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**INTERNATIONAL**

**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)**

**REVISED ANNUAL CAP FOR  
CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the announcement and the circular of the Company dated 23 December 2008 and 13 January 2009, respectively, relating to, amongst other things, the Taiwan Sales Agreement in respect of the sale of the Products to the Taiwan Vedan Group for use in Taiwan during the period from 1 January 2009 to 31 December 2011.

The Group is principally engaged in the manufacturing and sale of, amongst other things, fermentation-based amino acids. The fermentation process produces wastewater and fermentation liquors as resultant by-products. As such, the Group has adopted various environmental protection measures at its production facilities to reduce any possible environmental impacts which may be associated with such by-products, including the installation of equipment to process and convert the fermentation liquors to certain feed additive products and fertilizer products for onward sales. Since the beginning of 2009, the Group has been allocating more of its resources to improve its environmental protection measures. As a result, the productivity of such feed additive products and fertilizer products, which are part of the Products to be sold by the Group to the Taiwan Vedan Group under the Taiwan Sales Agreement, has increased substantially, and the sales volume of the Products under the Taiwan Sales Agreement has been greater than the previous projection. It has come to the attention of the Company on or around 15 April 2009 that the aggregate amount

of sales of the Products to the Taiwan Vedan Group for the period from 1 January 2009 up to 31 March 2009 represents approximately 98.68% of the Existing Cap. On such basis, the Company expected that the Existing Cap will be exceeded for the financial year ending 31 December 2009 if the Group continues to sell the Products to the Taiwan Vedan Group for the rest of the year. Accordingly, the Group has discontinued all transactions with the Taiwan Vedan Group under the Taiwan Sales Agreement with effect from 15 April 2009 until all relevant requirements of the Listing Rules have been complied with. So far as the Directors are aware, as at the date of this announcement, the aggregate amount of sales of the Products to the Taiwan Vedan Group under the Taiwan Sales Agreement has exceeded the Existing Cap.

In view of the above, the Company and Taiwan Vedan entered into the Supplemental Taiwan Sales Agreement to increase the Existing Cap under the Taiwan Sales Agreement for the three financial years ending 31 December 2011. The Transactions (including the Revised Caps) are subject to the approval of the Independent Shareholders.

Taiwan Vedan is one of the controlling shareholders of the Company holding indirectly approximately 30.22% of the entire issued share capital of the Company as at the date of this announcement. The Transactions therefore constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the Revised Caps under the Taiwan Sales Agreement represent more than 2.5% of the consideration ratio on an annual basis, and such amounts have, on an annual basis, exceeded HK\$10,000,000, the Transactions and the Revised Caps are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Accordingly, the Group will seek the Independent Shareholders' approval of the Transactions and the Revised Caps by way of poll at the AGM.

An Independent Board Committee has been formed to consider and advise the Independent Shareholders on the Transactions and the Revised Caps for the three financial years ending 31 December 2011, and the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the Transactions and the Revised Caps are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

A circular containing, amongst other things, (i) details of the Transactions and the Revised Caps; (ii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iii) a letter from the Independent Board Committee to the Independent Shareholders; and (iv) a notice to convene the AGM to approve, amongst other things, the Transactions and the Revised Caps, will be dispatched to the Shareholders as soon as practicable in compliance with the Listing Rules.

## **BACKGROUND**

Reference is made to the announcement and the circular of the Company dated 23 December 2008 and 13 January 2009, respectively, relating to, amongst other things, the Taiwan Sales Agreement in respect of the sale of the Products to the Taiwan Vedan Group for use in Taiwan during the period from 1 January 2009 to 31 December 2011. The entering into of the Taiwan Sales Agreement constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As the Existing Cap represents less than 2.5% of each of the applicable percentage ratios (as defined in the Listing Rules) of the Company under Rule 14A.34 of the Listing Rules, the transactions contemplated under the Taiwan Sales Agreement were only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and were exempt from the independent shareholders' approval requirements under Rule 14A.34 of the Listing Rules.

## **PROPOSAL TO REVISE THE EXISTING CAP**

The Group is principally engaged in the manufacturing and sale of, amongst other things, fermentation-based amino acids. The fermentation process produces wastewater and fermentation liquors as resultant by-products. As such, the Group has adopted various environmental protection measures at its production facilities to reduce any possible environmental impacts which may be associated with such by-products, including the installation of equipment to process and convert the fermentation liquors to certain feed additive products and fertilizer products for onward sales. Since the beginning of 2009, the Group has been allocating more of its resources to improve its environmental protection measures. As a result, the productivity of such feed additive products and fertilizer products, which are part of the Products to be sold by the Group to the Taiwan Vedan Group under the Taiwan Sales Agreement, has increased substantially, and the sales volume of the Products under the Taiwan Sales Agreement has been greater than the previous projection. It has come to the attention of the Company on or around 15 April 2009 that the aggregate amount

of sales of the Products to the Taiwan Vedan Group for the period from 1 January 2009 up to 31 March 2009 amounted to approximately US\$1,677,505 (equivalent to approximately HK\$13,000,664), representing approximately 98.68% of the Existing Cap of US\$1,700,000 (equivalent to approximately HK\$13,175,000). On such basis, the Company expected that the Existing Cap will be exceeded for the financial year ending 31 December 2009 if the Group continues to sell the Products to the Taiwan Vedan Group for the rest of the year. Accordingly, the Group has discontinued all transactions with the Taiwan Vedan Group under the Taiwan Sales Agreement with effect from 15 April 2009 until all relevant requirements of the Listing Rules have been complied with. So far as the Directors are aware, as at the date of this announcement, the aggregate amount of sales of the Products to the Taiwan Vedan Group under the Taiwan Sales Agreement is approximately US\$2,275,625 (equivalent to approximately HK\$17,636,094), and such amount has exceeded the Existing Cap by approximately US\$575,625 (equivalent to approximately HK\$4,461,094).

In view of the above, the Company and Taiwan Vedan entered into the Supplemental Taiwan Sales Agreement to increase the Existing Cap under the Taiwan Sales Agreement, details of which are set out in the paragraph headed “Supplemental Taiwan Sales Agreement” below.

## **SUPPLEMENTAL TAIWAN SALES AGREEMENT**

Principal terms of the Supplemental Taiwan Sales Agreement are as follows:

### **Date**

29 April 2009

### **Parties**

The Company (as seller) and Taiwan Vedan (as buyer)

## **Revised Caps**

The Company and Taiwan Vedan entered into the Supplemental Taiwan Sales Agreement to increase the Existing Cap under the Taiwan Sales Agreement to the Revised Caps of US\$4,000,000, US\$4,800,000 and US\$4,800,000 (equivalent to approximately HK\$31,000,000, HK\$37,200,000 and HK\$37,200,000, respectively) for the three financial years ending 31 December 2009, 2010 and 2011, respectively. The Transactions (including the Revised Caps) are subject to the approval of the Independent Shareholders. The Revised Caps have been determined based on (i) the total aggregate amount of sales of the Products to the Taiwan Vedan Group for the period from 1 January 2009 to the date of this announcement; (ii) the projected growth in the production and the sales amount of feed additive products and fertilizer products in light of the environmental protection improvement plans as explained above; (iii) the production and marketing policy of the Group in respect of the Products; and (iv) the estimated market demand for the Products in Taiwan.

Save for the Revised Caps, all other terms of the Taiwan Sales Agreement shall remain in full force and effect.

## **REASONS FOR AND BENEFITS OF THE TRANSACTIONS**

The Group has been selling the Products to the Taiwan Vedan Group and the Directors believe that the continuous sale of the Products to the Taiwan Vedan Group will generate additional income to the Group. The Directors (excluding the independent non-executive Directors who will express their views on the Transactions after taking into account the advice from the Independent Financial Adviser) consider that the Transactions are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **INFORMATION ABOUT TAIWAN VEDAN**

Taiwan Vedan is a company incorporated under the laws of Taiwan and its principal business is the production of food additive products, including MSG products, and beverages in Taiwan. It is one of the controlling shareholders of the Company holding indirectly approximately 30.22% of the entire issued share capital of the Company as at the date of this announcement and is therefore a connected person of the Company.

## **INFORMATION ABOUT THE GROUP**

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

## **LISTING RULES REQUIREMENTS**

Taiwan Vedan is one of the controlling shareholders of the Company holding indirectly approximately 30.22% of the entire issued share capital of the Company as at the date of this announcement. The Transactions therefore constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since the Existing Cap for the financial year ending 31 December 2009 has been exceeded, the Company is required under Rule 14A.36(1) of the Listing Rules to re-comply with the reporting, announcement and independent shareholders' approval requirements for the Transactions as applicable.

As the Revised Caps under the Taiwan Sales Agreement represent more than 2.5% of the consideration ratio (as defined in the Listing Rules) on an annual basis, and such amounts have, on an annual basis, exceeded HK\$10,000,000, the Transactions and the Revised Caps are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Accordingly, the Group will seek the Independent Shareholders' approval of the Transactions and the Revised Caps by way of poll at the AGM. Billion Power, Concord Worldwide, High Capital, King International and their respective associates will abstain from voting in relation to the resolution(s) approving the Transactions and the Revised Caps.

The Company will comply with the relevant provisions under Chapter 14A of the Listing Rules in the event that the aggregate annual amount of the sales of the Products under the Taiwan Sales Agreement shall exceed the Revised Caps, or that there is any material amendment to the terms of such agreement.

## **GENERAL**

An Independent Board Committee has been formed to consider and advise the Independent Shareholders on the Transactions and the Revised Caps for the three financial years ending 31 December 2011, and the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the Transactions and the Revised Caps are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

A circular containing, amongst other things, (i) details of the Transactions and the Revised Caps; (ii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iii) a letter from the Independent Board Committee to the Independent Shareholders; and (iv) a notice to convene the AGM to approve, amongst other things, the Transactions and the Revised Caps, will be dispatched to the Shareholders as soon as practicable in compliance with the Listing Rules.

## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“AGM”	the annual general meeting of the Company to be held on 22 June 2009;
“associate(s)”	has the meaning ascribed thereto under the Listing Rules;
“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 date of this announcement;
“Board”	the board of Directors;
“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 per cent., 26.7 per cent., 26.7 per cent., and 19.9 per cent., respectively, all of whom together with Concord Worldwide Holdings Ltd., are members of the Yang Family. It directly holds 127,297,646 Shares as at the date of this announcement;
“connected person”	has the meaning ascribed thereto under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Existing Cap”	the existing maximum aggregate annual amount of the sales of the Products permitted under the Taiwan Sales Agreement;
“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;
“Group”	the Company and its subsidiaries;
“High Capital”	High Capital Investments Limited, a company incorporated in the British Virgin Islands and beneficially owned by Messrs. Yang, Chen-Wen, Yang, Tung, Yang, Wen-Hu, Ms. Yang, Wen-Yin, Ms. Yang, Shu-Hui and Ms. Yang, Shu-Mei as to 26.33 per cent., 26.33 per cent., 26.33 per cent., 7 per cent., 7 per cent., and 7 per cent., respectively, all of whom, together with High Capital Investments Limited, are members of the Yang Family. It directly holds 127,297,646 Shares as at the date of this announcement;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;



“Independent Board Committee”	an independent committee of the Directors comprising all the independent non-executive Directors, namely Mr. Chao, Pei-Hong, Mr. Ko, Jim-Chen and Mr. Chen, Joen-Ray;
“Independent Financial Adviser”	Celestial Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed by the Board to advise the Independent Board Committee and the Independent Shareholders in respect of the Transactions;
“Independent Shareholders”	Shareholders other than Billion Power, Concord Worldwide, High Capital, King International and their respective associates;
“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 per cent., 20 per cent., 20 per cent., and 20 per cent., respectively, all of whom, together with King International Limited, are members of the Yang Family. It directly holds 169,730,196 Shares as at the date of this announcement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of 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;

“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan;
“Products”	GA, MSG and cassava starch-based industrial products manufactured by the Group from time to time;
“Revised Caps”	the revised maximum aggregate annual amounts of the sales of the Products as amended by the Supplemental Taiwan Sales Agreement;
“Share(s)”	share(s) of US\$0.01 per share in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s) from time to time;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Supplemental Taiwan Sales Agreement”	the supplemental agreement dated 29 April 2009 between the Company and Taiwan Vedan supplemental to the Taiwan Sales Agreement;
“Taiwan Sales Agreement”	the agreement in respect of the sales of the Products by the Group to the Taiwan Vedan Group dated 23 December 2008;
“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);
“Transactions”	the transactions contemplated under the Taiwan Sales Agreement as supplemented by the Supplemental Taiwan Sales Agreement;

“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 dollars” or “US\$”	United States dollars, the lawful currency of the United States of America; and
“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, 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, Taiwan Vedan, Tung Hai and Billion Power.

By Order of the Board of  
**Vedan International (Holdings) Limited**  
**Yang, Tou-Hsiung**  
*Chairman and Executive Director*

Hong Kong, 30 April 2009

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

*Executive Directors:–*

Mr. YANG, Tou-Hsiung  
Mr. YANG, Cheng  
Mr. YANG, Kun-Hsiang  
Mr. YANG, Chen-Wen  
Mr. WANG, Joel J.

*Non-executive Directors:–*

Mr. HUANG, Ching-Jung  
Mr. CHOU, Szu-Cheng

*Independent non-executive Directors:–*

Mr. CHAO, Pei-Hong  
Mr. KO, Jim-Chen  
Mr. CHEN, Joen-Ray

\* *For identification purpose only*

*For the purpose of this announcement, conversion of US\$ into HK\$ or vice versa has been calculated by using an exchange rate of US\$1 to HK\$7.75.*