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**VEDAN INTERNATIONAL (HOLDINGS) LIMITED**

**味丹國際（控股）有限公司**

*(Incorporated under the laws of the Cayman Islands with limited liability)*

**(Stock code: 02317)**

**RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**FINANCIAL HIGHLIGHTS**

	Year ended 31 December		Difference
	2020	2019	
	<i>US\$'000</i>	<i>US\$'000</i>	
Revenue	<b>360,741</b>	357,857	0.8%
Gross profit	<b>72,556</b>	66,565	9.0%
Profit for the year	<b>16,677</b>	15,585	7.0%
Profit attributable to owners	<b>16,650</b>	15,563	7.0%
Basic earnings per share	<b>1.09 US cents</b>	1.02 US cents	
Diluted earnings per share	<b>1.09 US cents</b>	1.02 US cents	
Final dividend proposed per share	<b>0.462 US cents</b>	0.214 US cents	
Total dividends paid and proposed per share	<b>0.656 US cents</b>	0.614 US cents	

## RESULTS

The Board of Directors (the “Board”) of Vedan International (Holdings) Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2020, together with the comparative figures for the previous year as follows:

### CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December	
		2020 US\$'000	2019 US\$'000
<b>Revenue</b>	2(a)	<b>360,741</b>	357,857
Cost of sales	6	<u>(288,185)</u>	<u>(291,292)</u>
<b>Gross profit</b>		<b>72,556</b>	66,565
Selling and distribution expenses	6	(25,173)	(25,081)
Administrative expenses	6	(21,638)	(22,618)
Other (losses)/gains – net	5	<u>(2,866)</u>	<u>1,093</u>
<b>Operating profit</b>		<b>22,879</b>	19,959
Finance income		728	871
Finance costs		<u>(473)</u>	<u>(918)</u>
Finance income/(costs) – net	7	<u>255</u>	<u>(47)</u>
Share of post-tax loss of an associate		<u>(1,117)</u>	<u>(99)</u>
<b>Profit before income tax</b>		<b>22,017</b>	19,813
Income tax expense	8	<u>(5,340)</u>	<u>(4,228)</u>
<b>Profit for the year</b>		<b>16,677</b>	15,585
<b>Profit attributable to:</b>			
Owners of the Company		16,650	15,563
Non-controlling interest		<u>27</u>	<u>22</u>
		<b>16,677</b>	15,585
<b>Earnings per share for profit attributable to the owners of the Company during the year (expressed in US cents per share)</b>			
<b>Basic earnings per share</b>	10	<b>1.09</b>	1.02
<b>Diluted earnings per share</b>	10	<b>1.09</b>	1.02

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2020	2019
	<i>US\$'000</i>	<i>US\$'000</i>
<b>Profit for the year</b>	<b>16,677</b>	15,585
<b>Other comprehensive income/(loss):</b>		
<i>Item that may be reclassified to profit or loss</i>		
Release of exchange reserve upon disposal of a subsidiary	–	(3,707)
Currency translation differences	<b>3,102</b>	(576)
<b>Other comprehensive income/(loss) for the year, net of tax</b>	<b>3,102</b>	(4,283)
<b>Total comprehensive income for the year</b>	<b>19,779</b>	11,302
<b>Total comprehensive income for the year attributable to:</b>		
– Owners of the Company	19,752	11,280
– Non-controlling interest	<b>27</b>	22
<b>Total comprehensive income for the year</b>	<b>19,779</b>	11,302

## CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2020	2019
	Note	US\$'000	US\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		164,595	149,072
Right-of-use assets		4,914	5,073
Intangible assets		2,096	4,746
Long-term prepayments and other receivables		3,711	2,897
Investment in an associate		4,903	6,020
		<hr/>	<hr/>
Total non-current assets		180,219	167,808
		<hr/>	<hr/>
<b>Current assets</b>			
Inventories		91,665	95,828
Trade receivables	3	30,298	29,511
Prepayments and other receivables		11,337	15,975
Amounts due from related parties		862	954
Structured bank deposits		7,982	2,293
Short-term bank deposits and pledged bank deposits		21,817	15,980
Cash and cash equivalents		42,359	41,127
		<hr/>	<hr/>
Total current assets		206,320	201,668
		<hr/>	<hr/>
Total assets		386,539	369,476
		<hr/>	<hr/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		15,228	15,228
Reserves		285,832	272,286
		<hr/>	<hr/>
		301,060	287,514
Non-controlling interest		210	213
		<hr/>	<hr/>
Total equity		301,270	287,727
		<hr/>	<hr/>

		<b>As at 31 December</b>	
		<b>2020</b>	2019
	<i>Note</i>	<b>US\$'000</b>	<i>US\$'000</i>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank borrowings		<b>13,986</b>	15,376
Lease liabilities		<b>2,818</b>	3,016
Deferred income tax liabilities		<b>2,134</b>	2,705
Retirement benefit obligations		<b>1,460</b>	1,414
Long-term environmental provision		–	444
		<hr/>	<hr/>
Total non-current liabilities		<b>20,398</b>	22,955
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Current liabilities</b>			
Trade payables	4	<b>6,963</b>	12,784
Accruals and other payables		<b>20,665</b>	18,816
Amounts due to related parties		<b>1,358</b>	1,351
Bank borrowings		<b>32,373</b>	24,748
Lease liabilities		<b>199</b>	111
Current income tax liabilities		<b>3,313</b>	984
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>64,871</b>	58,794
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Total liabilities</b>		<b>85,269</b>	81,749
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<b>Total equity and liabilities</b>		<b>386,539</b>	369,476
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# NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

## 1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”) and disclosure requirements of the Hong Kong Companies Ordinance Cap.622. The consolidated financial statements have been prepared under the historical cost convention, except for the structured bank deposits measured at fair value.

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

### *(a) New standards and amendments to standards adopted by the Group*

The Group has applied the following new standards and amendments to standards which are mandatory for the Company for the first time for the financial year beginning on 1 January 2020:

HKAS 1 and HKAS 8 (Amendments)	Definition of material
HKFRS 3 (Amendments)	Definition of business
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Hedge accounting
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting

The adoption of other new standards and amendments to standards did not have any material impact on the current period or any prior periods.

- (b) The following new standards and amendments to standards have been issued, but are not effective for the financial year beginning on 1 January 2020 and have not been early adopted.

		<b>Effective for annual periods beginning on or after</b>
HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (amendments)	Interest rate benchmark reform – Phase 2	1 January 2021
Annual Improvements Project (Amendments)	Annual improvements to HKFRSs 2018 – 2020	1 January 2022
HKFRS 3, HKAS 16 and HKAS 37 (Amendments)	Narrow-scope amendments	1 January 2022
HKAS 1 (Amendments)	Classification of liabilities as current or non-current	1 January 2023
HKFRS 17	Insurance contracts	1 January 2023
HKFRS 17 (Amendments)	Amendments to HKFRS 17	1 January 2023
HKFRS 16 (Amendments)	Covid-19-related rent concessions	1 June 2020
HK Int 5 (2020)	Hong Kong Interpretation 5 (2020) presentation of financial statements – classification by the Borrower of a term loan that contains a repayment on demand clause (HK Int 5 (2020))	1 January 2023
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 have assessed the financial impact on the Group of the adoption of the above new standards and amendments to standards. There are no new standards and amendments to standards that are not yet effective and that would be expected to have a material impact on the Group in the future reporting periods and on foreseeable future transactions. The Group intends to adopt the above new standards and amendments to standards when they become effective.

## 2 Segment information

The chief operating decision-maker has been identified as the Executive Directors collectively. The Executive Directors review the Group's policies and information for the purposes of assessing performance and allocating resources. During the year ended 31 December 2020, the Group has been operating in one single business segment, i.e. the manufacture and sale of fermentation-based food additives, biochemical products and cassava starch-based industrial products including modified starch, glucose syrup, MSG, soda and GA (2019: same).

### (a) Revenue

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Timing of revenue recognition		
At a point in time	<u>360,741</u>	<u>357,857</u>

#### *Revenue recognised in relation to contract liabilities*

The Group receives payments from certain customers in advance of the performance under the contracts. The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	2020 <i>USD'000</i>	2019 <i>USD'000</i>
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	<u>2,506</u>	<u>1,993</u>

During the year ended 31 December 2020, no customers individually contribute 10% or more of the Group's revenue (2019: revenue of approximately US\$39,526,000 is derived from a single external customer located in Japan. This revenue is attributable to the MSG/GA products).

The Group's revenue by geographical location, which is determined by the geographical presence of customers, is as follows:

	<b>2020</b>	2019
	<i>US\$'000</i>	<i>US\$'000</i>
Vietnam	<b>170,547</b>	177,635
Japan	<b>61,195</b>	64,820
The PRC	<b>47,016</b>	43,669
ASEAN member countries (other than Vietnam)	<b>26,112</b>	26,857
The US	<b>26,717</b>	21,394
Other regions	<b>29,154</b>	23,482
	<b>360,741</b>	357,857

(b) Non-current assets, other than prepayments, by location, which is determined by the country in which the asset is located, are as follows:

	<b>2020</b>	2019
	<i>US\$'000</i>	<i>US\$'000</i>
Vietnam	<b>165,263</b>	152,205
The PRC	<b>11,245</b>	12,704
Cambodia	–	2
Total	<b>176,508</b>	164,911

### 3 Trade receivables

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Trade receivables from third parties	30,660	29,999
Less: loss allowance	<u>(362)</u>	<u>(488)</u>
<b>Trade receivables – net</b>	<b><u>30,298</u></b>	<b><u>29,511</u></b>

The carrying values of the Group's trade receivables approximate their fair values.

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

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
0 – 30 days	20,880	21,622
31 – 90 days	8,292	6,906
91 – 180 days	284	697
181 – 365 days	829	354
Over 365 days	<u>375</u>	<u>420</u>
	<b><u>30,660</u></b>	<b><u>29,999</u></b>

### 4 Trade payables

At 31 December 2020 and 2019, the ageing of trade payables based on invoice date is as follows:

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
0 – 30 days	5,515	11,976
31 – 90 days	<u>1,448</u>	<u>808</u>
	<b><u>6,963</u></b>	<b><u>12,784</u></b>

**5 Other (losses)/gains – net**

	<b>2020</b>	2019
	<i>US\$'000</i>	<i>US\$'000</i>
Net exchange gains/(losses)	<b>137</b>	(117)
Loss on disposal of property, plant and equipment	<b>(37)</b>	(113)
Impairment of property, plant and equipment	<b>(786)</b>	–
Sales of scrap materials	<b>290</b>	452
Government grant	<b>32</b>	160
Gain on disposal of a subsidiary	–	3,940
Impairment of goodwill	<b>(3,107)</b>	(3,580)
Fair value gains on structural bank deposits	<b>173</b>	–
Others	<b>432</b>	351
	<u><b>(2,866)</b></u>	<u>1,093</u>

## 6 Expenses by nature

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

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Changes in inventories and consumables used	<b>240,361</b>	237,769
Amortisation of intangible assets	<b>114</b>	126
Amortisation of right-of-use assets	<b>280</b>	145
Auditor's remuneration		
– Audit services	<b>353</b>	355
– Non-audit services	<b>4</b>	4
Depreciation on property, plant and equipment	<b>18,048</b>	20,244
Write-off of inventory	<b>3</b>	7
Expense relating to short-term lease	<b>43</b>	30
Employee benefit expenses	<b>40,684</b>	39,053
Reversal of loss allowance of trade receivables	<b>(126)</b>	(10)
Technical support fee	<b>2,164</b>	2,156
Travelling expenses	<b>1,519</b>	1,654
Transportation expenses	<b>8,330</b>	9,223
Advertising expenses	<b>4,389</b>	4,069
Repair and maintenance expenses	<b>12,308</b>	16,676
Other expenses	<b>6,522</b>	7,490
	<hr/>	<hr/>
Total cost of sales, selling and distribution expenses and administrative expenses	<b>334,996</b>	338,991
	<hr/> <hr/>	<hr/> <hr/>

## 7 Finance income/(costs) – net

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Bank interest income	724	768
Interest income from an associate	4	5
Unwinding of discount of other receivables	–	98
	<hr/>	<hr/>
Finance income	728	871
	<hr/>	<hr/>
Interest expense on bank borrowings	(763)	(1,107)
Interest expense on lease liabilities	(89)	(94)
<i>Less: amounts capitalised on qualifying assets</i>	379	283
	<hr/>	<hr/>
Finance costs	(473)	(918)
	<hr/>	<hr/>
Finance income/(costs) – net	<b>255</b>	<b>(47)</b>
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## 8 Income tax expense

Taxation on profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of income tax charged to the consolidated income statement represents:

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Enterprise income tax (“EIT”)	6,074	4,681
(Over)/under-provision of income tax in previous years	(163)	80
	<hr/>	<hr/>
Total current tax	5,911	4,761
Deferred income tax	(571)	(533)
	<hr/>	<hr/>
	<b>5,340</b>	<b>4,228</b>
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## 9 Dividends

A final dividend of US\$3,259,000 that relates to the year ended 31 December 2019 was declared on 19 May 2020 and was paid in June 2020 (2019: US\$4,042,000).

The interim dividends paid in 2020 was US\$2,947,000 (0.194 US cents per share) (2019: US\$6,080,000 (0.4 US cents per share)). A final dividend in respect of the year ended 31 December 2020 of 0.462 US cents per share, amounting to a total dividend of US\$7,040,000, is to be proposed for approval at the forthcoming annual general meeting. These consolidated financial statements do not reflect this dividend payable.

	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Interim dividend paid of 0.194 US cents (2019: 0.4 US cents) per ordinary share	2,947	6,080
Proposed final dividend of 0.462 US cents (2019: 0.214 US cents) per ordinary share	<u>7,040</u>	<u>3,259</u>
	<u><b>9,987</b></u>	<u><b>9,339</b></u>

## 10 Earnings per share

### (a) Basic

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

	2020	2019
Profit attributable to owners of the Company ( <i>US\$'000</i> )	16,650	15,563
Weighted average number of ordinary shares in issue ( <i>thousands</i> )	<u><b>1,522,742</b></u>	<u><b>1,522,742</b></u>
Basic earnings per share ( <i>US cents per share</i> )	<u><b>1.09</b></u>	<u><b>1.02</b></u>

### (b) Diluted

Diluted earnings per share is same as basic earnings per share as there are no dilutive instruments for the years ended 31 December 2020 and 2019.

## MANAGEMENT DISCUSSION AND ANALYSIS

### I. BUSINESS OVERVIEW

We experienced an unprecedented crisis in 2020, as COVID-19 spread across the world and brought significant changes to countries worldwide. Global economies fell into recession, with rising unemployment rates and borrowings. According to the International Monetary Fund (“IMF”), global economic growth for the year was  $-4.3\%$ . In the PRC, strong domestic demand supported economic recovery, making it the first large economy to record positive growth in 2020, leaving other large economies such as the US, the EU and Japan, new emerging markets and developing economies in recession. However, it is still uncertain whether global economic activities can return to pre-pandemic levels. Besides, the prices of international bulk commodities and oil plummeted started to rebound in April, while weak market demand suppressed the prices of consumer products. Economic experts expect that rising levels of vaccination and further stimulus policies will be the keys to economic recovery. However, as employment and inflation rates remained at relatively low levels, the global economy will still face challenges in the post-pandemic era.

Thanks to the effective containment of the disease, significant foreign capital flew into Vietnam, and as a result the country’s Gross Domestic Product (“GDP”) grew by  $2.91\%$  in 2020. While this does represent the lowest growth in nearly 30 years, it is still exceptional compared with other countries around the world. Total imports and exports amounted to approximately US\$543.9 billion, with a trade surplus of approximately US\$19.1 billion, the highest since 2016. The US was the largest export market, with exports to the country having reached approximately US\$76.4 billion, representing a year-on-year increase of  $24.5\%$ . Foreign Direct Investment (“FDI”) totaled approximately US\$28.53 billion, which dropped by  $25\%$  from 2019. However, many companies invest in Vietnam to utilise the benefits from joining Free Trade Agreement (“FTA”), so foreign investments have increased in the country. The exchange rate of the Vietnamese Dong against the US Dollar remained stable throughout 2020, resulting in a controlled inflation rate. The consumer price index (CPI) increased to  $3.23\%$  year-on-year, which was lower than its target  $4\%$ . Benefited from the quick and effective containment of COVID-19 and mechanisms and policies that are attractive to foreign capital, its economic activities have returned to normal and the market remains cautiously optimistic about its future economic growth.

Following its success in containing the pandemic, Vietnam became one of the fastest-growing economies in the world in 2020. It attracted huge foreign investments and created more opportunities and competition for local companies. The Group's main products, modified starch and maltose, benefited from a slower rise in raw material costs, lower energy costs and the continuous development of new functional products, and thus recorded higher revenue and gross profit. As the raw material costs surged and product prices fell due to keen market competition, MSG and seasonings' gross profit dropped sharply. The selling prices and revenue of specialty chemicals also decreased notably due to weaker demand and cut-throat price competition amid COVID-19. Sales volume of coffee beans and bulk food ingredients increased and recorded a surge in revenue, thanks to the Group's effective sales strategy. The Group's revenue amounted to US\$360,741,000 for the year, representing an increase of 0.8% or US\$2,884,000, while gross profit grew 9.0% or US\$5,991,000 from the previous year to US\$72,556,000. The Group's overall gross profit margin climbed from 18.6% in 2019 to 20.1% in 2020. Due to the impairment of assets of a subsidiary in Vietnam and an impairment loss on goodwill of a subsidiary in Shanghai, net profit of the Group amounted to US\$16,677,000; 7.0% or US\$1,092,000 higher than the previous year. Net profit attributable to owners was US\$16,650,000, which was 7.0% or US\$1,087,000 higher year-on-year. Net profit margin increased from 4.4% in 2019 to 4.6%, which was mainly attributable to a slower rise in some of the raw material costs and rising sales volumes of products with higher added value, so the Group's revenue and profit for the year increased.

The timely containment of COVID-19 by governments in 2021 will determine which countries are the winners and losers economically in the coming year, which means vaccine rollout is the key to economic recovery. While the new administration has been inaugurated in the US, the tariffs are not expected to be lifted in the short-term. As both government budget and GDP within the Eurozone are in the red, quantitative easing policy is likely to remain in place, and thus raise the uncertainties in the economic growth. Despite a strong domestic market, the PRC still relies heavily on export trade and needs to improve its relationship with the US, and this will add uncertainties to its economic growth. However, as one of the few countries which has successfully managed to contain the disease, Vietnam's long-term economic growth remains stable. Moreover, many companies have chosen to relocate their production facilities to Vietnam in response to the intensifying conflicts between the PRC and the US. It also actively takes part in regional economic and trade consolidation by signing free trade zone agreements including FTA, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) or the Regional Comprehensive Economic Partnership (RCEP) with developed economies such as the UK, EU and the PRC. It has also accelerated the construction of infrastructure, nurtured skilled labor, and simplified different procedures systematically, in a bid to improve its business operating environment. In response to the influence that the changing international economic environment may have on the Group, Vedan will adhere to its prudent operating strategy, strengthen the operation, management and integration of its supply chain and seek to raise production standards by working with strategic alliances of its or other industries, in order to enhance the Group's core competitiveness and increase its value.

## II. BUSINESS ANALYSIS

### (1) Sales Analysis by Market

*Unit: US\$'000*

Country	2020		2019		Difference	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
Vietnam	<b>170,547</b>	<b>47.3%</b>	177,635	49.6%	(7,088)	(4.0%)
Japan	<b>61,195</b>	<b>17.0%</b>	64,820	18.1%	(3,625)	(5.6%)
The PRC	<b>47,016</b>	<b>13.0%</b>	43,669	12.2%	3,347	7.7%
ASEAN	<b>26,112</b>	<b>7.2%</b>	26,857	7.5%	(745)	(2.8%)
The US	<b>26,717</b>	<b>7.4%</b>	21,394	6.0%	5,323	24.9%
Others	<b>29,154</b>	<b>8.1%</b>	23,482	6.6%	5,672	24.2%
Total	<b><u>360,741</u></b>	<b><u>100.0%</u></b>	<b><u>357,857</u></b>	<b><u>100.0%</u></b>	<b><u>2,884</u></b>	<b><u>0.8%</u></b>

#### 1. Vietnam

Vietnam is the Group's largest market. In 2020, the Group's revenue was approximately US\$170,547,000, down slightly by 4.0% or approximately US\$7,088,000 when compared with 2019. The share of revenue from the Vietnam market also decreased slightly to 47.3% of the Group's total revenue from 49.6% in 2019. The decrease in revenue in Vietnam in the year was mainly due to weaker demand for specialty chemical products (soda) and the price competition, which affected the overall sales volume and led to a below satisfactory performance. During the year, the Group adjusted the selling prices of MSG and modified starch based on market changes, strengthened inventory control and management, thus improved the production efficiency. These measures effectively boosted sales volume and revenue. In addition, the Group adjusted the product structure of fertilisers and feed products by adding new high-end products, which stimulated the ASP and revenue and improved profitability, even though the overall sales volume dropped.

## **2. Japan**

Japan remained the Group's second largest market. With the intensifying pandemic clouding the country's economic recovery, the MSG market shrank, which dragged down the selling prices and sales volume, causing a notable decline in revenue. The modified starch segment recorded a lower sales volume due to weaker market demand. However, the Group continued to secure new customer groups, promote product use in different industries, develop products with higher added value and expand production capacity to reduce product costs, so profitability still grew substantially despite an overall decline in revenue. In 2020, revenue from the Japanese market fell approximately US\$3,625,000 or 5.6% from 2019 to approximately US\$61,195,000, and its contribution to the Group's total revenue decreased from 18.1% to 17.0%.

## **3. The PRC**

In 2020, the Group's revenue from the PRC market was approximately US\$47,016,000, which was around US\$3,347,000 or 7.7% more than 2019, and its revenue contribution increased from 12.2% to 13.0%. The obvious growth in revenue from the PRC was a result of enhanced product mix and sales channels of the trading products distributed by the Group in the country, and further development and cooperation in between the industrial chain, so the growth strategy of leveraging its economies of scale started to bear fruits and boosted the sales volume and revenue considerably. However, revenue from the MSG segment decreased as the Group had to adjust selling prices due to market competition.

#### **4. *ASEAN Countries***

The Group's revenue from ASEAN countries (excluding Vietnam) dropped by approximately US\$745,000 or 2.8% year-on-year to approximately US\$26,112,000, and its revenue contribution decreased from 7.5% to 7.2%. During the year, the decrease in revenue was mainly attributable to weaker demand for modified starch, and intensifying price competition in the market, which resulted in a dramatic fall on both the sales volume and revenue. Nevertheless, sales volume and revenue of the MSG products improved moderately, benefited from an effective sales strategy. ASEAN countries remain the Group's key development market. With this in mind, the Group aims to leverage its edges in the industry, expand other businesses with its core products, establish closer partnerships, and further develop sales channels, so as to ultimately make breakthroughs in sales.

#### **5. *The US***

Revenue from the US market rose by approximately US\$5,323,000 or 24.9% year-on-year to approximately US\$26,717,000 during the year, accounting for 7.4% of the Group's total revenue, an increase from the 6.0% of the previous year. The remarkable growth in results was brought about by the rising demand for organic maltose and high-end modified starch products, which boosted selling prices and sales volume, thus increasing its revenue and profitability. As the Group has seized key technologies and integrated the product value chain, it will continue to develop more functional products and enhance the competitiveness of products, so the sales volume is likely to increase in the future.

#### **6. *Other regions***

Other markets mainly include Taiwan, Korea and the European Union. Total revenue from the markets for the year amounted to approximately US\$29,154,000, up 24.2% or approximately US\$5,672,000 from 2019. The share of the revenue from other regions increased to 8.1% of the Group's total revenue compared with 6.6% in 2019, mainly because the rising demand for MSG, modified starch and feeds and fertilisers significantly boosted revenue.

## (2) Sales Analysis by Product

*Unit: US\$'000*

Item	2020		2019		Difference	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
MSG and seasonings	<b>232,093</b>	<b>64.3%</b>	233,524	65.3%	(1,431)	(0.6%)
Modified starch & native starch & maltose	<b>63,262</b>	<b>17.6%</b>	58,866	16.4%	4,396	7.5%
Specialty chemicals	<b>18,828</b>	<b>5.2%</b>	24,682	6.9%	(5,854)	(23.7%)
Fertilisers and feed products	<b>24,966</b>	<b>6.9%</b>	24,388	6.8%	578	2.4%
Others	<b>21,592</b>	<b>6.0%</b>	16,397	4.6%	5,195	31.7%
Total	<b><u>360,741</u></b>	<b><u>100.0%</u></b>	<b><u>357,857</u></b>	<b><u>100.0%</u></b>	<b><u>2,884</u></b>	<b><u>0.8%</u></b>

### 1. *MSG and seasonings*

During the year, revenue from MSG and seasonings related products amounted to approximately US\$232,093,000, representing a year-on-year decrease of 0.6% or approximately US\$1,431,000 from 2019, mainly owing to stagnant economic activities and weaker market demand in the PRC, Japanese, US and European markets due to COVID-19, as well as price competition from the Group's peers. Sales volume and revenue both dropped slightly as a result. The sales performance was better than the previous year in Vietnam, ASEAN countries and other markets, but overall revenue from MSG and seasonings related products reduced and their contributions dropped from 65.3% in 2019 to 64.3%.

## **2. *Modified starch/Native starch and Maltose***

Benefited from the stable price of its raw material, cassava, in the year, coupled with an effective strategic procurement plan and a rising demand for organic products, the overall sales volume and profitability of modified starch, native starch and maltose products have surged, thus generating a higher revenue of approximately US\$63,262,000, which was approximately US\$4,396,000 or 7.5% higher than 2019. The share of these products increased from 16.4% to 17.6% of the Group's total revenue. Affected by cut-throat price competition in South East Asia, sales of modified starch in the ASEAN market were dropped, but the sales volume and revenue in the US surged due to the rising demand for high-end products. Moreover, maltose reported an increase in sales volume and price in the US due to new customer groups and new usages of organic maltose, resulting in an increase in revenue from the product. It is worth waiting to see how much the profitability will benefit from the Group's efforts in developing new products with higher added value and deepen cooperation with leading companies around the world.

## **3. *Specialty chemicals***

Specialty chemicals including hydrochloric acid, soda and bleach are sold in the Vietnam market. During the year, users of basic chemical products were affected by the COVID-19 pandemic, leading to a decline in demand from key industries and hence the substantial price dropped in both international and domestic markets and contributed to intense price competition. Revenue from specialty chemicals amounted to approximately US\$18,828,000 during the year, down by 23.7% or around US\$5,854,000 from 2019. This segment accounted for 5.2% of the Group's total revenue, decreased from 6.9% in the previous year. In light of the intensified low-price competition of soda products during the year, selling prices of these products were adjusted according to market trading conditions, causing a drop in both sales volume and selling price and resulting in a decline in results performance. Hydrochloric acid also suffered from keen competition from imported and local products. Its selling price was adjusted based on production volume and market demand. Although sales volume and revenue increased, the product's profit was still lower than expected.

#### **4. *Fertilisers and feed products***

Fertilisers recorded notable profit growth despite the decrease in the sales volume of various products during the year. This was mainly attributable to the impact of the pandemic and the climate which dampened overall market demand. As such, the Group proactively searched for new customers and improved product mix by launching new high-end products in addition to implementing its strategy to set higher prices, allowing it to achieve revenue and profit growth. Meanwhile, the Group will continue to promote high value-added special fertilisers and develop new sales channels in the future. Revenue from fertilisers and feed products increased by US\$578,000 or 2.4% year-on-year to US\$24,966,000 and its contribution to the Group's total revenue rose slightly from 6.8% to 6.9%.

#### **5. *Other products***

Revenue of other products increased by approximately US\$5,195,000 or 31.7% from 2019 to approximately US\$21,592,000 this year. This segment's contribution to the Group's total revenue grew from 4.6% to 6.0% year-on-year, which was mainly attributable to the strong sales volume of coffee beans and bulk food ingredients distributed in the PRC, as the Group strengthened the depth and breadth of its products in this category in order to meet different market demand for similar products and enriched product offerings to drive high revenue growth.

### **III. MAJOR RAW MATERIALS/ENERGY OVERVIEW**

#### **1. Cassava**

In the production season of 2019/2020, operations gradually resumed at plantations in main production countries like Thailand, Vietnam and Cambodia. However, the prolonged COVID-19 pandemic discouraged consumption demand, and therefore the price increases of cassava and starch raw materials slowed compared with 2019. The cassava industry also continued to experience various challenges such as pest problems, competition from alternative agricultural products, drastic climate change and changes in market size and supply and demand, thus product prices remained volatile. The Group will continue to consolidate its long-term strategic partnership with suppliers, seize new sources of raw materials in a timely manner and stabilise the supply chain procurement cost.

## **2. Molasses**

In the beginning of the 2019/2020 production season, the output of major sugar production regions was unsatisfactory and the production volume of molasses also continued to drop, resulting in a shortage in supply in the global market. However, the international sugar market changed in the wake of the pandemic, when it experienced an excess supply once again. The gap between supply and demand caused the prices to rise initially then drop and rebound again. In the 2020/2021 production season, the International Sugar Organisation issued a report stating that, as the world enters the post-pandemic era with strong recovery in consumption and demand, the supply gap in the global molasses market is expected to be approximately 3,500,000 tons. Although Brazil and India, the two major production countries, delivered higher molasses production volumes, these countries remained affected by factors such as extreme climate, surge in fuel and ethanol consumption and tight animal feed markets which created a gloomy prospect for the production volume, export and economic outlook of molasses. The product's price continued to stand firm.

In addition, since the beginning of 2020, Vietnam has cancelled the import tariff quota for imported molasses from ASEAN countries to Vietnam. This policy, plus import tariffs on molasses of only 5%, has substantially increased the number of imported molasses in 2020, which have not only posed a threat to the interests of local molasses plants and consumers in Vietnam, but also directly affected the supply and costs associated with the Group's molasses procurement in Vietnam. The Group will monitor the movement in the international molasses market and actively look for alternative sugar sources in order to secure a reliable raw material supply.

### **3. Energy**

Global coal output saw a year-on-year decline of 6.5% in 2020. Affected by the pandemic at the beginning of the year, coal consumption was relatively low and the recovery in coal production was faster than consumption. The market's concern for coal demand caused coal prices to decline. Later, the market reduced coal production and supply, and the price of coal then stopped its downward trend and began to rise. Global oil and natural gas prices also dropped due to the pandemic and weak market demand. Major energy suppliers around the world started to downsize oil exploration. According to the forecast by the International Energy Agency ("IEA"), global energy demand in 2020 is expected to record a year-on-year decline of 5%, and the rollouts of COVID-19 vaccines will not be able to offset the large-scale negative impact brought by the pandemic to global crude oil demand. While international oil prices are expected to increase in 2021 and the international natural gas market will begin to recover, the pace of growth in various aspects would still be below expectation. The greatest risk of price fluctuations is another drop in demand and relative increase in supply. The Group will pay close attention to the changes in the energy industry so as to formulate corresponding plans in advance.

Regarding the price of electricity, to help enterprises or units navigate the difficult time under the pandemic, the Vietnamese Government implemented the electricity price concession policy in 2020 and continued to transform and upgrade electricity engineering to meet the electricity demand generated from the resumption of work and production following the containment of the COVID-19 virus. The Group has been using the cogeneration power generation system to ensure stable electricity supply. As the Group mainly uses self-generated electricity, the reduction in purchased electricity cost has had a limited impact on it.

## IV. FINANCIAL REVIEW

### 1. Liquidity and financial resources

The Group's cash and cash equivalents, short-term bank deposits and structured bank deposits amounted to US\$72,158,000, an increase of US\$12,758,000 or about 21.5% compared with the end of 2019. Short-term bank borrowings increased year-on-year by US\$11,695,000 or about 78.0% to US\$26,694,000. Medium-to-long-term bank borrowings decreased by US\$5,460,000, or approximately 21.7%, to US\$19,665,000. Total bank borrowings were US\$46,359,000, an increase of US\$6,235,000 or approximately 15.5% compared with the end of 2019. The rise in total bank borrowing was mainly due to capital expenditure. 95.5% of the total borrowings were denominated in US dollars and the remaining 4.5% were denominated in New Taiwan dollars. The proportions of short-term and medium-to-long-term bank borrowings were 57.6% and 42.4% respectively. Owing to the increased Vietnamese Dong fixed deposits, net finance income for the year grew by US\$302,000 year-on-year.

Trade receivables were US\$30,298,000, representing an increase of US\$787,000 or around 2.7% when compared with the end of 2019. Around 68.1% of the trade receivables were aged within 30 days. Total inventory was US\$91,665,000, down by US\$4,163,000 or around 4.3% when compared with the end of 2019. The decrease in inventory was mainly attributable to the reduction in the Group's raw materials during the period.

As a result of the slight increase in both total borrowings and total equity, the Group's gearing ratio (total borrowings to total equity ratio) was 16.4%, higher than the 15.0% recorded at the end of 2019. With cash on hand exceeding borrowings, net gearing ratio (total borrowings less cash and deposits to total equity ratio) was -7.6%, lower than the -5.6% recorded in 2019. During the period, as the increase in short-term borrowings increased the current liabilities, the Group's current ratio decreased from 3.4 at the end of 2019 to 3.2, and quick ratio was at a similar level as the 1.8% recorded at the end of 2019. The Group maintained a healthy financial structure.

## **2. Capital expenditure**

During the year, capital expenditure amounted to approximately US\$33,957,000, US\$16,188,000 more than the capital expenditure of US\$17,769,000 recorded in 2019. The increase in capital expenditure was mainly due to the funds used in the specialty chemicals production facility expansion project of the Group's Vietnam subsidiary and the gelatinised starch project of the starch plant.

## **3. Exchange rate**

Benefiting from the strong export recovery, Vietnam achieved new high in foreign exchange reserves. The ample foreign exchange reserves also served as a foundation for maintaining the stability in the exchange rate of the Vietnamese Dong. As the Vietnamese Government refused to stimulate export by adopting a currency depreciation approach, the performance of the Vietnamese Dong was strong relative to major ASEAN economies including Singapore, Indonesia and Thailand amid the pandemic in 2020. The State Bank of Vietnam announced that the Vietnamese Dong appreciated 0.1% in 2020, from 23,155 Vietnamese Dong to US\$1 at the end of 2019 to 23,131 Vietnamese Dong to US\$1 at the end of 2020. Vietnam's COVID-19 situation has been brought under control, and that, coupled with the country's introduction of new Free Trade Agreements signed with the EU and the UK has created important drivers for its economic recovery. Moreover, Vietnam has also enhanced various beneficial measures to attract continuous foreign investment. Hence, various sectors expect Vietnam to continue its export growth momentum, maintain a trade surplus position and keep inflation at a low level in 2021. The Vietnamese Dong will continue to stay strong under a generally stable macroeconomic environment.

The Group's subsidiaries in the PRC are mainly responsible for local sales with transactions denominated in RMB. In 2020, the exchange rate between the RMB and the US dollar initially appreciated followed by a depreciation. In early to mid-January, the signing of the first-phase trading agreement between the PRC and the US drove the RMB to a strong level of 6.84. In late January to May, the RMB depreciated to 7.18 as a result of heightened risk aversion in the global financial market and the US dollar liquidity crisis due to the pandemic. Later, in June to December, RMB continued to appreciate to 6.5 as affected by the implementation of liquidity easing policies by central banks in various countries. Experts expect the RMB to maintain higher flexibility and a relatively stable trend in the coming year compared with other key currencies, despite its appreciation pressure. The Group will continue to monitor the exchange rate trends between the RMB and the US dollar going forward.

#### **4. Earnings per share and dividends**

Basic earnings per share were 1.09 US cents for the year. The Board resolved to pay a final dividend of 0.462 US cents per share. The dividend payout ratio was 60%.

## **V. PROSPECTS**

The world experienced substantial change in early 2020. The global outbreak of COVID-19 forced countries to introduce lockdown, quarantine and closure measures, which hit economic activities hard and resulted in huge economic recession. Although the development of vaccines and further stimulus packages are expected to help support global economic recovery in 2021, major negative factors such as the rise in new strains of the virus, reactivation of lockdown measures and uncertainty surrounding vaccine efficacy will continue to bring challenges to various economies.

Although facing an unprecedented economic environment, the Group has made some progress with initial achievements in the development of regional markets. Looking ahead, it will continue to improve the flexibility of the overall operation, adjust business portfolios and models, strengthen organisational operations to raise management efficiency, actively develop new products, expand production scale, focus on satisfying the demand from customers and consumers, optimise cost structure and industry chain integration, implement set action plans and create new growth drivers to raise profitability. The main tasks and direction are listed below:

- Expand product lines and optimise product mix to partially upgrade existing third-party products, launch a series of extended commodities and develop more flavors. The Group will also increase the proportion of highly functional and high value-added products to enlarge market share and boost profit from product sales.
- Actively expand new channels and new markets, identify customers and consumers with the same product demand in different markets, adjust product positioning and sales methods, look for cooperative partners to expand market size, strengthen brand positioning and competitive advantages so as to improve the Group's results performance.
- Continue to advance production technologies and enhance production efficiency, develop customised products, improve operational and management techniques and utilise key technologies to enhance core competitiveness so as to achieve the dual objectives of raising quality and lowering costs.
- Capture the price trends of bulk raw materials, actively look for alternative raw material solutions, maintain long-term cooperative relations with domestic and overseas suppliers and execute procurement strategies to ensure a stable supply of raw materials.
- Adopt the co-opetition strategy to boost product and service value, use its production base in Vietnam to actively develop the ASEAN market and the markets which are signatories of the Free Trade Agreement (FTA), Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and Regional Comprehensive Economic Partnership (RCEP), offer mutual support within the Group and realize core advantages to expand the Group's business presence.
- Accelerate the formation of strategic alliance or cooperation with different businesses to jointly develop the markets through effective consolidation of resources and strengthen its Research and Development (R&D) function surpassing the technological threshold, facilitating the upgrading and transformation of the Group, in addition to the development of new products, expansion of business scale and improvement of business performance.

- Establish a strategic organisational structure and special strategic teams to enhance the organisational efficiency of all units, explore the products or distribution products that match business needs, explore the manufacturers that offer cost competitiveness, and develop products that fit customer requirements in order to improve revenue, profit and economies of scale.
- Expedite the introduction of an electronic process and information system for the management and application of big data, so as to obtain immediate feedback information for optimising business processes, understanding customers and developing better corresponding strategies.
- Adopt financial management for ongoing management of capital allocation, improve the operational efficiency of assets and reduce risks of exchange rates, interest rates and prices amidst the volatility of the global financial market.

Looking ahead to 2021, the prospects of economic recovery remain uncertain following another wave of the COVID-19 pandemic, which has hit many economies worldwide. The Group's business operations will encounter significant challenges. It will continue to develop new drivers for its operations in the future, maintain competitiveness in the industry by adapting its mindset to cope with the changes in the environment, adopt a flexible business strategy, and capitalise on the initial results from core technologies, market penetration and sales channels and the exports and development advantages of various products produced by Vietnamese factories. The Group believes that by leveraging its integrated operational strengths and building on its existing business foundation, it will create a strong growth momentum.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's shares during the year ended 31 December 2020.

## **CORPORATE GOVERNANCE**

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

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

In respect of code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. Mr. YANG, Tou-Hsiung, the Chairman of the Board was not able to attend the annual general meeting of the Company held on 19 May 2020 due to business commitments.

## **AUDIT COMMITTEE**

The Audit Committee, comprising all the Independent Non-executive Directors of the Company, has reviewed the results of the Group for the year ended 31 December 2020 and has discussed with management the accounting principles and practices adopted by the Group, and its internal controls and financial reporting matters.

## **SCOPE OF WORK OF PRICEWATERHOUSECOOPERS**

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

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

### **Final dividend and date of Annual General Meeting**

The Board recommended the payment of a final dividend of 0.462 US cents (2019: 0.214 US cents), subject to the approval of such final dividend by the shareholders at the annual general meeting of the Company to be held on 18 May 2021 (the “2021 Annual General Meeting”).

Shareholders whose names appear on the register of members of the Company on 18 May 2021 will be eligible to attend and vote at the 2021 Annual General Meeting. It is expected that the proposed final dividend, if approved, will be paid on 10 June 2021 to shareholders whose name appeared on the register of members on 27 May 2021.

### **Closure of register of members**

The register of members of the Company will be closed from Wednesday, 12 May 2021 to Tuesday, 18 May 2021, (both days inclusive), during such period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2021 Annual General Meeting, unregistered holders of shares of the Company should ensure all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar, Tricor Tengis Limited, 54/F, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 11 May 2021.

The register of members of the Company will also be closed from Tuesday, 25 May 2021 to Thursday, 27 May 2021, (both days inclusive), during such period no transfer of shares will be registered. In order to be eligible to receive the proposed final dividend, unregistered holders of shares of the Company should ensure all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar, Tricor Tengis Limited, 54/F, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 24 May 2021.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This annual results announcement was published on the Hong Kong Stock Exchange's website at ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website at ([www.vedaninternational.com](http://www.vedaninternational.com)). The Company's 2020 annual report containing all the information required under the Listing Rules will be dispatched to shareholders and published on the websites of the Hong Kong Stock Exchange and the Company in due course.

## **OUR APPRECIATION**

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

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

Hong Kong, 23 March 2021

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

*Executive Directors:–*

Mr. YANG, Tou-Hsiung  
Mr. YANG, Cheng  
Mr. YANG, Kun-Hsiang  
Mr. YANG, Chen-Wen  
Mr. YANG, Kun-Chou

*Non-executive Directors:–*

Mr. HUANG, Ching-Jung  
Mr. CHOU, Szu-Cheng

*Independent non-executive Directors:–*

Mr. CHAO, Pei-Hong  
Mr. KO, Jim-Chen  
Mr. CHEN, Joen-Ray  
Mr. HUANG, Chung-Fong