the period	**—**	**—**	**—**	**—**	**7,992**	**(465)**	**7,527**
Dividends	**—**	**—**	**—**	**—**	**(2,432)**	**—**	**(2,432)**
Contribution from a minority shareholder	**—**	**—**	**—**	**—**	**—**	**1,560**	**1,560**
Exchange translation differences	**—**	**—**	**874**	**—**	**—**	**110**	**984**
At 30 June 2007	**15,228**	**47,358**	**6,070**	**79,994**	**98,046**	**4,927**	**251,623**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Unaudited For the six months ended 30 June	
	2007	2006
	US$'000	*US$'000*
Cash flows from operating activities — net	**7,011**	(9,312)
Cash flows from investing activities — net	**(3,118)**	(18,366)
Cash flows from financing activities:		
— contribution from a minority shareholder	**—**	3,600
— dividends paid	**(2,432)**	(1,708)
— drawdown of bank loans	**54,072**	74,201
— repayments of bank loans	**(55,703)**	(60,428)
— repayments of long term payable to Vedan Enterprise Corporation ("Taiwan Vedan")	**(1,061)**	—
Cash flows from financing activities — net	**(5,124)**	15,665
Net change in cash and cash equivalent	**(1,231)**	(12,013)
Cash and cash equivalents at 1 January	**17,282**	27,987
Effect of foreign exchange rate changes	**(75)**	(8)
Cash and cash equivalents at 30 June	**15,976**	15,966
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	**15,976**	15,966

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. General information

Vedan International (Holdings) Limited ("the Company") and its subsidiaries (together, the "Group") manufacture and sell fermentation-based food additives, biochemical products and cassava starch-based industrial products including modified starch, glucose syrup, Monosodium Glutamate ("MSG"), soda, acid and beverages. The products are sold to food distributors, international trading companies, and manufacturers of foods, paper, textiles, and chemical products in Vietnam, other ASEAN member countries, the People's Republic of China (the "PRC"), Japan, Taiwan, and several European countries.

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is Century Yard, Cricket Square, Hutchins Drive, George Town P.O. Box 2681 GT, Grand Cayman, British West Indies.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information is presented in US dollars (US$), unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board of Directors on 20 September 2007.

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2007 has been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 "Interim financial reporting". The interim condensed financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2006.

3. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2006.

Certain new accounting and financial reporting standards, amendments to existing standards and interpretations have been published and are effective for financial year ending 31 December 2007. Those that are relevant to the Group's operations are as follows:

— HKFRS 7 "Financial Instruments: Disclosures", and a complementary amendment to HKAS 1 "Presentation of Financial Statements – Capital Disclosures". HKFRS 7 introduces new disclosures to improve the information about financial instruments. The amendment to HKAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group assessed the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the main additional disclosures are the sensitivity analysis to market risk and the capital disclosures required by the amendment of HKAS 1. Full disclosures as required will be disclosed in the annual financial statements.

— HK(IFRIC) – Int 10 "Interim Financial Reporting and Impairment". HK(IFRIC) – Int 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. This interpretation does not have material impact on the Group's condensed interim financial information.

Other new accounting and financial reporting standards, amendments to existing standards and interpretation which have been published and effective for financial year ending 31 December 2007 as set out below are currently not relevant to the Group's operations:

— HK(IFRIC) – Int 7, "Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies"

— HK(IFRIC) – Int 8, "Scope of HKFRS 2, Share-based payment"

— HK(IFRIC) – Int 9, "Reassessment of Embedded Derivatives"

The Group has not early adopted any new accounting and financial reporting standard, amendments to existing standards and interpretations which have been issued but not yet effective for financial year ending 31 December 2007.

4. Segment analysis

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions.

(a) Business segment

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, acid and beverages.

(b) Geographical segment

In presenting information on the basis of geographical segments, segment revenue is based on the geographical presence of customers.

	For the six months ended 30 June	
	2007	2006
	US$'000	*US$'000*
Vietnam	**77,563**	74,765
The PRC	**24,250**	20,203
Japan	**22,126**	28,107
Taiwan	**4,135**	3,380
ASEAN member countries (other than Vietnam)	**14,319**	12,564
Other regions	**4,367**	2,454
	146,760	141,473

5. Capital expenditure

	Intangible assets					
	Goodwill	**Trademarks**	**Brand name**	**Total**	**Property, plant and equipment**	**Land use rights**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Six months ended 30 June 2006						
Opening net book amount as at 1 January 2006	8,159	11,082	—	19,241	216,187	5,583
Exchange differences	58	—	—	58	177	51
Additions	—	—	—	—	18,077	543
Disposals	—	—	—	—	(19)	—
Amortisation and depreciation	—	(605)	—	(605)	(13,268)	(71)
Closing net book amount as at 30 June 2006	8,217	10,477	—	18,694	221,154	6,106
Six months ended 30 June 2007						
Opening net book amount as at 1 January 2007	**7,226**	**9,873**	**1,028**	**18,127**	**211,688**	**6,038**
Exchange differences	**165**	**—**	**—**	**165**	**789**	**154**
Additions	**—**	**—**	**—**	**—**	**2,921**	**—**
Disposals	**—**	**—**	**—**	**—**	**(31)**	**—**
Amortisation and depreciation	**—**	**(605)**	**(57)**	**(662)**	**(14,182)**	**(65)**
Closing net book amount as at 30 June 2007	**7,391**	**9,268**	**971**	**17,630**	**201,185**	**6,127**

6. Trade receivables

	As at 30 June 2007	As at 31 December 2006
	US$'000	*US$'000*
Trade receivables from third parties	**41,152**	37,787
Trade receivables from related parties *(note 17(b))*	**254**	363
	41,406	38,150

The credit terms of trade receivables range from cash on delivery to 120 days. At 30 June 2007 and 31 December 2006, the ageing analysis of the trade receivables is as follows:

	As at 30 June 2007 *US$'000*	As at 31 December 2006 *US$'000*
Current	**20,672**	22,634
31 — 90 days	**19,402**	14,917
91 — 180 days	**1,170**	458
181 — 365 days	**133**	141
Over 365 days	**29**	—
	41,406	38,150

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, internationally dispersed. Management believes that no additional credit risk beyond the amounts provided for collection losses that are inherent in the Group's trade receivables.

7. Share capital

	Authorised		
	Ordinary shares		
	Par value *US$*	**Number of shares**	*US$'000*
At 30 June 2007 and 31 December 2006	0.01	10,000,000,000	100,000

	Issued and fully paid		
	Ordinary shares		
	Par value *US$*	**Number of shares**	*US$'000*
At 30 June 2007 and 31 December 2006	0.01	1,522,742,000	15,228

On 13 June 2003, a share option scheme and a pre-IPO share option plan were approved pursuant to a written resolution of all the shareholders of the Company.

(a) Under the share option scheme, the board of directors may at its discretion offer options to any directors, employees, business partners or their trustees of the Group which entitle them to subscribe for shares in aggregate not exceeding 10% of the shares in issue from time to time. These options have a duration of ten years from the date of grant, but shall lapse where the grantee ceases to be employed by the Company or its subsidiaries. No share options were granted by the Company under the share option scheme during the current period and previous years.

(b) Under the pre-IPO share option plan ("Pre-IPO Share Option Scheme"), the board of directors may at its discretion offer options to any directors or employees of the Group and its subsidiaries which entitle them to subscribe for shares of the Company. On 13 June 2003, 24,500,000 options and 5,270,000 options were granted to directors of the Company and employees of the Group, respectively, under the Pre-IPO Share Option Scheme. These options are exercisable in accordance with the terms of the Pre-IPO Share Option Scheme commencing on 13 June 2004 and up to 12 June 2008.

11,270,000 share options were exercised in 2004 and 500,000 share options were cancelled in 2006. Pre-IPO share options outstanding as at 30 June 2007 are as follows:

	Exercise price per share	**Number of options**
Directors	HK$0.801	18,000,000

8. Trade payables

The ageing analysis of trade payables is as follows:

	As at 30 June 2007 ***US$'000***	As at 31 December 2006 *US$'000*
Current	**11,347**	15,299
31 — 90 days	**2,359**	1,804
91 — 180 days	**7**	9
181 — 365 days	**30**	4
	13,743	17,116

9. Long-term bank borrowings

	As at 30 June 2007 ***US$'000***	As at 31 December 2006 *US$'000*
Long-term bank borrowings — secured	**26,916**	32,498
Current portion of long-term bank borrowings	**(10,834)**	(11,162)
	16,082	21,336

The Group's long-term bank loans were repayable as follows:

	As at 30 June 2007 ***US$'000***	As at 31 December 2006 *US$'000*
Within one year	**10,834**	11,162
In the second year	**8,898**	10,506
In the third to fifth year	**7,184**	10,830
	26,916	32,498

10. Other gains — net

	For the six months ended 30 June 2007 US$'000	For the six months ended 30 June 2006 US$'000
Net exchange gains	**332**	43
Net loss from sales of electricity	**(1)**	(5)
Gain/(loss) on disposal of property, plant and equipment	**588**	(19)
Sales of scrap materials	**252**	192
Interest income from held-to-maturity financial asset	**124**	126
Others	**87**	354
	1,382	691

11. Expenses by nature

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

	For the six months ended 30 June	
	2007	2006
	US$'000	US$'000
Changes in inventories of finished goods and work in progress	**(1,603)**	(16,220)
Raw materials and consumables used	**94,416**	110,583
Amortisation of trademarks	**605**	605
Amortisation of brand name	**57**	—
Amortisation of land use rights	**65**	71
Depreciation on property, plant and equipment	**14,182**	13,268
Operating lease expense in respect of leasehold land	**65**	60
Employee benefit expenses	**8,654**	7,379
Other expenses	**19,361**	15,717
Total cost of sales, selling and distribution expenses and administrative expenses	**135,802**	131,463

12. Finance costs — net

	For the six months ended 30 June	
	2007	2006
	US$'000	US$'000
Interest expenses on bank borrowings	**2,318**	2,675
Amortisation of discount on long-term payable to a related party	**258**	283
Interest income on bank deposits	**(101)**	(143)
	2,475	2,815

13. Income tax expense

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

	For the six months ended 30 June	
	2007	2006
	US$'000	*US$'000*
Enterprise income tax	**2,770**	1,932
Deferred income tax	**(432)**	(141)
	2,338	1,791

(i) Vietnam

Enterprise income tax ("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. The applicable EIT rates for the Group's operation in Vietnam range from 10% to 25%, as stipulated in the respective subsidiaries' investment licenses.

(ii) The PRC

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. The applicable EIT rates for the Group's operation in the PRC range from 18% to 33%.

Mao Tai Foods (Xiamen) Co., Ltd, Shanghai Vedan Enterprise Co. Ltd ("Shanghai Vedan") and Shandong Vedan Snowflake Enterprise Co., Ltd ("Shandong Snowflake") are entitled to full exemption from EIT for the first two years and 50% reduction EIT for the next three years, commencing from the first profitable year after offsetting all unexpired tax losses carried forward from the previous years. Shanghai Vedan and Shandong Snowflake have triggered its first profitable year.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"). The new CIT Law reduces the corporate income tax rate for domestic enterprises and foreign invested enterprises from 33% to 25% with effect from 1 January 2008.

The new CIT Law provides that further detailed measures and regulations on the determination of taxable profit, tax incentives and grandfathering provisions will be issued by the State Council in due course. As and when the State Council announces the additional regulations, the Company will assess their impact, if any, and this change in accounting estimate will be accounted for prospectively.

(iii) Singapore/Hong Kong

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

14 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2007.

	For the six months ended 30 June 2007 *US$'000*	For the six months ended 30 June 2006 *US$'000*
Profit attributable to equity holders of the Company	**7,992**	6,051
Weighted average number of ordinary shares in issue (thousands)	**1,522,742**	1,522,742
Basic earnings per share (US cents per share)	**0.52**	0.40

(b) Diluted

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options which are dilutive potential ordinary shares. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the six months ended 30 June 2007) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	For the six months ended 30 June 2007 *US$'000*	For the six months ended 30 June 2006 *US$'000*
Profit attributable to equity holders of the Company	7,992	6,051
Weighted average number of ordinary shares in issue (thousands)	1,522,742	1,522,742
Adjustments for share options (thousands)	4,333	2,522
Weighted average number of ordinary shares for diluted earnings per share (thousands)	1,527,075	1,525,264
Diluted earnings per share (US cents per share)	0.52	0.40

15. Dividends

	For the six months ended 30 June	
	2007	2006
	US$'000	*US$'000*
2006 Final dividend of 0.158 US cents (2005: Final dividend 0.112 US cents) per ordinary share, paid	**2,432**	1,708
2007 Interim dividend of 0.262 US cents (2006: Interim dividend 0.200 US cents) per ordinary share, proposed	**3,996**	3,026
	6,428	4,734

16. Capital commitments for property, plant and equipment

	As at 30 June 2007	As at 31 December 2006
	US$'000	*US$'000*
Contracted but not provided for	**3,795**	211
Authorised but not contracted for	**13,056**	14,823

17. Related party transactions

(a) Significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

		For the six months ended 30 June	
		2007	2006
	Note	***US$'000***	*US$'000*
Sale of goods to Vedan Enterprise Corporation ("Taiwan Vedan")	*(i)*	**711**	2,200
Technological support fee paid to Taiwan Vedan and Tung Hai	*(ii)*	**1,238**	1,299
Technological support fee received from Taiwan Vedan	*(ii)*	**—**	20
Commission from Taiwan Vedan in connection with the Agency Agreement	*(ii)*	**38**	31

Note:

(i) In the opinion of the directors of the Company, sales to the related party were conducted in the normal course of business at prices and terms no less favourable than those charged to and contracted with other third party customers of the Group.

(ii) In the opinion of the directors of the Company, the transactions were carried out in the ordinary course of business and the fees are charged in accordance with the terms of the underlying agreements.

(b) Balances with related parties

As at 30 June 2007, the Group had the following significant balances with related parties:

	Note	**As at 30 June 2007** ***US$'000***	As at 31 December 2006 *US$'000*
Current:			
Trade receivables from related parties *(note 6)*:	*(i)*		
— Shanghai Vedan Foods Company Limited ("Shanghai Vedan Foods")		**4**	4
— Taiwan Vedan		**250**	359
		254	363

	Note	**As at 30 June 2007** ***US$'000***	As at 31 December 2006 *US$'000*
Current:			
Technological support fee payable to Taiwan Vedan	*(i)*	**221**	258
Current portion of the amount due to Taiwan Vedan in connection with assignment of trademarks	*(ii)*	**1,084**	—
		1,305	258
Non-current:			
Non-current portion of the amount due to Taiwan Vedan in connection with assignment of trademarks	*(ii)*	**9,136**	11,023

Note:

(i) All these balances with related parties are unsecured, interest-free and have no fixed terms of repayment.

(ii) The amount represented the fair value payable to Taiwan Vedan for assignment of certain trademarks under the Trademark Assignment Agreement. It is payable by seven equal annual instalments commencing on 1 January 2007. The amount is discounted to fair value using a rate based on the borrowing rate of 4.7% per annum at the date of assignment of the trademarks.

18. Banking facilities

The Group's bank borrowings of US$59,790,000 as at 30 June 2007 (31 December 2006: US$60,231,000) were secured by:

(i) legal charges over certain of the Group's property, plant and equipments with net book value of approximately US$38,363,000 (31 December 2006: US$41,908,000).

(ii) corporate guarantee provided by the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

With the Group placing priority emphasis on boosting profit before turnover, net profit for the first half of 2007 leaped a substantial 32.1% from US$6,051,000 in the first half of 2006 to US$7,992,000 in the period under review, exceeding by far the growth in turnover. Turnover of the Group for the first half of 2007 was US$146,760,000, grew by 3.7% as compared to the same period last year. Among the major markets of the Group, China recorded the biggest increase in turnover, 20% more than the same period last year, followed by Taiwan and ASEAN countries delivering growth of 22.3% and 14% respectively, and Vietnam recorded 3.7%. Affected by reduction of lysine production, turnover from Japan dropped by 21.3%. By product, GA recorded 20% increase in turnover as compared to the last corresponding period. The next was starch products which delivered 29% growth in turnover as compared to the same period last year. Specialty chemicals grew 15.7% in turnover while that from MSG was at the same level as last year.

Although affected by international supply and demand situations, the average selling price of MSG and GA only had slight downward adjustments during the period. The resilience of the profit from MSG was mainly attributable to the drop in price of the major raw material molasses and the Group's improved production efficiency. The Group also increased sales of higher margin MSG in its retail mix, resulting in enhanced overall gross profit of this product during the period. The drop in gross profit of GA in China was mainly due to surge in corn price and drop in the selling price of GA in China. In Vietnam, however, the gross profit of GA went up as the costs of major raw materials softened. While the selling price of lysine was at the same level as last year, the product reported a slight increase in gross profit as cost lowered. Profit from modified starch also rose because of higher sales. As a result, the overall gross profit margin of the Group rose from 18.8% last year to 19.4% this review period, representing a growth of 6.9%, or US$1,827,000.

Business Analysis

(1) Sales analysis by products

Unit: US'000

Item	First half of 2007		First half of 2006		Change (%)	
	US'000	*%*	*US'000*	*%*	*US'000*	*%*
MSG	95,650	65.2%	96,300	68.1%	(650)	-0.7%
GA	19,216	13.1%	16,008	11.3%	3,208	20.0%
LYSINE	7,472	5.1%	9,212	6.5%	(1,740)	-18.9%
Starch-N	89	0.1%	1,363	1.0%	(1,274)	-93.5%
STARCH-M	11,108	7.6%	7,314	5.2%	3,794	51.9%
SEASONING	558	0.4%	169	0.1%	389	230.2%
Specialty Chemicals	6,914	4.7%	5,977	4.2%	937	15.7%
Fertilizer and feed-use additives	2,544	1.7%	2,185	1.5%	359	16.4%
Beverage	2,691	1.8%	2,315	1.6%	376	16.2%
Other	518	0.3%	630	0.5%	(112)	-17.8%
Total	**146,760**	**100%**	**141,473**	**100%**	**5,287**	**3.7%**

MSG and GA

Affected by pricing strategy concern, turnover from MSG dropped slightly by US$650,000, or 0.7%, to US$95,650,000. GA, however, brought in US$3,028,000 more in turnover, bringing the total to US$19,216,000, 20% more than in the same period last year. The turnover of GA in China, Vietnam and ASEAN countries recorded growth.

China is the biggest producer of MSG and GA in the world using corn as the major raw material. However, the corn price has been on the rise since 2006 and still climbing in the first half of 2007, resulting in surge in production cost of MSG and GA, and pressure on the profitability of MSG and GA producers in China including the Group's joint venture Shandong Vedan Snowflake. The higher production cost in China and the Chinese authority abolishing the export tax rebates starting on 1 July 2007, nevertheless benefited the Group's operation in Vietnam. The products output in Vietnam have gained competitive edges and are expected to see good growth in turnover and profit from export in the second half of the year. A major Korean MSG producer had given the Group a big volume of contracts for delivery starting the second half of this year and a Thailand MSG producer had doubled their contract volume.

Starch

The Group's modified starch business has had satisfactory development over the years. In the first half of 2007, sales of modified starch was US$11,108,000, an increase of 51.9%, or by US$3,794,000 when compared with the first half of last year. In terms of sales volume, an increase of 43.2% was registered against the same period last year. Rapid growth of the modified starch business prompted the Group to convert all native starch into modified starch during the period under review. The Group expects the business to continue to grow in the second half of the year, especially the modified starch business in China. The Group's effort in developing higher value-added modified starch for food applications in the past two years is bearing fruits, and will continue to be fruitful in the second half of the year.

Lysine

As a result of surge of corn price and a manufacturing plant halting production in Korea, lysine price is expected to go up in the second half year. The Group derived turnover of US$7,472,000 from lysine during the period under review, a decrease of 18.9% against US$9,212,000 in the last corresponding period. The drop was mainly attributable to Group's strategy of shifting lysine production facilities to manufacture GA, with lysine having low profit caused by its persistently weak international selling price. However, when compared with the second half of last year, turnover from lysine grew by 22.3%, which is an indicator of gradual recovery of sales. The Group heeding its geographical advantages and placing focus on developing markets for the product in ASEAN countries and Vietnam has also given the business a brighter prospect. The Group has been actively improving production efficiency and lowering cost, which has allowed it to boost profit from lysine, and anticipating demand for lysine to climb in the second half year.

Specialty Chemicals

Turnover from specialty chemicals during the period under review amounted to US$6,914,000, a growth of 15.7% or US$937,000, when compared to US$5,977,000 in the same period last year. The Group expects this business to achieve stable growth in the second half of the year.

(2) Market Analysis

Unit: US'000

Items	First half of 2007		First half of 2006		Change (%)	
	US'000	*%*	*US'000*	*%*	*US'000*	*%*
Nam	77,563	52.9%	74,765	52.8%	2,798	3.7%
The PRC	24,250	16.5%	20,203	14.3%	4,047	20.0%
Japan	22,126	15.1%	28,107	19.9%	(5,981)	-21.3%
ASEAN	14,319	9.8%	12,564	8.9%	1,755	14.0%
Taiwan	4,135	2.8%	3,380	2.4%	755	22.3%
EUROPEAN	2,483	1.7%	2,151	1.5%	332	15.4%
Other region	1,884	1.2%	303	0.2%	1,581	521.8%
Total	**146,760**	**100.0%**	**141,473**	**100.0%**	**5,287**	**3.7%**

1. **Vietnam**

In the first half of 2007, turnover from sales in the Vietnam market was US$77,563,000, representing an increase of 3.7% or US$2,798,000, when compared with the last corresponding period. The increase was driven mainly by the 66.1% surge, or US$1,816,000 in amount, in lysine sales at the Group's efforts to cultivate the lysine market in Vietnam. However, turnover from native starch reduced by US$1,104,000, primarily because the starch output of Ve-Yu Starch Factory was used as raw material of modified starch. Other products such as MSG, GA and specialty chemicals all recorded stable growth.

2. **China**

China recorded the fastest growth in turnover during the period and became the second largest market of the Group. Turnover from sales in the China was US$24,250,000, an increase of 20% or US$4,047,000, when compared with the same period last year. The major growth drivers were GA and modified starch, which brought in 45.3% or US$1,314,000, and 291% or US$2,225,000, more in turnover respectively. The Group expects modified starch to bring in higher contributions in the future.

3. **Japan**

As international price of lysine has been persistently weak, the Group strategically used the production capacity for lysine to produce GA that has a higher margin. This led to a notable decrease of over US$5,000,000 in turnover from lysine, which was sold mainly to Japan. The overall sales in Japan decreased sharply by 21.3%, or US$5,981,000. However, with demand for lysine back on the climb, the price of the product has also been rising gradually. In the second half year, sales of lysine in Japan is expected to increase, while that of MSG and modified starch will be about the same as last year's. With the international prices of MSG and modified starch showing signs of heading upward, turnover in Japan is expected to improve in the coming half year.

4. **ASEAN countries**

Turnover in ASEAN countries amounted to US$14,319,000, an increase of 14% or US$1,755,000. However, compared to the 54.2% and 78.2% turnover growth in 2005 and 2006 respectively, the market apparently was experiencing slower growth, which was attributable to the competition from MSG producers in China. The market bought 9.6%, or US$1,095,000, less of MSG during the period under review. However, with corn price standing high and the Chinese government abolishing the export tax rebates starting 1 July 2007, the Group's MSG business is expected to pick up again in the second half of this year.

Although the sales of MSG reduced in the period, GA and lysine delivered strong performances with turnover increased by US$1,634,000 and US$1,163,000 respectively. Overall, the ASEAN market recorded a 14% growth.

Raw material/Cost

During the period under review, the price of molasses, a major raw material of the Group, came down due to increased supply. The price of cassava, however, increased slightly due to substantial increase in export of dried cassava from Vietnam. Generally speaking, at the Group's years of efforts to improve its production processes hence efficiency, which have helped to lower cost. Also, thanks to the drop in international price of molasses, the Group was able to record increased profit, offsetting the downward adjustment of selling price of MSG. The Group has been able to secure stable supply and price of raw materials for the year, hence is confident of expanding its business and delivering profit in the second half year.

Financial Review

Cash flow and financial resources

The Group maintained a healthy financial position during the period. As at 31 June 2007, it had cash and bank savings amounted to US$15,976,000, which was similar to last year's US$15,966,000. It was, however, able to substantially reduce bank loans from US$93,426,000 to US$71,736,000, repaying US$21,690,000 or approximately 23.2% of the total loans held. Gearing ratio dropped from 38.7% to 28.5%, while net gearing ratio was down from 32.1% to 22.2%. The decrease in bank loans was mainly due to the drop in capital expenditure and increase in profit. Account receivables increased by US$5,961,000 resulting from the Group's expanded business while inventory reduced by US$2,851,000. Current ratio improved from 1.45 in the same period last year to 1.76 as a result of decrease of bank loans during the period. The Group's bank loans are denominated 93.5% in US dollar, 3.1% in RMB and 3.4% in Taiwan dollar. Increase in US interest rate during the period elevated average loan interest to 6.4%, a slight 0.3% higher than 6.1% in the same period last year. Middle to long-term loans and short-term loans amounted to US$16,082,000 and US$55,654,000 respectively, or in the ratio of 22.4% to 77.6%.

Prospects

To Vedan, the second half year will continue to be challenging. However, the Group is prepared to overcome all difficulties with accomplishing growth in both turnover and profit as its goal. It will take or complete the following major initiatives in the second half year:

1. Construction of the Ha Tinh starch factory has started in the third quarter this year and is expected to commence first phase of production by second quarter next year. The plant will initially produce 100 tonnes of native starch per day and its production capacity will be gradually increased next year. It is set to become another starch production base of the Group in the future.

2. The Group implements a host of measures to control the supply of raw materials. Apart from continuing to expand the scope of the tropical sugar beet cultivation trial, the Group will also extend cultivation and purchase of cassava in and from the border areas of Cambodia. In addition, the Ve-Yu starch factory in Vietnam will continue to increase production capacity. To complement the new Ha Tinh starch plant being built to serve the central northern part of Vietnam, efforts to provide guidance to farmers in cultivating cassava have begun.

3. Shangdong Vedan Snowflake has commenced the installation of production facilities, which were acquired from Mao Tai factory. The plant will have an additional annual production capacity of 24,000 tonnes and is expected to begin production this November, bringing the total capacity of MSG production to 45,000 to 50,000 tonnes annually.

4. Continue the evaluation progress of cassava cultivation in Laos and Cambodia, aiming at securing stable supply of cassava as raw material.

5. The Group sees great potential in biofuel. Boasting extensive experience in fermentation technology, a proven vertically integrated production platform and diverse raw material sources, it will look for cooperative or strategic alliances to explore this new business.

6. Expanding business in China is still a major task of the Group. The GA and MSG segments in China are going through transformation and consolidation. The Group will actively look for and evaluate possible strategic alliances to expand business in China. Expanding and strengthening the foothold of modified starch for food applications in the China market is another major focus of the Group.

Looking ahead, in the China market, with the prices of raw materials standing high, export tax rebates abolished by the Chinese government and appreciation of the RMB, the GA and MSG segments are expected to further consolidate. The Group will look for cooperation opportunities with other industry players in China and is expecting the business in its production base Vietnam to grow against the backdrop. Regarding control on raw material supply, which has increasing bearing on operational returns, although development takes time, the Group has been actively exploring new raw material sources and also pushing to boost the scale of material sources. The Group believes such moves will benefit the Group in the development of new fermentation products and in terms of cost. Growth of the higher value modified starch business is also expected to accelerate. These developments will enable the Group to raise both its turnover and profit in the future.

INTERIM DIVIDEND AND CLOSE OF REGISTER

The Board of Directors has resolved to declare an interim dividend of 0.262 US cents (2.043 HK cents) per share for the year ending 31 December 2007.

The share register will be closed from 15 October to 18 October 2007, both days inclusive, during which period no transfer of shares will be registered. Dividend warrants will be dispatched to shareholders on or about 30 October 2007. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Register, Tengis Limited of 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 12 October 2007.

EMPLOYEE INFORMATION

At 30 June 2007, the Group has 3,672 employees of whom 2,905 are based in Vietnam, 754 are based in the PRC, 12 are based in Taiwan and 1 is based in Hong Kong.

The employees are remunerated based on their work performance, professional experiences and prevailing industry practices. The Group's employee remuneration policy and package are periodically reviewed by the management. Apart from pension funds, discretionary bonuses and share options are awarded to certain employees according to the assessment of individual performance.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

COMPLIANCE OF THE MODEL CODE FOR DIRECTORS' SHARE DEALING

All Directors have confirmed, following specific enquiry by the Company, that they complied with the required standards set out in the Model Code for Directors' Share Dealing as set out in Appendix 10 to the Listing Rules throughout the review period.

CORPORATE GOVERNANCE AND COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to building and maintaining high standards of corporate governance practices. The Company has complied with all requirements set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Listing Rules throughout the six months ended on 30 June 2007.

AUDIT COMMITTEE

The Audit Committee has reviewed with 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 financial report for the six months ended 30 June 2007. The Audit Committee comprises the three independent non-executive directors of the Company.

PUBLICATION OF FINANCIAL INFORMATION

The Company's 2007 interim report containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be available on the website of the Stock Exchange (http://www.hkex.com.hk) and our website (http://www.vedaninternational.com) in due course.

APPRECIATION

The board of directors 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
YANG Kun-Hsiang
Director and Chief Executive Officer

As at the date of this announcement, our Board comprises the following members:—

Executive Directors:—
Mr. YANG, Tou-Hsiung
Mr. YANG, Cheng
Mr. YANG, Kun-Hsiang
Mr. YANG, Chen-Wen
Mr. WANG, Joel J.

Non-executive Directors:—
Mr. HUANG, Ching-Jung
Mr. CHOU, Szu-cheng

Independent non-executive Directors:—
Mr. CHAO, Pei-Hong
Ms. CHUANG, Shu-Fen
Mr. KO Jim-Chen

Hong Kong
20 September 2007