



Long-established in Asia, Vedan International (Holdings) Limited is a premier manufacturer of fermentation-based amino acids, food additive and cassava starch-based products. Its prominent reputation has been built on the quality manufacture of MSG, a key food additive lying at the heart of the unique tastes of Asia's two billion consumers. The Group's vision of the future is simple: to expand and enrich its markets across the region while developing new products for the demand of Asian consumers.

味丹國際(控股)有限公司立足亞洲，是以發酵生產技術生產氨基酸、食品添加物和木薯澱粉類產品的知名生產商。味丹國際的成功奠基於其生產優質的味精產品上，而此主要食品添加物在亞洲二十億消費群眾的口味中佔領了重要地位。集團未來的目標只有一個：拓展及加強亞洲市場，發展新產品，以滿足亞洲消費者的需求。

... GREAT VISION

高瞻遠矚

Armed with modern technology and sound management, we have successfully created a number of quality products to cater to the consumers' tastes and demands.

憑著現代科技設備與管理，我們成功始創多種優質產品，以迎合消費者的口味和要求。



CHAIRMAN'S STATEMENT

主席報告書

In 2005, our business recorded overall healthy growth, delivering double digit growth in turnover. Our products were in strong demands and our various business segments made substantial advances. However, our profit for the year suffered because of rising raw material costs and the drop in lysine prices.

Looking at our operation in 2005, our turnover increased by 14.6% from that of last year. The expanded capacity of MSG and modified starch facilities matched the strong market demand and turnover of these two segments rose 19.4% and 55.9% respectively as compared with last year. The Group experienced substantial growth in all of its major markets including Vietnam, the PRC, ASEAN countries, Japan and Europe. Furthermore, benefiting from expanded production capacities, the turnover of other products, such as Hydrochloric Acid and Caustic Soda, also grew 40.1% and 79.6% respectively. As for our operation in the PRC, our efforts to build a strong business channels and sales network have returned the good preliminary results. The total turnover from the PRC operations last year soared 42.1% over that of 2004. The joint venture agreement with Shangdong Xue Hua Bio-chemical Co., Ltd. last December to set up Shangdong Vedan Snowflake Enterprise Co., Ltd., in particular, represented a great step forward in our bid to expand the PRC market. The new plant will focus on manufacturing GA and MSG. The Group also made good progress in research and development, especially in the development of new products and improvement of technologies. All in all, the Group followed the planned directions and targets last year and achieved steady growth. Nonetheless, as raw material costs shot up by sharp rise in crude oil costs, the Group's production costs also increased markedly and gross profit margin was severely squeezed. As a result, the Group's profit for the year also dropped. Although we gradually raised product prices, but it could not match the rise of raw material costs in speed and magnitude. Meanwhile, as the international price of lysine continued to drop and remained weak, our overall profitability was also affected.

集團在2005年整體業務狀況保持穩健的成長，營收仍保持有兩位數之增長，主要產品之市場需求樂觀，集團各項營運的發展也有相當的進步。但是受到糖質原料價格的飆漲與賴氨酸價格持續低迷的影響，整年度的盈利水準因此受到嚴重地衝擊。

綜觀2005年集團的營業表現，營收較2004年成長14.6%，由於集團主要的味精與澱粉產品產能之擴增，配合市場需求強勁，使味精與化工澱粉去年之營業額分別較2004年成長19.4%及55.9%。而集團在越南、中國、東協、日本與歐洲等主要市場的營收也都有亮麗的成長；另外，其他產品如鹽酸與蘇打也因產能擴充使營收較前年成長40.1%及79.6%。在中國的營運上，因業務通路與行銷佈局已逐漸顯現出效益，使去年整體營業額較2004年增長42.1%。尤其集團於去年12月正式與山東雪花生物化工股份有限公司簽訂成立山東味丹雪花實業有限公司之合資合約，藉以增加麩酸/味精之產能，使集團在中國的拓展又邁進一步。而在新產品研發與技術改良方面也有多項的突破和良好之進展。所以整體而言，集團在去年的營運，均按既定之方向與計劃進行，並獲得穩定的成長。唯2005年糖質原料之價格隨石油價格在短時間飛漲超過一倍以上，使得生產成本急劇上升，造成毛利嚴重壓縮；全年的獲利也隨之銳減，雖然集團已逐步拉升產品售價，但仍不及原料價格上漲的速度與幅度；同時，賴氨酸價格受到國際價格仍處低迷之影響，使賴氨酸售價不振，侵蝕原有之利潤，而影響獲利之水準。





The management adopted a series of measures to mitigate these challenges. The Group started to adjust upward the products selling prices continuously from the second half of 2005 to stabilize the Group's profit margin. To address the tight supply of carbohydrates, we have started trial cultivating tropical sugar beet in Vietnam with the aim of creating new carbohydrate sources. We also planned to develop other carbohydrate substitutes. In addition, the acquisition of Veyu Starch Factory in Gia Lai Province in November 2005 and the planned new addition of the starch factory in Ha Tinh province both in Vietnam will further ease the tight supply of carbohydrate. The management believes these measures will allow the Group to secure carbohydrates supply at a reduced cost and thus improve its profitability.

OUTLOOK FOR 2006

In 2006, the Group will strive to control production and operating costs, achieve a balance between product prices and costs, and secure alternative supply of raw materials at competitive prices. It will also seek to fully take the advantage of its production capacities for MSG and modified starch to maximize cost effectiveness and strengthen its major markets, including Vietnam, The PRC, ASEAN countries, Japan and Europe, for these core products.

面對此等經營挑戰，管理層亦採取相對的因應對策。從去年下半年度開始，集團持續調高產品售價以使毛利回穩；同時，針對糖源之供應，集團目前開始於越南地區試種植熱帶甜菜，以期增加糖質原料來源，並計劃開發其他替代糖源。另外，2005年11月併購越南中部嘉萊省的味友澱粉廠與2006年將於中北部河靜省建設澱粉廠的計劃，都對集團使用的糖質原料有更進一步的助益。管理層相信此等措施將對解決目前所面對的糖源短缺與獲利回穩有實質之助益。

展望2006年

集團在2006年仍將致力於生產與營運成本的控制、產品售價與成本的平衡及掌握低成本原料之來源。同時也將發揮味精與化工澱粉產品之產能及效益，穩固此等核心產品於越南、中國、東協、日本與歐洲等主要市場之精耕。

In addition, the Group will continue to step up business expansion in the PRC market. Besides continuing to build the business framework for and deepen penetration of markets for our Shanghai and Xiamen MSG business, our Shanghai factory will start its value-added seasonings and modified starch production this year to bring in higher revenue. Our newly-established Shandong Vedan Snowflake Enterprise Co., Ltd. is also expected to start bringing in concrete contribution in terms of raw material supply and profit. Through acquisitions and forging strategic alliances, the Group will increase sourcing of materials and speed up consolidation of business operations in China. We believe that through this consolidation step and through the expansion of the strategic alliances, Vedan International will gain an increasingly strong grip on the China market and deliver better performance.

Construction of our new factory for producing the new product Poly Glutamic Acid ("PGA") will be completed in the second quarter this year. We are fully confident of the prospects of this new product and expect it to deliver good return to the Group in the near future. Currently, on top of the efforts of our own R&D team, we are negotiating certain projects relating to product development or production technology with some international bio-chemical companies holding advanced technical know-how. Our aims are to advance our production technology and efficiency, and add to our portfolio of more high value-added products.

另外，集團今年將繼續加強中國市場業務的推展，除上海廠與廈門廠之味精業務在當地更進一步深耕與佈局外，今年上海廠也將投入風味調味料與化工澱粉之業務，以增添更高的營業成果；而新成立之山東味丹雪花廠，預計在今年對原料的供應與獲利也將有實質的貢獻。集團將持續以併購或策略聯盟的方式，加速進行在中國市場之原料採購與業務通路的整合與營運。相信透過整合的力度及策略聯盟的擴張，將使味丹國際於中國的版圖不斷地堅實與茁壯，以創造更高之業績。

集團新產品聚谷氨酸建廠計劃，預計於今年第二季建廠完成，並開始生產與銷售，我們對此項新產品未來的潛力具有相當的信心，相信不久的將來，此產品會為集團獲取更高之盈利。而集團目前除本身研發團隊的全力投入外，也與數家國際性先進之生化公司，洽談開發各項產品或製程的創新技術，以期不斷提升生產技術與效率，並創造更多樣化的高附加價值產品。



Facing vigorous challenges posed by the macroeconomic environment last year, the management and staff at all levels committed their utmost efforts in trimming cost, expanding business and developing technical know-how. We also reviewed our business operating structure, materials supply and sales network. We believe, in the process of meeting these challenges, we will become stronger with sharpened competitive strengths. We are optimistic about the basic market environment and continued strong demand for the Group's products. As long as we are able to remain competitive in our core business, fully taking advantage of the production capabilities of our core products, improving control on raw material supply, expanding new products business and consolidating our market channels in PRC, we expect our operational performance will improve steadily in 2006. Supported by our solid foundation and innovation, we are confident that we can triumph over uncertainties in the market and achieve better performance results.

By order of the Board

Yang, Tou-Hsiung
Chairman

Hong Kong, 22 March, 2006

集團在去年面對因總體環境所衍生之嚴峻挑戰，集團經營層與各級同仁莫不戰戰兢兢針對成本的節省，業務的推展與技術的開發付出最大的努力，進而對整個企業經營結構，原料掌握與行銷通路進行更深層的檢討，我們相信也藉此挑戰將使得集團整個經營體質鍛鍊得更穩健、更具競爭力。我們也認為當前市場的基本面與需求仍相當樂觀，只要我們固守具競爭力的核心產業，我們也預期在2006年，透過主力產品產能的發揮，原料的掌握，新產品業務的引進與中國市場通路的整合，相信將使經營績效再逐漸攀升。所以，縱使在市場上仍存在些許總體環境的變數，但我們相信以味丹國際穩固的基礎及創新的精神，將會突破現有局勢再創良好營運佳績。

承董事會命

主席
楊頭雄

香港，二零零六年三月二十二日