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 2010

FINANCIAL HIGHLIGHTS

	Unaudited Six months ended 30 June 2010 *US$'000*	Unaudited Six months ended 30 June 2009 *US$'000*	**Change**
Turnover	**152,167**	133,462	14.0%
(Loss)/profit before taxation	**(5,085)**	10,574	(148.1%)
(Loss)/profit attributable to shareholders	**(6,707)**	8,303	(180.8%)
Basic (losses)/earnings per share *(US cents)*	**(0.44)**	0.55	(101.8%)
Diluted (losses)/earnings per share *(US cents)*	**N/A**	N/A	
Interim dividend declared per share			
(US cents)	**N/A**	0.273	
(HK cents)	**N/A**	2.129	

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 2010 together with the comparative figures for the corresponding period in the previous year.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30 JUNE 2010

	Note	**Unaudited 30 June 2010 *US$'000***	Audited 31 December 2009 *US$'000*
ASSETS			
Non-current assets			
Land use rights	*5*	**2,149**	6,472
Property, plant and equipment	*5*	**183,299**	189,577
Intangible assets	*5*	**15,559**	16,178
Prepayment for property, plant and equipment		**462**	1,103
Investment in associate	*6*	**1,230**	–
Total non-current assets		**202,699**	213,330
Current assets			
Held-to-maturity financial asset		**–**	2,959
Inventories		**78,587**	65,596
Trade receivables	*7*	**36,282**	26,937
Amount due from a minority shareholder of a subsidiary		**1,182**	1,288
Prepayments and other receivables		**12,236**	7,849
Tax recoverable		**32**	46
Cash and cash equivalents		**22,307**	39,614
		150,626	144,289
Non-current assets held for sale		**5,786**	–
Total current assets		**156,412**	144,289
Total assets		**359,111**	357,619
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**15,228**	15,228
Reserves			
– Proposed dividends	*16*	**–**	4,840
– Others		**242,437**	248,898
		257,665	268,969
Non-controlling interest		**2,456**	2,685
Total equity		**260,121**	271,651

	Note	**Unaudited 30 June 2010** *US$'000*	Audited 31 December 2009 *US$'000*
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings	*9*	**17,917**	16,222
Deferred income tax liabilities		**7,023**	8,050
Long-term payable to a related party		**3,054**	4,031
Provision for long service payment		**1,080**	1,119
Total non-current liabilities		**29,074**	29,423
Current liabilities			
Trade payables	*8*	**11,386**	13,043
Accruals and other payables		**22,073**	12,428
Due to related parties		**2,116**	2,043
Short-term bank borrowings	*9*	**30,355**	23,253
Current portion of long-term bank borrowings	*9*	**1,622**	3,123
Tax payable		**2,364**	2,659
Total current liabilities		**69,916**	56,541
Total liabilities		**98,990**	95,969
Total equity and liabilities		**359,111**	357,619
Net current assets		**80,710**	87,743
Total assets less current liabilities		**289,195**	301,073

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
		2010	2009
	Note	***US$'000***	*US$'000*
Turnover	*4*	**152,167**	133,462
Cost of sales	*11*	**(124,309)**	(101,401)
Gross profit		**27,858**	32,061
Other losses – net	*10*	**(1,213)**	(584)
Selling and distribution expenses	*11*	**(8,037)**	(6,679)
Administrative expenses	*11*	**(11,305)**	(13,627)
Compensation to farmers	*12*	**(11,807)**	–
Operating (loss)/profit		**(4,504)**	11,171
Finance costs – net	*13*	**(581)**	(597)
(Loss)/profit before income tax		**(5,085)**	10,574
Income tax expense	*14*	**(1,874)**	(2,629)
(Loss)/profit for the period		**(6,959)**	7,945
(Loss)/profit attributable to:			
– equity holders of the Company		**(6,707)**	8,303
– non-controlling interest		**(252)**	(358)
		(6,959)	7,945
(Losses)/earnings per share for (loss)/profit attributable to the equity holders of the Company		***US cents per Share***	*US cents per Share*
– basic	*15*	**(0.44)**	0.55
– diluted	*15*	**N/A**	N/A
		US$'000	*US$'000*
Dividends	*16*	**–**	4,152

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June **2010**	 2009
	US$'000	*US$'000*
(Loss)/profit for the period	**(6,959)**	7,945
Other comprehensive income		
Currency translation differences	**269**	42
Total comprehensive (loss)/income for the period	**(6,690)**	7,987
Total comprehensive (loss)/income for the period attributable to:		
– equity holders of the Company	**(6,461)**	8,344
– non-controlling interest	**(229)**	(357)
	(6,690)	7,987

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Attributable to the equity holders of the Company						
	Share capital *US$'000*	Share premium *US$'000*	Exchange reserve *US$'000*	Merger reserve *US$'000*	Retained earnings *US$'000*	Non-controlling interest *US$'000*	Total *US$'000*
Balance at 1 January 2009	15,228	47,358	10,204	79,994	102,247	2,879	257,910
Profit for the period	–	–	–	–	8,303	(358)	7,945
Other comprehensive income:							
Currency translation differences	–	–	41	–	–	1	42
Total comprehensive income for the period ended 30 June 2009	–	–	41	–	8,303	(357)	7,987
Balance at 30 June 2009	15,228	47,358	10,245	79,994	110,550	2,522	265,897
Balance at 1 January 2010	15,228	47,358	10,308	79,994	116,078	2,685	271,651
Loss for the period	–	–	–	–	(6,707)	(252)	(6,959)
Other comprehensive income:							
Currency translation differences	–	–	246	–	–	23	269
Total comprehensive loss for the period ended 30 June 2010	–	–	246	–	(6,707)	(229)	(6,690)
Transactions with owners in their capacity as owners:							
Dividends relating to 2009 paid in May 2010	–	–	–	–	(4,840)	–	(4,840)
Total transactions with owners	–	–	–	–	(4,840)	–	(4,840)
Balance at 30 June 2010	15,228	47,358	10,554	79,994	104,531	2,456	260,121

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

	Note	**2010**	2009
		US$'000	*US$'000*
Cash flows from operating activities			
Cash (used in)/generated from operations		**(8,619)**	23,896
Interest paid		**(438)**	(452)
Income taxes paid		**(3,180)**	(3,156)
Net cash (used in)/generated from operating activities		**(12,237)**	20,288
Cash flows from investing activities			
Purchases of property, plant and equipment	*5*	**(7,339)**	(22,132)
Purchases of intangible assets and land use rights	*5*	**(1,586)**	–
Long-term prepayment of property, plant and equipment		**641**	1,555
Proceeds from sale of property, plant and equipment		**18**	44
Redemption of held-to-maturity financial asset		**2,959**	–
Investment in an associate	*6*	**(1,230)**	–
Interest received from held-to-maturity financial asset		**61**	241
Net cash used in investing activities		**(6,476)**	(20,292)
Cash flows from financing activities			
Dividends paid	*16*	**(4,840)**	–
Net change in short-term bank borrowings		**7,129**	(14,719)
Proceeds from long-term bank borrowings		**20,169**	12,611
Repayment of long-term bank borrowings		**(19,975)**	(10,432)
Repayment of long-term payable to Vedan Enterprise Corporation		**(1,073)**	(1,073)
Net cash generated from/(used in) financing activities		**1,410**	(13,613)
Net decrease in cash and cash equivalents		**(17,303)**	(13,617)
Cash and cash equivalents at beginning of period		**39,614**	36,286
Exchange (losses)/gains on cash and cash equivalents		**(4)**	23
Cash and cash equivalents at end of period		**22,307**	22,692

NOTES TO THE CONDENSED CONSOLIDATED INTERIM 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 food, paper, textiles, and chemical products in Vietnam, other ASEAN countries, the People's Republic of China (the "PRC"), Japan, Taiwan, and several European countries.

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

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

This condensed consolidated interim financial information is presented in US dollars ("US$"), unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors on 26 August 2010.

This condensed consolidated interim financial information has not been audited.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2010 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2009, as described in those annual financial statements.

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

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

The following amendments/revisions to standards and interpretation are mandatory for the first time for the financial year beginning 1 January 2010, but are not currently relevant for the Group.

HKAS 17	Leases (and consequential amendment to HK(IFRIC) – Int 4, "Leases – Determination of the length of lease term in respect of Hong Kong land leases")
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedge Items
HKFRS 1 (Revised)	First-Time Adoption of HKFRSs
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transaction
HKFRS 3 (Revised)	Business Combinations (and consequential amendments to HKAS 27, "Consolidated and Separate Financial Statements", HKAS 28 "Investments in Associates" and HKAS 31 "Interests in Joint Ventures")
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations (and Consequential Amendment to HKFRS 1 "First Time Adoption")
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners
HK(IFRIC) – Int 18	Transfer of Assets from Customers

The following new standard and interpretation, amendments/revision to standards and interpretation have been issued, but are not effective for the financial year beginning 1 January 2010 and have not been early adopted.

		Effective for accounting periods beginning on or after
HKAS 24 (Revised)	Related Party Disclosures	1 January 2011
HKAS 32 (Amendment)	Classification of Rights Issue	1 February 2010
Amendment to HKFRS 1	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters	1 July 2010
HKFRS 9	Financial Instruments	1 January 2013
Amendment to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement	1 January 2011
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

The Group has already commenced an assessment of the related impact of adopting the above new standard, amendments/revision to standards and interpretations to the Group. The Group is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the financial statements will be resulted.

In addition, the Hong Kong Institute of Certified Public Accountants also published a number of amendments for the existing standards under its annual improvement project published in May 2010. These amendments are not expected to have a significant financial impact on the results and financial position of the Group.

4 Segment analysis

The chief operating decision-maker has been identified as the Board of Directors. The Directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions. These reports include segment revenue, segment assets and capital expenditures.

The Board of Directors consider the business from a geographical aspect. In presenting information on the basis of operating 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***

	Six months ended 30 June	
	2010	2009
	US$'000	*US$'000*
Vietnam	**73,391**	65,081
The PRC	**21,441**	24,350
Japan	**34,077**	31,622
Taiwan	**1,801**	4,475
ASEAN countries (other than Vietnam)	**15,298**	3,590
Other regions	**6,159**	4,344
	152,167	133,462

(ii) ***Capital expenditures***

	Six months ended 30 June	
	2010	2009
	US$'000	*US$'000*
Vietnam	**7,432**	21,951
The PRC	**1,493**	181
	8,925	22,132

Capital expenditures are allocated based on where the assets located.

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

(iii) Total assets

	As at	
	30 June	31 December
	2010	2009
	US$'000	*US$'000*
Vietnam	**290,425**	286,144
The PRC	**65,322**	67,121
Hong Kong	**2,550**	3,344
Taiwan	**750**	946
Singapore	**64**	64
	359,111	357,619

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

5 Capital expenditure

	Intangible assets						
	Software and license	**Goodwill**	**Trademarks**	**Brand name**	**Total**	**Property, plant and equipment**	**Land use rights**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Opening net book amount as at 1 January 2009	1,133	8,152	7,455	800	17,540	183,672	6,609
Exchange differences	–	3	–	–	3	13	3
Additions	–	–	–	–	–	22,132	–
Disposals	–	–	–	–	–	(21)	–
Amortisation and depreciation	(65)	–	(604)	(57)	(726)	(14,754)	(72)
Impairment loss	–	–	–	–	–	(312)	–
Closing net book amount as at 30 June 2009	1,068	8,155	6,851	743	16,817	190,730	6,540
Opening net book amount as at 1 January 2010	1,087	8,159	6,246	686	16,178	189,577	6,472
Exchange differences	–	1	–	1	2	169	75
Additions	121	–	–	–	121	7,339	1,465
Disposals	–	–	–	–	–	(490)	–
Amortisation and depreciation	(81)	–	(604)	(57)	(742)	(13,296)	(77)
Transfer to non-current assets held for sale	–	–	–	–	–	–	(5,786)
Closing net book amount as at 30 June 2010	1,127	8,160	5,642	630	15,559	183,299	2,149

6 Investment in associate

	As at 30 June 2010 US$'000	As at 31 December 2009 US$'000
Unlisted shares, at cost	**1,230**	–

Movement on the Group's investment in associate is as follows:

	2010 *US$'000*	2009 *US$'000*
As at 1 January	**–**	–
Additions	**1,230**	–
As at 30 June	**1,230**	–

The Group's share of the results of the associate and its assets and liabilities are as follows:

Name	**Country of incorporation**	**Particulars of issued share capital**	**% interest held**
Dacin International Holdings Limited	The Cayman Islands	4,100,000 shares of US$1 each	30

Summary of financial information on associate - Group's effective interest

	Assets *US$'000*	**Liabilities** *US$'000*	**Revenues** *US$'000*	**Profits** *US$'000*
Group's effective interest	1,230	–	–	–

The associate engages principally in real estate development in Vietnam.

7 Trade receivables

	As at	
	30 June	31 December
	2010	2009
	US$'000	*US$'000*
Trade receivables from third parties	**38,701**	29,447
Trade receivables from a related party	**356**	267
Less: provision for impairment of trade receivables	**(2,775)**	(2,777)
	36,282	26,937

The credit terms of trade receivables range from cash on delivery to 120 days. At 30 June 2010 and 31 December 2009, the ageing analysis of the trade receivables based on invoice date was as follows:

	As at	
	30 June	31 December
	2010	2009
	US$'000	*US$'000*
0 – 90 days	**32,425**	24,423
91 – 180 days	**2,836**	2,860
181 – 365 days	**2,193**	752
Over 365 days	**1,603**	1,679
	39,057	29,714

8 Trade payables

The ageing analysis of trade payables is as follows:

	As at	
	30 June	31 December
	2010	2009
	US$'000	*US$'000*
Current	**9,518**	12,448
31 - 90 days	**1,787**	353
91 - 180 days	**–**	60
181 - 365 days	**81**	182
	11,386	13,043

9 Bank borrowings

	As at	
	30 June	31 December
	2010	2009
	US$'000	*US$'000*
Long-term bank borrowings		
– secured	**19,539**	19,345
Current portion of long-term bank borrowings		
– secured	**(1,622)**	(3,123)
	17,917	16,222
Short-term bank borrowings		
– secured	**18,406**	14,518
– unsecured	**11,949**	8,734
	30,355	23,252

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

	As at	
	30 June	31 December
	2010	2009
	US$'000	*US$'000*
Within one year	**1,622**	3,123
In the second year	**4,044**	–
In the third to fifth year	**13,873**	16,222
	19,539	19,345

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

	As at	
	30 June	31 December
	2010	2009
	US$'000	*US$'000*
US dollar	**48,345**	39,163
New Taiwan dollar	**1,549**	3,434
	49,894	42,597

10 Other losses – net

	Six months ended 30 June	
	2010	2009
	US$'000	*US$'000*
Net exchange losses	**(1,177)**	(431)
(Loss)/gain on disposal of property, plant and equipment	**(479)**	23
Sales of scrap materials	**138**	68
Interest income from held-to-maturity financial asset	**61**	118
Others	**244**	(362)
	(1,213)	(584)

11 Expenses by nature

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

	Six months ended 30 June	
	2010	2009
	US$'000	*US$'000*
Changes in inventories of finished goods and work in progress	**(12,976)**	(843)
Raw materials and consumables used	**119,470**	83,295
Amortisation of intangible assets	**742**	726
Amortisation of land use rights	**77**	72
Depreciation on property, plant and equipment	**13,296**	14,754
Operating lease expenses in respect of leasehold land	**93**	95
Employee benefit expenses	**10,933**	10,598
Provision for impairment of trade receivable – net	**–**	1,210
Provision for impairment of property, plant and equipment	**–**	312
Other expenses	**12,016**	11,488
Total cost of sales, selling and distribution expenses and administrative expenses	**143,651**	121,707

12 Compensation to farmers

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 were 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 2008. Due to this environmental matter, farmer associations in Ho Chi Minh City, Bà Rịa-Vũng Tàu Province and Dong Nai Province in Vietnam prepared to file a court claim to the Group. On 13 August 2010, the Group agreed to provide compensation of approximately US$11,807,000 (equivalent to VND 218,949,000,000) to farmer associations in Ho Chi Minh City, Bà Rịa-Vũng Tàu Province and Dong Nai Province in Vietnam. All these compensation have been recorded in the consolidated income statement for the period ended 30 June 2010. The Group agreed to pay the compensation in two instalments with 50% each in August 2010 and January 2011. The Directors obtained a legal opinion and considered that there is no further significant liability to any parties in relation to this environmental matter.

13 Finance costs – net

	Six months ended 30 June	
	2010	2009
	US$'000	*US$'000*
Interest expense on bank borrowings	**675**	790
Amortisation of discount on long-term payable to a related party	**138**	180
Interest income on bank deposits	**(232)**	(373)
	581	597

14 Income tax expense

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

	Six months ended 30 June	
	2010	2009
	US$'000	*US$'000*
Enterprise income tax	**2,901**	3,195
Deferred income tax	**(1,027)**	(566)
	1,874	2,629

15 (Losses)/earnings per share

Basic (losses)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company of US$(6,707,000) (2009: US$8,303,000) by 1,522,742,000 (2009: 1,522,742,000) ordinary shares in issue during the period.

Diluted (losses)/earnings per share is the same as basic (losses)/earnings per share as there are no dilutive instruments for the period ended 30 June 2010 and 2009.

16 Dividends

	Six months ended 30 June	
	2010	2009
	US$'000	*US$'000*
2009 final, paid of US 0.317 cents (2008: nil) per ordinary share	**4,840**	–
2010 interim, proposed of nil (2009 interim: US 0.273 cents) per ordinary share	**–**	4,152
	4,840	4,152

MANAGEMENT DISCUSSION AND ANALYSIS

Business overview

With the global economy recovering, the emerging economies of Asia recorded satisfactory growth in the first half of 2010. China and Vietnam, for example, achieved GDP growth of 11% and 6.5% respectively. The Group's turnover during the period increased from US$133,462,000 to US$152,167,000, representing year-on-year growth of 14% or US$18,705,000. The increase in turnover was mainly due to the GA and MSG businesses which grew by US$13,813,000 and US$5,926,000 respectively. Except fertilizer recorded a drop in sales, which is caused by extended dry season and the drop in the international price, all other key products of the Group recorded sales growth.

Rapid economic growth in the region has stimulated strong demand for raw materials, combined with climate change, typhoons and insect infestation which have weakened supply, led to a surge in price of main raw materials including molasses, cassava and liquid ammonia. Moreover, the price of natural gas, which was used by the cogeneration power plant in Vietnam plant, has also increased, leading to an increase in production cost of MSG, GA and modified starch. In China, the price of MSG surged sharply in the fourth quarter in 2009, a rush to procure was found among industry players. By early this year, price of MSG went down substantially, and with high inventory levels, price remained relatively low in the first half year. This has an inevitably impact on the turnover of Xiamen Maotai and Vedan Shanghai, the Group's two plants in China which mainly sell MSG. Accordingly, the Group's performance in China was below par with turnover dropping by 11.9%.

The rise in cost and the depreciation in the Vietnam Dong during the period caused the gross profit margin of the Group to decline from 24% to 18.3% year on year. Although turnover grew by 14%, total gross profit slipped from US$32,061,000 to US$27,858,000, representing a drop of 13.1% or US$4,203,000 due to the decrease in gross profit margin. After more than a year of negotiation and efforts with the arbitration by the Environmental Resources Department and relevant authorities, the Company agreed to pay farmers in 3 provinces and city approximately US$11,807,000 for compensation on 13 August. The claims will be paid in two installments: 50% to be paid one week after the signing of the settlement agreement and the remaining 50% to be paid by the end of January next year. The Vietnam plant has paid a total of US$2,679,000 to the farmers in Bà Rịa-Vũng Tàu Province and Ho Chi Minh City on 18 August and has promised to pay the remaining 50% by January 2011 with the banker's letter of guarantee. Negotiation with the farmers in Dong Nai Province is progressing and a settlement is expected to be finalised in the short term. As the one time loss claim of US$11,807,000 has been recognised in the expenditure in the first half of 2010, the Group recorded a net loss of US$6,959,000 during the period from a net profit of US$4,848,000.

As for product sales, strategically resuming GA's supply to long-term local customers in Vedan Vietnam has led to rapid growth in GA, which has an impact on overall gross profit as the gross profit of GA is relatively low as compared to MSG. ASEAN countries represent the most important export market for the Group's Vietnam plant. In 2009, the Group lost opportunities in the market due to insufficient production capacity and inability to meet customers' needs. However, with the resumption of production and with CAFTA taking effect this year, the Group started to increase its MSG supply to ASEAN countries in the first half year to strengthen its position in the market. As a result, turnover from ASEAN countries grew notably by 326.1% or US$11,708,000 during the period. Japan recorded steady turnover growth, up from US$31,622,000 to US$34,077,000, representing a year-on-year increase of 7.8% or US$2,455,000. In terms of turnover by geographical regions, all regions except China recorded growth. The price of raw materials is expected to become more stable in the second half year. By expanding production capacity, turnover and profitability will be further enhanced.

Business Analysis

(I) Market Analysis:

Table 1: Comparison of sales in various regions *Unit: US$'000*

Regions	**First half of 2010**		**First half of 2009**		**Growth/(Drop)***(%)*	
	US$'000	*%*	*US$'000*	*%*	*Diff.*	*%*
Vietnam	73,391	48.2	65,081	48.8	8,310	12.8
Japan	34,077	22.4	31,622	23.7	2,455	7.8
The PRC	21,441	14.1	24,350	18.2	(2,909)	(11.9)
Taiwan	1,801	1.2	4,475	3.4	(2,674)	(59.8)
ASEAN countries	15,298	10.1	3,590	2.7	11,708	326.1
European	2,598	1.7	1,916	1.4	682	35.6
Other region	3,561	2.3	2,428	1.8	1,133	46.7
Total	152,167	100.0	133,462	100.0	18,705	14.0

(1) Vietnam

During the period, turnover from the Vietnam market was US$73,391,000, representing an increase of US$8,310,000 or 12.8% compared with US$65,081,000 reported in the same period last year. This was mainly due to the increase in supply of GA by the Vietnam plant to local industry peers. Specialty chemicals grew by 19% due to an increase in production capacity. However, sales of fertilizer dropped by 26% due to an extended raining season which adversely affected the application of fertilizer. Contribution from Vietnam to total turnover was 48.2%, which is similar to 48.8% reported in the same period last year.

(2) Japan

During the period, the Japan market accounted for 22.4% of the Group's total turnover, down from 23.7% achieved in the first half of 2009. However, turnover increased by US$2,455,000 or 7.8% to US$34,077,000. This was mainly due to the export of modified starch and MSG from the Vietnam plant. The business in Japan is expected to grow steadily in the second half year.

(3) The PRC

The performance of the PRC market was unsatisfactory in the period with turnover down by US$2,909,000 or 11.9%. Although sales of GA increased, lower MSG turnover caused turnover to drop. As a result, turnover from the China market accounted for 14.1% of the Group's total turnover, down from 18.2% achieved in the first half of 2009.

(4) ASEAN countries

ASEAN countries experienced the largest decline among market segments in 2009. However, with MSG and modified starch production resuming, turnover from this market grew markedly in the first half of 2010, up 326.1% or US$11,708,000. With a turnover of US$15,298,000, the ASEAN market accounted for 10.1% of the Group's total turnover, a significant jump from 2.7% achieved in the same period last year. However, this is still lower than the US$24,736,000 reported in the first half of 2008. Turnover is expected to increase further when full production capacity is achieved in the future.

(II) Sales Analysis by Product

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

Item	**First half of 2010**		**First half of 2009**		**Growth/(Drop)***(%)*	
	US$'000	*%*	*US$'000*	*%*	*Diff.*	*%*
MSG	108,904	71.6	102,978	77.2	5,926	5.8
GA	14,238	9.4	425	0.3	13,813	3250.1
Lysine	–	0.0	842	0.6	(842)	(100.0)
Starch	12,582	8.3	11,216	8.4	1,366	12.2
Speciality Chemicals	8,376	5.5	7,036	5.3	1,340	19.0
Fertilizer	6,019	3.9	6,505	4.9	(486)	(7.5)
Others	2,048	1.3	4,460	3.3	(2,412)	(54.1)
Total	152,167	100.0	133,462	100.0	18,705	14.0

(1) MSG and GA

Since the Vietnam plant and Shandong JV plant resumed supply of GA during the period, turnover from the GA business has risen significantly, up from US$425,000 to US$14,238,000, representing a year-on-year increase of US$13,813,000. The MSG business grew relatively slower than the GA business, with turnover amounting to US$108,904,000, about US$5,926,000 or 5.8% higher than US$102,978,000 recorded in the first half of 2009. The MSG and GA businesses accounted for 81% of total turnover, up from 78% achieved in the same period last year.

(2) Lysine

Taking into consideration the low price of lysine, the Vietnam plant continued the Group's strategy implemented last year to reduce production sharply and eventually stop production. Production of lysine was ceased in the first half year.

(3) Modified Starch/Natural Starch

The output of cassava during the 2009 production season was adversely affected by natural disasters and insect infestation in Vietnam. Moreover, the rush to procure dried cassava by industry players in China significantly elevated prices of raw materials. The Group's starch factories were thus unable to purchase sufficient raw material to meet production needs; hence, the production target was not met despite environmental issues were resolved. Turnover from this segment rose during the period, up by US$1,366,000 or about 12.2% to US$12,582,000. This segment accounted for 8.3% of total turnover as opposed to 8.4% in the last corresponding period.

(4) Specialty Chemicals

During the period, sales volume of hydrochloric acid and caustic soda was driven by increased production capacity. Turnover climbed 19%, or US$1,340,000 to US$8,376,000, from US$7,036,000 reported in the same period last year. Specialty chemicals accounted for 5.5% of total turnover, slightly up from 5.3% in the first half of 2009. While the production of specialty chemicals increased during the period, the overall selling price of the specialty chemical products declined as demand in Vietnam dropped due to the financial crisis which affected the related industries, and the drop in price of substitutes.

(5) Fertilizer

The fertilizer segment reported turnover of US$6,019,000 in the period, down by US$486,000 or 7.5% from US$6,505,000 reported in the corresponding period of last year. The decline in turnover was mainly due to climate change as the extended dry season caused sales to fall below expectations, and the general drop in price of fertilizer in the market. Turnover from this segment accounted for 4% of the Group's total turnover, down from 5% recorded during the same period last year.

Raw Materials/Costs

Affected by the financial crisis that erupted in the second half of 2008, the buyer reduced procurement of most raw materials in the first half of 2009 in view of drop in demand and uncertain market prospect, therefore the prices of molasses, cassava and liquid ammonia decreased. As the global economy gradually recovered, demand for raw materials began to grow, spurred by particularly strong demand from emerging Asian countries and the need to replenish inventory. However, the supply of raw materials was restricted due to natural disasters, insect infestation and weather conditions. Consequently, during the review period, prices of raw materials increased markedly with molasses and liquid ammonia rising by around 30% and 50% respectively and cassava surging by 120%. Also, the price of cassava starch increased by more than 75%. Moreover, packaging material prices climbed by about 10%. The cost of natural gas used by the cogeneration plant in Vietnam rose by 18%. The notable rise in raw material and energy costs affected the Group's gross profit, dropping from 24% to 18.3% year on year. Since the price of raw materials stood at high level, the Group estimates this trend of high prices to continue in the second half year.

Financial Review

(1) Cash flow and financial resources

As at end of June 2010, cash and bank deposits of the Group amounted to US$22,307,000, US$17,307,000 lower than that of the end of last year, being mainly due to business growth. Account receivables increased by approximately US$9,345,000 while inventory rose by US$12,991,000. Total bank borrowings during the period amounted to US$49,894,000, which is US$7,297,000 higher than the end of 2009. Middle-to-long-term loans totaled US$19,539,000 and short-term loans reached US$30,355,000 with 39% of all loans being long-term and 61% being short-term. Bank borrowings were mainly denominated in US dollars (97%) and Taiwan dollars (3%). Gearing ratio (total loans over shareholders interest) was 19.2%. Net gearing ratio (total borrowings after deducting cash and deposit over shareholders interest) was 10.6%. Current ratio drop from 2.55 in late 2009 to 2.15 because of increased current liability. Interest expenses were US$813,000, which is US$157,000 lower than that of the same period last year due to a modest decrease in loan interest rate.

(2) Exchange rate

Affected by the 2008 financial crisis, the Vietnam Dong depreciated by 10%. The Central Bank of Vietnam suddenly announced a 2.44% depreciation of the currency ahead of the 2010 Lunar New Year, causing the Company to suffer an exchange rate loss of approximately US$1,177,000 and indirectly affected the turnover of the Vietnam region. We will monitor the trend of Vietnam Dong exchange rate closely. During the period, the People's Bank of China announced that the RMB would float according to market conditions, leading to a slight appreciation. The RMB is not expected to appreciate significantly by the end of the year.

(3) Capital Expenditure

The Group's capital expenditure amounted to US$8,925,000 during the period, which is US$13,207,000 lower than US$22,132,000 reported in the last corresponding period. The decline was due to costs associated with setting up a solid fertilizer production plant to improve environmental protection and recycling capabilities. Since the investment made to enhance environmental protection has been completed, no significant capital expenditure will be incurred in the second half year.

(4) Dividend

As the Group recorded a loss in the first half of 2010, the Board of Directors resolved not to issue a dividend.

Prospects

1. For the first half year, the Group delivered less satisfactory results in Vietnam and China; in particular, profit declined owing to a sharp increase in the price of raw materials that the Vietnam plant uses to manufacture MSG, modified starch and fuel of the cogeneration power plant. The price of raw materials is, however, expected to be more stable in the second half year, and remain high. As well, expansion of production capacity in the second half year will help boost overall turnover and profitability. Operations, turnover and profitability in China were unsatisfactory. The Group has already revised its strategies to restructure and enhance its operations team in the second half year with an aim to quickly improve its performance here.

2. Regarding environmental issues related to the Vietnam plant in 2008, the Group has completed all remedial measures by the end of 2009 and has received the confirmation from the Environmental Protection Department of Vietnam. Also, the addition and improvement of equipment has also boosted the capacity of the Group's production.

   As for the loss claims from the farmers affected by the Vietnam plant, the Company has actively worked with departments from that country's Central Government and local governments. It also helped Ho Chi Minh City Environmental Resources Institute to conduct scientific study. The case involved several parties, and the farmers have calculated and came up with an amount themselves and were prepared to file a court claim. The resulting media reports and pressure have affected the Group's business and have combined to complicate the issue. On 9 August, the Environmental Protection Department of Vietnam invited related units to meet again for arbitration and finally agreement was reached.

   The Vietnam plant will pay compensation of 218,949,000,000 Vietnam Dong (equivalent to US$11,807,000) to the farmers in Dong Nai Province, Bà Rịa-Vũng Tàu Province and Ho Chi Minh City. The payment will be made in two installments to all affected farmers and fishermen along Thi Vai River for their present and past losses. The Vietnam Plant has signed a compensation declaration and agreement with relevant units from Bà Rịa-Vũng Tàu Province and Ho Chi Minh City on 13 August. The farmers will not submit claims to the court and the Company will bear no responsibility in relation to any possible claims in the future. As for Dong Nai Province, procedures are underway to complete the related compensation agreement and all matters related to compensation in that Province.

3. The Group will continue to resolve key issues and execute and conclude projects in progress with the aim of achieving long-term sustainable growth. Major objectives on the horizon include establishing carbohydrates plantations in Cambodia and Laos; stepping up marketing and promotion campaigns; strengthening its position in the ASEAN market, further developing its businesses and forging a supply chain in China, the construction and implementation of an ERP system, the addition of new products and formation of strategic alliances with key partners.

INTERIM DIVIDEND

The Company will not declare an interim dividend for the year ending 31 December 2010.

EMPLOYEE INFORMATION

On 30 June 2010, the Group had 3,270 employees of whom 2,700 are based in Vietnam, 552 in China and 18 in Taiwan.

The Group remunerates its employees based on their work performance, professional experiences and prevailing industry practices and related policies and packages are reviewed periodically by the management. Apart from pension funds, discretionary bonuses and share options are awarded to certain employees according to individual performance assessment.

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 2010.

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 2010. The Audit Committee comprises the three independent non-executive directors of the Company.

PUBLICATION OF FINANCIAL INFORMATION

The Company's 2010 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
26 August 2010

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

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