

# VEDAN

*INTERNATIONAL*

VEDAN INTERNATIONAL (HOLDINGS) LIMITED

味丹國際(控股)有限公司



## 2003 Annual Results

30 March 2004

# Highlights

# Summary of Final Results



Twelve months ended 31 December, USD million

|  | 2002  | 2003         | Change (%) |
|--|-------|--------------|------------|
| <b>Turnover</b>                              | 182.8 | <b>203.8</b> | +11.5%     |
| <b>Gross Profit</b>                          | 45.6  | <b>54.6</b>  | +19.7%     |
| <b>EBITDA</b>                                | 50.8  | <b>54.5</b>  | +7.6%      |
| <b>Net Profit</b>                            | 16.4  | <b>22.1</b>  | +34.6%     |
| <b>EPS (US cents)</b>                        | 1.43  | <b>1.72</b>  | +20.3%     |
| <b>Total Dividend for the Year (US cent)</b> | N/A   | <b>0.876</b> | N/A        |
| - Interim dividend per share (US cent)       | N/A   | <b>0.321</b> | N/A        |
| - Final dividend per share (US cent)         | N/A   | <b>0.555</b> | N/A        |

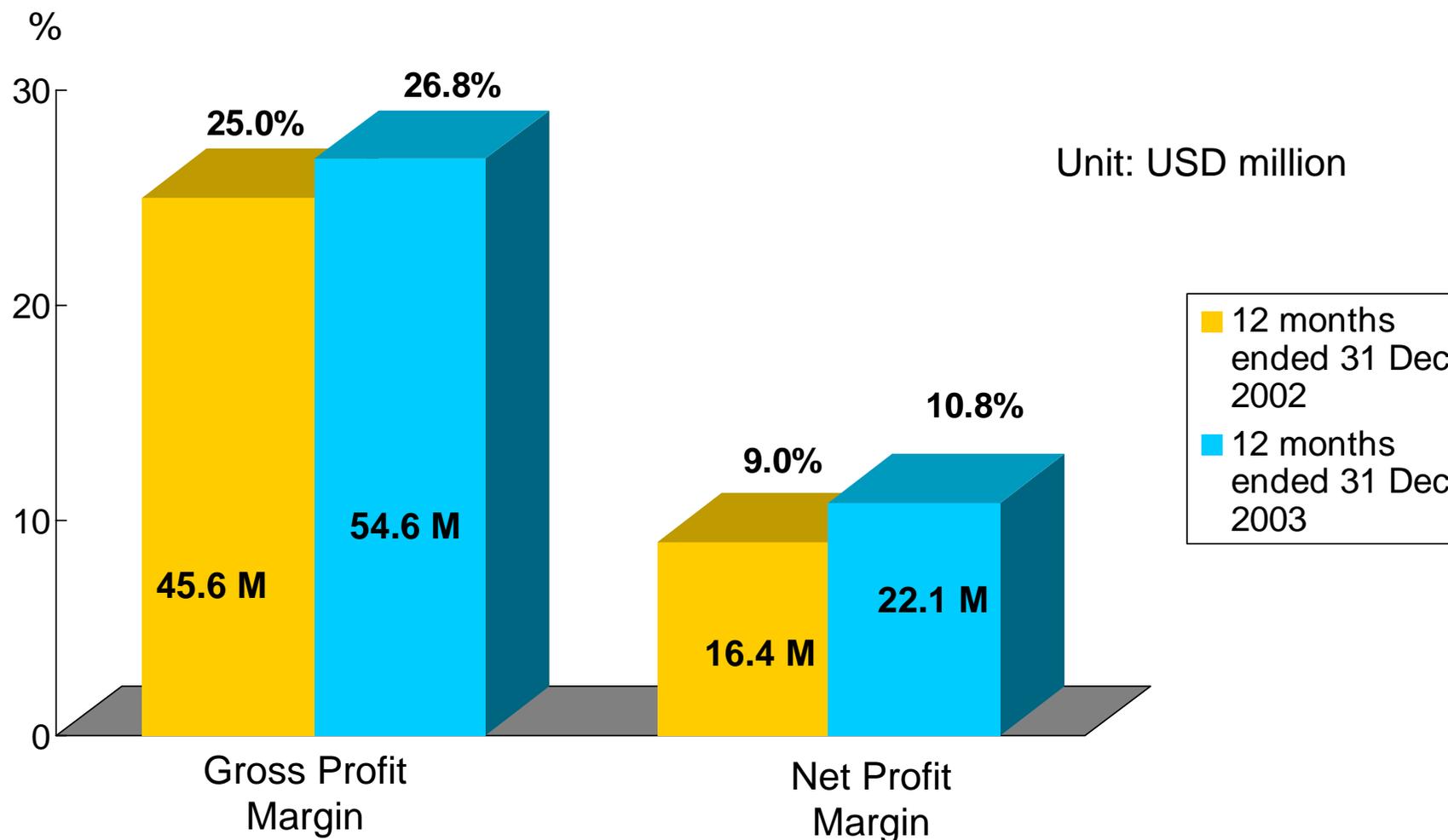
# Summary of 2<sup>nd</sup> Half Results



Six Months Ended 31 December, USD Million

|                     | 2002 | <b>2003</b>  | Change<br>(%) |
|---------------------|------|--------------|---------------|
| <b>Turnover</b>     | 94.7 | <b>109.0</b> | +15.1         |
| <b>Gross Profit</b> | 23.6 | <b>30.7</b>  | +30.1         |
| <b>Net Profit</b>   | 7.8  | <b>12.2</b>  | +56.4         |

# Analysis of Profitability Ratios



# Strong Balance Sheet



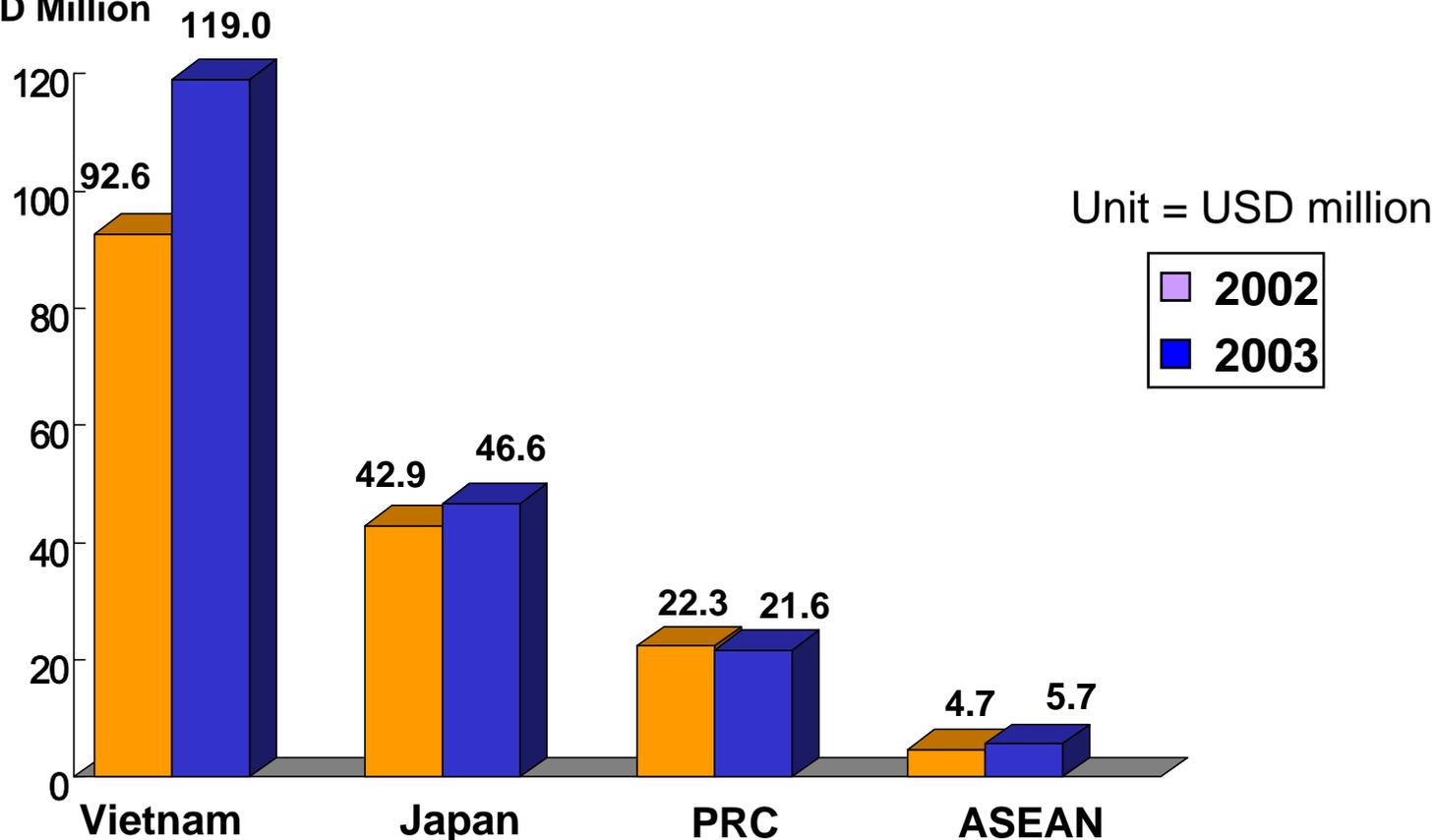
|                             | <b>As of<br/>31 Dec. 2002<br/>(USD million)</b> | <b>As of<br/>31 Dec. 2003<br/>(USD million)</b> |
|-----------------------------|---|---|
| <b>Cash</b>                 | <u>19.7</u>                                     | <u>35.4</u>                                     |
| Short-term Debt             | 85.4  | 31.5  |
| Long-term Debt              | <u>19.5</u>                                     | <u>24.3</u>                                     |
| Total Debt                  | 104.9   | 55.8  |
| Shareholders' Equity        | 170.4   | 225.1   |
| <b>Debt to Equity Ratio</b> | 61.6%   | 24.8%   |

# Business Review

## Turnover by Geographical Location

- Sales in Vietnam grew significantly

USD Million



# Major Market Analysis



## Vietnam



**28.6% to US\$119.0 million**

- 2003 economic growth at 7.2%, 2<sup>nd</sup> highest in the region
- Leading market position strengthened further
- Sales network further enlarged to cover more than 1,500 agents, 60,000 stalls, 13,500 restaurants and 1,200 food processing factories

## ASEAN



**22.0% to US\$5.7 million**

- MSG sales volume doubled due to further market expansion; higher growth expected in future

# Major Market Analysis



## Japan



**8.6% to US\$46.6 million**

- Sales up mainly due to price rise in MSG and lysine
- Won new customers for starch products

## PRC



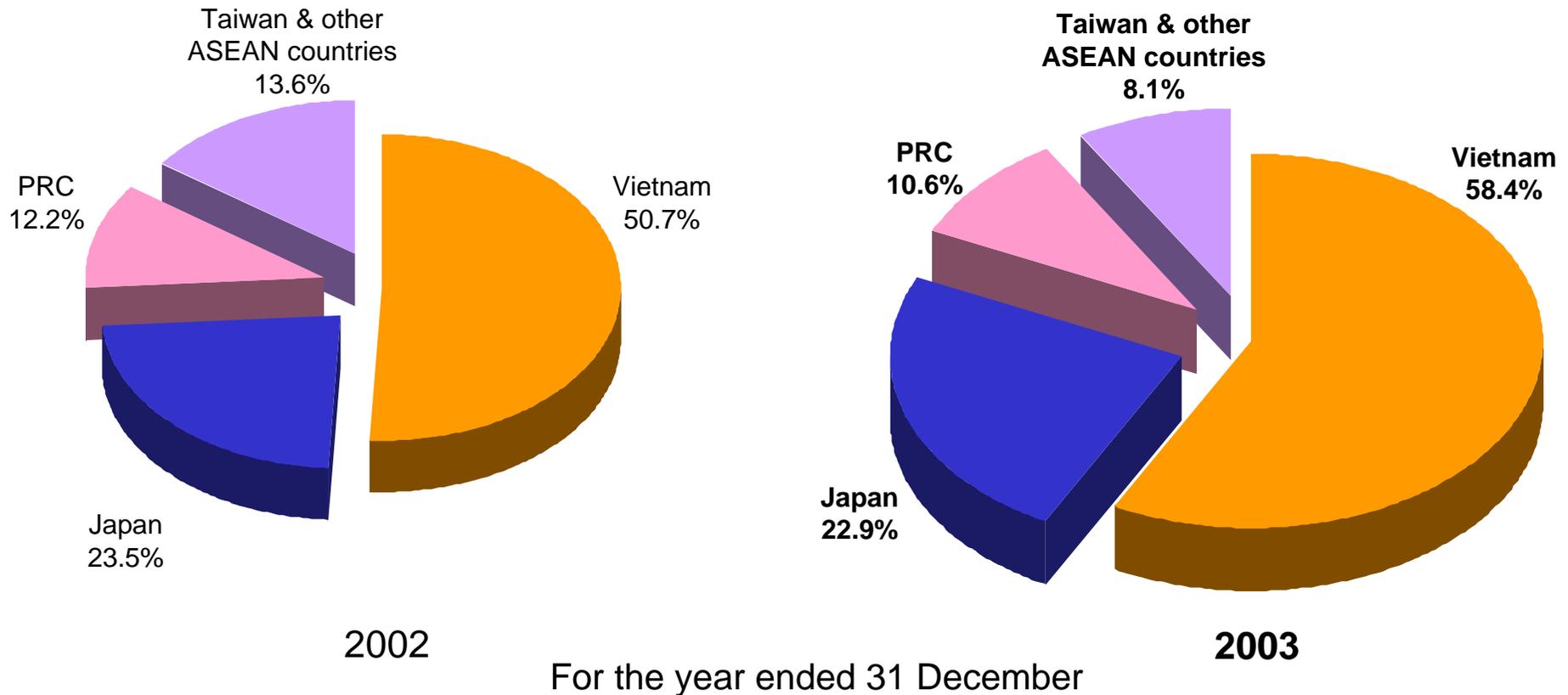
**3.1% to US\$21.6 million**

- MSG sales affected by SARS in first half; but gradually picked up in second half as food and beverage industry recovered
- Piled up MSG inventories and tight material supplies however curbed sales growth
- Instituted effective counter measures including : broadening of material supply base, changes in sales mix between retail and industrial customers and tightening of inventory controls

# Market Analysis

## Turnover by Geographical Location

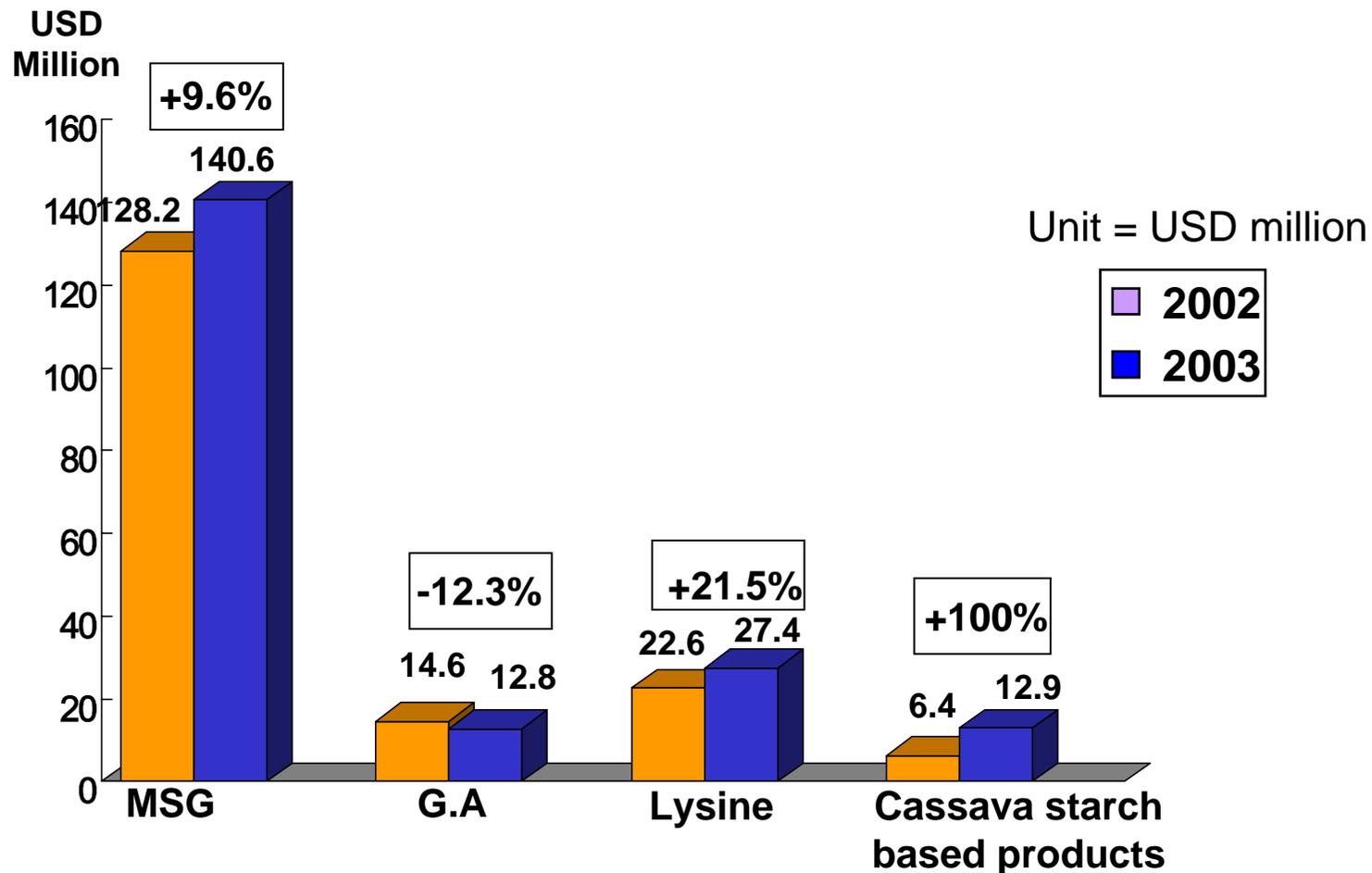
- Contribution from Vietnam grew significantly



# Product Analysis

## Turnover by Products

- MSG remained as the most important product



# Major Product Analysis



## MSG



**9.6% to US\$140.6 million**

- Ability to substitute raw materials, positive pricing environment plus deeper market penetration resulted in better performance
- Sales from ORSAN up 31.6% to 11,373 tons; more than doubled since acquisition in 2001

## Lysine



**21.5% to US\$27.4 million**

- Strong demand from PRC drove prices up
- Steady growth expected in Asia despite Bird Flu.

## Starch



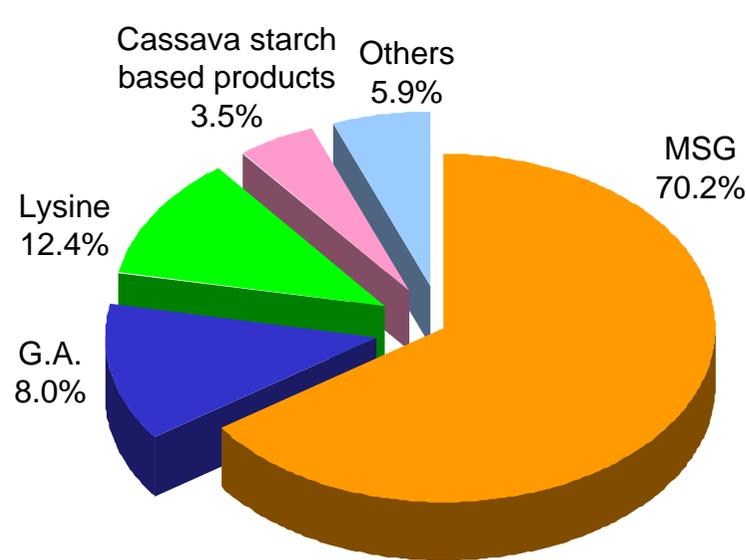
**100.0% to US\$12.9 million**

- Orders from existing customers rose; also secured new customers
- Successfully innovated new products; able to supply over 50 different modified starch products

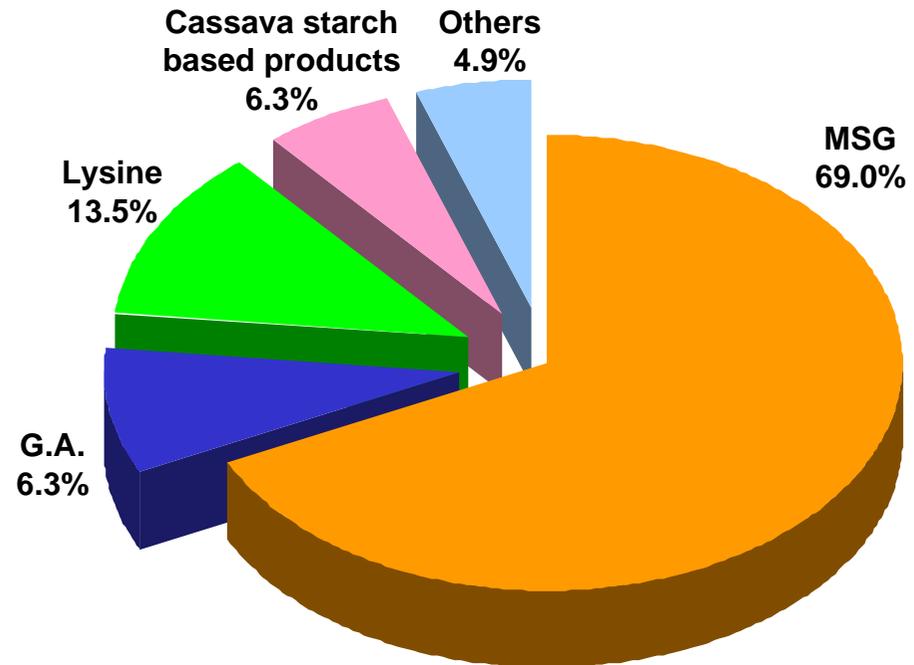
# Product Analysis

## Turnover by Products

- Significant growth in core product MSG



2002



2003

For the year ended 31 December

# Summary of Performance



- Achieved record high levels of turnover, EPS and net profit with all three areas attained double digit growth
- Higher operational leverage and higher economies of scale resulted in higher gross and net profit margins
- Dominant position in Vietnam further enhanced; also deeper penetration in ASEAN markets
- Robust sales growth in core products including MSG and lysine; cassava starch-based products also delivered strong sales rise
- Switch from crude oil to natural gas for energy source at Vietnam enhanced cost competitiveness

# Prospects For 2004

# Highly Favorable Market Environment

## High Economic Growth Forecasts for 2004

Vietnam 8.0%

Asia 6.1%

PRC 7.0%



**Strong Demand for Vedan's Products**

- **ASEAN Free Trade Area (AFTA) promotes trade flow within the region**
- **Low per capita MSG consumption in the PRC presents huge potential**

# Boost Sales : Capacity Expansion

- Phased expansion in various fast growth products:

|                 | <b>Existing Capacity<br/>(Tons)</b> | <b>Capacity After<br/>Expansion (Tons)</b> |
|-----------------|-------------------------------------|--|
| MSG             | 148,000                             | 180,000                                    |
| Starch          |                                     |  |
| Modified Starch | 40,000                              | 60,000                                     |
| Native Starch   | 216,000                             | 324,000                                    |

# Lower Costs: Enhance Cost Structure



## Energy Source

- **Full switch to natural gas implemented in Vietnam: significant cost saving of at least US\$4 million per year**

## Materials

- **Cassava**

**Set up 3 more starch raw material processing plants in central part of Vietnam and also near border area to Cambodia.**

- **Molasses**

**Currently, mostly procured through third party trading agents, in the future, will purchase directly from large suppliers**

# Improve Margins: New Product Launch



## PGA

- **Wide applications for food, cosmetic, agriculture, pharmaceutical, environmental and water treatment.**
- **Production to start by end of 2004 or early 2005**
- **1<sup>st</sup> stage investment required: US\$4M**
- **Successful in-house laboratory pilot production**

## High Value-added Seasonings

- **Versatile flavor enhancers made from MSG and various natural seasonings**
- **Product launch expected in the second half of 2004**
- **Successfully innovated 4-5 different products**
- **Enjoys strong demand due to diverse tastes of Asian dishes**

## **I) Growth by Mergers, Acquisitions and Strategic Alliances**

- fragmented MSG market with no dominating brands; growth by M & A and strategic alliances most desirable
- Xiaman Mao Tai plant as base; to expand to other provinces along the coast
- M & A strategy remained; several targets identified, discussion underway
- Strategic alliance with local GA suppliers to secure raw material supplies

## **II) Localization of business: invest in local talents**

## **III) Strengthen Sales network and increase brand awareness**

## **Mission**

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

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