

CHAIRMAN'S STATEMENT

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First of all, I would like to thank all our shareholders for their continuing support. On 27 June 2003, Vedan International was successfully listed in the mainboard of stock exchange of Hong Kong. The listing received an overwhelming response, with the sale of 362,888,000 shares (including an additional 55,472,000 over-allocation shares) at the offer price of HK\$0.89. The exercise raised a total of HK\$322,970,000 (approximately US\$41,406,000). The Board of Directors would like to express its most sincere gratitude to shareholders for their support and confidence towards the Group. Looking forward, all our management and staff will continue their commitment to enhancing Group profitability to reward shareholders' support with even better returns.

Reviewing the Group's operations during the first half of 2003, turnover reached US\$94,756,000 (approximately HK\$739,097,000). The gross profit margin was approximately 25.3%, with net profit amounting to approximately US\$9,927,000 (approximately HK\$77,431,000). Basic earnings per share achieved was approximately 0.94 US cents (7.332 HK cents). The Board of Directors recommends an interim dividend payment of 2.504 HK cents per share (equivalent to 0.321 US cents per share). The total dividend payment will therefore amount to HK\$37,844,235, or US\$4,851,825). Several major setbacks in the first half of 2003, such as the outbreak of the Severe Acute Respiratory Syndrome (SARS) and the Iraqi War, created an adverse impact on the global economy and in turn strongly challenged the Group's business environment. Nevertheless, with the commitment of our management and staff, our net profit achieved a growth of 15% as compared to the corresponding period last year.

The natural gas pipe-networking project in Vedan's Phuoc Thai plant in Vietnam will be completed in the second half of the year. By replacing the high-cost of imported heavy oil with natural gas as fuel, the major operating cost will be lowered. Also, we will cautiously be evaluating Asian market demand, to undertake the appropriate production expansion plans for the Phuoc Thai plant. Barring any unforeseen circumstances affecting the domestic and export sales of major products, we believe that the Group will be able to achieve targeted results.

Looking ahead, it is the Group's strategy to focus on fermentation-based food additives, amino acid products and starch-based modified starch products. At the same time, we foresee that the Group's core product, MSG, still has high market potential in the PRC and the ASEAN markets. Therefore, it is our intention to enhance production capacities, through mergers and acquisitions or the formation of strategic alliances, to continue exploring these markets via vigorous market approaches, and to foster exponential growth in both our MSG productivity and sales revenues. All raw materials for Glutamic Acid (GA) required by the Xiamen Mao Tai plant, originally produced and imported from Vietnam, will be sourced in the PRC by the end of 2003. 50% is being purchased locally so far. These local suppliers are also potential targets for our strategic partnerships. We have also been actively exploring the PRC market and expect to reach targeted goals by 2004.

In addition to the expansion of the MSG business in the PRC market, the Group is currently developing a number of high value-added food seasonings. With growing national income, markets for these second and third-generation food seasoning products are rapidly expanding. In view of the many varied and different Asian food styles, these high value-added products enjoy tremendous potential, a trend which has successfully been proven in the Japanese and other markets, and will become the new trend for the development of food additive products. Riding our comprehensive production platform in developing new products and existing distribution network, little additional input for our manufacturing equipment will be needed for the generation of further products and production synergies.

Other than enhancing production facilities, exploring the PRC MSG market and developing a new generation of food additive products, the development of Poly Glutamic Acid (PGA), a brand new product in the global market, is in the pipeline. PGA, produced from GA and glucose syrup by applying our fermentation production techniques, has been thoroughly examined in the laboratory, and certified and tested by various international manufacturers. The Group has entered the planning stages for the production plant in 2004. PGA, a highly sophisticated product, possesses widespread applications, ranging from cosmetics, environmental protection, agricultural and food production to pharmaceuticals. Leveraging the Group's competitive edge, namely our scalable fermentation technology, comprehensive production platform and readily-available raw materials, the new product will form the core of our development, bringing in an additional revenue stream and profit contribution in the near future.

The Group also stresses the development of starch-based products in Vedan Vietnam. These starch products have extensive applications. They not only provide the raw materials for the production of MSG and food use, but are also being used to further generate modified starches for diverse industries, such as the food, paper manufacturing, textile and pharmaceutical industries. Benefiting from our sizable starch production plant in Vietnam with its well-equipped facilities, we produce starch and modified starch of high quality. They are widely sold to Japan, Taiwan, South East Asia, the PRC, etc. As this business segment has only been developed for a short period, we will be continuing our commitment in this product area, both enhancing its distribution channels and establishing sales and marketing teams, to leverage sales and expand production.

It is Vedan's mission to be a leading producer of fermentation-based amino acids, food additive products and starch-based products in Asia. Vedan is not only committed to exploring and enhancing our core products and markets, but also to continuously developing new products, diversifying product variety to establish a more comprehensive range, and creating synergies with both horizontal and vertical integration. I believe that everyone in Vedan will be working proactively to achieve these goals, and I strongly believe that the achievement of our targeted goals will bring profitable and long-term rewards for every one of our shareholders.

By Order of the Board
YANG Tou-Hsiung
Chairman

Hong Kong, 16th September, 2003