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 2014

FINANCIAL HIGHLIGHTS

	Unaudited six months ended 30 June		
	2014	2013	**Change**
	US$'000	*US$'000*	
Revenue	**152,705**	166,956	(8.5)%
Gross profit	**23,959**	24,916	(3.8)%
Profit for the period	**42**	1,521	(97.2)%
Profit attributable to owners	**441**	1,920	(77.0)%
Basic earnings per share	**0.03 US cents**	0.13 US cents	
Diluted earnings per share	**0.03 US cents**	0.13 US cents	
Interim dividend proposed per share	**– US cents**	0.101 US cents	
Total dividends paid and proposed per share	**– US cents**	0.246 US cents	

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 2014 together with the comparative figures for the corresponding period in the previous year.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30 June 2014 *US$'000***	Audited 31 December 2013 *US$'000*
ASSETS			
Non-current assets			
Land use rights		**2,785**	2,624
Property, plant and equipment		**131,969**	126,708
Intangible assets		**10,442**	11,163
Long-term loan and receivables		**147**	117
Investment in an associate		**3,474**	3,490
Total non-current assets		**148,817**	144,102
Current assets			
Inventories		**151,584**	115,202
Trade receivables	*4*	**32,754**	30,741
Amount due from the non-controlling interest of a subsidiary		**1,432**	1,445
Short-term loan to an associate		**99**	96
Prepayments and other receivables		**18,795**	14,311
Restricted cash		**4,226**	4,264
Short-term bank deposits		**2,083**	3,013
Cash and cash equivalents		**14,857**	39,496
Total current assets		**225,830**	208,568
Total assets		**374,647**	352,670

	Note	Unaudited 30 June 2014 *US$'000*	Audited 31 December 2013 *US$'000*
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**15,228**	15,228
Reserves			
– Proposed interim/final dividends	*11*	**–**	–
– Others		**256,644**	256,677
		271,872	271,905
Non-controlling interest		**(2,143)**	(1,748)
Total equity		**269,729**	270,157
LIABILITIES			
Non-current liabilities			
Bank borrowings		**11,508**	2,074
Deferred income tax liabilities		**5,065**	5,357
Provision for long service payment		**1,153**	1,169
Total non-current liabilities		**17,726**	8,600
Current liabilities			
Trade payables	*5*	**13,075**	14,590
Accruals and other payables		**14,744**	14,975
Amount due to related parties		**428**	313
Bank borrowings		**57,577**	43,085
Current income tax liabilities		**1,368**	950
Total current liabilities		**87,192**	73,913
Total liabilities		**104,918**	82,513
Total equity and liabilities		**374,647**	352,670
Net current assets		**138,683**	134,655
Total assets less current liabilities		**287,455**	278,757

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Six months ended 30 June	
		2014	2013
	Note	***US$'000***	*US$'000*
Revenue	*3*	**152,705**	166,956
Cost of sales	*7*	**(128,746)**	(142,040)
Gross profit		**23,959**	24,916
Other gains/(losses) – net	*6*	**669**	(10)
Gain on disposal of non-current assets held for sale		**–**	986
Selling and distribution expenses	*7*	**(10,634)**	(11,396)
Administrative expenses	*7*	**(12,372)**	(12,259)
Operating profit		**1,622**	2,237
Finance income		**111**	495
Finance costs		**(488)**	(434)
Finance (costs)/income – net	*8*	**(377)**	61
Share of post-tax loss of an associate		**(16)**	(9)
Profit before income tax		**1,229**	2,289
Income tax expense		**(1,187)**	(768)
Profit for the period		**42**	1,521
Profit attributable to:			
– Owners of the Company		**441**	1,920
– Non-controlling interest		**(399)**	(399)
		42	1,521
Earnings per share for profit attributable to the owners of the Company			
– Basic earnings per share *(expressed in US cents)*		**0.03**	0.13
– Diluted earnings per share *(expressed in US cents)*		**0.03**	0.13

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2014	2013
	US$'000	*US$'000*
Profit for the period	**42**	1,521
Other comprehensive (loss)/income		
Item that may be reclassified to profit or loss		
Currency translation differences	**(470)**	955
Total comprehensive (loss)/income for the period	**(428)**	2,476
Total comprehensive (loss)/income for the period attributable to:		
– Owners of the Company	**(33)**	2,827
– Non-controlling interest	**(395)**	(351)
	(428)	2,476

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. Basis of preparation

This interim condensed consolidated financial information for the six months ended 30 June 2014 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

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

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 2013, as described in those annual financial statements.

(a) The following interpretation and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2014, but are not currently relevant for the Group and have had no impact upon the reported financial information.

HKAS 32 (Amendment)	Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non-financial Assets
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Novation of derivatives
Amendments to HKFRSs 10, 12 and HKAS 27 (Revised 2011)	Consolidation for investment entities
HK (IFRIC) Interpretation 21	Levies

(b) The following new standards, interpretation and amendments to standards have been issued, but are not effective for the financial year beginning 1 January 2014 and have not been early adopted.

		Effective for accounting periods beginning on or after
HKAS 19 (Amendment)	Defined benefit plans	1 July 2014
HKFRS 9	Financial Instruments	to be determined[1]
HKFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operation	1 January 2016
HKFRS 14	Regulatory deferral accounts	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2017
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Annual improvements project	Improvements to HKASs and HKFRSs 2010 – 2013	1 July 2014

1 *The current version of HKFRS 9 does not include a mandatory effective date. An effective date will be added when all phases of HKFRS 9 are completed and finalised.*

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

3 Segment information

The chief operating decision-maker has been identified as the Board of Directors collectively. The Directors review the Group's policies and information for the purposes of assessing performance and allocating resources.

The Group presents its operating segment results (below) based on the information reviewed by the chief operating decision-makers and used to make strategic decision. This information includes 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	
	2014	2013
	US$'000	*US$'000*
Vietnam	**75,791**	79,698
The PRC	**15,596**	17,342
Japan	**36,351**	40,434
Taiwan	**6,009**	7,735
ASEAN member countries (other than Vietnam)	**14,649**	16,647
Other regions	**4,309**	5,100
Consolidated revenue per income statement	**152,705**	166,956

(ii) Capital expenditures

	Six months ended 30 June	
	2014	2013
	US$'000	*US$'000*
Vietnam	**15,962**	2,403
The PRC	**664**	1,917
	16,626	4,320

Capital expenditures are attributed to segments 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 2014	As at 31 December 2013
	US$'000	*US$'000*
Vietnam	**310,964**	285,697
The PRC	**56,724**	58,993
Hong Kong	**6,540**	7,527
Taiwan	**336**	370
Singapore	**83**	83
	374,647	352,670

Total assets are attributed to segments based on where the assets are located.

4 Trade receivables

	As at 30 June 2014	As at 31 December 2013
	US$'000	*US$'000*
Trade receivables from third parties	**34,475**	32,477
Less: provision for impairment of trade receivables	**(1,721)**	(1,736)
	32,754	30,741

The credit terms of trade receivables range from cash on delivery to 90 days. At 30 June 2014 and 31 December 2013, the ageing of the trade receivables based on invoice date was as follows:

	As at 30 June 2014	As at 31 December 2013
	US$'000	*US$'000*
0 – 30 days	**28,459**	21,004
31 – 90 days	**3,807**	7,128
91 – 180 days	**417**	1,660
181 – 365 days	**80**	786
Over 365 days	**1,712**	1,899
	34,475	32,477

5 Trade payables

As at 30 June 2014, the ageing of the trade payables based on invoice date was as follows:

	As at 30 June 2014	As at 31 December 2013
	US$'000	*US$'000*
0 – 30 days	**10,335**	13,354
31 – 90 days	**2,711**	1,191
91 – 180 days	**–**	–
181 – 365 days	**28**	17
Over 365 days	**1**	28
	13,075	14,590

6 Other gains/(losses) – net

	Six months ended 30 June	
	2014	2013
	US$'000	*US$'000*
Net exchange losses	**(172)**	(217)
Loss on disposal of property, plant and equipment	**(188)**	(28)
Sales of scrap materials	**554**	147
Others	**475**	88
	669	(10)

7 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	
	2014	2013
	US$'000	*US$'000*
Changes in inventories of finished goods and work in progress	**(7,975)**	(7,029)
Raw materials and consumables used	**113,337**	129,788
Amortisation of intangible assets	**669**	667
Amortisation of land use rights	**30**	26
Depreciation on property, plant and equipment	**10,728**	11,182
Employee benefit expenses	**14,719**	14,261
(Reversal of provision)/provision for impairment of trade receivables	**(15)**	33
Other expenses	**20,259**	16,767
Total cost of sales, selling and distribution expenses and administrative expenses	**151,752**	165,695

8 Finance costs/(income) – net

	Six months ended 30 June	
	2014	2013
	US$'000	*US$'000*
Finance income – interest income on short-term bank deposits	**(111)**	(495)
Interest expense on bank borrowings	**488**	434
Finance costs/(income) – net	**377**	(61)

9 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/(credited) to the consolidated income statement represents:

	Six months ended 30 June	
	2014	2013
	US$'000	*US$'000*
Enterprise income tax ("EIT")	**1,479**	1,255
Deferred income tax	**(292)**	(487)
	1,187	768

10 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company of US$441,000 (2013: US$1,920,000) by 1,522,742,000 (2013: 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 2014 and 2013.

11 Dividends

	Six months ended 30 June	
	2014	2013
	US$'000	*US$'000*
2012 final dividend, paid of 0.145 US cents per ordinary share	**–**	2,205
2013 interim dividend, paid of 0.101 US cents per ordinary share	**–**	1,536
	–	3,741

The board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

I. Business Overview

Generally speaking, the global economy has experienced modest growth in the first half of 2014, but the foundation for recovery was not sufficiently firm. As a result, the unstable political conditions in Asia, the Middle East and Ukraine have led many economic organisations to lower forecasts for global GDP growth. The US economy has shown stronger signs of growth with the unemployment rate dropping by 1.2 percentage points as consumer confidence has risen, and the Japanese economy has also recorded a higher-than-expected growth rate with stronger spending power. At the same time, the European economy has at last moved out of the shadow of the debt crisis, although its unemployment rate remained high, consumer confidence was lagging, the pressure of deflation lingered and production has not yet completely revived. Compared with the time of the Asian Financial Crisis, emerging economies have optimised systems with improved debt-paying capabilities. However, the fluctuations in the inflow of capital has aggravated the volatility of exchange rates of certain countries such as India and Indonesia, bringing with it higher financial risks. The PRC for its part has also faced different challenges such as increasing bad debts, decreasing foreign direct investment and a higher inflation rate. In the first half of the year, economic growth in the PRC was 7.4%, slightly lower than 7.6% in the same period last year, which suggested the growth momentum was slowing down. As for Vietnam, it also faced many challenges as well, but fortunately its macro economy strengthened and signs of recovery were evident. The domestic economy in Vietnam grew 5.18% in the first half, up from 4.9% in the first half of 2013, and its expected GDP growth for the year of 2014 is approximately 5.7% to 5.8%, with the inflation rate remaining the lowest in ten years at 4.8%. In addition, Vietnam registered a trade surplus, had lower interest rates and recorded higher foreign currency deposits while enjoying a stabilised exchange rate.

During the period under review, the Group recorded a revenue of US$152,705,000, 8.5% or US$14,251,000 lower than the same period last year. The decrease was mainly due to the decision of reducing sales volume of processed food products with lower margins, so the revenue from MSG products dropped by US$11,270,000. Gross profit of the Group declined around 3.8% or US$957,000 to US$23,959,000 as compared to the same period last year. However benefitting from the higher margins of MSG products, the Group's overall gross profit margin actually increased to 15.7% from 14.9% in the corresponding period last year. A net profit of US$42,000 was recorded. The drop in business was principally a result of the following factors: 1. The Group's Vietnam-based factories temporarily reduced the sale of lower margin processed food products in the face of fierce price competition with the players in the PRC and Indonesia, which resulted in a drop in revenue and profit; 2. the decrease in MSG production affected the supply of fertiliser and feed products; 3. the persistent increase of energy costs in Vietnam could not be reflected in selling prices, which eroded our profitability. To address the problem of rocketing energy costs, the Group has employed alternative energy solutions and the projects are expected to be completed in the first quarter of next year. By that time, the production cost of the factories in Vietnam should decline, thus generating more profit for the Group.

II. Business Analysis

(i) Sales Analysis by Market

Unit: US$'000

	Six Months Ended 30 June					
Area	**2014**		**2013**		**Difference**	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
Vietnam	75,791	49.6%	79,698	47.7%	(3,907)	(4.9)%
Japan	36,351	23.8%	40,434	24.2%	(4,083)	(10.1)%
PRC	15,596	10.2%	17,342	10.4%	(1,746)	(10.1)%
ASEAN member countries	14,649	9.6%	16,647	10.0%	(1,998)	(12.0)%
Other regions	10,318	6.8%	12,835	7.7%	(2,517)	(19.6)%
Total	**152,705**	**100.0%**	**166,956**	**100.0%**	**(14,251)**	**(8.5)%**

1. Vietnam

Revenue from the Vietnam market amounted to approximately US$75,791,000, 4.9% or US$3,907,000 lower than the same period last year. The decrease was mainly a result of its "Profit Is the Top Priority" strategy, under which the Group has reduced the sale of processed food products and related production capacity, thereby affecting the revenue from MSG and fertiliser and feed products in Vietnam. As the decrease in revenue from Vietnam was lower than that of total revenue which is 8.5%, the contribution from Vietnam to the Group's total revenue rose from 47.7% to 49.6%.

2. *Japan*

Japan is the second largest market for the Group. Facing the intense price competition in the international market, the Group has lowered the prices of MSG products in response to market demand. Thus the revenue from the Japan market decreased period-on-period by 10.1% or US$4,083,000 to US$36,351,000 during the period, and the contribution to the Group's total revenue also dropped from 24.2% to 23.8%.

3. *The PRC*

The revenue from seasoning products in the PRC recorded an increase, but the Group could not increase the selling prices of its major product, MSG, because of an over-supply in the industry. This, plus the keen competition in the market meant that revenue from this market dropped 10.1% or US$1,746,000 to US$15,596,000 in the period and its contribution to the Group's total revenue dropped from 10.4% to 10.2%.

4. *ASEAN member countries*

During the period under review, revenue from ASEAN member countries amounted to US$14,649,000, down from 10.0% of total revenue to 9.6%. This figure was around 12.0% or US$1,998,000 less than the US$16,647,000 recorded in the same period last year. Affected by the keen price competition of MSG products across ASEAN member countries, the Company has strategically reduced the supply of processed food products. As the costs are expected to be lower next year, the production should return to normal levels.

5. *Other regions*

Revenue from other regions dropped 19.6% or US$2,517,000 from US$12,835,000 in the same period of 2013 to US$10,318,000, a decrease to 6.8% in total revenue from 7.7% during the last corresponding period, because the demand for starch-related products in Taiwan decreased and the economies of the European market have yet to recover.

(ii) Sales Analysis by Product

Unit: US$'000

Products	Six Months Ended 30 June 2014 Amount	2014 %	2013 Amount	2013 %	Difference Amount	Difference %
MSG	105,288	68.9%	116,558	69.8%	(11,270)	(9.7)%
Modified starch/native starch	20,423	13.4%	20,630	12.4%	(207)	(1.0)%
Fertiliser and feed products	11,448	7.5%	15,193	9.1%	(3,745)	(24.6)%
Specialty chemicals	9,718	6.4%	10,601	6.3%	(883)	(8.3)%
Others	5,828	3.8%	3,974	2.4%	1,854	46.7%
Total	**152,705**	**100.0%**	**166,956**	**100.0%**	**(14,251)**	**(8.5)%**

i. MSG

The Group has lowered selling prices in response to intensified market competition, so revenue from MSG operation during the period decreased by around 9.7% or US$11,270,000 from the same period last year to US$105,288,000 and its contribution to the Group's total revenue dropped slightly from 69.8% to 68.9%. To maintain our profitability, the Group has reduced the production of lower margin processed food products. The sales of MSG products recorded a decrease in major markets, most notably in Japan and ASEAN member countries. However, after years of effort to consolidate its brands and retail markets, the contribution from this segment has been growing and this growth is set to boost the gross profit in the future.

ii. *Modified starch/native starch*

After the Group disposed of the factory of Veyu, its subsidiary in Vietnam, which principally produces native starch in Gia Lai Province in Vietnam, at the end of last year, revenue from native starch during the period substantially dropped 78.0% or US$1,214,000. However, modified starch has performed better during the period under review, in particular in the major markets such as Vietnam, Japan and ASEAN member countries, with total revenue up US$1,007,000. Therefore, total revenue of modified and native starch during the period only marginally declined 1.0% or US$207,000 to US$20,423,000. Its contribution to the total revenue of the Group increased from 12.4% to 13.4%.

iii. *Specialty chemicals/fertiliser and feed products*

Specialty chemicals including hydrochloric acid, soda and bleach are principally sold in the Vietnam market. During the period under review, soda business was affected by the sluggish economy and has not recovered yet, so both sales volume and selling price recorded a decrease. Revenue of specialty chemicals declined 8.3% or US$883,000 to US$9,718,000 and the contribution to the Group's total revenue stood similar to the same period in 2013.

The fertiliser and feed products were affected by the Group's strategic initiatives. The production volume of MSG products and the selling prices of chemical fertilisers decreased during the period, which affected the production volume of fertilisers and feed products. Thus the segmental revenue dropped 24.6% or US$3,745,000 to US$11,448,000 in the period, and the contribution to the Group's total revenue declined from 9.1% to 7.5%.

III. Major Raw Materials/Energy Overview

1. Cassava

Currently, the cassava plantation in Vietnam covers 560,000 hectares with a total output of around 9,400,000 tonnes, of which 30% is for domestic sales (used for production of feed products, pharmaceuticals, bio-fuels and industrial alcohol) and the remaining 70% is exported. In 2013, Vietnam was the second largest exporter of cassava and cassava-related products in the world, immediately behind Thailand. It sells these products elsewhere in Asia, including the PRC, Korea, Malaysia, India, Indonesia, Myanmar and Japan. Currently, the PRC is the largest export market of cassava and cassava-related products of Vietnam, accounting for 85.6%. However, Vietnam's export of cassava and cassava-related products to the PRC dropped by 19.8%, mainly attributable to the decrease in production capacity of many ethanol gasoline plants in the PRC. This trend continued in the first half of 2014 and the territorial dispute over offshore waters between the PRC and Vietnam has led to a substantial drop in the sales volume of cassava in Vietnam. Thus, it is expected that price of cassava might drop slightly but the volume of raw materials should increase in the new production season during the second half of the year.

2. Molasses

During the production season in 2013/2014, although the production capacity of cane sugar in Thailand and Vietnam has increased, the supportive government policies in various countries to raise crops as raw materials for the production of biomass energy has led to a drop in trading volume of molasses in the region. The export volume of Thailand, Indonesia, the Philippines and Pakistan have all dropped, resulting in high prices of molasses as the price was unable to drop along with the increase in production capacity of cane sugar. This phenomenon is expected to continue.

3. Energy

The cogeneration factory of Vedan Vietnam is currently using natural gas as fuel. However, as the natural gas sources in Vietnam are restricted, its price has substantially risen since 2010. The price of natural gas in 2013 increased by about 20% when compared with 2012 and it continued to climb in the first half of 2014, resulting in an increase in production costs. The Group expects the price of natural gas in Vietnam to remain high in the second half of the year. In addition, Vietnam has adjusted the calculation method of electricity charges since 1 June 2014. The Group's Vietnam operation complements the external electricity supply and has continued to execute energy-saving initiatives, which have involved production adjustment based on the demand, time slot and season of its plants to achieve the highest efficiency in energy utilisation.

IV. Financial Review

1. Liquidity and Financial Resources

In response to the Central Bank of Vietnam's periodic efforts to decrease the interest rate on Vietnam Dong deposits during the period under review, the Group utilised part of its deposits denominated in Vietnam Dong to repay the borrowings in US dollars. It has also increased the purchase of agricultural raw materials during the period. As at 30 June 2014, the Group had cash and bank deposits of US$21,166,000, which was approximately US$25,607,000 or about 54.7% lower than that amount in late 2013, and about 38.3% or US$13,122,000 lower than the corresponding figure in the same period in 2013. As the Group has focused on implementing alternative energy initiatives and due to the increase in raw materials and inventory, bank borrowings increased accordingly. Short-term bank borrowings increased by US$14,492,000 or 33.6% to US$57,577,000, while middle-to-long-term bank borrowings rose by US$9,434,000 to US$11,508,000. Total bank borrowings increased by US$23,926,000, or around 53.0% to US$69,085,000. The borrowings were mainly denominated in US dollars, which accounted for 98.1% of the total and the remaining 1.9% was denominated in New Taiwan dollars. The proportions of short-term and medium-to-long-term bank borrowings were 83.3% and 16.7% respectively. With increased bank borrowings and reduced cash and deposits, the net interest expense during the period rose by about US$438,000 period-on-period.

Trade receivables were US$32,754,000, an increase of US$2,013,000 or around 6.5% when compared with late 2013, and decreased by US$1,052,000 or about 3.1% when compared with the same period in 2013. Around 82.5% of the trade receivables were due within 30 days.

In light of the increased borrowings, the gearing ratio (total borrowings to total capital ratio) was 20.4%, which was higher than 14.3% at the end of 2013. Net gearing ratio (total borrowings less cash and deposits to total capital ratio) was 14.1%. Current ratio declined from 2.8 in late 2013 to 2.6 due to the increase in short term borrowings.

2. *Capital Expenditure*

During the period under review, capital expenditure amounted to approximately US$16,626,000, approximately US$12,306,000 more than the capital expenditure of US$4,320,000 in the first half of 2013.

3. *Exchange Rate*

Economic growth in Vietnam was 5.18% in the first half of the year. While higher than the 4.9% recorded in the first half of 2013, it was still substantially lower than the 5.8% target set by the Vietnamese government. To stimulate exports and drive economic growth, the Central Bank in Vietnam adjusted the VND/US$ rate downward by 1% to VND21,246 to US$1 in May 2014. The official price was within the rate plus or minus 1%. This was the first exchange rate adjustment by the Central Bank in Vietnam in more than a year.

The Group's subsidiaries in the PRC, Shanghai Vedan, Shandong Vedan and Xiamen Maotai focus on the sales in the PRC's domestic market and transactions are mainly denominated in RMB. Since the People's Bank of China embarked on exchange rate reform in June 2010, the exchange rate between the RMB and the US dollar has appreciated by close to 12% as at January 2014, the highest level in the last two decades. The RMB has been depreciating in five consecutive months since February 2014, and the exchange rate between the RMB and US dollar depreciated by more than 3%, to the lowest level since late 2012. The exchange rate has rebounded slightly in June.

4. Dividend

Basic earnings per share for the period under review were 0.03 US cents. The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2014.

V. Prospects

Despite the overall stagnant economy, the markets in which the Group has business operations have showed signs of a modest recovery, in particular Vietnam and the PRC. The Group aims to capture the business opportunities by strengthening business promotion and marketing activities so as to improve its business performance and maintain its market share.

The Group is working hard to strengthen the long term collaboration with its customers in markets beyond Vietnam and the PRC. It has also increased its marketing efforts in different regions, in particular the ASEAN countries, where the Group plans to improve results by rebuilding the brand and utilising different marketing channels.

The Group has good understanding of the majority of raw materials used in production in the first half of the year. Based on business needs, the Group is carefully adjusting its production plans and controlling production costs to ensure quality and enhance product competitiveness and operational efficiencies. Meanwhile, the Group is further improving the management system of procuring raw materials so as to realise effective use of capital.

As for introducing new products, the Group will further strengthen management and business development with the hope of laying a strong foundation for achieving a satisfactory short– to mid-term business performance. It will enhance the expansion of marketing channels and focus more on new product development.

The Group's new energy initiative in Vietnam is progressing smoothly. It is closely monitoring the progress of plant construction and aims to commence production earlier in order to lower production costs. The Group has also implemented energy-saving initiatives and flexibly adjusted its production procedures to improve its overall operational efficiencies, reduce expenses and broaden its sources of income.

The Group will continue its efforts to expand the PRC market, focusing more closely on the market and its products and eliminating low-margin items. It will also invest more in large scale procurement of raw materials, form strategic alliances or conduct mergers and acquisitions with other brands and implement other strategies which to explore new business opportunities. Building and strengthening team resources and achieving a more effective performance management system remain as the Group's main operational directions and the areas in which the Group will further improve.

Generally speaking, market sentiments in the Group's key markets are showing slow recovery, which should affect the Group's operations in the second half of the year. However, the further rise in fuel costs in Vietnam may also have an adverse effect on the Group's production costs. Facing such a challenging operational environment, the Group's management can leverage its extensive industry and management experience and continue to adjust business strategies based on market conditions and launch initiatives in a timely manner to save costs and enhance operational efficiencies. Although its short term prospects are uncertain, the above strategies addressing various aspects of its business including marketing, cost control and raw materials development are set to improve the Group's operational efficiencies by early next year.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2014.

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 2014.

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 2014.

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

The Company has complied with the provisions of the Corporate Governance Code ("CG Code") set out in Appendix 14 of the Listing Rules of the Hong Kong Stock Exchange during the reporting period up to 30 June 2014, save and except for the below code provision.

In respect of code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting and should also invite the chairman of the audit, remuneration and nomination committees to attend. Mr. YANG, Tou-Hsiung, the Chairman of the Board and the Chairman of the Nomination Committee and Mr. CHAO, Pei-Hong, Chairman of the Audit Committee were not in the position to attend the annual general meeting of the Company held on 20 May 2014 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 condensed consolidated financial information for the six months ended 30 June 2014. The Audit Committee comprises the four Independent Non-executive Directors of the Company.

PUBLICATION OF INTERIM REPORT

The Company's interim report for the six months ended 30 June 2014 containing all the relevant information required by Appendix 16 to the Listing Rules of the Hong Kong Stock Exchange will be dispatched to shareholders and published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.vedaninternational.com) 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
26 August 2014

As at the date of this announcement, the 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
Mr. HSIEH, Lung-Fa