

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。擁有大規模之發酵、澱粉加工轉換、化學和電解化學等先進技術，味丹國際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。

BUSINESS OVERVIEW

The total turnover of the Group increased by 12.7% to US\$290,695,000 in 2006. It is the fifth consecutive year that its turnover has double-digit growth. Turnover from Vietnam and China operations, the Group's two main production bases, were US\$245,408,000 and US\$45,287,000, representing 10.7% and 24.8% growth respectively. With international demand for lysine low hence suppressing its price, the Group continued to strategically reduce lysine production, which caused turnover from lysine sales to decrease by approximately 24.6%. As for MSG and GA, their turnover increased by approximately 14.4%, and starch business also brought in turnover approximately 39% higher than last year's. Other products, including fertilizers, caustic soda and hydrochloric acid also increased. These achievements indicated that the Group is making steady progress in different markets and with different products as guided by its strategies. Although still facing pressure from persistently high material costs and severe competition, the Group overcame all the different challenges and reported increase in gross profit and net profit by 20.3% and 37.3% to US\$53,473,000 and US\$10,915,000 respectively. The improved profitability and turnover of the Group were the fruits of its efforts to gradually raise product prices, apply stringent cost control, undertake flexible production strategy and realize the goals it set for the supply chain in China.

BUSINESS ANALYSIS

Sales Analysis by Market

During the year, the Group's principal markets including Vietnam, Japan, China and ASEAN, all recorded growth, with the ASEAN region, in particular, reporting a marked 78.2% growth against 54.2% in 2005. In term of transaction amount, Vietnam recorded the highest at US\$12,577,000 among all markets. It reflected that, with a large-scale and vertically integrated operation in Vietnam where it has a firm foothold, the Group has been able to ride on the booming Vietnam economy to achieve sustained growth and the country's ASEAN membership and geographical advantage to tap the ASEAN market. The Group expects trade activities among ASEAN member countries to increase and in turn present more opportunities for its business.

Since China became an ASEAN member, trade and bilateral investment activities between her and other members have grown continuously. In addition to the production base in Vietnam, the Group also has three production bases, namely Xiamen Mao Tai, Shanghai Vedan and Shandong Vedan Snowflake, in China. These facilities have capacities sufficient to satisfy the demand of the rapidly growing ASEAN and China markets. The Group sees bright prospects and enormous room for growth for its operations.

業務總覽

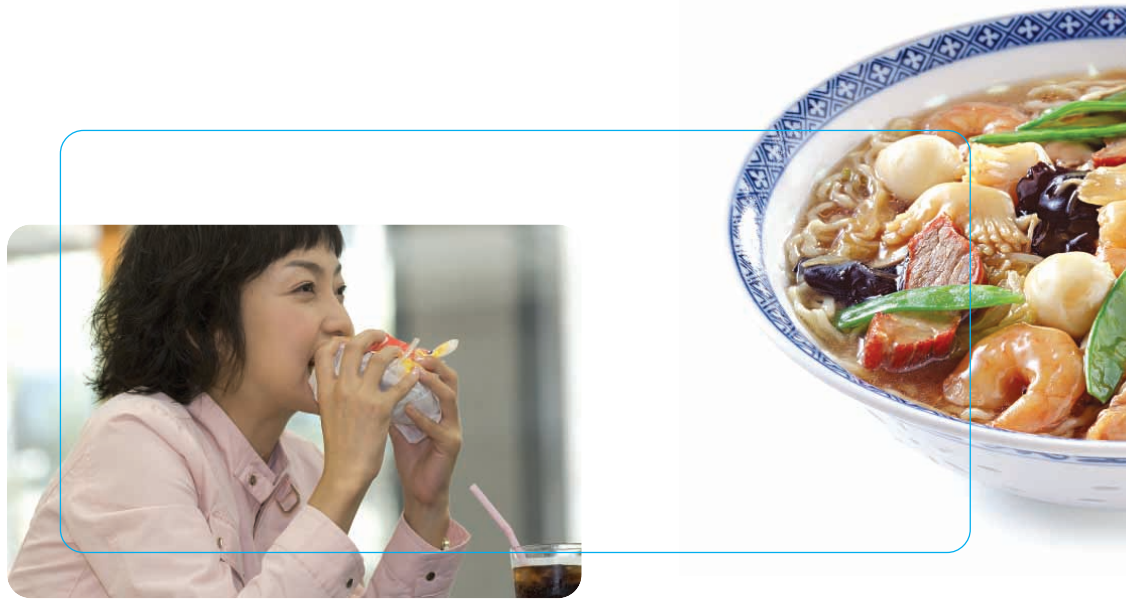
集團於2006年總營收達290,695,000美元，增長12.7%，持續5年，每年均有雙位數營收成長率。集團兩個主要生產基地——越南區及中國區的總生產營業額分別為245,408,000美元及45,287,000美元，穩定地成長10.7%及24.8%。同時集團主要的產品除賴氨酸，因國際行情持續低迷，售價偏低而採取策略性減產，故營收衰退約24.6%，味精和谷氨酸營收增長約14.4%，澱粉事業增加約39%。其餘如固體肥料，蘇打，鹽酸等亦有成長，顯示出集團在各地區及產品品項均在既定之策略下穩定發展。在獲利方面，雖然於年度內依然遭受到原料成本高居不下之壓力及面對更激烈的競爭，但集團均能克服困難，在毛利淨利方面，分別成長20.3%及37.3%，金額為53,473,000美元，及10,915,000美元，獲利及營業額均能有成長，印證了集團在逐步調升售價策略及嚴格成本控制，彈性生產策略，落實中國區供應鏈之目標下有了良好成果。

經營分析

市場銷售分析

年度內集團主要的銷售市場：越南、日本、中國、東盟均有成長，其中東盟成長最為快速，繼2005年之54.2%成長後，2006年更大幅增長78.2%，就金額成長而言，越南地區增加最多為12,577,000美元，顯示集團不僅在越南地區，已建立大規模水平垂直整合之完整基地和已深耕之市場，故多年來能隨著越南耀眼的經濟成長穩固且持續的發展，同時利用越南為ASEAN之一員加上地利之便，順利擴展東盟市場，預期在未來隨著ASEAN會員國之間繼續加強密切商業活動，將給集團帶來更多的商機。

同時中國已成為東盟之會員國，雙邊貿易和投資活動正持續加溫中，集團除在越南有生產基地外，在大陸地區亦擁有廈門茂泰、味丹上海、山東味丹雪花三個生產基地，正好可涵蓋供應ASEAN及中國兩個經濟快速成長地區，將為集團未來經營和業務帶來可觀的增長空間。



I. Vietnam

Although Vietnam accounted for a slightly smaller proportion of the Group's total turnover this year, 52.1% against last year's 53.8%, actual sales in the market had increased by US\$12,577,000 from US\$138,842,000 in 2005 to US\$151,419,000. The 9.1% growth was mainly attributable to the sales of MSG, GA and starch products. Sales of MSG products increased by 4.3%, or US\$6,555,000, while that of modified starch increased by 12.2%, or US\$1,806,000. As for caustic soda and hydrochloric acid, sales increased by 9.5% and 6.8% respectively. Generally speaking, Vietnam is not only the Group's main production base, but also its principal market accounting for over 50% of its total turnover. With Vietnam formally accepted by WTO as a member in January 2007, it can look forward to accelerate economic growth, rise in consumption power and demand for consumer products and daily necessities. The Group will seek to take the advantages of its existing sales channels to develop relevant core products and new products for the market so as to boost turnover and profitability.

II. Japan

During the year, total turnover from sales in the market reached US\$53,191,000, representing an increase of 0.8% or US\$413,000 against the previous year. The meager growth was mainly the result of reduction of lysine production and Japan is the Group's major lysine export market. Japan is also a major MSG export market of the Group where long-term supply contracts with major customers have been signed. Boasting high quality MSG products and close long-standing relationship with its Japanese customers, the Group continued to report steady growth in turnover from the market. Modified starch, other core product of the Group, also recorded satisfactory growth in Japan.

(一) 越南市場

雖然2006年越南區銷售額佔集團總營收比重由2005年53.8%略下滑為52.1%，但銷售額151,419,000美元比2005年138,842,000美元增加12,577,000美元。成長9.1%主要增長來自味精、谷氨酸及澱粉產品。味精依然有4.3%成長，增加金額為6,555,000美元。變性澱粉亦有不錯之成長，增加金額為1,806,000美元，增加率為12.2%，其餘如蘇打、鹽酸等分別成長9.5%及6.8%。整體而言，越南不僅為集團最主要生產基地，且是為集團最主要的市場，其營收比重超過總營收一半以上，隨著越南於2007年1月正式成為WTO之會員國，經濟發展更是如虎添翼，當地消費能量亦隨之提昇，對更多的民生消費品需求增加，未來集團將利用現有通路擴展相關核心產品及新產品，提高營收及獲利。

(二) 日本市場

年度內營收為53,191,000美元，比2005年增長413,000美元，成長率達0.8%。成長率偏低主要是受到賴氨酸減產，而日本為集團賴氨酸主要出口市場所致。日本亦為味精主要出口市場，集團與日本主要的客戶簽定長期供應合約，提供高品質的味精產品。基於多年來愉快的合作經驗，營業持續穩定成長，同時集團另一核心產品變性澱粉在日本市場亦有良好之成長。

III. China

China is not only a major production base of the Group outside Vietnam, but is also a key market to develop for the Group. After Shandong Vedan Snowflake commenced operation in April 2006, the Company is guaranteed a reliable supply of GA, hence realized its goal of setting up an integrated production chain in China. It will also be able to expand its MSG and starch markets mainly in Southern China and Central China now to Northern or North-Eastern China, to complement the Group's business development in China. The market reported a 15.1% growth, or US\$5,884,000, for the year with sales amounted to US\$44,751,000. The main product sold by the Group to the market, MSG accounted for 64.7% of total sales. Other products including modified starch, value-added seasoning and GA contributed the rest.

(三) 中國市場

中國地區不僅為集團除越南外最主要的生產基地，亦是集團未來發展最主要的市場，隨著2006年4月山東味丹雪花正式加入營運，不僅使集團在中國區取得谷氨酸穩定可靠的來源，達成一條龍的生產目標：原來集中於華南，華中之味精及澱粉之市場，未來亦將可擴充到華北，甚至到東北地區，以因應集團於中國區之業務擴展。中國區年度營收成長15.1%，增加金額為5,884,000美元，銷售額為44,751,000美元，主要銷售品項為味精，佔銷售比重為64.7%，其餘為變性澱粉、風味調味料，谷氨酸等。



IV. ASEAN countries

Riding on the production and geographic advantages of its Vietnamese operation, the Group achieved outstanding performance in ASEAN countries. Sales in the market increased by 78.2%, or US\$11,039,000, to US\$25,158,000 from US\$14,119,000 in 2005. Growth in sales of MSG and GA, as well as modified starch all contributed to the turnover gain.

(四) 東盟市場

由於越南廠之生產優勢和地緣關係，東盟市場的成長表現優異，2006年銷售額比2005年14,119,000美元增加11,039,000美元，成長幅度達78.2%，銷售額為25,158,000美元。增長來源不僅來自味精和谷氨酸，變性澱粉亦有增長。

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

Regions	地區	2005		2006		Change 增/減 %
		Amount	%	Amount	%	
Vietnam	越南	138,842	53.8%	151,419	52.1%	9.1%
The PRC	中國	38,867	15.1%	44,751	15.4%	15.1%
Japan	日本	52,778	20.5%	53,191	18.3%	0.8%
Taiwan	台灣	3,353	1.3%	10,607	3.6%	216.3%
ASEAN	東盟	14,119	5.5%	25,158	8.7%	78.2%
Europe	歐洲	7,438	2.8%	3,765	1.3%	-49.4%
Other regions	其他	2,507	1.0%	1,804	0.6%	-28.0%
Total	總計	257,904	100%	290,695	100%	12.7%

Sales Analysis by Product

I. MSG and GA

MSG and GA are still the core products of the Group, contributing together 79.4% of the Group's total turnover. During the year, the sales of MSG and GA increased by US\$2,882,000 and US\$26,171,000 respectively, or 1.5% and 173.3%, to US\$189,493,000 and US\$41,275,000, as compared to US\$186,611,000 and US\$15,104,000 in 2005. The lower growth of MSG sales was a result of the Group's strategic retreat from low margin markets, such as Europe where sales shrank 49.4% to US\$3,673,000. As for the significant increase in sales of GA, it was braced by (i) the Vietnam plant employing flexible production – reducing lysine output and use the freed capacity for producing GA, which has higher gross margin – to meet demands of customers in Taiwan and ASEAN countries, and (ii) Shandong Vedan Snowflake focusing on producing GA after it commenced operation in April 2006, with sales amounted to US\$10,364,000 in 2006.

產品銷售分析

(一) 味精及谷氨酸

味精和谷氨酸依然是集團主要核心產品，佔整體營收79.4%，年度內銷售額分別為189,493,000美元及41,275,000美元，比2005年186,611,000美元及15,104,000美元分別增加2,882,000美元及26,171,000美元，增長率分別為1.5%及173.3%。味精增長率明顯偏低，乃因集團策略性放棄利潤較低之市場，如歐洲市場衰退49.4%，金額減少3,673,000美元。谷氨酸的大幅成長，主要是來自(i)越南廠彈性生產，減少賴氨酸產能，轉作毛利較高之谷氨酸，以因應越南、台灣及東盟客戶之需求，和(ii)山東味丹雪花於2006年4月投產，初期生產谷氨酸為主，2006年山東味丹雪花的谷氨酸銷售額為10,364,000美元。

II. Lysine

Taking into account the persistently low margin of lysine in 2006, the Group freed one-third of the lysine production capacity to produce GA. As such, the sales of lysine dropped US\$5,007,000, or 24.6%, to US\$15,320,000 from US\$20,327,000 in 2005. However, as international corn and soybean prices continue to increase leading to feed industry players reducing their stock, and several lysine manufacturers continue to cut production, the price of lysine is expected to pick up.

III. Starch

As for starch business, after the Group acquired the Ve-Yu Starch Factory in Gia Lai province, Vietnam in late 2005, it has expanded the supply network of cassava to Central Vietnam. Producing mainly native starch, the new factory has boosted the Group's native starch sales significantly from US\$145,000 in 2005 to US\$4,404,000 in 2006.

Modified starch is also a core product in grooming by the Group. Since the Group set up a starch R&D center in Vietnam in second half of 2004, it has strived to develop new applications for modified starch to cater for diverse market needs. The dedicated effort of the center in the past two years has contributed sales growth of modified starch from US\$9,830,000 in 2004 to US\$15,327,000 in 2005 and US\$17,088,000 in 2006. For 2005 and 2006, the growth rates were 55.9% and 11.5% respectively. In the next few years, along side the booming economy, the demand for various food products and processed foods in China is also expected to rise, which will translate into growth opportunities for the Group's modified starch products.

(二) 賴氨酸

2006年因利潤偏低，已將約1/3產能轉為生產谷氨酸，故銷售金額由2005年20,327,000美元下降為15,320,000美元，減少金額為5,007,000美元，下降幅度達24.6%。隨著國際玉米和大豆價格的攀升，飼料業者庫存量普遍降低及部份業者減產，預期未來賴氨酸價格將有上揚的趨勢。

(三) 澱粉事業

由於2005年底併購成立越南嘉萊省味友澱粉廠，使集團取得木薯澱粉之範圍擴充到越南中部地區，該廠以生產天然澱粉為主。故味友澱粉廠之投產使天然澱粉銷售額由2005年145,000美元，劇增為4,404,000美元，為最主要的收入增加來源。

變性澱粉亦是集團努力發展的核心品項。自2004年下半年於越南成立澱粉技術中心以來，不斷投入研究開發，變性澱粉之應用以符合廣大市場的需要，經兩年多來的努力，銷售金額2004，2005，2006年分別為9,830,000美元，15,327,000美元及17,088,000美元。2005年及2006年增長率分別為55.9%及11.5%。預期未來幾年中國區因經濟快速增長，對多元化食品和加工食品要求亦同步增加，就集團在中國區發展食品用變性澱粉創造出有利的成長空間。

IV. Specialty Chemicals

During the year, the total sales of hydrochloric acid and caustic soda amounted to US\$12,608,000, an increase of US\$1,030,000 over US\$11,578,000 in 2005. The business grew 8.9% and this growth trend is expected to continue in the future.

(四) 特用化學品

年度內鹽酸和蘇打銷售額為12,608,000美元，比2005年11,578,000美元增加1,030,000美元，成長率為8.9%，預估未來將持續穩定成長。

TABLE 2: COMPARISON OF SALES OF VARIOUS PRODUCTS

表二：各項產品銷售的比較

Unit: US\$'000 單位：千美元

Item	項目	2005		2006		Change 增／減	
		Amount	%	Amount	%	Amount	%
MSG	味精	186,611	72.4%	189,493	65.2%	2,882	1.5%
GA	谷氨酸	15,104	5.9%	41,275	14.2%	26,171	173.3%
Lysine	賴氨酸	20,327	7.9%	15,320	5.3%	(5,007)	-24.6%
Modified Starch	變性澱粉	15,327	5.9%	17,088	5.9%	1,761	11.5%
Specialty Chemicals	特用化學品	11,578	4.5%	12,608	4.3%	1,030	8.9%
Beverage	飲料	4,613	1.8%	4,806	1.7%	193	4.2%
Others	其他	4,344	1.6%	10,105	3.4%	5,761	132.6%
Total	總計	257,904	100%	290,695	100%	32,791	12.7%





STATUS OF NEW AND ACQUIRED COMPANIES

I. *Ve-Yu Starch Factory in Gia Lai province, Vietnam*

The Group completed the acquisition of Ve Thai Starch Factory and changed its name to Ve-Yu. The plant was able to start operation immediately and expanded daily production capacity from the previous 60 tonnes to 100 tonnes. With related work progressing smoothly, the Group targets to expand the plant's daily production capacity to 200 tonnes by 2008, so as to support growth of its starch operations. In 2006, this factory achieved sales reaching US\$3,530,000.

II. *Joint venture- Shandong Vedan Snowflake in China*

Shandong Vedan Snowflake Enterprise Co., Ltd. was formally established in December 2005 and started operation in April 2006. In the beginning, its main product GA made up 71% of its production output and MSG made up the remaining 29%, and respectively they brought in turnover amounted to US\$10,364,000 and US\$4,224,000. Currently, the plant has a production capacity of 24,000 tonnes of GA and 25,000 tonnes of MSG annually. The Group plans to expand the plant's MSG production capacity to 50,000 tonnes per year to support growth of its MSG operation in China.

新成立和併購公司概况

(一) 越南嘉萊味友澱粉廠

集團於2005年底完成收購味泰澱粉廠，改名為味友澱粉廠，並立即投入生產並擴充現有產能，由原產能每天60噸，擴大為每天100噸，由於進行順利，集團將計劃於2008年前擴大產能為每天200噸，以滿足澱粉事業之擴展。2006年營收為3,530,000美元。

(二) 中國山東味丹雪花聯營公司

山東味丹雪花實業有限公司正式成立於2005年12月，並已於2006年4月開始生產，初期以生產谷氨酸為主，佔71%，而味精約29%，營業額分別為10,364,000美元及4,224,000美元。目前谷氨酸之年產能為24,000噸，味精之年產能達25,000噸，2007年內將擴大味精年產能到50,000噸以支援集團中國區味精業務擴展之需。



III. Ha Tinh starch plant in Vietnam

Cassava starch is not only a major material for producing the Group's core products, namely MSG and GA, but is also an integral element in the development of the Group's modified starch business. The setting up of the Ha Tinh starch plant in Vietnam will not only open the Group to cassava sources in Central Vietnam, but can also facilitate extension of plantation to areas bordering Lao, meaning yet more competitively priced raw materials may be obtained. Furthermore, it may also conveniently supply processed native starch or modified starch to nearby markets in China. Construction of the 70-hectare plant has begun with phase I – a production line that can produce 100 tonnes of native starch a day – scheduled for completion in 2007. The plant will ultimately have three native starch production lines and the Group also has plan for it to produce high value-added modified starch or downstream starch products to enhance its profitability.

(三) 越南河靜澱粉廠

木薯澱粉不僅為集團核心產品味精及谷氨酸主要的原料，更是發展變性澱粉業務最重要的環結。越南河靜澱粉廠的設立，不僅將木薯原料來源擴展到越南中北部，未來種植區域亦可向緊臨的寮國發展以取得更有競爭力的原料，同時加工後的天然澱粉，甚至變性澱粉更能就近供應中國區市場的需要。河靜澱粉目前已展開建廠工作，工廠面積為70公頃，第一期工程將於2007年內完成1條每天產能達100噸的天然澱粉生產線，未來將計畫擴充到3條生產線，同時亦規劃生產附加價值較高的變性澱粉或澱粉下游產品，作深層加工，以提升獲利。

EXPANSION AND NEW PRODUCT PLANT

擴廠及新產品建廠

- I. Located in the Group's main production complex in Phuoc Thai Commune, Dong Nai Province in Vietnam, the Group's γ -PGA plant completed trial run in the fourth quarter of 2006 and production has begun. In this preliminary stage, the plant mainly produces products for agricultural and aquaculture uses. Application of the plant's products will be expanded gradually to cover also cosmetics and food products.
 - II. The value-added seasonings production line of Shanghai Vedan will be completed in the first quarter of 2007, which will benefit the Group's China operations in terms of sales as well as profitability.
 - III. Shandong Vedan Snowflake will expand the capacity of its MSG production line (moved from Xiamen Mao Tai) to 50,000 tonnes per year, with related work scheduled for completion before the end of 2007.
- (一) γ -PGA廠位於越南同奈福泰總已於2006年第四季試車完成，並開始進行生產，初期產品以應用於農業及水產用途為主，未來逐步擴展於化妝品及食品用途。
 - (二) 味丹上海增設風味調味料生產線，將於2007年第一季完成，預期對中國區營收和獲利之提升將有所助益。
 - (三) 山東味丹雪花將擴充味精生產線(由廈門茂泰廠遷移)，年產能將可達到50,000噸，預計在2007年年底前完成。

MAJOR RAW MATERIALS

Molasses and cassava are the Group's major raw materials. Although the price of molasses started to come down in the 2006/2007 harvest season, it is not reflected in the production cost for 2006. Thus, the cost of molasses for the year was higher when compared with 2005, which in turn pushed up the production costs of MSG, GA and lysine. As such, even though the Group increased the sales prices of its products, its profit did not mirror the full effect of the price adjustment. Molasses cost, as the Group predicted, stopped increasing and actually started to soften during the harvest season between November 2006 and April 2007, and the production volume of molasses has also increased, meaning the Group will be able to better control cost to increase profit in 2007. The price of cassava, however, is expected to remain stable.

1. Molasses

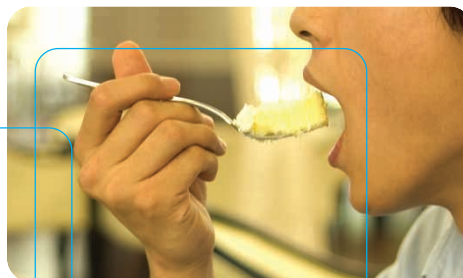
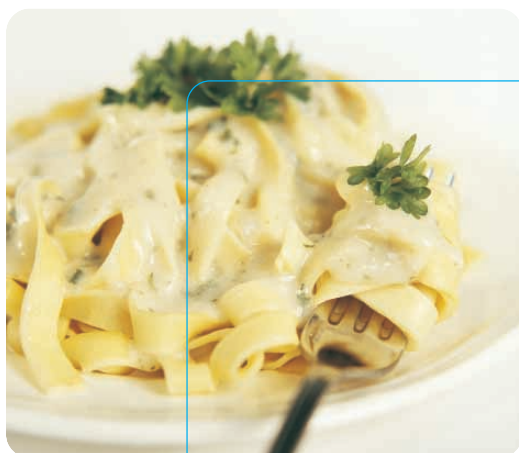
The price of molasses stood consistently high in 2006 and the price of molasses sourced from Vietnam dropped slightly in the fourth quarter of the year. In the first quarter of 2007, the sourcing prices of molasses in domestic and import continued to come down and were lower than those in the corresponding period last year. This will allow the Group to lower raw material cost in 2007. High molasses price in 2006 prompted the Group to actively reduce the rate of consumption of the material by replacing it with starch carbohydrates. The reduced use of molasses also contributed to the lowering of the price of molasses.

主要原料概況

集團生產最主要原料為糖蜜及木薯。在2006/2007產季，雖然糖蜜採購價格已略有下滑，但不及反應到2006生產成本，故年度內糖蜜成本比2005年依然上漲，造成味精、谷氨酸、賴氨酸成本依然增加，集團之獲利亦未能因售價的調升而相應提升。如同我們去年所作的預測，2006年/2007年產季（11月-4月）糖蜜價格已停止上漲，且略有回軟，同時產量亦有增加，將有助於2007年成本之掌握及獲利之增加。木薯價格則變化不大。

(一) 糖蜜

2006年內糖蜜價格依然處於高檔，但在第四季採購的越南糖蜜價格已有小幅下降。2007年第一季國內外的採購價格已確定比去年同期為低，將有助降低2007年的原料成本。為因應高居不下的糖蜜價格，集團於年度內已積極降低糖蜜使用比率，改用木薯澱粉糖源，減少糖蜜之採購，這亦有助於糖蜜價格調節與降低成本。





II. Cassava

During the year, the price of cassava in Vietnam remained stable. The longer than usual harvest season in 2006/2007 and bigger harvest had kept cassava starch cost stable. Cassava price is expected to remain until the end of the harvest season (around April 2007). The Group has also begun to source cassava in Central Vietnam. When phase I of the Ha Tinh factory is completed by the end of this year, sourcing of cassava will be extended to Central North Vietnam, which will allow the Group to enjoy steady cassava supply and better cost control.

III. Liquid Ammonia

The cost of liquid ammonia stood high in the first half of 2006, notably higher than that in the same period in 2005. Thanks to the increased supply in the second half year, its average price dropped. However, since the beginning of 2007, the price of liquid ammonia has picked up again to reach the same level as in the first half of 2006.

(二) 木薯

年度內越南境內木薯採購價格變化不大，因為2006/2007年產季因氣候關係產季較以往長，且數量較多，故木薯澱粉成本預估變化不大，預計到本產季結束（大約2007年4月）將無大變化。同時集團已將收購木薯範圍擴展到越南中部，年底將因河靜廠第一期工程完工而擴展到越南中北部，這將有助集團穩定和掌握木薯原料的成本及數量。

(三) 液氨

2006年上半年液氨價格高居不下，比2005年同期價格大幅上漲，但下半年因液氨供應增加，其價格亦隨之下降。然而，2007年始採購價格亦已回升到約2006年上半年的水平。

FINANCIAL REVIEW

I. Turnover and Profit

The Group's turnover has been increasing steadily from US\$182,790,000 in 2002 to US\$290,695,000 in 2006, at the average rate of around 12% each year. Its net profit, however, dropped 67.3% to US\$7,947,000 in 2005 from the level of US\$22,079,000 in 2003 and US\$24,334,000 in 2004 as a result of the major leap in prices of major raw materials including molasses and cassava, and the sharp decline of lysine price. At its effective cost control and other relevant measures, the Group's net profit for 2006 improved by 37.3%, or US\$2,968,000, to US\$10,915,000. Gross profit margin and net profit margin increased slightly by 18.4% and 3.8% as compared to 17.2% and 3.1% in 2005.

II. Cash Flow and Financial Resources

As at 31 December 2006, the Group's cash and bank savings amounted to US\$17,282,000, US\$10,705,000 less than in 2005. The decline was mainly due to the injection of US\$8,400,000 as capital into the Joint Venture Company Shandong Vedan Snowflake. The Group's deposits are mainly denominated in US dollars (42%), Vietnamese Dong (30.5%) and Renminbi (26.8%). Account receivables totaled at US\$38,150,000, US\$2,321,000 more than in 2005. The 6.5% growth is lower than the 12.7% turnover growth. Overall inventory increased by approximately 26%, or US\$13,527,000, due to increase in inventory of finished products.

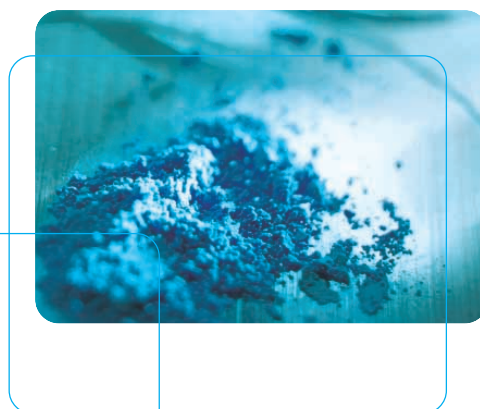
財務回顧

(一) 營收及獲利

集團總營收自2002年182,790,000美元每年穩定成長，到2006年為290,695,000美元，平均每年增長率約為12%，獲利因2005年主要原料糖蜜及木薯價格大幅上漲，同時賴氨酸價格大幅下降，純利由2003年的22,079,000美元及2004年的24,334,000美元下跌至2005年的7,947,000美元，幅度高達67.3%。2006年則因採取積極有效措施，獲利已有改善，純利增加2,968,000美元，增加約37.3%達10,915,000美元。毛利率及純利率亦分別為18.4%及3.8%，比2005年17.2%及3.1%略有增長。

(二) 流動資金和財政資源

集團2006年12月31日止銀行和現金存款為17,282,000美元，比2005年同期減少10,705,000美元，存款減少主因是支付山東味丹雪花聯營公司資本金8,400,000美元，存款主要以美金、越盾、人民幣為主，分別為42%，30.5%及26.8%。應收帳款為38,150,000美元比2005年底增加2,321,000美元，增加率為6.5%，低於營收成長率12.7%。整體存貨則增加13,527,000美元約26%，主要是製成品增加。



Total bank loans decreased to US\$73,318,000, US\$6,335,000 less than at the end of 2005. Of the total loan amount, US\$51,982,000 was short-term loans and US\$21,336,000 was long-term loans. 96% or US\$70,385,000, of the bank loans are denominated in US dollars, and rest are in Renminbi and Taiwan dollar. During the year, the average loans interest increased to 6.4% from 4.9% in 2005, as a result of US interest rate hike. Current ratio improved slightly from 1.60 last year to 1.63. Gearing ratio dropped from 33.7% to 30.1%, while net gearing ratio increased from 21.8% to 23%.

As at 31 December 2006, the Group's net worth had a net value of US\$243,984,000.

III. Capital Expenditure

During the year, the Group's capital expenditure amounted to US\$22,000,000. At the end of 2005, the Group established a joint venture, Shandong Vedan Snowflake, with Shandong Xue Hua involving a total investment of US\$12,000,000, of which 70%, or US\$8,400,000, was injected in the beginning of 2006 by the Group. The joint venture commenced operation in April 2006. Other investments of US\$8,800,000 were made by the Group in mainly Vietnam, such as in the γ -PGA factory and organic solid fertilizer by-product processing factory.

Capital expenditure for 2007 is expected to reach US\$19,000,000, which will be used mainly to expand the production capacity of Ve-Yu starch factory and the organic solid fertilizer production capacity expansion in Vietnam, add a modified starch production line and acquire new MSG refinery facilities for Shandong Vedan Snowflake.

銀行借款總額為73,318,000美元，比2005年底減少6,335,000美元。其中短期借款為51,982,000美元。長期負債為21,336,000美元。借款幣別主要以美金為主，金額70,385,000美元佔96%，其餘為人民幣及台幣。年度內因美金利率上漲，平均借款成本由2005年之4.9%增加為6.4%，集團流動比率為1.63，比去年1.60略有進步，資本負債比由33.7%降成30.1%，淨資本負債比則由21.8%增加為23%。

截止於2006年12月31日止，集團的資產淨值為243,984,000美元。

(三) 資本支出

年度內集團主要資本支出為22,000,000美元，主要是2005年底與山東雪花公司共同投資設立山東味丹雪花聯營公司，總投資額為12,000,000美元，集團投資70%金額8,400,000美元，於2006年初撥入資金，4月開始生產運作。其餘主要是在越南地區投資8,800,000美元於有關 γ -PGA廠及副產品加工之有機固體肥料廠等。

2007年資本支出預算約為19,000,000美元。主要是投資於味友澱粉廠擴充產能，越南擴充有機固肥產能，增設變性澱粉生產線及山東味丹雪花廠增設味精精製設備等。

IV. Exchange Rate

The Group's two main production bases are Vietnam and China. Catering in China primarily for domestic demand, the China operation transacts in Reminbi. The Group's bank loans are mainly denominated in US dollars. As for the operation in Vietnam, around 40% of its products are exported, with transactions settled in US dollars, and 60% are for domestic sales. The Vietnamese Dong depreciated around 1% in 2006 and picked up moderately in the beginning of 2007. In the past five years, the currency has depreciated at a rate of 1% each year. Its exchange rate against US dollar is expected to remain stable in 2007.

V. Dividend

The Board intends to adopt a dividend payout ratio of 50%, translating into a total dividend of 0.358 US cents per share, making up of a proposed final dividend of 0.158 US cents per share and the interim dividend of 0.200 US cents per share already paid. The total dividend distribution amount is US\$5,458,000 for this year.

(四) 匯率

集團最主要的兩個營運基地是在越南和中國。中國地區幾乎全部內銷，營收貨幣為人民幣，集團借款則以美元為主，越南地區約4成外銷，6成內銷，出口主要以美元計價。2006年越盾略為貶值約1%，2007年初越盾則略為升值，過去5年越盾平均每年貶值幅度在1%以內，預估2007年越盾對美元匯率應是持穩。

(五) 股息

董事會擬派付股息率為50%，每股股息全年為0.358美仙，2006年中期股息已付每股0.200美仙，故擬派期末股息為每股0.158美仙，全年分派股息金額為5,458,000美元。

RESEARCH AND DEVELOPMENT

1. Expand and diversify the applications of γ -PGA.
2. Continue to develop new modified starch products for processed food applications.
3. Increase harvest yield and enhance sugar content of tropical sugar beet and expand trial cultivation.
4. Cultivate new microbial strain, enhance production efficiency and process recovery rate.
5. Explore production of starch carbohydrates, such as liquid malt sugar and starch carbohydrate powder.
6. Develop processes to convert starch processing by-product into high value cellulose products.
7. Develop new value-added seasonings.

研究與開發

1. 聚谷氨酸 (γ -PGA) 應用領域的再擴大與多元化。
2. 持續開發食品用變性澱粉功能。
3. 增加熱帶甜菜收穫量，提升其甘甜味，及擴大試驗種植面積。
4. 提高醱酵生產產能與回收率。
5. 開發澱粉糖生產，如液態飴糖及粉末澱粉糖。
6. 薯渣纖維素的製成規劃和應用。
7. 風味調味料的開發。

PROSPECTS

In November 2006, Vietnam gained accession to the WTO as the 150th member country, a recognition of Vietnam's successful economic reform and integration into the international economy. Against such a backdrop, both domestic and foreign enterprises operating in Vietnam will become increasingly transparent and open and present huge development potentials. However, admitted into the international market, enterprises there will have to face challenges arising from globalization and in the rapidly changing market. These phenomena, for Vedan with Vietnam as its main operational base, represent both opportunities and challenges. The Group will strive to enhance management efficiency, improve its technology and product quality, and reinforce and expand its market share. As the Vietnam government continues to relax control over the economy and living standard in the country improves, the people's demand for more diverse and better quality consumer products will rise. The Group will build on its 15 years' experience in the market, its extensive distribution network and the local professional team to actively develop its business scope and generate higher turnover and profit.

At the same time, the Group will expand procurement of cassava from sources in Central and Northern Vietnam and promote the plantation of cassava in neighboring countries like Cambodia and Lao. It will also seek to boost the diversity of raw materials for use in production. For example, it has started trial cultivation of tropical sugar beet, in a number of provinces in Vietnam, including Dong Nai, Binh Thuan, Gia Lai, Tay Ninh, Ha Tinh. After two years' hard work, the trial program has reported encouraging results confirming that the weather and soil condition in Vietnam are favourable for growing the crop. Tropical sugar beet will be a very competitive source of raw materials for the Group, giving it cost advantage while benefiting the development of rural villages and the farming industry in Vietnam.

As for the China market, with new GA plants expected to be built or start operation and existing ones to be expanded in the near future, competition will intensify. The Group will move the MSG refinery facilities of the Xiamen Mao Tai plant to Shandong Vedan Snowflake to address the problem of high fuel cost faced by the Xiamen plant and at the same time enable Shandong Vedan Snowflake to extend its capabilities from fermentation to also include downstream processing into MSG. Shandong Vedan Snowflake will then have an all-round operation and become more competitive. To ensure its long term development, the Group will also actively look for sites promising cost effectiveness to set up production bases and seek potential partners.

展望

2006年11月越南獲准加入WTO，2007年1月正式成為WTO第150個會員國。這是對越南經濟改革成功及融入國際經濟社會的一種肯定，對當地的企業不管是外資或本地企業的經營環境，將是愈透明，愈開放，發展潛力更大。商機更多，但相對地面臨融入國際大市場，全球化競爭將是愈激烈，環境的改變將是更快速。這對以越南為最主要營運據點的味丹國際集團是一種機會亦是挑戰。集團將不僅在現有事業上提升管理效率，還改進技術，提高品質，鞏固並開拓市場。隨著越南政府對市場的鬆綁，生活水平提高，對民生相關多元化、高品質的消費品需求殷切，集團將藉著15年來在越南累積的經驗、建全的市場通路、本土化的人才等優勢，積極評估擴展相關事業領域，創造更多的營收及利潤。

同時，集團不僅將木薯原料區採購區域擴充到越南中、北部，同時將尋求在鄰國柬埔寨與寮國參與木薯種植的推廣工作，另外亦積極尋求原料來源多元化，如熱帶甜菜之研究試種工作，目前已在同奈、平順、嘉萊、西寧、河靜等各省推廣，經約兩年的試驗，目前已獲得正面的成果，確定越南的氣候，土壤條件符合此農作物的生長。未來，熱帶甜菜引進成功將給集團添加另一種更有競爭力的原料來源，除了可確保集團的成本優勢，更可以開拓越南農村及農業的發展。

中國區的經營發展方面，由於多家谷氨酸廠房已開始或計劃擴廠，甚至進一步增設味精精製廠，將使市場競爭力更加激烈。集團已計劃將廈門茂泰廠之味精精製設備、搬遷到山東味丹雪花廠，一則以解決在廈門地區精製廠因能源原料成本偏高之問題，同時可讓山東味丹雪花由發酵再往精製擴展，完成一貫化作業，提高競爭力。就長遠發展，集團亦積極尋找更有成本優勢的合作對象進行不同方式的策略聯盟，確保集團在中國長期的發展。

In addition to growing its MSG and GA operations, the Group has also been actively expanding the product scope of value-added seasonings and modified starch for food applications to assure continuous turnover and profit growth. The modified starch for food applications segment, in particular, after the Group's hard work in the past year, has started to bear fruits. It performed well in both sales and turnover in the forth quarter of 2006 and sees abundant room for growth in 2007 and the following few years as industrialization leads to more people eating out and a greater demand for processed foods to be served by restaurants and other suppliers who use the Group's modified starch. Currently, the Group's R&D arm is aggressively developing new applications for different products and products that meet different customer needs.

中國區除了味精、谷氨酸外，集團亦積極往不同種類的風味調味料及食品用變性澱粉領域發展多元化產品線，使公司的營收和利潤得以持續成長，特別是食品用變性澱粉業務，經過一年多來的深入耕耘，成果已逐漸顯現，銷售量及營業額在2006年第四季已有良好的業績，預計2007年及未來幾年隨著中國地區逐漸工業化以後，外食人口劇增，對加工食品需求日益增加，而食品用變性澱粉應用最主要客戶，即餐館及食品加工業者，將為食品用變性澱粉的發展帶來極大的空間。目前集團研發單位正竭力開發不同用途及客戶需求之產品。

Future development focuses:

未來集團經營發展重點如下：

1. Complete construction of the Ha Tinh factory as soon as possible, aiming for phase I of the plant to be completed by the end of 2007 and begin operation.
 2. Tighten relationship with farmers, suppliers and sugar manufacturers to ensure stable raw materials supply.
 3. Accelerate trial cultivation and promotion of tropical sugar beet to achieve as soon as possible the target of using it to replace part of the carbohydrates raw materials.
 4. Strengthen R&D activities, especially those in relation to new product development.
 5. Integrate the Group's strengths to take advantage of Vietnam's accession to the WTO and the strengthening trading ties between China and ASEAN countries and India, and expand market shares.
 6. Continue to promote starch-based products, especially related downstream products, and build starch products business into another core business of the Group.
1. 儘快完成河靜澱粉廠建廠工程，預計年底前完成第1期工程並開始運作。
 2. 與農民、供應商、糖廠緊密合作，掌握有利原料供應。
 3. 加速熱帶甜菜新原料的試種與推廣，早日達成取代部份糖源之目標。
 4. 強化技術研發工作，尤其是對新產品的開發。
 5. 因應越南為WTO之一員，加上中國加強與東盟各國及印度經貿往來，集團將積極整合優勢並擴展市場。
 6. 持續推廣澱粉及其下游產品業務，建立澱粉成為核心事業。

EMPLOYEE COMPENSATION AND TRAINING

As at 31 December 2006, the Group had a total of 3,247 employees, of whom 2,586 were employed by Vietnam Vedan, 203 and 37 employed by Orsan Complex and Ve-Yu Starch factory respectively also in Vietnam, 239 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, and with reference to the financial performance of the Group and individual work performance. Other fringe benefits such as accommodation, meals, insurance, medical coverage and provident fund are provided to employees to ensure of their competitiveness and loyalty. To enhance work quality and the management abilities of employees and build localized workforces, the Group provides job rotation, internal and external training courses covering professional skills, languages, etc. to employees to help boost their specialized capabilities and knowledge and the overall quality of its human resources.

僱員薪酬及培訓資料

截至2006年12月31日，本集團僱有員工3,247名，包括受僱於味丹越南廠2,586名，越南ORSAN公司203名，越南味友澱粉廠37名，中國廈門茂泰廠239名及上海味丹廠167名，以及台灣分公司15名。

本集團根據一般行業慣例，以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、膳食、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，落實本地化政策，本集團亦為員工提供職務輪調，並積極規劃及舉行有關專業技能及語言等內外部教育訓練及研討會，以強化專業技能，擴展新知，提高人力素質。