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VEDAN INTERNATIONAL (HOLDINGS) LIMITED

味丹國際（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2317)

CONNECTED AND DISCLOSEABLE TRANSACTIONS

ACQUISITION OF MSG BUSINESS, LAND AND PROPERTY AND ANCILLARY FACILITIES FROM SHANGHAI VEDAN FOODS

AND

TERMINATION OF SHANGHAI VEDAN AGREEMENT

Financial adviser



Barits Securities (Hong Kong) Limited

Introduction

As disclosed in our Prospectus, one of our future development plans is to expand our business presence in the PRC by acquiring MSG producers with recognized brand names in the PRC, forming strategic alliance with raw material suppliers and developing high profit margin products. Pursuant to the Shanghai Vedan Agreement (as disclosed in our Prospectus), Shanghai Vedan Foods has agreed to negotiate with us in good faith any proposed acquisition of all or any of the businesses of Shanghai Vedan Foods upon such terms and conditions to be agreed between Shanghai Vedan Foods and us.

Our Directors are pleased to announce that we have agreed with Shanghai Vedan Foods on certain terms and conditions upon which we will proceed with the Acquisition. According to the Listing Rules, we will seek the approval from the Independent Shareholders for the Acquisition.

The Acquisition

On 6 May 2004, the Business Acquisition Agreement and the Immovable Assets Acquisition Agreement were entered into for the purpose of acquiring the MSG Business, the Land and Property and the Ancillary Facilities from Shanghai Vedan Foods at an aggregate cash consideration of RMB144.38 million (equivalent to approximately HK\$136.21 million). The consideration for (i) the MSG Business and (ii) the Land and Property and the Ancillary Facilities is RMB51.80 million (equivalent to approximately HK\$48.87 million) and RMB92.58 million (equivalent to approximately HK\$87.34 million), respectively. The amount of consideration is determined on an arm's length basis following negotiations in good faith with Shanghai Vedan Foods. The amount of consideration is also based on independent valuation of each of the MSG Business, the Land and Property and the Ancillary Facilities as at 30 April 2004, which will be payable in cash according to the payment schedules set forth below.

Termination of the Shanghai Vedan Agreement

Pursuant to the Shanghai Vedan Agreement, upon the expiry of its term or its early termination, Shanghai Vedan Foods shall cease to carry on the MSG Business and the business of beverage products. As such, following completion of the Acquisition, Shanghai Vedan Foods will cease to carry on the aforesaid businesses. We have no intention to acquire any other businesses of Shanghai Vedan Foods. The Shanghai Vedan Agreement will also be terminated with effect from completion of the Acquisition. Any transaction between us and Shanghai Vedan Enterprise will not constitute our continuing connected transactions (as such term is defined under the Listing Rules).

Implications under the Listing Rules

Shanghai Vedan Foods is invested by Messrs. Yang. Mr. YANG, Yung-Huang is a member of the Yang Family. Mr. YANG, Tou-Hsiung is our executive Director. Hence, Shanghai Vedan Foods is our connected person (as such term is defined under the Listing Rules).

The aggregate consideration of the Acquisition exceeds 2.5 per cent. of the relevant percentage ratios (other than the profits ratio) as referred to in Chapter 14A of the Listing Rules. Hence, the Acquisition constitutes our connected transaction (as such term is defined under the Listing Rules) that is subject to approval of the Independent Shareholders according to rule 14A.17 of the Listing Rules.

The aggregate consideration of the Acquisition also exceeds five per cent. but less than 25 per cent. of each of the relevant percentage ratios (other than the profits ratio and the revenue ratio) set forth in Chapter 14 of the Listing Rules. Hence, the Acquisition constitutes our discloseable transaction (as such term is defined under the Listing Rules).

Our Directors consider that the terms of the Acquisition are negotiated with Shanghai Vedan Foods in good faith and on an arm's length basis. Our Directors believe that the terms and conditions of the Acquisition are fair and reasonable so far as the Shareholders are concerned.

Completion of the Acquisition is conditional upon, inter alia, the approval of the Independent Shareholders at the EGM in accordance with the applicable requirements under the Listing Rules.

Despatch of Shareholders' circular

A circular containing the information required under rules 14A.58 to 14A.62 (to the extent it is applicable) of the Listing Rules including, amongst other things, the details of the Business Acquisition Agreement and the Immovable Assets Acquisition Agreement, recommendation from our Independent Board Committee and a letter from the Independent Financial Adviser in respect of the Acquisition and other required information to be disclosed under the Listing Rules, together with a notice convening the EGM and the related proxy form, will be despatched to our Independent Shareholders as soon as practicable but in any event not less than 21 days prior to the date of the EGM.

EGM

The EGM is expected to be held on 8 June 2004. At the EGM, members of the Yang Family will abstain from voting. Independent Shareholders should read the circular to be despatched by our Company before making any voting decision at the EGM.

Shareholders and prospective investors are advised to exercise caution when dealings in the Shares.

INTRODUCTION

Background information on the Shanghai Vedan Agreement

As disclosed in our Prospectus, one of our future development plans is to expand our business presence in the PRC by acquiring MSG producers with recognized brand names in the PRC, forming strategic alliance with raw material suppliers and developing high profit margin products. Pursuant to the Shanghai Vedan Agreement (as disclosed in our Prospectus), Shanghai Vedan Foods has agreed to negotiate with us in good faith any proposed acquisition of all or any of the businesses of Shanghai Vedan Foods upon such terms and conditions to be agreed between Shanghai Vedan Foods and us.

Our Directors are pleased to announce that we have agreed with Shanghai Vedan Foods on certain terms and conditions upon which we will proceed with the Acquisition. According to the Listing Rules, we will seek the approval from the Independent Shareholders for the Acquisition.

Background information on Shanghai Vedan Foods

Shanghai Vedan Foods is a sino-foreign cooperative joint-venture company established in the PRC on 8 November 1992. The principal business activities of Shanghai Vedan Foods are production and trading of MSG products and beverage products in the PRC. With its more than twelve years' experience in MSG business in the PRC, Shanghai Vedan Foods has an established brand name of “皇品 (Hoping)”. Shanghai Vedan Foods is situated at Song Jiang District, which is very close to Shanghai. For the financial year ended 31 December 2003, the audited turnover and the net profit of the MSG Business was approximately RMB77.44 million (equivalent to approximately HK\$73.06 million) and approximately RMB3.57 million (equivalent to approximately HK\$3.37 million), respectively.

To expand our MSG business and sale network in the central region of the PRC, as well as to establish our flagship operation and production and sale base for our MSG and other products in the PRC, the Business Acquisition Agreement and the Immovable Assets Acquisition Agreement were entered into on 6 May 2004.

Consideration of the Acquisition

The aggregate consideration of the Acquisition is RMB144.38 million (equivalent to approximately HK\$136.21 million). The consideration for (i) the MSG Business and (ii) the Land and Property and the Ancillary Facilities is RMB51.80 million (equivalent to approximately HK\$48.87 million) and RMB92.58 million (equivalent to approximately HK\$87.34 million), respectively. The amount of consideration is determined on an arm's length basis following negotiations in good faith with Shanghai Vedan Foods. The amount of consideration is also based on independent valuation of each of the MSG Business, the Land and Property and the Ancillary Facilities as at 30 April 2004, which will be payable in cash according to the payment schedules set forth below.

Brief information on the Acquisition

Completion of the Acquisition is conditional upon, inter alia, the approval of the Independent Shareholders at the EGM in accordance with the applicable requirements under the Listing Rules.

The Acquisition comprises the acquisition by Shanghai Vedan Enterprise from Shanghai Vedan Foods of the MSG Business, the Land and Property and the Ancillary Facilities. The Acquisition is to be made by way of two agreements, namely the Business Acquisition Agreement and the Immovable Assets Acquisition Agreement, and the principal terms of these two agreements are set forth below:—

THE BUSINESS ACQUISITION AGREEMENT

Introduction

The principal terms of the Business Acquisition Agreement are as follows:–

Date: 6 May 2004

Parties: Shanghai Vedan Enterprise *as purchaser*;
our Company *as the purchaser's guarantor*;

Shanghai Vedan Foods *as the vendor*; and
Messrs. Yang *as the vendor's guarantors*.

MSG Business: MSG Business currently operated by Shanghai Vedan Foods which includes:–

- (i) trademark of “皇品(Hoping)” in respect of MSG products;
- (ii) the MSG business of Shanghai Vedan Foods which includes all of its suppliers and customers; and
- (iii) staff employed by Shanghai Vedan Foods in relation to its MSG business, but does not include any liability that is relating to the MSG business currently operated by Shanghai Vedan Foods.

Following completion of the Business Acquisition Agreement, Shanghai Vedan Foods will cease to engage in the MSG business and the business of beverage products as required by Shanghai Vedan Agreement. The MSG Business will be taken up by Shanghai Vedan Enterprise.

Cash consideration: RMB51.80 million (equivalent to approximately HK\$48.87 million), which is based on a valuation report prepared by Vigers Appraisal and Consulting Limited in respect of the value of the MSG Business as at 30 April 2004.

Payment term: (i) An amount of RMB41.40 million (equivalent to approximately HK\$39.06 million) will be payable within ten calendar days following the signing of the Business Acquisition Agreement.

If the Independent Shareholders disapprove the Business Acquisition Agreement at the EGM or the Business Acquisition Agreement is otherwise not completed according to its terms, such amount will be refunded to Shanghai Vedan Enterprise in full, without interest, within ten calendar days following the date of the EGM or such other date as confirming the Business Acquisition Agreement cannot be completed; and

- (ii) the remaining balance of RMB10.40 million (equivalent to approximately HK\$9.81 million) will be payable in cash upon completion of the Business Acquisition Agreement.

Conditions precedent to completion: Completion of the Business Acquisition Agreement is conditional upon:–

- (i) due transfer of title of the trademark “皇品(Hoping)” from Shanghai Vedan Foods to Shanghai Vedan Enterprise;

- (ii) change of the name of Shanghai Vedan Foods to a new name which does not bear any reference to the word of “Vedan”;
- (iii) due transfer of all approvals, registration, licenses and filing documents relating to the MSG Business which will continue to be operated by Shanghai Vedan Enterprise; and
- (iv) obtain all necessary approval, registration, licenses and filing documents by Shanghai Vedan Enterprise relating to the acquisition of the MSG Business.

Completion: Completion of the transfer of the MSG Business will take place not later than the expiry of a period of three months following the signing of the Business Acquisition Agreement. We will issue a separate announcement upon completion of the Business Acquisition Agreement.

Indemnity: Shanghai Vedan Foods and Messrs. Yang will provide Shanghai Vedan Enterprise and us with an indemnity on a joint and several basis for any breach of any terms (including representations and warranties) of the Business Acquisition Agreement.

Profit guarantee given by Shanghai Vedan Foods and Messrs. Yang

The valuation of the MSG Business is based on certain financial information provided by Shanghai Vedan Foods. As such, we request Shanghai Vedan Foods and Messrs. Yang to provide a guarantee in favour of Shanghai Vedan Enterprise and us that the audited profit after taxation and extra-ordinary items of the business to be operated by Shanghai Vedan Enterprise, based on the generally accepted accounting principles in the PRC, for the financial year ending 31 December 2005 will not be less than US\$600,000 (equivalent to approximately HK\$4.68 million). If there is any shortfall arising, it will be refunded by Shanghai Vedan Foods and Messrs. Yang, jointly and severally, based on a price/earnings multiple of 10.4 times, which is equivalent to the price/earnings multiple for acquiring the MSG Business under the Business Acquisition Agreement. Such refund, if any, will be treated as reduction of the acquisition price for acquiring the MSG Business and will be settled by way of cash within one month after the release of the audited results of the MSG Business for the relevant financial year.

If there is any refund need to be made pursuant to the profit guarantee, we will issue a separate announcement.

THE IMMOVABLE ASSETS ACQUISITION AGREEMENT

The principal terms of the Immovable Assets Acquisition Agreement are as follows:–

Date: 6 May 2004

Parties: Shanghai Vedan Enterprise *as purchaser*;
our Company *as the purchaser’s guarantor*;

Shanghai Vedan Foods *as the vendor*; and
Messrs. Yang *as the vendor’s guarantors*.

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| Land, Property and Ancillary Facilities: | <p>The Land and Property and the Ancillary Facilities currently used by Shanghai Vedan Foods include the following:–</p> <ul style="list-style-type: none"> (i) a parcel of land of approximately 160,880.80 sq.m. (with an additional greenbelt of approximately 17,120.09 sq.m.) which is currently used as the site of the production facilities of Shanghai Vedan Foods. The land is located at Song Jiang District, Shanghai; and (ii) the buildings and structures erected on the Land with a total gross floor area of approximately 33,881.78 sq.m. which include general-purpose factory premises of approximately 14,556 sq.m. and the staff quarters of approximately 700 sq.m. and the Ancillary Facilities. |
| Consideration: | RMB92.58 million (equivalent to approximately HK\$87.34 million), which is based on the valuation reports prepared by independent valuers, namely Vigers Appraisal and Consulting Limited and Beijing Zhong Cheng Hua Asset Appraisal Company Limited, on the value of the Land and Property and the Ancillary Facilities as at 30 April 2004, respectively. |
| Payment term: | <p><i>Before completion of the Immovable Assets Acquisition Agreement,</i></p> <ul style="list-style-type: none"> (i) an amount of RMB16.56 million (equivalent to approximately HK\$15.62 million) will be payable to Shanghai Vedan Foods after Shanghai Vedan Foods obtaining the land use right certificate of the Land which is expected to be not later than the end of June 2004; (ii) an amount of RMB8.58 million (equivalent to approximately HK\$8.09 million), being the consideration for the Ancillary Facilities, will be payable at the same time as the amount referred to in (i) above; and (iii) an amount of RMB24.84 million (equivalent to approximately HK\$23.43 million) will be payable upon completion of the transfer of title to the Land and Property which is expected to be not later than the end of September 2004. <p><i>Following completion of the Immovable Assets Acquisition Agreement,</i> the remaining balance of RMB42.60 million (equivalent to approximately HK\$40.19 million) will only be payable upon Shanghai Vedan Foods completely moving out from the Property which is agreed to be not later than December 2004.</p> |
| Conditions precedent to completion: | <p>Completion of the Immovable Assets Acquisition Agreement is conditional upon:–</p> <ul style="list-style-type: none"> (i) due transfer of the title to the Land and Property and the Ancillary Facilities to Shanghai Vedan Enterprise pursuant to the relevant PRC laws and regulations; (ii) completion of the Business Acquisition Agreement; and (iii) payment of the aggregate consideration as stipulated in the “Payment term” above. |
| Completion: | Completion of the transfer of the Land and Property and the Ancillary Facilities is expected to take place not later than the end of September 2004. We will issue a separate announcement upon completion of the Immovable Assets Acquisition Agreement. |

Indemnity: Shanghai Vedan Foods and Messrs. Yang will provide Shanghai Vedan Enterprise and us with an indemnity on a joint and several basis for any breach of any terms (including representations and warranties) of the Immovable Assets Acquisition Agreement.

BACKGROUND FOR MAKING THE ACQUISITION

As disclosed in our Prospectus, one of our future development plans is to expand our business presence in the PRC by acquiring MSG producers with recognized brand names in the PRC, forming strategic alliance with raw material suppliers and developing high profit margin products. Shanghai Vedan Foods was not part of our business at the time of our Prospectus. Pursuant to the Shanghai Vedan Agreement, Shanghai Vedan Foods has agreed to negotiate with us in good faith any proposed acquisition of all or any of the businesses of Shanghai Vedan Foods upon such terms and conditions to be agreed between Shanghai Vedan Foods and us.

Pursuant to the Shanghai Vedan Agreement, each of Shanghai Vedan Foods and Messrs. Yang has jointly and severally undertaken with us that:–

- (a) during the term of the Shanghai Vedan Agreement, Shanghai Vedan Foods shall purchase the MSG products exclusively from us unless we do not accept such order and in such event Shanghai Vedan Foods may purchase, with our prior written consent, the MSG products from other suppliers;
- (b) upon the expiry of the term or early termination of the Shanghai Vedan Agreement, Shanghai Vedan Foods shall cease to carry on the MSG Business and the business of trading of beverage products; and
- (c) during the term of the Shanghai Vedan Agreement, Shanghai Vedan Foods shall in good faith negotiate with us for the Acquisition upon such terms and conditions to be agreed between Shanghai Vedan Foods and us and subject to all relevant provisions of the Listing Rules with a view to completing the Acquisition within the term of the Shanghai Vedan Agreement.

BENEFITS FOR MAKING THE ACQUISITION

Our Directors consider that the Acquisition has the following benefits:–

To establish our flagship operations in the PRC

The PRC is one of the principal markets for MSG products in the world, but its *per capita* consumption of MSG is low, as compared with other Asian countries and territories. Our Directors believe that, with the continuous economic development, the demand for MSG products in the PRC will grow significantly. Against this background, our Directors believe that it is important for us to expand our business in the PRC. To this end, our Directors believe that the Acquisition represents a good opportunity to us to establish our business headquarters in the PRC as well as our production base not only for our MSG products but also for other products.

To expand our business presence in the PRC

One of our future development plans is to expand our business presence in the PRC by acquiring MSG producers with recognized brand names in the PRC. Our Directors believe that Shanghai Vedan Foods is an appropriate target for our acquisition in the PRC. The Acquisition, which includes the customers' contracts under the Business Acquisition Agreement and the production, transportation and administration facilities under the Immovable Assets Acquisition Agreement, can help us to quickly establish a customer base and save our resources to establish such facilities on our own. As such, the Acquisition enables us to penetrate into the PRC market quickly and efficiently.

To increase our production and sales of MSG products in central region in the PRC

We acquire the MSG Business which facilitates us to expand our production and sales of MSG products in the PRC with the brand name of “皇晶 (Hoping)”. Following completion of the Acquisition, we will increase our MSG production capacity from approximately 24,000 metric tonnes per annum to approximately 34,000 metric tonnes per annum. The Acquisition also allows us to explore the MSG market in central region of the PRC.

For the financial year ended 31 December 2003, the annual sales volume of Shanghai Vedan Food’s MSG products in the PRC amounted to approximately 10,000 metric tonnes, of which our Directors believe, will be increased to approximately 18,000 metric tonnes per annum in 2007. Together with our existing MSG production capacity of approximately 24,000 metric tonnes per annum, the Acquisition is expected to help us to implement our plan to increase our MSG production capacity in the PRC to 100,000 metric tonnes by 2007.

To develop the markets for new products in the PRC

We also intend to use the Land and Property as our production base for new fermentation-based food additive and biochemical products with high growth and high profit margin, such as PGA, starch-related products and high value-added seasoning products. We plan to construct PGA production facilities in Vietnam for selling in southeast Asian markets, and will use part of the Land and Property for further processing of PGA for selling in the PRC. We also have plan to develop high value-added seasoning products and starch-related products for selling in the PRC, and the Acquisition will provide us with readily available infrastructure to implement all these business plans.

To enjoy the geographical advantage of exploring the market in central region of the PRC

The location of the Land and Property is within the proximity of Shanghai. Thus, our Directors believe that the location will increase our price competitiveness by reducing transportation cost and time. The proximity to Shanghai also allows us to access to the PRC market information swiftly and to recruit high caliber people for our future business development.

TERMINATION OF THE SHANGHAI VEDAN AGREEMENT

Pursuant to the Shanghai Vedan Agreement, upon the expiry of its term or its early termination, Shanghai Vedan Foods shall cease to carry on the MSG Business and the business of beverage products. As such, following completion of the Acquisition, Shanghai Vedan Foods will cease to carry on the aforesaid businesses. We have no intention to acquire any other businesses of Shanghai Vedan Foods. The Shanghai Vedan Agreement will also be terminated with effect from completion of the Acquisition. Any transaction between us and Shanghai Vedan Enterprise will not constitute our continuing connected transactions (as such term is defined under the Listing Rules). For the financial year ended 31 December 2003, our sales of MSG products to Shanghai Vedan Foods amounted to US\$3.35 million (equivalent to approximately HK\$26.13 million) which was one of our exempted continuing connected transactions (as such term is defined under the Listing Rules).

IMPLICATIONS UNDER THE LISTING RULES

Shanghai Vedan Foods is invested by Messrs. Yang. Mr. YANG, Yung-Huang is a member of the Yang Family. Mr. YANG, Tou-Hsiung is our executive Director. Hence, Shanghai Vedan Foods is our connected person (as such term is defined under the Listing Rules).

The aggregate consideration of the Acquisition exceeds 2.5 per cent. of the relevant percentage ratios (other than the profits ratio) as referred to in Chapter 14A of the Listing Rules. Hence, the Acquisition constitutes our connected transaction (as such term is defined under the Listing Rules) that is subject to approval of the Independent Shareholders according to rule 14A.17 of the Listing Rules.

The aggregate consideration of the Acquisition also exceeds five per cent. but less than 25 per cent. of each of the relevant percentage ratios (other than the profits ratio and the revenue ratio) set forth in Chapter 14 of the Listing Rules. Hence, the Acquisition constitutes our discloseable transaction (as such term is defined under the Listing Rules).

Our Directors consider that the terms of the Acquisition are negotiated with Shanghai Vedan Foods in good faith and on an arm's length basis. Our Directors believe that the terms and conditions of the Acquisition are fair and reasonable so far as the Shareholders are concerned.

Completion of the Acquisition is conditional upon, inter alia, the approval of the Independent Shareholders at the EGM in accordance with the applicable requirements under the Listing Rules.

DESPATCH OF SHAREHOLDERS' CIRCULAR

A circular containing the information required under rules 14A.58 to 14A.62 (to the extent it is applicable) of the Listing Rules including, amongst other things, the details of the Business Acquisition Agreement and the Immovable Assets Acquisition Agreement, recommendation from the Independent Board Committee and a letter from the Independent Financial Adviser in respect of the Acquisition and other required information to be disclosed under the Listing Rules, together with a notice convening the EGM and the related proxy form, will be despatched to the Independent Shareholders as soon as practicable but in any event not less than 21 days prior to the date of the EGM.

EGM

The EGM is expected to be held on 8 June 2004. At the EGM, members of the Yang Family will abstain from voting. Independent Shareholders should read the circular to be despatched by our Company before making any voting decision at the EGM.

GENERAL INFORMATION

We are principally engaged in the business of production and sale of fermentation-based food additives and biochemical products and cassava starch-based industrial products including modified starch, glucose syrup, MSG products, caustic soda, hydrochloric acid, lysine, amino acids and drinkable water.

For the financial year ended 31 December 2003, our audited total turnover was approximately US\$203.80 million (equivalent to approximately HK\$1,589.64 million) with profit attributable to Shareholders of approximately US\$22.08 million (equivalent to approximately HK\$172.22 million). Our audited net asset value as at 31 December 2003 was approximately US\$225.12 million (equivalent to approximately HK\$1,755.94 million).

For the financial year ended 31 December 2003, the audited turnover and the net profit of the MSG Business was approximately RMB77.44 million (equivalent to approximately HK\$73.06 million) and RMB3.57 million (equivalent to approximately HK\$3.37 million), respectively.

Our Shares have been listed on the main board of the Stock Exchange since 27 June 2003 following which we have not engaged in any fund raising exercise. We raised approximately HK\$323.00 million in our initial public offering in June 2003. The cash consideration of the Acquisition will be paid out of the proceeds from our initial public offering assigning to merger and acquisition activities and our internally generated financial resources.

Shareholders and prospective investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context requires otherwise, the use of capitalized terms here shall have the following meanings:–

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| “Acquisition” | means the acquisition of the MSG Business, the Land and Property and the Ancillary Facilities by Shanghai Vedan Enterprise from Shanghai Vedan Foods pursuant to the Business Acquisition Agreement and the Immovable Assets Acquisition Agreement; |
| “Ancillary Facilities” | means the production, transportation and administration facilities ancillary to the MSG Business to be acquired by Shanghai Vedan Enterprise from Shanghai Vedan Foods pursuant to the Immovable Assets Acquisition Agreement; |
| “Board” | means our board of Directors; |
| “Business Acquisition Agreement” | means the business acquisition agreement dated 6 May 2004 and entered into between Shanghai Vedan Enterprise as purchaser, our Company as purchaser’s guarantor, Shanghai Vedan Foods as vendor and Messrs. Yang as vendor’s guarantors in respect of the MSG Business; |
| “Company” | means Vedan International (Holdings) Limited (味丹國際(控股)有限公司), a company incorporated in the Cayman Islands with limited liability with the Shares listed on the main board of the Stock Exchange; |
| “Director(s)” | means the director(s) of our Company; |
| “EGM” | means the extraordinary general meeting of our Company to be convened to approve the entering into the Business Acquisition Agreement and the Immovable Assets Acquisition Agreement by the Independent Shareholders; |
| “Hong Kong” | means The Hong Kong Special Administrative Region of the People’s Republic of China; |
| “HK\$” | means Hong Kong dollars, the lawful currency of Hong Kong; |
| “Immovable Assets Acquisition Agreement” | means the immovable assets acquisition agreement dated 6 May 2004 and entered into between Shanghai Vedan Enterprise as purchaser, our Company as purchaser’s guarantor, Shanghai Vedan Foods as vendor and Messrs. Yang as vendor’s guarantors in respect of the Land and Property and the Ancillary Facilities; |
| “Independent Board Committee” | means an independent committee of our Board appointed by our Board to advise our Independent Shareholders in respect of the Acquisition, comprising our independent non-executive Directors, namely Mr. CHAO Pei-Hong and Ms. CHUANG Shu-Fen; |
| “Independent Financial Adviser” | means Kingsway Capital Limited, a deemed licensing corporation permitted to engage in types 4, 6 and 9 of the regulated activities as stipulated in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being appointed as an independent financial adviser to the Independent Board Committee in respect of the Acquisition; |

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| “Independent Shareholder(s)” | means our Shareholder(s) other than the controlling shareholders (as defined under the Listing Rules) of our Company, namely members of the Yang Family; |
| “Land” | means the land to be acquired by Shanghai Vedan Enterprise from Shanghai Vedan Foods pursuant to the Immovable Assets Acquisition Agreement; |
| “Listing Rules” | means The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited; |
| “Messrs. Yang” | means Mr. YANG, Yung-Huang and Mr. YANG, Tou-Hsiung, who is an executive Director; |
| “MSG” | acronym as “monosodium glutamate”, which is a white odorless crystalline compound that is a salt of glutamic acid; it is used as a food flavour enhancing product; |
| “MSG Business” | means the MSG business of Shanghai Vedan Foods in the PRC to be acquired by Shanghai Vedan Enterprise pursuant to the Business Acquisition Agreement; |
| “PGA” | acronym as “polyglutamic acid” which is a polymer of glutamic acid. PGA is biodegradable and produced by further fermentation of glutamic acid and starch carbohydrates sourced by employing biological techniques. PGA has wide industrial applications, such as food, cosmetics, body care and sanitary products, water treatment products and environmental protection; |
| “RMB” | means renminbi yuan, the lawful currency of the PRC; |
| “PRC” | means the People’s Republic of China other than Hong Kong, The Macau Special Administrative Region of the People’s Republic of China and Taiwan; |
| “Property” | means the premises erected on the Land to be acquired by Shanghai Vedan Enterprise from Shanghai Vedan Foods pursuant to the Immovable Assets Acquisition Agreement; |
| “Prospectus” | means the prospectus dated 17 June 2003 of our Company in respect of the listing of the Shares on the main board of the Stock Exchange; |
| “Shanghai Vedan Enterprise” | means 上海味丹企業有限公司 (Shanghai Vedan Enterprise Company Limited), a wholly-foreign owned enterprise established in the PRC with limited liability on 29 April 2004 and an indirect wholly-owned subsidiary of our Company; |
| “Shanghai Vedan Foods” | means 上海味丹食品有限公司 (Shanghai Vedan Foods Co., Ltd.), a sino-foreign cooperative joint-venture company established in the PRC on 8 November 1992, which is invested by Messrs. Yang; |
| “Shanghai Vedan Agreement” | means an agreement dated 6 June 2003 and entered into between Shanghai Vedan Foods, Messrs. Yang and our Company in respect of the sales of MSG products by us to Shanghai Vedan Foods and the businesses of Shanghai Vedan Foods; |
| “Share(s)” | means the issued share(s) of our Company; |
| “Shareholder(s)” | means all of the shareholder(s) of our Company; |

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| “sq.m.” | means square meter; |
| “Stock Exchange” | means The Stock Exchange of Hong Kong Limited; |
| “Subsidiaries” | has the same meaning as in section 2 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as at the date hereof and “Subsidiaries” shall be construed accordingly; |
| “we” or “our” or “us” | means our Company and Subsidiaries; |
| “Yang Family” | Messrs. Yang, YANG, Wen-Chung, YANG, Cheng, YANG, Ching-Han, YANG, Kun-Hsiang, YANG, Kun-Chou, YANG, Yung-Jen, YANG, Chen-Wen, YANG, Wen-Hu and YANG, Tung and their respective associates; and |
| “US\$” | means the US dollar, the lawful currency of the United States of America. |

For the purpose of this announcement, translations of US\$ into HK\$ and RMB into HK\$ or vice versa have been calculated by using exchange rates of US\$1 = HK\$7.8 and RMB1.06 = HK\$1, respectively.

As at the date of this announcement, our Board comprises the following members:–

Executive Directors:–
 YANG, Tou-Hsiung
 YANG, Cheng
 YANG, Kun-Hsiang
 YANG, Chen-Wen
 WANG, Joel J.

Non-executive Directors:–
 HUANG, Ching-Jung
 LAM, Tuan

Independent non-executive Directors:–
 CHAO, Pei-Hong
 CHUANG, Shu-Fen

By order of the Board
Vedan International (Holdings) Limited
YANG, Tou-Hsiung
Chairman

Hong Kong, 6 May 2004

“Please also refer to the published version of this announcement in SCMP-Business”