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)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2017	2016	**Difference**
	US$'000	*US$'000*	
Revenue	**322,805**	327,640	(1.5%)
Gross profit	**68,137**	79,030	(13.8%)
Profit for the year	**18,738**	22,233	(15.7%)
Profit attributable to owners	**19,061**	22,501	(15.3%)
Basic earnings per share	**1.25 US cents**	1.48 US cents	
Diluted earnings per share	**1.25 US cents**	1.48 US cents	
Final dividend proposed per share	**0.443 US cents**	0.837 US cents	
Total dividends paid and proposed per share	**0.750 US cents**	1.478 US cents	

RESULTS

The Board of Directors (the "Board") of Vedan International (Holdings) Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2017, together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2017	2016
	Note	***US$'000***	*US$'000*
Revenue	*2, 5*	**322,805**	327,640
Cost of sales	*7*	**(254,668)**	(248,610)
Gross profit		**68,137**	79,030
Other gains/(losses) – net	*6*	**935**	(4,090)
Selling and distribution expenses	*7*	**(21,746)**	(21,517)
Administrative expenses	*7*	**(24,272)**	(24,743)
Operating profit		**23,054**	28,680
Finance income		**853**	686
Finance costs		**(804)**	(875)
Finance income/(costs) – net	*8*	**49**	(189)
Share of post-tax profit/(loss) of an associate		**205**	(15)
Profit before income tax		**23,308**	28,476
Income tax expense	*9*	**(4,570)**	(6,243)
Profit for the year		**18,738**	22,233
Profit attributable to:			
Owners of the Company		**19,061**	22,501
Non-controlling interest		**(323)**	(268)
		18,738	22,233
Earnings per share for profit attributable to the owners of the Company during the year (expressed in US cents per share)			
Basic earnings per share	*11*	**1.25**	1.48
Diluted earnings per share	*11*	**1.25**	1.48

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2017	2016
	US$'000	*US$'000*
Profit for the year	**18,738**	22,233
Other comprehensive income/(loss):		
Item that may be reclassified to profit or loss		
Currency translation differences	**2,054**	(2,073)
Other comprehensive income/(loss) for the year, net of tax	**2,054**	(2,073)
Total comprehensive income for the year	**20,792**	20,160
Total comprehensive income/(loss) for the year attributable to:		
– Owners of the Company	**21,290**	20,261
– Non-controlling interest	**(498)**	(101)
Total comprehensive income for the year	**20,792**	20,160

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2017	2016
	Note	***US$'000***	*US$'000*
ASSETS			
Non-current assets			
Land use rights		**2,042**	2,321
Property, plant and equipment		**145,612**	143,263
Intangible assets		**9,070**	8,677
Long-term trade receivables	*3*	**–**	168
Long-term other receivables		**1,307**	90
Investment in an associate		**3,555**	3,350
Total non-current assets		**161,586**	157,869
Current assets			
Inventories		**82,868**	65,282
Trade receivables	*3*	**31,651**	27,825
Amount due from the non-controlling interest of a subsidiary		**–**	823
Short-term loan to an associate		**120**	120
Prepayments and other receivables		**9,351**	13,283
Current income tax recoverable		**2,872**	–
Structured bank deposits		**3,903**	–
Short-term bank deposits		**16,063**	33,287
Cash and cash equivalents		**49,679**	55,210
Total current assets		**196,507**	195,830
Non-current assets held for sale		**366**	3,091
Total assets		**358,459**	356,790
EQUITY			
Equity attributable to owners of the Company			
Share capital		**15,228**	15,228
Reserves		**270,182**	266,307
		285,410	281,535
Non-controlling interest		**(2,827)**	(2,329)
Total equity		**282,583**	279,206

	Note	As at 31 December 2017 US$'000	2016 US$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings		**19,491**	24,190
Deferred income tax liabilities		**3,263**	3,416
Retirement benefit obligations		**1,447**	1,386
Long-term environmental provision		**233**	113
Total non-current liabilities		**24,434**	29,105
Current liabilities			
Trade payables	*4*	**15,772**	18,296
Accruals and other payables		**17,509**	15,637
Amounts due to related parties		**1,418**	836
Bank borrowings		**15,906**	12,620
Current income tax liabilities		**837**	1,090
Total current liabilities		**51,442**	48,479
Total liabilities		**75,876**	77,584
Total equity and liabilities		**358,459**	356,790

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1 Basis of preparation

The consolidated financial information of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial information have been prepared under the historical cost convention.

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

(a) The following new standards, interpretations and amendments to standards are mandatory for the Company for the first time for the financial year beginning on or after 1 January 2017, but have not had any significant impact on the preparation of the consolidated financial information.

HKAS 7 (Amendments)	Statement of cash flows
HKAS 12 (Amendments)	Income taxes
HKFRS 12 (Amendments)	Disclosure of interests in other entities

The adoption of these amendments did not have any impact on the amounts recognised in prior periods. Most of the amendments will also not affect the current or future periods.

(b) The following new standards, interpretations and amendments to standards have been issued, but are not effective for the financial year beginning on 1 January 2017 and have not been early adopted.

		Effective for annual periods beginning on or after
HKFRS 1 and HKAS 28 (Amendments)	Annual Improvements 2014-2016 Cycle	1 January 2018
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018

		Effective for annual periods beginning on or after
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 15 (Amendments)	Clarifications to HKFRS 15	1 January 2018
HKAS 40 (Amendments)	Transfers of Investment Property	1 January 2018
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
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's assessment of the impact of these new standards, interpretations and amendments to standards is set out below.

(i) HKFRS 9, "Financial instruments"

Nature of change

HKFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The Group has reviewed its financial assets and liabilities. The Group does not expect the new guidance to affect the classification and measurement of the financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost and loan commitments. Based on the assessments undertaken to date, the Group does not expect significant increase or decrease in the loss allowance for trade debtors.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by the Group

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

(ii) HKFRS 15, "Revenue from contracts with customers"

Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

The Group has assessed the effects of applying the new standard on the Group's financial information and does not expect a significant impact on the recognition of revenue.

Date of adoption by the Group

The adoption of this new standard is mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption, if any, will be recognised in retained earnings as at 1 January 2018 and that comparatives will not be restated.

(iii) HKFRS 16, "Leases"

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the consolidated balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of US$2,593,000. The Group estimates those related to payments for short-term and low value lease which will be recognised on straight-line basis as an expense in profit or loss are insignificant.

The Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

Date of adoption by the Group

The adoption of this standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2 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 decisions. This information includes segment revenue, segment capital expenditure, segment assets, segment non-current assets, other than financial instruments and deferred income tax assets and segment liabilities.

The chief operating decision-maker considers the business mainly from a geographical aspect. In presenting information on the basis of operating segments, segment revenue is based on the geographical presence of customers. Segment capital expenditure, segment assets, segment non-current assets, other than financial instruments and deferred income tax assets and segment liabilities are based on the geographical location of the assets or liabilities.

The chief operating decision-maker mainly assesses the performance based on revenue derived by each geographical segment and product nature. Accordingly, the segment performance is restricted to revenue information.

Revenue of approximately US$45,843,000 (2016: US$34,126,000) is derived from a single external customer located in Japan. This revenue is attributable to the MSG/GA segment. No other customers individually contribute 10% or more of the Group's revenue (2016: same).

(a) Segment revenue

	2017	2016
	US$'000	*US$'000*
By geographical location:		
Vietnam	**162,986**	160,615
Japan	**64,199**	66,793
The PRC	**29,056**	31,853
America	**16,761**	19,042
Taiwan	**10,630**	10,649
ASEAN member countries (other than Vietnam)	**31,792**	32,422
Other regions	**7,381**	6,266
	322,805	327,640

	2017	2016
	US$'000	*US$'000*
By product nature:		
MSG/GA	**220,491**	228,893
Modified starch/Native starch	**34,005**	40,393
Specialty chemicals	**29,012**	22,518
Fertiliser and feed products	**18,425**	15,613
Others	**20,872**	20,223
	322,805	327,640

(b) Capital expenditures

	2017	2016
	US$'000	*US$'000*
Vietnam	**20,404**	11,903
The PRC	**135**	250
	20,539	12,153

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

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

(c) Assets

	2017	2016
	US$'000	*US$'000*
Vietnam	**288,357**	285,341
The PRC	**48,424**	42,710
Hong Kong	**20,946**	28,211
Taiwan	**688**	384
Singapore	**44**	144
Total assets per consolidated balance sheet	**358,459**	356,790

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

Property, plant and equipment are monitored by the management at the operating segment level. The following is a summary of amortisation, depreciation, impairment of non-current assets, income tax expense and share of profit/(loss) of an associate for each operating segment.

	Amortisation and depreciation	**Impairment**	**Income tax expense**	**Share of profit/(loss) of an associate**
	US$'000	*US$'000*	*US$'000*	*US$'000*
2017				
Vietnam	17,182	–	4,125	205
The PRC	1,183	–	433	–
Others	–	–	12	–
	18,365	–	4,570	205
2016				
Vietnam	17,438	2,882	6,117	(15)
The PRC	1,231	–	82	–
Others	–	–	44	–
	18,669	2,882	6,243	(15)

(d) Non-current assets, other than financial instruments, by location:

	2017	2016
	US$'000	*US$'000*
Vietnam	**137,946**	135,101
The PRC	**18,778**	19,160
Total	**156,724**	154,261

(e) ***Liabilities***

	2017	2016
	US$'000	*US$'000*
Vietnam	**65,768**	67,856
The PRC	**4,604**	4,617
Hong Kong	**3,074**	3,726
Taiwan	**2,382**	1,339
Singapore	**48**	46
Total liabilities per consolidated balance sheet	**75,876**	77,584

3 Trade receivables

	2017	2016
	US$'000	*US$'000*
Non-current trade receivables	**–**	168
Current trade receivables	**31,651**	27,825
Total trade receivables	**31,651**	27,993

	2017	2016
	US$'000	*US$'000*
Trade receivables from third parties	**32,162**	28,379
Less: provision for impairment of trade receivables	**(511)**	(386)
Trade receivables – net	**31,651**	27,993

The credit terms of trade receivables range from cash on delivery to 60 days. The Group may grant a longer credit period to certain customers and it is subject to the satisfactory results of credit assessment. The ageing of the trade receivables based on invoice date is as follows:

	2017	2016
	US$'000	*US$'000*
0 – 30 days	**18,627**	26,388
31 – 90 days	**12,161**	770
91 – 180 days	**667**	271
181 – 365 days	**189**	584
Over 365 days	**518**	366
	32,162	28,379

4 Trade payables

At 31 December 2017, the ageing of trade payables based on invoice date is as follows:

	2017	2016
	US$'000	*US$'000*
0 – 30 days	**13,912**	17,232
31 – 90 days	**1,567**	1,026
91 – 180 days	**111**	4
181 – 365 days	**142**	7
Over 365 days	**40**	27
	15,772	18,296

5 Revenue

The Group manufactures and sells fermentation-based food additives, biochemical products and cassava starch-based industrial products including modified starch, glucose syrup, MSG, soda and acid. Revenues recognised for the years ended 31 December 2017 and 2016 were US$322,805,000 and US$327,640,000 respectively.

6 Other gains/(losses) – net

	2017	2016
	US$'000	*US$'000*
Net exchange gains/(losses)	**647**	(1,102)
Loss on disposal of property, plant and equipment	**(340)**	(176)
Impairment of property, plant and equipment	**–**	(2,882)
Impairment of amount due from the non-controlling interest of a subsidiary	**(847)**	–
Sales of scrap materials	**596**	501
Government grant	**392**	–
Others	**487**	(431)
	935	(4,090)

7 Expenses by nature

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

	2017	2016
	US$'000	*US$'000*
Changes in inventories and consumables used	**202,763**	196,996
Amortisation of intangible assets	**134**	133
Amortisation of land use rights	**61**	61
Auditor's remuneration		
– Audit services	**345**	320
– Non-audit services	**115**	5
Depreciation on property, plant and equipment	**18,170**	18,475
Operating leases expenses in respect of leasehold land	**294**	305
Employee benefit expenses	**35,097**	36,973
Provision for impairment of trade receivables	**125**	33
Technical support fee	**2,181**	2,156
Travelling expenses	**1,484**	1,486
Transportation expenses	**9,400**	8,893
Advertising expenses	**2,962**	3,147
Other expenses	**27,555**	25,887
Total cost of sales, selling and distribution expenses and administrative expenses	**300,686**	294,870

8 Finance income/(costs) – net

	2017	2016
	US$'000	*US$'000*
Finance income	**853**	686
Interest expense on bank borrowings	**(812)**	(900)
Less: amounts capitalised on qualifying assets	**143**	25
Discounting effect on non-current other receivable *(Note)*	**(135)**	–
Finance costs	**(804)**	(875)
Finance income/(costs) – net	**49**	(189)

Note:

On 22 February 2017, Vedan (Vietnam) Enterprise Corporation Limited entered into an agreement with an independent third party, to dispose of its property, plant and equipment of Ha Tinh plant at a consideration of US$3,400,000. The transaction was completed during this year.

According to the payment schedule in the agreement, the outstanding balance as at 31 December 2017 of US$2,040,000 is repayable in the amount of US$680,000, US$680,000 and US$680,000 in 2018, 2019 and 2020, respectively. The balance is non-interest bearing.

9 Income tax expense

Taxation on profits has been calculated on the estimated assessable profit for the year 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:

	2017	2016
	US$'000	*US$'000*
Enterprise income tax ("EIT")	**4,592**	6,993
Under-provision of income tax in previous years	**131**	12
Total current tax	**4,723**	7,005
Deferred income tax	**(153)**	(762)
	4,570	6,243

10 Dividends

A final dividend of US$12,740,000 that relates to the year ended 31 December 2016 declared in 23 May 2017 and was paid in 2017 (2016: US$4,583,000).

The interim dividends paid in 2017 was US$4,675,000 (0.307 US cents per share) (2016: US$9,761,000, 0.641 US cents per share). A final dividend in respect of the year ended 31 December 2017 of 0.443 US cents per share, amounting to a total dividend of US$6,750,000, is to be proposed for approval at the annual general meeting on 23 May 2018. These consolidated financial information do not reflect this dividend payable.

	2017	2016
	US$'000	*US$'000*
Interim dividend paid of 0.307 US cents (2016: 0.641 US cents) per ordinary share	**4,675**	9,761
Proposed final dividend of 0.443 US cents (2016: 0.837 US cents) per ordinary share	**6,750**	12,740
	11,425	22,501

11 Earnings per share

(a) Basic

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

	2017	2016
Profit attributable to owners of the Company *(US$'000)*	**19,061**	22,501
Weighted average number of ordinary shares in issue *(thousands)*	**1,522,742**	1,522,742
Basic earnings per share *(US cents per share)*	**1.25**	1.48

(b) Diluted

Diluted earnings per share is same as basic earnings per share as there are no dilutive instruments for the years ended 31 December 2017 and 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS OVERVIEW

The global economy has rebounded gradually in 2017 with a broad-based worldwide recovery. The employment situation and the labour market have continued to show improvement, trading of bulk commodities and various raw materials has picked up and pushed up prices, and international trade has revived to end the continuous declining trend in the global economic growth rate. Forecast data issued by International Monetary Fund indicated that global Gross Domestic Product (GDP) growth rate was higher in 2017 when compared with the same period in 2016. GDP in key economies including the US, the Eurozone and Japan has also generally increased, while emerging markets and developing economies are expected to experience their first GDP growth in seven years. Growth in global trading volume was satisfactory in 2017, and the recovery of international trade has become an important gear driving global economic growth. After remaining nearly stagnant in the past decade, the global economy has finally shown a clearer albeit mild inflection point. A number of economic analysis reports mentioned that the global financial crisis has essentially come to an end and the global economy is gradually entering into a long cycle of recovery.

In Vietnam, the GDP growth rate in 2017 was 6.81%, higher than its 6.7% target for the year. During the third and fourth quarters, its economic growth exceeded 7%, and, on average, the Customer Price Index in 2017 was 3.53% higher than that in 2016. Besides, Vietnam set a new record in import and export trading volume in 2017, exceeding US$400 billion for the first time. Total exports and total imports increased by 21.1% and 20.8% year-on-year respectively, both representing the largest respective increases over a number of years years. Investment capital lending rose 10.8% year-on-year at US$17.5 billion, reaching the highest level in history. Total capital arising from registration of new enterprises invested by foreign investors, increase in capital injection and acquisition of equity interest by foreign investors grew by 44.4% year-on-year. Foreign exchange reserves also surged to a historic high and the growth in Vietnam's stock market was the highest in Asia. These outstanding performances plus the relatively stable interest rate and exchange rate have combined to create a prosperous year of 2017 for Vietnam's economy.

The recovery and invigouration of the global and Vietnamese economies were also accompanied by more intensive competition and rises in raw materials and energy prices. The Group saw both growth and decline in its main products. For example, growth in demand for specialty chemicals, fertilisers and feed products pushed up sales, while competition in the MSG, modified starch and maltose product markets led to drop in revenue and gross profit of these products. In 2017, the Group's turnover decreased by 1.5% or US$4,835,000 year-on-year to US$322,805,000; gross profit decreased by 13.8% or US$10,893,000 year-on-year to US$68,137,000, with the overall gross profit margin was down from 24.1% in 2016 to 21.1%. The Group's net profit for the year declined by 16% or US$3,495,000 year-on-year to US$18,738,000, with net profit margin down from 6.8% to 5.8% year-on-year. The drop in price of some of its products due to market competition and the increase in energy costs caused a slight decrease in the Group's revenue and profit during the year.

Looking at 2018, it is generally forecasted that the global economy will maintain its growth trend but still faces certain challenges. The unstable political environment in the Middle East and East Asia, and the potential disasters caused by extreme weather events, as well as the general economic factors such as rising trade protectionist sentiment in different countries, the monetary policies of the US Federal Reserve and the European Central Bank, changes in energy prices, inflation and market competition resulting from excess production capacity will affect the Group's operation in varying extents. Facing such uncertainties, the Group will prudently and proactively implement strategies aiming to strengthen its businesses, control production costs and develop new products and new markets in order to raise revenue and profitability.

II. FINANCIAL REVIEW

(1) Liquidity and Financial Resources

The Group had cash and cash equivalents, short-term bank deposits and structured bank deposits of US$69,645,000, US$18,852,000 or around 21.3% less than that at the end of 2016. Short-term bank borrowings increased by US$3,286,000 or around 26.0% to US$15,906,000 compared with that at the end of 2016, while middle-to-long-term bank borrowings declined by US$4,699,000 or around 19.4% to US$19,491,000. Total bank borrowings amounted to US$35,397,000, US$1,413,000 or around 3.8% less than that at the end of 2016. The borrowings were mainly denominated in US dollars, representing 98.1% of the total borrowing while the remaining 1.9% was in New Taiwan dollars. The proportions of short-term and medium-to-long-term bank borrowings were 44.9% to 55.1%. During the year, net finance income of US$49,000 was recorded in 2017, while net finance costs of US$189,000 were recorded in 2016.

Trade receivables were US$31,651,000, representing an increase of US$3,658,000 or around 13.1% when compared with that at the end of 2016. Around 57.9% of the trade receivables were due within 30 days. As at 31 December 2017, total inventory was US$82,868,000, up by US$17,586,000 or around 26.9% when compared with that at the end of 2016, and included a higher proportion of raw materials.

As the bank borrowings declined, the gearing ratio (total borrowings to total equity ratio) was 12.5%, lower than 13.2% at the end of 2016. Since cash decreased but still exceeded borrowings, net gearing ratio (total borrowings less cash and deposits to total equity ratio) was –12.1%, higher than –18.5% at the end of 2016.

Current ratio was 3.8 at the end of 2017, slightly lower than 4.0 at the end of 2016, while the quick ratio declined from 2.7 at the end of 2016 to 2.2 due to the increase in inventory. Although both the current ratio and the quick ratio dropped, the financial position of the Group remained sound.

(2) Capital expenditure

During the year, capital expenditure amounted to approximately US$20,539,000, US$8,386,000 higher than the capital expenditure of US$12,153,000 recorded in 2016.

(3) Exchange rate

The economy of Vietnam achieved remarkable growth in 2017 and thus the import and export volume significantly increased with a trade surplus, foreign direct investment significantly rose, and the country's foreign exchange reserve surged to a historical high. All these factors have helped stabilise the exchange rate of the Vietnam Dong. The State Bank of Vietnam announced that the Vietnam Dong depreciated by 1.2% in 2017, from 22,159 Vietnam Dong/US dollar at the end of 2016 down to 22,425 Vietnam Dong/US dollar in 2017. However, the general bank and market exchange rates were similar to the end of last year with an appreciation of the Vietnam Dong (the interbank exchange rate of Vietnam Dong appreciated by 30 Vietnam Dong/US dollar when compared with the end of 2016). Entering 2018, the economy of Vietnam is generally expected to achieve continued growth as the export volume and foreign investment are expected to rise, the withdrawal of state capital will boost the supply of foreign currency and the country's foreign exchange reserve will increase. In this regard, the exchange rate of Vietnam Dong to the US dollar is expected to remain stable in 2018.

The Group's subsidiaries in the PRC are mainly engaged in domestic distribution and the transactions there are denominated in RMB. During 2015 and 2016, the median exchange rate of the RMB depreciated by 6%-6.6%. Stepping into 2017, the global economy has continued its recovery, the international financial markets have remained relatively stable, and the PRC economy has demonstrated a clear steady upward growth momentum. The stability, coordination and sustainability of economic development are strengthening, so the RMB is generally likely to continue to appreciate or stabilise this year. The exchange rate of the RMB to the US dollar has appreciated around 6% in 2017, a relatively high increment over the past five years.

(4) Earnings per share and Dividends

Basic earnings per share were 1.25 US cents during the year. The Board has resolved to declare the payment of a final dividend of 0.443 US cents per share. The dividend payout ratio was 60%.

III. PROSPECTS

Looking ahead to 2018, in face of the changing global backdrop and shifting economic trends, although the Group is optimistic about the projections of global economic growth, as excessive capacity still exists in many commodities, the price competition in the market is expected to continue. Moreover, factoring in the uncertainties from the policies of major countries around the world, future economic conditions and trends are likely to become more complicated.

Nevertheless, the Group has reinforced its operational structure in recent years, by securing a stable supply of raw materials, improving production efficiency, stabilising production costs and strengthening its marketing and business development activities including developing new products, new markets and new customers. All of these efforts have brought a measure of encouraging success. Despite the uncertainty in the future, the Group will continue to adhere to its development strategies and adopt measures to ensure that these strategies are well-implemented, highlighted by the following:

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

– New products are to be actively developed while the Group strengthens its business in new markets. The Group will increase the number of new agents and customers through strengthening its business structure. Meanwhile, it will enhance the existing distribution channels and maximise the branding efforts so as to further reinforce its business development.

– The Group will actively diversify the sources of raw materials and will strengthen and secure the procurement of critical materials in bulk.

- The Group will continue to upgrade production technology in order to improve the production efficiency. At the same time, it will also increase capital expenditure to expand the production scale of high-potential products and implement energy-saving measures.

- The Group will develop customised production techniques and enhance the production scale of new products by more effectively utilising its resources, collaborating across different industries and with different customers, conducting regular evaluations of its partnerships and working more closely with customers. To fulfill customers' needs in a segmented market and to bolster offerings to niche markets, a diversified range of products will be introduced by the Group as agent.

- Based on the strategy of "co-opetition", the production base in Vietnam will be used to develop markets in ASEAN and Free Trade Agreement (FTA) nations, enabling the Group to develop new businesses with added value.

- Business footholds will be set up in ASEAN countries to extend its business network from Vietnam, explore business opportunities for the Group's products, broaden its brand influence and eventually expand its business presence across the region.

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

To conclude, the Group will maintain flexibility at the operating level to cope with the rapidly-changing business environment. Apart from maintaining fundamental operations, the Group will also devote greater efforts to formulate appropriate strategies for new environments. While the current situation presents many challenges, there are still many development opportunities. The management is confident that by implementing strategies based on its solid foundation in a cautious way and continuing to capture opportunities proactively, the Group will achieve further development and advances in its operations and its business.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's shares during the year ended 31 December 2017.

CORPORATE GOVERNANCE

The Company is strongly committed to maintaining good corporate governance. The Directors aim to continually review and enhance corporate governance practices of the Group.

Save and except for code provision E.1.2 as set out below, the Company has complied with the provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") during the reporting period:

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 was not able to attend the annual general meeting of the Company held on 23 May 2017 due to business commitments.

AUDIT COMMITTEE

The Audit Committee, comprising all the Independent Non-executive Directors of the Company, has reviewed the results of the Group for the year ended 31 December 2017 and has discussed with management the accounting principles and practices adopted by the Group, and its internal controls and financial reporting matters.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

FINAL DIVIDEND, CLOSURE OF REGISTER OF MEMBERS AND RECORD DATE OF ANNUAL GENERAL MEETING

The Board recommended the payment of a final dividend of 0.443 US cents (2016: 0.837 US cents), subject to the approval of such final dividend by the shareholders at the annual general meeting of the Company to be held on 23 May 2018 (the "2018 Annual General Meeting"). It is expected that the proposed final dividend will be paid on or around 8 June 2018 to shareholders registered on 30 May 2018.

The register of members of the Company will be closed from Saturday, 26 May 2018 to Wednesday, 30 May 2018, (both days inclusive), during such period no transfer of shares will be effected. In order to be eligible to receive the proposed final dividend, unregistered holders of shares of the Company should ensure all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Tengis Limited, 22/F, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 25 May 2018.

The record date of the 2018 Annual General Meeting will be Wednesday, 16 May 2018. Shareholders whose names appear on the register of members of the Company on 16 May 2018 will be eligible to attend and vote at the 2018 Annual General Meeting.

In order to be eligible to attend the 2018 Annual General Meeting, unregistered holders of shares of the Company should ensure all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Tengis Limited, 22/F, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 16 May 2018.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement was published on the Hong Kong Stock Exchange's website at (www.hkexnews.hk) and the Company's website at (www.vedaninternational.com). The Company's 2017 annual report containing all the information required under the Listing Rules will be dispatched to shareholders and published on the websites of the Hong Kong Stock Exchange and the Company in due course.

OUR APPRECIATION

Finally, the Board would like to express our gratitude to the shareholders, business partners and customers for their unfaltering support. We would also like to thank our dedicated staff for their contributions to the Group.

By Order of the Board
Vedan International (Holdings) Limited
YANG, Kun-Hsiang
Executive Director and Chief Executive Officer

Hong Kong, 27 March 2018

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

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