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 2019

FINANCIAL HIGHLIGHTS

	Unaudited six months ended 30 June		
	2019	2018	**Change**
	US$'000	*US$'000*	
Revenue	**175,176**	167,803	4.4%
Gross profit	**34,995**	33,356	4.9%
Profit for the period	**12,160**	9,086	33.8%
Profit attributable to owners of the Company	**12,148**	9,064	34.0%
Basic earnings per share	**0.8 US cents**	0.60 US cents	
Diluted earnings per share	**0.8 US cents**	0.60 US cents	
Interim dividend proposed per share	**0.4 US cents**	0.298 US cents	
Total dividends paid and proposed per share	**0.4 US cents**	0.298 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 2019 together with the comparative figures for the corresponding period in the previous year.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30 June 2019** *US$'000*	Audited 31 December 2018 *US$'000*
ASSETS			
Non-current assets			
Land use rights	*2(c)*	**–**	1,892
Property, plant and equipment		**148,460**	151,788
Right-of-use assets	*2(c)*	**4,249**	–
Intangible assets		**8,516**	8,566
Long-term other receivables		**738**	725
Investment in an associate		**6,084**	6,119
Total non-current assets		**168,047**	169,090
Current assets			
Inventories		**105,879**	91,102
Trade receivables	*4*	**34,919**	33,151
Short-term loan to an associate		**120**	120
Prepayments and other receivables		**13,245**	13,465
Amount due from a related party		**867**	1,191
Current income tax recoverable		**964**	1,241
Structured bank deposits		**6,982**	8,888
Short-term bank deposits		**1,840**	15,342
Cash and cash equivalents		**28,656**	34,215
Total current assets		**193,472**	198,715
Total assets		**361,519**	367,805

	Note	Unaudited 30 June 2019 US$'000	Audited 31 December 2018 US$'000
EQUITY			
Share capital		**15,228**	15,228
Reserves		**275,451**	271,128
		290,679	286,356
Non-controlling interest		**203**	326
Total equity		**290,882**	286,682
LIABILITIES			
Non-current liabilities			
Bank borrowings		**13,255**	15,697
Lease liabilities	*2(c)*	**2,233**	–
Deferred income tax liabilities		**3,022**	3,238
Retirement benefit obligations		**1,492**	1,478
Long-term environmental provision		**448**	387
Total non-current liabilities		**20,450**	20,800
Current liabilities			
Trade payables	*5*	**8,979**	20,875
Accruals and other payables		**13,061**	16,874
Amounts due to related parties		**2,358**	1,391
Bank borrowings		**24,937**	20,469
Lease liabilities	*2(c)*	**166**	–
Current income tax liabilities		**686**	714
Total current liabilities		**50,187**	60,323
Total liabilities		**70,637**	81,123
Total equity and liabilities		**361,519**	367,805

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
		2019	2018
	Note	***US$'000***	*US$'000*
Revenue	*3*	**175,176**	167,803
Cost of sales	*7*	**(140,181)**	(134,447)
Gross profit		**34,995**	33,356
Other gains – net	*6*	**4,063**	648
Selling and distribution expenses	*7*	**(12,678)**	(10,844)
Administrative expenses	*7*	**(11,766)**	(12,209)
Operating profit		**14,614**	10,951
Finance income		**398**	471
Finance costs		**(546)**	(386)
Finance (costs)/income– net	*8*	**(148)**	85
Share of post-tax (loss)/profit of an associate		**(35)**	305
Profit before income tax		**14,431**	11,341
Income tax expense	*9*	**(2,271)**	(2,255)
Profit for the period		**12,160**	9,086
Profit attributable to:			
– Owners of the Company		**12,148**	9,064
– Non-controlling interest		**12**	22
		12,160	9,086
Earnings per share for profit attributable to the owners of the Company			
– Basic and diluted earnings per share *(expressed in US cents)*	*10*	**0.80**	0.60

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2019	2018
	US$'000	*US$'000*
Profit for the period	**12,160**	9,086
Other comprehensive (loss)/income		
Items that may be reclassified to profit or loss		
Release of exchange reserve upon disposal of a subsidiary	**(3,707)**	–
Currency translation differences	**(76)**	(484)
Total comprehensive income for the period	**8,377**	8,602
Total comprehensive income for the period attributable to:		
– Owners of the Company	**8,365**	8,541
– Non-controlling interest	**12**	61
	8,377	8,602

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 2019 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institution of Certified Public Accountants ("HKICPA"). The interim condensed consolidated financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, it should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and any public announcements made by Vedan International (Holdings) Limited during the interim reporting period.

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) and (c) below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2018, as described in the annual financial statements.

(a) The following new standards, amendments to standards and interpretation are mandatory for the first time for the financial year beginning on 1 January 2019, but do not have any significant impact on the preparation of this interim condensed consolidated financial information except for the impact on the adoption of HKFRS 16 as described in note 2(c).

Annual improvements project 2017	Annual Improvements 2015–2017 Cycle
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendments)	Long-term Interests in an Associates or Joint Ventures

(b) The following new standards and amendments to standards have been issued, but are not effective for the financial year beginning on 1 January 2019 and have not been early adopted.

		Effective for annual periods beginning on or after
HKFRS 3 (Amendments)	Definition of Business	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Conceptual Framework for Financial Reporting 2018	Framework for Financial Reporting	1 January 2020

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.

(c) Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 “Leases” on the Group’s financial statements and discloses the new accounting policies that have been applied from 1 January 2019.

The Group has adopted HKFRS 16 from 1 January 2019, but has not restated comparative for the 2018 reporting period, as permitted under the simplified transition approach in the standard. The reclassifications and the adjustments arising from the new leasing standards are therefore recognised in the opening consolidated balance sheet on 1 January 2019.

(i) Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2.83%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

	US$'000
Operating lease commitments disclosed as at 31 December 2018	3,219
Less: short-term leases recognised on a straight-line basis as expense	(423)
Operating lease liabilities before discounting as at 31 December 2018	2,796
Discounted using the lessee's incremental borrowing rate at the date of initial application	2,481
Add: Reclassification of land use rights	1,892
Right-of-use assets recognised as at 1 January 2019	**4,373**

The right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 1 January 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	30 June 2019 *US$'000*	1 January 2019 *US$'000*
Land use right	**1,864**	1,892
Leasehold lands	**1,919**	1,965
Building	**458**	507
Equipment	**8**	9
Total right-of-use assets	**4,249**	4,373
Current lease liabilities	**166**	166
Non-current lease liabilities	**2,233**	2,315
Total lease liabilities	**2,399**	2,481

The change in accounting policy affected the following items in the balance sheet on 1 January 2019.

- Land use right – decreased by US$1,892,000

- Right-of-use assets – increased by US$4,373,000

- Lease liabilities (current portion) – increased by US$166,000

- Lease liabilities (non-current portion) – increased by US$2,315,000

There is no impact on retained earnings on 1 January 2019.

(ii) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 Determining whether an Arrangement contains a Lease.

(iii) The Group's leasing activities and how they are accounted for

The Group leases various leasehold land, buildings and equipment. Rental contracts are typically made for fixed periods of 5 to 30 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability; and

- any lease payments made at or before the commencement date.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

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 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	
	2019	2018
	US$'000	*US$'000*
Vietnam	**84,741**	84,644
Japan	**33,920**	29,867
The PRC	**20,050**	16,835
The US	**11,804**	8,731
Taiwan	**6,624**	7,822
ASEAN member countries (other than Vietnam)	**13,659**	16,089
Other regions	**4,378**	3,815
Revenue per interim condensed consolidated income statement	**175,176**	167,803

	Unaudited Six months ended 30 June	
	2019	2018
	US$'000	*US$'000*
Timing of revenue recognition		
At a point in time	**175,176**	167,803

(ii) Capital expenditures

	Unaudited Six months ended 30 June	
	2019	2018
	US$'000	*US$'000*
Vietnam	**6,622**	12,612
The PRC	**193**	76
	6,815	12,688

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 **As at** **30 June** **2019** ***US$'000***	Audited As at 31 December 2018 *US$'000*
Vietnam	**304,524**	308,623
The PRC	**45,424**	45,544
Hong Kong	**9,874**	12,358
Taiwan	**1,140**	704
Singapore	**465**	487
Cambodia	**92**	89
	361,519	367,805

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

4 Trade receivables

	Unaudited **As at** **30 June** **2019** ***US$'000***	Audited As at 31 December 2018 *US$'000*
Trade receivables from third parties	**35,441**	33,649
Less: loss allowance	**(522)**	(498)
Trade receivables – net	**34,919**	33,151

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 2019 and 31 December 2018, the ageing of the trade receivables based on invoice date was as follows:

	Unaudited As at 30 June 2019	Audited As at 31 December 2018
	US$'000	*US$'000*
0 – 30 days	**20,797**	21,372
31 – 90 days	**12,626**	10,870
91 – 180 days	**1,353**	789
181 – 365 days	**215**	251
Over 365 days	**450**	367
	35,441	33,649

Loss allowance of trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The closing loss allowance for trade receivables as at 30 June 2019 and 31 December 2018 reconciles to the opening loss allowance as follows:

	Unaudited Six months ended 30 June	
	2019	2018
	US$'000	*US$'000*
Opening loss allowance as at 1 January 2018 and 2019	**498**	511
Increase/(decrease) in loss allowance recognised in condensed consolidated income statement during the period	**24**	(16)
Closing loss allowance	**522**	495

5 Trade payables

As at 30 June 2019, the ageing of the trade payables based on invoice date was as follows:

	Unaudited As at 30 June 2019	Audited As at 31 December 2018
	US$'000	*US$'000*
0 – 30 days	**7,744**	19,232
31 – 90 days	**1,195**	1,634
91 – 180 days	**30**	–
Over 365 days	**10**	9
	8,979	20,875

6 Other gains – net

	Unaudited Six months ended 30 June	
	2019	2018
	US$'000	*US$'000*
Net exchange losses	**(12)**	(61)
Loss on disposal of property, plant and equipment	**(71)**	(25)
Gain on disposal of assets held-for-sale	**–**	307
Gain on disposal of a subsidiary *(Note 12)*	**3,940**	–
Sales of scrap materials	**342**	203
Government grant	**165**	60
Impairment of amount due from the non-controlling interest of a subsidiary	**–**	(68)
Others	**(301)**	232
Other gains – net	**4,063**	648

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	
	2019	2018
	US$'000	*US$'000*
Changes in inventories and consumables used	**110,957**	107,665
Amortisation of intangible assets	**63**	67
Amortisation of land use rights	**–**	27
Amortisation of right-of-use assets	**122**	–
Auditors' remuneration	**120**	127
Depreciation on property, plant and equipment	**10,057**	9,141
Employee benefit expenses	**19,329**	18,241
Reversal of impairment of inventory	**(219)**	(175)
Provision for/(reversal of) loss allowance of trade receivables *(Note 4)*	**24**	(16)
Operating lease rental	**48**	112
Technical support fee	**1,494**	1,439
Travelling expenses	**913**	924
Transportation expenses	**5,070**	4,134
Advertising expenses	**1,832**	1,551
Other expenses	**14,815**	14,263
Total cost of sales, selling and distribution expenses and administrative expenses	**164,625**	157,500

8 Finance (costs)/income – net

	Unaudited Six months ended 30 June	
	2019	2018
	US$'000	*US$'000*
Finance income:		
– interest income on short-term bank deposits	**350**	393
– Unwinding of discount on non-current other receivable *(Note)*	**48**	78
Finance income	**398**	471
Finance costs:		
– Interest expense on bank borrowings	**(511)**	(386)
– Interest expenses on lease liabilities	**(35)**	–
Finance costs	**(546)**	(386)
Finance (costs)/income – net	**(148)**	85

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 2019 of US$1,360,000 is repayable in the amount of US$680,000 and US$680,000 in 2019 and 2020, respectively. The balance is non-interest bearing and is repayable within 2 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 to the interim condensed consolidated income statement represents:

	Unaudited	
	Six months ended 30 June	
	2019	2018
	US$'000	*US$'000*
Enterprise income tax	**2,487**	2,307
Deferred income tax	**(216)**	(52)
	2,271	2,255

10 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company of US$12,148,000 (2018: US$9,064,000) by 1,522,742,000 (2018: 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 2019 and 2018.

11 Dividends

A final dividend of US$4,042,000 that relates to the year ended 31 December 2018 was declared on 14 May 2019 and paid in June 2019 (2018: US$6,750,000).

On 27 August 2019, the Board resolved to declare an interim dividend of 0.4 US cents per share (2018: 0.298 US cents). This interim dividend, amounting to US$6,080,000 (2018: US$4,532,000), has not been recognised as a liability in this interim condensed consolidated financial information.

12 Disposal of a subsidiary

On 26 January 2019, Ordino Investments Pte Limited, a wholly owned subsidiary of the Company entered into a sale and purchase agreement with an independent third party to sell all of its shares of Shandong Vedan Snowflake Enterprise Co., Ltd. with a cash consideration of US$1. The transaction was completed on 29 January 2019.

The major classes of assets and liabilities of the disposed subsidiary as the date of disposal are as follows:

	US$'000
Consideration receivable:	
Cash consideration *(Note)*	–
Trade and other receivables	(17)
Cash and cash equivalents	(6)
Trade and other payable	151
Carrying amounts of net liabilities disposed	**128**
Exchange reserve released	3,707
Non-controlling interest for disposal of a subsidiary	105
Gain on disposal of a subsidiary *(Note 6)*	3,940

Note:

The cash consideration for the sale of the subsidiary is US$1.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS OVERVIEW

In the first half of this year, at the impact of escalating trade tensions between the PRC and the US, the global economy continued to slow down and investment contracted worldwide. The trade friction between major economies was intensifying and economic slowdown was faster than expected. International Monetary Fund (IMF) forecasted global economic growth in 2019 to slow down to 2.6%. Among major economies worldwide, the effects of fiscal measures of the US to stimulate the economy were gradually diminishing, and growth of the US economy was expected to be down to 2.5%. The growth was weak in general for the European economy. Apart from trade frictions, it was troubled by other problems such as Brexit and worsened debt situation of Italy. In the PRC, economic growth rate fell to a new low, weighed down by internal and external demand pressure. The Japanese economy continued to slowly recover. As for the emerging markets, their economy remained on a relatively better growth trend thanks to the ease of external pressure such as the weakening US dollar and softening oil price. Generally speaking, the decline in exports and investment of developed economies in the first half year was mainly the result of the trade frictions between the PRC and the US, tightened financial conditions making it difficult for different countries to stabilise exchange rates and reduce inflation. Emerging economies faced notable rise in government debts, currencies depreciated markedly. Furthermore, international crude oil prices surged at the tense situations in the Middle East. All of the above factors together explained the feeble growth of global trade.

Vietnam saw its GDP grew by 6.76% in the first half of 2019, which was lower than that of the last corresponding period, but higher than the average of the first half year between 2011 and 2017. Its inflation rate was the lowest in the last three years. Import and export value reached approximately US$245.5 billion and foreign investment amounted to approximately US$18.47 billion, both were new high in years, reflecting a stable macro economy in the country. However, affected by the escalating trade conflicts between the PRC and the US, the exchange rate of the Vietnam Dong depreciated by 1.8% when compared to that in the same period last year. As the Vietnam economy faced both opportunities and challenges, economic growth continued though at a glower pace.

In the first half year, the Group's revenue rose by approximately 4.4%, or US$7,373,000 year-on-year to approximately US$175,176,000. The increase was mainly attributable to the increase in sales volume and selling price of MSG, modified starch and maltose products, which was driven by greater market demand. During the period, prices of raw materials and energy fluctuated and the increase in cost of some products was reflected in their selling prices, thus the Group's gross profit margin swelled. Moreover, at the positive effect of the disposal of investment in a Shandong subsidiary, the Group's net profit margin grew during the period.

By market, revenue from the Vietnam market increased by approximately US$97,000 or 0.1% year-on-year. Results of MSG and modified starch recorded notable growth, but sales of soda slid markedly as a result of decline in international selling price. In the PRC, revenue increased by approximately US$3,215,000 or 19.1% year-on-year, mainly attributable to the increase in trading products. In Japan, revenue for the period climbed by approximately US$4,053,000 or 13.6%, mainly due to the higher revenue brought in by modified starch. In the US, revenue for the first half of 2019 grew by approximately US$3,073,000 or 35.2% year-on-year, mainly driven by the increase in revenues from MSG and maltose. In the ASEAN market, revenue decreased by approximately US$2,430,000 or 15.1% year-on-year, mainly due to the smaller revenue from MSG. In Taiwan and other markets, revenue for the first half of 2019 also dropped by approximately US$635,000 or 5.5%, mainly due to the decrease in revenue from modified starch.

On the product front, most products were sold at higher prices reflecting the increase in costs during the period. Except for specialty chemicals, major products of the Group recorded revenue growth. In particular, maltose products, which saw increase in both sales volume and selling price, with revenue rose by 19.8% or approximately US$1,090,000 year-on-year. As for starch products, revenue also rose by 10.9% or approximately US$2,243,000, attributable to the increase in selling price driven by increase in market demand. Revenue from the major product MSG also climbed by 2.8% or approximately US$2,994,000.

Gross profit of the Group for the period amounted to approximately US$34,995,000, up 4.9% or approximately US$1,639,000 when compared with the same period of 2018. Overall gross profit margin rose 20.0% versus 19.9% in the same period of 2018. The Group's net profit increased by approximately US$3,074,000 or 33.8% to approximately US$12,160,000 when compared with the same period of 2018 and net profit margin climbed to 6.9% against 5.4% in the same period of 2018. Both gross profit and net profit grew mainly because of the decrease in raw material prices and production costs, while revenue climbed for major products as a result of higher selling prices, plus the gain from disposal of the Shandong subsidiary.

II. BUSINESS ANALYSIS

1. Sales Analysis by Market

Unit: US$'000

Country	First half of 2019		First half of 2018		Difference	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
Vietnam	84,741	48.4%	84,644	50.4%	97	0.1%
Japan	33,920	19.4%	29,867	17.8%	4,053	13.6%
PRC	20,050	11.4%	16,835	10.0%	3,215	19.1%
ASEAN	13,659	7.8%	16,089	9.6%	(2,430)	(15.1%)
US	11,804	6.7%	8,731	5.2%	3,073	35.2%
Others	11,002	6.3%	11,637	7.0%	(635)	(5.5%)
Total	175,176	100.0%	167,803	100.0%	7,373	4.4%

(1) Vietnam

Vietnam is the largest market of the Group. In the first half of 2019, the Vietnamese economy saw steady growth, which bolstered the local consumer market. As such, the Group's revenue from the market rose by 0.1% or approximately US$97,000 year-on-year to approximately US$84,741,000. Selling price of MSG, modified starch and maltose products increased due to risen market demand, which resulted in increase in revenue. However, sales volume and the selling price of soda products dropped because of import price competition among industry players. As a result, revenue from soda products had a more notable decline. For fertiliser products, sales volume decreased due to market competition, however, at the Group's effort to promote new products with higher added value and increase selling price, revenue from the product category grew slightly. As revenue from other markets rose, the share of revenue from Vietnam dropped to 48.4% from 50.4% in the first half of 2018.

(2) Japan

The Japan market managed to deliver growth in results for the period and remained the Group's second largest market. As the Japanese economy was recovering in a rather slow pace and there was market competition, the Group strategically lowered the selling price of MSG products, which led to a slight growth in MSG sales volume and revenue. In addition, for modified starch, with high-end products and new products both recording sales volume growth, thus pushing up selling price and overall revenue from the category. For the period, revenue form the market climbed by 13.6% or approximately US$4,053,000 to approximately US$33,920,000 when compared with the same period of 2018. Revenue from the Japan market for the period accounted for 19.4% of the Group's total revenue, slightly higher than 17.8% recorded in the first half of 2018.

(3) The PRC

For the period, revenue from the PRC market rose by 19.1% or approximately US$3,215,000 to approximately US$20,050,000 when compared with the same period of 2018 and revenue from the market made up 11.4% of the Group's total revenue, higher than 10.0% recorded in the first half of 2018. Revenue from the PRC achieved higher growth during the period mainly because of the increase in trading products distributed in the PRC in recent years and strengthened supply chain product types. Consequently, turnover from the market increased markedly.

(4) ASEAN market

Revenue for the period from ASEAN market, excluding Vietnam, declined by 15.1% or approximately US$2,430,000 to approximately US$13,659,000 when compared with the same period of 2018. The respective contribution to the total revenue of the Group dropped to 7.8% versus 9.6% recorded in the first half of 2018. The revenue dropped during the period mainly due to the less than expected sales growth of MSG and the continued low price competition of MSG products leading to a drop in both the sales volume and revenue. The ASEAN market is the key market the Group has been exploring, and a subsidiary has been set up in Cambodia in the second half of 2018. The subsidiary is actively expanding the market and promoting different products, with the hope of achieving breakthrough in growth in the ASEAN market.

(5) The US

Revenue from the US market reached approximately US$11,804,000 for the period, an increase of 35.2% or approximately US$3,073,000 against the first half of 2018. It accounted for 6.7% of the Group's total revenue against 5.2% in the first half of 2018. The revenue increase was owed mainly to better sales performance than in the last corresponding period, with demand for MSG and maltose up, pushing up corresponding selling price and sales volume of the products. The Group is actively developing new markets for organic maltose and modified starch, and is hopeful about the growth and opportunities of the markets in the future.

(6) Other regions

Other markets mainly include Taiwan, Korea and the European Union markets. Total revenue from the markets for the period amounted to approximately US$11,002,000, down 5.5% or approximately US$635,000, as compared to US$11,637,000 in the same period in 2018. The decline was attributable to the drop in sales of modified starch. The market accounted for 6.3% of the Group's total revenue, versus 7.0% recorded in the first half of 2018.

2. Sales Analysis by Product

Unit: US$'000

Item	**First half of 2019**		**First half of 2018**		**Difference**	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
MSG and seasonings	113,870	65.0%	110,938	66.1%	2,932	2.6%
Modified starch & native starch & maltose	29,387	16.8%	26,062	15.5%	3,325	12.8%
Specialty chemicals	12,704	7.3%	15,378	9.2%	(2,674)	(17.4%)
Fertilisers and feed products	12,524	7.1%	10,600	6.3%	1,924	18.2%
Others	6,691	3.8%	4,825	2.9%	1,866	38.7%
Total	175,176	100%	167,803	100.0%	7,373	4.4%

(1) MSG and Seasonings

Revenue for the period from MSG and seasonings products amounted to approximately US$113,870,000, an increase of 2.6% or approximately US$2,932,000 against the same period in 2018. The revenue growth was mainly the result of enhanced promotional activities and the planned adjustment of selling prices in the Vietnam market in the first half year, leading to increase in sales volume and revenue in the market. The revenue from MSG sales in Japan, the US and Europe climbed, but dropped in the ASEAN market because of short-term adjustment of customer demand. In general, MSG and seasonings products recorded moderate increase in performance during the period, and their contribution to the Group's total revenue decreased to 65.0% against 66.1% in the first half of 2018.

(2) Modified starch/Native starch/Maltose

The plague of pests on cassava plantations, though eased, still prevailed during the period, as such cost of the material remained relatively high. Regarding modified starch, native starch and maltose products, at its effective procurement strategy for cassava starch and the higher sales of new products, the Group was able to increase their selling prices and sales volumes. During the period, revenue from modified and native starch and maltose products climbed 12.8% year-on-year, or approximately US$3,325,000 to approximately US$29,387,000, with the sales volume of modified starch recording higher growth in Japan, the PRC and Vietnam. For maltose, with increasing market demand, its sales volume and selling price also increased. The revenue contribution of starch related products to the total revenue of the Group increased to 16.8% versus 15.5% recorded in the first half of 2018. Currently, the Group is actively developing new products and client base for high value-added product categories such as organic maltose and high-end modified starch.

(3) Specialty chemicals/Fertilisers and feed products

Specialty chemicals including hydrochloric acid, soda and bleach are sold in the Vietnam market. During the period, competition intensified for basic chemical products due to international trade factors. Revenue from specialty chemicals amounted to approximately US$12,704,000, down by 17.4% or approximately US$2,674,000, against the same period in 2018. The product segment accounted for 7.3% of the Group's total revenue, versus 9.2% recorded in the first half of 2018. Soda products were affected by keen price competition in the market, resulting in lower sales volume and selling price, thus slid in performance. During the period, the sales volume of hydrochloric acid products dropped, owing to production and sales considerations, and competition with importers and local manufacturers, overall revenue from the products thus decreased slightly.

Regarding fertilisers and feed products, their selling prices increased notably during the period, although their sales volume varied. In General, revenue grew mainly because of the higher demand in the European and Taiwan markets. Moreover, revenue of the segment was boosted at the Group's active effort in developing new high-end products to attract new customers. Revenue from fertilisers and feed products thus reached approximately US$12,524,000, up by 18.2% or approximately US$1,924,000, and making up 7.1% of the total revenue of the Group, versus 6.3% in the corresponding period in 2018.

(4) Other products

Thanks to the Group's effective sales channel integration strategy, revenue of the segment was approximately US$6,691,000, up 38.7% or approximately US$1,866,000 year-on-year, derived mainly from the trading products sold in Vietnam and the PRC. Sales volume of coffee beans, bulk food ingredients and alcoholic products distributed in the PRC market grew and pushed up revenue. Revenue from these other products accounted for 3.8% of the Group's total revenue against 2.9% in the corresponding period in 2018.

III. MAJOR RAW MATERIALS/ENERGY OVERVIEW

1. Cassava

In the 2018/19 production season, the cassava plantations were still affected by pests, and plantation areas in Vietnam, Thailand and Cambodia shrank, supply of cassava raw material thus remained tight, pushing up the selling prices of cassava and starch. The Group will step up effort in linking up information to better secure raw material supply sources, strengthen strategic procurement and form strategic alliances with supply channels to ensure stable raw material supplies.

2. Molasses

The selling price of molasses slid due to supply and demand problem in 2018. In 2019, global molasses output is undergoing structural change. Currently, the selling price is at the bottom of the molasses price cycle. Farmers are less willing to plant sugar cane, and the sluggish outlook of the sugar market also affects molasses production. In 2019/2020, global molasses output is expected to reach 63 million tonnes, 1.7 million tonnes less than that in 2018/2019, which was mainly attributable to dry climate causing smaller plantation scale and change of plantation of sugar cane farmers to higher-valued crops. The selling price and sales volume of molasses will remain uncertain in 2019/2020. The Group will keep an eye on relevant situations to ensure stable raw material supply.

3. Energy

Stepping into 2019, global coal output continued to record small increase, however, the output of major coal producing countries has obviously slowed down and more countries have reduced their output, when compared with the previous year. At the same time, as coal demand of different countries varies, the coal market is facing greater downward pressure. Moreover, power generated using natural gas and renewable energy is taking up a notably bigger share in the energy supply sector. The international market is concerned about the situations in the Middle East, oil price has climbed due to immense uncertainties to global crude oil supply. According to the forecast by International Energy Agency (IEA), global demand for crude oil will increase in the second half of 2019, and overall demand for coal is expected to decline at the impact of worsening trade tension, thus coal price will likely remain at a relatively lower level.

Regarding electricity price, the Vietnam government raised retail electricity tariff by 8.4% in March 2019, which has affected economic growth and commodity price stabilising policy. For the Group, as it mainly uses self-generated electricity supplemented by purchasing power, the adjusted electricity tariff has limited impact on the Group.

IV. FINANCIAL REVIEW

1. Liquidity and Financial Resources

The Group had cash and bank deposits of approximately US$37,478,000, approximately US$20,967,000, or 35.9%, less than that as at the end of 2018. Short-term bank borrowings increased by approximately US$4,468,000, or 21.8%, to approximately US$24,937,000 compared to the amount at the end of 2018. Medium-to-long term bank borrowings declined by approximately US$2,442,000, or 15.6%, to approximately US$13,255,000. Total bank borrowings were approximately US$38,192,000, 5.6% or approximately US$2,026,000 more than at the end of 2018. Of the total borrowings, 96.1% were denominated in US dollars. The proportions of short-term and medium-to-long-term bank borrowings were 65.3% and 34.7% respectively.

Trade receivables were approximately US$34,919,000, approximately US$1,768,000 or 5.3%, more than that at the end of 2018. Approximately 58.7% of the trade receivables were of 30-day term. As at 30 June 2019, total inventory amounted to approximately US$105,879,000, up approximately US$14,777,000 or 16.2% against the amount at the end of 2018. The inventory growth was mainly attributable to the increase in bulk raw material and finished product inventory.

As a result of the slight increase in both bank borrowings and equity ratio, the Group's gearing ratio (total borrowings divided by total equity ratio) was 13.1%, slightly higher than 12.6% recorded at the end of 2018. With cash on hand less than borrowings, net gearing ratio (total borrowings less cash and deposits divided by total equity ratio) turned from -7.8% at the end of 2018 to 0.2%. As current liabilities for the period decreased sharply, the Group's current ratio increased from 3.3 at the end of 2018 to 3.9, hence the financial position of the Group remained stable and healthy.

2. Capital expenditure

During the period, capital expenditure amounted to approximately US$6,815,000, US$5,873,000 less than the US$12,688,000 recorded in the first half of 2018.

3. Exchange rate

Although Vietnam continued to record economic growth in the first half of 2019, the uncertainties brought by the Sino-US trade tension and overall global economic slowdown caused quick depreciation in the exchange rate between RMB and USD within a short time, close to falling through the seven threshold at one point, and led to the depreciation of the Vietnam Dong. The State Bank of Vietnam announced the Vietnam Dong depreciated 1.8% in the first half of 2019, and the core exchange rate was 23,066 Vietnam Dong to US$1. Despite that, as the macroeconomic environment in Vietnam remained stable, the Vietnam Dong did not depreciated substantially at appreciation of the USD, thus the exchange rate of the currency is expected to stay steady.

The Group's subsidiaries in the PRC are mainly responsible for local sales with transactions denominated in RMB. The global economy has been ridden with uncertainties due to the twists and turns of the trade negotiations between the US and the PRC, Europe and Japan, therefore, the exchange rate of RMB against USD has been volatile. From the beginning of 2019 to late February, the exchange rate appreciated by 2.5% from 6.86 to 6.69, some corrections were seen between late February and mid-April, then the rate was down about 1.5% from 6.70 to 6.79 from mid-April to early May. In the six months ended 30 June 2019, the exchange rate of RMB against USD had fallen by over 5%. Experts expect the exchange rate to continue to fluctuate between 6.7 and 7.0, and continuous close monitoring is necessary.

4. Earnings per share and dividends

Basic earnings per share were 0.8 US cents for the period. Diluted earnings per share is the same as the basic earnings per share as there are no dilutive instruments for the period. The Board has resolved to declare payment of dividend of 0.4 US cents per share. The dividend payout ratio was 50%.

V. PROSPECTS

Looking ahead at the second half of 2019, the global economy has gloomy prospects as it will still be affected by the trade talks between the two major economies – the PRC and the US – and the geopolitical and economic issues in the Middle East and Asia Pacific region. As the same time, facing uncertainties associated with raw material supply and price fluctuation, together with price competition in the market and the fast changing operating environment of enterprises and industrial structure, the Group will continue to actively implement its planned strategies, strengthen communication and cooperation with upstream and downstream players, enhance its ability to innovate and adapt to the market, as well as adopt all effective measures to achieve growth.

In recent years, the Group has implemented various measures to fortify its foundation, including adopting alternative energy solutions to lower costs, improving production efficiency, developing new product markets, boosting overseas development and establishing long term and stable relationship with customers. These efforts have started to bear fruit. Looking ahead, though the operating environment will continue to be uncertain, the Group will continue to adhere to and forcefully implement its planned development strategies and action plans, so as to strengthen its operations and drive profit growth. These strategies include:

- Bolster production capacity of product lines with focus on core products, aiming to raise the proportion of high-end and high value-added products and reduce low gross profit items, therefore maintain overall profit of products at a reasonable level.

- Actively develop new products, expand new businesses and secure new customers, and enhance market positioning and brand competitiveness; adjust business structure and explore new markets to enlarge the scale of its operation; at the same time, further develop current relationship and channel with customers, sustain and give full play to its brand value, all to the end of strengthening the Group’s overall business performance.

- Capture the price trends of bulk raw material for implementing strategic procurement.

- Improve product quality and production efficiency to maximise effectiveness of its production system, increase capital expenditure on expanding production capacity of potential products to gain competitive advantage in the future, and also continue to look for alternative energy solutions to lower energy consumption and operational costs.

- Draw on the Group's key resources to build strategic partnership and create unique competitive advantages, work closely with customers and gear up for developing high-end customised products, plus expand product agency and distribution business, strengthen marketing channels to cater for unmet market demand.

- Adhere to the "co-opetition" principle, devise supply chain strategy using its production base in Vietnam to help it actively develop the ASEAN market and markets which signatories of the Free Trade Agreement (FTA), The European Union – Vietnam Free Trade Agreement (EVFTA) and Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), with the goal of creating high-value new businesses.

- Strengthen online marketing tools and marketing data analysis, explore diverse marketing channels to encourage consumer engagement, expand marketing coverage and maximise effectiveness by taking advantage from the convenience of product distribution and information exchange.

- Enhance financial management capability to optimise capital utilisation and maximise the value of the Group; take steps to mitigate foreign exchange and interest rate fluctuation risks to cope with the increasingly turbulent international financial market.

In the face of rapid changes in political and economic situations and its operating environment, at home and overseas, the Group will formulate flexible and diversified action plans for its operations and adjust its strategic approach as required to maintain competitiveness. Although there are various challenges ahead, the Group believes there are also opportunities in the market, for example, the CPTPP and the EVFTA are already in effect in Vietnam and are expected to drive export of different products put out by the Vietnam plant. As such, the Group will remain prudent and actively implement its strategies to leverage on its integrated operational strengths and achieve breakthroughs and development.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend for the six months ended 30 June 2019 of 0.4 US cents per share. The interim dividend will be paid on 9 October 2019 in HK dollar to shareholders whose names appear on the register of members of the Company on 24 September 2019. The HK$ equivalent of the interim dividend is 3.1258 HK cents per share, which is based on the exchange rate of US$ against HK$ at US$1.00 to HK$7.8145 as quoted by The Hong Kong Association of Banks on 27 August 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 20 September 2019 to Tuesday, 24 September 2019 (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 2019, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Thursday, 19 September 2019.

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 2019.

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 2019.

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 2019, 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 2019 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 2019. The Audit Committee comprises the four Independent Non-executive Directors of the Company since 22 October 2018.

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2019 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 30 June 2019.

PUBLICATION OF INTERIM REPORT

The Company's interim report for the six months ended 30 June 2019 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
27 August 2019

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. HUANG, Chung-Fong