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: 02317)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2012

FINANCIAL HIGHLIGHTS

	Unaudited Six months ended 30 June 2012 ***US$'000***	Unaudited Six months ended 30 June 2011 *US$'000*	**Change**
Revenue	**179,966**	186,698	(3.6%)
Profit before income tax	**5,029**	2,703	86.1%
Profit attributable to owners	**3,673**	1,612	127.9%
Basic earnings per share *(US cents)*	**0.24**	0.11	118.2%
Diluted earnings per share *(US cents)*	**0.24**	0.11	118.2%
Interim dividend declared per share *(US cents)*	**0.144**	N/A	

INTERIM RESULTS

The board of directors (the "Board') 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 2012 together with the comparative figures for the corresponding period in the previous year.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30 June 2012 *US$'000***	Audited 31 December 2011 *US$'000*
ASSETS			
Non-current assets			
Land use rights	*4*	**2,166**	2,200
Property, plant and equipment	*4*	**148,214**	157,547
Intangible assets	*4*	**13,200**	13,953
Prepayment for property, plant and equipment		**–**	27
Long-term loan and receivables		**48**	329
Investment in an associate	*5*	**2,972**	1,008
Deferred income tax assets		**58**	42
Total non-current assets		**166,658**	175,106
Current assets			
Inventories		**97,043**	95,338
Trade receivables	*6*	**37,166**	32,714
Amount due from the non-controlling interest of a subsidiary		**1,410**	1,431
Prepayments and other receivables		**9,898**	11,219
Current income tax recoverable		**41**	41
Cash and cash equivalents		**34,833**	45,518
Fixed deposits		**1,920**	–
		182,311	186,261
Non-current assets held for sale		**480**	–
Total current assets		**182,791**	186,261
Total assets		**349,449**	361,367

	Note	**Unaudited 30 June 2012 US$'000**	Audited 31 December 2011 US$'000
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**15,228**	15,228
Reserves			
– Proposed interim/final dividends	*13*	**2,200**	4,740
– Others		**253,142**	251,870
		270,570	271,838
Non-controlling interest		**(668)**	(217)
Total equity		**269,902**	271,621
LIABILITIES			
Non-current liabilities			
Long-term bank borrowings		**7,289**	9,946
Deferred income tax liabilities		**6,076**	6,538
Provision for long service payment		**1,224**	1,277
Total non-current liabilities		**14,589**	17,761
Current liabilities			
Trade payables	*7*	**19,395**	23,817
Accruals and other payables		**11,830**	12,846
Due to related parties		**1,316**	2,399
Short-term bank borrowings		**24,481**	22,813
Current portion of long-term bank borrowings		**5,314**	5,314
Current income tax liabilities		**2,622**	4,796
Total current liabilities		**64,958**	71,985
Total liabilities		**79,547**	89,746
Total equity and liabilities		**349,449**	361,367
Net current assets		**117,833**	114,276
Total assets less current liabilities		**284,491**	289,382

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Unaudited Six months ended 30 June **2012** ***US$'000***	 2011 *US$'000*
Revenue	*3*	**179,966**	186,698
Cost of sales	*9*	**(149,736)**	(160,604)
Gross profit		**30,230**	26,094
Other gains/(losses) – net	*8*	**290**	(267)
Selling and distribution expenses	*9*	**(11,189)**	(10,223)
Administrative expenses	*9*	**(14,050)**	(12,030)
Operating profit		**5,281**	3,574
Finance income		**521**	343
Finance costs		**(659)**	(1,069)
Finance costs – net	*10*	**(138)**	(726)
Share of post-tax loss of an associate	*5*	**(114)**	(145)
Profit before income tax		**5,029**	2,703
Income tax expense	*11*	**(1,801)**	(1,465)
Profit for the period		**3,228**	1,238
Profit/(loss) attributable to:			
– Owners of the Company		**3,673**	1,612
– Non-controlling interest		**(445)**	(374)
		3,228	1,238
Earnings per share for profit attributable to the owners of the Company			
– Basic earnings per share *(expressed in US cents)*	*12*	**0.24**	0.11
– Diluted earnings per share *(expressed in US cents)*	*12*	**0.24**	0.11

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June **2012**	 2011
	US$'000	*US$'000*
Profit for the period	**3,228**	1,238
Other comprehensive (loss)/income		
Currency translation differences	**(207)**	1,526
Total comprehensive income for the period	**3,021**	2,764
Total comprehensive income/(loss) for the period attributable to:		
– Owners of the Company	**3,472**	3,040
– Non-controlling interest	**(451)**	(276)
	3,021	2,764

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2012 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 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

2 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 2011, 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) The following amendments to standards are mandatory for the first time for the financial year beginning 1 January 2012, but are not currently relevant for the Group and have had no impact upon the reported financial information.

HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets

(b) The following new standards, amendments/revisions to standards and interpretation have been issued, but are not effective for the financial year beginning 1 January 2012 and have not been early adopted.

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Presentation of Financial Statements	1 July 2012
HKAS 19 (Amendment)	Employee Benefits	1 January 2013
HKAS 27 (Revised)	Separate Financial Statements	1 January 2013
HKAS 28 (Revised)	Associates and Joint Ventures	1 January 2013
HKFRS 7 (Amendment)	Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities	1 January 2013
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date and Transition Disclosures	1 January 2015
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 Measurements	1 January 2013
HKFRS 32 (Amendment)	Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities	1 January 2014
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

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

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

3 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.

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decision. 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.

(i) Segment revenue

	Six months ended 30 June	
	2012	2011
	US$'000	*US$'000*
Vietnam	**83,778**	84,754
The PRC	**17,287**	23,626
Japan	**37,764**	44,176
Taiwan	**5,788**	3,774
ASEAN member countries (other than Vietnam)	**24,560**	16,245
Other regions	**10,789**	14,123
	179,966	186,698

(ii) ***Capital expenditures***

	Six months ended 30 June	
	2012	2011
	US$'000	*US$'000*
Vietnam	**2,401**	6,860
The PRC	**912**	710
	3,313	7,570

Capital expenditures are allocated based on where the assets located.

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

(iii) ***Total assets***

	As at 30 June 2012	As at 31 December 2011
	US$'000	*US$'000*
Vietnam	**282,751**	287,765
The PRC	**58,916**	69,548
Hong Kong	**7,307**	3,133
Taiwan	**413**	859
Singapore	**62**	62
	349,449	361,367

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

4 Capital expenditure

	Intangible assets						
	Goodwill	Software and license	Brand name	Trademarks	Total	Property, plant and equipment	Land use rights
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
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
Six months ended 30 June 2012							
Opening net book amount as at 1 January 2012	8,780	887	458	3,828	13,953	157,547	2,200
Exchange differences	(30)	–	–	–	(30)	(86)	(9)
Additions	–	6	–	–	6	3,313	–
Disposals	–	–	–	–	–	(40)	–
Amortisation and depreciation	–	(68)	(57)	(604)	(729)	(11,718)	(25)
Impairment loss	–	–	–	–	–	(322)	–
Transfer to non-current assets held for sale *(Note)*	–	–	–	–	–	(480)	–
Closing net book amount as at 30 June 2012	8,750	825	401	3,224	13,200	148,214	2,166

Note:

In March 2012, Vedan (Vietnam) Enterprise Corporation Limited ("Vietnam Vedan") entered into a preliminary agreement with an independent third party for the sale of certain property, plant and equipment. At 30 June 2012, the related assets had been reclassified as non-current assets held for sale.

5 Investment in an associate

	As at 30 June 2012	As at 31 December 2011
	US$'000	*US$'000*
Unlisted shares, at cost	**2,972**	1,230

Movement on the investment in an associate is as follows:

	2012	2011
	US$'000	*US$'000*
As at 1 January	**1,008**	1,230
Additions	**2,078**	–
Share of post-tax loss of an associate	**(114)**	(145)
As at 30 June	**2,972**	1,085

The Group's share of the results of the associate and its 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	2,974	(2)	–	(114)

The associate is principally engaged in real estate development in Vietnam. As of 30 June 2012, the associate has not started any development project.

6 Trade receivables

	As at 30 June 2012	As at 31 December 2011
	US$'000	*US$'000*
Trade receivables from third parties	**38,518**	33,987
Trade receivables from a related party	**105**	110
Less: provision for impairment of trade receivables	**(1,457)**	(1,383)
	37,166	32,714

The credit terms of trade receivables range from cash on delivery to 90 days. At 30 June 2012, trade receivables based on invoice date are aged as follows:

	As at 30 June 2012	As at 31 December 2011
	US$'000	*US$'000*
0 – 30 days	**20,331**	21,400
31 – 90 days	**13,421**	7,395
91 – 180 days	**1,999**	2,444
181 – 365 days	**1,414**	1,224
Over 365 days	**1,458**	1,634
	38,623	34,097

7 Trade payables

As at 30 June 2012, trade payables based on invoice date are aged as follows:

	As at 30 June 2012 *US$'000*	As at 31 December 2011 *US$'000*
0 – 30 days	**17,450**	21,504
31 – 90 days	**1,851**	2,259
91 – 180 days	**12**	33
181 – 365 days	**82**	5
Over 365 days	**–**	16
	19,395	23,817

8 Other gains/(losses) – net

	Six months ended 30 June	
	2012 *US$'000*	2011 *US$'000*
Net exchange losses	**(66)**	(679)
Gain/(loss) on disposal of property, plant and equipment	**10**	(11)
Sales of scrap materials	**179**	192
Others	**167**	231
	290	(267)

9 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	
	2012	2011
	US$'000	*US$'000*
Changes in inventories of finished goods and work in progress	**2,749**	(6,742)
Raw materials and consumables used	**126,857**	148,900
Amortisation of intangible assets	**729**	747
Amortisation of land use rights	**25**	9
Depreciation on property, plant and equipment	**11,718**	11,946
Impairment expense on property, plant and equipment	**322**	–
Operating lease expenses in respect of leasehold land	**97**	96
Employee benefit expenses	**13,195**	12,660
Provision/(write back of provision) for impairment of trade receivables	**74**	(126)
Other expenses	**19,209**	15,367
Total cost of sales, selling and distribution expenses and administrative expenses	**174,975**	182,857

10 Finance costs – net

	Six months ended 30 June	
	2012	2011
	US$'000	*US$'000*
Finance income – interest income on short-term bank deposits	**(521)**	(343)
Interest expense on bank borrowings	**610**	975
Amortisation of discount on long-term payable to a related party	**49**	94
Finance costs	**659**	1,069
Finance costs – net	**138**	726

11 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	
	2012	2011
	US$'000	*US$'000*
Enterprise income tax	**2,247**	1,914
Deferred income tax	**(446)**	(449)
	1,801	1,465

12 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company of US$3,673,000 (2011: US$1,612,000) by 1,522,742,000 (2011: 1,522,742,000) ordinary shares in issue during the period.

Diluted earnings per share is the same as basic earnings per share as there are no dilutive instruments for the periods ended 30 June 2012 and 2011.

13 Dividends

	Six months ended 30 June	
	2012	2011
	US$'000	*US$'000*
2011 final dividend, paid of 0.311 US cents (2010: 0.240 US cents) per ordinary share	**4,740**	3,670
2012 interim dividend, proposed of 0.144 US cents (2011 interim: nil) per ordinary share	**2,200**	–
	6,940	3,670

MANAGEMENT DISCUSSION AND ANALYSIS

1. Business Overview

Reviewing the global economic trends in the first half of the year, the worsening European debt crisis has had a serious impact on economies and financial markets around the world. As the crisis became intensified, the economic performance of the developed countries was weak in the first half of the year and the economic growth in the emerging countries also started to slowdown leading to continuous weak global demand. A potential global recession, a drop in purchasing power and a decline in trading activities seemed inevitable. Thanks to the restrictive monetary policy implemented by the Vietnamese government, inflation was under control, interest rates dropped to a stable level and trade balance was achieved. Economy recovery can be expected over the long term. However, as domestic demand is expected to remain weak and foreign trade will drop due to the decreasing demand in Europe, the US and Japan, notable economic growth is unlikely to happen in the short term. The year-on-year GDP growth was recorded at only 4.38% in Vietnam. Excluding the factor of cutting supply of GA, which delivered low gross profits, the Group was able to record revenue growth despite the unfavourable market condition in Vietnam. Revenue from the PRC dropped because of the temporary suspension of production at Shandong Vedan Snowflake Enterprise Co., Ltd. Although sales in Japan declined due to the drop in demand, sales in the ASEAN member countries market saw substantial growth in the first half of 2012 as a result of the Group's efforts to expand the business in this market during recent years.

According to product types, sales from GA dropped notably by 78.0% or US$10,531,000 due to reduction in production, and sales of starch products decreased by US$1,005,000 or 4.3%. Other products recorded sales growth. Particularly noteworthy, sales of fertilisers and feed and specialty chemicals (hydrochloric acid and soda) grew by 17.6% and 12.2% respectively.

The Group's overall revenue this year reached US$179,966,000, a decline of US$6,732,000 year-on-year. This was mainly attributed to the sales drop in the PRC and Japan, of US$6,339,000 and US$6,412,000 respectively. Although the total revenue dropped by 3.6%, gross profit and net profit recorded satisfactory growth, rose by 15.9% and 160.7% to US$30,230,000 and US$3,228,000 respectively during the period. The increase in profit was mainly due to good control of the use of raw materials. Gross profit margin increased from 14.0% to 16.8% while net profit margin rose from 0.7% to 1.8%.

2. Business Analysis

(1) Sales Analysis by Market

Unit: US$'000

	For the Six Months Ended 30 June					
Area	**2012**		**2011**		**Difference**	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
Vietnam	83,778	46.6%	84,754	45.4%	(976)	(1.2%)
The PRC	17,287	9.6%	23,626	12.6%	(6,339)	(26.8%)
Japan	37,764	21.0%	44,176	23.7%	(6,412)	(14.5%)
ASEAN member countries	24,560	13.6%	16,245	8.7%	8,315	51.2%
Other regions	16,577	9.2%	17,897	9.6%	(1,320)	(7.4%)
Total	179,966	100.0%	186,698	100.0%	(6,732)	(3.6%)

1. Vietnam

The Group's revenue from Vietnam was approximately US$83,778,000 in the first half of 2012, a year-on-year decline of 1.2% or US$976,000. The decline was mainly attributed to the decrease in supplying GA, which reported low profit margin. During the period under review, sales of GA dropped by US$3,985,000. If GA was excluded, revenue in Vietnam would have grown by US$3,009,000 with a growth rate of 3.9%, mainly driven by sales increase from soda, fertilisers and feed.

2. Japan

Affected by the weaker economy and gloomy market sentiment, the weakened demand led to decline in sales of MSG and modified starch, with Japan as their main export market, during the period. As a result, revenue in Japan dropped from US$44,176,000 to US$37,764,000, representing a decrease of 14.5% or US$6,412,000. Revenue from the Japanese market accounted for 21.0% of the Group's total revenue, down from 23.7% last corresponding period.

3. *The PRC*

As the Shandong plant strategically suspended the production of GA, revenue of the PRC market slid US$6,339,000 or 26.8%. Revenue for the period was US$17,287,000, accounting for 9.6% of the Group's total revenue, a drop from 12.6% last year. The main products were MSG, modified starch, fertilisers and feed.

4. *ASEAN member countries*

The Group has been actively expanding and developing the sale channels in the ASEAN member countries in recent years. In fact, this market has delivered the fastest revenue growth in the recent years. Revenue in the first half of 2012 was US$24,560,000, a year-on-year growth of 51.2% from US$16,245,000 over the same period last year, accounting for 13.6% of the Group's total revenue, up from 8.7% last year. The ASEAN member countries market has surpassed the PRC to become the Group's third largest market. Except for modified starch which recorded negative growth, all other products saw substantial growth in revenue.

5. *Other regions*

Apart from the abovementioned major markets, revenue from other regions declined by US$1,320,000 or 7.4% to approximately US$16,577,000 from US$17,897,000 last year, mainly attributed to dropping sales of MSG in EU countries.

(2) Sales Analysis by Product

Unit: US$'000

	For the Six Months Ended 30 June					
Product	**2012**		**2011**		**Difference**	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
MSG	128,241	71.3%	127,698	68.4%	543	0.4%
GA	2,970	1.7%	13,501	7.2%	(10,531)	(78.0%)
Modified starch/Native starch	22,539	12.5%	23,544	12.6%	(1,005)	(4.3%)
Specialty chemicals	10,320	5.7%	9,198	4.9%	1,122	12.2%
Fertilisers and feed	12,464	6.9%	10,596	5.7%	1,868	17.6%
Others	3,432	1.9%	2,161	1.2%	1,271	58.8%
Total	179,966	100.0%	186,698	100.0%	(6,732)	(3.6%)

1. MSG and GA

Revenue from MSG amounted to US$128,241,000, a slight increase of 0.4% or US$543,000 when compared with last year. Revenue from MSG accounted for 71.3% of total revenue, up from 68.4% in the same period last year due to the increase in revenue of 122.8% from the ASEAN member countries market. Revenue of GA dropped by US$10,531,000 or 78.0% to US$2,970,000 as the Shandong plant suspended production and the production in Vietnam decreased. Revenue from GA accounted for 1.7% of the Group's total revenue, down from 7.2% last year. MSG and GA together accounted for 73.0% of total revenue, a reduction from 75.6% last year.

2. Modified starch/Native starch

Starch products was the second largest revenue contributor after MSG. Revenue during the period dropped by 4.3% or US$1,005,000 year-on-year to US$22,539,000. Revenue from native starch increased by 12.5% while that of modified starch decreased by 6.6%. Starch products accounted for 12.5% of the Group's total revenue, slightly down from 12.6% last year.

3. Specialty chemicals/Fertilisers and feed

Revenue from specialty chemicals totaled US$10,320,000 during the period under review, up by approximately 12.2%, or US$1,122,000 when compared with US$9,198,000 in the same period last year. Revenue from fertilisers and feed surged by 17.6%, or US$10,596,000, to US$12,464,000, due to the remarkable increase in selling prices. Share of specialty chemicals, fertilisers and feed in total revenue increased from 5.7% to 6.9%.

3. Major Raw Materials/Energy Overview

(1) Cassava/Cassava starch

While the price of cassava surged last year, the global increase in plantation area of cassava led to an abundant harvest and hence a price decline in the first half of 2012. However, corn price has been rising recently which will in turn affect cassava price. The Group will pay attention to its impact on the next production season.

(2) Molasses/Saccharified liquid

The increase in the plantation area of sugar cane in the production season in 2011/12 has led to a surge in the production volume of cane sugar, which in turn drove up the supply of molasses to reach its highest since 1990. In addition, the demand for molasses dropped in Vietnam, thus the Group purchased more molasses in Vietnam for production.

(3) Energy

Energy cost contributed to high proportion of the production cost at Vietnam plant. The Vietnam plant was mainly powered by natural gas but the price of natural gas has risen to a different extent in recent years. In the first half of this year, price of natural gas had a sharp rise and price of electricity also increased by another 5%, impacting severely on the production cost.

4. Financial Review

(1) Liquidity and Financial Resources

During the period under review, cash and bank deposits of the Group amounted to US$ 34,833,000, which was 23.5% or US$10,685,000 less than that in the end of 2011. This was mainly due to the repayment of certain bank borrowings and accounts payables and the increase in accounts receivables. Short-term bank borrowings were US$29,795,000, an increase of US$1,668,000, while middle-to-long-term bank borrowings totaled US$7,289,000, a decrease of US$2,657,000. 97.7% and 2.3% of total bank borrowings were in US dollars and in New Taiwan dollar respectively. The proportion of short-term and middle-to-long-term bank borrowings were 80.3% and 19.7%. Total borrowings dropped by US$989,000 or 2.6%.

Accounts receivable increased by US$4,452,000, or around 13.6%, to US$37,166,000 as compared with that at the end of 2011, and they were mostly within 30 days. Inventories, totaling US$97,043,000, increased by US$1,705,000 (around 1.8%). It is mainly caused by the increase in raw materials inventories and decrease in finished goods inventories.

Gearing ratio (total bank borrowings over total capital) was 12.1%, which was lower than 12.3% at the end of 2011. Net gearing ratio (total borrowings after deducting cash and deposits over total capital) was 0.7%. Current ratio increased from 2.6 at the end of last year to 2.8 because of the decrease in current assets and current liabilities, with the greater reduction in current liabilities.

(2) Capital Expenditure

During the period under review, capital expenditure was lower, amounting to approximately US$3,313,000, US$4,257,000 less than the US$7,570,000 in the first half of 2011.

5. Exchange Rate

The Vietnamese Government announced a number of new monetary control and foreign exchange policies in 2011. Exports for the period grew by 22.7%, far exceeding the 6.3% growth in imports during the review period. The breakeven in foreign exchange and the increase in foreign exchange reserves have helped stablise the exchange rate of the Vietnam Dong to the US Dollar. The exchange rate in late June in 2012 remained the same as the official exchange rate of US$1 to 20,828 Vietnam Dong in late 2011. The exchange rate of RMB to US dollar maintained at around US$1 to RMB6.3, without significant fluctuation.

6. Dividend

Basic earnings per share for the period were 0.24 US cents. The Board decided to distribute a dividend of 0.144 US cents per share, representing a dividend payout ratio of 60%.

7. Prospects

The Vietnamese Government has continued its policies to fend off inflation and tighten money supply since 2011. Its efforts started to bear fruit this year. However, lending to enterprises will be difficult due to the conservative credit policy of banks and the prolonged relatively high interest rates. With the unfavourable market environment characterised by low demand caused by the weak consumption sentiment, and the increase in inventory and reduction in production of the industry players, the Vietnam plant is set to face a new series of challenges.

The second half of the year is traditionally the peak season for the market. Revenue of the Group is expected to improve on the strength of its continuous efforts despite the weak economy. Securing stable supplies of raw materials will be the key of success. In the production season in 2011/2012, the Group was able to offset some of the increase in price of natural gas by securing a stable supply of cassava and molasses. The Group has started to plan for the production season in 2012/2013. It will focus on implementing a strict procurement plan to secure raw materials at the most competitive prices to obtain profit. As for its operations in the PRC, the demand for MSG and modified starch is expected to increase due to seasonal factors in the second half. Revenue and profits are also expected to rise.

The strategic operation directions in the second half of the year are outlined below:

– Strengthen and diversify the cooperation with local sugar companies and wet-starch factories so as to build a more stable supply chain

– Improve the price negotiation capability of raw materials and stablise their supply

– Achieve flexible production according to market demand

– The construction of maltose plant has begun. The Group will further analyse the production of starch related products

– Strengthen organisational capability to address challenges and changes

– Evaluate the alternative energy solutions

– Proactively strengthen branding and expand the market reach

– Proactively evaluate business performance in the emerging countries

– Enhance development of beverage business in Vietnam market

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend for the six months ended 30 June 2012 of 0.144 US cents per share. The interim dividend will be paid on 4 October 2012 in HK dollar to shareholders whose name appear on the register of members of the Company on 21 September 2012. The HK$ equivalent of the interim dividend is 1.113 HK cents per share, which is based on the exchange rate of US$ against HK$ at US$1.00 to HK$7.727 as quoted by The Hong Kong Association of Banks on 21 August 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 19 September 2012 to Friday, 21 September 2012 (both days inclusive), during which period no transfer of the Company's shares will be registered. In order to be eligible to receive the interim dividend for the six months ended 30 June 2012, unregistered holders of the Company's shares must lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 18 September 2012.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased or sold or redeemed any of the Company's shares during the six months ended 30 June 2012.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has made specific enquiries of all Directors to confirm that they have complied with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules of the Hong Kong Stock Exchange") during the reporting period up to 30 June 2012.

COMPLIANCE WITH APPENDIX 14 OF THE LISTING RULES OF THE HONG KONG STOCK EXCHANGE

The Company has complied with the provisions of the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules of the Hong Kong Stock Exchange during the period from 1 January 2012 to 31 March 2012.

The Company has complied with the provisions of the Corporate Governance Code ("CG Code") set out in Appendix 14 of the revised Listing Rules of the Hong Kong Stock Exchange during the period from 1 April 2012 to 30 June 2012.

In respect of code provisions A.6.7 and E.1.2 of the CG Code, the Non-executive Directors and the Independent Non-executive Directors (including the chairmen of the Audit Committee and the Remuneration Committee), as well as the Chairman of the Board (also the Chairman of the Nomination Committee) were not in the position to attend the annual general meeting of the Company held on 22 May 2012 due to business commitments.

AUDIT COMMITTEE

The Audit Committee has reviewed with the 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 2012. The Audit Committee comprises the three independent non-executive directors of the Company.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement will be published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company's website (www.vedaninternational.com).

The Company's 2012 interim report will be dispatched to shareholders and published on the websites of the Company and The Stock Exchange of Hong Kong Limited in due course.

APPRECIATION

The Board 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
Vedan International (Holdings) Limited
YANG, Kun-Hsiang
Executive Director and Chief Executive Officer

Hong Kong
21 August 2012

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

Executive Directors:–
Mr. YANG, Tou-Hsiung
Mr. YANG, Cheng
Mr. YANG, Kun-Hsiang
Mr. YANG, Chen-Wen
Mr. YANG, Kun-Chou

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