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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 2021**

FINANCIAL HIGHLIGHTS

| | Year ended 31 December | | Difference |
|---|------------------------|----------------|------------|
| | 2021 | 2020 | |
| | US\$'000 | US\$'000 | |
| Revenue | 382,361 | 360,741 | 6.0% |
| Gross profit | 60,373 | 72,556 | -16.8% |
| Profit for the year | 11,032 | 16,677 | -33.8% |
| Profit attributable to owners | 11,014 | 16,650 | -33.8% |
| Basic earnings per share | 0.72 US cents | 1.09 US cents | |
| Diluted earnings per share | 0.72 US cents | 1.09 US cents | |
| Final dividend proposed per share | 0.162 US cents | 0.462 US cents | |
| Total dividends paid and proposed per share | 0.434 US cents | 0.656 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 2021, together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

| | <i>Note</i> | Year ended 31 December | |
|--|-------------|-------------------------------|-----------|
| | | 2021 | 2020 |
| | | US\$'000 | US\$'000 |
| Revenue | 2(a) | 382,361 | 360,741 |
| Cost of sales | 6 | (321,988) | (288,185) |
| Gross profit | | 60,373 | 72,556 |
| Selling and distribution expenses | 6 | (23,121) | (25,173) |
| Administrative expenses | 6 | (23,905) | (21,638) |
| Other gains/(loss) – net | 5 | 1,635 | (2,866) |
| Operating profit | | 14,982 | 22,879 |
| Finance income | | 569 | 728 |
| Finance costs | | (336) | (473) |
| Finance income – net | 7 | 233 | 255 |
| Share of post-tax loss of an associate | | (201) | (1,117) |
| Profit before income tax | | 15,014 | 22,017 |
| Income tax expense | 8 | (3,982) | (5,340) |
| Profit for the year | | 11,032 | 16,677 |
| Profit attributable to: | | | |
| Owners of the Company | | 11,014 | 16,650 |
| Non-controlling interest | | 18 | 27 |
| | | 11,032 | 16,677 |
| Earnings per share for profit attributable to the owners of the Company during the year (expressed in US cents per share) | | | |
| Basic earnings per share | 10 | 0.72 | 1.09 |
| Diluted earnings per share | 10 | 0.72 | 1.09 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Year ended 31 December | |
|---|-------------------------------|-----------------|
| | 2021 | 2020 |
| | <i>US\$'000</i> | <i>US\$'000</i> |
| Profit for the year | 11,032 | 16,677 |
| Other comprehensive income: | | |
| <i>Item that may be reclassified to profit or loss</i> | | |
| Currency translation differences | 907 | 3,102 |
| Other comprehensive income for the year, net of tax | 907 | 3,102 |
| Total comprehensive income for the year | 11,939 | 19,779 |
| Total comprehensive income for the year attributable to: | | |
| – Owners of the Company | 11,921 | 19,752 |
| – Non-controlling interest | 18 | 27 |
| Total comprehensive income for the year | 11,939 | 19,779 |

CONSOLIDATED BALANCE SHEET

| | | As at 31 December | |
|---|------|-------------------|----------|
| | Note | 2021 | 2020 |
| | | US\$'000 | US\$'000 |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 158,339 | 164,595 |
| Right-of-use assets | | 4,841 | 4,914 |
| Intangible assets | | 2,100 | 2,096 |
| Long-term prepayments | | 2,718 | 3,711 |
| Investment in an associate | | 4,702 | 4,903 |
| | | <hr/> | <hr/> |
| Total non-current assets | | 172,700 | 180,219 |
| | | <hr/> | <hr/> |
| Current assets | | | |
| Inventories | | 101,648 | 91,665 |
| Trade receivables | 3 | 32,164 | 30,298 |
| Prepayments and other receivables | | 11,449 | 11,337 |
| Amounts due from related parties | | 1,442 | 862 |
| Structured bank deposits | | 2,533 | 7,982 |
| Short-term bank deposits and pledged bank deposits | | 1,075 | 21,817 |
| Cash and cash equivalents | | 66,136 | 42,359 |
| | | <hr/> | <hr/> |
| Total current assets | | 216,447 | 206,320 |
| | | <hr/> | <hr/> |
| Total assets | | 389,147 | 386,539 |
| | | <hr/> | <hr/> |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | | 15,228 | 15,228 |
| Reserves | | 286,561 | 285,832 |
| | | <hr/> | <hr/> |
| | | 301,789 | 301,060 |
| Non-controlling interest | | 228 | 210 |
| | | <hr/> | <hr/> |
| Total equity | | 302,017 | 301,270 |
| | | <hr/> | <hr/> |

| | | As at 31 December | |
|--------------------------------------|-------------|---|---|
| | <i>Note</i> | 2021 | 2020 |
| | | US\$'000 | US\$'000 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Bank borrowings | | 8,647 | 13,986 |
| Lease liabilities | | 2,650 | 2,818 |
| Deferred income tax liabilities | | 1,665 | 2,134 |
| Retirement benefit obligations | | 1,505 | 1,460 |
| | | <hr/> | <hr/> |
| Total non-current liabilities | | 14,467 | 20,398 |
| | | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| Current liabilities | | | |
| Trade payables | 4 | 17,510 | 6,963 |
| Accruals and other payables | | 21,316 | 20,665 |
| Amounts due to related parties | | 517 | 1,358 |
| Bank borrowings | | 31,661 | 32,373 |
| Lease liabilities | | 369 | 199 |
| Current income tax liabilities | | 1,290 | 3,313 |
| | | <hr/> | <hr/> |
| Total current liabilities | | 72,663 | 64,871 |
| | | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| Total liabilities | | 87,130 | 85,269 |
| | | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| Total equity and liabilities | | 389,147 | 386,539 |
| | | <hr style="border-top: 3px double black;"/> | <hr style="border-top: 3px double black;"/> |

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 which are 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) Amendments to standards adopted by the Group

The Group has applied the following amendments to standards which are mandatory for the Company for the first time for the financial year beginning on 1 January 2021:

| | |
|---|--|
| HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendments) | Interest rate benchmark reform – Phase 2 |
| HKFRS 16 (Amendments) | Covid-19-related rent concessions |

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

- (b) The following new standards, amendments to standards, accounting guideline and practice statement (together refers as “Amendments”) 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 2021 | 1 April 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 |
| AG 5 (Revised) | Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations | 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 |
| 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 |
| HKAS 1 and HKFRS 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 |
| 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 Amendments. There are no Amendments 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 Amendments 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 2021, 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, GA and others (2020: same).

(a) Revenue

| | 2021 <i>US\$'000</i> | 2020 <i>US\$'000</i> |
|----------------|-------------------------|-------------------------|
| Sales of goods | <u><u>382,361</u></u> | <u><u>360,741</u></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.

| | 2021 <i>US\$'000</i> | 2020 <i>US\$'000</i> |
|---|-------------------------|-------------------------|
| Revenue recognised that was included in the contract liabilities balance at the beginning of the year | <u><u>4,230</u></u> | <u><u>2,506</u></u> |

During the year ended 31 December 2021, revenue of approximately US\$41,509,000 is derived from a single external customer located in Japan. The revenue is attributable to the MSG and GA products (2020: no customers individually contribute 10% or more of the Group's revenue).

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

| | 2021 <i>US\$'000</i> | 2020 <i>US\$'000</i> |
|---|-------------------------|-------------------------|
| Vietnam | 169,363 | 170,547 |
| Japan | 62,832 | 61,195 |
| The PRC | 63,447 | 47,016 |
| ASEAN member countries (other than Vietnam) | 29,067 | 26,112 |
| America | 26,132 | 26,717 |
| Other regions | 31,520 | 29,154 |
| | <u>382,361</u> | <u>360,741</u> |

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

| | 2021 <i>US\$'000</i> | 2020 <i>US\$'000</i> |
|----------|-------------------------|-------------------------|
| Vietnam | 158,693 | 165,263 |
| The PRC | 11,287 | 11,245 |
| Cambodia | 2 | – |
| | <u>169,982</u> | <u>176,508</u> |

3 Trade receivables

| | 2021 <i>US\$'000</i> | 2020 <i>US\$'000</i> |
|--------------------------------------|-------------------------|-------------------------|
| Trade receivables from third parties | 32,487 | 30,660 |
| <i>Less: loss allowance</i> | <u>(323)</u> | <u>(362)</u> |
| Trade receivables – net | <u>32,164</u> | <u>30,298</u> |

The carrying values of the Group's trade and other receivables approximate their fair values due to their short maturity.

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:

| | 2021 | 2020 |
|----------------|----------------------|-----------------|
| | <i>US\$'000</i> | <i>US\$'000</i> |
| 0 – 30 days | 21,790 | 20,880 |
| 31 – 90 days | 9,694 | 8,292 |
| 91 – 180 days | 368 | 284 |
| 181 – 365 days | 124 | 829 |
| Over 365 days | 511 | 375 |
| | <u>32,487</u> | <u>30,660</u> |

4 Trade payables

At 31 December 2021 and 2020, the ageing of trade payables based on invoice date is as follows:

| | 2021 | 2020 |
|--------------|----------------------|-----------------|
| | <i>US\$'000</i> | <i>US\$'000</i> |
| 0 – 30 days | 16,851 | 5,515 |
| 31 – 90 days | 659 | 1,448 |
| | <u>17,510</u> | <u>6,963</u> |

5 Other gains/(losses) – net

| | 2021 <i>US\$'000</i> | 2020 <i>US\$'000</i> |
|--|-------------------------|-------------------------|
| Net exchange gains | 387 | 137 |
| Gain/(loss) on disposal of property, plant and equipment | 47 | (37) |
| Impairment of property, plant and equipment | – | (786) |
| Sales of scrap materials | 240 | 290 |
| Government grant | 96 | 32 |
| Impairment of goodwill | – | (3,107) |
| Fair value gains on structured bank deposits | 151 | 173 |
| Others | 714 | 432 |
| | <u>1,635</u> | <u>(2,866)</u> |

6 Expenses by nature

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

| | 2021 <i>US\$'000</i> | 2020 <i>US\$'000</i> |
|--|-------------------------|-------------------------|
| Changes in inventories and consumables used | 271,177 | 240,361 |
| Amortisation of intangible assets | 127 | 114 |
| Amortisation of right-of-use assets | 405 | 280 |
| Auditor's remuneration | | |
| –Audit services | 355 | 353 |
| –Non-audit services | 4 | 4 |
| Depreciation on property, plant and equipment | 17,679 | 18,048 |
| Reversal of impairment of inventories | (113) | (50) |
| Write-off of inventory | 16 | 3 |
| Expense relating to short-term lease | 47 | 43 |
| Employee benefit expenses | 45,384 | 40,684 |
| Reversal of loss allowance of trade receivables | (39) | (126) |
| Technical support fee | 2,210 | 2,164 |
| Travelling expenses | 1,270 | 1,519 |
| Transportation expenses | 11,714 | 8,330 |
| Advertising expenses | 3,115 | 4,389 |
| Repair and maintenance expenses | 9,890 | 12,308 |
| Other expenses | 5,773 | 6,572 |
| | <u>369,014</u> | <u>334,996</u> |
| Total cost of sales, selling and distribution expenses and administrative expenses | <u>369,014</u> | <u>334,996</u> |

7 Finance income – net

| | 2021 <i>US\$'000</i> | 2020 <i>US\$'000</i> |
|---|-------------------------|-------------------------|
| Bank interest income | 562 | 724 |
| Interest income from an associate | <u>7</u> | <u>4</u> |
| Finance income | ----- 569 | ----- 728 |
| Interest expense on bank borrowings | (469) | (763) |
| Interest expense on lease liabilities | (92) | (89) |
| <i>Less: amounts capitalised on qualifying assets</i> | <u>225</u> | <u>379</u> |
| Finance costs | ----- (336) | ----- (473) |
| Finance income – net | <u><u>233</u></u> | <u><u>255</u></u> |

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:

| | 2021 <i>US\$'000</i> | 2020 <i>US\$'000</i> |
|--|-------------------------|-------------------------|
| Enterprise income tax (“EIT”) | 4,465 | 6,074 |
| Over-provision of income tax in previous years | <u>(14)</u> | <u>(163)</u> |
| Total current tax | 4,451 | 5,911 |
| Deferred income tax | <u>(469)</u> | <u>(571)</u> |
| | <u><u>3,982</u></u> | <u><u>5,340</u></u> |

9 Dividends

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

The interim dividends paid in 2021 was US\$4,152,000 (0.272 US cents per share) (2020: US\$2,947,000 (0.194 US cents per share)). A final dividend in respect of the year ended 31 December 2021 of 0.162 US cents per share, amounting to a total dividend of US\$2,466,000, is to be proposed for approval at the forthcoming annual general meeting. These consolidated financial statements do not reflect this dividend payable.

| | 2021 <i>US\$'000</i> | 2020 <i>US\$'000</i> |
|--|-------------------------|-------------------------|
| Interim dividend paid of 0.272 US cents (2020: 0.194 US cents) per ordinary share | 4,152 | 2,947 |
| Proposed final dividend of 0.162 US cents (2020: 0.462 US cents) per ordinary share | <u>2,466</u> | <u>7,040</u> |
| | <u><u>6,618</u></u> | <u><u>9,987</u></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.

| | 2021 | 2020 |
|---|-------------------------|-------------------------|
| Profit attributable to owners of the Company (<i>US\$'000</i>) | 11,014 | 16,650 |
| Weighted average number of ordinary shares in issue (<i>thousands</i>) | <u><u>1,522,742</u></u> | <u><u>1,522,742</u></u> |
| Basic earnings per share (<i>US cents per share</i>) | <u><u>0.72</u></u> | <u><u>1.09</u></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 2021 and 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS OVERVIEW

In 2021, the global economy benefited from the growth in consumption expenditure and capital inflow, and trading of goods actually exceeded the pre-pandemic level. Global economic growth therefore rebounded strongly from the low point of -3.41% in 2020 to 5.54% in 2021. However, as the effect of the monetary and fiscal stimulus began to weaken and there were major disruptions in supply chains, economic growth momentum had slowed down significantly at the end of 2021. Many economies faced rising inflationary pressure and freight logistics shortages which led to a surge in costs, adding extra risks to the economic recovery. At the same time, the emergence of Omicron, a mutant strain of COVID-19, has triggered a new wave of the pandemic which is expected to result in additional life and economic loss, and create new challenges.

Continuing its outstanding anti-pandemic performance in 2020, Vietnam became one of the countries with the fastest economic growth in early 2021. However, due to the outbreak of the fourth wave of the pandemic since May and in response to the changing pandemic situation, the Vietnamese government launched various social distancing measures and travel restrictions such as the three localization policies, produce locally, rest locally and live locally, in the following months. As a result, Vietnam's economic development was affected again and moved forward on a bumpy track. Despite this, as the vaccination rate increased, Vietnam began to enter a "new normal" in the fourth quarter with production gradually recovering and industries beginning to regain vitality. The annual GDP growth rate was 2.58% , lower than 2.91% in 2020 and a record low in more than 30 years.

Overall revenue and gross profit of the Group's main products, starch and maltose, improved, benefiting from the slowdown in the rise of raw material costs and also the Group's continuous effort to develop new highly functional products. As fuel and raw material costs surged, industry competition intensified and acceptance of price adjustments was slow, gross profit of MSG and seasonings products dropped sharply. As for specialty chemicals, the selling prices and gross profit of soda decreased notably due to greater price competition in the market. Hydrochloric acid, however, recorded an increase in sales volume and selling price. Hence, both overall revenue and gross profit of specialty chemicals products were better compared with last year. As for fertiliser and feed products, the Group focused on consolidating channels, adjusting product mix and developing high-margin products. Among other products, the Group's sales volume of and correspondingly the revenue from coffee beans and bulk food ingredients notably increased, reflective of the Group's effective sales strategy. In 2021, the Group's revenue amounted to US\$382,361,000, an increase of 6.0% or US\$21,620,000, while gross profit decreased by 16.8% or US\$12,183,000 from the previous year to US\$60,373,000. The Group's overall gross profit margin decreased from 20.1% in 2020 to 15.8%. Net profit was US\$11,032,000, a decrease of 33.8% or US\$5,645,000 from the previous year. Net profit attributable to owners was US\$11,014,000, which was 33.8% or US\$5,636,000 lower year-on-year. Net profit margin decreased from 4.6% in 2020 to 2.9%

The emergence of the Omicron mutant strain at the end of 2021 showed that the pandemic continued to present uncertainties which again brought disturbance to the economy. Although 2022 is expected to be another year of economic growth as the global economy continues to recover, growth in the year is expected to slow down since the massive fiscal or monetary policy support from governments and central banks at the beginning of the pandemic has receded. The post-pandemic economic recovery is different from the economic recovery in the past as unexpected supply chain bottlenecks have occurred. At the same time, the tight supply in the labour market has caused labour shortage in enterprises, which has pushed up wages and contributed to inflation. Many developed economies have seen significant increase in debt levels over the past two years. Interest rate hikes may trigger risks to financial stability and may expose emerging markets and developing economies to risks and challenges associated with capital flows, currency and fiscal positions. Geopolitical tensions continued, and in particular the situation between Russia and Ukraine may trigger wider global risks. The current climate crisis also indicates that the possibility of major natural disaster events remains high.

Vietnam was one of the few countries most successful in containing the pandemic. Although economic growth was below expectation in 2021 due to the pandemic, its long-term economic growth momentum remains stable, facilitating it to be the production base of many enterprises. Vietnam has also been actively engaging in regional economic and trade consolidation such as 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. That plus Vietnam's efforts in speeding up infrastructure construction, nurturing skills of labourers and improving quality of labour and systematically simplifying various procedures through electronic processes have favoured the overall development of the country. 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 chains and seek to form strategic alliances with companies within the industries which it operates or other industries as well as step up the development of high-value products in order to enhance the Group's core competitiveness and create greater value in its operations.

II. BUSINESS ANALYSIS

(1) Sales Analysis by Market

Unit: US\$'000

| Country | 2021 | | 2020 | | Difference | |
|---------|-----------------------|----------------------|-----------------------|----------------------|----------------------|--------------------|
| | <i>Amount</i> | <i>%</i> | <i>Amount</i> | <i>%</i> | <i>Amount</i> | <i>%</i> |
| Vietnam | 169,363 | 44.3% | 170,547 | 47.3% | -1,184 | -0.7% |
| Japan | 62,832 | 16.4% | 61,195 | 17.0% | 1,637 | 2.7% |
| PRC | 63,447 | 16.6% | 47,016 | 13.0% | 16,431 | 34.9% |
| ASEAN | 29,067 | 7.6% | 26,112 | 7.2% | 2,955 | 11.3% |
| US | 26,132 | 6.8% | 26,717 | 7.4% | -585 | -2.2% |
| Others | 31,520 | 8.3% | 29,154 | 8.1% | 2,366 | 8.1% |
| Total | <u>382,361</u> | <u>100.0%</u> | <u>360,741</u> | <u>100.0%</u> | <u>21,620</u> | <u>6.0%</u> |

1. Vietnam

Vietnam is the Group's largest market. During the year, revenue from the Vietnam market was approximately US\$169,363,000, down by approximately US\$1,184,000 or 0.7% when compared with 2020. Its share of revenue generated by Vietnam also decreased from 47.3% to 44.3% mainly due to the fourth wave of the pandemic. Production was partly affected, end-sales of MSG proved difficult while external sales and logistics were disrupted amid a long period of social distancing policy, resulting in an unsatisfactory performance. Nonetheless, the Group adjusted the selling prices of modified starch and maltose in response to market changes and strengthened inventory control and management measures, thereby boosting production efficiency and effectively boost sales volume and revenue. The performance of hydrochloric acid and soda products also improved along with the increase in market demand. As for the fertiliser and feed market, the Group adjusted the product structure of fertilisers and feed products by adding new high-end products, which stimulated unit prices and revenue.

2. Japan

Japan is the Group's second largest market. Although the pandemic remained volatile during the year, the Japanese economy improved over 2020. The MSG consumption market rebounded slightly, leading to a small growth in revenue. Regarding the modified starch market, the Group continued to expand new customer base and product applications, and develop products with higher added value, thus overall revenue still substantially grew. Revenue for the year was approximately US\$62,832,000, an increase of approximately US\$1,637,000 or 2.7% over 2020, but its share of the Group's revenue fell from 17.0% to 16.4%.

3. *The PRC*

Revenue from the PRC market was approximately US\$63,447,000, an increase of approximately US\$16,431,000 or 34.9% over 2020, and its share of the Group's revenue increased from 13.0% to 16.6%. During the year, revenue in the PRC market increased significantly. Although the performance of seasonings only improved slightly compared with the previous year, the Group effectively executed its strategy to enlarge its scale of business by enhancing its product mix, expanding sales channels and stepping up development of and cooperation along its industry chain, helping boost the sales volume and revenue of trade products and coffee beans it distributed in the country. As the market stabilised, MSG's revenue also increased significantly compared with 2020.

4. *The ASEAN Market*

The Group's revenue from ASEAN countries (excluding Vietnam) was up by approximately US\$2,955,000 or 11.3% year-on-year to approximately US\$29,067,000, and the revenue contribution increased from 7.2% to 7.6%. Both sales volume and revenue of MSG products rose benefitting from effective execution of its sales strategy. ASEAN countries remain the Group's key development market. With this in mind, the Group aims to leverage its advantages in the industry, expand other businesses with its core products, establish closer partnerships, and further develop sales channels, and ultimately achieve breakthroughs in sales.

5. *The US*

During the year, revenue in the US market was approximately US\$26,132,000, a decrease of approximately US\$585,000 or 2.2% from 2020, and its share of revenue fell from 7.4% to 6.8%. The decrease in revenue was mainly due to weak market demand for MSG and high-end modified starch products due to the pandemic and rising shipping costs. The Group attaches great importance to the expansion of high-end starch and maltose products in this market. Looking ahead, it will continue to integrate the production and sales value chain and develop functional products to raise product competitiveness, hoping to drive sales after the pandemic.

6. Other Markets

Other markets include mainly Taiwan, South Korea and the European Union markets. Revenue rose sharply mainly due to the rising market demand for modified starch and fertilisers and feed products. Total revenue during the year was approximately US\$31,520,000, a growth of approximately US\$2,366,000, or 8.1%, compared with 2020, and the share of revenue from other markets increased slightly from 8.1% to 8.3%.

(2) Sales Analysis by Product

Unit: US\$'000

| Item | 2021 | | 2020 | | Difference | |
|--|----------------|---------------|----------------|---------------|---------------|-------------|
| | Amount | % | Amount | % | Amount | % |
| MSG and Seasonings | 226,991 | 59.4% | 232,093 | 64.3% | -5,102 | -2.2% |
| Modified Starch, Native Starch and Maltose | 67,684 | 17.7% | 63,262 | 17.6% | 4,422 | 7.0% |
| Specialty Chemicals | 21,330 | 5.6% | 18,828 | 5.2% | 2,502 | 13.3% |
| Fertilisers and Feed Products | 28,870 | 7.5% | 24,966 | 6.9% | 3,904 | 15.6% |
| Others | 37,486 | 9.8% | 21,592 | 6.0% | 15,894 | 73.6% |
| Total | <u>382,361</u> | <u>100.0%</u> | <u>360,741</u> | <u>100.0%</u> | <u>21,620</u> | <u>6.0%</u> |

1. MSG and Seasonings

Revenue of MSG and seasoning-related products amounted to US\$226,991,000 during the year, a decrease of approximately US\$5,102,000, or 2.2%, when compared with 2020. The weakened performance was mainly due to the impact of the pandemic on economic activities and market demand in Vietnam and the US, which resulted in the decrease in both sales volume and revenue. Total revenue of MSG and seasoning-related products decreased, and the proportion of revenue contribution from this product segment dropped to 59.4% from 64.3% in 2020.

2. *Modified Starch, Native Starch and Maltose*

Owing to stabilising cost of cassava, effective strategic procurement plan and a notable increase in market demand for organic products during the year, modified starch, native starch and maltose products recorded both higher total sales and profit. Revenue was approximately US\$67,684,000, up by US\$4,422,000, or 7.0%, when compared with 2020, and its share of the Group's total revenue increased from 17.6% to 17.7%. Except for the decline in revenue of modified starch in the US market due to the impact of the pandemic, other markets recorded a growth. Moreover, maltose reported an increase in revenue, which was driven by the new customer base and new usages of organic maltose in Vietnam. 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, stronger profitability momentum in the future could be expected.

3. *Specialty Chemicals and Fertilisers and Feed Products*

Specialty chemicals including hydrochloric acid, soda and bleach are sold in Vietnam. During the year, the demand for such products rose compared with last year, which led to an increase in sales volume. During the year, total revenue of specialty chemicals amounted to approximately US\$21,330,000, a growth of approximately US\$2,502,000, or 13.3%, when compared with 2020, accounting for 5.6% of the Group's total revenue, up from 5.2%. In light of the low-price competition of soda products during the year, the Group adjusted the selling prices of those products according to market trading conditions, which caused a drop in gross profit, though sales volume and revenue increased. On the other hand, the selling price of hydrochloric acid products was adjusted upward based on production volume and market demand, resulting in an impressive growth in sales volume, revenue and profit during the year.

Fertilisers recorded a notable growth in profit despite a drop in sales volume of various products during the year. The Group launched products of new specifications, actively prospected for new customers and improved the fertiliser product mix, allowing it to set higher product prices. Consequently, it achieved a growth in revenue and profit. Revenue from fertilisers and feed products amounted to approximately US\$28,870,000, an increase of US\$3,904,000, or 15.6% compared with 2020, and accounted for 7.5% of the Group's total revenue, up from 6.9%. The Group will continue to promote high value-added special fertilisers and develop new sales channels.

4. Other Products

Revenue from other products was approximately US\$37,486,000, a growth of approximately US\$15,894,000, or 73.6%, compared with 2020, and the segment's revenue contribution to the Group's total revenue rose from 6.0% to 9.8%, mainly attributable to the strong sales volume of coffee beans and bulk food ingredients distributed in the PRC. By extending the depth and breadth of product categories, and adding new product types to meet market demand for similar types of items, the segment achieved handsome revenue growth.

III. MAJOR RAW MATERIALS/ENERGY OVERVIEW

(1) Cassava

In 2020/2021, major cassava producer countries in Southeast Asia recorded a growth in production volume, and the output of cassava in Thailand increased as well. Nevertheless, the stronger demand of the international consumer market led to the rising raw material prices of cassava and starch.

In the 2021/2022 production season, a stable output of major plantation areas like Thailand, Vietnam and Cambodia was expected. At the beginning of the production season, cassava was still in short supply and its price was at a relatively high level. However, as the output of cassava rose at the beginning of 2022, the price gradually returned to a reasonable level. The Group stepped up exploring more new sources of supply and purchased at the high production volume period in order to control procurement costs and improve profit.

(2) Molasses

Global production volume of molasses in 2020/21 was 64,530,000 tons, a significant growth from 59,120,000 tons in 2019/20, up by approximately 5,400,000 tons, or 9%. However, the price of molasses remained at its historical high. The price stayed firm mainly due to the rise of fuel and ethanol consumption and the overall tight animal feed markets. The high prices of corn and wheat and the shift of some molasses exporting countries into importing countries in 2020/21 were also the direct causes of the molasses shortage.

Global molasses production volume in 2021/22 is estimated to be slightly lower than the previous year. For example, the molasses output in India in the 2020/21 production season increased by 2,000,000 tons and the annual production volume reached 13,600,000 tons, while the current estimated production volume in 2021/22 is 13,400,000 tons. Moreover, the increase in the output of sugar cane is estimated to be largely used for ethanol production, which will directly boost the price of molasses.

Overall, the outlook for the total production and export volume of molasses in 2021/22 is not optimistic, and these prices may continue to be firm. The Group will continue to keep a close watch on changes in the international molasses market and actively develop more new supply sources to ensure stable access to raw materials.

(3) Energy

In 2020, global coal output decreased by 6.5% year-on-year. Affected by the pandemic at the start of the year, 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. Coal production and supply then slowed down and coal price turned around and headed upward.

In 2021, the global economy gradually recovered from the shadow of the pandemic. Major economies adopted looser fiscal and monetary policies to stimulate the economy, which provided strong support to international oil prices. At the end of 2021, the main contracts of New York Mercantile Exchange Light Crude Oil Futures and London Brent Crude Oil Futures closed at US\$75.21 and US\$77.78 a barrel respectively, up by approximately 55% and 50% respectively against the end of 2020. The rise in international oil prices has been driven by different factors such as global economic recovery, tight inventories and insufficient production capacity. On the supply side, the OPEC and non-OPEC oil-producing countries continued to implement production reduction plans despite the US request for increasing oil supply to slow the rise of oil prices, and strived to maintain the current supply and demand dynamics in the international oil market, demonstrating their ability to control oil prices. On the demand side, the steady rebound in economic activities and the increase in transportation fuel consumption have driven higher oil demand.

Throughout 2021, international oil prices still fluctuated while rising, and the three major fluctuations were all associated with the pandemic. Therefore, there are still great uncertainties in the trend of the international oil prices. The course of the COVID-19 pandemic and the outbreak of regional conflicts in Eastern Europe since February will remain the biggest uncertainties affecting oil prices this year. It is currently known that the significant increase of crude oil prices has led to the surge of the prices of natural gas and coal. The futures index has risen to its highest point recently, and the upward trend still continues. The conflicts in Eastern Europe will be the most significant factor affecting economic stability. The Group will continue to monitor the changes in the energy industry in order to plan the counter measures early.

Regarding electricity price, following the implementation of an electricity tariff subsidy policy in 2020, the Vietnamese government introduced several electricity tariff subsidy resolutions in 2021 in order to help enterprises or work units navigate the difficult times brought by the pandemic. It also continued to transform and upgrade the electrical engineering capability to ensure electricity demand could be met after the pandemic ends and work and production resume. The Group has been using a cogeneration power system to assure it has a stable electricity supply. Since the Group uses mainly self-generated electricity, a drop in the cost of purchasing electricity from external sources would have a limited impact.

IV. FINANCIAL REVIEW

(1) Liquidity and Financial Resources

The Group had cash and cash equivalents, short-term bank deposits, pledged bank deposits and structured bank deposits amounting to US\$69,744,000, a decrease of US\$2,414,000, or around 3.3%, when compared with the end of 2020. Short-term bank borrowings amounted to US\$31,661,000, a decrease of US\$712,000, or around 2.2% when compared with the end of 2020. Medium-to-long-term bank borrowings amounted to US\$8,647,000, a decrease of US\$5,339,000, or around 38.2%, when compared with the end of 2020. Total bank borrowings amounted to US\$40,308,000, a decrease of US\$6,051,000 or approximately 13.1% from the end of 2020. The decrease was mainly due to the decrease in capital expenditures. The borrowings were mainly in US Dollars, accounting for 94.5%, and the rest was in New Taiwan Dollars and Renminbi, accounting for 3.6% and 1.9%, respectively. The ratio of short-term and medium-to-long-term bank borrowings was 78.5% to 21.5%. Net finance income this year decreased by US\$22,000 compared with 2020.

Trade receivables amounted to US\$32,164,000, an increase of US\$1,866,000 or approximately 6.2% from the end of 2020. Around 67.1% of the trade receivables were aged within 30 days. Total inventory was US\$101,648,000, an increase of US\$9,983,000 or approximately 10.9% from the end of 2020.

Due to the decrease in borrowings and the increase in shareholders' equity, gearing ratio (total borrowings to total equity ratio) was 14.3%, lower than 16.4% at the end of 2020; as cash was higher than borrowings, net gearing ratio (total borrowings less cash and deposits to shareholders' equity) was -8.7%, down from -7.6% in 2020. During the year, current ratio fell from 3.2 at the end of 2020 to 3.0 and the quick ratio decreased from 1.8 at the end of 2020 to 1.6. The Group's financial structure remained stable.

(2) Capital Expenditure

Capital expenditure for the year amounted to approximately US\$11,413,000, a decrease of US\$22,544,000 from US\$33,957,000 in 2020. This was mainly due to the completion of the expansion plan and other various projects of its Vietnamese subsidiary in the previous two years. Other than funding for ongoing projects, there were no new projects requiring substantial capital expenditure in the year.

(3) Exchange Rate

Vietnam's economic growth in recent years has resulted in sufficient foreign exchange reserves which have helped stabilise the Vietnamese Dong. Moreover, as the Vietnamese Government has not resorted to currency depreciation to stimulate exports, the performance of the Vietnamese Dong amid the pandemic has been relatively strong when compared with currencies of other major ASEAN economies including Singapore, Indonesia and Thailand. The central exchange rate announced by the State Bank of Vietnam depreciated 0.06% in 2021, from VND23,131/USD at the end of 2020 to VND23,145/USD at the end of 2021. A good balance between pandemic control and economic development, coupled with the signing and implementation of free trade agreements with major global economies, has provided an important impetus for Vietnam's economic recovery, improving the investment climate and providing various preferential measures as incentives for foreign investment. The RCEP trade agreement has also come into effect in 2022. Vietnam is expected to continue its export growth in 2022, with inflation maintained at a relatively low level. The overall macroeconomy will remain stable, and the Vietnamese Dong will remain healthy.

The Group's subsidiaries in the PRC are mainly responsible for local sales with transactions denominated in RMB. In 2021, the overall RMB exchange rate slightly appreciated, as the currency has fluctuated within a reasonable range. Among them, the exchange rate of RMB against the US Dollar dropped to a certain extent in March, once close to 6.58, and then rose to around 6.35 in May and December. Generally speaking, the RMB exchange rate is expected to be stable and the floating exchange rate regime will be more flexible, thereby helping to stabilise the macroeconomy. The Group will continue to monitor the changes in the exchange rate between the RMB and the US Dollar.

The regional conflict in Eastern Europe breaking out in February 2022 is expected to have an impact on the exchange rates of currencies in the world, and the Group will closely monitor the situation and respond to it accordingly.

(4) Earnings per Share and Dividends

Basic earnings per share were 0.72 US cents. The Board of Directors decided to pay a final dividend of 0.162 US cents per share, representing a payout ratio of 60%.

V. PROSPECTS

In 2021, countries around the world experienced a surge in the number of people infected by new variants of the COVID-19 virus, and lockdowns were again imposed. Despite other major influential factors including uncertainty of vaccine efficacy, challenges in supply chains, and rising transportation costs, global economic growth rates still rebounded to 5.5%, but it is expected to slow sharply to 4.1% in 2022, mainly reflecting the continued outbreak of the pandemic, shrinking fiscal support, persistent supply chain bottlenecks, inflationary pressure and climate-related disasters. The Group expects a continued undersupply of various international and local raw materials, energy and packaging materials, and an increase in related prices. In particular, the regional conflict in Eastern Europe that broke out in February has caused geopolitical tensions. This complicated situation is bound to have considerable impact and present major uncertainties to financial projects, raw materials and energy alike.

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

- Expand product lines and optimise product mix, screen existing third-party products and launch a series of extended products. 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 into new channels and new markets, identify potential customers and consumers with similar product demand in different markets, adjust product positioning and sales tactics, look for cooperative partners to expand market scale, 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 market 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 a stable supply of raw materials.
- Adopt the “co-opetition” strategy to boost product and service value, leverage 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), and via mutual support within the Group to realise its core advantages and expand the Group’s business presence.
- Facilitate the works on energy conservation and consumption reduction as well as recycling and reuse of resources, and improve energy efficiency to achieve the missions of caring for the environment and sustainable operations.
- Accelerate the formation of strategic alliances or cooperation with different businesses to jointly develop the markets through effective consolidation of resources and strengthen its research and development (R&D) function to realise technological breakthroughs, facilitating the upgrade and transformation of the Group, in addition to the introduction of new products, expansion of its business scale and improvement of business performance.
- Establish a strategic organisational structure and dedicated strategic teams to enhance the organisational efficiency of all units, evaluate products or distribute products that match business needs, assess 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, better 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.
- Give full play to capital efficiency, and require all related companies to reduce various expenses.

Looking ahead to 2022, variables such as inflation risks, soaring raw material prices and conflicts in Eastern Europe will bring great uncertainty to the prospects of global economic recovery. 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. It will also capitalise on the initial results from core technologies, market penetration and sales channels and the exports and development advantages of various products produced by the Vietnamese factories. The Group believes that by leveraging its integrated operational strengths and building on its existing business foundation, it can create 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 2021.

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 18 May 2021 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 2021 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 2021 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 0.162 US cents (2020: 0.463 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 24 May 2022 (the "2022 Annual General Meeting").

Shareholders whose names appear on the register of members of the Company on 24 May 2022 will be eligible to attend and vote at the 2022 Annual General Meeting. It is expected that the proposed final dividend, if approved, will be paid on 14 June 2022 to shareholders whose name appeared on the register of members on 1 June 2022.

Closure of register of members

The register of members of the Company will be closed from Thursday, 19 May 2022 to Tuesday, 24 May 2022, (both days inclusive), during such period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2022 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 Wednesday, 18 May 2022.

The register of members of the Company will also be closed from Monday, 30 May 2022 to Wednesday, 1 June 2022, (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 Friday, 27 May 2022.

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) and the Company's website at (www.vedaninternational.com). The Company's 2021 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, 22 March 2022

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