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)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

RESULTS

The Board of Directors of Vedan International (Holdings) Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008, together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Note	**2008** *US$'000*	2007 *US$'000*
Revenue	*2*	**348,557**	317,431
Cost of sales	*3*	**(284,048)**	(256,845)
Gross profit		**64,509**	60,586
Selling and distribution expenses	*3*	**(17,417)**	(16,907)
Administrative expenses	*3*	**(24,333)**	(20,990)
Environmental charges imposed by Vietnam government	*4*	**(7,729)**	–
Other (losses)/gains – net	*5*	**(196)**	2,413
Operating profit		**14,834**	25,102
Finance income		**2,267**	374
Finance costs		**(3,639)**	(4,738)
Finance costs – net	*6*	**(1,372)**	(4,364)
Profit before income tax		**13,462**	20,738
Income tax expense	*7*	**(7,053)**	(4,878)
Profit for the year		**6,409**	15,860

	Note	**2008**	2007
		US$'000	*US$'000*
Attributable to:			
– equity holders of the Company		**8,403**	16,856
– minority interest		**(1,994)**	(996)
		6,409	15,860
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in US cents per share)			
Basic earnings per share	*9*	**0.55**	1.11
Diluted earnings per share	*9*	**0.55**	1.10
Dividends	*8*	**4,644**	8,422

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2008

	Note	2008 US$'000	2007 US$'000
ASSETS			
Non-current assets			
Land use rights		**6,609**	6,320
Property, plant and equipment		**183,672**	197,848
Intangible assets		**17,540**	17,527
Prepayment for property, plant and equipment		**4,400**	–
Held-to-maturity financial assets		**3,130**	3,295
		215,351	224,990
Current assets			
Trade receivables	*10*	**28,878**	42,063
Inventories		**72,496**	56,170
Amount due from a minority shareholder of a subsidiary		**1,370**	217
Prepayments and other receivables		**6,098**	6,688
Tax recoverable		**18**	6
Cash and cash equivalents		**36,286**	17,706
		145,146	122,850
Total assets		**360,497**	347,840
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**15,228**	15,228
Reserves			
– Proposed final dividend		**–**	4,432
– Others		**239,803**	233,471
		255,031	253,131
Minority interest in equity		**2,879**	4,585
Total equity		**257,910**	257,716

	Note	2008 US$'000	2007 US$'000
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings		**7,552**	15,621
Deferred income tax liabilities		**9,497**	10,544
Long-term payable to a related party		**5,902**	7,688
Provision for long service payment		**1,133**	728
		24,084	34,581
Current liabilities			
Trade payables	*11*	**14,335**	13,215
Accruals and other payables		**13,660**	10,279
Due to related parties		**2,000**	2,006
Bank overdraft – unsecured		**–**	382
Short-term bank borrowings		**38,660**	18,969
Current portion of long-term bank borrowings		**6,940**	10,506
Taxation payable		**2,908**	186
		78,503	55,543
Total liabilities		**102,587**	90,124
Total equity and liabilities		**360,497**	347,840
Net current assets		**66,643**	67,307
Total assets less current liabilities		**281,994**	292,297

Notes:

1. Basis of preparation

The principal accounting policies applied in the preparation of these consolidated financial statements have been consistently applied during the year unless otherwise stated below.

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention.

The following new interpretations are mandatory for the first time for the financial year beginning 1 January 2008

- Amendments to HKAS 39 and HKFRS 7, Reclassification of Financial Assets;
- HK(IFRIC) – Int 11, HKFRS 2 – Group and Treasury Transactions
- HK(IFRIC) – Int 12, Service Concession Arrangements;
- HK(IFRIC) – Int 14, The Limit on a Defined Benefit Assets, Minimum Funding Requirement and their Interaction

The adoption of these interpretations do not have a significant impact to the Group's consolidated financial information.

The following new standards, amendments/revisions to standards and interpretation have been issued but are not yet effective and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKAS 1 (Revised)	Presentation of Financial Statements	1 January 2009
HKAS 7 (Amendment)	Cash Flow Statements	1 January 2009
HKAS 16 (Amendment)	Property, Plant and Equipment	1 January 2009
HKAS 19 (Amendment)	Employee Benefits	1 January 2009
HKAS 20 (Amendment)	Accounting for Government Grants and Disclosure of Government Assistance	1 January 2009
HKAS 23 (Revised)	Borrowing Costs	1 January 2009

		Effective for accounting periods beginning on or after
HKAS 27 (Amendment)	Consolidated and Separate Financial Statements	1 January 2009
HKAS 28 (Amendment)	Investments in Associates	1 January 2009
HKAS 29 (Amendment)	Financial Reporting in Hyperinflationary Economies	1 January 2009
HKAS 31 (Amendment)	Interest in Joint Venture	1 January 2009
HKAS 32 and HKAS 1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
HKAS 36 (Amendment)	Impairment of Assets	1 January 2009
HKAS 38 (Amendment)	Intangible Assets	1 January 2009
HKAS 39 (Amendment)	Financial Instructions: Recognition and Measurement	1 January 2009
HKAS 40 (Amendment)	Investment Property	1 January 2009
HKAS 41 (Amendment)	Agriculture	1 January 2009
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards	1 July 2009
HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations	1 January 2009
HKFRS 3 (Revised)	Business Combinations	1 July 2009
HKFRS 5 (Amendment)	Non-current Assets Held for Sale and Discontinued Operations	1 July 2009
HKFRS 8	Operating Segments	1 January 2009
HK(IFRIC) – Int 13	Customer Loyalty Programmes	1 July 2008
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate	1 January 2009
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation	1 October 2008
HK(IFRIC) – Int 17	Distributions of non-cash assets to owners	1 July 2009
HK(IFRIC) – Int 18	Transfers of Assets from Customers	1 July 2009

The Group has already commenced an assessment of the related impact of adopting the above new standards, amendments/revisions to standards and interpretation to the Group.

2. Revenue

The Group manufactures and sells fermentation-based food additives, biochemical products and cassava starch-based industrial products including modified starch, glucose syrup, MSG, soda, acid and beverages. Turnover recognised for the years ended 31 December 2008 and 2007 is US$348,557,000 and US$317,431,000 respectively.

3. Expenses by nature

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

	2008	2007
	US$'000	*US$'000*
Changes in inventories of finished goods and work-in-progress	**(10)**	5,952
Raw materials and consumables used	**243,933**	213,713
Amortisation of intangible assets	**1,474**	1,462
Amortisation of land use rights	**145**	135
Auditor's remuneration	**295**	295
Depreciation on property, plant and equipment	**29,307**	28,050
Provision for impairment of property, plant and equipment	**2,154**	–
Operating leases expenses in respect of leasehold land	**163**	149
Employee benefit expenses	**21,727**	18,109
Provision for impairment of trade receivables	**396**	2
Other expenses	**26,214**	26,875
Total cost of sales, selling and distribution expenses and administrative expenses	**325,798**	294,742

4. Environmental charges imposed by Vietnam government

In September 2008, the Group's subsidiaries in Vietnam were under inspection by Vietnam Environmental Protection Administration in Vietnam for certain environmental issues. On 8 October 2008, the Group received a decision from the Inspection Unit that the Group had been in violation of certain environmental laws in Vietnam. The Group is required to pay approximately US$16,000 and US$7,713,000 as penalty and environmental fees respectively. All these penalty and environmental fees have been recorded in the consolidated income statement. In prior years, management estimated the environmental fee paid to the government based on the estimated sewage disposal by the Group. The Directors are of the opinion that no further penalty will be imposed by the Vietnam government. The Group has received a number of claims in relation to this environmental issue but none of these claims had been accepted by the courts. Based on a legal opinion, the Directors considered that there is no significant contingent liabilities due to this environment issue which may result in material financial impact to the Group.

5. Other (losses)/gains – net

	2008	2007
	US$'000	*US$'000*
Net exchange (loss)/gain	**(1,538)**	816
Net loss from sale of electricity	**(74)**	(14)
(Loss)/gain on disposal of property, plant and equipment	**(35)**	603
Sale of scrap materials	**439**	489
Interest income from held-to-maturity financial assets	**245**	248
Others	**767**	271
	(196)	2,413

6. Finance costs – net

	2008	2007
	US$'000	*US$'000*
Interest income	**(2,267)**	(374)
Interest expense on bank borrowings	**3,200**	4,223
Amortisation of discount on long-term payable to a related party	**439**	515
	3,639	4,738
Finance costs – net	**1,372**	4,364

7. Income tax expense

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

	2008	2007
	US$'000	*US$'000*
Enterprise income tax ("EIT")	**7,694**	5,764
Under provision of income tax in previous years	**406**	19
Deferred income tax	**(1,047)**	(905)
	7,053	4,878

Enterprise income tax ("EIT")

(i) Vietnam

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 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 rate for the Group's operation in the PRC range from 12.5% to 25%.

Certain subsidiaries of the Group including Mao Tai Foods (Xiamen) Co., Ltd, Shanghai Vedan Enterprise Co., Ltd and Shandong Vedan Snowflake Enterprise Co., Ltd are entitled to full exemption from EIT for the first two years and 50% reduction in EIT for the next three years, commencing from the first profitable year after offsetting all unexpired tax losses brought forward from the previous years.

(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 year.

(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 operations in Taiwan is 25%.

8. Dividends

	2008	2007
	US$'000	*US$'000*
2008 Interim dividend of 0.305 US cents (2007: 0.26203 US cents) per ordinary share, paid	**4,644**	3,990
No final dividend was proposed in 2008 (2007: 0.29105 US cents per ordinary share)	**–**	4,432
	4,644	8,422

9. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company over the weighted average number of ordinary shares in issue during the year.

	2008	2007
	US$'000	*US$'000*
Profit attributable to equity holders of the Company	**8,403**	16,856
Weighted average number of ordinary shares in issue *(thousands)*	**1,522,742**	1,522,742
Basic earnings per share *(US cents per share)*	**0.55**	1.11

Diluted

Diluted earnings per share is calculated by adjusting the number of ordinary shares outstanding to assume conversion of all share options. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) 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 pre-IPO share options. During the year ended 31 December 2008, the outstanding share options have anti-diluted impact. Therefore, the diluted earnings per share for the year ended 31 December 2008 is the same as basic earnings per share (2007: US1.10 cents per share).

10. Trade receivables

The fair values of trade receivables are as follows:

	Group	
	2008	2007
	US$'000	*US$'000*
Trade receivables from third parties	**28,985**	41,755
Trade receivables from a related party	**320**	339
Less: provision for impairment of trade receivables	**(427)**	(31)
	28,878	42,063

The credit terms of trade receivables range from cash on delivery to 120 days and the ageing analysis of the trade receivables is as follows:

	Group	
	2008	2007
	US$'000	*US$'000*
Current	**13,967**	22,838
30 – 90 days	**8,083**	18,890
91 – 180 days	**4,471**	242
181 – 365 days	**2,707**	31
Over 365 days	**77**	93
	29,305	42,094

As at 31 December 2008, trade receivables of US$19,081,000 (2007: US$38,331,000) were fully performing.

As at 31 December 2008, trade receivables of US$9,791,000 (2007: US$3,701,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of those past due but not impaired receivables is as follows:

	Group	
	2008	2007
	US$'000	*US$'000*
Overdue by		
Current to 3 months	**3,302**	3,656
3 – 6 months	**4,063**	45
Over 6 months	**2,426**	–
	9,791	3,701

As of 31 December 2008, trade receivables of US$433,000 (2007: US$62,000) were impaired. The amount of the provision was US$427,000 as of 31 December 2008 (2007: US$31,000). The individually impaired receivables mainly relate to wholesalers, which are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	Group	
	2008	2007
	US$'000	*US$'000*
Overdue by		
180 days to 360 days	**379**	–
Over 360 days	**54**	62
	433	62

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	Group	
	2008	2007
	US$'000	*US$'000*
Vietnam Dong	**16,216**	26,109
US$	**10,284**	11,731
PRC Renminbi	**2,347**	4,194
Others	**31**	29
	28,878	42,063

Movements on the Group's provision for impairment of trade receivables are as follows:

	Group	
	2008	2007
	US$'000	*US$'000*
Beginning of the year	**31**	29
Provision for impairment	**398**	12
Reversal of provision for impairment	**(2)**	(10)
End of the year	**427**	31

The creation and release of provision for impaired receivables have been included in "administrative expenses" in the consolidated income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

11. Trade payables

As at 31 December 2008, the ageing analysis of trade payables is as follows:

	Group	
	2008	2007
	US$'000	*US$'000*
Current	**7,733**	11,688
30 – 90 days	**3,201**	1,436
91 – 180 days	**3,368**	89
181 – 365 days	**33**	2
	14,335	13,215

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2008	2007
	US$'000	*US$'000*
Vietnam Dong	**4,564**	6,906
US$	**4,272**	5,744
PRC Renminbi	**5,499**	565
	14,335	13,215

12. Segmental 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. Accordingly, no segment information is presented.

(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

	2008	2007
	US$'000	*US$'000*
Vietnam	**148,860**	159,290
The PRC	**57,229**	52,047
Japan	**73,523**	47,492
Taiwan	**10,881**	9,264
ASEAN member countries (other than Vietnam)	**36,956**	34,794
Other regions	**21,108**	14,544
	348,557	317,431

(ii) Capital expenditures

	2008	2007
	US$'000	*US$'000*
Vietnam	**15,227**	9,870
The PRC	**875**	2,810
	16,102	12,680

Capital expenditures are allocated based on where the assets are located.

Capital expenditures comprise additions of land use rights, property, plant and equipment and intangible assets, including additions resulting from acquisitions through business combinations.

(iii) Total assets

	2008	2007
	US$'000	*US$'000*
Vietnam	**280,299**	280,961
The PRC	**71,255**	65,139
Hong Kong	**8,448**	550
Taiwan	**431**	1,126
Singapore	**64**	64
	360,497	347,840

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

BUSINESS OVERVIEW

In 2008, the Group, like most of the enterprises around the world, had to face severe challenges resulting from drastic changes in the financial, economic and raw material scenes. The business environment in Vietnam, the main production base of the Group, also saw rapid changes during the year. In the past few years, Vietnam has been among the fastest growing economies in Asia with an average GDP growth of 8% between 2003 and 2007. In the first half of 2008, the overheated economy pushed inflation up to the high of around 25% in May as compared to that of in May 2007 and prompted the Vietnamese government to tighten monetary policy as a means to contain the situation. That was the reason for the lending rate of the Vietnam Dong to stand above 19% in mid-2008. At the same time, to cut trade deficit and alleviate the pressure on the Vietnam Dong to depreciate, import control measures were implemented. Stepping into the second half year, hit by the global financial tsunami, economies around the world slipped into recession. The phenomenon, though helpful to countering inflation in Vietnam, also caused international oil price and prices of agricultural products to drop. This dealt a serious blow to Vietnam which relies heavily on export to overseas markets including the US, EU countries and Japan and with crude oil and agricultural products making up the bulk of her exports. Subjected to all these factors, the annual GDP growth of the country in 2008 was 6.23%, lower than the 7% forecast.

Vedan Vietnam, the main operating arm of the Group, and its business in particular were inevitably affected by the drastic changes in the economic and financial situations in the country and the world. At the same time, due to too rapid expansion, the Group was also adversely impacted by the incident of breach of wastewater discharge regulations in September requiring it to re-pay US$7,713,000 environmental fee and stop or cut down on production to meet environmental protection regulations. The Group took responsibility for its flaw and spared no effort in working with relevant departments to initiate timely remedies. In addition to upgrading existing treatment system, the other plans, including installing additional wastewater treatment equipment and expanding the solid fertilizer plant to facilitate recycle of resources, will be completed in the second or third quarter of 2009. Production in full capacity is expected to resume in the fourth quarter of 2009.

Although the Group's production base in Vietnam was affected by the aforementioned external and internal factors and the need to cut production in the fourth quarter last year, with a long history and strong foundation in the country, it still managed to achieve around 10% growth, or US$31,126,000, in turnover against 2007 to US$348,557,000, with MSG, modified starch and fertilizer as the main growth drivers. The growth of modified starch business was mainly attributable to its increased selling price whereas that of fertilizer mainly came from the notably increased productivity brought about by the solid fertilizer plant which was expanded in the first half of 2008.

Sales in the Vietnam market decreased by approximately 6.55%, mainly as a result of the production cut on including MSG and GA in the last quarter. Furthermore, exporters in Vietnam, many of whom are clients of the Company, were also affected by the slack international market overshadowed by the global financial crisis, and that in turn impacted on the sales of specialty chemicals and fertilizer of the Group in Vietnam in the fourth quarter.

As for the Japanese market, building on the long-term and close relationship it has with customers and the robust demand in the market, the Group managed to grow sales to the market by an impressive 54.81%.

During the year, the China market grew by 9.96%, mainly attributable to the steady rise in sales of MSG, particularly the small pack MSG products, and starch products of Xiamen Maotai and Shanghai Vedan.

The first phase of Ha Tinh starch factory in Vietnam was completed at the end of 2008. When the plant begins production in the first quarter of 2009, the starch division of the Group will have added strength to achieve diversification of raw material sources and securing raw materials at more competitive costs. Furthermore, heeding the commitment to open rights to retail and trade operations to foreign companies in 2009 made by Vietnam on accession to the WTO, the Company has redeployed its resources, adjusted its distribution system, recruited new hands and improved its marketing strategy so as to capture business opportunities and deliver remarkable performance.

Gross profit of the Group for the year was US$64,509,000, representing an increase of 6.5% when compared to US$60,586,000 in 2007. Gross profit margin was 18.5%, slightly lower than the 19.1% recorded in 2007. Net profit amounted to US$6,409,000, with the net profit margin at 1.8%. Moreover, the suspension and cut in production of the Vietnam plant to meet environmental regulations in the fourth quarter also affected the turnover and profit for the year. Having actively remedied the situation by installing relevant wastewater treatment equipment, the Group is confident of increasing production of the plant by quarter and resuming full capacity production in the fourth quarter of 2009 to again deliver remarkable results and profit.

Business Analysis:

(1) Market Analysis:

Table 1: Comparison of Sales in Various Regions — Unit: US$'000

	2008		2007		Increase/Decrease	
Area	***Amount***	***%***	*Amount*	*%*	*Amount*	*%*
Vietnam	**148,860**	**42.7%**	159,290	50.1%	(10,430)	-6.5%
Japan	**73,523**	**21.1%**	47,492	15.0%	26,031	54.8%
The PRC	**57,229**	**16.4%**	52,047	16.4%	5,182	10.0%
ASEAN Countries	**36,956**	**10.6%**	34,794	11.0%	2,162	6.2%
Other regions	**31,989**	**9.2%**	23,808	7.5%	8,181	34.4%
Total	**348,557**	**100.0%**	317,431	100.0%	31,126	9.8%

1. Vietnam

Vietnam has been the biggest market of the Company for long and has continuously reported steady growth over the years. The growth rate for the three years starting from 2005 were 9.6%, 9.1% and 5.2% respectively. In the fourth quarter of 2008, because of efforts to improve environmental protection provisions at the Vietnam plant, the Group adjusted the product mix and decreased the output volumes of different products including MSG, GA and lysine, which accounted for a significant share of sales in the Vietnam market. As a result, sales of these products in the local market decreased by 6.8%, 31.6% and 15.1% respectively when compared with 2007. Sales of other products in Vietnam were also affected to some extent, but because of higher selling prices, turnover growth was still recorded. Turnover from specialty chemicals increased by US$3,400,000 or 23%, fertilizer by US$1,700,000 or 49% and modified starch by 1.8%. Total turnover decreased by US$10,430,000, or 6.5%, making Vietnam the only market reporting a decreased turnover among all markets of the Group for the year. Turnover from Vietnam accounted for 42.7% of the Group total as compared to 50.1% in 2007.

In 2009, Vietnam will continue to be affected by the global financial crisis and challenges from the world in recession. However, the Group will take this opportunity to improve its distribution channels and rationalize its distributor mechanism so as to match the development and demand of the Vietnam market in the future. Furthermore, it will strengthen its ability to adapt to market changes and consider adding new product categories and boosting trading business to ensure that the Vietnam market can maintain steady growth.

2. Japan

Turnover from Japan was US$73,523,000, up by US$26,031,000, or 54.8%, making it the fastest growing market of the Group for the year. The market accounted for 21.1% of the total turnover of the Group, second to Vietnam, and a significant increase when compared to 15% in 2007. Such increase was mainly attributable to the substantial increase in sales of MSG and modified starch. Japan has been the main export market of the Group's MSG. Although production of MSG was cut in the fourth quarter, having signed long term supply contracts with Japanese clients, the Group supplied MSG products to Japan market first. Furthermore, at the effort to boost sales of the modified starch division in recent years, MSG and modified starch recorded sales growth of 58.2% and 46.5% respectively in 2008. This is also proof of the strong foothold enjoyed by the MSG and modified starch products of the Group in the Japan market.

3. ASEAN Countries

In spite of the great market demand for MSG, sales of this product decreased slightly because of the shorter supply from production cut. In particular, in the fourth quarter, the Company stopped selling GA but used it to produce MSG to meet market demand, and that caused sales of GA in ASEAN countries to drop by 12.9%. As for the fertilizer division, with strong demand in ASEAN countries and its effort to grow business in the market in the first three quarters, sales of solid fertilizer grew four times during the year. The overall turnover from ASEAN countries increased by 6.2% when compared with 2007 and accounted for 10.6% of the total turnover of the Group, slightly lower than 11% in 2007. The ASEAN market is expected to deliver a higher growth after the Vietnamese plant resumes production in full capacity.

4. China

The market grew by 16.3% in 2007 and continued to grow a strong 10.0% during the year, or by US$5,182,000, to US$57,229,000. The main growth contributor was MSG, which grew by 34.7% with turnover totalling US$10,800,000. For GA, however, because of its strategic shift into producing MSG, its turnover was dropped by US$7,300,000. For modified starch, its turnover decreased slightly by 3.7%, or US$300,000, mainly because of the production cut at the Vietnam plant in the fourth quarter. Other products, such as seasonings and beverages, recorded satisfactory growth. Turnover from the China market accounted for 16.4% of the Group's total turnover, similar to last year's level.

5. Others

Other regions mainly include Europe, the US and Korea, and they continued to deliver outstanding performance as it was in the first half. Turnover from these markets climbed 34.4%, or US$8,181,000, to US$31,989,000 for the year. With the European Union ("EU") imposing anti-dumping duty on MSG products from China, the market will present opportunities to the Vietnam plant to expand business there.

(2) Sales Analysis by Product:

Table 2: Comparison of sales of various products Unit: US$'000

	2008		2007		Change ±	
	Amount	***%***	*Amount*	*%*	*Amount*	*%*
MSG	**237,395**	**68.1%**	204,682	64.4%	32,713	16.0%
GA	**19,334**	**5.6%**	36,925	11.6%	(17,591)	-47.6%
LYSINE	**20,448**	**5.9%**	20,798	6.6%	(350)	-1.7%
STARCH-M	**30,378**	**8.7%**	25,916	8.2%	4,462	17.2%
SEASONING	**2,541**	**0.7%**	1,301	0.4%	1,240	95.3%
Specially Chemicals	**18,195**	**5.2%**	14,844	4.7%	3,351	22.6%
FERTILIZER	**12,117**	**3.5%**	5,410	1.7%	6,707	124.0%
OTHERS	**8,149**	**2.3%**	7,555	2.4%	594	7.9%
TOTAL	**348,557**	**100.0%**	317,431	100.0%	31,126	9.8%

1. MSG and GA

Turnover of MSG business in the year grew by 16%, or US$237,395,000, an improvement of 8% against 2007. The increase in turnover was mainly attributable to higher product prices that reflected higher material costs, and strong demand for MSG in the Japan and EU markets. However, the Group had to reduce GA production to accommodate enhancement of environmental provisions. With the understanding of customers, it reduced GA supply substantially and used it to produce MSG to satisfy their demand. Therefore, the turnover from GA for the year only amounted to US$19,334,000, representing a sharp decrease of 47.6%, or US$17,591,000. The Group expects to resume normal production of GA in the fourth quarter of 2009 and to see turnover from the product to return to previous level thereafter. MSG business accounted for 68.1% of the total turnover of the Group versus 64.4% last year and the proportion of turnover contribution of GA dropped from 11.6% to 5.6%.

2. Lysine

International lysine price gradually increased resulted in 99.6% turnover growth in the first half of 2008 against the last corresponding year. However, in view of the environmental issue in the second half year, the Group had to reduce lysine production and shift part of it to producing GA as well as focus on producing MSG. The move resulted in an overall drop of 1.7%, or US$350,000, in turnover from lysine despite its risen selling price. Bringing in a turnover of US$20,448,000, lysine accounted for 5.9% of the total turnover of the Group in 2008, down from 6.6% in 2007.

3. Modified Starch

Affected by the environmental protection incident, sales volume of modified starch decreased. However, claiming a higher selling price, the product segment managed to report a 17.2% growth, or US$4,462,000, in turnover to US$30,378,000. The amount accounted for 8.7% of the total turnover of the Group, slightly higher than 8.2% in the previous year. Sales to Japan grew the fastest among all regions for the year. Regarding environmental improvement work at the modified starch factory, the Group had drawn up related plans which are being gradually implemented. The factory is expected to resume full production in the second or third quarter of 2009. Together with the additional capacity of the new plant in Ha Tinh, which will begin operation in the first quarter of 2009, the Group expected to see growth in turnover from starch products.

4. Specialty chemicals

Sales volume of caustic soda and hydrochloric acid remained steady braced by the stable demand in Vietnam. However, with their selling prices increased, they brought in turnover of US$18,195,000, representing a 22.6% rise, or US$3,351,000, against last year. The turnover contribution from the segment to total turnover increased slightly from 4.7% in 2007 to 5.2% for the year.

5. Fertilizer

The solid fertilizer plant completed installation of new equipment in the first half of the year and doubled its output. That plus the increased international selling price of fertilizers, the segment made US$6,707,000 more in turnover for the year, or up by 124% against 2007 to US$12,117,000. In 2009, the plant will be expanded further and have its capability in enabling environmental protection and recycling resources boosted. Operation is expected to commence in the fourth quarter of 2009 when the Group will be able to achieve a better turnover from the segment and grow the segment into a major business stream.

Major Raw Materials

The price of major raw materials remained high in the first three quarters of 2008 and came down notably in the fourth quarter. However, the drop in price of molasses had not been as deep as that of cassava and liquid ammonia. In general, the prices of raw materials only decline more markedly starting in the fourth quarter when the Group had to cut down production to ensure compliance with environmental requirements. As a result, fixed cost increased and overall production cost did not benefit from the lower material prices.

1. Molasses

During the year, international molasses prices remained at similar level as in 2007. The price of local supply of molasses from Vietnam increased slightly, thus the Group adjusted its material mix and increased the usage proportion of cassava which price had declined markedly to help lower production cost. With sugar cane harvest expected to drop in 2009 and market demand for molasses expected to remain strong, there will be little room of the prices of molasses to come down.

2. Cassava starch

Rocketing cassava price in the production season in 2007/2008 had prompted farmers to increase the scale of their planation and as a result the price of cassava subsequently declined notably. The Group thus used more cassava starch as raw material to help lower production costs. The new starch plant in Ha Tinh that started production in the first quarter of 2009 will ensure the Group has steady supply of cassava starch at stable cost.

As the price of cassava lowered in the production season in 2008/2009, farmers may reduce the scale of their plantation and as a result the price of the material may go up again in the next harvest season.

3. Liquid Ammonia

During the period, the prices of liquid ammonia almost doubled on average in first three quarters, reflecting the climb in natural gas price. The prices of the material plunged in the fourth quarter, but overall the Group spent over 60% more on the raw material than in 2007 and shouldered greater cost burden. In 2009, the prices of liquid ammonia are expected to come down from the high in 2008, thus help lower production costs in 2009.

FINANCIAL REVIEW

1. Cash flow and financial resources

As at the end of December 2008, cash and bank deposits of the Group amounted to US$36,286,000, which was US$18,580,000, or 104.9%, higher than that of in 2007. Bank borrowings increased by US$8,056,000, or 17.9%, to US$53,152,000. Although bank borrowings had a moderate increase, net borrowings had reduced, and that resulted in the lowering of the Group's current ratio from 2.2 in 2007 to 1.8. Net gearing ratio fell from 10.9% to 6.5%, indicative of the healthy financial structure of the Group. Bank borrowings are mainly denominated in the US dollar (88%), Renminbi (10%) and the Taiwan dollar (2%). For the year, the total finance cost was US$3,639,000. Excluding interest income of US$2,267,000 (mainly from the fixed deposit of Vietnam Dong), net finance cost was US$1,372,000, accounting for 0.4% of the total turnover of the Group compared to 1.4% in 2007. Certain middle-to long-term loans were due during the year, hence the debt level of the Group dropped from US$15,621,000 to US$7,552,000. Of all the loans, 14.2% were middle-to long-term loans and 85.8% were short-term loans. Gearing ratio (bank loans/shareholders interest) was 20.8%. As at 31 December 2008, net asset value of the Group amounted to US$257,910,000.

2. Capital expenditure

During the year, the Group's capital expenditure amounted to approximately US$16,000,000, comprising that allocated for the starch plant in Ha Tinh in 2007, expenditure on Bio-gas equipment for the Phuoc Long starch factory and Gia Lai Starch Factory, and first payment installment for works in relation to set up a solid fertilizer plant and purchase of concentration equipment. Capital expenditure in 2009 is expected to amount to US$30,000,000, mainly used in the investment of solid fertilizer plant, wastewater related facility improvement work and Bio-gas equipment, etc. The Group has secured middle-to long-term loans from banks for constructing the solid fertilizer plant and purchase of wastewater treatment equipment. In the light of the current global economic condition and credit crunch, the Group will withhold non-urgent investment, such as the material projects in Cambodia and Laos, and also exercise more stringent capital expenditure control. The Group's liquidity and available credit facilities from banks are considered sufficient for supporting capital expenditure in 2009, hence maintaining a healthy financial position.

3. Exchange Rate

The Vietnam Dong appreciated by a slightly 0.2% in 2007 because of rapid increase in foreign capital inflow. However, trade deficit increased in mid-2008 and posed depreciation pressure on the currency. To address the situation, the Central Bank of Vietnam relaxed the daily trading ceiling between the US dollar and Vietnam Dong three times, with the last took place in November bringing the rate to ±0.3% of the official rate. The Vietnam Dong depreciated by approximately 5.4% for the year, a relative mild magnitude when compared with those of other Asian countries. Contributing to over 50% of total sales, export sales of Vedan Vietnam for the year were mainly settled in US dollars. The weaker Vietnam Dong was favourable to the development of export business of the Group. As for China business, with turnover mainly derived from domestic sales and the exchange rate between RMB and US dollar staying stable during the year, the business segment was not affected by exchange rate fluctuation.

4. Dividend

With the Vietnam plant making unsatisfactory profit in the second half of 2008 because of the need to recognise the spending on environmental fee and the impact of production cut, the Board proposed not to pay final dividend for the year.

THE ENVIRONMENTAL PROTECTION ISSUE OF THE VIETNAM PLANT, RELATED MEASURES AND IMPACTS

In early September 2008, the Environmental Protection Department of Vietnam visited the Vietnam plant to inspect on related provisions and found that the environmental protection and resourcelization of production equipment of the plant had fallen behind the needs of its boosted production capacity. This resulted in breaching certain wastewater discharge regulations. In early October, the Vietnam government made the following three major decisions regarding the incident:

1) The Group has to pay a US$16,000 fine according to the environmental protection ordinance

2) The Group has to re-pay environmental fee totaling US$7,713,000 accrued since 2004 deemed appropriate by the Department

3) Wastewater discharged from the plant shall comply with environmental protection regulations, and the Group shall duly submit a full environmental protection improvement proposal to the Environmental Protection Department for approval and implement the proposal afterwards.

Upon receipt of the formal notice, the Group made an announcement on the above issue on 9 October 2008 as obliged by the rules of the Hong Kong Stock Exchange immediately. It set up an environmental protection emergency taskforce after the incident came to light to implement immediate and mid-term improvement measures. Short-term improvements included enhancing the current wastewater treatment capability and quality, optimising production processes, reducing wastewater discharge and lowering production capacity to ensure compliance with environmental protection standards yet continue production. As for mid-term improvements, they included drawing up an improvement proposal based on "3R" (waste reduction, reuse and recycling) entailing plans to install additional wastewater treatment equipment and expand the production facilities in the liquid and solid fertilizer plants. The Group expects the major equipment for related works to be delivered around June in 2009 and installation and testing of them to be completed in the third quarter, and full scale production to resume in the fourth quarter.

Learning from the mistake, the Group is determined to not only meet the legal requirements on environmental protection in Vietnam, but also excel those requirements and become an outstanding green manufacturer. To this end, it has started implementing the ISO14001 environmental management system and expects to gain accreditation by the end of 2009. It aims to become a green enterprise capable of continuously improving and protecting the environment by running an operation with contributing to the sustainability of environment and the society in mind.

Major impacts of the incident are:

1. A US$16,000 fine and US$7,713,000 accrued environmental fee have to be paid and may be paid in two installments in 2008 and 2009. The fine has been paid in October 2008. The Group paid approximately US$3,865,000 in December 2008, which was 50% of the discharge fee and will pay the rest in four installments in 2009.

   According to Hong Kong Accounting Standards, the US$7,713,000 fee shall be recognised as a one-off fee incurred in 2008. As a result, profit of the Group for the year was substantially squeezed with net profit decreased from US$14,138,000 to US$6,409,000. The accrued payment however accounted only for 2.1% of the Group's asset valued at US$360,497,000, thus had not posed any material impact on the Group's business operation or management.

2. To comply with environmental protection regulations and ensure continuous production, the Group ceased some production and cut down on others, leading to a drop in production capacity in the fourth quarter. The Group also activated its emergency supply chain and imported lysine as raw material for producing MSG. With different environmental protection improvement plans gradually implemented, the Group expects production capacity to pick up eventually in the second quarter of 2009 and full scale production to resume in the fourth quarter. The Group will be able to maintain turnover for 2009 at about the same level as in 2008.

3. Per the damage claims from farmers and fishermen allegedly affected in the incident, the Group had the cases studied by lawyers who concluded that the claims had no ground because the claimants had no operation licences or the claim period had expired.

Despite that, the Group, acting on good will, has appointed representatives accompanied by lawyers to communicate with the complainants in the hope of gaining their understanding of the its standpoint. The Group will consider addressing the matter in the form of subsidies so as to maintain good relationship with the neighboring community as well as honour its corporate social responsibility.

PROSPECTS

Based on general information, the global economic environment will continue to be difficult in 2009 and dampen consumption. Against this backdrop and the contracted production of Vedan Vietnam, the Group expects to face challenges in its operations in 2009. However, it believes that at the concerted effort of the management and all staff, the Group hopes to survive through adversities and develop a more solid foundation for its long term growth. The current difficult time has actually presented the Group with the chance to review and improve its operations. In the past, the Group had put its focus on growing its business, reducing raw material costs and expanding production presence, however neglected the need to enhance environmental protection provisions, adjust its organisation structure and upgrade its distribution system. Thus, the Group will focus on the following tasks in the coming year:

1. Vedan Vietnam will make improvement in environmental protection its priority task. The entire staff of the plant will diligently implement the approved environmental protection improvement plans with the aim of meeting within the year the commitment made to the local authority. Also, to optimise environmental protection work and ensure continuous improvement, the Group has started its pursuit of ISO 14001 environmental management system accreditation and related staff education and training programmes. It expects to secure certification by the end of 2009. Its aim is not only to meet the standards required by local environmental protection requirements, but to also become an excellent green manufacturer.

2. From 2009 onwards, foreign enterprises are allowed to operate trading and retail businesses in Vietnam. Heeding the move, the Group has set up a dedicated team to recruit professional sales talents for the Group. The team will also study and formulate a new distribution model, create new sales streams riding on existing channels, re-assess distributors and agents in the existing channel set up so as to strengthen its operations and boost effectiveness.

3. As for the China operation, the Group will strive to strengthen its own brands and channels, promote products to second tier cities and step up management of idle assets. It will also consider moving the equipment of the compounded starch plant in Shanghai to Xiamen to stay closer to target markets and enhance operational efficiency.

4. Change of external factors has commanded the Group to defer large scale plantation of the raw material cassava in Cambodia and Laos. At the same time, the Group also stepped up efforts in strengthening the raw material supply channels of agricultural product suppliers in Vietnam and its strategy in procurement of local raw materials so as to reduce large capital expenditure amounts. It will set up business development offices in Cambodia and Laos to boost promotion in the markets and collect related information. This will give the Group a solid foundation for business development as well as raw material procurement in the future. It will also make promoting procurement of local cassava a priority at the start, which will be conducive to building good relationship with local farmers and suppliers, enabling the Group to gain a better understanding of the local procurement procedures, regulations and raw material market. The Ha Tinh plant in Vietnam has commenced production in the first quarter of 2009 and that will extend the raw material source of Vedan Vietnam to northern and central parts of the country. The plant being close to the border with Laos and with access to an international port, has strong geographical advantages to exploit.

5. The new expanded solid fertilizer plant will also commence production by the end of this year. In addition to producing existing fertilizer products, the Group will also invest in developing specialised fertilizer to address various needs of different vegetations and other new fertilizer types. The Group will also seek to expand the applications of fertilizers. These efforts are conducive to the development of the fertilizer and grow the feedstock business into the Group's major segment.

EMPLOYEE COMPENSATION AND TRAINING

As at 31 December 2008, the Group had a total of 3,697 employees, 2,836 of whom were employed by subsidiaries in Vietnam, 848 by subsidiaries in the PRC and 13 by the Taiwan Branch.

The Group's employees are remunerated in accordance with prevailing industry practices, and with reference to the financial performance of the Group and performance of individual employees. Other fringe benefits such as accommodation, meals, insurance, medical coverage and provident fund are provided to employees to ensure staff loyalty and the Group's competitiveness. To enhance human resources quality and the professional skills and management abilities of employees and build localised workforces, the Group provides job rotation, internal and external training courses on professional skills, languages, etc. to employees to help boost their expertise and knowledge.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed shares.

STATEMENT OF CORPORATE GOVERNANCE POLICY

The Directors is strongly committed to enhancing corporate governance. The Directors aims to continually review and enhance corporate governance practices of the Group.

Throughout the year, the Company was in compliance with the applicable code provisions of the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange.

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors of the Company. In the opinion of the Board, the Company has complied with the code and upon specific enquiry of all the directors is not aware of any non-compliance with the Model Code throughout the fiscal year ended 31 December 2008.

The Company has received, from each of the independent non-executive directors, a confirmation of his independence pursuant to Rules 3.13 of the Listing Rules. The Company considers all the independent non-executive directors are independent.

In compliance with Rule 3.21 of the Listing Rules the Company has established an audit committee to review the financial reporting procedures and internal control and provides guidance thereto. The audit committee of the Company comprises three independent non-executive directors. The annual results have been reviewed by the Audit Committee.

REVIEW OF ANNUAL RESULTS

The annual results have been reviewed by the Audit Committee.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2008 have been agreed by the Group's auditor, PricerwaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricerwaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricerwaterhouseCoopers on the preliminary announcement.

DIVIDENDS

The Board does not recommend any payment of find dividend for the year ended 31 December 2008 (year ended 31 December 2007: 0.29105 US cents per share). An interim dividend of 0.305 US cents per share was paid on 17 October 2008.

PUBLISHMENT OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE

The Company's annual report containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website at "www.hkex.com.hk" and the Company's website at "www.vedaninternational.com" in due course.

ACKNOWLEDGEMENT

The Directors would like to take this opportunity to express our sincere thanks to all customers and shareholders for their support and to our staff for their commitment and diligence during the year.

GENERAL INFORMATION

As at the date of this announcement, our Board comprises of the following Directors:–

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

Non-executive Directors:–
HUANG, Ching-Jung
CHOU, Szu-Cheng

Independent non-executive Directors:–
CHAO, Pei-Hong
KO, Jim-Chen
CHEN, Joen-Ray

By Order of the Board
YANG, KUN-HSIANG
Executive Director and CEO

Hong Kong, 7 April 2009