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 2016

FINANCIAL HIGHLIGHTS

	Unaudited six months ended 30 June		
	2016	2015	**Change**
	US$'000	*US$'000*	
Revenue	**163,167**	158,150	3.2%
Gross profit	**40,341**	25,741	56.7%
Profit for the period	**13,872**	4,216	229.0%
Profit attributable to owners of the Company	**13,948**	4,455	213.1%
Basic earnings per share	**0.92 US cents**	0.29 US cents	
Diluted earnings per share	**0.92 US cents**	0.29 US cents	
Interim dividend proposed per share	**0.641 US cents**	0.175 US cents	
Total dividends paid and proposed per share	**0.641 US cents**	0.175 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 2016 together with the comparative figures for the corresponding period in the previous year.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30 June 2016 *US$'000***	Audited 31 December 2015 *US$'000*
ASSETS			
Non-current assets			
Land use rights		**2,459**	2,544
Property, plant and equipment		**149,645**	156,603
Intangible assets		**9,082**	9,177
Long-term trade receivables	*4*	**197**	–
Long-term loan and receivables		**74**	70
Investment in an associate		**3,353**	3,365
Total non-current assets		**164,810**	171,759
Current assets			
Inventories		**86,494**	80,037
Trade receivables	*4*	**31,885**	29,863
Amount due from the non-controlling interest of a subsidiary		**861**	879
Short-term loan to an associate		**120**	120
Prepayments and other receivables		**11,145**	10,451
Short-term bank deposits		**4,753**	19,330
Cash and cash equivalents		**45,082**	44,190
Total current assets		**180,340**	184,870
Total assets		**345,150**	356,629

	Note	Unaudited 30 June 2016 US$'000	Audited 31 December 2015 US$'000
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**15,228**	15,228
Reserves		**269,084**	260,390
		284,312	275,618
Non-controlling interest		**(2,220)**	(2,168)
Total equity		**282,092**	273,450
LIABILITIES			
Non-current liabilities			
Bank borrowings		**24,733**	28,613
Deferred income tax liabilities		**4,073**	4,178
Retirement benefit obligations		**1,417**	1,230
Total non-current liabilities		**30,223**	34,021
Current liabilities			
Trade payables	5	**8,763**	10,686
Accruals and other payables		**9,662**	13,548
Amount due to related parties		**1,348**	946
Bank borrowings		**11,835**	23,113
Current income tax liabilities		**1,227**	865
Total current liabilities		**32,835**	49,158
Total liabilities		**63,058**	83,179
Total equity and liabilities		**345,150**	356,629

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Six months ended 30 June	
		2016	2015
	Note	***US$'000***	*US$'000*
Revenue	*3*	**163,167**	158,150
Cost of sales	*7*	**(122,826)**	(132,409)
Gross profit		**40,341**	25,741
Other gains – net	*6*	**506**	979
Selling and distribution expenses	*7*	**(10,845)**	(10,245)
Administrative expenses	*7*	**(12,400)**	(10,514)
Operating profit		**17,602**	5,961
Finance income		**281**	257
Finance costs		**(485)**	(575)
Finance costs – net	*8*	**(204)**	(318)
Share of post-tax loss of an associate		**(12)**	(17)
Profit before income tax		**17,386**	5,626
Income tax expense	*9*	**(3,514)**	(1,410)
Profit for the period		**13,872**	4,216
Profit/(loss) attributable to:			
– Owners of the Company		**13,948**	4,455
– Non-controlling interest		**(76)**	(239)
		13,872	4,216
Earnings per share attributable to the owners of the Company			
– Basic earnings per share (expressed in US cents)	*10*	**0.92**	0.29
– Diluted earnings per share (expressed in US cents)	*10*	**0.92**	0.29

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2016	2015
	US$'000	*US$'000*
Profit for the period	**13,872**	4,216
Other comprehensive income/(loss)		
Item that may be reclassified to profit or loss		
Currency translation differences	**(600)**	33
Total comprehensive income for the period	**13,272**	4,249
Total comprehensive income/(loss) for the period attributable to:		
– Owners of the Company	**13,294**	4,491
– Non-controlling interest	**(22)**	(242)
	13,272	4,249

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 Basis of preparation

This interim condensed consolidated financial information for the six months ended 30 June 2016 has been prepared in accordance with 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 2015, 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 2015, as described in those annual financial statements.

(a) The following new standards, interpretation and amendments to standards are mandatory for the first time for the financial year beginning on or after 1 January 2016, but have not had any significant impact on the preparation of this interim condensed consolidated financial information.

HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment entities: applying the consolidation exception
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
HKAS 1 (Amendment)	Disclosure initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements
Annual Improvements Project	Annual Improvements 2012-2014 Cycle

(b) The following new standards, interpretation and amendments to standards have been issued, but are not effective for the financial year beginning on 1 January 2016 and have not been early adopted.

		Effective for annual periods beginning on or after
HKAS 7 (Amendments)	Statement of cash flows	1 January 2017
HKAS 12 (Amendments)	Income taxes	1 January 2017
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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 Executive Directors collectively. The Executive 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-maker, and used to make strategic decision. This information includes segment revenue, segment assets and capital expenditures.

The chief operating decision-maker considers 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

	Unaudited Six months ended 30 June	
	2016	2015
	US$'000	*US$'000*
Vietnam	**78,124**	83,024
Japan	**31,535**	31,625
The PRC	**16,755**	15,639
America	**12,147**	5,115
Taiwan	**5,478**	6,345
ASEAN member countries (other than Vietnam)	**15,237**	13,304
Other regions	**3,891**	3,098
Consolidated revenue per income statement	**163,167**	158,150

(ii) Capital expenditures

	Unaudited Six months ended 30 June	
	2016	2015
	US$'000	*US$'000*
Vietnam	**2,879**	8,775
The PRC	**37**	109
	2,916	8,884

Capital expenditures are attributed to segments based on where the assets are located.

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

(iii) Total assets

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2016	2015
	US$'000	*US$'000*
Vietnam	**288,361**	298,634
The PRC	**46,241**	45,608
Hong Kong	**9,660**	10,784
Taiwan	**783**	1,511
Singapore	**105**	92
	345,150	356,629

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

4 Trade receivables

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2016	2015
	US$'000	*US$'000*
Non-current	**197**	–
Current	**31,885**	29,863
Total trade receivables	**32,082**	29,863

	Unaudited As at 30 June 2016 US$'000	Audited As at 31 December 2015 US$'000
Trade receivables from third parties	**32,417**	30,216
Less: provision for impairment of trade receivables	**(335)**	(353)
	32,082	29,863

The credit terms of trade receivables generally range from cash on delivery to 90 days. The Group may grant a longer credit period to certain customers and it is subject to the satisfactory results of credit assessment. At 30 June 2016 and 31 December 2015, the ageing of the trade receivables based on invoice date was as follows:

	Unaudited As at 30 June 2016 US$'000	Audited As at 31 December 2015 US$'000
0 – 30 days	**28,877**	27,124
31 – 90 days	**2,474**	1,920
91 – 180 days	**622**	624
181 – 365 days	**109**	166
Over 365 days	**335**	382
	32,417	30,216

5 Trade payables

As at 30 June 2016, the ageing of the trade payables based on invoice date was as follows:

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2016	2015
	US$'000	*US$'000*
0 – 30 days	**7,132**	7,872
31 – 90 days	**1,501**	2,654
91 – 180 days	**2**	31
181 – 365 days	**–**	99
Over 365 days	**128**	30
	8,763	10,686

6 Other gains – net

	Unaudited	
	Six months ended 30 June	
	2016	2015
	US$'000	*US$'000*
Net exchange gains/(losses)	**161**	(292)
Loss on disposal of property, plant and equipment	**(46)**	(115)
Sales of scrap materials	**258**	303
Gain on disposal of assets held for sale *(Note)*	**–**	460
Others	**133**	623
Other gains – net	**506**	979

Note:

The assets and liabilities related to Orsan Vietnam Co., Ltd, a wholly owned subsidiary of the Group, have been presented as assets held for sale following the approval of the Group's management on 31 December 2014 to sell Orsan Vietnam Co., Ltd in Vietnam to a third party. The transaction was completed during the period ended 30 June 2015.

The following table summarises the consideration received for the disposal of assets held for sale and the amounts of assets and liabilities disposed on the disposal date:

	Unaudited Six months ended 30 June 2015 *US$'000*
Consideration	2,386
Net asset value of assets held for sale	(1,926)
Gain on disposal of assets held for sale	460
Assets and liabilities disposed:	
Cash and cash equivalents	1,811
Property, plant and equipment	38
Other receivables	77
Net asset value	1,926
Proceeds from disposal of assets held for sale comprise:	
Cash consideration received	2,333
Other receivables	53
Proceeds from disposal of assets held for sale	2,386

7 Expenses by nature

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

	Unaudited	
	Six months ended 30 June	
	2016	2015
	US$'000	*US$'000*
Changes in inventories and consumables used	**97,865**	106,396
Amortisation of intangible assets	**65**	258
Amortisation of land use rights	**32**	34
Depreciation on property, plant and equipment	**9,457**	11,240
Employee benefit expenses	**16,764**	15,116
Reversal of provision for impairment of trade receivables	**(18)**	(28)
Operating lease rental	**167**	305
Technical support fee	**1,400**	1,140
Other expenses	**20,339**	18,707
Total cost of sales, selling and distribution expenses and administrative expenses	**146,071**	153,168

8 Finance costs – net

	Unaudited	
	Six months ended 30 June	
	2016	2015
	US$'000	*US$'000*
Finance income – interest income on short-term bank deposits	**(281)**	(257)
Interest expense on bank borrowings	**485**	708
Less: amounts capitalised on qualifying assets	**–**	(133)
Finance costs	**485**	575
Finance costs – net	**204**	318

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 condensed consolidated income statement represents:

	Unaudited Six months ended 30 June	
	2016	2015
	US$'000	*US$'000*
Enterprise income tax ("EIT")	**3,619**	1,624
Deferred income tax	**(105)**	(214)
	3,514	1,410

10 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company of US$13,948,000 (2015: US$4,455,000) by 1,522,742,000 (2015: 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 2016 and 2015.

11 Dividends

A final dividend of US$4,600,000 that relates to the period to 31 December 2015 was paid in June 2016 (2015: nil).

On 23 August 2016, the board of directors has resolved to declare an interim dividend of 0.641 US cents per share (2015: 0.175 US cents). This interim dividend, amounting to US$9,761,000 (2015: US$2,670,000), has not been recognised as a liability in this interim condensed consolidated financial information.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS OVERVIEW

The global economy continued to undergo substantial changes in 2016. The recent "Brexit" referendum in the UK, the unchanging interest rate after the initial hike by the US Federal Reserve, gloomy sentiment towards the PRC economy and the political and economic variables in Europe, the Middle East and the world have all added uncertainty to the global economy, as it is undergoing profound adjustment. Among all the major economies in the world, the US economy has experienced slower growth since the second quarter of 2015 and its growth still fell behind expectations through the first half of 2016. The country's real GDP recorded an annual growth rate of only 0.8% in the first quarter of 2016, while its economic growth rate was only 1.2% in the second quarter, lower than the 2.5% expected by the market. While economic indicators such as inflation rate and unemployment rate kept fluctuating, consumer spending, fixed investment and industrial output resumed moderate growth. The economy in Europe showed a steady recovery in the first half, thanks to the improvement in consumption driven by low petroleum prices. However, the growth could slow after seeing the good start. The quantitative easing monetary policy implemented by the Japanese government has not improved local economic conditions as expected. Thus, the Japanese government has delayed the increase in national sales tax, which is expected to help improve sentiment on the spending of Japanese citizens. As for the PRC market, affected by the weak recovery in the global economy, GDP in the country grew by 6.7% year-on-year in the first half of the year, which was slightly above market expectations and indicated that the large-scale stimulus measures launched in the first quarter of the year have resulted in temporary stability in the PRC economy. However, the growth rate in China is still the lowest since 2009.

In the first half of 2016, Vietnam recorded a year-on-year growth of 5.52% in GDP, lower than the 6.28% in the first half of 2015 but higher than the 4.93%, 4.9% and 5.22% recorded in the same period between 2012 and 2014. The lower GDP recorded in the first half of 2016 was attributable to weather changes. The severe drought and soil salinisation occurred in Vietnam in the first half resulted in the negative growth rate in the region's agriculture, forestry and fishery industries. Nonetheless, the country's industries and service industries still recorded increases. Affected by the drop in petroleum and raw material prices, Vietnam's inflation rate was close to 0% in 2015, and rebounded slightly to 1.72% in the first half of 2016, which remained at a low level. Vietnam has finally returned to a trade surplus after experiencing transformation from a trade surplus position into a trade deficit position three years in a row. At the same time, its appeal to foreign companies for investment has been significantly enhanced, and the value of the country's newly-added total investment capital increased by 105.4% year-on-year. Actual capital secured for foreign-funded projects also grew by 15.1% year-on-year. Overall, the macro-social and macro-economic index showed relatively stable growth in the first half of 2016, with lower lending rate and stable exchange rates benefitting the development of companies.

During the period under review, the Group recorded revenue of US$163,167,000, 3.2% or US$5,017,000 higher than the same period last year. The increase was mainly due to the notable growth in overseas sales of MSG produced at the Vietnam plant. Revenue from modified starch and maltose under the starch product category experienced greater growth. Geographically, revenue from the US market grew substantially and increased slightly from ASEAN countries and the PRC, while the business in Vietnam recorded a reduction. Gross profit of the Group increased 56.7% or US$14,600,000 to US$40,341,000 as compared to the same period last year. The Group's overall gross profit margin has climbed to 24.7% from 16.3% in the corresponding period last year. Net profit for the period was US$13,872,000, representing a growth of US$9,656,000 when compared with the same period in 2015, and net profit margin increased substantially to 8.5% from 2.7% in 2015. Both revenue and profit have grown during the period. The principal reasons for the increase in net profit included: 1) the results of the energy cost-saving measures implemented by Vedan Vietnam; 2) price drops of some major raw materials; and 3) an increase in revenue from overseas sales. In the second half of 2016, as the Vietnamese government plans to join a number of free trade agreements, the Group expects to see smoother processing of imports and exports and an increase in domestic demand in Vietnam. Thus, it is cautiously optimistic about the Group's prospects in this market.

II. BUSINESS ANALYSIS

(1) Sales Analysis by Market

Unit: US$'000

	For the first half of					
Area	**2016**		**2015**		**Difference**	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
Vietnam	78,124	47.9%	83,024	52.5%	(4,900)	(5.9%)
Japan	31,535	19.3%	31,625	20.0%	(90)	(0.3%)
The PRC	16,755	10.3%	15,639	9.9%	1,116	7.1%
ASEAN	15,237	9.3%	13,304	8.4%	1,933	14.5%
Other regions	21,516	13.2%	14,558	9.2%	6,958	47.8%
Total	**163,167**	**100.0%**	**158,150**	**100.0%**	**5,017**	**3.2%**

1. *Vietnam*

The Group's revenue from Vietnam amounted to approximately US$78,124,000 in the first half of 2016, a decrease of 5.9% or US$4,900,000 from the same period last year. Revenue of MSG reduced by 4.6%, or US$2,677,000, year-on-year due to the drop in performance of MSG and fertilisers, as well as the price war with imported MSG products. Despite this, the Vietnamese government has implemented protective measures against imported MSG and the Group expects such measures will help push the market price back to a reasonable level. In addition, the extended influence of El Niño last year leading to drought in many regions has caused considerable damage to the crops in Vietnam and has significant impact on the domestic agriculture industry. The Group's fertiliser and feed product sales in Vietnam have decreased notably as a result when compared with the corresponding period last year.

2. *Japan*

The Group's revenue from the Japan market was US$31,535,000, a slight drop of 0.3% or US$90,000 when compared with the first half in 2015, and its proportion of the Group's total revenue was down from 20.0% to 19.3%. As a result of the quantitative easing monetary policy implemented by the Japanese government and collateral impact from Brexit, the Japanese yen as one of the safe-haven currencies experienced fierce fluctuations in foreign exchange valuation. The Group will pay more attention to these fluctuations in the future as Japan is now its second largest sales market.

3. *The PRC*

During the period under review, revenue from the PRC market reached US$16,755,000, 7.1% or US$1,116,000 higher than the same period in 2015. Its contribution to the Group's total revenue also increased from 9.9% in the first half of 2015 to 10.3%. The growth mainly came from the rise in revenue from MSG and starch products.

4. *ASEAN member countries*

During the period, revenue from ASEAN member countries, not including Vietnam, amounted to US$15,237,000, rising by 14.5% or US$1,933,000 year-on-year. Its contribution to the Group's total revenue was up from 8.4% to 9.3%. The increase in revenue was mainly because the Group has effectively controlled its production costs during the period, which in turn improved both competitiveness and sales performance.

5. Other regions

Revenue from other regions soared by 47.8% or US$6,958,000 from US$14,558,000 in the same period of 2015 to US$21,516,000, and its proportion in the Group's total revenue increased to 13.2% from 9.2%. The Group has partly resumed sales to the US during the period as Europe and the US imposed anti-dumping taxes on MSG products from the PRC. Higher revenue growth was recorded as a result.

(2) Sales Analysis by Product

Unit: US$'000

Products	For the first half of 2016		2015		Difference	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
MSG	113,498	69.6%	109,249	69.1%	4,249	3.9%
Modified starch/ Native starch	21,017	12.9%	19,197	12.1%	1,820	9.5%
Specialty chemicals	10,530	6.4%	11,184	7.1%	(654)	(5.8%)
Fertiliser and feed products	8,493	5.2%	11,296	7.1%	(2,803)	(24.8%)
Others	9,629	5.9%	7,224	4.6%	2,405	33.3%
Total	**163,167**	**100.0%**	**158,150**	**100.0%**	**5,017**	**3.2%**

1. MSG

Revenue from MSG operations during the period rose by 3.9% or US$4,249,000 from the same period last year to US$113,498,000 and its contribution to the Group's total revenue marginally increased to 69.6% from 69.1% in the first half of 2015. The growth in MSG revenue was mainly due to the Group's ability to secure more stable bulk materials and stabilize energy costs, which made its MSG products more price competitive. Also, Europe and the US have imposed anti-dumping taxes on MSG products exported from the PRC. Hence, revenue from MSG sales in the US, the EU and ASEAN (excluding Vietnam) showed a notable surge.

2. *Modified starch/Native starch/Amylase*

Sales of modified starch/native starch gradually picked up during the period. Total revenue from this business segment increased by 9.5%, or US$1,820,000, year-on-year to US$21,017,000. The growth was mainly attributable to the rise in demand for modified starch across various geographic markets. The revenue contribution from starch has been enlarged from 12.1% to 12.9% of the total revenue of the Group.

The amylase business launched by the Group in recent years has achieved brilliant results in the first half of the year. Revenue increased by about US$2,063,000 year-on-year to US$4,802,000, mainly driven by customer recognition of the product's high quality and the subsequent growth in sales.

3. *Specialty chemicals/fertiliser and feed products*

Specialty chemicals including hydrochloric acid, soda and bleach are principally sold in the Vietnam market. These specialty chemicals are basic chemical products in the industrial sector and offer huge development potential in that country. The revenue from specialty chemicals decreased by 5.8% or US$654,000 to US$10,530,000 and the contribution to the Group's total revenue also decreased from 7.1% to 6.4%. The reduction was mainly due to the lower selling price of hydrochloric acid caused by the stronger competition from imported products in Vietnam in the first half of the year, together with the adjustments in production and sales of the plant which caused the sales volume to drop as well. However, as stable demand for its soda products from its Vietnamese customers continued, the Group's overall sales still improved when compared with the same period in 2015.

In the first half of 2016, some regions in Vietnam suffered from drought and soil salinisation due to the unfavourable weather. Demand for fertiliser dropped sharply within a short time and resulted in excess supply in Vietnam's fertiliser market. Imported low-priced products have also led to more severe price competition and the eventual decline in the market price of fertiliser in Vietnam. The international sales market was also affected by the low price competition in the PRC. All of these factors have caused the revenue of the Group's fertiliser and feed products to decrease by 24.8% or US$2,803,000 year-on-year to US$8,493,000 during the period. Its contribution to the Group's total revenue also dropped from 7.1% to 5.2%.

III. MAJOR RAW MATERIALS/ENERGY OVERVIEW

(1) Cassava

A noteworthy trend has been the shift of more farmers to raise cassava because the prices of certain crops have continued to drop. As such, the cassava plantation areas in Vietnam and in its neighbour Cambodia have expanded, producing more cassava for raw material use. The result of the increased supply of cassava starch and its derivative products in South East Asia, together with the rising production volume of corn starch in the PRC led to the drop in prices of cassava material and starch influenced by weaker demand for cassava starch.

(2) Molasses

Drought and soil salinization caused by climate change have affected the harvest of molasses in several countries during both 2015 and 2016. As the demand for biomass energy and fertilizer has remained strong, the export of molasses has decreased while the product price has picked up. Historical data has shown that the global molasses market has experienced five periods of excess production, but the surplus is obviously shrinking. Molasses production period is expected to record a shortage in 2015/2016, the first time in six years, reaching several million tonnes. The gap may extend to 2017, by which time the price of molasses is likely to rise.

(3) Energy

In the first half of 2016, global coal and natural gas prices have dropped, due to the excess supply and weak demand in key markets such as the US and Europe. The alternative energy solution in the cogeneration factory of Vedan Vietnam has been adopted in production in March 2015, which has helped to stabilize the production costs.

The International Energy Agency ("IEA") estimated global demand for coal to rise 0.4% to 1.1% a year in average by 2020, because economic recovery around the world appears to be slowing down, and many countries are switching to energy models with lower coal consumption while striving to develop clean energy, so the demand for coal will weaken. Major coal consumers such as the PRC and India will reduce related imports, while key coal producers such as Indonesia and Australia plan to reduce related exploitation. These trends will shrink the international coal market, and the prices of coal and gas will not have much room to increase in the second half.

The wholesale price of electricity in Vietnam has increased by 2% to 5% in 2016. Nevertheless, the Group has reduced the purchase of external electricity and increased the use of self-generated electricity since the installation of its new energy system. Consequently, the rise of electricity charges have only minimally affected the Group.

IV. FINANCIAL REVIEW

(1) Liquidity and Financial Resources

The Group had cash and short-term bank deposits of US$49,835,000, US$13,685,000 or around 21.5% less than at the end of 2015. Short-term bank borrowings decreased by US$11,278,000 or around 48.8% to US$11,835,000 compared to the end of 2015, while middle-to-long-term bank borrowings declined by US$3,880,000 or around 13.6% to US$24,733,000. Total bank borrowings amounted to US$36,568,000, US$15,158,000 or around 29.3% less than at the end of 2015. The borrowings were mainly denominated in US dollars, which accounted for 97.9% of the total, with the remaining 2.1% denominated in New Taiwan dollars. The proportions of short-term and medium-to-long-term bank borrowings were 32.4% and 67.6% respectively. Net interest expenses during the period dropped by about US$114,000 from the corresponding period last year.

Trade receivables were US$32,082,000, representing an increase of US$2,219,000 or around 7.4% when compared with late 2015. Around 89.1% of the trade receivables were due within 30 days. As at 30 June 2016, total inventory was US$86,494,000, up by US$6,457,000 or around 8.1% when compared with that in late 2015. During the period, the Group increased the bulk purchase of agricultural raw materials for seasonal reasons, so the raw material inventory increased by around US$12,075,000 when compared to the end of 2015.

As the bank borrowings declined in the first half of the year, the gearing ratio (total borrowings to total capital ratio) was 13.0%, which was lower than 18.9% in the end of 2015. Net gearing ratio (total borrowings less cash and deposits to total capital ratio) was -4.7%, further dropped from -4.3% at the end of 2015.

Current liabilities decreased sharply because of a decrease in short-term borrowings and payables, so current ratio rose from 3.8 at the end of 2015 to 5.5. The financial position of the Group has remained sound.

(2) Capital expenditure

During the reporting period, capital expenditure amounted to approximately US$2,916,000, US$5,968,000 less than the capital expenditure of US$8,884,000 in the first half of 2015.

(3) Exchange rate

After the Vietnamese government signed the Trans-Pacific Partnership Agreement ("TPP") along with other free trade agreements, the country's foreign trade has rapidly developed, so the economy has improved which in turn has supported the local currency. In 2016, large amounts of foreign capital have flowed into Vietnam which has caused the value of the Vietnam Dong to rebound and increase slightly. At the same time, the Central Bank of Vietnam has announced that it will release the median exchange rate of Vietnam Dong to USD on a daily basis starting from 4 January 2016 in order to increase the flexibility in managing forex and stabilize the Vietnam Dong by limiting the currency fluctuation to within plus or minus 3% of the median exchange rate. On 30 June 2016, the median exchange rate was 21,873 Vietnam Dong to US$1, i.e., 0.08% higher in the first half of the year but 0.9% lower than the same period last year. The exchange rate of the Vietnam Dong is expected to remain stable in the second half of 2016 and the depreciation should not be excessive.

The Group's subsidiaries in the PRC are mainly for domestic distribution and the transactions there are denominated in RMB. During 2015, the median exchange rate of the RMB depreciated 6%. Stepping into 2016, the exchange rate of the RMB to the USD was better controlled, with only a moderate increase recorded in the first quarter while it started to depreciate again in the second quarter of the year. In the first half of 2016, the median exchange rate of the RMB against the USD dropped 2.1% to RMB6.6312 to US$1, which was 8.5% lower than the same period last year. The revenue derived from RMB transactions did not account for a high proportion of the Group's total revenue, so the risk is relatively small but the Group will continue to closely monitor it and take appropriate countermeasures when necessary.

(4) Dividends

Basic earnings per share were 0.92 US cents. The Board has resolved to declare the payment of an interim dividend of 0.641 US cents per share. The dividend payout ratio was 69.67%.

V. PROSPECTS

Looking ahead, in the face of the changing global backdrop and economic shifts, the fierce price competition within the industry is expected to continue because of excess supply resulted by the ongoing overcapacity of certain products and weak market demand. Also, the uncertain policies in many of the world's most important countries make the economic prospects even more complicated, thus creating added uncertainties for the Group's operations.

Nevertheless, the Group has reinforced its corporate structure, introduced an alternative energy solution and enhanced marketing and business development efforts in recent years. These initiatives have begun to yield results. Despite facing numerous uncertainties in the future, the Group will continue to adhere to its development strategies and adopt measures to ensure such strategies are well-implemented, including:

– Product lines will be restructured to raise the proportion of high value-added products. The number of low gross profit items will be reduced to maintain reasonable overall profitability of products.

– New products are to be developed as the Group explores new markets. We will increase the number of new agents and customers, enhance the existing distribution channels and maximize the branding efforts so as to further reinforce the business development of the Group.

– The Group will strengthen the procurement of critical materials in bulk quantities, continue to implement energy-saving projects and upgrade the production technology to improve the production efficiency.

– The Group will develop customized production techniques and enhance the production scale of new products by more effectively utilizing its resources, collaborating with different industries and customers, and conducting regular evaluations. More products from third parties will be introduced to fulfill customers' needs in a segmented market and bolster offerings to niche markets.

– Based on the strategy of "co-opetition," the production base in Vietnam will be used to develop markets in ASEAN and FTA nations. This complementary relationship can develop relevant businesses with added value.

– By strengthening its financial management, the Group can enhance efficiency and optimize the asset utilization rate. Steps will also be taken to mitigate the risk of foreign exchange and interest rate fluctuations amidst the increased turbulence in financial markets.

The management will adopt a flexible approach in adapting a rapidly changing business environment. Apart from maintaining basic operations, the Group will flexibly adjust its production based on market changes. With both challenges and opportunities in the market, on the operation front, the Group will continue to prudently and timely implement business strategies based on its solid foundation, which aims to efficiently capture the opportunities. Therefore, we remain cautiously optimistic about the Group's performance in the future.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend for the six months ended 30 June 2016 of 0.641 US cents per share. The interim dividend will be paid on or before 12 October 2016 in HK dollar to shareholders whose names appear on the register of members of the Company on 30 September 2016. The HK$ equivalent of the interim dividend is 4.951 HK cents per share, which is based on the exchange rate of US$ against HK$ at US$1.00 to HK$7.724 as quoted by The Hong Kong Association of Banks on 23 August 2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 28 September 2016 to Friday, 30 September 2016 (both days inclusive), during such 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 2016, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Tuesday, 27 September 2016.

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 2016.

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 2016.

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 2016, 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. Mr. YANG, Tou-Hsiung, the Chairman of the Board was not in the position to attend the annual general meeting of the Company held on 24 May 2016 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 2016. 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 2016 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
23 August 2016

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