



STANDING OUT IN A  
SPECIALIZED INDUSTRY

投注於專門產業中的佼佼者

As a successful long-term player in a market with significant entry barriers, Vedan International has distinct competitive advantages that add real value to its products. With advanced expertise in large-scale fermentation technology, starch processing conversion technology and chemical and electro-chemical technology, Vedan International is developing new products which represent the latest breakthroughs in industrial science and look set to be major profit drivers in the future.

味丹國際所從事的產業入行屏障高，而集團能長期屹立其中，是因為本身獨特的競爭優勢能附加真正的價值於產品中。擁有大規模之醱酵、澱粉加工轉換、化學和電解化學等先進技術，味丹國際能不斷發展突破產業科學的新產品，為未來盈利創造強勁的動力。

# MANAGEMENT DISCUSSION AND ANALYSIS

## 管理層討論與分析

### BUSINESS OVERVIEW

The Group's turnover has been growing consistently since 2002 and 2005 was no exception. Total turnover of the Group increased to US\$257,904,000, approximately 14.6% higher than in the same period last year. Turnover from the Vietnam operations grew by approximately 11.1% to US\$221,620,000, and turnover from the China operations (Xiamen Mao Tai and Shanghai Vedan) surged a remarkable 42.1% to US\$36,284,000. Our notable turnover growth had forceful drives – the expanded production capacities of our MSG and modified starch facilities in Vietnam and the completion of the Shanghai Vedan Foods acquisition. As for individual products, MSG, GA and modified starch products delivered growth of 19.4%, 59.5% and 55.9% respectively.

However, affected by rising raw material costs, including that of molasses, cassava and liquid ammonia and the continuous price slip of lysine, which started in the second half of 2004, the Group's profit shrunk in 2005. With raw materials costs persistently high and lysine price suppressed, the Group began to strategically reduce lysine production in the second half of the year and increase GA output. Turnover of our lysine business thus decreased by approximately 37.5%. Also to address the adverse cost situations and mitigate profit slide, the Group gradually adjusted the sales price of its products starting in the middle of the year to reflect the rising costs, lifting prices substantially in the fourth quarter. It is worthy of mention though raising sales price did not affect the Group's turnover growth. Meanwhile, the contribution from hydrochloric acid and caustic soda saw substantial growth of 40.1% and 79.6% respectively after their production capacities were enlarged.

Adhering to the Group's corporate development strategy, which is to make suitable acquisitions and investment that can lead to business expansion, assure stable supply of competitive raw materials and increase the production of high value added products, the Group acquired the Ve-Thai Tapioca-Starch Co., Ltd. in Vietnam in November 2005 and formed a JV Company with Shandong Xue Hua Bio-chemical Co., Ltd. in December to produce GA and MSG. The founding of the JV company in Shandong especially is a major step forward for the Group in expanding its business in China. The Group also launched its high value-added seasoning in Vietnam in September and the market responded with great enthusiasm. The construction of the  $\gamma$ -PGA plant is well underway and is scheduled to complete in the second quarter of 2006. This new plant will make further contribution to the Group's operating turnover and profit.

### 業務總覽

本集團2005年度總營業額為257,904,000美元，延續集團自2002年起營業額持續成長的走勢，較去年同期增加約14.6%。越南區總生產營業額為221,620,000美元，較去年成長約11.1%。中國區（廈門茂泰與上海味丹）總生產營業額為36,284,000美元，較去年大幅成長約42.1%。營業額的可觀成長，主要來自越南味精、化工澱粉擴產和上海味丹企業收購完成。個別產品方面味精、谷氨酸、化工澱粉，分別成長19.4%、59.5%及55.9%。

然延續自2004年下半年開始，主要原料，如糖蜜、木薯，液氨價格高漲和賴氨酸價格依然低迷之影響，集團獲利大幅萎縮。賴氨酸因原料價格飛漲，售價低迷，集團在下半年開始策略性減產轉生產谷氨酸，故賴氨酸營收減少約37.5%。集團為因應原料價格高漲以及賴氨酸價格低迷所帶來獲利的衝擊，已於年度中逐步調整產品售價，更在第四季大幅提升售價，使部分成本反映在價格上，以減緩獲利衰退的幅度。值得注意的是集團在調高售價的情況下，並未影響營業額的成長。另外，鹽酸、蘇打因產能擴充，營收也有顯著成長，分別為40.1%及79.6%。

為貫徹本集團之企業發展策略，進行合適之併購和投資項目，以增長本集團業務和穩定具有競爭力之原料來源，並增加附加價值高之產品，本集團於2005年11月收購位於越南嘉萊省之味泰澱粉廠，12月和山東雪花生物化工股份有限公司設立聯營公司，生產谷氨酸和味精，使集團在中國的業務發展策略上，又邁進了一大步。風味調味料產品，九月份於越南順利上市並獲好評，同時，在年度內 $\gamma$ -PGA建廠積極進行中，預期於2006年第二季完工，未來將為集團之營收及獲利有進一步之貢獻。



## BUSINESS ANALYSIS

### Sales Analysis by Market

Vietnam has been the Group's major market. It saw 10% growth last year, but the Group pushed on with its original plans to enhance production capacity to support expansion of overseas markets, the ASEAN market in particular where the Group has a favourable stand. With capacities expanded in Vietnam and newly set up Shanghai Vedan swung into operation, the Group saw the ASEAN market and the PRC market registered a notable 54.2% and 31.8% growth respectively. Relatively, the proportion of turnover contribution from the Vietnam market to the Group total dropped from 56.3% in 2004 to 53.8% in 2005. The Group is committed to achieving its set goal of consolidating the Vietnam market and strengthening the ASEAN and the PRC markets.

#### (1) Vietnam

During 2005, turnover from sales in this market amounted to US\$138,842,000, accounting for 53.8% share of the Group total, 9.6% higher than that in the last year. Except for the lysine business which turnover dropped, the sales of other products, in particular modified starch, caustic soda and hydrochloric acid, saw significant growth. The increase was driven mainly by the strong growth momentum of the market and the Group having secured new customers for its modified starch plant. In addition, of good and stable quality and priced reasonably, caustic soda maintained stable turnover growth. The major markets of hydrochloric acid were in Southern and Western Vietnam, which make up 80% of the entire market.

#### (2) The PRC

Total sales in this market for the year of 2005 amounted to US\$38,867,000, representing a 31.8% growth over last year. The encouraging performance was attributable to improvement in the supply chain and market share, as well as effective development of business in second tier cities. The Group's MSG business in the market grew 37.7% and beverage manufacturing business also increased by 115.4% in 2005.

## 經營分析

### 市場銷售分析

越南一直是集團最主要的營收市場，雖然去年亦有近10%之成長，但集團亦依原規劃擴充產能，積極拓展海外市場，特別是發揮東協市場之利基。而上海味丹也因購併效益之發酵，故，使得東協和中國市場分別顯著成長54.2%及31.8%。越南地區佔總營收比重已由2004年56.3%，下跌為53.8%。集團將以鞏固越南市場和致力提高東協及中國區市場之既定目標繼續努力。

#### (一) 越南市場

2005年越南市場銷售營業額為138,842,000美元，佔集團總營業額的53.8%，且較去年成長9.6%。除了賴氨酸營業額衰退之外，其餘各項產品營業額皆有成長，其中以化工澱粉、蘇打、鹽酸成長的幅度最大，主要是因為越南市場增長的動力與有效開發化工澱粉新客戶。另外，蘇打產品品質穩定，價格合理，因此業務持續穩定成長。鹽酸產品的主要市場集中在南部與西部，且在該地區市佔率高達80%。

#### (二) 中國市場

2005年中國市場銷售營業額為38,867,000美元(含越南味丹出口至中國市場之金額)，較去年成長31.8%。主要是因為供應鏈的改善、精耕市場的成效、以及二級城市業務的開發。中國區市場2005年味精業務成長37.7%，飲料代工業務也成長115.4%。

(3) Japan

Total turnover from sales in Japan for the year reached US\$52,778,000, representing a 7.1% growth as compared with that of last year, thanks to the expanding MSG and modified starch business in the market. Sales of modified starch grew mainly because of its high quality and new applications and also the Group having secured the largest modified starch customer yet in Japan, quickly making inroads in the country's food industry.

(4) ASEAN countries

The ASEAN market recorded a turnover from sales of US\$14,119,000, representing an increase of 54.2% as compared with that in 2004.

(5) European and other markets

Turnover from sales in the European market increased 39.5% to US\$7,438,000. Other markets also recorded growth of 15.4%.

Comparison of sales in major markets during the period as follows:

(三) 日本市場

2005年日本市場銷售營業額為52,778,000美元，與去年比較亦成長7.1%。主要在於味精以及化工澱粉業務的成長，化工澱粉的銷售成長，主要是因為優良品質與新應用功能品項開發，以及成功開發了日本最大化工澱粉使用量的客戶，快速投入食品業市場。

(四) 東協市場

2005年東協市場銷售營業額為14,119,000美元，較去年成長54.2%。

(五) 歐洲及其他市場

2005年歐洲市場銷售營業額為7,438,000美元，較去年成長39.5%。其他市場亦成長15.4%。

期內各主要市場銷售比較如下表：

TABLE 1: COMPARISON OF SALES IN VARIOUS REGIONS  
 表一：各地區銷售的比較

Unit: US\$'000 單位：千美元

		2004		2005		Change 增/減%
Vietnam	越南	126,712	56.3%	<b>138,842</b>	<b>53.8%</b>	9.6%
The PRC	中國	29,490	13.1%	<b>38,867</b>	<b>15.1%</b>	31.8%
Japan	日本	49,288	21.9%	<b>52,778</b>	<b>20.5%</b>	7.1%
Taiwan	台灣	2,826	1.2%	<b>3,353</b>	<b>1.3%</b>	18.6%
ASEAN	東協	9,158	4.1%	<b>14,119</b>	<b>5.5%</b>	54.2%
Europe	歐洲	5,330	2.4%	<b>7,438</b>	<b>2.8%</b>	39.5%
Others	其他	2,172	1.0%	<b>2,507</b>	<b>1.0%</b>	15.4%
Total	總計	224,976	100.0%	<b>257,904</b>	<b>100.0%</b>	14.6%



## Sales Analysis by Product

### (1) MSG

The turnover of MSG grew by 19.4% to US\$186,611,000. However, the profits of MSG and GA were both squeezed by rising material costs in 2005. To minimize the impact of rising material costs, the Group implemented a series of measures including finding new sources of carbohydrates and adjusting the sales price of MSG. The price of MSG products sold domestically in Vietnam was adjusted mainly in the second half of the year.

### (2) Lysine

The Group's turnover from lysine decreased 37.5% to US\$20,327,000, resulting from the continuous drop in the international price of lysine. The sales price of lysine dropped around 40% between the first half of 2004 and second half of 2005.

### (3) Modified Starch Products

In 2005, starch business constituted mainly the extended modified starch business. Turnover of the starch business was US\$15,472,000 of which modified starch contributed approximately 99%, amounting to US\$15,327,000. The turnover of modified starch business was 55.9% higher than last year's.

### (4) Specialty Chemicals

The Group expanded its caustic soda and hydrochloric acid businesses and enhanced their productivity. As a result, the turnover of specialty chemicals rose 69.3% to US\$11,578,000 in 2005.

### (5) New Products

New products were launched by the Group in Vietnam and the PRC during the year. In September, the Group launched Vedan high value-added seasoning in Vietnam, attracting favourable market response. In July, The Group debuted the "Hoping" brand and the "Vedan" brand chicken essences in the PRC. The compound modified starch plant of Shanghai Vedan also commenced operation in the same month. Although, launched only in the second half of the year, the proportion of contribution of these new products in the Group's total turnover was low, the Group has high hope that they will grow and become new revenue streams in the future.

## 產品銷售分析

### (一) 味精

味精營業額為186,611,000美元，較去年成長19.4%。但2005年受到原料價格上漲的影響，味精及谷氨酸毛利皆下滑，集團為因應成本高漲所帶來的影響，除了積極開發新的糖源，更積極調整味精的銷售價格。2005年越南內銷味精產品調價主要集中在下半年。

### (二) 賴氨酸

本年度賴氨酸營業額為20,327,000美元，較去年衰退37.5%。主要仍受到國際賴氨酸價格持續低靡的影響，2005年下半年平均銷售價格與2004年上半年比較下跌約40%。

### (三) 化工澱粉業務

2005年澱粉業務主要為化工澱粉的業務擴展，澱粉業務的營業額為15,472,000美元，其中化工澱粉佔15,327,000美元，約99%。與去年相比化工澱粉營業額成長55.9%。

### (四) 特用化學品業務

2005年特用化學品營業額為11,578,000美元，較去年成長69.3%。主要在於蘇打與鹽酸產能增加以及業務拓展成功。

### (五) 新產品的導入

集團今年在越南區和中國區皆有新產品的導入，越南區於九月份推出新產品風味調味料，市場反應良好。中國區亦於七月份推出皇品及味丹品牌的雞精，另外上海的化工澱粉也於七月份先以複配方式開始投產。由於新產品下半年才推出市場，因此營業額佔集團總營業額比例仍低，不過預期未來將成為集團增加獲利之來源。



TABLE 2: COMPARISON OF SALES OF VARIOUS PRODUCTS

表二：各項產品銷售額的比較

Unit: US\$'000 單位：千美元

		2004		2005		Change 增/減%	
MSG	味精	156,320	69.5%	<b>186,611</b>	<b>72.4%</b>	30,291	19.4%
GA	谷氨酸	9,471	4.2%	<b>15,104</b>	<b>5.9%</b>	5,633	59.5%
Lysine	賴氨酸	32,533	14.5%	<b>20,327</b>	<b>7.9%</b>	-12,206	-37.5%
Modified Starch	化工澱粉	9,830	4.4%	<b>15,327</b>	<b>5.9%</b>	5,497	55.9%
Specialty Chemicals	特用化學品	6,837	3.0%	<b>11,578</b>	<b>4.5%</b>	4,741	69.3%
Beverage	飲料	2,141	1.0%	<b>4,613</b>	<b>1.8%</b>	2,472	115.5%
Others	其他	7,844	3.4%	<b>4,344</b>	<b>1.6%</b>	-3,500	-44.6%
Total	總和	224,976	100.0%	<b>257,904</b>	<b>100.0%</b>	32,928	14.6%

Specialty chemicals include hydrochloric acid, hypochlorite and caustic soda

特用化學品包括：鹽酸、次氯酸鹽、蘇打

Others include native starch, fertilizers, feedstock additives and high value-added seasonings

其他包括：生澱粉、肥料、飼料添加物、風味調味料

## OVERVIEW OF BUSINESS DEVELOPMENT IN THE PRC

### Business operation of Shanghai Vedan and Xiamen Mao Tai

The Group completed the acquisition of Shanghai Vedan Foods at the end of July 2005 and changed its name to Shanghai Vedan Enterprise. The China operations (Xiamen Mao Tai and Shanghai Vedan) sales and gross profit margin increased by 42.1% and 5.8% respectively in 2005 as compared with 2004. The total MSG business grew 17%, with retail packs sold in Shanghai recorded the most significant jump of 51%. As for Xiamen Mao Tai, it saw a slight increase of 5% in its business benefiting from the sales growth of large packs to industrial clients. It was the Group's focused efforts to identify precise market segments that underscored its strong growth in the PRC market. The Group has changed its marketing emphasis – instead of selling primarily through the wholesaler market, it is actively seeking to penetrate the secondary wholesale market, and to sell through modern channels and the catering and industrial markets. A sound distribution network will serve the Group as the base for sustaining future growth.

## 中國區經營發展概況

### 上海味丹企業業務及廈門茂泰經營狀況

集團已於2005年7月底公告完成收購上海味丹食品，並改名為上海味丹企業。中國區(廈門茂泰與上海味丹)2005年銷售額較2004年成長42.1%，毛利率成長5.8%。在味精方面成長了17%，其中以上海小包裝成長51%最為亮眼。至於廈門茂泰方面則只小幅成長5%，主要來自於工業客戶大包裝的成長。中國區的增長，最重要在於市場的精耕，從過去以經銷商批發為主，進而發展為深入傳統二批、餐飲、現代通路及工業客戶，銷售網路的健全將是未來繼續成長的基礎。

In addition to promoting sales, the Group also focused on establishing a supply chain, lowering production cost and sales expenses. Furthermore, it has worked hard towards building strategic alliances with domestic GA and MSG suppliers in the past year.

In the second half of the year, the Group set up a starch business department and a compound modified starch unit in Shanghai to develop modified starch for food applications. Expanding this business segment will be the Group's development focus in 2006. Meanwhile, newly developed products such as chicken essence and high value-added seasonings were launched in the second half of 2005. They will also continue to be the Group's key development pursuits.

#### Establishment of the Joint Venture Company Shangdong Xue Hwa

Vedan International announced on 28 December 2005 that it had signed a joint venture agreement with Shandong Xue Hua Bio-chemical Co., Ltd. on 22 December 2005 to form the JV Company Shandong Vedan Snowflake Enterprise Co., Ltd.

The registered capital of the JV Company is US\$12,000,000 (approximately HK\$93,600,000), and the total investment cost will be US\$25,000,000 (approximately HK\$195,000,000). Vedan International holds 70% interest in the company, while Shandong Xue Hua holds the remaining 30%. The JV Company is expected to be able to produce up to 25,500 tonnes of GA and 30,000 tonnes of MSG annually at the initial stage.

Shandong Xue Hua is one of the largest GA producers in Shangdong province. Running its own corn processing plant and co-generation power plants, it boasts scale and cost advantages. As for Vedan, it is a leading producer of food additive products and cassava starch-based industrial products carrying established brand names and supported by an extensive distribution network and pioneering technological know-how. Working together, the two companies stand to reap significant synergies in production technologies and raw material sourcing, and for the Group, it is another step towards realizing its goal of localizing sourcing of raw materials.

中國區這一年來除了致力於銷售的擴張外，建立供應鏈、降低產品成本及銷售費用也是一大重點，一年來，我們已逐漸發展出與中國境內谷氨酸及味精供應商的策略聯盟關係。

另外，澱粉事業部也已於去年下半年成立，並在上海設立複配工廠，發展食品專用澱粉，此項業務的拓展，將是集團的重點工作之一。同時，新產品的開發，包括雞精、風味調味料等，也在2005年下半年推出市場，這也將是公司努力的發展重點。

#### 成立山東雪花合資公司

2005年12月22日味丹國際與山東雪花生物化工股份有限公司，完成簽訂合作協議，成立合資企業『山東味丹雪花實業有限公司』。並於12月28日公告。

該合資企業的註冊資本額為12,000,000美元(約港幣93,600,000元)，總投資金額達25,000,000美元(約港幣195,000,000元)。股權分佈為味丹國際佔70%，山東雪花佔餘下之30%。合資企業初期預計生產谷氨酸年產量為25,500噸折成味精為30,000噸。

山東雪花生物化工為山東省境內規模最大的專業谷氨酸生產廠商之一，本身也擁有玉米加工廠和汽電共生發電廠，具有規模與成本的優勢，而味丹國際乃食物添加劑及澱粉工業產品的領先生產商，具有優良的品牌及廣泛的銷售網絡與先進的生產技術水平。兩者能在生產技術及原材料供應上互補優勢，產生綜效，同時也可貫徹集團落實於原料本地化的業務方針。





The JV Company is expected to commence operation in April 2006. It will become an integral part of Vedan International's supply chain. By guaranteeing the Group a stable source of raw materials at steady prices, it can facilitate the Group's business development in China.

## MEASURES TO MITIGATE RISING RAW MATERIAL COSTS IN 2006

### 1. Molasses

Molasses is one of the major raw materials of the Group's core products, namely MSG, GA and lysine. In 2005, the price of molasses was about 77% higher than the price in 2004. Prompted by the persistently high oil price in 2005, many countries actively sought substitutes. This phenomenon pushed up the proportion of molasses used for making ethanol, and that in turn fueled the continuous rise in the international price of molasses. The marked surge in the price of these major raw materials compressed the gross profit margin of the Group's core products.

Reached high plateau in the fourth quarter of last year, the price of major raw materials are not expected to fluctuate too much in 2006. The Group plans to gradually increase the use of starch, depending on starch prices, to offset the impact of surge in molasses price. Our effort to develop sources of carbohydrate substitutes such as tropical sugar beet has achieved promising preliminary results. The Group will continue to expand the scale of the trial cultivation and actively evaluate other possible carbohydrate substitutes such as rice starch and corn starch.

合資企業預計於2006年4月正式營運，未來，將成為味丹國際供應鏈中的一個重要環詳，讓集團進一步穩定原材料供應量及價格，以配合中國的業務發展策略。

## 2006年主要原料價格上漲之因應措施

### 1. 糖蜜

糖蜜為集團主要產品，味精、谷氨酸和賴氨酸的主要原料，2005年糖蜜價格與2004年相比，增加了約77%。2005年伴隨著持續不降的高油價趨勢，許多國家都積極地尋找其他可替代的燃料，使得糖源轉作酒精的比例提高，這種情況連帶影響到國際糖價的持續上漲。這些主要原料價格的大幅上漲，也造成集團核心產品的毛利率衰退。

而這些主要原料的價格，自去年第四季以來，已維持於高價位之水準，預估2006年應不至於有太高之漲幅，且公司將視各類澱粉之價格，逐步增加使用澱粉之比率，以減少糖蜜價格飆漲之衝擊，同時積極開發替代糖源，例如，熱帶甜菜，目前已獲初步之成果，公司將持續擴大試種面積。其他例如米糖漿，玉米糖漿等方案，也正積極展開評估。





## 2. Cassava

The price of cassava during the 2005-2006 harvest season was more or less the same as last year, but the Group produced more cassava this year. The strong cassava harvest in Vietnam during the year and the synergy from the acquisition of Ve-Yu starch factory in Gia Lai province in Vietnam enabled the Group to increase production volume of cassava as compared with last year. The boosted production capacity will be beneficial to the development of the Group's modified starch business, and the increased starch output can be partly converted into sugar solution to serve as raw material for fermentation. In addition, the initial construction of the planned new starch factory in Ha Tinh province will be completed in late 2006 or early 2007. By then, the Group will be ensured of a stable supply of cassava to complement the future development of its starch business.

## 2. 木薯

在2005-2006木薯產季，價格約維持去年之水準。但數量有大幅增加，主要今年越南本地木薯產量增加，且併購嘉萊省味泰澱粉廠產生效益。不僅可供應集團化工澱粉業務之發展，且可將部份轉做糖化液，作為醱酵之原料。另外，新投資案河靜廠第一期工程預計2006年底或2007年初將可完成，並投入生產，有助於集團取得更穩定之木薯來源，因應未來澱粉事業之發展。

## RESEARCH AND DEVELOPMENT

Research and development efforts are crucial to the Group's long term development. Since the Group established a technology research and development centre in 2004, it has been expanding related facilities and hiring R&D talents to support its R&D activities. After more than a year's development, the Group has started to see the fruits of its efforts.

## 研究與開發工作的推行

研發工作乃集團長期發展很重要的一環。自2004年，技術研發中心成立後，即逐漸擴充設備，延攬研發人才投入各項研發工作。一年多來，已略具成效，具體如下：

### (1) Projects completed in 2005:

- a. Developed about 20 new modified starch products and put in production to increase the number of modified starch products from 60 to 80. This move resulted in significant modified starch business growth.
- b. Completed the development of three high value-added seasonings, moved into commercial production and product launch. Market response was quite favorable.
- c. Developed improved bacterial strains and processes to enhance the efficiency of acid production and sugar conversion rate.
- d. Developed food-graded lysine production processes.

### (一) 2005年已完成

- a. 開發出化工澱粉新品項約20種，並移交生產，使集團的化工澱粉產品項由原來的60種左右增加到80種左右，有助化工澱粉事業的業績成長。
- b. 開發完成三種風味調味料，並輔導生產和業務導入市場。消費者反應良好。
- c. 開發出醱酵生產菌株與工藝，可提高產酸效率和糖源轉化效率。
- d. 食品級賴氨酸的開發工作，也有具體成果。



## (2) Major research and development work in the pipeline

New initiatives including finding new sources of carbohydrates, such as trial cultivation of tropical sugar beet, and processing and production of rice starch and rice protein, have returned good preliminary results. Other projects included the development of industrial fibre, research and development of new fermented industrial products, improvement of old production processes and development of new production processes, etc. These and upcoming projects, if proven successful and when fully materialize into production, will contribute significantly to the reduction of the Group's overall production costs and turnover growth.

Looking ahead, the Group will step up efforts on research and development to realize long-term operational development and achieve better performance results.

## FINANCIAL REVIEW

### (1) Cash flow and financial resources

As at 31 December 2005, the Group's cash and bank savings amounted to US\$27,987,000, decreased by US\$5,205,000 from that as at the end of 2004. Our bank loans increased by US\$12,778,000 to US\$79,653,000, mainly due to the capital expenditures for the Group's acquisition, strategic alliances and production capacity expansion. As a result, current ratio of the Group was maintained at 1.58, substantially lower than the 1.79 level last year. All of our bank loans were denominated in US dollar. The cost of total bank loans during the year was 4.9%, which was higher than the 3.2% in 2004. This was mainly attributable to the several rounds of interest rate increase announced by the Federal Reserve Bank of the U.S during the year. The ratio of medium-to long-term loans and short-term loans was 37% to 63%. The Group's gearing ratio was 33.7% and net gearing ratio was 21.8%.

### (2) Capital Expenditure

In 2005, the Group spent about US\$16,700,000 in the purchase of new equipment and investment in engineering in Vietnam and about US\$3,330,000 in the acquisition of Ve-Thai Tapioca-Starch Co., Ltd. The Group also invested US\$8,400,000 in the establishment of Shandong Vedan Snowflake Enterprise Co., Ltd. in the PRC, which is expected to commence operation in April 2006.

## (二) 目前尚在積極進行多項重要研發工作

包括新糖源的開發，具體的是熱帶甜菜試驗種植以及米澱粉和米蛋白的加工生產，這兩項也已有初步成果。其他包括工業纖維素的開發，新發酵工業產品的研發，舊製程的改善以及新製程的研發等。這些尚在進行中的研發工作以及未來更多的新計畫，如能逐次開發完全，導入量產，對集團的整體生產成本的降低以及營業額的成長都將發揮重要的貢獻。

未來，集團會繼續加重投資研發工作的力道，以期對集團的長期營運發展，展現更大的績效。

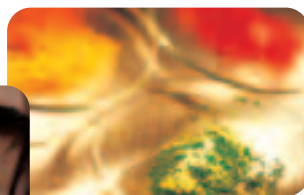
## 財務回顧

### (一) 流動資金及財政資源

截於2005年12月31日止，本集團現金和銀行存款為27,987,000美元，比2004年底減少5,205,000美元。銀行借款為79,653,000美元，比2004年底增加12,778,000美元，主要是配合公司策略完成併購、聯營及擴產等資本支出。使得集團之流動比率為1.58，大幅低於去年底1.79之水平。銀行借款全部均為美元，年度內總借款成本為4.9%，比2004年3.2%為高，主要為美國聯邦儲備銀行於年度內數度調升利率所致。中長期與短期借款比例為37%比63%。資本負債比33.7%，淨資本負債比則為21.8%。

### (二) 資本支出

2005年集團投資於越南新建設備及工程投資金額約16,700,000美元，投資收購味泰澱粉廠金額約3,330,000美元。集團於中國區投資8,400,000美元成立山東味丹雪花實業有限公司，並預計2006年4月開始投入生產。



The Group has earmarked about US\$18,800,000 as capital expenditure for 2006, which will be spent mainly on addition of a new starch factory in Ha Tinh province in Vietnam, additional equipment for PGA plant, purchasing more equipment for the MSG plants, setting up the high value added seasonings factory in Shanghai, purchasing equipment for by-product processing plant and building staff dormitory, etc.

### (3) Exchange Rate

The majority of the Group's transactions are conducted in US dollar, Vietnamese Dong and RMB. The exchange rate between the Vietnamese Dong and the US dollar remained stable in 2005; the depreciation rate of Dong for the year was about 0.85%. The Group watched closely the fluctuation of the Dong and was not affected significantly by it during the year. After the announcement of the new RMB exchange rate mechanism by the People's Bank of China in July 2005, the RMB appreciated 2% against the US dollar and was allowed to fluctuate within the range of 0.6%. Besides, instead of following the US dollar closely, the exchange rate of RMB will float within a limited range taking reference of various foreign currencies. As operation in the PRC is dominated by domestic sales and the Group will forge ahead with localization of material procurement in the future, appreciation of the RMB is not expected to pose major impact on the Group. However, the Group will continue to watch closely the development of the exchange rate between the US dollar and the RMB.

### (4) Dividend

The basic earnings per share for the period were 0.52 US cents. The Board recommended the payment of a total dividend of 0.313 US cents per share for the year ended 31 December 2005. Accordingly, dividend ratio for 2005 was about 60%, same as in 2003 and 2004. An interim dividend of 0.201 US cents per share was distributed and the proposed final dividend was 0.112 US cents per share, totaling US\$4,768,000.

集團預計2006年動用約18,800,000美元作為資本支出，主要用於河靜澱粉廠及PGA廠的投資、味精廠設備、上海風味調味料廠之設置、副產加工廠設備以及員工宿舍的增設等用途。

### (三) 匯率

集團主要交易貨幣為美元、越盾與人民幣。2005年越盾兌美元匯率保持穩定，全年貶值幅度約0.85%。然集團仍對越盾升貶值密切注意，年內集團並未因匯率波動而受到重大影響。人民幣兌美元匯率於2005年7月中國人民銀行公佈新的人民幣匯率機制後，人民幣即對美元升值百分之二，並允許在千分之六的範圍內浮動，同時，人民幣匯率不再緊盯美元，而將參考多種外幣幣值做有限度的浮動。由於中國區的经营以內銷為主，且未來將落實原料採購本地化的策略，因此預期受到人民幣升值的影響不大，不過集團仍會密切注意美元對人民幣匯率的走勢。

### (四) 股息

年度內每股基本盈利為0.52美仙，董事會擬派付股息每股0.313美仙，派息率約為60%，與2003和2004年相同。2005年中期股利已派付0.201美仙，故擬派期末股息為每股0.112美仙，派發金額為4,768,000美元。



## PROSPECTS

Our major production bases and markets – China and Vietnam – have consistently boasted the fastest economic growth among other countries in the world in the past few years. Their GDP growth in 2005 was 9.9% and 8.4% respectively. Despite that global economic growth in 2006 is expected to slow down slightly, China and Vietnam are still forecasted to grow both at a robust 8%. Against this favourable backdrop, the Group expects continuous high turnover growth. As for the price of molasses and lysine, the former has shown signs of stabilizing in 2006 though it is expected to stay high at a level similar to that in 2005, and the latter is not expected to rebound soon. Heeding all the different factors and circumstances, the Group has formulated comprehensive plans to increase profit and support long-term development.

### Short-term plans:

1. Continue to increase the sales price of products to offset partially higher material costs. Increase sales of MSG retail packs which have higher margin. Adopt different pricing strategies for different regions and enlarge market share in second and third tier cities. As for its modified starch business, the Group will increase the production of product items which require higher technical input but have higher profit margins, especially modified starch for food applications.
2. Adopt flexible production strategies to convert part of the lysine production lines into producing MSG products, with the aim of improving the Group's overall profitability.

## 展望

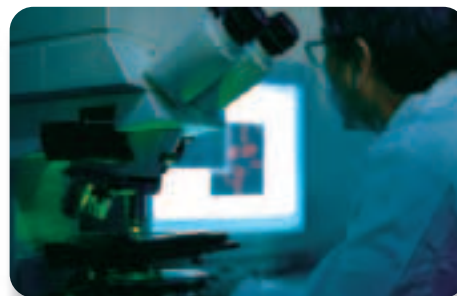
中國和越南為集團主要的生產基地和市場，也是連續幾年來世界各國中經濟成長最快速的國家。在2005年GDP成長分別為9.9%和8.4%，2006年經濟成長率雖可能稍有減緩，但中國及越南預期仍將達8%以上的高成長。集團營業額將亦拜強勁之經濟成長率需求持續增加，營收應可有亮麗之表現。主要原料糖蜜價格於2006年度雖然已有穩定下來之跡象，但預期依然維持於2005年之高價位，賴氨酸售價亦無回升之跡象，故公司為提升獲利及發展已作了短、中長期規劃。

### 短期：

1. 加大提升產品售價，以吸收部份之原料成本，味精產品部份，增加利潤較高之小包裝品項，對不同地區採不同的售價策略，並擴大二、三級城市之市場佔有率。化工澱粉則加強技術性及毛利較高之品項，尤其是全力衝刺食品用化工澱粉。
2. 採彈性生產策略，將部分賴氨酸生產線，轉為生產味精產品，以提昇整體獲利。

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| <p>3. Continue to improve fermentation technology to enhance the efficiency of productivity, and lower production costs.</p> <p>4. The establishment of Shandong Vedan Snowflake Enterprise Co., Ltd. will help secure stable supply of GA and MSG for the Group in the PRC, and in turn aid development and increase the profitability of Shanghai Vedan and Xiamen Mao Tai.</p> <p>5. Further promote the high value-added seasonings business. Expand the scale of production in Vietnam and add new facilities in Shanghai Vedan to improve the performance of the food seasonings business.</p> <p>6. Implement strict control on administrative and management expenses and reduce other unnecessary expenses; enhance operational efficiency; reduce capital expenditure and financial costs.</p> <p>7. Continue to seek acquisition and strategic alliances opportunities. Look for highly complementary strategic alliances and acquisition opportunities in the Southeast Asia and the PRC to expand market distribution channels and enhance brand value.</p> | <p>3. 持續醱酵技術提升，提高產酸率與回收率，降低製造成本。</p> <p>4. 山東味丹雪花實業公司的成立，將有助於中國區取得穩定之谷氨酸與味精來源，提高上海味丹及廈門茂泰之業務成長和獲利。</p> <p>5. 持續加大風味調味料的業務推動，將於越南擴大生產規模，並於上海味丹新設生產設備，以提升食品調味料的業績。</p> <p>6. 管銷費用嚴加控管，減少不必要之開支，提高經營效率、減少資本支出、降低財務成本。</p> <p>7. 繼續尋求策略聯盟機會，在東南亞與中國區將尋求互補性強的策盟或併購，以擴大市場通路與品牌價值。</p> |
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#### Middle-to long-term plans:

1. Continue to search and develop new sources of carbohydrates such as rice starch, rice protein and tropical sugar beet. The last in particular has already been shown promising preliminary results. The Group will continue to expand the scale of cultivation of tropical sugar beet in the second half of 2006 to mirror the Group's efforts in the area.
2. Expand the source of cassava starch. The acquisition of Ve-Yu starch factory in Gia Lai province in Vietnam is completed and the first phase of the construction of the planned new starch factory in Ha Tinh province is scheduled to complete in later part of 2006 or early part of 2007. These developments plus the expanded purchase of cassava in neighboring Cambodia by the existing factories in Phuoc Long province will see the costs of cassava lower and assure its stable supply for the Group.
3. Develop starch related products as another core business. After the Group established a technical research centre in the second half of 2004, both the unit price and volume of the Group's starch products increased remarkably. The Group will continue to focus on the development of the PRC, Japan and Taiwan markets in the coming years to expand its business.
4. The construction of the  $\gamma$ -PGA plant is scheduled to complete in the second quarter of 2006. This new plant will mark the breakthrough and advancement of the Group's many years' efforts and achievement in amino acids fermentation technology and product development. It will also help to widen the Group's product mix and add value to the products.

#### 中長期：

1. 繼續開發多元化糖源，如米澱粉／米蛋白、熱帶甜菜，後者已有初步之成果，並將於2006年下半年擴大種植面積，逐步實現公司規劃。
2. 擴大木薯澱粉之來源，除了已完成嘉萊省味友廠之併購，河靜第一期工程亦可於2006年底或2007年初完成，再加上現有福隆廠擴大當地與柬埔寨地區之收購，將有助於木薯澱粉成本之降低和穩定來源。
3. 建立澱粉相關產品成為另一核心事業。自2004年下半年成立技術中心後，集團澱粉產品單價及數量均有顯著提昇，未來將鎖定中國、日本、東南亞及台灣地區，拓展市場。
4.  $\gamma$ -PGA建廠將於2006年第二季完成，是將公司在累積數十年胺基酸發酵技術及產品的突破與提昇。且在未來逐步在集團產品多元化及提升附加價值上有所助益。



Overall, we are optimistic about the basic market environment and the continued strong demand for the Group's products. As long as we are able to remain competitive in our core business, fully taking advantage of the production capabilities of our core products, improving control on raw material supply, expanding new products business and consolidating our market channels in the PRC, we expect our operational performance will continue to improve steadily in 2006. Supported by our solid foundation and innovation, we are confident that we can triumph over uncertainties in the market and create new and more exciting prospects for our operations.

#### EMPLOYEE COMPENSATION AND TRAINING

As at 31 December 2005, the Group had a total of 3,079 employees (2004: 2,818 employees), of whom 2,429 were employed by Vietnam Vedan, 193 employed by Orsan Complex in Vietnam, and 23 employed by Ve-Yu Starch factory in Vietnam, 252 by Xiamen Mao Tai Company and 167 by Shanghai Vedan in China, and 15 by the Taiwan Branch.

The Group's employees are remunerated in accordance with prevailing industry practices, the financial performance of the Group and the work performance of employees. Other fringe benefits such as residential insurance, medical benefits and provident fund are provided to employees to ensure both their competitiveness and loyalty. To raise work quality and management abilities of its employees, and to accelerate localization and computerization of operation policies, the Group provides job rotation, in-house training and external training courses to employees.

總體而言，我們認為市場的基本面與需求仍相當樂觀，只要我們固守具競爭力的核心產業，預期在2006年，透過主力產品產能的發揮、原料的掌握，新產品業務的逐步成長，以及中國市場通路的整合，相信將使經營績效，逐漸攀升。縱使市場上仍存在些許變數，但我們相信，以味丹國際既有的穩固基礎及創新的精神將會突破現有局勢，再創營利的高峰。

#### 僱員薪酬及培訓資料

於2005年12月31日，本集團僱有員工3,079名（二零零四年：2,818名），包括受僱於味丹越南廠2,429名、越南歐桑廠193名、越南味友澱粉廠23名、中國廈門茂泰廠252名及上海味丹廠167名，以及台灣分公司15名。

本集團一般根據行業慣例、集團業績及個別員工表現釐定僱員薪酬。其他員工福利包括住宿、保險、醫療及退休金等，以確保競爭力及員工之忠誠度。為增進員工專業素質及管理能力和落實本地化政策及加快電子化營運，本集團亦為員工提供職務輪換，並積極規劃各類內部培訓、外部培訓課程及研討會。