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)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2009 DIVIDEND DECLARATION AND CLOSURE OF BOOKS

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 2009, together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2009	2008
	Note	***US$'000***	*US$'000*
Revenue	*2*	**289,137**	348,557
Cost of sales	*3*	**(217,805)**	(284,048)
Gross profit		**71,332**	64,509
Selling and distribution expenses	*3*	**(14,452)**	(17,417)
Administrative expenses	*3*	**(30,068)**	(24,333)
Environmental charges imposed by Vietnam government	*4*	**–**	(7,729)
Other losses – net	*5*	**(2,937)**	(196)
Operating profit		**23,875**	14,834
Finance income		**747**	2,267
Finance costs		**(1,594)**	(3,639)

		Year ended 31 December	
		2009	2008
	Note	***US$'000***	*US$'000*
Finance costs – net	*6*	**(847)**	(1,372)
Profit before income tax		**23,028**	13,462
Income tax expense	*7*	**(5,234)**	(7,053)
Profit for the year		**17,794**	6,409
Profit/(loss) attributable to:			
Equity holders of the Company		**17,983**	8,403
Minority interest		**(189)**	(1,994)
		17,794	6,409
Earnings per share from profit attributable to the equity holders of the Company during the year			
Basic earnings per share *(expressed in US cents)*	*8*	**1.18**	0.55
Diluted earnings per share *(expressed in US cents)*	*8*	**1.18**	0.55
Dividends	*9*	**8,992**	4,644

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2009	2008
	US$'000	*US$'000*
Profit for the year	**17,794**	6,409
Other comprehensive income		
Currency translation differences	**99**	2,861
Total comprehensive income for the year	**17,893**	9,270
Total comprehensive income attributable to:		
– Equity holders of the Company	**18,087**	10,976
– Minority interest	**(194)**	(1,706)
Total comprehensive income for the year	**17,893**	9,270

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December **2009** *US$'000*	2008 *US$'000*
ASSETS			
Non-current assets			
Land use rights		**6,472**	6,609
Property, plant and equipment		**189,577**	183,672
Intangible assets		**16,178**	17,540
Prepayment for property, plant and equipment		**1,103**	4,400
Held-to-maturity financial assets	*10*	**–**	3,130
		213,330	215,351
Current assets			
Held-to-maturity financial assets	*10*	**2,959**	–
Trade receivables	*11*	**26,937**	28,878
Inventories		**65,596**	72,496
Amount due from a minority shareholder of a subsidiary		**1,288**	1,370
Prepayments and other receivables		**7,849**	6,098
Tax recoverable		**46**	18
Cash and cash equivalents		**39,614**	36,286
		144,289	145,146
Total assets		**357,619**	360,497
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**15,228**	15,228
Reserves			
– Proposed final dividend		**4,840**	–
– Others		**248,898**	239,803
		268,966	255,031
Minority interest in equity		**2,685**	2,879
Total equity		**271,651**	257,910

	Note	As at 31 December 2009 US$'000	2008 US$'000
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings		**16,222**	7,552
Deferred income tax liabilities		**8,050**	9,497
Long-term payable to a related party		**4,031**	5,902
Provision for long service payment		**1,119**	1,133
		29,422	24,084
Current liabilities			
Trade payables	*12*	**13,043**	14,335
Accruals and other payables		**12,428**	13,660
Due to related parties		**2,043**	2,000
Short-term bank borrowings		**23,252**	38,660
Current portion of long-term bank borrowings		**3,123**	6,940
Tax payable		**2,657**	2,908
		56,546	78,503
Total liabilities		**85,968**	102,587
Total equity and liabilities		**357,619**	360,497
Net current assets		**87,743**	66,643
Total assets less current liabilities		**301,073**	281,994

NOTES

1 Basis of preparation

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 preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009.

- HKAS 1 (revised), 'Presentation of financial statements'- The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

  Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

  The Group has elected to present two statements: an income statement and a statement of comprehensive income. The consolidated financial statements have been prepared under the revised disclosure requirements.

- HKAS 23 (Revised), 'Borrowing costs'. It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The adoption of HKAS 23 (Revised) has no significant impact on the Group's consolidated financial statements.

- HKFRS 8, 'Operating segments'- HKFRS 8 replaces HKAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

  Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Board of Directors that makes strategic decisions.

Goodwill is allocated by management to groups of cash-generating units at a segment level. There is no change in reportable segments. There has been no impact on the measurement of the Group's assets and liabilities.

- Amendment to HKFRS 7, 'Financial instruments: disclosures'- The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group makes additional relevant disclosures in the consolidated financial statements.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but do not have significant financial impact to the Group.

HKAS 16 (Amendment)	Property, Plant and Equipment
HKAS 19 (Amendment)	Employee Benefits
HKAS 20 (Amendment)	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 27 (Amendment)	Consolidated and Separate Financial Statements
HKAS 28 (Amendment)	Investments in Associates
HKAS 29 (Amendment)	Financial Reporting in Hyperinflationary Economies
HKAS 31 (Amendment)	Interest in Joint Venture
HKAS 32 and HKAS 1 (Amendment)	Puttable Financial Instruments and Obligations
HKAS 36 (Amendment)	Impairment of Assets
HKAS 38 (Amendment)	Intangible Assets
HKAS 39 (Amendment)	Financial instruments: Recognition and Measurement
HKAS 41 (Amendment)	Agriculture
HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations
HK(IFRIC) – Int 9 (Amendment)	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation

The following new standards, amendment/revisions to standard and interpretations have been issued, but are not effective for the financial year beginning 1 January 2009 and have not been early adopted.

		Effective for accounting periods beginning on or after
HKAS 24 (Revised)	Related Party Disclosures	1 January 2011
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1 July 2009
HKAS 32 (Amendment)	Classification of Rights Issue	1 January 2010
HKAS 39 (Amendment)	Eligible Hedge Items	1 July 2009
HKFRS 1 (Revised)	First-time Adoption of HKFRSs	1 July 2009
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters	1 January 2010
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transaction	1 January 2010
HKFRS 3 (Revised)	Business Combinations	1 July 2009
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 17	Distribution of Non-cash Assets to Owners	1 July 2009
HK(IFRIC) – Int 18	Transfer of Assets from Customers	1 July 2009
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 standards, amendment/revisions to standards and interpretations. 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 result.

In addition, the Hong Kong Institute of Certified Public Accountants has also published a number of amendments for the existing standards under its annual improvement project. These amendments are not expected to have a significant financial impact on the results and financial position of 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 2009 and 2008 was US$289,137,000 and US$348,557,000 respectively.

3 Expenses by nature

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

	2009	2008
	US$'000	*US$'000*
Changes in inventories of finished goods and work-in-progress	**4,230**	(10)
Raw materials and consumables used	**175,256**	243,933
Amortisation of intangible assets	**1,457**	1,474
Amortisation of land use rights	**144**	145
Auditor's remuneration	**295**	295
Depreciation on property, plant and equipment	**28,083**	29,307
Provision for impairment of property, plant and equipment	**3,433**	2,154
Operating leases expenses in respect of leasehold land	**180**	163
Employee benefit expenses	**21,271**	21,727
Provision for impairment of trade receivables	**2,350**	396
Other expenses	**25,626**	26,214
Total cost of sales, selling and distribution expenses and administrative expenses	**262,325**	325,798

4 Environmental charges imposed by Vietnam government

In September 2008, the Group's subsidiaries in Vietnam were under inspection by Department of Natural Resource and Environment 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 was 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. Based on a legal opinion, the Directors considered that there were no significant contingent liabilities due to this environmental issue which may result in material financial impact to the Group as at 31 December 2008.

During the year, the Group indicated that they are willing to provide a subsidy of up to US$1,475,000 (equivalent to VND 2.5 billion) to certain farmer associations in Vietnam to enhance the Group's reputation in Vietnam. In February 2010, a preliminary investigation report was completed by scholars from the National University of Ho Chi Minh City regarding extent and degree of pollution to farmers caused by the Group. The Group will base on this investigation report to finalise the subsidy amount. As at the report date, the Group has not yet finalised the subsidy amount with the farmer associations. Up to the date of this report, the Directors are not aware of any latest development of this issue which may result in material financial impact to the Group.

5 Other losses – net

	2009	2008
	US$'000	*US$'000*
Net exchange loss	**(3,825)**	(1,538)
Net loss from sale of electricity	**(278)**	(74)
Loss on disposal of property, plant and equipment	**(44)**	(35)
Sale of scrap materials	**231**	439
Interest income from held-to-maturity financial assets	**234**	245
Others	**745**	767
	(2,937)	(196)

6 Finance costs – net

	2009	2008
	US$'000	*US$'000*
Finance income – interest income on short-term bank deposits	**(747)**	(2,267)
Interest expense on bank borrowings	**1,235**	3,200
Amortisation of discount on long-term payable to a related party	**359**	439
Finance costs	**1,594**	3,639
Finance costs – net	**847**	1,372

Interest expense on bank borrowings was stated after deducting interest of US$472,000 (2008: US$26,000) capitalised under properties, plant and equipment.

7 Income tax expense

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

	2009	2008
	US$'000	*US$'000*
Enterprise income tax ("EIT")	**6,681**	7,694
Under provision of income tax in previous years	**–**	406
Deferred income tax	**(1,447)**	(1,047)
	5,234	7,053

8 Earnings per share

(a) Basic

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

	2009	2008
	US$'000	*US$'000*
Profit attributable to equity holders of the Company	**17,983**	8,403
Weighted average number of ordinary shares in issue *(thousands)*	**1,522,742**	1,522,742
Basic earnings per share *(US cents per share)*	**1.18**	0.55

(b) Diluted

Diluted earnings per share is same as basic earnings per share as there is no dilutive instruments for the years ended 31 December 2009 and 2008.

9 Dividends

The dividends paid in 2009 and 2008 were US$4,152,000 (0.273 US cents per share) and US$4,644,000 (0.305 US cents per share), respectively. The directors recommend the payment of a final dividend of 0.317 US cents per ordinary share, totalling US$4,840,000 (2008: Nil). Such dividend is to be approved by the shareholders at the forthcoming Annual General Meeting. These financial statements do not reflect this dividend payable.

	2009	2008
	US$'000	*US$'000*
2009 interim dividend of 0.273 US cents (2008: 0.305 US cents) per ordinary share, paid	**4,152**	4,644
2009 final dividend proposed (2008: Nil)	**4,840**	–
	8,992	4,644

10 Held-to-maturity financial assets

Included in held-to-maturity financial assets is a 5-year construction bond issued by Dong Nai Province People's Committee of Vietnam on 30 March 2005, denominated in Vietnam Dong. The bond earns annual interest of 8% and is redeemable at the end of the 5-year term. The carrying amount of the bond approximates its fair value.

11 Trade receivables

The fair values of trade receivables are as follows:

	2009	2008
	US$'000	*US$'000*
Trade receivables from third parties	**29,447**	28,985
Trade receivables from a related party	**267**	320
Less: provision for impairment of trade receivables	**(2,777)**	(427)
	26,937	28,878

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:

	2009	2008
	US$'000	*US$'000*
Current	**17,252**	13,967
30-90 days	**7,171**	8,083
91-180 days	**2,860**	4,471
181-365 days	**752**	2,707
Over 365 days	**1,679**	77
	29,714	29,305

12 Trade payables

As at 31 December 2009, the ageing analysis of trade payables is as follows:

	2009	2008
	US$'000	*US$'000*
Current	**12,448**	7,733
30-90 days	**353**	3,201
91-180 days	**60**	3,368
181-365 days	**182**	33
	13,043	14,335

13 Segment information

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 chief operating decision-makers 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.

Since the Group is mainly engaged in manufacturing and selling of MSG products in which the gross profit would not differentiate much in geographical location, the chief operating decision makers mainly assess the performance based on revenue derived by each geographical segment. Accordingly, the segment performance is restricted to revenue information.

In 2009 and 2008, the revenue from the Group's largest customer amounted to less than 10 per cent of the Group's total revenue.

(i) ***Segment revenue***

	2009	2008
	US$'000	*US$'000*
Vietnam	**150,562**	148,860
The PRC	**54,697**	57,229
Japan	**56,370**	73,523
Taiwan	**6,363**	10,881
ASEAN member countries (other than Vietnam)	**14,211**	36,956
Other regions	**6,934**	21,108
	289,137	348,557

(ii) ***Capital expenditures***

	2009	2008
	US$'000	*US$'000*
Vietnam	**37,279**	15,227
The PRC	**287**	875
	37,566	16,102

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

	2009	2008
	US$'000	*US$'000*
Vietnam	**286,144**	280,299
The PRC	**67,121**	71,255
Hong Kong	**3,344**	8,448
Taiwan	**946**	431
Singapore	**64**	64
	357,619	360,497

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

BUSINESS OVERVIEW

Since the financial crisis erupted in the second half of 2008, 2009 was generally expected to be a tough year, bogged down by the economic recession and difficult business environment. Many developed countries with more advanced economies were duly affected by this severe downturn – a meltdown not seen in the past decades. Fortunately, China and Vietnam, two of the Group's major production bases, were less affected by the decline compared to other countries.

In 2009, Vietnam's economy grew by 5.3%, better than the 3.5% that had been projected. The country also successfully suppressed inflation from 19.89% to 6.88%, originally pushed up by an overheated economy in the first half of 2008. Total exports reached US$56,600,000,000, a decline of 9.7%, while total imports amounted to US$68,800,000,000, a substantial decrease of 14.7%, hence a trade deficit of US$12,200,000,000 for Vietnam in 2009. In mainland China, the local economy continued to perform well even following the downturn, achieving GDP growth of 8.7% – well above all other nations. Contrasting with decreased demand by developed countries, strong domestic consumption in China captured the world's attention. Rapid economic growth and surge in urban population has resulted in a significant rise in number of restaurant goers, in turn boosting the food processing industry and contributing to sustainable growth of the MSG business in China. After intense consolidation of the MSG industry in recent years, the future of the GA and MSG markets are now expected to develop in a more steady and orderly manner.

The Group's turnover during the period amounted to US$289,137,000, representing a decline of US$59,420,000 or 17% year on year. The Group's production base in Vietnam reduced its volume in September 2008 due to environmental protection issues. Thus, the Group chose to adjust production, shifting part of its capacity from lysine to GA. At the same time, on the premise of meeting GA's demand through importing, the Group reducing sales of GA while increasing output of MSG. Besides, the Group retained stable customer portfolio and raised selling prices. Thus MSG, the major product of the Group, recorded only a modest decrease in sales, down 6.4% or US$15,207,000. During the period, the price of MSG continued to rise and Vietnam's consumer market remained prosperous. Hence, gross profit did not decrease despite the drop in turnover, instead climbing by 10.6% or US$6,823,000. Gross profit margin grew from 18.5% in 2008 to 24.7% in 2009. Net profit and net profit margin for the Group were US$17,983,000 and 6.2% respectively. Net profit growth was 114%, or US$9,580,000, as compared to US$8,403,000 in 2008.

In terms of sales activity, Vietnam was the sole market that recorded growth during the period. Other markets were unable to meet demand as a result of the production cut, forcing sales in various countries to drop. On the product front, revenue from MSG – the Group's main product – dipped by 6.4% or US$15,207,000. Sales derived from other products such as lysine, GA and modified starch declined substantially by 95.1% or US$19,441,000; 41.6% or US$8,038,000; and 54.3% or US$16,504,000, respectively.

A major task of the Group in 2009 was to improve the environmental protection standards of the Vedan Vietnam plant. The Group aimed to not only meet legal requirements on environmental protection, but to exceed those requirements and become an outstanding green manufacturer. Drawing from the diligence of all staff at the plant, the Group completed installation of additional wastewater treatment equipment and expanded solid fertilizer production lines and condensation equipment as planned. Trial production run was also completed in December 2009, ahead of the plant's gradual increase in production volume. The Group's efforts in meeting environmental protection standards were recognised by relevant Vietnam government authorities. Vedan Vietnam subsequently received ISO14001 environmental management system certification in November 2009 and OHSAS18001 Occupation Health and Safety Assessment Series for health and safety management systems. All of these achievements underscore the Group's commitment and determination to run a business that is conducive to sustainability.

BUSINESS ANALYSIS

(1) Market Analysis

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

Area	**2009**		2008		2009/2008	
	Amount	***%***	*Amount*	*%*	*Difference*	*%*
Vietnam	**150,562**	**52.1%**	148,860	42.7%	1,702	1.1%
Japan	**56,370**	**19.5%**	73,523	21.1%	(17,153)	-23.3%
The PRC	**54,697**	**18.9%**	57,229	16.4%	(2,532)	-4.4%
ASEAN Countries	**14,211**	**4.9%**	36,956	10.6%	(22,745)	-61.5%
Other regions	**13,297**	**4.6%**	31,989	9.2%	(18,692)	-58.4%
Total	**289,137**	**100.0%**	348,557	100.0%	(59,420)	-17.0%

(1) Vietnam

Vietnam is the Group's largest market. It recorded slight growth of 1.1% or US$1,702,000 in turnover due to the rise in sales of MSG. Decline in sales of GA and lysine were 67.7% and 98.7% respectively. Turnover from Vietnam amounted to US$150,562,000 and accounted for 52.1% of total turnover, up from 42.7% in 2008, though similar with 2007 at 50.1%. Anticipating Vietnam's economy to flourish, the Group has gained a solid foothold in the country and expects sales to continue growing.

(2) Japan

Turnover from Japan grew by 54.8% back in 2008, making it the highest growth market that year. However, affected by reduced production in 2009, demand for the Group's major products such as MSG, lysine and modified starch could not be fully met. Consequently, turnover from Japan was down by 23.3%, or US$17,153,000, to US$56,370,000 (2008: US$73,523,000). With production capacity gradually returning to normal in 2009, the Group will be able to again tap this market, realizing further turnover growth.

(3) The PRC

The market contracted by a modest 4.4%, or US$2,532,000, because modified starch was in short supply, a result of reduced production from the Vietnam factory. The price of GA started to pick up noticeably in the second half year, achieving satisfactory turnover growth. Turnover from the China market reached US$54,697,000, lower than US$57,229,000 in 2008. Despite of total turnover decline, this segment accounted for 18.9% of the Group's total turnover – higher than last year's 16.4%.

(4) ASEAN Countries

During the reporting period, overall turnover from ASEAN countries reached US$14,211,000 and accounted for 4.9% of total turnover of the Group, far below 10.6%, or US$36,956,000 achieved in 2008. Turnover plunged by US$22,745,000, or 61.5% – the largest decline experienced among segments – owing to reduced production capacity in Vietnam resulting in a shortage of MSG, GA and modified starch products, etc. Turnover is expected to pick up as the Vietnam plant has resumed supply of the aforesaid products since 2010.

(2) Sales Analysis by Product

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

	2009		2008		2009/2008	
	Amount	***%***	*Amount*	*%*	*Difference*	*%*
MSG	**222,188**	**76.8%**	237,395	68.1%	(15,207)	–6.4%
GA	**11,296**	**3.9%**	19,334	5.6%	(8,038)	–41.6%
Lysine	**1,007**	**0.3%**	20,448	5.9%	(19,441)	–95.1%
Starch-M	**13,874**	**4.8%**	30,378	8.7%	(16,504)	–54.3%
Seasoning	**2,558**	**0.9%**	2,541	0.7%	17	0.7%
Specialty Chemicals	**15,448**	**5.3%**	18,195	5.2%	(2,747)	–15.1%
Fertilizer	**11,341**	**4.0%**	12,117	3.5%	(776)	–6.4%
Others	**11,425**	**4.0%**	8,149	2.3%	3,276	40.2%
Total	**289,137**	**100.0%**	348,557	100.0%	(59,420)	–17.0%

(1) MSG and GA

Turnover from the MSG business declined by 6.4% in 2009, or US$15,207,000, to US$222,188,000 when compared to 2008, but still 9% higher than in 2007. Since the Vietnam plant cut production because of breaching environmental standards, the company adjusted its output of GA, securing external sources as a means of minimizing the impact on its major product, MSG. Specifically, GA production was cut by a substantial 96.6% in the first half of 2009 compared to the previous corresponding period. However, after production resumed in the second half year, the overall decline equaled 41.6%, generating turnover of US$11,296,000, thus representing a decrease of US$8,038,000. Turnover from MSG and GA therefore accounted for 80.7% of total turnover, a slight increase from 73.7% in 2008, though underscoring the significant impact that reduced production had on the products. The installation of related environmental protection equipment was completed in 2010, and production will resumed normal gradually.

(2) Lysine

Compared with the increasing price of MSG and GA, lysine remained stable because of persistently high material and energy costs that have suppressed the profitability of the product. In 2009, the Group decided to reduce production significantly after taking into consideration low prices and environmental factors, hence, turnover of this product only reached US$1,007,000 for the year, representing a sharp reduction of 95.1% from US$20,448,000 in 2008.

(3) Modified starch/natural starch

Taking environmental factor into consideration, the Group cut production of modified starch during the period, causing turnover to drop by US$16,504,000 or approximately 54.3% to US$13,874,000. This segment accounted for 4.8% of total turnover, down from 8.7% a year earlier. As relevant environmental facilities have since been installed, full production will be considered based on market demand. In 2009/2010, the output of cassava was affected by a natural disaster in Vietnam. International prices for cassava remained high due to diminished output, and prices were equally high in Vietnam, hence turnover and profitability were inevitably affected.

(4) Specialty chemicals

Sales volume of hydrochloric acid and caustic soda was also affected by reduced production, with turnover down 15.1%, or US$2,747,000, to US$15,448,000. The segment accounted for around 5.3% of total turnover, similar to the level reached in 2008. Production is expected to increase in 2010.

(5) Fertilizer

The fertilizer segment reported turnover of US$11,341,000 for the year, down by US$776,000 or 6.4% from a year earlier (2008: US$12,117,000), and accounted for 4.0% of total turnover. As the solid fertilizer production facilities expanded its production line in late 2009, turnover is expected to increase substantially in 2010.

Major Raw Materials

In 2009, international prices for carbohydrates – having reached a 29-year record high – subsequently pushed up prices for another major product, molasses. As for cassava, its prices initially dropped, affected by the financial downturn in the second half of 2008, but picked up by the second half of 2009. The Group expects prices for cassava to remain relatively high during the first half of 2010.

(1) Molasses

Prices for molasses recorded moderate growth in 2008, followed by a sharp increase in 2009, which was mainly attributed to a shortage of sugarcane, in turn due to heavy rainfall in Brazil and drought in India. In the future, prices for molasses and sugarcane will continue to be affected by such factors as extreme weather, demand from alcohol producers using molasses and sugarcane to make wine, and increasing oil prices. As molasses prices are expected to increase in 2010/2011, countries including Brazil and India have enlarged their sugarcane plantations. With output expected to increase, new pressure will be placed on product prices.

(2) Cassava starch

Rocketing cassava prices during the 2007/2008 production season prompted farmers to increase the scale of their plantations in 2008/2009; however, following the financial slowdown in the second half of 2008, prices subsequently declined noticeably. As the world economy began to recover in 2009, demand for cassava started to rise spurring a new jump in prices. Extreme weather conditions and insect infestation in Vietnam, Thailand and Cambodia reduced the supply of cassava during the period, causing prices to rise markedly higher in the second half year. Prices during the 2010/2011 production season is expected to rise due to weather, strong demand from the largest cassava producer in Asia, i.e. alcohol producers in Thailand, and the demand for cassava starch and dried cassava from China.

(3) Liquid Ammonia

The prices of liquid ammonia rose by over 60% in 2008, but plunged by over 40% in 2009. Prices started to rebound in the second half of 2009 and are expected to maintain stable growth in 2010.

FINANCIAL REVIEW

(1) Cash flow and financial resources

During the period, cash and bank deposits of the Group amounted to US$39,614,000, which was US$3,328,000 or approximately 9.2% higher than in late 2008. In addition, short-term loans amounted to US$26,375,000 while middle-to-long-term loans amounted to US$16,222,000. Short-term loans dropped by US$19,225,000 but middle to long-term loans increased by US$8,670,000. Bank borrowings were mainly denominated in US dollars (92%) and Taiwan dollars (8%). 62% of all loans were short-term, with the remaining 38% being middle-to-long-term loans.

Account receivables decreased by US$1,941,000 or approximately 6.7% to US$26,937,000. Inventory also declined by US$6,900,000 or approximately 9.5%. Total inventory cost amounted to US$65,596,000.

Gearing ratio (total loans over shareholders interest) was 15.6%. Net gearing ratio (total borrowings after deducting cash and deposit over shareholders interest) was 1.1%. Current ratio rose from 1.93 to 2.50 because of decreased short-term loans. Interest expenses declined notably by US$2,046,000 or approximately 56.2% to US$1,593,000.

(2) Capital Expenditure

As scheduled, the Vietnam plant completed the set-up and trial run of solid fertilizer production lines as well as purchase of concentration equipment in late 2009 – part of efforts to improve environmental protection and recycling capabilities. To finance this investment, the Group's capital expenditure amounted to US$37,566,000 of which US$16,222,000 came from middle-to-long-term bank loans and the remaining was financed by internal capital.

(3) Exchange rate

The Vietnam Dong experienced a second substantial depreciation during the year. The first occurred in March 2009 when the Central Bank of Vietnam relaxed the trading range of the currency from 3% to 5%. Besides, the Bank announced a 5.44% depreciation of the Vietnam Dong in November but the trading range was narrowed from 5% to 3%. The Vietnamese currency depreciated by approximately 10% for the period according to the trading price of the bank. Renminbi was relatively stable when compared with the Vietnam Dong and the Group's sales transactions in China were mainly conducted in Renminbi.

(4) Dividend

Basic earnings per share for the period were 1.18 US cents. The Board of Directors has resolved to give out a dividend of 0.317 US cents, representing a payout ratio of 50%.

PROGRESS ON THE ENVIRONMENTAL PROTECTION ISSUE AT THE VIETNAM PLANT

– The Group completed improvement work, as approved by the Environmental Protection Department of Vietnam, according to schedule. Some of the initiatives included installation of additional wastewater treatment facilities, expansion of concentration equipment and solid fertilizer plant. All improvement works were finished.

– Paid on time the full sewage charge of US$3,856,000 in compliance with regulations.

– The Vietnam plant earned ISO14001 environmental management system accreditation in November 2009 as scheduled, and OHSAS18001 Occupation Health and Safety Assessment Series for health and safety management systems.

– As requested by the Environmental Protection Department of Vietnam, a taskforce formed by scholars from the National University of Ho Chi Minh City completed a preliminary investigation report in February identifying the extent and degree of pollution caused by Vedan. The report, which will be submitted to the Environmental Protection Department, will help to quickly resolve damage claims filed by neighboring farmers and fishermen. This matter is expected to reach a resolution by the first half year.

PROSPECTS

Over the past year, the Group was seriously affected by the environmental protection issue that struck the Vietnam plant. This matter not only led to a noticeable drop in turnover resulting from reduced production, but also affected many expansion plans. Giving priority to environmental protection, the Group postponed a number of initiatives and growth opportunities. However, with the hard work of the entire workforce in the past year, the Group managed to overcome many difficulties and challenges relating to environmental protection and can now hasten the implementation of schemes and projects that were delayed in order to drive growth momentum.

Regarding business growth, the Group will continue efforts to improve its distribution network, enhance staff training, develop existing channels and brands as well as step up distribution channel development. This will facilitate the Group's new product launch and allow it to build a strong sales platform. With the gradual resumption of normal production of MSG, GA and modified starch, overseas markets such as ASEAN countries, Japan and Europe will now be well supplied, which will lead to growth in turnover.

In the coming year, Vietnam Vedan will accelerate new product development to meet the needs of the fast growing Vietnam and China markets. With improving efficiency being the main objective, the Group's primary task in 2010 will be to enhance internal production efficiency and introduce a corporate ERP system for raising competitiveness.

Due to the serious global climate change, fast capital flow in the world market, increasing demand from emerging economies with huge populations such as China and India, and the popularity of biomass energy, the price of agricultural products are set to rise and fluctuate which will pose challenges to enterprises in related industries. The Group has been conducting detailed research and analysis of such developments and has prepared and formulated related strategies.

Looking ahead, apart from speeding up the resumption of production capacity in Vietnam, the Group will grow healthily as exploring new markets is of utmost importance. In the meantime, the Group will capture growth opportunities, seek for cooperation with alliances and take its business to another height amid quickly changing operating environment.

EMPLOYEE COMPENSATION AND TRAINING

As at 31 December 2009, the Group had a total of 3,703 employees, 3,058 of whom were employed by subsidiaries in Vietnam, 630 by subsidiaries in China and 15 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 accommodations, meals, insurance, medical coverage and provident fund are provided to employees to ensure staff loyalty and the Group's competitiveness. To enhance the quality of human resources, bolster the professional skills and management abilities of employees and build localised workforces, the Group provides job rotation and internal and external training courses on professional skills, languages, and other self-improvement programs.

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 2009.

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 2009 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.

FINAL DIVIDENDS

The Board of Directors recommend the payment of final dividend of 0.317 US cents (2008: Nil), subject to the approval of the 2009 final dividends by the shareholders at the Annual General Meeting on 25 May 2010. It is expected that these dividends will be paid on 18 June 2010 to shareholders registered on the record date, being 4 June 2010.

The Register of Shareholders will be closed from 1 June 2010 to 4 June 2010, both days inclusive during which period no transfer of shares will be effected. To rank for the final dividend, all transfers forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Tricor Tengis Limited, 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 31 May 2010.

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

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, 13 April 2010