

Chairman's Statement

主席報告書

The global economy in the first half of 2004 presented Vedan with a challenge-ridden operation environment. Rising oil prices pushed up material costs and the macroeconomic control measures implemented by the Chinese government created variables for market development. The bird flu outbreaks affected several regions in Vietnam, the Group's most important market. Fortunately the outbreak was properly contained by swift government action. Though faced with uncertainties in its operation as well as its future planning, the Group's management and its staff, managed to convert these challenges into opportunities, enabling the Group to grow its business and profit despite changing market environment.

In the first half of 2004, the Group's turnover reached US\$109,439,000, an increase of 15.5% from the same period last year. Gross profit margin was recorded at 34.2%, a 35% increase from 25.3% last year. Net profit increased by 57.9% to US\$15,677,000. Basic earnings per share were approximately US1.04 cents (HK8.1 cents). The significant rise in turnover and profit was partly attributable to increased sales and partly due to successful switch from using expensive imported fuel oil to natural gas after the completion of gas pipelines at Phuoc Thai Complex in Vietnam, which made important contribution by lowering production costs. The Group achieved double-digit growth in sales for all its major products including MSG, starch products and lysine in first half of 2004, thanks to high market demand and effective sales strategy. On regional side, the Group reported double-digit sales growth in its major market Vietnam as well as the fast expanding ASEAN market. In China, MSG sales increased by 19.4%. Higher market recognition and wider sales network brought an enormous 15 times increase in the sales of starch products. In addition, breakthrough in sales was also recorded in new markets including Europe and Australia.

二零零四年上半年全球經濟對味丹國際整體經營而言仍具有相當的挑戰性。國際油價持續高漲帶動相關原物料的上揚；中國宏觀調控的實施也牽引內地市場拓展的變數；而集團最主要之越南市場，部份地區於今年初也爆發禽流感，後幸經越南政府應付得宜使疫情得以控制。所以上半年以來，世界經濟仍充斥著對集團在經營上與發展上的變數，但是集團管理層與各級同仁也均戰戰兢兢努力地將這些變數轉為集團發展的機會，促使集團在這多變的環境下仍得以降低營運成本並不斷地擴大業務與利潤。

回顧二零零四年上半年的營運，集團營業額達109,439,000美元，較去年同期增加15.5%。毛利率約34.2%，較去年同期的25.3%，增加35%。稅後淨利達15,677,000美元，亦較去年同期大幅增加57.9%。每股基本盈利約1.04美仙（約8.1港仙）。業績與利潤有如此大幅度的增長，除業務行銷有大幅成長外，在去年年底，味丹越南福泰廠區的天然氣接管工程順利完工並開始運轉，取代原有必須進口之高成本的重油燃料，對集團整體生產成本的降低有重要貢獻。集團在上半年的業績，概括而言，在市場的需求提高與行銷規劃得宜之下，使得上半年各項主要產品無論是味精、澱粉產品、或賴氨酸的銷售營業額與去年同期比較，均有兩位數之高成長。而以地區的銷售上，集團最主要的越南市場，以及發展蓬勃的東南亞市場之銷售金額也都達到兩位數之增長。在中國地區之味精銷售比較去年同期有19.4%的成長，而澱粉產品由於品質逐漸受到中國當地市場肯定，加上銷售網絡的不斷壯大，使得上半年營業額較去年同期激增15倍。除此之外，其他新市場如歐洲與澳大利亞等市場之業績亦有穩定之增長。

Chairman's Statement (continued)

主席報告書 (續)

Besides focusing on the research and development of fermentation based and high value-added new products, the Group's primary goals for the year also included exploring new markets in other parts of the world. To strengthen its operational base in China, the Group acquired Shanghai Vedan Food's assets and MSG business in June. The acquisition provides the most efficient way for the Group to establish a flagship production base in China, and at the same time facilitates the consolidation of its sales and marketing efforts in the country. Recognizing the importance of securing stable raw material supplies for the manufacturing operation in China, the Group has been actively seeking to form partnership with suppliers in China. Regarding future development of the China market, the Group will continue to move forward with prudence, carefully identifying and assessing potential business and strategic alliances so as to expand its sales network and establish new production base. As for its operation in Vietnam, the Group expects to continue to reap higher benefits in production efficiency and economies of scale. Anticipating steady growth in demand and after evaluating the current capacity, the Group budgeted this year for the expansion of facilities for producing MSG, GA, hydrochloric acid, hypochlorite, starch, modified starch, PGA, and value-added seasoning. The double-digit growth in sales of all major products in the first half of the year exemplified the high demands. To meet the rising demands, the Group will speed up the expansion of its various facilities, targeting for operation to commence by the fourth quarter.

Our products have successfully penetrated major Asian markets and are enjoying rising market shares. The Group, however, will not be complacent. We will continue to enhance our fermentation technology to develop high value-added and innovative products to extend our edge. The Group will also encourage speedy integration of local distribution networks in fast growing markets including China and ASEAN countries to maximize the network's depth and breadth. Access to new markets will also allow the Group to efficiently launch new products, thus taking the Group's business to new heights.

集團於今年的經營，主要重點除持續研發各項醱酵相關之高附加價值的新產品外，亦將致力於各地市場之開拓。為強化一直相當受集團重視的中國市場業務基礎，集團已於六月份協議收購原上海味丹食品之資產與味精業務，以拓展集團於中國之營運。透過此項收購，集團將可以最有效率的方式於中國建立一個旗艦生產基地，此舉亦同時可整合中國整體之行銷與經營活動。而除行銷業務之營運據點外，集團也深切體認在中國的生產實需要穩定的原料供應來源。所以，集團一直以來也積極從中國內地尋找原料供應之合作伙伴，以確保未來原料之供應。未來我們在中國地區的發展，仍將持續以謹慎的態度，審慎評估尋找業務或生產之策略聯盟伙伴，以拓展行銷網路與基本的生產據點。同時，越南廠也將持續發揮其優越之生產效率及經濟規模；因集團評估市場的狀況，仍認為有相當穩定成長的需求與業務空間，故在估計現有之產銷能力後，在今年編列預算用於越南廠區擴充味精、谷氨酸、鹽酸、液鹼、澱粉、化工澱粉、聚谷氨酸(PGA)及複合調味料之生產設備。而從上半年主要產品均有兩位數成長的業績，可見需求仍強勁，故在下半年度，集團將加速各項建設以期於本年第四季完工投產，以因應市場之需求。

集團現有之各項產品已成功滲透各亞洲主要市場，且仍持續蓬勃成長中，市場地位已趨穩固；但集團絕不滿足現狀，在未來的發展上，集團將不斷加強醱酵科技的研發，開發高附加價值與先進之產品，以延伸集團原有的醱酵產銷優勢。而在銷售網絡的發展上，集團也將加速在增長迅速的市場，如中國與東南亞國協之步伐，積極地結合當地之行銷體系，使業務網路不僅拓廣，更要能深入當地市場，並針對未來之新產品可快速導入此堅實之行銷網路，使集團成長得以產生爆發力，而期望將集團的發展帶入另一高峰。

Chairman's Statement (continued)

主席報告書 (續)

Vedan has been listed since 27 June 2003. During this year, with a strong commitment to innovate, our management and staff have worked relentlessly for the future development of the Group and the maximum return of maximum shareholder value. This explained our achievements in business expansion, new products development and cost reduction during the first half of the year. Our interim results, especially our profits are shining proof of Vedan's growth. In the second half of the year, we plan to maintain our proven strategies and continue to develop new products as well as expand major product lines. We will also improve our production efficiency and productivity to reap more benefits from vertical and horizontal integrations. The Group also intends to enlarge and deepen its major product categories and markets to achieve the maximum overall growth. We are confident that with the concerted effort of our management and staff, we will secure better results, higher profits and faster growth this year, hence bringing more benefits to our shareholders.

YANG Tou-Hsiung

Chairman

Hong Kong, 31 August 2004

味丹國際於二零零三年六月二十七日上市一年多以來，集團管理層與各級同仁均秉持一貫之創新與積極的態度，為集團的發展與股東最大的利益而努力不懈，故無論在業務開拓、新產品研發或生產成本的節約上都有持續且顯著的進展。而在二零零四年上半年整體的業績，特別是盈利均已獲得相當亮麗的成長；在下半年度，我們將貫徹既定之策略，持續從事新產品的開發、拓展主力產品，提升生產效率與產能，以創造集團整體垂直與平行之整合綜效。同時，業務的佈局將致力於拓展並深化原有主要產品與市場，使集團得以在整體發展上獲得最大之效益。所以，我們也有信心在管理層與全體同仁努力下，使今年的業績與盈利比去年更高、集團整體發展更快、使股東利益更大。

楊頭雄

主席

香港，二零零四年八月三十一日