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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **VEDAN INTERNATIONAL (HOLDINGS) LIMITED**, you should at once hand this circular to the purchaser(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser(s) or the transferee(s).

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VEDAN INTERNATIONAL (HOLDINGS) LIMITED
味丹國際（控股）有限公司

(Incorporated under the laws of the Cayman Islands with limited liability)
(Stock Code: 2317)

**ESTABLISHMENT OF A JOINT VENTURE COMPANY
DISCLOSEABLE TRANSACTIONS,
CONNECTED TRANSACTIONS
AND CONTINUING CONNECTED TRANSACTIONS**

Financial adviser to Vedan International (Holdings) Limited



Barits Securities (Hong Kong) Limited

**Independent financial adviser to the Independent Board Committee
and Independent Shareholders**



博大資本國際有限公司
Partners Capital International Limited

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Agreements”	the General Services Agreement, the Technology Services Agreement, the Assets Transfer Agreement and the Raw Materials Purchase Agreement;
“Assets Transfer Agreement”	the agreement entered into between Ordino, Xue Hua and the JV Company in respect of the transfer of certain assets by Xue Hua to the JV Company as referred to under the sub-section headed “Assets Transfer Agreement” of the section headed “Joint Venture Contract” of the “Letter from the Board” contained in this circular;
“Billion Power”	Billion Power Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Taiwan Vedan, which holds 460,237,609 Shares as at the Latest Practicable Date;
“Board”	the board of Directors;
“CB Richard Ellis”	CB Richard Ellis Limited, an independent property valuer appointed by the Company;
“connected person”	has the meaning ascribed thereto under the Listing Rules;
“Company”	Vedan International (Holdings) Limited, a company incorporated under the laws of the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange;
“Concord Worldwide”	Concord Worldwide Holdings Ltd., a company incorporated in the British Virgin Islands and beneficially owned by Messrs. Yang, Kun-Chou, Yang, Kun-Hsiang, Yang, Yung-Huang and Yang, Yung-Jen as to 26.7 percent., 26.7 percent., 26.7 percent., and 19.9 percent., respectively, all of whom, together with Concord Worldwide Holdings Ltd., are members of the Yang Family. It directly holds 62,172,933 Shares and is taken to be interested in the 362,152,555 Shares in which DBS Trustee Limited as trustee of the Royal Trust is interested and these 362,152,555 Shares include 62,172,933 Shares held by High Capital, 82,897,246 Shares held by King International and 217,082,376 Shares held by DBS Trustee Limited as trustee of the Royal Trust, as at the Latest Practicable Date;

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“DBS Trustee Limited”	DBS Trustee Limited, which holds 217,082,376 Shares as trustee of the Royal Trust and is interested in 82,897,246 Shares, 62,172,933 Shares and 62,172,933 Shares held by King International, Concord Worldwide and High Capital respectively pursuant to an agreement under section 317(1)(a) of the SFO, as at the Latest Practicable Date;
“Director(s)”	the director(s) of the Company;
“GA”	acronym as “glutamic acid”, which is a non-essential amino acid occurring widely in plant and animal tissue and is used by the body to build proteins. MSG is a form of glutamic acid that is used as a food flavour enhancing product;
“General Services Agreement”	the agreement entered into between Xue Hua and the JV Company in respect of, among others, the provision of certain general administration and utility services by Xue Hua to the JV Company referred to under the sub-section headed “General Services Agreement” of the section headed “Joint Venture Contract” of the “Letter from the Board” contained in this circular;
“Group”	the Company and its subsidiaries;
“High Capital”	High Capital Investments Limited, a company incorporated in the British Virgin Islands and beneficially owned by each of Messrs. Yang, Chen-Wen, Yang, Tung and Yang, Wen-Hu as to approximately 26.33 percent., and each of Ms. Yang Wen-Yin, Ms. Yang, Shu-Hui and Ms. Yang Shu-Mei as to 7 percent., all of whom, together with High Capital Investments Limited, are members of the Yang Family. It directly holds 62,172,933 Shares and is taken to be interested in the 362,152,555 Shares in which DBS Trustee Limited as trustee of the Royal Trust is interested and these 362,152,555 Shares include 62,172,933 Shares held by Concord Worldwide, 82,897,246 Shares held by King International and 217,082,376 Shares held by DBS Trustee Limited as trustee of the Royal Trust, as at the Latest Practicable Date;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;

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“IFA”	Partners Capital International Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Assets Transfer Agreement and the Raw Materials Purchase Agreement;
“Independent Board Committee”	an independent committee of the Directors comprising all the independent non-executive Directors, namely Mr. Chao, Pei-Hong, Ms. Chuang, Shu-Fen and Mr. Ko, Jim-Chen;
“Independent Shareholder(s)”	all the Shareholders (excluding Xue Hua which is not a Shareholder);
“Joint Venture Contract”	the contract entered into between Ordino and Xue Hua in relation to the establishment of the JV Company in the PRC on 22 December 2005 as referred to under the section headed “Joint Venture Contract” of the “Letter from the Board” contained in this circular;
“JV Company”	山東味丹雪花實業有限公司 (Shandong Vedan Snowflake Enterprise Co., Ltd.), a PRC joint venture company to be established by Ordino and Xue Hua pursuant to the Joint Venture Contract;
“King International”	King International Limited, a company incorporated in the British Virgin Islands and beneficially owned by Messrs. Yang, Tou-Hsiung, Yang, Cheng, Yang, Wen-Chung and Yang, Ching-Han as to 40 percent., 20 percent., 20 percent., and 20 percent., respectively, all of whom, together with King International Limited, are members of the Yang Family. It directly holds 82,897,246 Shares and is taken to be interested in the 341,428,242 Shares in which DBS Trustee Limited as trustee of the Royal Trust is interested and these 341,428,242 Shares include 62,172,933 Shares held by each of Concord Worldwide and High Capital and 217,082,376 Shares held by DBS Trustee Limited as trustee of the Royal Trust, as at the Latest Practicable Date;
“Latest Practicable Date”	10 February 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular;

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“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“MSG”	acronym as “monosodium glutamate”, which is a white odorless crystalline compound that is a salt of GA; it is used as a food flavour enhancing product;
“Ordino”	Ordino Investments Pte Ltd, a company incorporated under the laws of Singapore and a wholly-owned subsidiary of the Company;
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Macau and Taiwan;
“Product Portfolio”	the products that are produced or proposed to be produced by the Group from time to time;
“Raw Materials Purchase Agreement”	the agreement entered into between Ordino, Xue Hua and the JV Company in respect of the supply of certain raw materials by Xue Hua to the JV Company as referred to under the sub-section headed “Raw Materials Purchase Agreement” of the “Letter from the Board” contained in this circular;
“Relevant Period”	the period from 1 January 2006 to 31 December 2008;
“RMB”	Renminbi, the lawful currency of the PRC;
“Royal Trust”	a unit trust in Singapore, the units of which are held by King International, Concord Worldwide and High Capital, being members of the Yang Family, as to 40 percent., 30 percent. and 30 percent., respectively, as at the Latest Practicable Date;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time;
“Share(s)”	share(s) of US\$0.01 per share in the share capital of the Company;
“Shareholder(s)”	shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

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“Taiwan Vedan”	味丹企業股份有限公司 (Vedan Enterprise Corporation*) (formerly known as 味丹工業股份有限公司 (Vedan Industrial Corporation*) and 味正食品工業股份有限公司 (Ve Cheng Food Industry Corporation*)), a company incorporated in Taiwan and ultimately owned by the Yang Family;
“Taiwan Vedan Group”	Taiwan Vedan and its subsidiaries (other than members of the Group);
“Technology Services Agreement”	the agreement dated 22 December 2005 entered into between Ordino and Xue Hua in respect of the provision of certain technology services by Ordino to Xue Hua as referred to under the sub-section headed “Technology Services Agreement” of the section headed “Joint Venture Contract” of the “Letter from the Board” contained in this circular;
“Tung Hai”	東海醱酵工業股份有限公司 (Tung Hai Fermentation Industrial Co., Ltd.), a company incorporated in Taiwan and ultimately owned by the Yang Family;
“US\$”	United States dollars, the lawful currency of the United States of America;
“Yang Family”	Messrs. Yang, Tou-Hsiung, Yang, Wen-Chung, Yang, Cheng, Yang, Ching-Han, Yang, Yung-Huang, Yang, Kun-Hsiang, Yang, Kun-Chou, Yang, Yung-Jen, Yang, Chen-Wen, Yang, Wen-Hu and Yang, Tung, Ms. Yang Wen-Yin, Ms. Yang, Shu-Hui, and Ms. Yang Shu-Mei and their respective associates, King International, Concord Worldwide, High Capital, the Royal Trust, Taiwan Vedan, Tung Hai and Billion Power; and
“Xue Hua”	山東雪花生物化工股份有限公司 (Shandong Xue Hua Bio-chemical Co., Ltd.).

For the purpose of this circular, conversion of US\$ into HK\$ or vice versa has been calculated by using an exchange rate of US\$1 to HK\$7.80 and the conversion of HK\$ into RMB or vice versa has been calculated by using an exchange rate of HK\$1 to RMB1.04.

* For identification purpose only

LETTER FROM THE BOARD

VEDAN

INTERNATIONAL

VEDAN INTERNATIONAL (HOLDINGS) LIMITED

味丹國際（控股）有限公司

(Incorporated under the laws of the Cayman Islands with limited liability)

(Stock Code: 2317)

Directors:

Mr. Yang, Tou-Hsiung

Mr. Yang, Cheng

Mr. Yang, Kun-Hsiang

Mr. Yang, Chen-Wen

Mr. Wang, Joel J.

Registered Office:

Century Yard

Cricket Square

Hutchins Drive

George Town

Grand Cayman

British West Indies

Non-executive Directors:

Mr. Huang, Ching-Jung

Mr. Lam, Tuan

Principal Place of Business

in Hong Kong:

Suite 3706, 37th Floor

West Tower, Shun Tak Centre

200 Connaught Road Central

Hong Kong

Independent non-executive Directors:

Mr. Chao, Pei-Hong

Ms. Chuang, Shu-Fen

Mr. Ko, Jim-Chen

15 February 2006

To the Shareholders

Dear Sir or Madam,

**ESTABLISHMENT OF A JOINT VENTURE COMPANY
DISCLOSEABLE TRANSACTIONS,
CONNECTED TRANSACTIONS
AND CONTINUING CONNECTED TRANSACTIONS**

INTRODUCTION

On 22 December 2005, Ordino and Xue Hua entered into the Joint Venture Contract to set up the JV Company in the PRC for the development and manufacturing of GA and MSG in the PRC. After the establishment of the JV Company, Ordino and Xue Hua will hold 70% and 30% of the equity interests in the JV Company respectively.

As each of the applicable percentage ratios (as defined in the Listing Rules) for the Joint Venture Contract is more than 5% but less than 25% under Rule 14.07 of the Listing Rules, the entering into of the Joint Venture Contract by Ordino constitutes a discloseable transaction under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and circular requirements under Chapter 14 of the Listing Rules.

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Pursuant to the Joint Venture Contract, the JV Company, Ordino and/or Xue Hua have entered into or will enter into, among others, the following agreements at the time of signing of the Joint Venture Contract (in respect of the agreement under paragraph (2) below) or after the establishment of the JV Company (in respect of the other agreements):

- (1) the General Services Agreement in respect of the provision of certain general administration and utility services by Xue Hua to the JV Company;
- (2) the Technology Services Agreement in respect of the provision of certain technology services by Ordino to Xue Hua;
- (3) the Assets Transfer Agreement in respect of the transfer of certain assets by Xue Hua to the JV Company; and
- (4) the Raw Materials Purchase Agreement in respect of the supply of certain raw materials by Xue Hua to the JV Company.

Upon the establishment of the JV Company, the JV Company becomes a 70% non wholly-owned subsidiary of the Company, and Xue Hua, which holds 30% of the equity interest in the JV Company, becomes a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the entering into of each of the Agreements constitute connected or continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, the JV Company has been duly established and the General Services Agreement, the Assets Transfer Agreement and the Raw Materials Purchase Agreement have been entered into accordingly.

As each of the applicable percentage ratios (as defined in the Listing Rules) for the transactions under the General Services Agreement is less than 0.1%, the General Services Agreement will therefore be exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios (as defined in the Listing Rules) for the transactions under the Technology Services Agreement is less than 2.5%, the Technology Services Agreement will be subject to the reporting and announcement requirements but will be exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios (as defined in the Listing Rules) for the transactions under the Assets Transfer Agreement is more than 2.5% and the total consideration will be more than HK\$10,000,000, the Assets Transfer Agreement will be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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Furthermore, as each of the applicable percentage ratios (as defined in the Listing Rules) for the transactions under the Assets Transfer Agreement is more than 5% but less than 25%, the Assets Transfer Agreement also constitutes a discloseable transaction under Chapter 14 of the Listing Rules and will be subject to the reporting, announcement and circular requirements under Chapter 14 of the Listing Rules.

As each of the applicable percentage ratios (as defined in the Listing Rules) for the transactions under the Raw Materials Purchase Agreement is more than 2.5% and the annual consideration will be more than HK\$10,000,000, the Raw Materials Purchase Agreement will be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The purpose of this circular is to give you further information in relation to the Joint Venture Contract, the Assets Transfer Agreement and the Raw Materials Purchase Agreement.

THE JOINT VENTURE CONTRACT

Date: 22 December 2005

Parties: Ordino Investments Pte Ltd
山東雪花生物化工股份有限公司 (Shandong Xue Hua Bio-chemical Co., Ltd.)

JV Company:

山東味丹雪花實業有限公司 (Shandong Vedan Snowflake Enterprise Co., Ltd.), a PRC joint venture company established by Ordino and Xue Hua pursuant to the Joint Venture Contract for the development and manufacturing of GA and MSG in the PRC, subject to the approval by the relevant authority in the PRC.

Total investment amount and registered capital:

According to the Joint Venture Contract, the total investment amount of the JV Company is US\$25,000,000 (equivalent to approximately HK\$195,000,000) and the total registered capital is US\$12,000,000 (equivalent to approximately HK\$93,600,000).

Equity interests and contribution to the registered capital:

Ordino and Xue Hua hold 70% and 30% of the equity interests in the JV Company respectively. Ordino has contributed and Xue Hua will contribute US\$8,400,000 and US\$3,600,000 of the registered capital of the JV Company respectively by way of cash. It is the current understanding of Ordino that neither it nor Xue Hua will contribute additional capital to the JV Company and any further funding requirements of the JV Company will be provided by way of external financing.

The payment of US\$8,400,000 of the registered capital was funded by the internal resources of the Group and banking facilities.

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Board composition:

The board of directors of the JV Company shall comprise 7 directors, 2 directors of which will be appointed by Xue Hua and 5 directors of which will be appointed by Ordino.

The chairman and vice-chairman of the board of directors of the JV Company will be appointed by Xue Hua and Ordino respectively.

Profit sharing:

The profit of the JV Company will be shared as to 70% by Ordino and 30% by Xue Hua in proportion to their respective equity interests in the JV Company.

Effective date:

The Joint Venture Contract will take effect on the date of approval by 山東省濟寧市對外貿易經濟合作局 (Shandong Province Foreign Trade and Economic Cooperation Bureau). As at the Latest Practicable Date, such approval has been obtained and the JV Company has been established.

The Joint Venture Contract provides that if the building ownership certificate(s) of the factory buildings situated on the Land (which are still under application) cannot be obtained within three-months after the date of signing of the Joint Venture Contract, the Assets Transfer Agreement will be terminated automatically and the JV Company will be dissolved.

Right of refusal:

The Joint Venture Contract provides that Ordino is entitled to a first right of refusal in the event of Xue Hua proposes to jointly cooperate with any other entity (except for any investment fund and other entity which is not principally engaged in the production of MSG business) to engage in the production of MSG business in the PRC (other than Xue Hua is entitled to, on its own, directly engage in the production of MSG business in the PRC).

Other Agreements:

Pursuant to the Joint Venture Contract, the JV Company, Ordino and/or Xue Hua have entered into or will enter into, among others, the following agreements at the time of signing of the Joint Venture Contract (in respect of the agreement under paragraph (2) below) or after the establishment of the JV Company (in respect of the other agreements below):

1. General Services Agreement

Pursuant to the General Services Agreement entered into between Ordino, Xue Hua and the JV Company, Xue Hua will provide certain general administration and utility services (including but not limited to water supply, waste water treatment, staff quarters and office equipment) to the JV Company. The JV Company's use of water supply and waste water treatment services to be provided by Xue Hua will be more cost effective than those provided by other entities. In addition, since the JV Company

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is situated at the existing location of Xue Hua, it would be more convenient for the JV Company to utilise other services (for example, staff quarters and office equipment to be provided by Xue Hua).

The General Services Agreement was entered into on 28 December 2005 and will take effect from the date of approval by the relevant authority in the PRC, subject to the establishment of the JV Company and the approval of the Shareholders (if required) having been obtained. The term of the General Services Agreement shall be the same as the term of the JV Company, which is 50 years.

The service fees payable by the JV Company to Xue Hua under the General Services Agreement will be approximately RMB240,000 per annum (equivalent to approximately HK\$230,770) were determined on normal commercial terms and will be incurred on cost basis or on terms no less favourable to the JV Company than terms available to other independent third parties.

The General Services Agreement constitutes a connected transaction which will be exempted from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.33(3)(a) of the Listing Rules.

2. *Technology Services Agreement*

Pursuant to the Technology Services Agreement dated 22 December 2005 entered into between Ordino and Xue Hua, Ordino agrees to provide to Xue Hua certain technology services for the production of GA ("**Services**") during the term of the agreement.

The Technology Services Agreement will take effect from the date of approval by the relevant authority in the PRC, subject to the establishment of the JV Company and the approval of the Shareholders (if required) having been obtained, for a period of one year.

The service fees payable by Xue Hua to Ordino in respect of the provision of the Services is RMB10,850,000 (equivalent to approximately HK\$10,432,692) and were determined by reference to the service fees payable by the Company to Taiwan Vedan for technology services after arm's length negotiation and on normal commercial terms. Such service fees shall be paid by cash in Renminbi or United States dollars.

As the amount of service fees payable under the Technology Services Agreement represents less than 2.5% of each of the applicable percentage ratios (as defined in the Listing Rules) of the Company under Rule 14A.32(1) of the Listing Rules, the transactions under the Technology Services Agreement will, upon the establishment of the JV Company, be subject to the reporting and announcement requirements but will be exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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3. *Assets Transfer Agreement*

Pursuant to the Assets Transfer Agreement entered into between Ordino, Xue Hua and the JV Company, the JV Company will purchase from Xue Hua certain factory buildings and equipment (“**Buildings**”), which are situated on the three parcels of land with a total site area of approximately 28,535 sq.m. (“**Land**”), for the production of GA and MSG in Jining of the Shandong Province of the PRC (“**Assets**”) at an aggregate consideration of RMB96,480,000 (equivalent to approximately HK\$92,769,231), excluding the Land.

The JV Company has applied to the relevant PRC authority for the building ownership certificate(s) of the factory buildings situated on the Land. The original aggregate purchase cost of the Assets to Xue Hua is RMB95,160,000 (equivalent to approximately HK\$91,500,000), excluding the Land.

The consideration was in respect of the Assets only, excluding the Land, since Xue Hua has been leasing the Land and there is no purchase cost to it in respect of the Land. Such consideration was principally determined with reference to the property valuation reports and plant and machinery valuation report of the Assets prepared by CB Richard Ellis valued at RMB99,242,000 (equivalent to approximately HK\$95,425,000), which have been incorporated in Appendices I(A) and I(B) to this circular, and having taken into account the profit guarantee to be provided by Xue Hua to the JV Company under the Raw Materials Purchase Agreement as set out below.

The consideration payable under the Assets Transfer Agreement will be satisfied by cash in Renminbi in full and will be funded by the registered capital of the JV Company injected/to be injected by Ordino and Xue Hua respectively and bank borrowing by the JV Company which is currently being arranged.

The Assets Transfer Agreement was entered into on 28 December 2005 and will take effect from the date of approval by the relevant authority in the PRC, subject to the establishment of the JV Company and the approval of the Shareholders (if required) having been obtained.

The JV Company has applied to the relevant PRC authority for the building ownership certificate(s) of the Buildings. If such certificate(s) cannot be obtained within three-months after the date of signing of the Assets Transfer Agreement, the Assets Transfer Agreement will be terminated automatically.

As the aggregate consideration for the transfer of the Assets represents more than 2.5% of each of the applicable percentage ratios (as defined in the Listing Rules) of the Company and is more than HK\$10,000,000, the Assets Transfer Agreement will therefore be subject to the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Furthermore, as the aggregate consideration for the transfer of the Assets represents more than 5% but less than 25% of each of the applicable percentage ratios (as defined in the Listing Rules) of the Company, the Assets Transfer Agreement also

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constitutes a discloseable transaction under Chapter 14 of the Listing Rules and will be subject to the reporting, announcement and circular requirements under Chapter 14 of the Listing Rules.

The JV Company has obtained a copy of the land use rights certificate of the Land from the Government of the Jining City. The Company has been advised by its PRC legal advisers that after due inquiry and to the best of their knowledge, there are no legal obstacles for the JV Company to obtain the original land use rights certificate of the Land and the building ownership certificate(s) of the Buildings upon (i) the due fulfillment of the relevant application and approval procedures, (ii) entering into the granting contract of the state-owned land use right by the JV Company with the governmental administration bureau charge, and (iii) the payment of all relevant land premium and fees/taxes by the JV Company. It is estimated that the amount of such land premium payable, the taxes/fees for obtaining the relevant title of the Land and the taxes/fees for obtaining the relevant title of the Buildings shall be approximately RMB3,430,000 (equivalent to approximately HK\$3,298,077), RMB106,000 (equivalent to approximately HK\$101,923) and RMB514,000 (equivalent to approximately HK\$494,231), respectively. The taxes and fees should be possibly adjusted by the relevant governmental authorities from time to time subject to the local governmental policies. It is currently intended that such payment will be funded by bank borrowing by the JV Company which is currently being arranged.

4. Raw Materials Purchase Agreement

Pursuant to the Raw Materials Purchase Agreement entered into between Ordino, Xue Hua and the JV Company, the JV Company will purchase certain raw materials (including starch, steam, electricity and sulfuric acid) (“**Raw Materials**”) from Xue Hua during the term of the agreement. The utility goods “electricity” and “steam” are categorised as raw materials since they are part of the materials that are required for the production of GA and MSG and the nature of which is distinctively different from the utility services under the General Services Agreement which are mainly provided for the general administration of the JV Company.

The Raw Materials Purchase Agreement was entered into on 28 December 2005 and will take effect from the date of approval by the relevant authority in the PRC, subject to the establishment of the JV Company and the approval of the Shareholders (if required) having been obtained, for a period of 3 years (with the JV Company’s right to renew for a successive term of 3 years each until the end of the term of the JV Company subject to compliance with the relevant requirements under the Listing Rules).

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Under the Raw Materials Purchase Agreement, Xue Hua will guarantee to the JV Company that in the event of the GA products produced by the JV Company utilising the Raw Materials reaching 25,000 tonnes per annum (no guarantee will be provided if the GA products produced do not reach 25,000 tonnes per annum), the lower of the following:

- (a) the average profit before tax for each tonne (i.e. the average selling price minus the average production costs and all related selling expenses) of such GA products will be not less than RMB450; or
- (b) the annual profit before tax for such GA products produced will reach RMB11,470,000 (equivalent to approximately HK\$11,028,846),

and Xue Hua will reimburse the shortfall to the JV Company, up to a maximum term of 5 years and an amount of RMB71,420,000 (equivalent to approximately HK\$68,673,077) (which includes the service fees payable by Xue Hua to Ordino under the Technology Services Agreement) or RMB60,570,000 (equivalent to approximately HK\$58,240,385) (which excludes the service fees payable under the Technology Services Agreement). The Company confirmed that the amount of RMB71,420,000 (approximately HK\$68,673,077) was arrived at with reference to relevant consideration for the acquisition of the GA manufacturing factory (together with crystal transfer factory) and the related equipment by the JV Company from Xue Hua as part of the Assets under the Assets Transfer Agreement.

The following examples are to illustrate how the above profit guarantee works:

- (i) If the average profit before tax for each tonne of such GA products is RMB300 and the production volume is 27,000 tonnes,
 - under paragraph (a) above, Xue Hua shall reimburse the JV Company the amount of RMB4,050,000 being $(\text{RMB}450 - \text{RMB}300) \times 27,000$;
 - under paragraph (b) above, Xue Hua shall reimburse the JV Company the amount of RMB3,370,000 being $\text{RMB}11,470,000 - (\text{RMB}300 \times 27,000)$.

As the amount calculated under paragraph (b) above is lower, Xue Hua shall reimburse the JV Company the amount of RMB3,370,000.

- (ii) If the average loss before tax for each tonne of such GA products is RMB100 and the production volume is 27,000 tonnes,
 - under paragraph (a) above, Xue Hua shall reimburse the JV Company the amount of RMB14,850,000 being $(\text{RMB}100 + \text{RMB}450) \times 27,000$;
 - under paragraph (b) above, Xue Hua shall reimburse the JV Company the amount of RMB14,170,000 being $\text{RMB}11,470,000 + (\text{RMB}100 \times 27,000)$;

LETTER FROM THE BOARD

- As the amount calculated under paragraph (b) above is lower, Xue Hua will reimburse the JV Company the amount of RMB14,170,000.
- (iii) If the average profit before tax for each tonne of such GA products is RMB400 and the production volume is 25,000 tonnes,
- under paragraph (a) above, Xue Hua shall reimburse the JV Company the amount of RMB1,250,000 being $(\text{RMB}450 - \text{RMB}400) \times 25,000$;
 - under paragraph (b) above, Xue Hua shall reimburse the JV Company the amount of RMB1,470,000 being $\text{RMB}11,470,000 - (\text{RMB}400 \times 25,000)$.

As the amount calculated under paragraph (a) above is lower, Xue Hua shall reimburse the JV Company the amount of RMB1,250,000.

The Company will comply with the requirements under Rule 14A.57 of the Listing Rules, pursuant to which the Company must publish an announcement in the newspaper if the said actual profit before tax is less than the amount guaranteed.

Pursuant to the Raw Materials Purchase Agreement, Xue Hua is entitled to claim reasonable damages from the JV Company (in terms of cost differential or otherwise) in case of the JV Company sells products to the Group at a price level lower than the then average selling price available from Xue Hua of a comparable product.

The price of the Raw Materials payable by the JV Company to Xue Hua shall be determined in accordance with the relevant market price as set out below and shall be paid by cash in Renminbi:

Raw Materials	Purchase price
(a) starch	the relevant market price (<i>Note 1</i>) to be deducted by a fixed sum of (1) drying cost per tonne and (2) packaging cost per tonne
(b) sulfuric acid	the relevant market price (<i>Note 1</i>) to be deducted by a fixed sum of transportation cost per tonne
(c) steam	the relevant assigned price level (<i>Note 2</i>) to be adjusted proportionately if triggered by a 10% movement of the market coal price from the then market level prevailing around the date of the Joint Venture Contract

LETTER FROM THE BOARD

- (d) electricity the relevant assigned price level (*Note 3*) to be adjusted proportionately if triggered by a 10% movement of the market coal price from the then market level prevailing around the date of the Joint Venture Contract

Notes:

1. The relevant market price refers to the lowest level of a number of price quotations of the Raw Materials to be obtained from a representative pool of independent suppliers (or specified internet website) on the relevant procurement day.
2. Not less favourable than the market price level available from independent third parties prevailing around the date of the Joint Venture Contract.
3. Not less favourable than the market price level available from independent third parties prevailing around the date of the Joint Venture Contract.

The Company currently estimates that the annual aggregate amount of the Raw Materials to be purchased by the JV Company from Xue Hua will not exceed the maximum cap of RMB120,000,000 (equivalent to approximately HK\$115,384,615) for each of the three financial years ending 31 December 2008. This estimate was based on (a) the actual production volume of Xue Hua by using the Assets in June of 2005, (b) the anticipated production capacity of the JV Company, and (c) the estimated amount of Raw Materials which may be required by the JV Company for producing GA in the forthcoming three financial years.

As the annual cap represents more than 2.5% of each of the applicable percentage ratios (as defined in the Listing Rules) of the Company and the annual consideration is more than HK\$10,000,000, the Raw Materials Purchase Agreement will be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

REASONS FOR ENTERING INTO THE JOINT VENTURE CONTRACT AND THE AGREEMENTS

The Directors are of the view that the entering into of the Joint Venture Contract and the Agreements will allow the Group to establish a channel source in the PRC for the supply of GA and MSG to be used by the Group in the PRC. Further, Xue Hua is a company which produces GA and MSG and is strategically located in Jining of the Shandong Province of the PRC where there is abundant natural resources and cost-competitive utility resources for the production of GA and MSG. The establishment of the JV Company with Xue Hua and the entering into of the Agreements will provide cost benefits to the Group for its GA and MSG manufacturing businesses. The acquisition of the Assets and the entering into of the General Services Agreement, the Technology Services Agreement and the Raw Materials Purchase Agreement will enable the JV Company to operate its GA and MSG manufacturing businesses immediately upon its establishment.

LETTER FROM THE BOARD

The Directors are also of the view that the entering into of the Joint Venture Contract and the Agreements are in the ordinary course of business of the Group after negotiated on an arm's length basis and the terms and conditions of such agreements are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole.

INFORMATION ABOUT XUE HUA

Xue Hua is a company established in the PRC and its principal business is the production of GA, starch and fertilizer in the PRC.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Xue Hua and its ultimate beneficial owners are independent third parties and not connected persons of the Company as at the date of this announcement.

Upon the establishment of the JV Company, the JV Company becomes a 70% non wholly-owned subsidiary of the Company, and Xue Hua, which holds 30% of the equity interest in the JV Company, becomes a connected person of the Company under Chapter 14A of the Listing Rules.

INFORMATION ABOUT THE GROUP

The current principal activities of the Group are the manufacturing of fermentation-based amino acids, food additive products and cassava starch based products in Asia.

The JV Company becomes a subsidiary of the Company upon its establishment.

The Directors believe that the establishment of the JV Company and completion of the Assets Transfer Agreement and the Raw Materials Purchase Agreement would not have any significant effect on the Group's earnings and assets and liabilities.

REGULATORY ASPECTS

As each of the applicable percentage ratios (as defined in the Listing Rules) for the Joint Venture Contract is more than 5% but less than 25% under Rule 14.07 of the Listing Rules, the entering into of the Joint Venture Contract by Ordino constitutes a discloseable transaction under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and circular requirements under Chapter 14 of the Listing Rules.

Upon the establishment of the JV Company, the JV Company becomes a 70% non wholly-owned subsidiary of the Company, and Xue Hua holds 30% of the equity interest in the JV Company, and is therefore regarded as a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the entering into of each of the Agreements constitutes connected or continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the JV Company has been duly established and the General Services Agreement, the Assets Transfer Agreement and the Raw Materials Purchase Agreement have been entered into respectively.

As each of the applicable percentage ratios (as defined in the Listing Rules) for the transactions under the General Services Agreement is less than 0.1%, the General Services Agreement will therefore be exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios (as defined in the Listing Rules) for the transactions under the Technology Services Agreement is less than 2.5%, the Technology Services Agreement will be subject to the reporting and announcement requirements but will be exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios (as defined in the Listing Rules) for the transactions under the Assets Transfer Agreement is more than 2.5% and the total consideration will be more than HK\$10,000,000, the Assets Transfer Agreement will be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Furthermore, as each of the applicable percentage ratios (as defined in the Listing Rules) for the transactions under the Assets Transfer Agreement is more than 5% but less than 25%, the Assets Transfer Agreement also constitutes a discloseable transaction under Chapter 14 of the Listing Rules and will be subject to the reporting, announcement and circular requirements under Chapter 14 of the Listing Rules.

As each of the applicable percentage ratios (as defined in the Listing Rules) for the transactions under the Raw Materials Purchase Agreement is more than 2.5% and the annual consideration will be more than HK\$10,000,000, the Raw Materials Purchase Agreement will be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since no Shareholder is required to abstain from voting at the general meeting for the approval of the Assets Transfer Agreement and the Raw Materials Purchase Agreement, and the Company has obtained a written approval from Billion Power, King International, Concord Worldwide, High Capital and DBS Trustee Limited, a closely allied group of Shareholders who together hold 884,563,097 Shares (representing more than 50% in nominal value of the Company's issued shares) as at the Latest Practicable Date, having the right to attend and vote at the Company's general meeting to approve the Assets Transfer Agreement and the Raw Materials Purchase Agreement, the Company has applied to the Stock Exchange for acceptance of such written approval in lieu of holding a general meeting of the Company pursuant to Rule 14A.43 of the Listing Rules and the Stock Exchange has granted its approval to the Company. Consequently, no general meeting of the Company will be convened for the approval of the Assets Transfer Agreement and the Raw Materials Purchase Agreement.

LETTER FROM THE BOARD

GENERAL

The Independent Board Committee has been formed to advise the Independent Shareholders on the Assets Transfer Agreement and the Raw Materials Purchase Agreement.

The IFA has been appointed to advise the Independent Board Committee and the Independent Shareholders on whether the terms of each of the Assets Transfer Agreement and the Raw Materials Purchase Agreement are on normal commercial terms, in the ordinary and usual course of business of the Company, and whether the terms of each of the Assets Transfer Agreement and the Raw Materials Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The IFA considers that the terms of the Assets Transfer Agreement are fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole. The IFA also considers that the terms of the Raw Materials Purchase Agreement (including the annual cap) are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. The text of the letter of the advice from the IFA is set out on pages 20 to 36 of this circular.

The Independent Board Committee, having taken into account the advice of the IFA, considers the Assets Transfer Agreement and the Raw Materials Purchase Agreement fair and reasonable and in the interests of the Company and the Shareholders as a whole. The full text of the letter from the Independent Board Committee is set out on page 19 of this circular.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

By Order of the Board
Vedan International (Holdings) Limited
Yang, Kun-Hsiang
Executive Director



INTERNATIONAL

VEDAN INTERNATIONAL (HOLDINGS) LIMITED

味丹國際（控股）有限公司

(Incorporated under the laws of the Cayman Islands with limited liability)

(Stock Code: 2317)

15 February 2006

To the Independent Shareholders

Dear Sir or Madam,

**ESTABLISHMENT OF A JOINT VENTURE COMPANY
DISCLOSEABLE TRANSACTIONS,
CONNECTED TRANSACTIONS
AND CONTINUING CONNECTED TRANSACTIONS**

We have been appointed as members of the Independent Board Committee to advise you in connection with the Assets Transfer Agreement and the Raw Materials Purchase Agreement, details of which are set out in the letter from the Board in a circular dated 15 February 2006, to the Shareholders (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Your attention is drawn to the “Letter from the IFA”, concerning its advice to us regarding the fairness and reasonableness of the terms and conditions of the Assets Transfer Agreement and the Raw Materials Purchase Agreement as set out on pages 20 to 36 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 6 to 18 of the Circular and the additional information set out in the appendices to the Circular.

Having considered the advice of the IFA, we consider the terms and conditions of (a) the Assets Transfer Agreement to be fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and its Shareholders and (b) the Raw Materials Purchase Agreement (including the annual cap) to be fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole.

Yours faithfully,

Vedan International (Holdings) Limited

Mr. Chao, Pei-Hong Ms. Chuang, Shu-Fen Mr. Ko, Jim-Chen

Independent Board Committee

LETTER FROM PARTNERS CAPITAL

The following is the full text of the letter of advice to the Independent Board Committee and the Independent Shareholders from Partners Capital International Limited dated 15 February 2006 prepared for incorporation in this circular.

 博大資本國際有限公司
Partners Capital International Limited

Partners Capital International Limited
Room 1305, 13th Floor
9 Queen's Road Central
Hong Kong

15 February 2006

*To the Independent Board Committee
and the Independent Shareholders*

Dear Sirs,

ESTABLISHMENT OF A JOINT VENTURE COMPANY DISCLOSEABLE TRANSACTIONS, CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Assets Transfer Agreement and the Raw Materials Purchase Agreement, particulars of which are set out in the letter from the Board (the "Letter from the Board") of this circular to the Shareholders dated 15 February 2006 (the "Circular") and in which this letter is reproduced. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

On 22 December 2005, Ordino and Xue Hua entered into a joint venture contract to set up the JV Company in the PRC for the development and manufacturing of GA and MSG in the PRC. Pursuant to the Joint Venture Contract, the JV Company, Ordino and/or Xue Hua have entered into or would enter into, among others, the Assets Transfer Agreement and the Raw Materials Purchase Agreement. Details of the Assets Transfer Agreement and the Raw Materials Purchase Agreement are set out in the Letter from the Board.

Upon the establishment of the JV Company, Xue Hua holds 30% of the equity interest in the JV Company, and is regarded as a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, each of the Agreements constitutes connected or continuing connected transactions for the Company. In particular, each of the Assets Transfer Agreement and the Raw Materials Purchase Agreement is subject to approval by the Independent Shareholders. Accordingly, the Independent Board Committee has been established to advise the Independent Shareholders on the Assets Transfer Agreement and the Raw Materials Purchase Agreement. Partners Capital has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the terms of Assets Transfer Agreement and the Raw Materials Purchase Agreement.

LETTER FROM PARTNERS CAPITAL

Partners Capital is not connected with the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries or their respective associates and is independent pursuant to Rule 13.84 of the Listing Rules and is therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. Apart from normal professional fees payable to Partners Capital in connection with this appointment, no arrangement exists whereby Partners Capital will receive any fees or benefits from the Company or the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries or their respective associates.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the date of the Circular. We have also relied on our discussion with the management of the Company regarding the Group and the respective terms of the Assets Transfer Agreement and the Raw Materials Purchase Agreement, including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group (including the Company and Ordino), Xue Hua, the JV Company and their respective associates nor have we carried out any independent verification of the information supplied.

ASSETS TRANSFER AGREEMENT

Principal factors and reasons considered

In arriving at our opinion regarding the terms of the Assets Transfer Agreement, we have considered the following principal factors and reasons:

1. Background of and reasons for entering into the Assets Transfer Agreement

The current principal activities of the Group are the manufacturing of fermentation-based amino acids, food additive products and cassava starch based products. Upon enquiry, we were advised by the Company that the major production base of the Group is situated in Vietnam. At present, the Group has also set up two MSG factories respectively in Shanghai and Xiamen, the PRC.

As set out in the Letter from the Board, the Directors are of the view that the entering into of the Joint Venture Contract and the Agreements will allow the Group to establish a channel source in the PRC for the supply of GA and MSG to be used by the Group in the PRC. The acquisition of the assets by the JV Company from Xue Hua

LETTER FROM PARTNERS CAPITAL

under the Assets Transfer Agreement (the “Assets”) and the entering into of the other Agreements will enable the JV Company to operate its GA and MSG manufacturing businesses immediately upon its establishment.

As part of our due diligence exercise, we have paid a visit to the factory site of the JV Company in Jining, Shangdong Province, the PRC, which is geographically adjacent to other factories of Xue Hua engaged in the production of GA, starch and fertiliser. During our visit, we discussed with the management of Xue Hua and were advised that Xue Hua was established in 1982 and is one of the largest suppliers of GA in the PRC. The management of Xue Hua attributed the competitive advantages of Xue Hua to the abundant supply of agricultural resources (together with cost-competitive utility resources) in Shangdong Province such as starch, which represents a raw material for the production of GA.

Based on our discussion with the Company, we noted that GA is the essential raw material for the downstream production of MSG, which in turn represents the core finished product of the Group. We were advised that the Group has been sourcing GA from Xue Hua since 2003 and the Group has established not less than two years of good business relationship with Xue Hua before a further step of co-operation (by way of establishing a joint venture) is decided. On the above basis, the establishment of the JV Company with Xue Hua and the entering into of the Agreements may serve to provide cost benefits, secure stable raw material supplies, and optimise the supply chain logistics for the Group relating to its GA and MSG manufacturing businesses (in Shanghai and Xiamen).

Against all the background as stated above, we consider that there is an acceptable rationale for the Group to enter into the Assets Transfer Agreement, which is to facilitate the operation of the JV Company immediately upon its establishment. We further note that the establishment of the JV Company is in line with the then future development plan of “forming strategic alliances with amino acids producers with access to low cost raw materials in the PRC” as set out in the prospectus of the Company dated 17 June 2003. We also note that the Group has a track record of investing in another MSG factory in Shanghai in May 2004 for expanding the Group’s sales in the PRC market.

2. Information of the Assets

The Assets consist of certain factory buildings and equipment situated in Jining, Shangdong Province, the PRC, which are to be utilised by the JV Company for the production of GA and MSG for supply to the Group in the PRC.

We have reviewed the “Property Valuation Report” and the “Plant and Machinery Valuation Report” as set out in Appendix I to the Circular. We have discussed with CB Richard Ellis on the same and note that the original aggregate purchase cost of the Assets to Xue Hua is RMB95,160,000 (approximately HK\$91,500,000). We note that the buildings and structures portion of the Assets were completed between 2003 and 2004. We further note that the equipment portion of the Assets were built/installed in 2003 and commissioned in 2004 (as to GA manufacturing factory and crystal transfer

LETTER FROM PARTNERS CAPITAL

factory) or newly acquired firsthand with manufacturing dates ranging from late 2004 to early 2005 (as to MSG refinery factory). We were confirmed by the Company that none of the Assets are at present under mortgage or pledge or finance lease.

According to the "Property Valuation Report" as set out in Appendix I to the Circular, we note that the relevant building ownership certificates of the buildings and structures portion of the Assets had not yet been duly obtained. According to the relevant PRC legal adviser and the Assets Transfer Agreement, the relevant building ownership certificates are still under application and are scheduled to be obtained within 90 days after the date of signing of the Assets Transfer Agreement, failing which the Assets Transfer Agreement shall terminate automatically in the absence of any payment of the consideration payable under the same agreement and the JV Company shall be dissolved. The PRC legal opinion further states that after due inquiry and to the best of their knowledge, there are no legal obstacles for obtaining the relevant building ownership certificates of the buildings and structures portion of the Assets, based upon (i) the due fulfillment of the relevant application and approval procedures, (ii) the entering into of the grant contract of the state-owned land use right with the governmental administration bureau in charge and (iii) the payment of all relevant land premium and taxes/fees (e.g. contract tax, registration fee, transaction fee) by the JV company in accordance with the relevant laws and regulations (estimated by the Company to be a total of approximately RMB4,050,000 (approximately HK\$3,894,231; out of which as to (i) approximately RMB3,430,000 (approximately HK\$3,298,077) represents the land premium, (ii) approximately RMB106,000 (approximately HK\$101,923) represents the taxes/fees for obtaining the relevant land title, and (iii) the balance of approximately RMB514,000 (approximately HK\$494,231) represents the taxes/fees related for obtaining the relevant building title), which, however, should be possibly adjusted by the relevant governmental authorities from time to time subject to the local governmental policies). We were further confirmed by CB Richard Ellis that the professional valuation of only the buildings and structures portion of the Assets was RMB14.5 million (approximately HK\$13.9 million) as at 31 December 2005, which was made without accounting for the taxes/fees related for obtaining the relevant building ownership certificates (let alone all relevant land premium and taxes/fees for obtaining the land use right certificate on which the buildings and structures portion of the Assets are erected). In case the relevant building ownership certificates cannot be obtained within 90 days after the date of signing of the Assets Transfer Agreement, we were advised by the Company that the JV Company would rely on the aforesaid automatic termination clause under the Assets Transfer Agreement to protect its interests as purchaser.

Upon enquiry, we were advised by the Company that other than all relevant land premium and the governmental fees and taxes (e.g. contract tax, registration fee, application fee) payable for the purpose of obtaining (i) the land use right certificates of the land on which the buildings and structures portion of the Assets are erected and (ii) the building ownership certificates of the buildings and structures portion of the Assets, no material capital expenditure/commitment, contingent liabilities, guarantee, covenant, or other exposures are expected to be incurred on the part of the JV Company or the Group in relation to the Assets transferred thereto upon completion of the Assets Transfer Agreement.

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Given that the core product of the Group is MSG (whereas that of Xue Hua is GA), we have obtained further confirmation of the Company (to its best knowledge) that other than the JV Company which produces both GA and MSG, there are no similar assets or businesses which are competing in nature with the Group remaining to be held by Xue Hua after completion of the Assets Transfer Agreement. Pursuant to the Joint Venture Contract, we further note that Ordino is entitled to a first right of refusal in the event Xue Hua proposes to jointly cooperate with any other entity (except for any investment fund and other entity which is not principally engaged in the production of MSG business) to engage in the business of MSG production in the PRC (other than Xue Hua is entitled to, on its own, directly engage in MSG production in the PRC).

3. Basis of the consideration

As set out in the Letter from the Board, the consideration payable under the Assets Transfer Agreement is RMB96,480,000 (approximately HK\$92,769,231), which was principally determined with reference to the valuation reports of the Assets prepared by an independent valuer appointed by Ordino and having taken into account the profit guarantee to be provided by Xue Hua to the JV Company under the Raw Materials Purchase Agreement. We were advised by the Company and the relevant PRC legal adviser that the said consideration payable under the Assets Transfer Agreement of RMB96,480,000 (approximately HK\$92,769,231) has not yet included all relevant land premium and taxes/fees (e.g. contract tax, registration fee, application fee) payable by the JV Company for obtaining both (i) the land use right certificate of the land on which the buildings and structures portion of the Assets are erected and (ii) the relevant building ownership certificates of the buildings and structures portion of the Assets. As advised by the relevant PRC lawyer, the process of applications for the said land title and building title had been commenced by the JV Company, and there are no legal obstacles for obtaining the same (after due inquiry and to the best of their knowledge), based upon (i) the due fulfillment of the relevant application and approval procedures, (ii) the entering into of the grant contract of the state-owned land use right with the governmental administration bureau in charge and (iii) the payment of all relevant land premium and taxes/fees by the JV company in accordance with the relevant laws and regulations (estimated by the Company to be a total of approximately RMB4,050,000 (approximately HK\$3,894,231), which, however, should be possibly adjusted by the relevant governmental authorities from time to time subject to the local governmental policies). The Company confirmed that the said land premium and taxes/fees will be funded by bank borrowing to be obtained by the JV Company.

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According to the “Property Valuation Report” and the “Plant and Machinery Valuation Report” as set out in Appendix I to the Circular, we note that CB Richard Ellis has arrived at the valuation of the Assets by way of adopting the cost approach. We have discussed with CB Richard Ellis on this valuation methodology and further note that both the market approach and the income approach were excluded for the purpose of valuing the Assets. Details of the valuation methodologies considered by CB Richard Ellis in valuing the Assets are summarised as follows:

	Cost approach	Market approach	Income approach
<i>Buildings or structures</i>	<ul style="list-style-type: none"> ● The depreciated replacement cost approach considers the cost to reproduce or replace in new condition the property appraised in accordance with current construction costs for similar property in the locality, with allowance for accrued depreciation as evidence by observed condition or obsolescence present, whether arising from physical, functional or economics causes 	<ul style="list-style-type: none"> ● Excluded due to absence of market information regarding sales and purchases of large industrial complexes similar to the buildings and structures comprising the Assets 	<ul style="list-style-type: none"> ● Excluded due to insufficient financial data being available
<i>Equipment</i>	<ul style="list-style-type: none"> ● Considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence present (physical, functional or economic), taking into consideration past and present maintenance policy and rebuilding history 	<ul style="list-style-type: none"> ● Excluded due to absence of market information regarding sales and purchases of large industrial facilities similar to the equipment comprising the Assets 	<ul style="list-style-type: none"> ● Excluded due to insufficient financial data being available

Upon review, we consider that the valuation methodology adopted by CB Richard Ellis is generally in line with market practice of valuing tangible assets such as buildings and equipment.

We note that CB Richard Ellis has concluded its independent professional valuation of the Assets at 31 December 2005 to be RMB95,812,000 (approximately HK\$92,126,923) without accounting for the taxes/fees related for obtaining the relevant building title of approximately RMB514,000 (approximately HK\$494,231). For comparison purpose, assuming that the said taxes/fees related for obtaining the relevant building title (which are the extra costs to be incurred by the JV Company as purchaser for the Assets) are to be added into each of (i) the professional valuation of the Assets and (ii) the announced consideration payable under the Assets Transfer Agreement of RMB96,480,000 (approximately HK\$92,769,231), the adjusted professional valuation of the Assets would have been RMB96,326,000 (approximately HK\$92,621,154) and the adjusted consideration payable for the acquisition of the Assets would have been RMB96,994,000 (approximately HK\$93,263,462). Upon comparison, we note that the adjusted consideration payable under the Assets Transfer Agreement exceeds the adjusted valuation by RMB668,000 (approximately HK\$642,308), representing a slight premium of approximately 0.7%.

LETTER FROM PARTNERS CAPITAL

On the sole basis that the adjusted consideration payable for the acquisition of the Assets represents a slight premium over the adjusted independent professional valuation, we do not consider that the consideration payable to Xue Hua under the Assets Transfer Agreement is very attractive. However, (i) taking into further account that there is a profit guarantee to be provided by Xue Hua to the JV Company under the Raw Materials Purchase Agreement (which covers a sizeable amount of up to RMB71.42 million (approximately HK\$68.67 million)); (ii) in view that the adjusted consideration payable for the acquisition of the Assets represents a slight premium of only 0.7% over the adjusted professional valuation; and (iii) the fact that the transactions under the Agreements are incidental to the establishment of the JV Company, we are of the view that the consideration payable under the Assets Transfer Agreement can be fair and reasonable.

4. Financial effects of the acquisition of the Assets

As stated in the “Letter from the Board” of the Circular and as advised by the Company, the consideration payable under the Assets Transfer Agreement will be satisfied by cash in Renminbi in full and will be funded by the registered capital of the JV Company (injected by Ordino and to be injected by Xue Hua) and bank borrowing by the JV Company which is being arranged.

According to the interim report of the Company for the year ended 30 June 2005, the net assets of the Group amounted to approximately US\$233,292,000 (approximately HK\$1,819,677,600) as at 30 June 2005, inclusive of cash and cash equivalents of approximately US\$20,415,000 (approximately HK\$159,237,000). The effective consideration shared by the Company (via Ordino as 70% controlling owner of the JV Company) under the Assets Transfer Agreement is RMB67,895,800 (approximately HK\$65,284,423) after accounting for the taxes/fees related for obtaining the relevant building title of approximately RMB514,000 (approximately HK\$494,231), which represents approximately 3.6% and 41.0% of the Group’s net assets and cash and cash equivalent respectively.

Having considered the rationale of the acquisition of the Assets as set out in the paragraph headed “Background of and reasons for entering into the Assets Transfer Agreement”, and taking into an overall account of the establishment of the JV Company in which the Company (via Ordino) is the 70% controlling owner, we consider that the utilisation of cash resources of the Group is justifiable.

We have discussed with the Company on the accounting treatment of booking the Assets. As advised by the Company (after consultation with its auditors), the Assets will initially be booked “at cost” based on the consideration payable under the Assets Transfer Agreement (instead of “at valuation”) in compliance with HKAS16. However, in subsequent periods, the Company can choose to measure the property, plant and equipment either “at cost” or “at revaluation”, subject further to impairment test in compliance with HKAS36. On such basis, we were advised by the Company that completion of the acquisition of the Assets alone will not have initial effect on the net assets of the Group. However, subject to any change in choosing the aforesaid mode of measurement, and subject to the result of the impairment test, the Assets may have an impact on the financial position of the Group in subsequent periods.

LETTER FROM PARTNERS CAPITAL

RECOMMENDATION FOR THE ASSETS TRANSFER AGREEMENT

Having considered the above factors, in particular,

- (i) the background of and the reasons for the Group to enter into the Assets Transfer Agreement, namely, to transfer certain factory buildings and equipment to be utilised by the JV Company for the production of GA and MSG for supply to the Group in the PRC; and
- (ii) despite the slight premium of approximately 0.7% as represented by the adjusted consideration payable under the Assets Transfer Agreement over the adjusted independent professional valuation of the Assets by CB Richard Ellis, there is a profit guarantee to be provided by Xue Hua to the JV Company under the Raw Materials Purchase Agreement which covers a sizeable amount of up to RMB71.42 million (approximately HK\$68.67 million),

we consider that the terms of the Assets Transfer Agreement are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Since no Shareholder is required to abstain from voting at the general meeting for the approval of the Assets Transfer Agreement, the Company has obtained a written approval from a closely allied group of Shareholders who together hold more than 50% in nominal value of the Company's issued shares as at the Latest Practicable Date, having the right to attend and vote at the Company's general meeting to approve the Assets Transfer Agreement. The Company has applied to the Stock Exchange for acceptance of such written approval in lieu of holding a general meeting of the Company pursuant to Rule 14A.43 of the Listing Rules and the Stock Exchange has granted its approval to the Company. Consequently, no general meeting of the Company will be convened for the approval of the Assets Transfer Agreement.

RAW MATERIALS PURCHASE AGREEMENT

Principal factors and reasons considered

In arriving at our opinion regarding the terms of the Raw Materials Purchase Agreement, we have considered the following principal factors and reasons:

- 1. Background of and reasons for entering into the Raw Materials Purchase Agreement***

The current principal activities of the Group are the manufacturing of fermentation-based amino acids, food additive products and cassava starch based products. Upon enquiry, we were advised by the Company that the major production base of the Group is situated in Vietnam. At present, the Group has also set up two MSG factories respectively in Shanghai and Xiamen, the PRC.

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As set out in the Letter from the Board, the Directors are of the view that the entering into of the Joint Venture Contract and the Agreements will allow the Group to establish a channel source in the PRC for the supply of GA and MSG to be used by the Group in the PRC. The acquisition of the Assets and the entering into of the Agreements will enable the JV Company to operate its GA and MSG manufacturing businesses immediately upon its establishment.

As part of our due diligence exercise, we have paid a visit to the factory site of the JV Company in Jining, Shangdong Province, the PRC, which is geographically adjacent to other factories of Xue Hua engaged in the production of GA, starch and fertiliser. During our visit, we discussed with the management of Xue Hua and were advised that Xue Hua was established in 1982 and is one of the largest suppliers of GA in the PRC. The management of Xue Hua attributed the competitive advantages of Xue Hua to the abundant supply of agricultural resources (together with cost-competitive utility resources) in Shangdong Province such as starch, which represents a raw material for the production of GA.

Based on our discussion with the Company, we noted that GA is the essential raw material for the downstream production of MSG, which in turn represents the core finished product of the Group. We were advised that the Group has been sourcing GA from Xue Hua since 2003 and the Group has established not less than two years of good business relationship with Xue Hua before a further step of co-operation (by way of establishing a joint venture) is decided. On the above basis, the establishment of the JV Company with Xue Hua and the entering into of the Agreements may serve to provide cost benefits, secure stable raw material supplies, and optimise the supply chain logistics for the Group relating to its GA and MSG manufacturing businesses (in Shanghai and Xiamen).

Against all the background as stated above, we consider that there is an acceptable rationale for the Group to enter into the Raw Materials Purchase Agreement, which is to facilitate the operation of the JV Company immediately upon its establishment. We further note that the establishment of the JV Company is in line with the then future development plan of “forming strategic alliances with amino acids producers with access to low cost raw materials in the PRC” as set out in the prospectus of the Company dated 17 June 2003. We also note that the Group has a track record of investing in another MSG factory in Shanghai in May 2004 for expanding the Group’s sales in the PRC market.

2. Key terms of the Raw Materials Purchase Agreement

(i) Subject matter

Pursuant to the Raw Materials Purchase Agreement, we note that Xue Hua should prioritise its supplies of raw materials concerned to the JV Company, failing which the JV Company is entitled to claim reasonable damages from Xue Hua (in terms of cost differential or otherwise).

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On a reciprocal basis, the JV Company should prioritise its procurement of raw materials concerned from Xue Hua based on a monthly purchase order (specifying the actual quantity and pricing) to be ascertained from time to time, failing which Xue Hua is entitled to claim reasonable damages from the JV Company (in terms of cost differential or otherwise).

Upon enquiry for a full list of raw materials to be purchased from Xue Hua under the Raw Materials Purchase Agreement (“Raw Materials”), we were confirmed by the Company that there are only four types of Raw Materials, which are namely (i) starch, (ii) sulfuric acid, (iii) steam and (iv) electricity.

(ii) Pricing policy

As far as the pricing policy of the Raw Materials Purchase Agreement is concerned, we note that the price of the Raw Materials payable by the JV Company to Xue Hua shall be determined in accordance with pre-defined formulae and with reference to the relevant market price. To be specific, the pre-defined formula for each of the four Raw Materials concerned is typically based on the relevant market price or a level no less favourable than the market price (to be deducted by a fixed sum of transportation cost or packaging cost (where applicable), or to be adjusted in line with the market coal price as prevailing from time to time). Pursuant to the Raw Materials Purchase Agreement, the relevant market price refers to the lowest level of a number of price quotations of the Raw Materials concerned to be obtained from a representative pool of independent suppliers (or specified internet website) on the relevant date of procurement.

Upon enquiry, we were advised by the Company that although the four types of Raw Materials are available to the JV Company for procurement from third parties other than Xue Hua, there are advantages to the JV Company for procuring Raw Materials from Xue Hua in terms of enjoying:

- (a) a cost level lower than the market price level available from other independent suppliers given the geographical proximity of Xue Hua with the location of the JV Company, thereby saving the relevant transportation cost or packaging cost;
- (b) a stable source of supply of bulky quantity as may be demanded by the JV Company from time to time, given the mechanism of obligating Xue Hua to prioritise such supply based on a monthly purchase order to be ascertained; and
- (c) more reliable quality control because Xue Hua (as supplier) at the same time has similar interests with the JV Company given that Xue Hua (as owner) is also interested in 30% equity interests of the JV Company.

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(iii) Profit guarantee

Under the Raw Materials Purchase Agreement and as set out in the Letter from the Board, Xue Hua will guarantee to the JV Company that in the event of GA products produced by the JV Company utilising the Raw Materials reaching 25,000 tonnes per annum (no guarantee will be provided if the GA products produced do not reach 25,000 tonnes per annum), the lower of the following:

- (a) the average profit before tax for each tonne (i.e. the average selling price minus the average production costs and all related selling expenses) of such GA products will be not less than RMB450; or
- (b) the annual profit before tax for such GA products produced will reach RMB11,470,000 (approximately HK\$11,028,846),

and Xue Hua will reimburse the shortfall to the JV Company, up to a maximum term of 5 years and an amount of RMB71,420,000 (approximately HK\$68.67 million) (which includes the service fees payable by Xue Hua to Ordino under the Technology Services Agreement) or RMB60,570,000 (approximately HK\$58.24 million) (which excludes the service fees under the Technology Services Agreement). The Company will comply with the requirements under Rule 14A.57 of the Listing Rules, pursuant to which the Company must publish an announcement in the newspapers if the said actual profit before tax is less than the amount guaranteed.

Upon enquiry, we understand from the Company that the threshold of 25,000 tonnes per annum (below which no profit guarantee will be provided) was arrived at with reference to a minimum level of production volume expected to result in reasonable economies of scale for operation of GA factory of comparable nature.

Upon enquiry, we further understand from the Company that the guarantee of average profit before tax of RMB450 per tonne of GA products under point (a) above was arrived at with reference to the actual achievement of Xue Hua back in June 2005.

Upon further enquiry, we understand from the Company that the annual benchmark of RMB11,470,000 (approximately HK\$11,028,846) for the profit guarantee under point (b) above was set by multiplying the average profit before tax for each tonne of GA products of not less than RMB450 by 25,500 tonnes per annum. We note that such basis has accounted for a small buffer of 2% of 500 tonnes on top of the said threshold of 25,000 per annum.

As confirmed by the Company, most of the raw materials and utility required by the JV Company are scheduled to be solely supplied by Xue Hua under the Raw Materials Purchase Agreement. In other words, the JV Company would not, to a significant extent, purchase materials from other parties. On such basis, any purchases of materials from other parties might not significantly affect the total costs of the JV Company. Accordingly, it was the commercial decision of Xue

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Hua to be willing to, and confident in, guaranteeing the “net profit” after accounting for the total purchase costs (without the need to carve out specifically those attributable to purchases from Xue Hua) even though the JV Company may purchase materials from other parties.

However, pursuant to the Raw Materials Purchase Agreement, we further note that the profit guarantee is subject to a time limit of five-year period and is also subject to a maximum guarantee amount of RMB71.42 million (approximately HK\$68.67 million) (which includes the service fees payable by Xue Hua to Ordino under the Technology Services Agreement). Upon enquiry, we understand from the Company that such maximum guarantee amount of RMB71.42 million (approximately HK\$68.67 million) was arrived at with reference to relevant consideration for the acquisition of GA manufacturing factory (together with crystal transfer factory) and the related equipment by the JV Company from Xue Hua as one of the Assets under the Assets Transfer Agreement. Pursuant to the Raw Materials Purchase Agreement, Independent Shareholders should note that the relevant profit guarantee (at a maximum of RMB71.42 million (approximately HK\$68.67 million)), if actually triggered in part or in full, would be settled by way of off-setting equivalent payments payable by the JV Company to Xue Hua for the purchases of the Raw Materials from time to time. In any event, we consider that the profit guarantee to be provided by Xue Hua which covers a sizeable amount of up to RMB71.42 million (approximately HK\$68.67 million) is a sweetener for the JV Company to purchase Raw Materials from Xue Hua under the Raw Materials Purchase Agreement and is in the interests of the JV Company.

(iv) Time tenure

The Raw Materials Purchase Agreement will take effect from the date of approval by the relevant authority in the PRC, subject to the establishment of the JV Company and the approval of the Shareholders (if required) having been obtained, for a period of 3 years (with the JV Company’s right to renew for a successive term of 3 years each until the end of the term of the JV Company subject to compliance with the relevant requirements under the Listing Rules).

(v) Sale from the JV Company to Ordino (or its associates)

Pursuant to the Raw Materials Purchase Agreement, we note that Xue Hua is entitled to claim reasonable damages from the JV Company (in terms of cost differential or otherwise) in case the JV Company sells products to Ordino (including the Group) at a price level lower than the then average selling price available from Xue Hua of comparable product.

Upon enquiry, we were advised by the Company that this is a safeguarding clause imposed by Xue Hua for the purpose of avoiding its interests (as a minority owner of the JV Company) being jeopardized by Ordino (as the 70% controlling owner of the JV Company) by way of transfer pricing. We consider this arrangement to be acceptable, especially after taking into further account that

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there is a profit guarantee to be provided by Xue Hua to the JV Company which covers a sizeable amount of up to RMB71.42 million (approximately HK\$68.67 million).

3. Annual cap of the Raw Materials to be purchased

The Company currently estimates that the annual aggregate amount of the Raw Materials to be purchased by the JV Company from Xue Hua will not exceed the maximum cap of RMB120,000,000 (approximately HK\$115,384,615) for each of the three financial years ending 31 December 2008.

For the purpose of assessing whether such maximum cap is justifiable, we analyse the basis of arriving at such cap amount in term of two constituting components, namely “quantity” and “price”:

(i) Quantity

Pursuant to the Raw Materials Purchase Agreement, the maximum quantity of Raw Materials to be purchased by the JV Company from Xue Hua from 2006 to 2008 is summarised below:

Raw materials	Maximum quantity
(a) starch	60,000 tonnes/year
(b) sulfuric acid	25,000 tonnes/year
(c) steam	Depend on the actual need of the JV Company (Note 1)
(d) electricity	Depend on the actual need of the JV Company (Note 2)

Notes:

1. estimated at a fixed level of tonnes/year for the purpose of arriving at the annual cap
2. estimated at a fixed level of kWh/year for the purpose of arriving at the annual cap

Upon discussion with the Company, we understand that the maximum quantity of Raw Materials to be purchased from 2006 to 2008 were determined with reference to (a) the actual production volume of Xue Hua by using the Assets in June of 2005, (b) the anticipated production capacity of the JV Company, and (c) the estimated amount of Raw Materials which may be required by the JV Company for producing GA (as expected to be predominantly demanded from the Group for its onward downstream production of MSG in the PRC) in the forthcoming three financial years. We further understand from the Company that the expected demand from the Group may mainly stem from the Group’s other production factories in Shanghai and Xiamen, the PRC.

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On the above basis, we consider that there is a pre-defined basis in arriving at the quantity of Raw Materials to be purchased from 2006 to 2008 for the purpose of determining the annual cap.

(ii) *Price*

Pursuant to the Raw Materials Purchase Agreement and as further advised by the Company, the actual price of Raw Materials to be purchased by the JV Company from Xue Hua from 2006 to 2008 is summarised below:

Raw materials	Purchase price
(a) starch	the relevant market price (<i>Note 3</i>) to be deducted by a fixed sum of (1) drying cost per tonne and (2) packaging cost per tonne
(b) sulfuric acid	the relevant market price (<i>Note 3</i>) to be deducted by a fixed sum of transportation cost per tonne
(c) steam	the relevant assigned price level of steam (<i>Note 4</i>) to be adjusted proportionately if triggered by a 10% movement of the market coal price from the then market level prevailing around the date of the Joint Venture Contract
(d) Electricity	the relevant assigned price level of electricity (<i>Note 5</i>) to be adjusted proportionately if triggered by a 10% movement of the market coal price from the then market level prevailing around the date of the Joint Venture Contract

Notes:

3. The relevant market price refers to the lowest level of a number of price quotations of the Raw Materials to be obtained from a representative pool of independent suppliers (or specified internet website) on the relevant procurement day
4. Not less favourable than the market price level available from independent third parties prevailing around the date of the Joint Venture Contract
5. Not less favourable than the market price level available from independent third parties prevailing around the date of the Joint Venture Contract

For the purpose of determining the annual cap, we were confirmed by the Company that a 10% buffer on top of the prevailing purchase price of each of starch and sulfuric acid (being items (a) and (b) as tabulated above) is added as allowance for possible increase of raw material cost.

On the above basis, and given that the purchase price to be adopted is typically the relevant market price or no less favourable than the market price (to be deducted by a fixed sum of transportation cost or packaging cost (where applicable), or to be adjusted in line with the market coal price), we consider that

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there is a pre-defined and justifiable basis in arriving at the price of Raw Materials to be purchased from 2006 to 2008 for the purpose of determining the annual cap.

(iii) Maximum cap

Having regard to

- (i) the pre-defined basis of determining the maximum quantity of Raw Materials to be purchased with reference to (a) the actual production volume of Xue Hua by using the Assets in June of 2005, (b) the anticipated production capacity of the JV Company, and (c) the estimated amount of Raw Materials which may be required by the JV Company for producing GA (as expected to be predominantly demanded from the Group for its onward downstream production of MSG in the PRC) in the forthcoming three financial years;
- (ii) the pre-defined basis in arriving at the price of Raw Materials to be purchased from 2006 to 2008 (which represents typically the relevant market price or a level no less favourable than the market price (to be deducted by a fixed sum of transportation cost or packaging cost (where applicable), or to be adjusted in line with the market coal price));
- (iii) the fact that both the maximum quantity and the price level of Raw Materials to be purchased from 2006 to 2008 has been explicitly agreed and governed under the Raw Materials Purchase Agreement;
- (iv) the fact that the purchases under the Raw Materials Purchase Agreement are subject to certain conditions as set out in the following paragraph headed “The conditions” which is regarded as a mechanism to protect the interest of the Independent Shareholders,

we consider that the maximum cap of RMB120,000,000 (approximately HK\$115,384,615) per annum is fair and reasonable for the purpose of accommodating the purchases under the Raw Materials Purchase Agreement.

(iv) The conditions

As the annual cap represents more than 2.5% of each of the applicable percentage ratios (as defined in the Listing Rules) of the Company and the annual consideration is more than HK\$10,000,000, the Raw Materials Purchase Agreement is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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Subject to Rule 14A.43 of the Listing Rules, the Company will therefore seek the approval by the Independent Shareholders of the Raw Materials Purchase Agreement (including the annual cap) for the three financial years ending 31 December 2008 subject to the following conditions:

1. The transactions contemplated under the Raw Materials Purchase Agreement will be:
 - (a) entered into in the ordinary and usual course of the business of the Group;
 - (b) conducted on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available from independent third parties; and
 - (c) entered into in accordance with the terms of the Raw Materials Purchase Agreement that are fair and reasonable and in the interests of the Shareholders as a whole;
2. The aggregate amount of the purchase under the Raw Materials Purchase Agreement for each of the three years ending 31 December 2008 shall not exceed RMB120,000,000 (approximately HK\$115,384,615); and
3. The Company will comply with all other relevant requirements under the Listing Rules.

Taking into account of the conditions attached to the transactions contemplated under the Raw Materials Purchase Agreement, in particular (i) the restriction by way of setting the annual cap; and (ii) the compliance with all other relevant requirements under the Listing Rules (which include the annual review and/or confirmation by the independent non-executive Directors and the auditors of the Company on the actual execution of the transactions contemplated under the Raw Materials Purchase Agreement pursuant to Rule 14A.37 and 14A.38 of the Listing Rules), we consider that the Company has taken appropriate measures to govern the Company in carrying out the transactions contemplated under the Raw Materials Purchase Agreement, thereby safeguarding the interests of the Shareholders thereunder.

Based on the terms of the Raw Materials Purchase Agreement and the above analysis, we consider that the transactions contemplated under the Raw Materials Purchase Agreement are on normal commercial terms, in the ordinary and usual course of the Company's business, fair and reasonable and in the interests of the Company and the Shareholders as a whole (taking into account that they are conditional upon being carried out as such under Rule 14A.37 of the Listing Rules). Pursuant to the terms of the Raw Materials Purchase Agreement, we note

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that the transactions contemplated thereunder are subject to periodical review, renewal, amendment or supplement to meet the requirements of the Listing Rules and other rules and regulations from time to time.

RECOMMENDATION FOR THE RAW MATERIALS PURCHASE AGREEMENT

Having considered the above factors, in particular,

- (i) the background of and the reasons for carrying out the transactions contemplated under the Raw Materials Purchase Agreement;
- (ii) the price determination of Raw Materials in accordance with pre-defined formulae and with reference to the relevant market price;
- (iii) the profit guarantee to be provided by Xue Hua to the JV Company in relation to the lower of (a) the average profit before tax for each tonne of GA products will be not less than RMB450; or (b) the annual profit before tax for such GA products produced will reach RMB11,470,000 (approximately HK\$11,028,846) (subject to conditions);
- (iv) the basis of setting the annual cap as a function of the pre-defined maximum quantity and the pre-defined price level of Raw Materials to be purchased from 2006 to 2008; and
- (v) the conditions attached to carrying out the transactions contemplated under the Raw Materials Purchase Agreement as a mechanism to protect the interest of the Independent Shareholders,

we consider that the terms of the Raw Materials Purchase Agreement (including the annual cap) are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Since no Shareholder is required to abstain from voting at the general meeting for the approval of the Raw Materials Purchase Agreement, the Company has obtained a written approval from a closely allied group of Shareholders who together hold more than 50% in nominal value of the Company's issued shares as at the Latest Practicable Date, having the right to attend and vote at the Company's general meeting to approve the Raw Materials Purchase Agreement. The Company has applied to the Stock Exchange for acceptance of such written approval in lieu of holding a general meeting of the Company pursuant to Rule 14A.43 of the Listing Rules and the Stock Exchange has granted its approval to the Company. Consequently, no general meeting of the Company will be convened for the approval of the Raw Materials Purchase Agreement.

Yours faithfully,
For and on behalf of
Partners Capital International Limited
Alan Fung **Harry Yu**
Managing Director *Executive Director*

The following is the text of a letter with summary of value and valuation certificate received from CB Richard Ellis Limited, an independent property valuer, prepared for the purpose of incorporation in this Circular, in connection with their opinion of the value of the property interests to be acquired by the Company as at 31 December 2005.

CBRE
CB RICHARD ELLIS
世邦魏理仕

Suite 3401 Central Plaza
18 Harbour Road
Wanchai, Hong Kong
T 852 2820 2800
F 852 2810 0830

香港灣仔港灣道十八號中環廣場三四零一室
電話852 2820 2800 傳真 852 2810 0830

www.cbre.com.hk

地產代理（公司）牌照號碼
Estate Agent's Licence No. C-004065

15 February 2006

The Board of Directors
Vedan International (Holdings) Limited
Suite 3706 West Tower
Shun Tak Centre
200 Connaught Road Central
Hong Kong

Dear Sirs,

In accordance with your instructions, we have conducted a valuation of the land and buildings, in which Vedan International Holdings Limited (the “Company”) intends to acquire. The valuation is prepared for the purpose of inclusion in the circular (the “Circular”) to be issued to shareholders of the Company. We confirm that we have carried out an inspection, made relevant enquiry and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interests as at 31 December 2005 (the “Date of Valuation”).

We have valued the property interests on the basis of Market Value which we would define as intended to mean “*the estimated amount for which a Property should exchange on the date of Valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.*”

In valuing the property interests, we have complied with all the requirements contained in the Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities (the “Exchange Listing Rules”) issued by the Stock Exchange of Hong Kong Limited and the Hong Kong Institute of Surveyors Valuation Standards on Properties (1st Edition) published by the Hong Kong Institute of Surveyors.

Our valuation has been made on the assumption that the owners sell the properties on the open market without the benefit or burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the values of the property interests.

We have been provided with extracts from title documents relating to such property interests. We have not, however, searched the original documents to verify ownership or existence of any amendment which do not appear on the copies handed to us. All documents and lease have been used for reference only. All dimensions, measurements and areas are approximations.

We have not seen original planning and/or development schemes and occupation consents for the buildings/structures and have assumed that they have been erected and are being occupied and used in accordance with such consents and that there are no outstanding statutory notices.

In valuing the property interests, we have adopted the market approach in valuing the land portion of the property and depreciated replacement cost approach in assessing buildings and structures standing on the land. In the valuation of the land portion, reference has been made to the standard land price and the sales evidence as available to us in the locality.

As the nature of the buildings and structures cannot be valued on the basis of market value, they have therefore been valued on the basis of their depreciated replacement costs. The depreciated replacement cost approach considers the cost to reproduce or replace in new condition the property appraised in accordance with current construction costs for similar property in the locality, with allowance for accrued depreciation as evidence by observed condition or obsolescence present, whether arising from physical, functional or economics causes. The depreciated replacement cost approach generally furnishes the most reliable indication of value for property in the absence of a known market based on comparable sales.

In the course of our valuation for the property interests in the PRC, we have relied on the legal opinion provided by the Company’s PRC legal advisor (the “PRC Legal Opinion”). We have been provided by the Company’s PRC legal advisor with extracts from title documents relating to such property interests. We have not, however, searched the original documents to verify ownership or existence of any amendment which do not appear on the copies handed to us. All documents have been used for reference only.

We have inspected the exterior of the property and, where possible, the interior of the premises. However, we have not carried out any structural survey nor have we inspected or other parts of the structures, which are covered, unexposed or inaccessible. Therefore, we were not able to report whether the property is free of rot, infestation or any other structural defects.

We have not carried out land survey to verify the site boundaries of the property, we have not investigated the site to determine the suitability of soil conditions, the availability of services, etc. for future development. Our report is prepared on the assumption that these aspects are satisfactory. This report does not make any allowance for contamination or pollution of the lands, if any, which may have occurred as a result of past usage.

We have relied to a considerable extent on information provided by the Company and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, occupation, lettings, site and floor areas and in the identification of those property interests. All documents and leases have been used for reference only and all dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore only approximate. No on-site measurements have been taken.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoing of an onerous nature which could affect their values.

Unless otherwise stated, all monetary amounts are stated in Renminbi (“RMB”).

We enclose herewith our valuation certificate.

Yours faithfully,
For and on behalf of
CB Richard Ellis Limited
Kam-hung Yu
FHKIS FRICS RPS(GP) FHIREA
Executive Director
Valuation & Advisory Services
Asia

Note: Mr. Yu is the Vice President of the Hong Kong Institute of Surveyors. He is a Registered Professional Surveyor (General Practice), a fellow of Royal Institution of Chartered Surveyors, a fellow of the Hong Kong Institute of Surveyors and a fellow of the Hong Kong Institute of Real Estate Administration. He has over 24 years’ valuation experience in Hong Kong and the PRC.

VALUATION CERTIFICATE

Property Interests to be acquired the Company in the PRC

Property	Description and tenure	Details of occupancy	Capital Value in existing state as at 31 December 2005 (RMB)
Glutamic acid manufacturing factory, Monosodium (MSG) refinery factory and Transfer crystal factory and the ancillary buildings, Xuehua Road North, Chongwenda Road East, Gaoxin District, Jining City, Shandong Province, The PRC	<p>The property comprises three workshop buildings in Glutamic acid manufacturing factory, a workshop building in Monosodium (MSG) refinery factory, a workshop building in Transfer crystal factory, three ancillary buildings and structures erected on three parcels of land. The buildings were completed in 2003 and 2004.</p> <p>The total site area of the three parcels of land is 28,535 square metres approximately.</p> <p>The buildings and various ancillary structures have a total gross floor area of approximately 15,284.68 square metres.</p>	The property is occupied by the Group for industrial production purpose.	17,930,000 (Assuming that the State-owned Land Use Rights Certificate and the Building Ownership Certificates have been granted to 山東味丹雪花實業有限公司 (Shandong Vedan Snowflake Enterprise Co., Ltd.) Please refer to the Notes below for details.)
	<p style="text-align: right;">Gross floor area (sq.m.)</p> <p>Building</p> <p>Glutamic acid manufacturing factory</p> <p>– Workshop 1 1,841.67</p> <p>– Workshop 2 3,692.72</p> <p>– Workshop 3 735.53</p> <p>MSG refinery factory workshop 7,596.36</p> <p>Transfer crystal factory workshop 890.83</p> <p>Washroom 48.60</p> <p>Air-compressor room 341.35</p> <p>Water-suppliers station 137.62</p>		
	The site is held under a State Owned Land Use Rights Certificate for a term of 50 years expiring on 15 December 2055.		

Notes:

- Pursuant to the copy of State-owned Land Use Rights Certificate Document No. 濟開國用 (2005) 第 0816050072 dated 22 December 2005 provided by the Company, the land use rights of the subject site, in which the property interests located on, having a site area of approximately 28,535 sq.m. for industrial use for a term to be expired on 15 December 2055 has been granted to 山東味丹雪花實業有限公司 (Shandong Vedan Snowflake Enterprise Co., Ltd.) (“JV Company”).

2. Pursuant to the Joint Venture Contract entered into between Ordino Investments Pte Limited (“Ordino”) and 山東雪花生物化工股份有限公司 (Shandong Xue Hua Bio-chemical Co., Ltd.) (“Xue Hua”) dated 22nd December 2005, the JV Company is established for the development and manufacturing of glutamic acid and monosodium in the PRC. Ordino and Xue Hua hold 70% and 30% of the equity interests respectively.
3. Pursuant to the Assets Transfer Agreement to be entered into between Ordino, Xue Hua and the JV Company will purchase from Xue Hua certain factory buildings and equipment (“Assets”), excluding the three parcels of land (“Land”) with a total site area of approximately 28,530 sq.m. at an agreement consideration of RMB96,480,000. The original aggregate purchase cost of the Assets to Xue Hua is RMB95,160,000.
4. For reference purpose, the Depreciated Replacement Cost of the buildings and structures as at the Date of Valuation was RMB14,500,000.
5. As advised by the Company, the Land shall be acquired by the JV Company from the Land Bureau of Jining City, Shandong Province. For reference purpose, the market value of the Land in existing state as at the Date of Valuation was RMB3,430,000.
6. The capital value is assessed under the assumption that the State-owned Land Use Rights Certificate and the Building Ownership Certificates have been obtained. Therefore the value does not include any payment of relevant land premium and fees/taxes for obtaining the title certificates.
7. We have been provided with a legal opinion on the property, in which contains, inter alia, the following information:
 - (i) The JV Company has been duly established on 23 December 2005. According to the Joint Venture Contract and the Articles of Association of the JV Company, Ordino and Xue Hua hold 70% and 30% of the equity interests in the JV Company respectively and the profit of the JV Company will be shared as to 70% by Ordino and 30% by Xue Hua in proportion to their respective equity interests.
 - (ii) The process of applications for the state-owned land use right of the Land and the building ownership certificates of the Buildings have been commenced by the JV Company.
 - (iii) The Company has confirmed that the JV Company has obtained a copy of the land use right certificate of the Land from the Government of the Jining City (“Certificate Copy”). The PRC legal advisers confirmed that the Certificate Copy was issued after the date on which the notice of pre-approval of name of the JV Company was obtained and before the date on which the business licence of the JV Company was obtained which does not violate any relevant laws of the PRC.
 - (iv) After due inquiry and to the best of the PRC legal advisers’ knowledge, there are no legal obstacles for the JV Company to obtain the original land use right certificate of the Land and the building ownership certificates of the factory buildings situated on the Land (“Buildings”) upon (a) the due fulfillment of the relevant application and approval procedures (b) entering into the granting contract of the state-owned land use right by the JV Company with the governmental administration bureau in charge, and (c) payment of all relevant land premium and fees/taxes by the JV Company. Besides, the Company has confirmed that the sum of all land premium, the taxes/fees for obtaining the relevant title of the Land and the taxes/fees for obtaining the relevant title of the Buildings should be approximately RMB3,430,000 (equivalent to approximately HK\$3,298,077), RMB106,000 (equivalent to approximately HK\$101,923) and RMB514,000 (equivalent to approximately HK\$494,231), respectively and such payment will be funded by bank borrowing to be obtained by the JV Company. The taxes and fees should be possibly adjusted by the relevant governmental authorities from time to time subject to the local governmental policies.
 - (v) Upon the obtaining of the state-owned land use right certificates of the Land and the building ownership certificates of the Buildings, the rights of the JV Company in the Lands and Buildings will be protected by and enforceable under the relevant laws of PRC and the Land and the Buildings may be transferable, let and sublet, assigned, mortgaged without paying additional land premium by the JV Company subject to relevant governmental registration and filing requirements.

APPENDIX I(B) PLANT AND MACHINERY VALUATION REPORT

The following is the text of a letter from CB Richard Ellis Limited, an independent plant and machinery valuer, in connection with their opinion of the value of the machinery and equipment as at 31 December 2005.

CBRE
CB RICHARD ELLIS
世邦魏理仕

Suite 3401 Central Plaza
18 Harbour Road
Wanchai, Hong Kong
T 852 2820 2800
F 852 2810 0830

香港灣仔港灣道十八號中環廣場三四零一室
電話852 2820 2800 傳真 852 2810 0830

www.cbre.com.hk

地產代理（公司）牌照號碼
Estate Agent's Licence No. C-004065

15 February 2006

The Directors
Vedan International (Holdings) Limited
Suite 3706 West Tower
Shun Tak Centre
200 Connaught Road Central
Hong Kong

Dear Sirs,

In accordance with your instructions, we have conducted a valuation of machinery and equipment exhibited to us as those held by Shandong Xue Hua Biochemical Engineering Co., Limited (“Xue Hua”), in which Vedan International Holdings Limited (“Vedan International”) intends to acquire. We confirm that we have carried out inspections, made relevant inquiries and obtained such further information, as we consider necessary for the purpose of providing you with our opinion of the market value for existing use of the machinery and equipment as at 31 December 2005.

This report was prepared for the purpose of inclusion in the circular (the “Circular”) to be issued to shareholders of Vedan International.

We have appraised the subject machinery and equipment on the basis of their Market Value for existing use. Market Value is defined herein as the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein parties had acted knowledgeably, prudently and without compulsion.

APPENDIX I(B) PLANT AND MACHINERY VALUATION REPORT

Market value for existing use is further defined as the market value of an asset based on continuation of its existing use, assuming the asset could be sold in the open market for its existing use, and otherwise in keeping with the market value definition regardless of whether or not the existing use represents the highest and best use of the asset.

This summary report forms part of the detailed valuation report dated 15 February 2006, which comprises:

- A narrative section, which identifies the machinery and equipment valued, scope and character of our investigation; the premise of the value adopted; the valuation process employed and the opinion of value;
- Limiting Conditions;
- A summary of values; and
- A schedule, with technical description of the machinery and equipment, showing for each item or group of items the appraised market value for existing use.

NARRATIVE DESCRIPTION

Assets Valued

Assets under review comprised certain designated machinery and equipment, which forms part of Xue Hua glutamic acid manufacturing plant and a monosodium glutamate (MSG) refinery under construction both situated in Xue Hua's factory complex located at Hi-tech Development Zone, Jining, Shandong Province, the PRC. These are described hereunder as follows:

Glutamic Acid Production & Crystal Transfer Facility

The designated facility has a production capacity range of 23,000 to 28,000 tons per year of glutamic acid, forming part of the 120,000 tons per year manufacturing facility held by Xue Hua. Major machinery and equipment valued were sourced from China comprising reactor type fermenting tanks, saccharification tanks, storage tanks, mixing tanks, pre-heaters, air compressors, dryer, centrifugal separators, process piping and electrical distribution system.

At the time of our inspection, the machinery and equipment were observed to be generally in good working condition and well maintained. We found that the items were built in 2003. Likewise, we were told that the facility were installed in 2003 and was commissioned early in 2004.

MSG Refinery (Construction in Progress)

The refinery has a design production capacity of 30,000 tons per year of MSG and in final stage of its construction at the time of our inspection. Major machinery and equipment valued were sourced from China comprising storage tanks, bleaching tanks, neutralizing tanks, filter presses, crystallizers, centrifugal separators, vibrating screens, cyclones, process piping and electrical distribution system.

At the time of our inspection, we observed that major machinery and equipment were already installed in place. Likewise, we found that the items were all newly acquired firsthand with manufacturing dates ranging from late 2004 to early 2005.

Exclusion

We have excluded in this valuation the land, buildings, other land improvements, spare parts, stocks, company records or any current or intangible assets.

VALUATION METHODOLOGY

There are three generally accepted approaches to value, namely:

The Cost Approach

The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence present (physical, functional or economic), taking into consideration past and present maintenance policy and rebuilding history.

The cost approach generally furnishes the most reliable indication of value for assets without a known used market.

The Market Approach

The market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised machinery and equipment relative to the market comparative.

Assets for which there is an established used market may be appraised by this approach.

The Income Approach

The income approach is the present worth of the future economic benefits of ownership. This approach is general applied to an aggregation of assets that consists of all assets of a business enterprise including working capital and tangible and intangible assets.

Analysis

We have considered and excluded the income approach due to insufficient financial data being available. In the absence of any market information regarding sales and purchases of large industrial facilities similar to the assets appraised in the PRC, the most reliable approach in arriving at an opinion of value of the machinery and equipment is by using the cost approach.

In arriving at our assessment using the cost approach, we have firstly developed the Replacement Cost New (RCN) of the machinery and equipment. RCN is the estimated amount of money needed to acquire a similar new item having the nearest equivalent utility as the property being valued taking into consideration current prices of materials and manufactured equipment, shipping and handling, labour, contractor's overhead, design and supervision, profit and fees, and other attendant costs associated with its acquisition.

Having developed the RCN, we then deducted for various elements of depreciation to arrive at Depreciated Replacement Cost (DRC) which we taken to be market value for existing use. The depreciation allowance we have assessed includes allowances for physical deterioration, functional obsolescence and economic obsolescence.

Construction in Progress

The machinery and equipment of MSG refinery plant, which is still under construction, were valued at cost as at the valuation date. At the time of our inspection, the machinery and equipment including electrical controls were already installed in place ready for test run. It is our opinion that the remaining cost to make the refinery commercially operational would be very minimal, we estimate that 5 to 10% on top of its current value would be adequate provided there would be no major defects found during testing and that no more alteration in its process designs shall be made. The above opinion is based on a brief visual inspection of the machinery and equipment.

During our inspection, we have been provided with a list of the machinery and equipment, which we have inspected and verified. We have relied considerably on this plus on other information such as purchase and installation contracts, maintenance records, equipment specifications and other documents provided to us.

We have not investigated the title or any liabilities affecting the machinery and equipment appraised. No consideration was made for any outstanding amount owed under financing agreements, if any.

We hereby certify that we have neither present nor prospective interest in the assets appraised or on the value reported.

APPENDIX I(B) PLANT AND MACHINERY VALUATION REPORT

OPINION OF VALUE

Premised on the foregoing, we are of the opinion that as at 31 December 2005 the market value for existing use of the machinery and equipment is fairly represented in the amount of **RMB81,312,000 (RENMINBI EIGHTY ONE MILLION THREE HUNDRED TWELVE THOUSAND)**. A breakdown is shown in the attached summary of values.

Yours faithfully
For and on behalf of
CB RICHARD ELLIS LIMITED
Mario E. Maningo – BSME
Director
Valuation & Advisory

Note: Mario E. Maningo is a mechanical engineer who has 14 years of extensive experience in plant and machinery valuation in Hong Kong, the PRC and the Asia Pacific region.

APPENDIX I(B) PLANT AND MACHINERY VALUATION REPORT

SUMMARY OF VALUES

Description	Market Value for existing use (RMB)
Glutamic Acid Production & Crystal Transfer Facility	63,521,000
MSG Refinery (Construction in Progress)	<u>17,791,000</u>
Grand Total :	<u><u>81,312,000</u></u>

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by the Directors of Listed Issuers, to be notified to the Company and the Stock Exchange, were as follows:

Long position in shares of the Company

Name of Director	Number of Shares in which interested (other than under equity derivatives)	Number of Shares in which interested under physically settled equity derivatives	Total Number of Shares held	Percentage holdings
Mr. Yang, Tou-Hsiung	424,325,488 <i>(Note 1)</i>	4,500,000 <i>(Note 2)</i>	428,825,488	28.16%
Mr. Yang, Chen-Wen	–	4,500,000 <i>(Note 2)</i>	4,500,000 <i>(Note 2)</i>	0.30%
Mr. Yang, Cheng	–	4,500,000 <i>(Note 2)</i>	4,500,000	0.30%
Mr. Yang, Kun-Hsiang	–	4,500,000 <i>(Note 2)</i>	4,500,000	0.30%
Mr. Wang, Joel J.	750,000	–	750,000	0.05%
Mr. Huang, Ching-Jung	200,000	–	200,000	0.01%
Mr. Lam, Tuan	–	500,000 <i>(Note 2)</i>	500,000	0.03%
Mr. Chao, Pei-Hong	500,000	–	500,000	0.03%
Ms. Chuang, Shu-Fen	500,000	–	500,000	0.03%

Notes:

1. Mr. Yang, Tou-Hsiung's interest in Shares are held in the following capacities:

Capacity	Number of Shares	Number of Shares through physically settled equity derivatives ****
Beneficial Owner	–	4,500,000 ***
Interest of Company controlled by him	82,897,246 *	–
Others	341,428,242 **	–

* Mr. Yang, Tou-Hsiung is entitled to exercise or control the exercise of more than one-third of the voting power of King International and King International is the holder of such 82,897,246 Shares.

** Mr. Yang, Tou-Hsiung is entitled to exercise or control the exercise of more than one-third of the voting power of King International, which is the holder of 40 percent. of all the issued and outstanding units in the Royal Trust and is taken to be interested in the 341,428,242 Shares in which DBS Trustee Limited as trustee of the Royal Trust is interested. These 341,428,242 Shares include 62,172,933 Shares held by each of Concord Worldwide and High Capital pursuant to section 317 of the SFO and 217,082,376 Shares held by DBS Trustee Limited as trustee of the Royal Trust.

*** Mr. Yang, Tou-Hsiung is interested in 4,500,000 Shares pursuant to the options granted to him on 13 June 2003 under a share option scheme adopted by our Company on 13 June 2003 (the "Pre-IPO Share Option Scheme"). The exercise price under the options is HK\$0.801 and the exercise period is 13 June 2004 to 12 June 2008.

**** These derivatives are unlisted.

2. Various interests of the Directors and chief executive of the Company pursuant to physically settled equity derivatives are through share options granted pursuant to the Pre-IPO Share Option Scheme. The exercise price under the options is HK\$0.801 and the exercise period is 13 June 2004 to 12 June 2008.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

As at the Latest Practicable Date, none of the Directors:

- (a) had any direct or indirect interests in any assets which have since 31 December 2004 (being the date to which the latest published audited accounts of the Group were made up) been acquired or disposed of by or leased to any members of the Group, or are proposed to be acquired or disposed of by or leased to any members of the Group; and

- (b) was materially interested in any contracts or arrangements entered into by any members of the Group subsisting at the date of this circular which is significant in relation to the business of the Group.
- (c) are aware of any material adverse change in the financial or trading position or prospect of the Group since 31 December 2004, the date to which the latest published audited financial statements of the Group were made up.

SUBSTANTIAL SHAREHOLDERS

Given below are the names of all parties which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital, the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at the Latest Practicable Date as recorded in the register kept by the Company under section 336 of the SFO and the percentages which the shares represented to the issued share capital of the Company:

Name	Number of Shares interested or deemed to be interested (long position)	Percentage holdings
Billion Power	460,237,609 <i>(Note 1)</i>	30.22%
Taiwan Vedan	460,237,609 <i>(Note 1)</i>	30.22%
DBS Trustee Limited	424,325,488 <i>(Note 2)</i>	27.86%
King International	424,325,488 <i>(Note 3)</i>	27.86%
Concord Worldwide	424,325,488 <i>(Note 4)</i>	27.86%
High Capital	424,325,488 <i>(Note 5)</i>	27.86%
J.P. Morgan Chase & Co.	87,064,000 <i>(Note 6)</i>	5.71%
Nordea 1 Sicor FE Value Fund	80,836,000 <i>(Note 7)</i>	5.31%

Notes:

- Taiwan Vedan is entitled to exercise or control the exercise of more than one-third of the voting power of Billion Power and is therefore taken to be interested in these 460,237,609 Shares held by Billion Power.

2. Of these 424,325,488 Shares, 217,082,376 Shares are held by DBS Trustee Limited as trustee of the Royal Trust and the remaining 82,897,246, 62,172,933 and 62,172,933 Shares are held by King International, Concord Worldwide and High Capital, respectively, each of which is party to an agreement under section 317(1)(a) of the SFO with DBS Trustee Limited.
3. King International directly holds 82,897,246 Shares and is the holder of 40 percent. of all the issued and outstanding units in the Royal Trust. Accordingly, King International is taken to be interested in the 341,428,242 Shares in which DBS Trustee Limited as trustee of the Royal Trust is interested. These 341,428,242 Shares include 62,172,933 Shares held by each of Concord Worldwide and High Capital pursuant to section 317 of the SFO and 217,082,376 Shares held by DBS Trustee Limited as trustee of the Royal Trust.
4. Concord Worldwide directly holds 62,172,933 Shares and is the holder of 30 percent. of all the issued and outstanding units in the Royal Trust. Accordingly, Concord Worldwide is taken to be interested in the 362,152,555 Shares in which DBS Trustee Limited as trustee of the Royal Trust is interested. These 362,152,555 Shares include 62,172,933 Shares held by High Capital, 82,897,246 Shares held by King International pursuant to section 317 of the SFO and 217,082,396 Shares held by DBS Trustee Limited as trustee of the Royal Trust.
5. High Capital directly holds 62,172,933 Shares and is the holder of 30 percent. of all the issued and outstanding units in the Royal Trust. Accordingly, High Capital is taken to be interested in the 362,152,555 Shares in which DBS Trustee Limited as trustee of the Royal Trust is interested. These 362,152,555 Shares include 62,172,933 Shares held by Concord Worldwide, 82,897,246 Shares held by King International pursuant to section 317 of the SFO and 217,082,396 Shares held by DBS Trustee Limited as trustee of the Royal Trust.
6. The capacity of JP Morgan Chase & Co and its associates in holding the 87,064,000 Shares was as to 77,024,000 Shares as investment manager and as to 10,040,000 Shares as approved lending agent.
7. The capacity of Nordea 1 Sicor FE Value Fund in holding the 80,836,000 Shares was as beneficial owner.

Save as disclosed above, so far as is known to the Directors or chief executives of the Company, no other person (not being a Director or chief executive of the Company) who had any interests or short positions in shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange, under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital.

LITIGATION

As far as the Directors are aware, neither the Company nor any of its subsidiaries are engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries, as at the Latest Practicable Date.

SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group which does not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, four Directors of the Company, namely, Messrs. Yang, Tou-Hsiung, Yang, Cheng, Yang, Kun-Hsiang and Yang, Chen-Wen, were also directors of the Group's controlling shareholder, Taiwan Vedan. In addition, Messrs. Yang, Tou-Hsiung, Yang, Cheng, Yang, Kun-Hsiang and Yang, Chen-Wen indirectly held approximately 19.77 percent., 9.89 percent., 6.18 percent., and 8.24 percent. interest in Taiwan Vedan respectively and they were therefore considered as having an interest in Taiwan Vedan under Rule 8.10 of the Listing Rules.

The Taiwan Vedan Group is principally engaged in, inter alia, the production of food additive products, including MSG products, and beverages in Taiwan, which may compete with the Group's business operations in respect of the Product Portfolio.

Since Messrs. Yang, Tou-Hsiung and Yang, Cheng are both responsible only for the overall strategic planning and the business development of the Taiwan Vedan Group and the Group and the daily operations of the Group are managed by Messrs. Yang, Kun-Hsiang, Yang, Chen-Wan and Wang, Joel J. with an independent management team, the Directors are of the view that the management and the operational functions of the Group are independent of and separate from those of other members of the Taiwan Vedan Group.

For safeguarding the interests of the Group, the independent non-executive Directors and the Audit Committee of the Company would on a regular basis review the business and operational results of the Group to ensure, inter alia, that the Group's business operations in respect of the Product Portfolio is and continues to be run on the basis that it is independent of, and at arm's length from, that of Taiwan Vedan.

QUALIFICATIONS OF THE EXPERTS

The following are the qualifications of the experts who have been named in this circular or have given opinions or advice which are contained in this circular:

Name	Qualification
Barits Securities (Hong Kong) Limited	a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under SFO
Partners Capital International Limited	a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under SFO
CB Richard Ellis Limited	international property consultants

Each of Barits Securities (Hong Kong) Limited, the IFA and CB Richard Ellis has given and has not withdrawn its written consent to the issue of the circular with the inclusion herein of its letter or references to its name in the form and context in which they respectively appear.

None of Barits Securities (Hong Kong) Limited, the IFA and CB Richard Ellis has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

None of Barits Securities (Hong Kong) Limited, the IFA or CB Richard Ellis had any direct or indirect interests in any assets which have since 31 December 2004 (being the date to which the latest published audited accounts of the Group were made up) been acquired or disposed of by or leased to any members of the Group, or are proposed to be acquired or disposed of by or leased to any members of the Group.

SECRETARY AND QUALIFIED ACCOUNTANT OF THE COMPANY

The secretary and qualified accountant of the Company is Lo Chi Man, *FCCA*, *FHKSA* and *CPA*.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business in Hong Kong of the Company at Suite 3706, 37th Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong up to and including 3 March 2006.

- the Joint Venture Contract;
- the General Services Agreement;
- the Technology Services Agreement;
- the Assets Transfer Agreement; and
- the Raw Materials Purchase Agreement.

MISCELLANEOUS

- The head office and transfer office of the Company is at Suite 3706, 37th Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong.
- The English text of this circular prevails over the Chinese text.