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 2018

FINANCIAL HIGHLIGHTS

	Unaudited six months ended 30 June		
	2018	2017	**Change**
	US$'000	*US$'000*	
Revenue	**167,803**	156,648	7.1%
Gross profit	**33,356**	33,818	(1.4%)
Profit for the period	**9,086**	9,281	(2.1%)
Profit attributable to owners of the Company	**9,064**	9,361	(3.2%)
Basic earnings per share	**0.60 US cents**	0.61 US cents	
Diluted earnings per share	**0.60 US cents**	0.61 US cents	
Interim dividend proposed per share	**0.298 US cents**	0.307 US cents	
Total dividends paid and proposed per share	**0.298 US cents**	0.307 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 2018 together with the comparative figures for the corresponding period in the previous year.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited	Audited
		30 June	31 December
		2018	2017
	Note	***US$'000***	*US$'000*
ASSETS			
Non-current assets			
Land use rights		**1,990**	2,042
Property, plant and equipment		**148,992**	145,612
Intangible assets		**8,907**	9,070
Long-term loan and other receivables	*8*	**1,373**	1,307
Investment in an associate		**3,860**	3,555
Total non-current assets		**165,122**	161,586
Current assets			
Inventories		**107,156**	82,868
Trade receivables	*4*	**29,187**	31,651
Short-term loan to an associate		**120**	120
Prepayments and other receivables		**11,040**	9,351
Current income tax recoverable		**784**	2,872
Structured bank deposits		**5,290**	3,903
Short-term bank deposits		**6,748**	16,063
Cash and cash equivalents		**27,318**	49,679
Total current assets		**187,643**	196,507
Non-current assets held-for-sale		**–**	366
Total assets		**352,765**	358,459

	Note	Unaudited 30 June 2018 US$'000	Audited 31 December 2017 US$'000
EQUITY			
Share capital		**15,228**	15,228
Reserves		**271,973**	270,182
		287,201	285,410
Non-controlling interest		**(2,766)**	(2,827)
Total equity		**284,435**	282,583
LIABILITIES			
Non-current liabilities			
Bank borrowings		**18,378**	19,491
Deferred income tax liabilities		**3,211**	3,263
Retirement benefit obligations		**1,511**	1,447
Long-term environmental provision		**299**	233
Total non-current liabilities		**23,399**	24,434
Current liabilities			
Trade payables	*5*	**12,599**	15,772
Accruals and other payables		**14,695**	17,509
Amount due to related parties		**981**	1,418
Bank borrowings		**15,911**	15,906
Current income tax liabilities		**745**	837
Total current liabilities		**44,931**	51,442
Total liabilities		**68,330**	75,876
Total equity and liabilities		**352,765**	358,459

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
		2018	2017
	Note	***US$'000***	*US$'000*
Revenue	*3*	**167,803**	156,648
Cost of sales	*7*	**(134,447)**	(122,830)
Gross profit		**33,356**	33,818
Other gains – net	*6*	**648**	921
Selling and distribution expenses	*7*	**(10,844)**	(10,498)
Administrative expenses	*7*	**(12,209)**	(12,414)
Operating profit		**10,951**	11,827
Finance income		**471**	356
Finance costs		**(386)**	(569)
Finance income/(costs) – net	*8*	**85**	(213)
Share of post-tax profit of an associate		**305**	36
Profit before income tax		**11,341**	11,650
Income tax expense	*9*	**(2,255)**	(2,369)
Profit for the period		**9,086**	9,281
Profit attributable to:			
– Owners of the Company		**9,064**	9,361
– Non-controlling interest		**22**	(80)
		9,086	9,281
Earnings per share for profit attributable to the owners of the Company			
– Basic and diluted earnings per share (expressed in US cents)	*10*	**0.60**	0.61

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June	
	2018	2017
	US$'000	*US$'000*
Profit for the period	**9,086**	9,281
Other comprehensive (loss)/income		
Item that may be reclassified to profit or loss		
Currency translation differences	**(484)**	796
Total comprehensive income for the period	**8,602**	10,077
Total comprehensive income/(loss) for the period attributable to:		
– Owners of the Company	**8,541**	10,222
– Non-controlling interest	**61**	(145)
	8,602	10,077

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 2018 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, 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 in (a) below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in the 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 2018, but do not have any significant impact on the preparation of this interim condensed consolidated financial information.

HKFRS 1 and HKAS 28 (Amendments)	Annual Improvements 2014-2016 Cycle
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendments)	Clarifications to HKFRS 15
HKAS 40 (Amendments)	Transfers of Investment Property
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

Notes:

(i) HKFRS 9 Financial instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit loss are recognised.

In current period, the Group has applied HKFRS 9 and it has no material effect on the amounts reported in the interim financial information as the credit quality of the financial assets of the Group do not change significantly during the six months ended 30 June 2018.

(ii) HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

(1) Identify the contract(s) with a customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to the performance obligations in the contract; (5) Recognise revenue when (or as) the entity satisfies a performance obligation. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an "earnings processes" to an "asset liability" approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost, license arrangements and principal versus agent considerations. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

In current period, the Group has applied HKFRS 15 and it has no material effect on the Group's financial position and results of operations based on the current business model.

(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 2018 and have not been early adopted.

		Effective for annual periods beginning on or after
Annual improvements project	Annual Improvements 2015-2017 projects	1 January 2019
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases *(see note below)*	1 January 2019
HKAS 19 (Amendments)	Plan Amendments, Curtailment or settlement	1 January 2019
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments	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 directors of the Company are in the process of assessing the financial impact of the adoption of the above new standards and amendments to standards. The directors of the Company will adopt the new standards and amendments to standards when they become effective.

Note:

HKFRS 16, "Leases"

HKFRS 16 will result in almost all leases being recognised on the 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 standard will affect primarily the accounting for Group's operating leases. As at 30 June 2018, the Group has non-cancellable operating lease commitments of US$4,430,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

HKFRS 16 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.

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	
	2018	2017
	US$'000	*US$'000*
Vietnam	**84,644**	76,476
Japan	**29,867**	31,465
The PRC	**16,835**	13,257
The US	**8,731**	9,907
Taiwan	**7,822**	5,289
ASEAN member countries (other than Vietnam)	**16,089**	16,080
Other regions	**3,815**	4,174
Consolidated revenue per income statement	**167,803**	156,648

(ii) Capital expenditures

	Unaudited	
	Six months ended 30 June	
	2018	2017
	US$'000	*US$'000*
Vietnam	**12,612**	10,851
The PRC	**76**	33
	12,688	10,884

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
	2018	2017
	US$'000	*US$'000*
Vietnam	**290,224**	288,357
The PRC	**47,814**	48,424
Hong Kong	**13,070**	20,946
Taiwan	**878**	688
Singapore	**694**	44
Cambodia	**85**	–
	352,765	358,459

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

4 Trade receivables

	Unaudited As at 30 June 2018 *US$'000*	Audited As at 31 December 2017 *US$'000*
Trade receivables from third parties	**29,682**	32,162
Less: provision for impairment of trade receivables	**(495)**	(511)
Trade receivables – net	**29,187**	31,651

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 2018 and 31 December 2017, the ageing of the trade receivables based on invoice date was as follows:

	Unaudited As at 30 June 2018 *US$'000*	Audited As at 31 December 2017 *US$'000*
0 – 30 days	**27,674**	18,627
31 – 90 days	**474**	12,161
91 – 180 days	**441**	667
181 – 365 days	**587**	189
Over 365 days	**506**	518
	29,682	32,162

5 Trade payables

As at 30 June 2018, the ageing of the trade payables based on invoice date was as follows:

	Unaudited As at 30 June 2018	Audited As at 31 December 2017
	US$'000	*US$'000*
0 – 30 days	**11,142**	13,912
31 – 90 days	**519**	1,567
91 – 180 days	**147**	111
181 – 365 days	**781**	142
Over 365 days	**10**	40
	12,599	15,772

6 Other gains – net

	Unaudited Six months ended 30 June	
	2018	2017
	US$'000	*US$'000*
Net exchange (losses)/gains	**(61)**	46
Loss on disposal of property, plant and equipment	**(25)**	(1)
Gain on disposal of assets held-for-sale	**307**	–
Sales of scrap materials	**203**	345
Government grant	**60**	385
Impairment of amount due from the non-controlling interest of a subsidiary	**(68)**	–
Others	**232**	146
Other gains – net	**648**	921

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 **2018** ***US$'000***	 2017 *US$'000*
Changes in inventories and consumables used	**107,665**	95,246
Amortisation of intangible assets	**67**	68
Amortisation of land use rights	**27**	30
Depreciation on property, plant and equipment	**9,141**	8,810
Employee benefit expenses	**18,241**	17,328
(Reversal of)/provision for impairment of trade receivables	**(16)**	147
Operating lease rental	**112**	130
Technical support fee	**1,439**	1,339
Travelling expenses	**924**	654
Transportation expenses	**4,134**	4,845
Advertising expenses	**1,551**	1,006
Other expenses	**14,215**	16,139
Total cost of sales, selling and distribution expenses and administrative expenses	**157,500**	145,742

8 Finance income/(costs) – net

	Unaudited Six months ended 30 June	
	2018	2017
	US$'000	*US$'000*
Finance income:		
– Interest income on short-term bank deposits	**393**	356
– Unwinding of discount on non-current other receivable *(Note)*	**78**	–
Finance income	**471**	356
Finance costs:		
– Interest expense on bank borrowings	**(386)**	(358)
– Discounting effect on non-current other receivable *(Note)*	**–**	(211)
Finance costs	**(386)**	(569)
Finance income/(costs) – net	**85**	(213)

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 2017. According to the repayment schedule in the agreement, the outstanding balance as at 30 June 2018 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 and is repayable within 4 years.

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 interim condensed consolidated income statement represents:

	Unaudited Six months ended 30 June **2018**	 2017
	US$'000	*US$'000*
Enterprise income tax ("EIT")	**2,307**	2,615
Deferred income tax	**(52)**	(246)
	2,255	2,369

10 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company of US$9,064,000 (2017: US$9,361,000) by 1,522,742,000 (2017: 1,522,742,000) ordinary shares in issue during the period.

Diluted earnings per share is the same as the basic earnings per share as there are no dilutive instruments for the periods ended 30 June 2018 and 2017.

11 Dividends

A final dividend of US$6,750,000 that relates to the year ended 31 December 2017 was declared on 23 May 2018 and paid in June 2018 (2017: US$12,740,000).

On 28 August 2018, the Board has resolved to declare an interim dividend of 0.298 US cents per share (2017: 0.307 US cents). This interim dividend, amounting to US$4,532,000 (2017: US$4,680,000), has not been recognised as a liability in this interim condensed consolidated financial information.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS OVERVIEW

In the first half of the year, global economic continued to improve since 2017, with major regions achieving good performance in terms of production, consumption, trade and control over unemployment rate. Among the major economies, the United States recorded steady growth in various economic data. Economic growth was achieved in Europe, but the growth rate appeared to be slackening. In the PRC, the economy grew close to 6.6% in the first half of the year, slightly slower than last year by 0.3%. The Japanese economy continued to manage modest growth and emerging economies continued to grow faster than developed counterparts. Generally speaking, different regions achieved steady recovery and the growth momentum in economic performance in the first quarter. However, since the beginning of the second quarter, with broke out of the Sino-US trade war, tightening of liquidity of US dollar, increasing debts of governments worldwide and geopolitical risks, the tensioning of situations in the Middle East and the effects of climate change, the global economy is full of uncertainties. In addition, persistently strong international crude oil price and fluctuation of exchange rates and interest rates in different countries increased the inflation risk. In Vietnam, the economy grew the fastest pace since 2011, with GDP up by 7.08% in the first half of 2018. Foreign investment in the country continued to increase steadily, up by 8.4% as compared with last year. CPI growth rate remained low at 3.29%. Total import and export rose with trade surplus prevailing since 2016 and the Vietnam Dong only depreciated by 1.0%, being relatively stable. All these positive economic data indicated that the Vietnamese economy will continue to grow this year.

In the first half of the year, the Group's revenue climbed by 7.1% or US$11,155,000 year-on-year to US$167,803,000. The increase in revenue during the period was mainly owed to the increase in demand for MSG, modified starch, soda, fertilisers and feed products, pushing up their prices and sales volumes. However, the prices of some raw materials and energy increased markedly during the period, and having to cope with market competition, the cost increase could not be fully reflected in the selling prices. Hence, with costs climbing higher than increase in product prices, the Group's gross profit margin and net profit margin for the period dropped.

By market, revenue from Vietnam's market grew by US$8,168,000, or 10.7%, year-on-year. Among different products sold, MSG, modified starch, soda, fertilisers and feed products recorded more notable growth in results. In the PRC, revenue grew by US$3,578,000, or 27.0%, year-on-year, mainly attributable to the higher revenue from starch and trade products. In Japan, revenue decreased by US$1,598,000, or 5.1%, year-on-year, mainly because of the drop in revenue from MSG, modified starch and fertilisers and feed products. In the United States, revenue for the first half of 2018 decreased by US$1,176,000, or 11.9%, year-on-year, mainly due to the decline in revenue from MSG. In the ASEAN market, revenue remained at the same level as in the first half of 2017, slightly up by 0.1% or US$9,000. In Taiwan and other regions, revenue rose by US$2,174,000, or 23%, which was attributable to the growth in revenue from modified starch in Taiwan and from MSG, modified starch, fertilisers and feed products in Europe.

On products, in general, as costs climbed and selling prices of products followed, revenue from all major products increased. Soda products, in particular, recorded growth in both sales volume and selling prices. Hence, its revenue climbed by 20.5% or US$1,973,000. As for starch products, thanks to the increasing demand during the period, revenue improved by 27.7%, or US$4,457,000, more in revenue. Revenue from the Group's major product, MSG also climbed by 1.2% or US$1,339,000.

The Group's gross profit amounted to US$33,356,000 for the period, down by 1.4%, or US$462,000, when compared with the same period of 2017 and its overall gross profit margin narrowed to 19.9% from 21.6% in the same period of 2017. Net profit declined by US$195,000, or 2.1%, to US$9,086,000 when compared with the same period of 2017 and net profit margin was 5.4%, down from 5.9% in 2017. The drop in gross profit and net profit was mainly due to the large increase in coal prices which resulted in higher energy costs and also the price increase of major raw materials like industrial salt and cassava starch, which pushed up production costs. The increase in costs was not reflected in the prices of some products.

II. BUSINESS ANALYSIS

(1) Sales Analysis by Market

Unit: US$'000

Country	First half of 2018		First half of 2017		Difference	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
Vietnam	84,644	50.4%	76,476	48.8%	8,168	10.7%
Japan	29,867	17.8%	31,465	20.1%	–1,598	–5.1%
PRC	16,835	10.0%	13,257	8.5%	3,578	27.0%
ASEAN	16,089	9.6%	16,080	10.3%	9	0.1%
US	8,731	5.2%	9,907	6.3%	–1,176	–11.9%
Others	11,637	7.0%	9,463	6.0%	2,174	23.0%
Total	**167,803**	**100.0%**	**156,648**	**100.0%**	**11,155**	**7.1%**

1. Vietnam

Vietnam is the largest market of the Group. In the first half of 2018, along with the improving economy, market consumption sentiment in Vietnam also warmed up. As such, the Group's revenue from the market rose by 10.7%, or US$8,168,000, year-on-year to approximately US$84,644,000. The increase in revenue was mainly attributable to the Group mounting vigorous sales promotion and other business activities for MSG and seasonings, amid easing market competition, resulting in rise in sales volume and average selling price. Furthermore, higher market demand for soda, modified starch, maltose and fertilisers boosted their sales volumes and selling prices, and accordingly contributed to the growth of revenue. As the revenue from Vietnam swelled quite markedly when compared with the same period last year, contribution from the market increased to 50.4% of the Group's total revenue from 48.8% in the first half of 2017.

2. Japan

Japan is the second largest market and a long-standing stable market of the Group. Although production costs rose during the period, since the Japanese economy was growing slowly, it was difficult for the Group to adjust product prices. In order to keep the established market stable, and to ensure its products make stable profits, the Group adjusted its inventory to match customers' demand. As a result, revenue of MSG, starch and fertilisers from the market dropped slightly. Revenue from Japan for the period decreased by 5.1%, or US$1,598,000, to US$29,867,000 when compared with the first half of 2017, and the contribution from the market accounted for 17.8% of the Group's total revenue, lower than the 20.1% in 2017.

3. PRC

Revenue from the PRC increased by 27.0%, or US$3,578,000, year-on-year to US$16,835,000 during the period, making up 10.0% to the Group's total revenue, up from 8.5% in the first half of 2017. The market recorded revenue growth higher than that of last year, mainly because of the higher sales of starch and the significant sales growth of new trade products.

4. ASEAN member countries

During the period, revenue from ASEAN member countries, excluding Vietnam, amounted to US$16,089,000, similar to that in the same period last year, just up slight by 0.1% or US$9,000. Performance of the ASEAN market remained flat, short of expectation, mainly due to competition on price causing a drop in the price of MSG and also a slight decline in MSG sales volume. However, both modified starch and fertilisers recorded growth in sales volume as demand increased. The ASEAN market is a major long-term development focus of the Group. A subsidiary was thus set up in Cambodia by the Group in the first half of the year, which will in the initial stage focus on developing the market and deployment of related network and structure, and then put more effort into growing the market by strengthening sales and promotion of different products. The Group aims at setting the subsidiary as good foundation to support development and expansion of its business in the ASEAN market.

5. The US

Revenue from the US market reached US$8,731,000 for the period, a decrease of 11.9%, or US$1,176,000, from US$9,907,000 in the first half of 2017. Its contribution to the Group's total revenue was down from 6.3% to 5.2%. The revenue decline mainly due to competition in the MSG market suppressing selling price of MSG. Also, as organic maltose, which performed well last year, was subject to reconfirmation of specifications this year, full shipment had not been made. Sales of the product, however, has been resuming gradually. In addition to MSG and maltose, the Group is actively developing modified starch business in the US, thus growth is expected for the market in the future.

6. Other regions

Other regions mainly include Taiwan and the European Union ("EU"). As sales of MSG, modified starch and fertilisers increased during the period, total revenue from other regions rose by 23.0%, or US$2,174,000, to US$11,637,000, as compared to US$9,463,000 in the same period in 2017. The market accounted for 7.0% of the Group's total revenue, up from 6.0% in the same period in 2017.

(2) Sales Analysis by Product

Unit：US$'000

Item	First half of 2018		First half of 2017		Difference	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
MSG and seasonings	110,938	66.1%	109,251	69.7%	1,687	1.5%
Modified starch & native starch & maltose	26,062	15.5%	20,724	13.2%	5,338	25.8%
Specialty chemicals	15,378	9.2%	13,735	8.8%	1,643	12.0%
Fertilisers and feed products	10,600	6.3%	9,701	6.2%	899	9.3%
Others	4,825	2.9%	3,237	2.1%	1,588	49.1%
Total	**167,803**	**100.0%**	**156,648**	**100.0%**	**11,155**	**7.1%**

1. *MSG and seasonings*

During the period, revenue from MSG and seasonings-related products amounted to US$110,938,000, an increase of 1.5%, or US$1,687,000, against the corresponding period in 2017. The revenue growth was mainly owed to the Group strengthening promotion and business activities in the first half year and the import competition easing in Vietnam, resulting in increase in sales volume and a slight rise in price, contributing to the more notable growth in revenue from MSG in the Vietnam market. However, MSG sales were down in varying extent in Japan, ASEAN market and the US, hence overall the results of MSG business only grew marginally during the period. The revenue contribution from MSG and seasonings-related products to the Group's total revenue for the period decreased from 69.7% in the first half of 2017 to 66.1%.

2. *Modified starch/Native starch/Maltose*

With cassava, the raw material for producing native starch, modified starch and maltose products, in short supply during the period, the market price of and demand for cassava starch both surged and, as a result, the Group sold more products and at higher prices, and accordingly revenue from the products grew. During the period, revenue from native starch, modified starch and maltose products climbed 25.8%, or US$5,338,000, year-on-year to US$26,062,000. Sales of modified starch increased in all other markets except a slight drop was recorded in Japan are in the PRC. Sales volume and selling price of maltose also improved due to increase in demand. The Group continued to actively promote organic maltose, which has higher added value. Starch-related products accounted for 15.5% of the Group's total revenue, up from 13.2% in the same period last year. The Group sees the segment as crucial to its business in the future, hence has continued to develop new products and new markets for it.

3. *Specialty chemicals/Fertilisers and feed products*

Specialty chemicals including hydrochloric acid, soda and bleach are sold in Vietnam market. During the period, the Vietnam economy continued to grow and so did its demand for basic industrial chemicals. At the same time, global demand for soda products increased, and with production reduced in the PRC, selling price of the product climbed, which translated into higher revenue and profit for the Group. As for hydrochloric acid, a relatively large proportion of output was used internally by the Group and less was sold in the market during the period, together with the competition with imported products and local manufacturers, selling price of hydrochloric acid and sales of the product dropped. Overall, the revenue from specialty chemicals was up by 12.0%, or US$1,643,000, year-on-year to US$15,378,000, and its contribution to the Group's total revenue rose from 8.8% to 9.2%.

Regarding fertilisers and feed products, with Europe seeing strong grain harvest during the period and the rather low-priced substitutes of the products, sales of fertilisers dropped, but their selling prices increased, hence turnover from them was maintained. For feed products, the Group secured new customers in Vietnam during the period, hence the sales was relatively well. The Group's revenue from fertilisers and feed products increased by 9.3%, or US$899,000, year-on-year to US$10,600,000 and its contribution to the Group's total revenue rose from 6.2% to 6.3%.

4. *Other products*

Revenue from other products reached US$4,825,000, up by 49.1% year-on-year. The growth was principally attributable to the Group's effort to promote sale of new trade products. The Group strengthened its sales channel building strategy in response to market demand and established a special sales unit being responsible for channel operation. Contribution from other products to the Group's total revenue increased from 2.1% to 2.9%.

III. MAJOR RAW MATERIALS/ENERGY OVERVIEW

(1) Cassava

With cassava price in the slump the last harvest season in 2016/2017, cassava plantations for harvest in 2017/2018 had been reduced in Vietnam, Thailand and Cambodia. That, plus pests and other attacks on the crop in this growth period in 2018/2019, cassava output dropped and the shortage in supply pushed up selling price substantially. Procurement of agricultural products is subject to various factors, the more important being climate, pests and farmers' plan. Therefore, on top of knowing well and being able to secure raw material supply and sources, the Group will strive to implement its procurement strategy effectively and form strategic alliance with supply channels to ensure it has access to stable raw material supply.

(2) Molasses

Molasses was in short supply worldwide in 2016/2017, but the sugar market stabilised in 2017/2018 with Brazil, India and Thailand affording stronger outputs. Hence, abundant supply is expected for the global sugar market in the coming year. However, for molasses, a close watch must be kept on the output of ethanol, which the fuel consumption gradually increased. If international crude oil price continues to increase and countries are using more and more gasoline ethanol, demand for fuel ethanol may increase. In turn, more molasses may be used to produce fermentation-based ethanol, which means it is possible that the demand for molasses will grow and its price will increase.

(3) Energy

Demand for coal has been increasing worldwide since 2017. With coal supply consistently falling short of demand and demand for coal growing in South Asian countries including India, Indonesia, Japan and Pakistan, international coal price has continued to climb. According to findings of analysis on global energy demand elasticity, in the second half of 2018, global coal demand will continue to increase while supply will continue to be limited, and with international crude oil price climbing, coal price is expected to stay at a higher level.

With regard to electricity price, it is expected to remain steady, which is essential for supporting steady economic growth and keeping inflation rate stable.

IV. FINANCIAL REVIEW

(1) Liquidity and Financial Resources

The Group had cash and bank deposits of US$39,356,000, which is US$30,289,000, or about 43.5%, less than at the end of 2017. Short-term bank borrowings increased by US$5,000, or about 0.03%, to US$15,911,000 compared to the amount at the end of 2017, and medium-to-long term bank borrowings declined by US$1,113,000, or about 5.7%, to US$18,378,000. Total bank borrowings were US$34,289,000, US$1,108,000, or about 3.1%, less than at the end of 2017. Of the total borrowings, 96.7% were denominated in US dollars and the remaining 3.3% in New Taiwan dollars. The proportions of short-term and medium-to-long-term bank borrowings were 46.4% and 53.6% respectively. The Group had net finance income of US$85,000 in the period while it had a net finance cost of US$213,000 in the first half of 2017.

Trade receivables were US$29,187,000, down by US$2,464,000, or about 7.8%, when compared to the amount at the end of 2017. About 93.2% of the trade receivables were due within 30 days. As at 30 June 2018, the Group had inventory of total worth US$107,156,000, up by US$24,288,000 or around 29.3%, when compared to that at the end of 2017. The increase in inventory during the period was the result of the Group increasing bulk purchase of agricultural raw materials, and accordingly raw material inventory increased.

With bank borrowings reduced, the Group's gearing ratio (total borrowings to total capital ratio) for the period was 12.1% versus 12.5% at the end of 2017. And, with cash on hand exceeding borrowings, net gearing ratio (total borrowings less cash and deposits to total capital ratio) was negative at 30 June 2018 and at the end of 2017.

Current liabilities for the period decreased sharply at the increase of short-term borrowings and payables, so the Group's current ratio increased from 3.82 at the end of 2017 to 4.18, thus the financial position of the Group remained sound.

(2) Capital expenditure

During the reporting period, capital expenditure amounted to approximately US$12,688,000, US$1,804,000 more than the US$10,884,000 in the first half of 2017.

(3) Exchange rate

The Vietnamese economy remained stable in the first half of the year, with export volume climbing notably and inflation moderately, hence the country's foreign exchange reserve surged to a historical high, and these factors together contributed to the stable exchange rate of the Vietnam Dong. The State Bank of Vietnam announced that the Vietnam Dong depreciated 1.0% in the first half of 2018, and the core exchange rate was 22,650 Vietnam Dong to US$1. The exchange rate remained stable in the first five months, and came June, with the US dollar appreciating against different currencies, the Sino-US trade conflict escalating and the RMB depreciating fast, the Vietnam Dong was affected and started to depreciate, a trend expected to continue to August. The bank rate in August was more than 23,300 Vietnam Dong to US$1. However, experts think, with Vietnam still recording trade surplus, hence has an increasing foreign exchange reserve, plus continuing to see steady economic growth, the Vietnam Dong is expected to keep depreciating along with other currencies in the second half year, but only mildly.

The Group's subsidiaries in the PRC are mainly responsible for local sales with transactions denominated in RMB. In 2015 and 2016, the median exchange rate of RMB depreciated by 6% to 6.6% against US dollar and in 2017 appreciated by approximately 6%. Stepping into January 2018, the onshore price of RMB had grown accumulatively by 3.5%, the highest single-month increase since after the new RMB exchange rate management system took effect/unification of official and swap exchange rates of the RMB in 1994. However, as the Sino-US trade war kept escalating, the US dollar rebounded markedly, and the RMB to US dollar exchange rate started to slide at the end of April, and in the three months by the end of July, the RMB had depreciated more than 8.5%. Expecting the Sino-US trade war to continue in the foreseeable future, the market considers it essential to keep constant watch on changes with the RMB.

(4) Earning per shares and Dividend

Basic and diluted earnings per share were 0.60 US cents for the period. The Board has resolved to declare payment of an interim dividend of 0.298 US cents per share. Dividend payout ratio was 50%.

V. PROSPECTS

Looking ahead at the second half of 2018, with global economic situations and outlook changing fast, uncertainties and risks are going to surface in the economy at large and in relation to raw material supply. In the market, a number of products are still affected by excessive production capacity, hence are in surplus supply, and industries are expected to cope with a fast-changing operating environment, volatile prices and keen competition. In addition, with the policies of large countries being uncertain, industries will be facing even more complex economic conditions.

The Group has reinforced its business foundation in recent years, working hard on various aspects including securing stable supply of raw materials, improving production efficiency, stabilising production costs, strengthening marketing and business development, and developing new products, new markets and new customers, and these efforts have started to bear fruit. Looking ahead, despite having to face considerable operational uncertainties, the Group will continue to adhere to and forcefully implement its set development strategies, including:

– Restructure its product lines to raise the proportion of high value-added products and reduce the number of low gross profit items to maintain overall profit of products at a reasonable level.

– Actively develop new products and boost business in new markets, strengthen its business structure, increase the number of new agents and secure new customers, plus enhance existing distribution channels and sustain and apply its brand influence, to the end of empowering overall business development.

– Actively pursue the use of diverse raw materials and strengthen its access to critical raw material sources to provide flexibility.

- Continuous effort will be made to upgrade production technologies thereby improve production efficiency, and the Group will also increase capital expenditure to expand production of high-potential products and continue to implement energy-saving measures.

- The Group will apply its own resources and combine the strengths of industry peers and players in other industries, continue to step up review of the effectiveness of strategic alliances, work closely with customers and gear up for developing customised products so as to boost its new product portfolio. Different third party products will be introduced to meet the needs of customers in specific market segments and bolster offerings to niche markets.

- By adopting the "co-opetition" strategy, the Group will use its production base in Vietnam to actively develop ASEAN and Free Trade Agreement (FTA) covered markets, pursuing development of relevant new high-value businesses.

- By establishing foothold in ASEAN countries, extend its business and distribution network, create business opportunities for its products, broaden its brand influence and eventually expand its business presence across the region.

- The Group will strengthen financial management, aiming to enhance efficiency and effectiveness and also maximise asset utilisation rate. It will strive to effective management of exchange rate and interest rate risks arising in the increasingly turbulent financial market.

Operating in a rapidly changing environment, the Group will maintain flexibility in conducting business. Apart from tackling fundamental operational tasks, the Group will also devote greater efforts on implementing strategies devised targeting new business environments. While the current situation presents many challenges, the Group also see in it many development opportunities. The management is confident that by implementing strategies based on its existing well-established operational foundation cautiously and prudently and continuing to proactively capture opportunities, the Group will be able to continue to develop its business and make breakthroughs in operation.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend for the six months ended 30 June 2018 of 0.298 US cents per share. The interim dividend will be paid on 28 September 2018 in HK dollar to shareholders whose names appear on the register of members of the Company on 14 September 2018. The HK$ equivalent of the interim dividend is 2.33036 HK cents per share, which is based on the exchange rate of US$ against HK$ at US$1.00 to HK$7.820 as quoted by The Hong Kong Association of Banks on 28 August 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 12 September 2018 to Friday, 14 September 2018 (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 2018, 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, 11 September 2018.

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 2018.

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 2018.

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 2018, 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 could not attend the annual general meeting of the Company held on 23 May 2018 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 2018. The Audit Committee comprises the three Independent Non-executive Directors of the Company since 23 July 2018.

The unaudited condensed consolidated interim financial information for the six months ended 30th June 2018 have been reviewed by the Group's auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The Audit Committee has reviewed the interim results for the six months ended 30th June 2018.

PUBLICATION OF INTERIM REPORT

The Company's interim report for the six months ended 30 June 2018 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
28 August 2018

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