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 2011

FINANCIAL HIGHLIGHTS

	Unaudited Six months ended 30 June 2011 *US$'000*	Unaudited Six months ended 30 June 2010 *US$'000*	**Difference**
Revenue	**186,698**	152,167	22.7%
Profit/(loss) before income tax	**2,703**	(5,085)	(153.1%)
Profit/(loss) attributable to owners	**1,612**	(6,707)	(124.0%)
Basic earnings/(losses) per share			
(US cents)	**0.11**	(0.44)	(124.0%)
Diluted earnings/(losses) per share			
(US cents)	**0.11**	(0.44)	(124.0%)
Interim dividend declared per share			
(US cents)	**N/A**	N/A	
(HK cents)	**N/A**	N/A	

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 2011 together with the comparative figures for the corresponding period in the previous year.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30 June 2011** *US$'000*	Audited 31 December 2010 *US$'000*
ASSETS			
Non-current assets			
Land use rights	*5*	**660**	654
Property, plant and equipment	*5*	**169,665**	174,013
Intangible assets	*5*	**14,481**	15,049
Prepayment for property, plant and equipment		**53**	200
Long-term loan and receivables		**393**	–
Investment in an associate	*6*	**1,085**	1,230
Total non-current assets		**186,337**	191,146
Current assets			
Inventories		**102,431**	83,193
Trade receivables	*7*	**39,378**	40,328
Amount due from the non-controlling interest of a subsidiary		**1,264**	1,308
Prepayments and other receivables		**13,221**	7,950
Current income tax recoverable		**32**	–
Cash and cash equivalents		**21,712**	34,536
		178,038	167,315
Non-current assets held for sale		**12,704**	12,415
Total current assets		**190,742**	179,730
Total assets		**377,079**	370,876
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**15,228**	15,228
Reserves			
– Proposed interim/final dividends	*16*	**–**	3,670
– Others		**248,687**	245,647
		263,915	264,545
Non-controlling interest		**1,355**	1,631
Total equity		**265,270**	266,176

	Note	Unaudited 30 June 2011 US$'000	Audited 31 December 2010 US$'000
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings	9	**12,603**	15,259
Deferred income tax liabilities		**7,064**	7,513
Long-term payable to a related party		**2,173**	2,074
Provision for long service payment		**1,178**	1,179
Total non-current liabilities		**23,018**	26,025
Current liabilities			
Trade payables	8	**16,331**	26,030
Accruals and other payables		**14,308**	19,847
Due to related parties		**2,789**	2,280
Short-term bank borrowings	9	**47,745**	23,596
Current portion of long-term bank borrowings	9	**5,314**	4,279
Current income tax liabilities		**2,304**	2,643
Total current liabilities		**88,791**	78,675
Total liabilities		**111,809**	104,700
Total equity and liabilities		**377,079**	370,876
Net current assets		**101,951**	101,055
Total assets less current liabilities		**288,288**	292,201

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Unaudited Six months ended 30 June **2011** *US$'000*	2010 *US$'000*
Revenue	*4*	**186,698**	152,167
Cost of sales	*11*	**(160,604)**	(124,309)
Gross profit		**26,094**	27,858
Other losses – net	*10*	**(267)**	(1,213)
Selling and distribution expenses	*11*	**(10,223)**	(8,037)
Administrative expenses	*11*	**(12,030)**	(11,305)
Compensation to farmers	*12*	**–**	(11,807)
Operating profit/(loss)		**3,574**	(4,504)
Finance income		**343**	232
Finance costs		**(1,069)**	(813)
Finance costs – net	*13*	**(726)**	(581)
Share of post-tax loss of an associate	*6*	**(145)**	–
Profit/(loss) before income tax		**2,703**	(5,085)
Income tax expense	*14*	**(1,465)**	(1,874)
Profit/(loss) for the period		**1,238**	(6,959)
Profit/(loss) attributable to:			
– Owners of the Company		**1,612**	(6,707)
– Non-controlling interest		**(374)**	(252)
		1,238	(6,959)
Earnings/(losses) per share for profit/(loss) attributable to the owners of the Company			
– Basic earnings/(losses) per share *(expressed in US cents)*	*15*	**0.11**	(0.44)
– Diluted earnings/(losses) per share *(expressed in US cents)*	*15*	**0.11**	(0.44)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June **2011** ***US$'000***	 2010 *US$'000*
Profit/(loss) for the period	**1,238**	(6,959)
Other comprehensive income		
Currency translation differences	**1,526**	269
Total comprehensive income/(loss) for the period	**2,764**	(6,690)
Total comprehensive income/(loss) for the period attributable to:		
– Owners of the Company	**3,040**	(6,461)
– Non-controlling interest	**(276)**	(229)
	2,764	(6,690)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the owners 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 2010	15,228	47,358	10,308	79,994	116,078	2,685	271,651
Comprehensive income							
Loss for the period	–	–	–	–	(6,707)	(252)	(6,959)
Other comprehensive income:							
Currency translation differences	–	–	246	–	–	23	269
Total comprehensive income/ (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
Balance at 1 January 2011	15,228	47,358	12,207	79,994	109,758	1,631	266,176
Comprehensive income							
Profit for the period	–	–	–	–	1,612	(374)	1,238
Other comprehensive income:							
Currency translation differences	–	–	1,428	–	–	98	1,526
Total comprehensive income/ (loss) for the period ended 30 June 2011	–	–	1,428	–	1,612	(276)	2,764
Transactions with owners in their capacity as owners:							
Dividends relating to 2010 paid in May 2011	–	–	–	–	(3,670)	–	(3,670)
Total transactions with owners	–	–	–	–	(3,670)	–	(3,670)
Balance at 30 June 2011	15,228	47,358	13,635	79,994	107,700	1,355	265,270

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Unaudited Six months ended 30 June **2011** ***US$'000***	 2010 *US$'000*
Cash flows from operating activities			
Cash used in operations		**(21,775)**	(8,619)
Interest paid		**(654)**	(438)
Income taxes paid		**(2,285)**	(3,180)
Net cash used in operating activities		**(24,714)**	(12,237)
Cash flows from investing activities			
Purchases of property, plant and equipment	*5*	**(7,570)**	(7,339)
Purchases of intangible assets and land use rights	*5*	**–**	(1,586)
Long-term prepayment of property, plant and equipment		**147**	641
Proceeds from sale of property, plant and equipment		**44**	18
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
Net cash used in investing activities		**(7,379)**	(6,476)
Cash flows from financing activities			
Dividends paid	*16*	**(3,670)**	(4,840)
Net change in short-term bank borrowings		**24,149**	7,129
Proceeds from long-term bank borrowings		**19,976**	20,169
Repayment of long-term bank borrowings		**(21,597)**	(19,975)
Repayment of long-term payable to Vedan Enterprise Corporation ("Taiwan Vedan")		**(94)**	(1,073)
Net cash generated from financing activities		**18,764**	1,410
Net decrease in cash and cash equivalents		**(13,329)**	(17,303)
Cash and cash equivalents at beginning of the period		**34,536**	39,614
Exchange gains/(losses) on cash and cash equivalents		**505**	(4)
Cash and cash equivalents at end of the period		**21,712**	22,307

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 member countries, the People's Republic of China (the "PRC"), Japan, Taiwan, and several European countries.

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

The Company has its primary listing on The 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 23 August 2011.

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 2011 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 2010, 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 2010, 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.

(a) Revised and amended standards adopted by the Group

The following revised standard and amendment to standard are mandatory for the first time for the financial year beginning 1 January 2011.

HKAS 24 (Revised)	Related Party Disclosures
HKAS 34	Interim Financial Reporting

The Group adopted the above revised standard and amendment to standard which impact the disclosures of the consolidated financial statements.

(b) The following amendments/revisions to standards and interpretation are mandatory for the first time for the financial year beginning 1 January 2011, but are not currently relevant for the Group.

HKAS 1	Presentation of Financial Statements
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Classification of Rights Issues
HKFRS 1	First-time Adoption of International Financial Reporting Standards
HKFRS 3	Business Combinations
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments
Amendment to HKFRS 1	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
Amendment to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement

(c) The following new standards and amendments to standards have been issued, but are not mandatory for the financial year beginning 1 January 2011 and have not been early adopted.

		Effective for accounting periods beginning on or after
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets	1 January 2012
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 July 2011
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets	1 July 2011
HKFRS 9	Financial Instruments	1 January 2015
HKFRS 10	Consolidated Financial Statements	1 January 2013
HKFRS 11	Joint Arrangements	1 January 2013
HKFRS 12	Disclosure of Interests in Other Entities	1 January 2013
HKFRS 13	Fair Value Measurement	1 January 2013

The Group has already commenced an assessment of the related impact of adopting the above new standards and amendments to standards 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 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 collectively. 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. 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.

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

(i) Segment revenue

	Six months ended 30 June	
	2011	2010
	US$'000	*US$'000*
Vietnam	**84,754**	73,391
The PRC	**23,626**	21,441
Japan	**44,176**	34,077
Taiwan	**3,774**	1,801
ASEAN member countries (other than Vietnam)	**16,245**	15,298
Other regions	**14,123**	6,159
	186,698	152,167

(ii) Capital expenditures

	Six months ended 30 June	
	2011	2010
	US$'000	*US$'000*
Vietnam	**6,860**	7,432
The PRC	**710**	1,493
	7,570	8,925

Capital expenditures are allocated based on where the assets located.

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

(iii) Total assets

	As at 30 June 2011 US$'000	As at 31 December 2010 US$'000
Vietnam	**305,623**	300,089
The PRC	**69,131**	67,905
Hong Kong	**1,808**	2,032
Taiwan	**454**	785
Singapore	**63**	65
	377,079	370,876

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

5 Capital expenditure

	Intangible assets						
	Goodwill US$'000	Software and licenses US$'000	Brand name US$'000	Trademarks US$'000	Total US$'000	Property, plant and equipment US$'000	Land use rights US$'000
Six months ended 30 June 2010							
Opening net book amount as at 1 January 2010	8,159	1,087	686	6,246	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)	(57)	(604)	(742)	(13,296)	(77)
Transfer to non-current assets held for sale	–	–	–	–	–	–	(5,786)
Closing net book amount as at 30 June 2010	8,160	1,127	630	5,642	15,559	183,299	2,149
Six months ended 30 June 2011							
Opening net book amount as at 1 January 2011	8,389	1,051	572	5,037	15,049	174,013	654
Exchange differences	179	–	–	–	179	542	15
Additions	–	–	–	–	–	7,570	–
Disposals	–	–	–	–	–	(514)	–
Amortisation and depreciation	–	(86)	(57)	(604)	(747)	(11,946)	(9)
Closing net book amount as at 30 June 2011	8,568	965	515	4,433	14,481	169,665	660

6 Investment in an associate

	As at	
	30 June	31 December
	2011	2010
	US$'000	*US$'000*
Unlisted shares, at cost	**1,085**	1,230

Movement on the investment in an associate is as follows:

	2011	2010
	US$'000	*US$'000*
As at 1 January	**1,230**	–
Additions	**–**	1,230
Share of post-tax loss of an associate	**(145)**	–
As at 30 June	**1,085**	1,230

The Group's share of the results of an associate and its aggregated assets and liabilities are shown below:

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 – effective interest

	Assets	**Liabilities**	**Revenues**	**Share of loss**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Effective interest	1,085	–	–	(145)

The associate is principally engaged in real estate development in Vietnam. As of 30 June 2011, the associate has not started any development project.

7 Trade receivables

	As at	
	30 June	31 December
	2011	2010
	US$'000	*US$'000*
Trade receivables from third parties	**40,331**	41,600
Trade receivables from a related party	**443**	250
Less: provision for impairment of trade receivables	**(1,396)**	(1,522)
	39,378	40,328

The credit terms of trade receivables range from cash on delivery to 90 days. At 30 June 2011, trade receivables based on invoice date are aged as follows:

	As at	
	30 June	31 December
	2011	2010
	US$'000	*US$'000*
Current	**21,545**	27,666
31 – 90 days	**13,310**	8,906
91 – 180 days	**2,597**	2,959
181 – 365 days	**1,911**	809
Over 365 days	**1,411**	1,510
	40,774	41,850

8 Trade payables

As at 30 June 2011, trade payables based on invoice date are aged as follows:

	As at	
	30 June 2011	31 December 2010
	US$'000	*US$'000*
Current	**13,867**	22,754
31 – 90 days	**2,304**	3,224
91 – 180 days	**37**	35
181 – 365 days	**59**	17
Over 365 days	**64**	–
	16,331	26,030

9 Bank borrowings

	As at	
	30 June 2011	31 December 2010
	US$'000	*US$'000*
Long-term bank borrowings		
– secured	**17,917**	19,538
Current portion of long-term bank borrowings		
– secured	**(5,314)**	(4,279)
	12,603	15,259
Short-term bank borrowings		
– secured	**38,094**	14,308
– unsecured	**9,651**	9,288
	47,745	23,596

The Group's long-term bank borrowings are repayable as follows:

	As at **30 June 2011** *US$'000*	As at 31 December 2010 *US$'000*
Within 1 year	**5,314**	4,279
Between 1 and 2 years	**5,314**	5,314
Between 2 and 5 years	**7,289**	9,945
	17,917	19,538

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

	As at **30 June 2011** *US$'000*	As at 31 December 2010 *US$'000*
US$	**62,711**	42,146
New Taiwan dollar	**2,951**	988
	65,662	43,134

10 Other losses – net

	Six months ended 30 June **2011** *US$'000*	Six months ended 30 June 2010 *US$'000*
Net exchange losses	**(679)**	(1,177)
Loss on disposal of property, plant and equipment	**(11)**	(479)
Sales of scrap materials	**192**	138
Interest income from held-to-maturity financial asset	**–**	61
Others	**231**	244
	(267)	(1,213)

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	
	2011	2010
	US$'000	*US$'000*
Changes in inventories of finished goods and work in progress	**(6,742)**	(12,976)
Raw materials and consumables used	**148,900**	119,470
Amortisation of intangible assets *(Note 5)*	**747**	742
Amortisation of land use rights *(Note 5)*	**9**	77
Depreciation on property, plant and equipment *(Note 5)*	**11,946**	13,296
Operating lease expenses in respect of leasehold land	**96**	93
Employee benefit expenses	**12,660**	10,933
Write back of provision for impairment of trade receivables *(Note 7)*	**(126)**	–
Other expenses	**15,367**	12,016
Total cost of sales, selling and distribution expenses and administrative expenses	**182,857**	143,651

12 Compensation to farmers

On 8 October 2008, the Group received a decision from the relevant government authority 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 were recorded in the consolidated income statement in 2008. Due to this environmental matter, farmer associations in Ho Chi Minh City, Ba Ria-Vung Tau Province and Dong Nai Province in Vietnam intended to file a court claim against the Group. On 13 August 2010, the Group agreed to provide approximately US$11,807,000 (equivalent to VND 218,949,000,000) to farmer associations in Ho Chi Minh City, Ba Ria-Vung Tau Province and Dong Nai Province in Vietnam. This has been recorded in the consolidated income statement for the year ended 31 December 2010. The Group paid the amount 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	
	2011	2010
	US$'000	*US$'000*
Finance income – interest income on short-term bank deposits	**(343)**	(232)
Interest expense on bank borrowings	**975**	675
Amortisation of discount on long-term payable to a related party	**94**	138
Finance costs	**1,069**	813
Finance costs – net	**726**	581

14 Income tax expense

Taxation on profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

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

	Six months ended 30 June	
	2011	2010
	US$'000	*US$'000*
Enterprise income tax	**1,914**	2,901
Deferred income tax	**(449)**	(1,027)
	1,465	1,874

15 Earnings/(losses) per share

Basic earnings/(losses) per share is calculated by dividing the profit/(loss) attributable to owners of the Company of US$1,612,000 (2010: loss of US$6,707,000) by 1,522,742,000 (2010: 1,522,742,000) ordinary shares in issue during the period.

Diluted earnings/(losses) per share is the same as basic earnings/(losses) per share as there are no dilutive instruments for the period ended 30 June 2011 and 2010.

16 Dividends

	Six months ended 30 June	
	2011	2010
	US$'000	*US$'000*
2010 final, paid of 0.240 US cents (2009: 0.317 US cents) per ordinary share	**3,670**	4,840
2011 interim, nil (2010 interim: nil) per ordinary share	**–**	–
	3,670	4,840

MANAGEMENT DISCUSSION AND ANALYSIS

I. Business Overview

In the first half of 2011, the sovereign debt crisis in Europe and the US has hindered the recovery of the global economy. The surging raw material and energy prices have increased the risk of global economy. The overall economy in those regions was still unstable with persistent high unemployment rate and slumping demand from consumers. In addition, the extreme weather and natural disasters, such as the fire in Russia, drought in Argentina, earthquake in Japan and floods in Australia, also affected the supply of major crops and caused the price of grains and food to rise.

In light of aforementioned factors, the costs of the Group's major raw materials such as molasses and cassava inevitably increased during the period under review. Although the higher selling price has led to higher revenue, the increased costs exerted pressure on the Group's gross profit. This squeeze explains why revenue for the period under review amounted to US$186,698,000, up by US$34,531,000 (a 22.7% year-on-year increase), but gross profit dropped by US$1,764,000 to US$26,094,000, and gross profit margin also dropped from 18.3% to 14.0%.

The economy in Vietnam faced big challenges in the first half of the year, including high Consumer Price Index (CPI), an unstable money market, a higher lending rate of the Vietnam Dong, an imbalance in foreign exchange markets and tightening supply in foreign exchange and 9.3% depreciation of the Vietnam Dong. These challenges have posed a material impact on economic development as well as the operating activities of enterprises in that country. In the first half of 2011, GDP in Vietnam grew at 5.6%, lower than 6.2% in the same period last year but the CPI increased by approximately 20% on year-on-year basis. Prices of raw materials, oil, electricity and gas showed double–digit growth. During the period, the Group's major raw materials such as molasses, cassava and liquid ammonia also showed double-digit growth in price, In addition, Vietnam made an upward adjustment in the prices of oil and electricity in the first half of the year, which also increased the production cost at the Group's plants in Vietnam. Hit by high inflation, high interest rate and depreciation of the Vietnam Dong, consumers have become more conservative in spending and overall purchase power has also weakened. The higher selling price could not fully cover the rising costs, hence the reduction of profits in Vietnam was noticeable. Although Vietnam was in economic downturn in the first half of 2011, revenue of the Group has growth slightly on the back of branding and sales channel advantages.

Japan is the second largest market of the Group next to Vietnam. Affected by the earthquake and the leakage of radioactive substances in the first half of 2011, the Japanese economy is expected to record negative growth this year. However, with the resumption of supply chain operation and manufacturing, demand in Japan is set to increase. The Group has enjoyed a long term cooperative relationship with its customers in Japan. Hence, the revenue from the Japanese market increased despite the earthquake and the emissions of radioactive substances, and its proportion to overall revenue has increased compared with the corresponding period last year.

In the first half 2011, GDP of the PRC was as high as 9.5% with the inflation pressure getting more tense. Business operation at the PRC has strived and met certain achievement on brand name strengthening and sales channel enhancement. Supported by the strong demand of modified starch in the PRC, sales revenue of MSG and modified starch both increased. Due to the limited production scale and high production cost, the profitability was affected. Sales growth in modified starch and MSG contributed to overall revenue growth of 10.2% in the PRC.

The selling prices of all products increased during the period along with the rise in food costs. In terms of sale volume, as a result of the Group's efforts to expand sales channels, the sales volume of all products except GA and hydrochloric acid rose when compared with the corresponding period last year and contributed to the increased revenue of the Group in the period under review. However, as the price of raw materials for production also spiraled rapidly, the hike in selling price of the Group's products was not a completely accurate reflection of the rise in costs. The increment in costs exceeding that of selling prices was the reason for the reduction in the gross profit margins of our products.

Overall, the Group recorded an increase of 22.7% in revenue and a reduction of 6.3% in gross profit during the period under review. As the Group needed to pay compensation to farmers and fishermen, a loss attributable to owners of US$6,707,000 was recorded in the same period last year. As no related compensation was made within the period under review, the Group achieved turnaround in its business and reported a profit attributable to owners of US$1,612,000.

II. Business Analysis

(1) Sales Analysis by Product

Unit: US$'000

Product	For the six months ended 30 June 2011		2010		Difference	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
MSG	127,698	68.4	108,904	71.6	18,794	17.3
GA	13,501	7.2	14,238	9.4	(737)	(5.2)
Modified starch/ Native starch	23,544	12.6	12,582	8.3	10,962	87.1
Specialty chemicals	9,198	4.9	8,376	5.5	822	9.8
Fertilizer	10,596	5.7	6,019	3.9	4,577	76.0
Others	2,161	1.2	2,048	1.3	113	5.5
Total	186,698	100.0	152,167	100.0	34,531	22.7

1. MSG and GA

During the period under review, driven by the increased sales and higher price of MSG, revenue derived from MSG grew by 17.3% to approximately US$18,794,000 mainly due to the significant growth in exports sales from the Vietnam plant. The sales growth in the domestic Vietnam market tended to slow down as a result of decreased spending power caused by high inflation rate. As revenues derived from modified starch/natural starch and fertilizers were boosted significantly, the share of revenue from MSG within the Group's total revenue decreased from 71.6% in the same period of last year to 68.4%.

Revenue from GA amounted to US$13,501,000 during the period, a decrease of 5.2% when compared to the same period last year largely due to the drop of sales volume by 10.4%. Revenue from GA accounted for 7.2% of total revenue, down from 9.4% in the same period last year. Geographically, the GA revenue in Taiwan surged by approximately 416.4% but decreased by 21.9% and 19.1% in Vietnam and the PRC respectively.

2. *Modified starch/Native starch*

Owing to strong market demand for modified starch and raw starch, together with increased supply of cassava, the output of modified starch/natural starch rose substantially during the period under review. Sales volume climbed by 44.0% and the selling price increased by 40.9%. Revenue amounted to US$23,544,000, up 87.1% from US$12,582,000 in the same period last year. Revenue from this segment accounted for 12.6% of the total revenue, a marked increase from 8.3% in the same period last year. However, due to the notable increase in the price of cassava during the period, the gross profit margin of this segment declined despite the improvement of both revenue and profit from modified starch/natural starch. Demand for modified starch and natural starch is expected to remain strong in the second half of 2011.

3. *Specialty chemicals/Fertilizers*

Specialty chemicals, hydrochloric acid and soda are sold within Vietnam. Facing the uncertain market in the country and rising interest rate, many producers adopted a conservative business strategy, which affected the consumption of hydrochloric acid and soda. As a result, while revenue from specialty chemicals was US$9,198,000 during the period under review, up by approximately 9.8%, or US$822,000, in the same period last year, its share in the total revenue of the Group dropped from 5.5% to 4.9%.

Driven by rising demand, sales volume and the selling price of fertilizers surged significantly. During the period under review, revenue from fertilizers surged 76.0%, or US$4,577,000, to US$10,596,000, while the share of fertilizers within total revenue increased from 3.9% in the same period last year to 5.7%.

(2) Sales Analysis by Market

Unit: US$'000

Area	For the six months ended 30 June 2011		2010		Difference	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
Vietnam	84,754	45.4	73,391	48.2	11,363	15.5
Japan	44,176	23.7	34,077	22.4	10,099	29.6
The PRC	23,626	12.6	21,441	14.1	2,185	10.2
ASEAN member countries	16,245	8.7	15,298	10.1	947	6.2
Other regions	17,897	9.6	7,960	5.2	9,937	124.8
TOTAL	186,698	100.0	152,167	100.0	34,531	22.7

1. Vietnam

In Vietnam, the Government's tightening monetary policy, high inflation rate and the Vietnam Dong significantly depreciated during the period under review adversely affected the spending power of consumers. Nevertheless, the Group's revenue from Vietnam was up by 15.5% or US$11,363,000 to US$84,754,000. This was mainly attributable to improved performances in the MSG, starch and fertilizers segments. The growth rate in this market, however, was still lower than that of Japan and other regions. Hence, revenue from Vietnam accounted for 45.4% of the total revenue, down from 48.2% in the same period last year.

2. Japan

The Japanese economy has been hit hard by the serious earthquake and tsunami in Japan in March. Fortunately, the Group's customers and products were not adversely affected and business actually steadily increased. It recorded revenue of approximately US$44,176,000 in Japan, representing a 29.6% growth during the period and 23.7% of the Group's total revenue, up from 22.4% in the same period last year. This rise was mainly attributable to growth in MSG and modified starch, accounting for 26.3% and 47.0% respectively.

3. *The PRC*

During the period under review, revenue from the PRC rose 10.2%, or US$2,185,000, to US$23,626,000, up from US$21,441,000 in the same period last year, accounting for 12.6% of the Group's total revenue, down from 14.1%. The rise in revenue from the PRC was mainly because of the increased revenue from MSG and modified starch due to the Group's efforts in expanding the sales of these products.

4. *ASEAN member countries*

Revenue from the ASEAN market was very stable, growing by 6.2% when compared to the same period last year. As the revenue from other markets increased, the share of revenue from ASEAN region decreased from 10.1% in the same period last year to 8.7%. The decline in revenue from the region was mainly caused by reducing sales of modified starch and fertilizers.

5. *Other regions*

During the period under review, revenue from Europe and Taiwan grew by 2.9 times and 1.1 times, or US$10,006,000 and US$3,774,000, respectively. MSG, GA and modified starch were the main products sold in these markets.

III. Overview of Raw Materials

Demand for raw materials remained strong in Asian emerging markets. The prices of gasoline, diesel oil, gas and electricity rose in Vietnam. Despite the slowdown in price increment of molasses in the second quarter of this year, it was still 14.5% higher than the same period of last year. The price of liquid ammonia has climbed by 31.1% due to the rising price and growing demand of natural gas. The supply and demand of cassava starch remained slightly imbalanced. The increase in available plantation area fell behind the rising demand for cassava starch boosted by the prospering food, feed and ethanol industries, so the selling prices of cassava starch remained at a high level, surging by 33.5% from the same period last year. Meanwhile, the surging corn price in the PRC had an impact on the production cost of the factory in Shandong. In Vietnam, electricity cost increased by 15.3%, while the prices of gasoline, diesel oil and heavy oil were adjusted twice and the price of gas also had upward adjustment. The rises in raw material and energy costs dragged down the Group's gross profit margin from 18.3% in the corresponding period last year to 14.0% during the current period, which in turn influenced the profit for the period under review.

IV. Financial Review

(1) Cash Flow and Financial Resources

During the period under review, cash and bank deposits of the Group amounted to US$21,712,000, which was US$12,824,000, or around 37.1%, lower than the last year. Short-term bank borrowings were US$53,059,000, an increase of US$25,184,000 or around 90.3%, while middle-to-long-term bank borrowings totaled US$12,603,000, a decrease of US$2,656,000. Bank borrowings were mainly denominated in US dollars and Taiwan dollars, representing 95.5% and 4.5% of total borrowings respectively. The proportions of short-term and middle-to-long-term bank borrowings were 80.8% and 19.2%.

Accounts receivable dropped by US$950,000, or around 2.4%, to US$39,378,000, and they were mostly within 30 days. Inventories totaled US$102,431,000. The figure increased by US$19,238,000 (around 23.1%) under the influence of increasing material cost of molasses and starch.

Lower trade payables and higher inventories caused our short-term bank borrowings to increase substantially, so gearing ratio (total bank borrowings over shareholders interest) was 24.8%, which was higher than 16.2% in the last year. Net gearing ratio (total borrowings after deducting cash and deposit over shareholders interest) was 16.6%, which was also greater than 3.2% in the last year. Current ratio dropped from 2.28 to 2.15 because of increasing current liabilities.

(2) Capital Expenditure

During the period under review, the Group did not make any significant investments. Capital expenditure amounted to approximately US$7,570,000, US$1,355,000 less than US$8,925,000 made in the first half of 2010.

(3) Exchange rate

In recent years, the Vietnam Dong has been subject to greater pressure for further depreciation because of persistent high inflation and trade deficit in Vietnam. Combining with the widespread expectation of depreciation and the imbalance in supply and demand have widened the discrepancy between the exchange rate in the black market and the official market rate. To facilitate the return of the official exchange rate to the actual market level and to stablise its exchange rates by stopping underground speculation, the Central Bank in Vietnam announced the depreciation of the Vietnam Dong by 9.3% and tightening the intraday fluctuation within 1% on 11 February 2011. The Vietnamese Government also announced new money control policies including a limit on the use of foreign money in daily commercial activities within the territories, increasing the interest rate of deposits and loans in Vietnam Dong, imposing a limit on the interest rate of deposits and loans in US dollars, as well as issuing an order to sell foreign exchange deposit and income of state-owned enterprises to banks exclusively. Under the more restrictive money policies, the exchange rate of the Vietnam Dong to the US dollar began to stablise, but the gap of the interest rate between the US dollar and Vietnam Dong forced more companies to borrow in US dollars, so the pressure that the Vietnam Dong might further depreciate remains. As Vietnam is the largest market for Vedan, the depreciation of Vietnam Dong inevitably affects its profitability, so the Group has implemented risk-aversion initiatives to minimise any possible foreign exchange loss. Shanghai Vedan, Shandong Vedan Snowflake and Maotai Xiamen, the Group's PRC subsidiaries, focused on domestic sales. During the period under review, Renminbi has appreciated steadily against US dollars, a 2.3% appreciation compared with its currency rate at the end of 2010.

(4) Dividends

The Group proposed not to issue a dividend.

V. Prospects

The PRC and Vietnamese Governments have continued their policies to fend off inflation and tighten money supply, which have not only boosted the operating costs, but also increased uncertainties in these markets.

In the PRC market, revenues in the modified starch and MSG segments are expected to increase in the second half of the year due to seasonal factors, but the increase in material costs and labour costs may affect its profitability. Even should the prices of major materials such as molasses and cassava tend to decrease in Vietnam in the second half, the increase in energy cost, the possible depreciation of the Vietnam Dong, and a prevailing climate of weak consumption with decreasing spending power should negatively affect revenue from Vietnam. On the other hand, the sales of MSG should enter the peak season, which will mitigate the negative impact of decreasing spending power.

Facing this challenging environment, the Group will continue to implement cost-saving measures on production, sourcing, operation and administration, such as energy saving production and enhanced energy efficiency, as well as increasing automation and material efficiency. In the aspect of sourcing, the Group plans to purchase molasses from diversified sources, strengthen inventory management and increase the proportion of local sourcing. For its business, the Group intends to enhance distribution channels and branding, expand its export market and provide more training for operational and sales staff. In administration, the ERP system which will help simplify administrative procedures and optimise human resources is expected to be completed by the end of this year. On the other hand, the Group will proactively review the new product roll-out plan. In its long-term strategy, the Group is continuing to study the feasibility of various cooperative projects, with an aim to create new growth driver. At the same time, the Group continues to evaluate the middle to long-term supply of molasses, so as to secure a stable supply at a competitive price.

INTERIM DIVIDEND

The Company will not declare an interim dividend for the year ending 31 December 2011.

EMPLOYEE INFORMATION

On 30 June 2011, the Group had 3,675 employees of whom 3,133 are based in Vietnam, 534 in China and 8 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 2011.

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 2011. The Audit Committee comprises the three independent non-executive directors of the Company.

PUBLICATION OF FINANCIAL INFORMATION

The Company's 2011 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
23 August 2011

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

Executive Directors:–
Mr. YANG, Tou-Hsiung *(Chairman)*
Mr. YANG, Cheng
Mr. YANG, Kun-Hsiang *(CEO)*
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