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: 2317)

SUMMARISED INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2008

FINANCIAL HIGHLIGHTS

	Unaudited Six months ended 30 June 2008 *US$'000*	Unaudited Six months ended 30 June 2007 *US$'000*	Change
Turnover	**182,735**	146,760	24.5%
Profit before taxation	**11,312**	9,865	14.6%
Profit attributable to shareholders	**9,278**	7,992	16.1%
Basic earnings per share (US cents)	**0.61**	0.52	17.3%
Diluted earnings per share (US cents)	**N/A**	0.52	—
Interim dividend declared per share (US cents)	**0.305**	0.262	
(HK cents)	**2.379**	2.043	

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 2008 together with the comparative figures for the corresponding period in the previous year.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

		Unaudited For the six months ended 30 June	
		2008	2007
	Note	***US$'000***	*US$'000*
Turnover	*4*	**182,735**	146,760
Cost of sales	*11*	**(148,802)**	(118,345)
Gross profit		**33,933**	28,415
Other gains — net	*10*	**67**	1,382
Selling and distribution expenses	*11*	**(9,556)**	(7,176)
Administrative expenses	*11*	**(12,113)**	(10,281)
Operating profit		**12,331**	12,340
Finance costs — net	*12*	**(1,019)**	(2,475)
Profit before income tax		**11,312**	9,865
Income tax expense	*13*	**(2,806)**	(2,338)
Profit for the period		**8,506**	7,527
Attributable to:			
— equity holders of the Company		**9,278**	7,992
— minority shareholder		**(772)**	(465)
		8,506	7,527
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*	**0.61**	0.52
— Diluted earnings per share	*14*	**N/A**	0.52
Dividends	*15*	**4,644**	3,996

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2008

	Note	As at 30 June 2008 US$'000 Unaudited	As at 31 December 2007 US$'000 Audited
ASSETS			
Non-current assets			
Land use rights	*5*	**6,658**	6,320
Property, plant and equipment	*5*	**194,191**	197,848
Intangible assets	*5*	**18,218**	17,527
Held-to-maturity financial asset		**3,168**	3,295
		222,235	224,990
Current assets			
Inventories		**66,963**	56,170
Trade receivables	*6*	**48,796**	42,063
Prepayments and other receivables		**8,107**	6,905
Tax recoverable		**16**	6
Cash and cash equivalents		**35,077**	17,706
		158,959	122,850
Total assets		**381,194**	347,840
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*7*	**15,228**	15,228
Reserves			
— Proposed dividends		**4,644**	4,432
— Others		**240,574**	233,471
		260,446	253,131
Minority interest		**4,085**	4,585
Total equity		**264,531**	257,716
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings	*9*	**12,288**	15,621
Deferred income tax liabilities		**9,953**	10,544
Long-term payable to a related party	*17(b)*	**7,468**	9,393
Post-employment obligations		**875**	728
Total non-current liabilities		**30,584**	36,286

	Note	As at 30 June 2008 US$'000 Unaudited	As at 31 December 2007 US$'000 Audited
Current liabilities			
Trade payables	*8*	**13,021**	13,215
Accruals and other payables		**8,426**	10,279
Due to related parties	*17(b)*	**1,367**	301
Bank overdraft		**—**	382
Short-term bank borrowings			
— Secured	*9*	**42,381**	—
— Unsecured	*9*	**10,750**	18,969
Current portion of long-term bank borrowings	*9*	**8,273**	10,506
Taxation payable		**1,861**	186
		86,079	53,838
Total liabilities		**116,663**	90,124
Total equity and liabilities		**381,194**	347,840
Net current assets		**72,880**	69,012
Total assets less current liabilities		**295,115**	294,002

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	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 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
At 1 January 2008	**15,228**	**47,358**	**7,631**	**79,994**	**102,920**	**4,585**	**257,716**
Profit for the period	**—**	**—**	**—**	**—**	**9,278**	**(772)**	**8,506**
Dividends	**—**	**—**	**—**	**—**	**(4,432)**	**—**	**(4,432)**
Exchange translation differences	**—**	**—**	**2,469**	**—**	**—**	**272**	**2,741**
At 30 June 2008	**15,228**	**47,358**	**10,100**	**79,994**	**107,766**	**4,085**	**264,531**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Unaudited For the six months ended 30 June	
	2008	2007
	US$'000	*US$'000*
Cash flows from operating activities — net	**4,498**	7,011
Cash flows from investing activities — net	**(9,558)**	(3,118)
Cash flows from financing activities:		
— dividends paid	**(4,432)**	(2,432)
— drawdown of bank loans	**74,131**	54,072
— repayment of bank loans	**(46,130)**	(55,703)
— repayment of long-term payable to Vedan Enterprise Corporation ("Taiwan Vedan")	**(1,073)**	(1,061)
Cash flows from financing activities — net	**22,496**	(5,124)
Net change in cash and cash equivalents	**17,436**	(1,231)
Cash and cash equivalents at 1 January	**17,324**	17,282
Effect of foreign exchange rate changes	**317**	(75)
Cash and cash equivalents at 30 June	**35,077**	15,976

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 The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information is presented in US dollar (US$), unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board of Directors on 9 September 2008.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2008 has been prepared in accordance with Hong Kong Accounting Standard ("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 2007.

3 Accounting policies

Except as described below, the accounting policies adopted are consistent with those of the Company's audited consolidated financial statements for the year ended 31 December 2007.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new interpretations are mandatory for the first time for the financial year beginning 1 January 2008, but are not currently relevant for the Group.

- HK(IFRIC) — Int 11, "HKFRS 2 — Group and treasury share transactions";
- HK(IFRIC) — Int 12, "Service concession arrangements";
- HK(IFRIC) — Int 14, "HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction".

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. Segment assets and capital expenditures are based on the geographical location of the assets.

(i) Segment revenue

	For the six months ended 30 June 2008	For the six months ended 30 June 2007
	US$'000	*US$'000*
Vietnam	**77,649**	77,563
The PRC	**27,622**	24,250
Japan	**34,538**	22,126
Taiwan	**5,124**	4,135
ASEAN member countries (other than Vietnam)	**24,736**	14,319
Other regions	**13,066**	4,367
	182,735	146,760

(ii) Capital expenditures

	For the six months ended 30 June 2008	For the six months ended 30 June 2007
	US$'000	*US$'000*
Vietnam	**9,213**	2,029
The PRC	**608**	892
	9,821	2,921

Capital expenditures are allocated based on where the assets located.

Capital expenditures comprise additions of property, plant and equipment and intangible assets.

(iii) Total assets

	As at 30 June 2008 US$'000	As at 31 December 2007 US$'000
Vietnam	**309,113**	280,961
The PRC	**69,135**	65,139
Hong Kong	**2,039**	550
Taiwan	**843**	1,126
Singapore	**64**	64
	381,194	347,840

Total assets are allocated based on where the assets are located.

5 Capital expenditures

	Intangible assets						
	Software and licence US$'000	Goodwill US$'000	Trademarks US$'000	Brand name US$'000	Total US$'000	Property, plant and equipment US$'000	Land use rights US$'000
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	245	—	—	—	245	2,676	—
Disposals	—	—	—	—	—	(31)	—
Amortisation and depreciation	(25)	—	(605)	(57)	(687)	(14,157)	(65)
Closing net book amount as at 30 June 2007	220	7,391	9,268	971	17,850	200,965	6,127
Opening net book amount as at 1 January 2008	**275**	**7,674**	**8,664**	**914**	**17,527**	**197,848**	**6,320**
Exchange differences	**—**	**451**	**—**	**—**	**451**	**2,160**	**410**
Additions	**1,048**	**—**	**—**	**—**	**1,048**	**8,773**	**—**
Disposals	**—**	**—**	**—**	**—**	**—**	**(28)**	**—**
Amortisation and depreciation	**(146)**	**—**	**(605)**	**(57)**	**(808)**	**(14,562)**	**(72)**
Closing net book amount as at 30 June 2008	**1,177**	**8,125**	**8,059**	**857**	**18,218**	**194,191**	**6,658**

6 Trade receivables

	As at 30 June 2008 *US$'000*	As at 31 December 2007 *US$'000*
Trade receivables from third parties	**47,838**	41,724
Trade receivables from a related party *(note 17(b))*	**958**	339
	48,796	42,063

The credit terms of trade receivables range from cash on delivery to 120 days. At 30 June 2008 and 31 December 2007, the ageing analysis of the trade receivables is as follows:

	As at 30 June 2008 *US$'000*	As at 31 December 2007 *US$'000*
Current	**26,154**	22,838
31 - 90 days	**21,224**	18,890
91 - 180 days	**1,275**	242
181 - 365 days	**116**	31
Over 365 days	**27**	62
	48,796	42,063

7 Share capital

	Authorised		
		Ordinary shares	
	Par value *US$*	**Number of shares**	*US$'000*
At 30 June 2008 and 31 December 2007	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 2008 and 31 December 2007	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, on which date all outstanding share options lapsed.

8 Trade payables

The ageing analysis of trade payables is as follows:

	As at 30 June 2008	As at 31 December 2007
	US$'000	*US$'000*
Current	**10,832**	11,688
31 - 90 days	**2,158**	1,436
91 - 180 days	**23**	89
181 - 365 days	**8**	2
	13,021	13,215

9 Bank borrowings

	As at 30 June 2008	As at 31 December 2007
	US$'000	*US$'000*
Long-term bank borrowings		
— secured	**20,561**	21,335
— unsecured	**—**	4,792
Current portion of long-term bank borrowings	**(8,273)**	(10,506)
	12,288	15,621
Short-term bank borrowings		
— secured	**42,381**	—
— unsecured	**10,750**	18,969
	53,131	18,969

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

	As at 30 June 2008 *US$'000*	As at 31 December 2007 *US$'000*
Within one year	**8,273**	10,506
In the second year	**6,248**	7,081
In the third to fifth year	**6,040**	8,540
	20,561	26,127

The carrying amounts of the borrowings are denominated in the following currencies:

	As at 30 June 2008 *US$'000*	As at 31 December 2007 *US$'000*
US dollar	**63,973**	35,624
Renminbi	**5,832**	5,681
New Taiwan dollar	**3,887**	3,791
	73,692	45,096

10 Other gains — net

	For the six months ended 30 June 2008 *US$'000*	For the six months ended 30 June 2007 *US$'000*
Net exchange (losses)/gains	**(631)**	332
(Loss)/gain on disposal of property, plant and equipment	**(14)**	588
Sales of scrap materials	**249**	252
Interest income from held-to-maturity financial asset	**124**	124
Others	**339**	86
	67	1,382

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 2008 *US$'000*	For the six months ended 30 June 2007 *US$'000*
Changes in inventories of finished goods and work in progress	**3,526**	(1,603)
Raw materials and consumables used	**124,680**	94,416
Amortisation of trademarks	**605**	605
Amortisation of brand name	**57**	57
Amortisation of land use rights	**72**	65
Amortisation of software and licence	**146**	25
Depreciation on property, plant and equipment	**14,562**	14,157
Operating lease expenses in respect of leasehold land	**73**	65
Employee benefit expenses	**10,810**	8,654
Other expenses	**15,940**	19,361
Total cost of sales, selling and distribution expenses and administrative expenses	**170,471**	135,802

12 Finance costs — net

	For the six months ended 30 June 2008 *US$'000*	For the six months ended 30 June 2007 *US$'000*
Interest expense on bank borrowings	**1,378**	2,318
Amortisation of discount on long-term payable to a related party	**220**	258
Interest income on bank deposits	**(579)**	(101)
	1,019	2,475

13 Income tax expense

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

	For the six months ended 30 June 2008 *US$'000*	For the six months ended 30 June 2007 *US$'000*
Enterprise income tax	**3,397**	2,770
Deferred income tax	**(591)**	(432)
	2,806	2,338

(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 operations in Vietnam range from 10% to 25%, as stipulated in the respective subsidiaries' investment licences.

(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 12.5% to 18%.

Certain subsidiaries of the Group including 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 of 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 in 2006.

(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.

(iv) Taiwan

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 rate for the Group's operation in Taiwan is 25%.

14 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company of US$9,278,000 (2007: US$7,992,000) by 1,522,742,000 (2007: 1,522,742,000) ordinary shares in issue during the period.

Diluted earnings per share is calculated by adjusting the number of ordinary shares outstanding to assume conversion of all share options. During the six months period ended 30 June 2008, the outstanding share option has an anti-dilutive effect. The diluted earnings per share for the six months ended 30 June 2007 is calculated by dividing the profit attributable to equity holders of the Company of US$7,992,000 by 1,527,075,000 adjusted ordinary shares during the period.

15 Dividends

A dividend that relates to the period to 31 December 2007 and that amounts to US$4,432,000 was paid in June 2008. (2007: US$2,432,000).

In addition, an interim dividend of 0.305 US cents per share (2007: 0.262 US cents per shares) was proposed by the board of directors on 9 September 2008. This interim dividend, amounting to US$4,644,000 (2007: US$3,996,000), has not been recognised as a liability in this interim financial information. It will be recognised in Shareholders' equity during the period from 1 July 2008 to 31 December 2008.

16 Capital commitments for property, plant and equipment

	As at 30 June 2008	As at 31 December 2007
	US$'000	*US$'000*
Contracted but not provided for	**3,863**	3,893
Authorised but not contracted for	**1,822**	6,031

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:

	Note	**For the six months ended 30 June 2008** *US$'000*	For the six months ended 30 June 2007 *US$'000*
Sale of goods to Vedan Enterprise Corporation ("Taiwan Vedan")	*(i)*	**1,536**	711
Technological support fee paid to Taiwan Vedan and Tung Hai Fermentation Industrial Co., Ltd.	*(ii)*	**1,525**	1,238
Commission from Taiwan Vedan in connection with the Agency Agreement	*(ii)*	**53**	38

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 2008, the Group had the following significant balances with related parties:

	Note	**As at 30 June 2008** *US$'000*	As at 31 December 2007 *US$'000*
Current:			
Trade receivables from Taiwan Vedan	*(i)*	**958**	339
Current:			
Technological support fee payable to Taiwan Vedan	*(i)*	**295**	301
Current portion of the amount due to Taiwan Vedan in connection with assignment of trademarks	*(ii)*	**1,072**	—
		1,367	301
Non-current:			
Non-current portion of the amount due to Taiwan Vedan in connection with assignment of trademarks	*(ii)*	**7,468**	9,393

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

Certain of the Group's bank borrowings of US$62,942,000 as at 30 June 2008 (31 December 2007: US$21,335,000) were secured by:

(i) legal charges over certain of the Group's property, plant and equipments with net book value of approximately US$22,366,000 (31 December 2007: US$25,417,000).

(ii) corporate guarantee provided by the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

International oil price has been climbing since the second half of 2004 up to the record high of US$140 a barrel during the period under review. Apart from the cost of energy, transportation and packaging, the prices of agricultural products also rocketed, posing barrier on many manufacturers, including the Group, in growing profit. The Group faced major severe challenges in its two major production bases and markets, Vietnam and China. The former saw surge in foreign investment resulting in an overheated economy with inflation sky high at 26% at the end of April. The country also imported raw materials and equipment in large quantities in anticipation of further price hikes and purchased gold for hedging. All these actions led to increase in trade deficit by folds and sparked concerns that the country would be driven into a financial crisis. Fortunately, the economic foundation of Vietnam continued to be sound and foreign exports were growing, plus the Vietnamese Government adopting effective measures, the financial threats the country faced have eased. However, the tighter monetary policy, increased interest rate, restriction on credit expansion by banks and deferring large investment projects have all affected economic growth of the country. The Vietnamese Government has adjusted the GDP growth rate forecast from previously 8.5% to 7%, while the estimate of The World Bank is around 6.7%. With economic growth restrained and inflation and interest rate standing high, consumers and manufacturers will become more conservative, which is not conducive to expansion of product offerings and reflecting cost hikes in product prices.

Operations in China also faced similar challenges. The surge in raw material and fuel costs and high inflation rate pushed up production cost, and competition intensified in the consolidating market. These phenomena prevented reflection of risen cost in product prices and in turn profit was squeezed.

Generally, attributable to increased sales price and sales volume, the Group's total turnover grew notably to US$182,735,000, an increase of US$35,975,000 or 24.5% from US$146,760,000 in the same period last year. However, as increment in costs could not be fully reflected in the selling prices, the Group's gross profit margin actually had a slight decline from 19.4% to 18.6% and net profit margin was down from 5.4% to 5.1%. Nevertheless, as for overall gross profit and net profit attributable to equity holders of the company, the Group recorded year-on-year growth of 19.4% and 16.1% respectively to US$33,933,000 and US$9,278,000 against US$28,415,000 and US$7,992,000 in the first half of 2007.

Although profitability of the Group was affected by high raw material and fuel costs, its Vietnam plant still boasted competitive advantages over other competitors in upstream and downstream operations and horizontal integration. As the Group reduced GA production and turned to producing MSG, which had higher added value, turnover of GA dropped during the period. Other than that, all of the Group's products saw steady growth. As for international sales, except for Vietnam with but slight growth, all other markets had double-digit growth, reflecting the effectiveness of the Group's market diversification strategy and the cross-selling opportunities of different products of the Group in the same market. The Group has built an excellent sales platform for realising diverse operations in the same region and enhancing its turnover and profitability in the future.

Business Analysis

(1) Sales Analysis by Product

Unit: US$'000

Project	First half of 2008		First half of 2007		Growth/drop (%)	
	US'000		*US'000*		*Difference*	
MSG	118,957	65.1%	95,650	65.2%	23,307	24.4%
GA	12,634	6.9%	19,216	13.1%	(6,582)	(34.3)%
LYSINE	14,913	8.2%	7,472	5.1%	7,441	99.6%
STARCH-M	18,033	9.9%	11,108	7.6%	6,925	62.3%
Specialty Chemicals	8,768	4.8%	6,914	4.7%	1,854	26.8%
Fertilizer	5,131	2.8%	2,544	1.7%	2,587	101.7%
Others	4,299	2.3%	3,856	2.6%	443	11.5%
Total	**182,735**	**100.0%**	**146,760**	**100.0%**	**35,975**	**24.5%**

MSG and GA

The Group's MSG product recorded growth of 19.7% in Vietnam and a substantial 51.9% growth in China, thanks to the increased competitiveness of export from the Vietnam plant and the enhanced MSG brands and stronger channels in China. The overall turnover of MSG was US$118,957,000, a year-on-year growth of US$23,307,000 or 24.4% from US$95,650,000 in the same period last year. Taking into account the strong demand for MSG in the period, the Group strategically shifted part of the production capacity of GA in Vietnam and China to produce MSG of higher added value. As a result, turnover from GA dropped from US$19,216,000 in the same period last year to US$12,634,000, representing a decrease of 34.3% or US$6,582,000. Since the second half of last year, export of the Vietnam plant increased as a result of change in the exchange rate of different currencies, difference in magnitude of adjustment of raw material prices and the economic policies adopted by different governments. However, the continuous rise in overall raw material and fuel costs suppressed the Group's profitability. In China, with the domestic market going through consolidation, the competitive landscape appeared chaotic. That plus the persistently high raw material and fuel costs also affected profit growth of MSG in the market.

The turnover from MSG accounted for 65.1% of the Group's total turnover, similar to the level in the same period last year, while the turnover from GA dropped notably from 13.1% to 6.9%.

Modified starch

Continuing the notable growth of 51.9% recorded in 2007, the segment reported growth of 62.3%, or US$6,925,000, in the first half of the year to US$18,033,000. The product has become another major product of the Group after MSG. Modified starch products performed well in both the China and Vietnam markets, and especially in the former. Although the price of its major material cassava was around 70% more expensive than in last corresponding period, strong market demand allowed the Group to raise price of the product and thus achieved satisfactory growth in profit. With the first production line of daily capacity 100 tonnes in Ha Tinh province expected to commence operation before this year-end, and work to upgrade and expand the daily capacity of the plant in Gia Lai province from 100 tonnes to 150 tonnes to be completed gradually, the Group's modified starch business can expect to thrive.

Lysine

During the period under review, the price of lysine started to increase and translated into a 99.6%, or US$7,441,000, leap in turnover to US$14,913,000 for the Group, against the same period last year. The turnover growth was mainly attributable to a marked increase in sales volume, considering that when the selling price of lysine was so low in the first half of 2007 that the Group shifted part of the production capacity for it to producing GA and the output of lysine was then very small. Although the price of lysine has picked up again, as the cost of material and fuel for lysine production remained persistently high, it is unlikely that profit of the product will surge notably in the short run unless its selling price could go up further.

Specialty Chemicals

Demand for hydrochloric acid and caustic soda continued to grow driven by rapid economic growth in Vietnam. During the period, turnover of specialty chemicals reached US$8,768,000, an increase of 26.8% from US$6,914,000 in the same period last year. This segment is expected to continue to grow steadily alongside the booming industries.

Fertilizer

The third and fourth production lines for solid fertilizer were completed in the second quarter of the year. Furthermore, with the international prices of fertilizers rocketing, the proportion of turnover from fertilizer in the Group's total turnover also continued to rise. The segment recorded turnover doubled the US$2,544,000 in last corresponding period to US$5,131,000 and percentage contribution to total turnover also jumped 1.7% to 2.8%. Heeding the popularity of its organic fertilizers in the market, the Group is studying the feasibility of expanding its production lines. The segment is expected to assume increasingly importance as a turnover and profit contributor of the Group.

(2) Market analysis

Unit: US$'000

Regions	First Half of 2008 *US$'000*		First Half of 2007 *US$'000*		Change (%) *Difference*	
Vietnam	77,649	42.5%	77,563	52.9%	86	0.1%
PRC	27,622	15.1%	24,250	16.5%	3,372	13.9%
Japan	34,538	18.9%	22,126	15.1%	12,412	56.1%
ASEAN countries	24,736	13.5%	14,319	9.8%	10,417	72.7%
European	5,684	3.1%	2,483	1.7%	3,201	128.9%
Taiwan	5,124	2.8%	4,135	2.8%	989	23.9%
Other regions	7,382	4.1%	1,884	1.2%	5,498	291.8%
Total	**182,735**	**100.0%**	**146,760**	**100.0%**	**35,975**	**24.5%**

1. Vietnam

In the first half of 2008, turnover from the Vietnam market amounted to US$77,649,000, up 0.1% or US$86,000 from US$77,563,000 in the last corresponding period. The increase was far lower than those in other regions. The proportion of contribution from the market thus dropped to 42.5% from 52.9% in the same period last year. The slower growth of the market was mainly attributable to: (1) the 2.5% weaker Vietnam Dong as compared with the same period last year, (2) the Group's strategy to diversify MSG markets, riding on export to grow overseas markets, and (3) relative to the lower output of GA, except for MSG and GA, other products including lysine, specialty chemicals, modified starch and fertilizers all benefited from booming Vietnamese economy and market and delivered steady growth.

2. Japan

During the period, turnover from the Japan market grew a notable 56.1% or US$12,412,000 to US$34,538,000 from US$22,126,000 in the previous corresponding period. The growth was driven mainly by the increase in sales of lysine and MSG. In the last corresponding period, the Group reduced production of lysine because of its low price and hence turnover from sales of lysine to Japan was affected. However, the Group started to increase lysine production in the second half of 2007 and supply to the Japan market has also risen.

In addition, the Group has long-standing customers in Japan who have strong confidence in its products, which explained also the steady increase in MSG sales in the market. Strong growth of the Japan market boosted its contribution to the total turnover of the Group from 15.1% to 18.9%. Japan has become the Group's second largest market.

3. China

Turnover from the China market in the first half year reached US$27,622,000, 13.9% or US$3,372,000 higher than US$24,250,000 in the last corresponding period. As a strategic move, Shandong Vedan Snowflake Enterprise Co., Ltd. discontinued sale of GA, but used it as a raw material to produce MSG instead.

During the period under review, competition in the China MSG market remained intense. As a result of continuous increase in raw material and energy prices and reduced export market, the Group had to operate in a severely competitive and chaotic domestic sales market, resulting in squeezed turnover and profit.

The Group still occupies a relatively small share of the China MSG market, which means it has enormous room for growth. Apart from pursuing potential strategic alliances with peers, the Group intends to continue to expand its own sales points and strengthen relationship with capable distributors.

4. ASEAN countries

Sales of MSG, GA, lysine and fertilizers to various countries including Thailand, Indonesia, Malaysia, etc. had grown markedly during the period. The overall turnover from ASEAN countries thus leaped a magnificent 72.7% or US$10,417,000 in the first half year to US$24,736,000, against US$14,319,000 in the same period last year. The segmental contribution to the total turnover of the Group also rose from 9.8% to 13.5%, reflecting the result of the effort put by the Group into nurturing this market. As ASEAN economies continue to prosper and trading conditions become more liberal, it will continue to be a market that presents the Group with strong growth potential.

5. Europe and other regions

The Europe market achieved a year-on-year increase of 128.9%, or US$3,201,000, which was mainly attributable to the growth in sales of MSG and lysine.

As for other regions, a 291.8%, or US$5,498,000 increase in sales was recorded as compared with the same period last year, thanks to the preliminary success of the Group in exploring the Korean and US markets, driving growth of other regions.

Raw Material/Costs

Affected by surging international oil price and rising prices of agricultural products, raw material and fuel cost of the Group shot up to historical high. Important raw materials and fees such as some carbohydrate sources, liquid ammonia, chemicals, fuel, packaging materials, transportation cost all increased dramatically, ranging from 10-20% on the low side and 50-100% on high, resulting in higher production costs for all products of the Group. Since the beginning of the first half year, the price of the Group's main raw material molasses had kept increasing. In respond, the Group adopted a diversified carbohydrate sourcing strategy and supplemented it with flexible procurement methods and inventory adjustments. These measures had been effective in capping the surge of prices of carbohydrates during the review period. However, the price of molasses is expected to continue on the uptrend in the second half year.

At the same time, the price of another major raw material of the Group, cassava or wet cassava (cassava after initial processing), also climbed by more than 60% during the review period with demand for it as material for producing alcohol and livestock feed rising in countries such as China and Korea. Fortunately, the Group had started to expand production capacity for cassava. The first production line of the Group's new plant in Ha Tinh province will commence operation in the fourth quarter of the year and expansion of production capacity of the plant in Gia Lai province will also be completed soon. All these plans will give the Group reliable supply of cassava starch to reduce raw material costs.

Financial Review

High inflation rate and a monumental trade deficit in Vietnam at the end of May sparked concern over possible depreciation of the Vietnam Dong and fluctuation in the foreign exchange market. Nevertheless, the economic foundation of the country continued to be strong with foreign investment and export rising consistently and markedly. Furthermore, with government efforts to clamp down on speculative activities and raise interest rates, the foreign exchange market has stabilized recently with the exchange rate of the Dong against US dollar at approximately 16,500 Vietnam Dong for one US dollar. The rate represented 2.4% depreciation when compared with the end of last year. During the period under review, convinced that the fluctuation of the Vietnam Dong to US dollar exchange rate would be a short-term phenomenon and that high interest rates would absorb the loss resulting from depreciation of the currency, the Group increased its cash and bank deposit by 98% or US$17,371,000. The Group's total cash and deposit increased by US$35,077,000, with the average interest rate for fixed deposit at about 12% to 15%. The Group increased notably its deposit in banks, and borrowed only US$28,596,000 more. Thus, its gearing ratio (total loans over shareholders interest) was 27.9% and net gearing ratio (after deducting cash and deposit) was 14.6%, which were lower than the last corresponding period's 28.5% and 22.2% respectively. Liquidity ratio was 1.85, higher than 1.76 of the last corresponding period, indicating that the Group had a sound financial position. Of all bank loans, 87% was in US dollar, 8% were in Renminbi and 5% were in New Taiwan dollor, and 17% were middle to long term loans and 83% were short-term loans.

Thanks to the 24.5% turnover growth, account receivables also increased by 17.8% to US$48,796,000 from US$41,406,000 in the last corresponding period. During the period under review, inventory reduced by US$6,256,000 or 8.5% to US$66,963,000 from US$73,219,000. The Group's liquidity ratio rose from 1.76 to 1.85. Since the Group mainly borrowed US dollars from banks and the interest rate of US dollars dropped during the period, the average interest for loans taken out by the Group also dropped slightly against the same period last year. In turn, net interest fee for the period was down and at 0.6% to total turnover.

Exchange Rate

During the period, unlike last year with value up by 0.2%, the Vietnam Dong depreciated by about 2.5% in late June. However, with the Vietnam plant of the Group starting to record rapid growth in export sales in the second half of 2007, export sales had overtaken domestic sales during the period under review to account for 51.7% of the total sales of the market. Income in US dollars thus was sufficient for the Group to settle payments for import and other foreign currency transactions. With exchange rates steady since early July and high interest rate for Vietnam Dong deposits, the Group will be able to minimise loss caused by exchange rate fluctuation.

Dividend

Basic earnings per share for the period were 0.61 US cents. The Board of Directors resolved to pay dividend of 0.305 US cents per share for the interim period, representing a payout ratio of 50%.

Prospects

Similar to its industry peers, maintaining growth in profitability amid rising costs will be the major issue the Group needs to address. The Group has adopted or plans to adopt the following measures to safeguard its sources of profit.

I) Continue to step up the cassava or other carbohydrate sources plantation projects in Cambodia and Laos. This task must be maintained to ensure the Group has reliable and price competitive raw material supply in the long run to shield its profit from impact of high raw material prices.

II) Seizing the chance of growing demand for its major products including MSG, modified starch, lysine, caustic soda, hydrochloric acid, fertilizers, etc. to make appropriate adjustment of product prices by market so as to maintain profit margin.

III) Restructure the existing sales system with plan to set up a professional marketing company to grow the Vietnam market. Apart from its own products, the Group will strengthen existing sales channels to sell other related products, hence boost its results.

IV) Enhance the new product commercialization process to timely tap market opportunities, continue to improve production efficiency to raise revenue and implement cost control and energy saving measures.

V) Enhance the "Vedan" brand to help boost product values, continue to identify strategic alliance opportunities, make appropriate investment in related industry and expansion of production capacity, with the aim of improving overall efficiency.

In the second half year, although raw material and fuel prices will continue to stand high, with the Group moving forward with the aforementioned plans and measures and the new starch plant in Ha Tinh province and the expanded starch plant in Gia Lai province starting production soon, the Group expects good support for its turnover and profit. In addition, through means including appropriate price adjustment, flexible raw material procurement strategy, diversifying carbohydrate sources, brand building and restructuring its marketing system, the Group is cautiously optimistic about achieving turnover and profit growth in the future.

INTERIM DIVIDEND AND CLOSE OF REGISTER

The Board of Directors has resolved to declare an interim dividend of 0.305 US cents (2.379 HK cents) per share for the year ending 31 December 2008.

The share register will be closed from 6 October to 10 October 2008, both days inclusive, during which period no transfer of shares will be registered. Dividend warrants will be dispatched to shareholders on or about 17 October 2008. 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, Tricor Tengis Limited of 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 3 October 2008.

EMPLOYEE INFORMATION

At 30 June 2008, the Group has 3,801 employees of whom 2,877 are based in Vietnam, 813 are based in the PRC, 10 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 2008.

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 2008. The Audit Committee comprises the three independent non-executive directors of the Company.

PUBLICATION OF FINANCIAL INFORMATION

The Company's 2008 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

Hong Kong
8 September 2008

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
Mr. KO Jim-Chen
Mr. CHEN Joen-Ray