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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

	Unaudited six months ended 30 June		
	2021	2020	**Change**
	US$'000	*US$'000*	
Revenue	**196,085**	173,936	12.7%
Gross profit	**38,022**	30,827	23.3%
Profit for the period	**10,382**	5,894	76.1%
Profit attributable to owners of the Company	**10,367**	5,884	76.2%
Basic earnings per share	**0.68 US cents**	0.39 US cents	
Diluted earnings per share	**0.68 US cents**	0.39 US cents	
Interim dividend proposed per share	**0.272 US cents**	0.194 US cents	
Total dividends paid and proposed per share	**0.272 US cents**	0.194 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 2021 together with the comparative figures for the corresponding period in the previous year.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**Unaudited 30 June 2021** *US$'000*	Audited 31 December 2020 *US$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**162,607**	164,595
Right-of-use assets		**5,022**	4,914
Intangible assets		**2,262**	2,096
Long-term prepayments and other receivables		**2,208**	3,711
Investment in an associate		**4,765**	4,903
Total non-current assets		**176,864**	180,219
Current assets			
Inventories		**116,612**	91,665
Trade receivables	*4*	**36,968**	30,298
Prepayments and other receivables		**11,550**	11,337
Amounts due from related parties		**582**	862
Structured bank deposits		**1,565**	7,982
Short-term bank deposits and pledged bank deposits		**355**	21,817
Cash and cash equivalents		**46,133**	42,359
Total current assets		**213,765**	206,320
Total assets		**390,629**	386,539

	Note	Unaudited 30 June 2021 *US$'000*	Audited 31 December 2020 *US$'000*
EQUITY			
Share capital		**15,228**	15,228
Reserves		**289,605**	285,832
		304,833	301,060
Non-controlling interest		**225**	210
Total equity		**305,058**	301,270
LIABILITIES			
Non-current liabilities			
Bank borrowings		**11,592**	13,986
Lease liabilities		**2,689**	2,818
Deferred income tax liabilities		**1,686**	2,134
Retirement benefit obligations		**1,494**	1,460
Total non-current liabilities		**17,461**	20,398
Current liabilities			
Trade payables	*5*	**9,414**	6,963
Accruals and other payables		**17,598**	20,665
Amounts due to related parties		**3,155**	1,358
Bank borrowings		**35,327**	32,373
Lease liabilities		**385**	199
Current income tax liabilities		**2,231**	3,313
Total current liabilities		**68,110**	64,871
Total liabilities		**85,571**	85,269
Total equity and liabilities		**390,629**	386,539

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Unaudited Six months ended 30 June 2021 US$'000	2020 US$'000
Revenue	*3*	**196,085**	173,936
Cost of sales	*7*	**(158,063)**	(143,109)
Gross profit		**38,022**	30,827
Other gains – net	*6*	**581**	152
Selling and distribution expenses	*7*	**(11,814)**	(11,784)
Administrative expenses	*7*	**(13,389)**	(11,008)
Operating profit		**13,400**	8,187
Finance income		**350**	278
Finance costs		**(157)**	(361)
Finance costs – net	*8*	**193**	(83)
Share of post-tax loss of an associate		**(138)**	(200)
Profit before income tax		**13,455**	7,904
Income tax expense	*9*	**(3,073)**	(2,010)
Profit for the period		**10,382**	5,894
Profit attributable to:			
– Owners of the Company		**10,367**	5,884
– Non-controlling interest		**15**	10
		10,382	5,894
Earnings per share for profit attributable to the owners of the Company			
– Basic and diluted earnings per share *(expressed in US cents)*	*10*	**0.68**	0.39

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 June	
	2021	2020
	US$'000	*US$'000*
Profit for the period	**10,382**	5,894
Other comprehensive income/(loss)		
Items that may be reclassified to profit or loss		
Currency translation differences	**446**	(578)
Total comprehensive income for the period	**10,828**	5,316
Total comprehensive income for the period attributable to:		
– Owners of the Company	**10,813**	5,306
– Non-controlling interest	**15**	10
	10,828	5,316

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 2021 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 2020, 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) below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2020, as described in the annual financial statements.

(a) The following new standards and amendments to standards are mandatory for the first time for the financial year beginning on 1 January 2021, but do not have any significant impact on the preparation of this interim condensed consolidated financial information.

HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform
HKFRS 16 (Amendments)	COVID-19-Related Rent Concessions

(b) The following new standards and amendments to standards have been issued, but are not effective for the financial year beginning on 1 January 2021 and have not been early adopted.

		Effective for annual periods beginning on or after
HKFRS 16 (Amendments)	COVID-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
HKFRS 3, HKAS 16 and HKAS 37 (Amendments)	Narrow-scope Amendments	1 January 2022
Annual Improvements Project	Annual Improvements to HKFRS Standards 2018–2020 Cycle	1 January 2022
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
HKAS 1 and HKFS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HK-Int 5 (2020)	Presentation of Financial Statement – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause	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 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.

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	
	2021	2020
	US$'000	*US$'000*
Vietnam	**88,526**	81,259
Japan	**32,379**	32,051
The PRC	**31,095**	21,534
The US	**13,551**	13,012
Taiwan	**12,071**	9,981
ASEAN member countries (other than Vietnam)	**13,855**	12,239
Other regions	**4,608**	3,860
Total revenue	**196,085**	173,936

	Unaudited	
	Six months ended 30 June	
	2021	2020
	US$'000	*US$'000*
Timing of revenue recognition		
At a point in time	**196,085**	173,936

(ii) Capital expenditures

	Unaudited Six months ended 30 June	
	2021	2020
	US$'000	*US$'000*
Vietnam	**7,034**	20,839
The PRC	**201**	175
	7,235	21,014

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

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

(iii) Total assets

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2021	2020
	US$'000	*US$'000*
Vietnam	**328,565**	332,475
The PRC	**44,198**	46,246
Hong Kong	**16,167**	4,942
Taiwan	**1,206**	2,648
Singapore	**235**	98
Cambodia	**258**	130
	390,629	386,539

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

4 Trade receivables

	Unaudited As at 30 June 2021 *US$'000*	Audited As at 31 December 2020 *US$'000*
Trade receivables from third parties	**37,318**	30,660
Less: loss allowance	**(350)**	(362)
Trade receivables – net	**36,968**	30,298

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 2021 and 31 December 2020, the ageing of the trade receivables based on invoice date was as follows:

	Unaudited As at 30 June 2021 *US$'000*	Audited As at 31 December 2020 *US$'000*
0 – 30 days	**25,234**	20,880
31 – 90 days	**10,156**	8,292
91 – 180 days	**1,606**	284
181 – 365 days	**22**	829
Over 365 days	**300**	375
	37,318	30,660

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 2021 and 30 June 2020 reconciles to the opening loss allowance as follows:

	Unaudited	
	Six months ended 30 June	
	2021	2020
	US$'000	*US$'000*
Opening loss allowance as at 1 January 2020 and 2021	**362**	488
Decrease in loss allowance recognised in condensed consolidated income statement during the period	**(12)**	(35)
Closing loss allowance	**350**	453

5 Trade payables

As at 30 June 2021 and 31 December 2020, the ageing of the trade payables based on invoice date was as follows:

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2021	2020
	US$'000	*US$'000*
0 – 30 days	**8,921**	5,515
31 – 90 days	**486**	1,448
91 – 180 days	**–**	–
Over 181 days	**7**	–
	9,414	6,963

6 Other gains – net

	Unaudited Six months ended 30 June	
	2021	2020
	US$'000	*US$'000*
Net exchange gains/(losses)	**115**	(98)
Gain/(loss) on disposal of property, plant and equipment	**49**	(28)
Sales of scrap materials	**140**	130
Government grant	**58**	3
Fair value gain on structured bank deposits	**75**	64
Others	**144**	81
Other gains – net	**581**	152

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	
	2021	2020
	US$'000	*US$'000*
Changes in inventories and consumables used	**127,705**	115,921
Amortisation of intangible assets	**57**	57
Amortisation of right-of-use assets	**161**	167
Auditors' remuneration	**137**	154
Depreciation on property, plant and equipment	**9,142**	9,573
Employee benefit expenses	**21,938**	19,589
Reversal of impairment of inventory	**–**	(19)
Reversal of loss allowance of trade receivables *(Note 4)*	**(12)**	(35)
Payment for short-term leases	**31**	22
Technical support fee	**1,670**	1,503
Travelling expenses	**825**	767
Transportation expenses	**5,781**	3,784
Advertising expenses	**2,051**	1,920
Other expenses	**13,780**	12,498
Total cost of sales, selling and distribution expenses and administrative expenses	**183,266**	165,901

8 Finance costs – net

	Unaudited Six months ended 30 June	
	2021	2020
	US$'000	*US$'000*
Finance income:		
– Interest income on short-term bank deposits	**350**	278
Finance income	**350**	278
Finance costs:		
– Interest expense on bank borrowings	**(118)**	(317)
– Interest expenses on lease liabilities	**(39)**	(44)
Finance costs	**(157)**	(361)
Finance costs – net	**193**	(83)

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	
	2021	2020
	US$'000	*US$'000*
Enterprise income tax ("EIT")	**3,521**	2,392
Deferred income tax	**(448)**	(382)
	3,073	2,010

10 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company of US$10,367,000 (2020: US$5,884,000) by weighted average of ordinary shares of 1,522,742,000 (2020: 1,522,742,000) 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 2021 and 2020.

11 Dividends

A final dividend of US$7,040,000 (for the six months ended 30 June 2020: US$3,259,000 that related to the year ended 31 December 2019) that related to the year ended 31 December 2020 was declared on 18 May 2021 and paid in June 2021.

On 24 August 2021, the Board resolved to declare an interim dividend of 0.272 US cents per share (2020: 0.194 US cents). This interim dividend, amounting to US$4,152,000 (2020: US$2,947,000), has not been recognised as a liability in this interim condensed consolidated financial information.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS OVERVIEW

With the global economy plunging and landing low in 2020 at the impact of the COVID-19 pandemic, the chances for it to grow in 2021, against a seriously lack lustre base, would be high, however, optimism should be guarded. The emergence of COVID-19 variants pushing up infection cases, re-activation of lockdown measures, plus doubts about efficacy of COVID-19 vaccines are among major unfavourable factors that could challenge the road of economy recovery across the world.

In 2020, with the pandemic put under control by the Vietnam Government, the country saw a huge influx of foreign capital. Total import export volume amounted to approximately US$543.9 billion, with trade surplus at approximately US$19.1 billion, the highest since 2016. At the same time, the exchange rate of the Vietnamese Dong against the U.S. dollar has remained stable since last year, which has effectively curbed inflation. The Consumer Price Index (CPI) increased by 3.23% year-on-year, meeting its below 4% target. However, the Vietnamese economy has once again been affected due to the fourth wave of COVID-19 outbreak.

For the first half year, the Group made revenue of approximately US$196,085,000, an increase of 12.7% or approximately US$22,149,000, when compared with the same period of last year. The increase was not only mainly to the improved market sentiment during the period, but also the slowdown in rise of raw material costs of major products including modified starch and maltose, the decline in energy costs, as well as the Group's continuous effort to develop new products bolstering overall revenue and gross profit. For MSG, gross profit improved this year as compared to last year thanks to enhancement of the production process and efficiency, and among specialty products, soda saw a significant drop in selling price and profit as demand was affected by the pandemic and price competition was severe. Hydrochloric acid, however, recorded an increase in sales volume and selling price as costs came down. Hence, the overall revenue and gross profit of specialty products were better compared with that of last year. As for fertiliser and feed products, the Group focused on consolidating channels and adjusting product structure, and emphasised on developing high-margin products. In addition, among other products, the Group's sales volume of and correspondingly the revenue from coffee beans and bulk foods ingredients increased notably, reflective of the Group's effective sales strategy. The Group's overall gross profit margin increased from 17.7% in the first half of 2020 to 19.4%. Gross profit amounted to approximately US$38,022,000, an increase of approximately US$7,195,000 when compared with the same period of last year. Net profit margin increased from 3.4% in the same period of 2020 to 5.3%. Net profit grew from US$5,894,000 in the same period of last year to US$10,382,000. The Group's revenue and profit grew during the period mainly because the price growth of some raw materials stabilised and more high value-added products were sold.

Vietnam was one of the few countries most successful in containing the pandemic and was affording stable long-term economic growth. With the opportunities brought by the Sino-US trade conflicts, it became the place to relocate production facilities of many companies. It has also been active in taking part in regional economic and trade consolidation like signing free trade zone agreements including the Free Trade Agreement (FTA), the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Regional Comprehensive Economic Partnership (RCEP) with developed economies such as the UK, EU and the PRC, favouring the overall development of the country. However, since the end of April, COVID variants started spreading in the community and sparked the fourth wave of COVID-19 outbreak. That plus insufficient supply of vaccines and low vaccination rate, North Vietnam was the first to see a new round of outbreak of the virus in May, followed by Ho Chi Minh City and provinces in South Vietnam in June. With local governments locking down communities, GDP grew by 5.64% for the first six months of the year, which was lower than the growth rate of the same period in 2018 and 2019 (7.05% and 6.77%, respectively). Vietnam's Purchasing Managers' Index (PMI) fell from 53.1% in May to 44.1% in June, which meant the country's manufacturing industry was contracting. As many factories had to suspend operation because of the pandemic, production volume and orders both shrank and so did workload. With demand down, it was also difficult for manufacturers to raise the selling price of their products. Currently, the manufacturing industry is still under pressure from rising raw material and transportation costs. In the first six months of the year, the country recorded trade deficit (US$1.5 billion) versus trade surplus (US$5.9 billion) in the same period last year.

The Vietnamese economy remained stable overall in the first half of 2021. However, there are uncertainties surrounding growth the economy as the fourth wave of COVID-19 outbreak starting to affect the recovering economy, including the latest social distancing measures dampening consumption and domestic production decreasing, resulting in trade deficit, and the lower-than-expected FDI expansion. Despite all that, the Vietnamese credit lines have continued to grow and inflation rate has remained low, while the manufacturing industry is still a main economic growth driver of the country. In the latter half year, containing the pandemic, especially making progress with vaccination, will be crucial to how well the economy will grow. Obvious changes are expected in the third quarter with support from economic stimulus measures. New export orders will help bring about trade surplus in the second half year.

II. BUSINESS ANALYSIS

(i) Sales Analysis by Market

Unit: US$'000

Country	First Half of 2021		First Half of 2020		Difference	
	Amount	**%**	*Amount*	%	*Amount*	%
Vietnam	**88,526**	**45.1%**	81,259	46.7%	7,267	8.9%
Japan	**32,379**	**16.5%**	32,051	18.4%	328	1.0%
PRC	**31,095**	**15.9%**	21,534	12.4%	9,561	44.4%
ASEAN	**13,855**	**7.1%**	12,239	7.0%	1,616	13.2%
US	**13,551**	**6.9%**	13,012	7.5%	539	4.1%
Others	**16,679**	**8.5%**	13,841	8.0%	2,838	20.5%
Total	**196,085**	**100.0%**	173,936	100.0%	22,149	12.7%

1. Vietnam

Vietnam is the Group's largest market, which brought in revenue of approximately US$88,526,000 in the first half of 2021, an increase of approximately US$7,267,000, or 8.9%, more than in the same period in 2020, accounting for 45.1% of the Group's total revenue versus 46.7% in the previous same period. During the period, revenue from the Vietnamese market increased, thanks to the adjustment of selling prices of MSG and modified starch in response to market changes, strengthened inventory control and improved production efficiency, which effectively boosted sales volume and revenue. At the same time, at the Group's efforts to integrate sales channels and adjust the structure of fertilisers and feed products, both unit prices and revenue increased in the period. Thus, though overall sales volume declined, profits increased.

2. Japan

Japan is the Group's second largest market. With the pandemic kept coming and going in the period, it affected the outlook on economic recovery. The MSG consumer market shrank, leading to a decline in selling prices and sales volume, and revenue. The sales volume of modified starch climbed reflective of market acceptance. With the Group continuing to expand its new customer base, promote usage in different sectors, actively develop high-value-added products, and expand production capacity to reduce costs, overall revenue and profit of the Group from the market increased mildly. Revenue for the period was approximately US$32,379,000, an increase of approximately US$328,000, or 1.0%, against the first half of 2020, and it accounted for 16.5% of the Group's total revenue, down from 18.4%.

3. The PRC

Revenue from the PRC market for the period was approximately US$31,095,000, an increase of approximately US$9,561,000, or 44.4%, when compared with the first half of 2020, and accounted for 15.9% of the Group total, up from 12.4% in the last same period. The significant increase in revenue was owed to the Group's effective strategy to grow business scale by enhancing product mix, developing sales channels and stepping up development of and cooperation along its industrial chain, which helped boost the sales volume and revenue of trade products and coffee beans distributed by the Group in the country. However, the Group adjusted the selling prices of MSG products to cope with market competition, which resulted in a decline in revenue.

4. The ASEAN Market

In the period, the ASEAN market, excluding Vietnam, reported revenue of approximately US$13,855,000, an increase of approximately US$1,616,000, or 13.2%, relative to the same period in 2020, and accounted for 7.1% of the Group's total revenue, versus 7.0% in the previous same period. The revenue increase was mainly attributable to the moderate increase in sales volumes of and revenues from MSG, modified starch, fertilisers and feed products. The ASEAN market is a key market which the Group has been actively developing, with the hope of making the best of its advantages in the industry and on the base of its core product mix to develop other businesses, establish closer partnerships and cultivate sales channels, aiming ultimately to achieve sales breakthroughs.

5. The US

Revenue from the US market was approximately US$13,551,000 for the period, an increase of approximately US$539,000, or 4.1%, against the same period in 2020. Its share of revenue of the Group, however, fell from 7.5% to 6.9%. The growth performance for the period was mainly attributable to the increase in market demand for organic maltose and high-end modified starch products, which drove up selling prices and sales volumes, and the revenue growth followed, translating into notable profit contribution. With the Group mastering key technologies and consolidated its production value chain, plus continuing to develop functional products to meet customer needs and improve product competitiveness, sales growth is anticipated.

6. Other markets

Other markets, including mainly Taiwan, South Korea and the European Union markets, brought in total revenue of approximately US$16,679,000 during the period, up by approximately US$2,838,000, or 20.5%, and accounted for 8.5% of the Group's total revenue versus 8.0%, against the same period in 2020. The sharp increase in revenue was mainly due to rising market demand for modified starch, fertilisers and feed products.

(II) Sales Analysis by Product

Unit: US$'000

Item	First half of 2021		First half of 2020		Difference	
	Amount	***%***	*Amount*	*%*	*Amount*	*%*
MSG + Seasonings	**115,862**	**59.1%**	111,978	64.4%	3,884	3.5%
Modified starch + native starch + maltose	**36,000**	**18.4%**	30,223	17.4%	5,777	19.1%
Specialty chemicals	**10,535**	**5.4%**	9,199	5.3%	1,336	14.5%
Fertilisers and Feed Products	**14,957**	**7.6%**	11,881	6.8%	3,076	25.9%
Others	**18,731**	**9.5%**	10,655	6.1%	8,076	75.8%
Total	**196,085**	**100.0%**	173,936	100.0%	22,149	12.7%

1. MSG and Seasonings

Revenue from MSG and seasoning-related products amounted to approximately US$115,862,000 in the period, an increase of approximately US$3,884,000, or 3.5%, versus a year ago. As the economic activities and market demand were weak in the PRC, Japan, the US and European markets, and that plus price competition with industry peers, resulted in sales volume and revenue sliding. Although the pandemic prevailed this year, the moderate growth in performance was mainly due to a rather thin base of comparison, revenue and sales in the period increased slightly. While in Vietnam, the PRC, ASEAN and other markets, sales performance overall was better than last year's, the overall revenue from MSG and seasoning-related products decreased, so the proportion of revenue contribution from the product segment dropped to 59.1% from 64.4% a year ago.

2. *Modified starch/Native Starch/Maltose*

Modified starch, native starch and maltose products recorded higher total sales and profitability during the period, with revenue up by around US$5,777,000, or 19.1%, to approximately US$36,000,000, and its share of the total revenue of the Group climbed from 17.4% to 18.4%, thanks to stabilising cassava cost, effective strategic procurement plan and a notable increase in market demand for organic products in the period. The increase in demand for high-end products in Japan and the US markets was the reason for the relatively larger increase in sales volume and revenue of modified starch. In addition, in the Vietnamese market, with new customers and new usages of organic maltose surfacing, the selling prices and sales volume of maltose increased, and revenue followed. Taking into account the Group's active effort to develop new products with higher added value and tighten cooperation with leading companies around the world, the Group is looking at the promise of stronger profitability in the future.

3. *Specialty chemicals and fertilisers and feed products*

Specialty chemicals including hydrochloric acid, soda and bleach are sold in the Vietnamese market. During the period, demand increased compared with last year, which led to an increase in sales volume. The total revenue from specialty products was approximately US$10,535,000, an increase of approximately US$1,336,000, or 14.5%, relative to the same previous period, and accounted for 5.4% of the Group's total revenue, up from 5.3%. In light of the low-price competition of soda products during the period, the Group adjusted the selling prices of those products based on market trading conditions, which caused a drop in gross profit, though sales volume and revenue improved. As for hydrochloric acid, its selling price was adjusted based on output volume and market demand, as such its sales volume, revenue and profit all recorded impressive growth.

Fertilisers recorded notable more profit despite a drop in sales volume of various products during the period. The impact of the pandemic and the weather were the main reasons that market demand softened. Nevertheless, the Group launched products of new specifications, actively looked for new customers and improved the fertiliser product mix, allowing it to set higher product prices and achieve revenue and profit growth. The Group will continue to promote high value-added special fertilisers and develop new sales channels. Revenue from fertilisers and feed products increased by US$3,076,000, or 25.9%, year-on-year to approximately US$14,957,000 and its contribution to the Group's total revenue rose from 6.8% in the previous same period to 7.6%.

4. Other products

Revenue from other products increased by approximately US$8,076,000, or 75.8%, to approximately US$18,731,000 during the period. The segment's revenue contribution to the Group total grew from 6.1% to 9.5% year-on-year, from mainly the strong sales volume of coffee beans and bulk food ingredients distributed in the PRC. By reaching for depth and breadth in the product category, and adding new product types to meet market demand for similar types of products, the segment achieved handsome revenue growth.

III. MAJOR RAW MATERIALS/ENERGY OVERVIEW

(i) Cassava

In the 2019/2020 production season, major cassava producer countries like Thailand, Vietnam and Cambodia gradually resumed plantation operations. However, with the COVID-19 pandemic prevailing discouraging consumption demand, the price increases of cassava and starch raw materials slowed compared with 2019. The cassava industry also continued to face various challenges from, such as, pests and diseases, competition from alternative agricultural products, drastic climate change and change in market size and supply and demand, leading to fluctuation of product price. The Group will continue to consolidate its long-term strategic partnership with suppliers, quickly seize new sources of raw materials to help stabilise supply chain procurement cost.

In the first half of 2021, the outputs of major plantation areas such as Thailand, Vietnam, and Cambodia were stable and Vietnam exported 15% more cassava against the previous same period. The strong demand of the international consumer market in the first half year also boosted the prices of cassava and starch raw materials. To quickly seize new sources of raw materials and control procurement costs, the Group has stepped up exploring more new sources of supply and its efforts have borne fruit.

(ii) Molasses

In the beginning of the 2019/2020 production season, the outputs of major sugar production regions were unsatisfactory and the production volume of molasses also kept sliding, resulting in supply shortage in the global market. However, in the wake of the pandemic, the international sugar market changed, gradually returning to surplus supply time. The gap between supply and demand caused prices to rise then drop, and then rebound again. In the 2020/2021 production season, the International Sugar Organisation issued a report and said it expects consumption and market demand to come back strong in post-pandemic time. And, with an approximately 3,500,000 tons supply gap in the global molasses, even though the two major molasses producer countries Brazil and India are putting out higher volumes, they will still be affected by such factors as extreme climate, surge in ethanol use and tight animal feed markets, limiting the overall output of molasses. Global sugar production is expected to increase only slightly in 2021/2022, thus prices are likely to stay firm. The Group will continue to keep a close watch on changes in the international molasses market and actively develop more new sources of supply to ensure it has access to stable raw material supply.

(iii) Energy

In 2020, global coal output declined 6.5% year-on-year. Affected by the pandemic at the start, coal consumption was on the low side and production resumed faster than consumption demand, and coal prices dropped with the market concerned about coal demand. Then, coal production and supply slowed down and coal price turned around and headed on the uptrend. Global oil and natural gas prices also dropped due to the pandemic and market demand was weak. Major energy suppliers around the world started to scale down oil exploration. According to the International Energy Agency ("IEA"), global energy demand in 2020 had decreased by 5%, and vaccination against COVID-19 will not be able to quickly offset the heavy blow dealt on global crude oil demand by the pandemic. In 2021, while international oil prices are expected to increase and the international natural gas market has begun to recover, the pace of growth in various aspects would still be less than expected. The greatest risk of price fluctuation is demand dropping again while supply increases. The Group will watch closely on the changes in the energy industry and devise flexible response plans.

Regarding electricity price, in order to help enterprises or units navigate the difficult times brought by the pandemic, the Vietnamese Government started its electricity price concession policy in 2020, while continuing to transform and upgrade electricity engineering capability, to make sure electricity demand could be met after the pandemic ended and work and production resumed. The Group has been using cogeneration power system to assure it has stable electricity supply. Since the Group uses mainly self-generated electricity, a drop in cost of purchasing electricity from the outside has limited impact on it.

IV. FINANCIAL REVIEW

(i) Liquidity and financial resources

The Group had cash and cash equivalents, short-term bank deposits and structured bank deposits amounting to approximately US$48,053,000 for the period, US$24,105,000, or around –33.4%, less when compared with the end of 2020. Short-term bank borrowings increased year-on-year by approximately US$2,954,000, or about 9.1%, to approximately US$35,327,000. Medium-to-long-term bank borrowings decreased by approximately US$2,394,000, or around –17.1%, to US$11,592,000. Total bank borrowings were US$46,919,000, an increase of US$560,000, or around 1.2%, when compared with the end of 2020, and around 97.7% of the total borrowings were denominated in US dollars and the remaining around 2.3% in New Taiwan dollars.

Trade receivables amounted to approximately US$36,968,000, representing an increase of approximately US$6,670,000, or about 22.0%, when compared with the end of 2020, and about 67.6% of the trade receivables had turnover within 30 days. Total inventory amounted to approximately US$116,612,000, up by approximately US$24,947,000, or around 27.2%, when compared with the end of 2020.

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 15.4%, same as at the end of 2020. With more cash on hand than borrowings, net gearing ratio (total borrowings less cash and deposits to total equity ratio) of the Group was –0.4%, lower than the –8.6% in 2020. During the period, rise in short-term borrowings led to increased current liabilities, as such, the Group's current ratio decreased from 3.2 at the end of 2020 to 3.1, and quick ratio also decreased from 1.8% at the end of 2020 to 1.4%. The financial structure of the Group remained healthy.

(ii) Capital expenditure

During the period, capital expenditure of the Group amounted to approximately US$7,235,000, approximately US$13,779,000 less than the approximately US$21,014,000 in the first half of 2020. The decrease was mainly due to the Group's Vietnam subsidiary completing expansion and other projects in the previous two years gradually completed. Other than funding for continuing projects, there were no new projects requiring substantial capital expenditure in the period.

(iii) Exchange rate

In Vietnam, the ample foreign exchange reserves she has have braced and kept the Vietnamese Dong strong. And, as the Vietnamese Government does not resort to currency depreciation to stimulate export, the performance of the Vietnamese Dong amid the pandemic has been relative strong when compared to currencies of other major ASEAN economies including Singapore, Indonesia and Thailand. The State Bank of Vietnam announced that the Vietnamese Dong appreciated 0.8% in the first half of 2021, from 23,237 Vietnamese Dong to US$1 at the end of 2020 to 23,045 Vietnamese Dong to US$1 in the period. Hence, the general expectation is that Vietnam will see export trade continuing to gather growth momentum, trade surplus prevailing and inflation kept at a relatively low level in 2021. The Vietnamese Dong will continue to stay strong in a generally stable macroeconomic environment.

The Group's subsidiaries in the PRC are mainly responsible for local sales with transactions denominated in RMB. Experts expect the RMB to maintain higher flexibility despite facing appreciation pressure and that it will remain stable relative to other currencies in 2021. The Group will continue to monitor the RMB to US dollar exchange rate trend going forward.

(iv) Earnings per share and dividends

Basic earnings per share were 0.68 US cents for the period. The Board has resolved to declare an interim dividend of 0.272 US cents per share. The dividend payout ratio was 40%.

V. PROSPECTS

In 2020, the COVID-19 pandemic dealt a dire blow on the entire world. With effective vaccines developed and countries rolling out more economic stimuli, there is hope that the global economy will start to recover in 2021. However, with such uncertainties as the surge of COVID-19 variant infections, the substantial increase in or consistently high prices of coal for power generation and the sugar source raw material molasses, and also the unit price of container freight fee surrounding the Group's operations, an increase in operating costs looks inevitable.

To cope with unprecedented economic circumstances and uncertainties, the Group will continue to improve the flexibility of its overall operation, adjust its business portfolios and models, strengthen organisational operations to raise management efficiency, actively develop new products and expand production scale, place more emphasis on satisfying customer and consumer demands, optimise cost structure for better flexibility and consolidate its industrial chain, implement set action plans and create new growth drivers to help it raise profitability in the long run. The main tasks and directions are as follows:

- Expand product lines and optimise product mix to partially upgrade existing third-party products, launch a series of extended products and add more flavors. The Group will also increase the proportion of highly functional and high value-added products so as to enlarge market share and boost profit from product sales.

- Actively expand new channels and new markets, identify in different markets customers and consumers who share the same product demand, adjust product positioning and sales methods, look for cooperative partners to help enlarge markets, strengthen brand positioning and competitive advantages, all to the end of improving the Group's results performance.

- Continue to sharpen production technologies and enhance production efficiency, as well as develop customised products, improve operational and management techniques and master 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 effectively execute procurement strategies to ensure access to stable raw materials supply.

- Adopt the co-opetition strategy to boost product and service value, use its production base in Vietnam to actively develop the ASEAN market and markets which are signatories of the Free Trade Agreement (FTA), the Comprehensive and Progressive Agreement for TransPacific Partnership (CPTPP) and Regional Comprehensive Economic Partnership (RCEP), and via mutual support within the Group give full play to its core advantages to see the Group expand its business footprint.

- Accelerate forging strategic alliances or cooperation with other businesses to consolidate resources and jointly develop markets, strengthen the Research and Development (R&D) function to enable surpassing of technological barriers, push for upgrade and transformation of the Group, develop new product operations, expand overall business scale and improve business performance.

- Establish a strategic organisational structure and a special strategic team to enhance the organisational efficiency of all units, explore products or distribution products that match business needs, and explore cost competitive manufacturers, customer demands and new product items, to help improve revenue, profit and economies of scale.

- Expedite digitalisation and introduction of IT systems to facilitate management and application of big data for obtaining immediate feedback information to help with optimising business processes, understanding customers and developing better response strategies.

- Use financial management tactics to control and manage capital allocation, improve the operational efficiency of assets and reduce risks from movement of exchange rates, interest rates and prices in the volatile global financial market.

Looking ahead at the second half year, the Group is not optimistic about the overall prospect of the market and sees serious challenges for its business operations. However, with operating strategies devised and extensive efforts made to enhance development of the domestic and overseas markets, plus a well-established sales network and the factories in Vietnam boasting advantage in export of a wide array of products, and last but not least its staff working in unison to counter challenges, the Group is confident of not only overcoming those difficulties, but also realising its operational strengths to achieve better results.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend for the six months ended 30 June 2021 of 0.272 US cents per share. The interim dividend will be paid on 6 October 2021 in HK dollar to shareholders whose names appear on the register of members of the Company on 21 September 2021. The HK$ equivalent of the interim dividend is 2.1114 HK cents per share, which is based on the exchange rate of US$ against HK$ at US$1.00 to HK$7.7625 as quoted by The Hong Kong Association of Banks on 24 August 2021.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 17 September 2021 to Tuesday, 21 September 2021 (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 2021, 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, 16 September 2021.

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 2021.

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 2021.

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 2021, 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 18 May 2021 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 2021. 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 2021 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 2021.

PUBLICATION OF INTERIM REPORT

The Company's interim report for the six months ended 30 June 2021 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 Hong Kong Exchanges and Clearing 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, 24 August 2021

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