

**VEDAN INTERNATIONAL (HOLDINGS) LTD:  
THE COMPANY LOOKS TO BE SOLID ...  
IF ONE DOES NOT OBJECT TO A MANUFACTURER OF MSG**

Sales of about 50.70 percent of all of the MSG (**M**onosodium **G**lutamate), produced by Vedan International (Holdings) Ltd (Code: 2317, Main Board, The Stock Exchange of Hongkong Ltd), are sold to the Socialist Republic of Vietnam, 23.50 percent of the entire production of MSG is sold to Japan, and another 12.20 percent of the Company's entire production of MSG is sold to the People's Republic of China (PRC).

In aggregate, therefore, Vedan International is dependent on just 3 markets for the sales of about 86.40 percent of its major, manufactured export product.

And the production of MSG accounts for about 70 percent of the Company's total income.

After scanning the Prospectus of Vedan International, it is very apparent that the Yang Family, which controls this Company, is in deeply with the governments of at least Vietnam and the PRC.

Should that friendship ever be put to the test or become badly strained – as could well be the case with a change of the men at the top of the political piles in those 2 countries – it is unlikely that this Company could survive for very long unless it were able to find replacement customers or, alternatively, find replacement friends in high places.

One has to ask oneself, therefore: What is the cost of financial success to the Yang Family?

Vedan International went public on The Stock Exchange of Hongkong Ltd on June 17, 2003, when it Placed 270,432,000, one-cent (US) Shares at 89 cents (Hongkong) per Share.

The Yang Family sold 62,408,000 of its shareholdings in the Company on the same basis as the Company sold its New Shares to prospective investors.

Vedan International is a company, whose main product is MSG, a food additive, which is considered unhealthy, by some authorities, and which is known to cause allergic reactions in many people.

One of the selling points of many packaged food products and in restaurants is to advertise: '*MSG Free*'.

Be that as it may, Vedan International went public, according to Page 99 of the Prospectus, in order to raise about \$HK247.30 million, net of expenses, that money to be used for the following purposes:

1. \$HK117 million to be used to expand the production of MSG;
2. \$HK48.40 million to be used to expand production facilities in Vietnam;
3. \$HK27.30 million to be used for research and development;
4. \$HK27.30 million to be used in marketing and promotional activities;

5. \$HK15.60 million to be used to upgrade existing production facilities in Vietnam; and,

6. \$HK11.70 million to be tipped in the General Working Capital Account.

While this Company netted about \$HK247.30 million from this flotation, the Founding Yang Family grossed about \$HK55.54 million.

Which is not a bad little wad of cash, considering that this company is only about 12 years old.

A careful look at the accounts of this Company, whose manufacturing facilities are almost entirely in Vietnam (91 percent of the Company's assets are in this Communist country), would suggest that debt is becoming somewhat of a burden to Management.

In the Financial Year, ended December 31, 2002, the Company sold its investments in listed securities, grossing about \$US14 million (about \$HK109 million), on which it booked a loss of about \$US268,000 (about \$HK2.09 million).

This snippet of intelligence, pieced together by simple deduction, is available by, first, studying Page 156 of the Prospectus, under the breakdown of the Consolidated Cash Flow Statements, and correlating those statistics with Note 4, located at Page 162, being the Charges to the Operating Profit.

A company does not, usually, sell such a material portfolio of listed securities, especially those securities, termed, 'investment securities' – which are kept as a long-term investment – unless there is a need so to do. This is especially ... [CLICK TO ORDER FULL ARTICLE](#)

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