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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: 02317)

CONTINUING CONNECTED TRANSACTIONS

The Group has been engaging in certain continuing connected transactions with the Taiwan Vedan Group in its ordinary and usual course of business, which are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

References are made to the Company's announcements dated 23 December 2008, 30 April 2009, 24 December 2009 and 23 December 2011, respectively and the Company's circulars dated 13 January 2009 and 20 May 2009 respectively, relating to, amongst other things, the following continuing connected transactions between the Taiwan Vedan Group and the Group:

- (1) the provision of certain technological support services by the Taiwan Vedan Group to the Group pursuant to the Existing Technology Support Agreement; and
- (2) the sales of the Products to the Taiwan Vedan Group pursuant to the Existing Taiwan Sales Agreement.

In addition, the Company has been engaging in certain continuing connected transactions with Taiwan Vedan which are exempted from all reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Existing Taiwan Agreements will expire on 31 December 2014.

As the transactions contemplated under each of the Existing Taiwan Agreements is expected to continue after the expiration of their respective terms, the Company and Taiwan Vedan have entered into the Taiwan Agreements on substantially the same terms as the Existing Taiwan Agreements (save and except that the cap for the Taiwan Sales Agreement will be increased from US\$3,000,000 to US\$50,000,000) and each for a term of three years from 1 January 2015 to 31 December 2017, subject to compliance with the relevant requirements under the Listing Rules and approval of the Independent Shareholders (if required) having been obtained.

As at the date of this announcement, Taiwan Vedan is one of the controlling shareholders of the Company holding indirectly approximately 33.62% of the entire issued share capital of the Company, the transactions contemplated under each of the Taiwan Agreements therefore constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the transactions contemplated under the Technology Support Agreement is, on an annual basis, greater than 0.1% while all such ratios are below 5% for the purposes of Rule 14.07 of the Listing Rules, such transactions are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules and are exempt from the circular and Independent Shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the transactions contemplated under the Taiwan Sales Agreement is, on an annual basis, exceeds 5% for the purposes of Rule 14.07 of the Listing Rules, such transactions are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Each of Yang Family and/or their respective associates will abstain from voting on the resolution in respect of the Taiwan Sales Agreement at the EGM.

The Independent Board Committee has been set up to advise the Independent Shareholders in connection with the Taiwan Sales Agreement. The Independent Financial Adviser, Celestial Capital Limited, has been appointed for the purpose of providing independent advice to the Independent Board Committee and the Independent Shareholders in connection with the Taiwan Sales Agreement.

A circular containing, amongst other things, information regarding the Taiwan Sales Agreement, the recommendation of the Independent Board Committee, the advice from the Independent Financial Adviser and the notice of the EGM is expected to be dispatched to the shareholders of the Company on or before 28 November 2014.

BACKGROUND

The Group has been engaging in certain continuing connected transactions with the Taiwan Vedan Group in its ordinary and usual course of business, which are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

References are made to the Company's announcements dated 23 December 2008, 30 April 2009, 24 December 2009 and 23 December 2011, respectively and the Company's circulars dated 13 January 2009 and 20 May 2009 respectively, relating to, amongst other things, the following continuing connected transactions between the Taiwan Vedan Group and the Group:

- (1) the provision of certain technological support services by the Taiwan Vedan Group to the Group pursuant to the Existing Technology Support Agreement; and
- (2) the sales of the Products to the Taiwan Vedan Group pursuant to the Existing Taiwan Sales Agreement.

In addition, the Company has been engaging in certain continuing connected transactions with Taiwan Vedan which are exempted from all reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Existing Taiwan Agreements will expire on 31 December 2014.

As the transactions contemplated under each of the Existing Taiwan Agreements is expected to continue after the expiration of their respective terms, the Company and Taiwan Vedan have entered into the Taiwan Agreements on substantially the same terms as the Existing Taiwan Agreements (save and except that the cap for the Taiwan Sales Agreement will be increased from US\$3,000,000 to US\$50,000,000) and each for a term of three years from 1 January 2015 to 31 December 2017, subject to compliance with the relevant requirements under the Listing Rules and approval of the Independent Shareholders (if required) having been obtained.

AGREEMENTS

1. Technology Support Agreement

Nature of Transaction

Pursuant to the Technology Support Agreement dated 7 November 2014 entered into between Taiwan Vedan and the Company, Taiwan Vedan has agreed to continue to provide and/or to procure other member(s) of the Taiwan Vedan Group to continue to provide to the Group during the Relevant Period certain technological support services (including provision of staff training and staff secondment to the Group's production complexes in Vietnam and the PRC upon request of the Group) for the purpose of supporting the product research and development activities of the Group for the development of other advanced fermentation technology as may be required by the Group from time to time.

The Company has agreed to pay or procure to be paid to Taiwan Vedan a service fee at the rate of 1% of the turnover of Xiamen Mao Tai and Vietnam Vedan during the Relevant Period, which is the same as the service fee rate under the Existing Technology Support Agreement.

The basis of the service fee rate was principally determined after arm's length negotiations and on normal commercial terms after taking into account factors such as the experience and background of the Taiwan Vedan Group.

The service fee shall be paid by cash in US dollars within 60 days from the publication of the Company's audited accounts for the relevant financial year of the Relevant Period and shall be subject to a cap of US\$2,500,000 (equivalent to approximately HK\$19,450,000).

Historical Figures and Pricing Basis

For each of the two financial years ended 31 December 2013 and the 9 months ended 30 September 2014, the aggregate amount of service fee paid by the Group to the Taiwan Vedan Group directly or through Tung Hai pursuant to the Existing Technology Support Agreement amounted to US\$2,234,000 (equivalent to approximately HK\$17,380,520), US\$2,268,000 (equivalent to approximately HK\$17,645,040) and US\$1,136,000 (equivalent to approximately HK\$8,838,080), respectively. The transaction amount for each of the three financial years ending 31 December 2014 was or is expected to be within the relevant annual cap as disclosed in the announcement of the Company dated 23 December 2011, which is US\$2,500,000 (equivalent to approximately HK\$19,450,000) for each of the three financial years ending 31 December 2014.

The Company currently estimates that the annual aggregate amount of service fee calculated at the rate described above will not exceed the cap of US\$2,500,000 (equivalent to approximately HK\$19,450,000) for each of the three financial years ending 31 December 2017. This estimate was based on the proposed production plan of the Group in light of the current market situation.

Reasons for entering into the Technology Support Agreement

The Taiwan Vedan Group has been providing to the Group technological support services for the development of advanced fermentation technology and to the Directors' knowledge there are no companies in the market the business of which is to provide such technological support services. The Directors believe that the continuous technological support from the Taiwan Vedan Group will benefit the Group's future business developments.

The independent non-executive Directors are of the opinion that the Technology Support Agreement is: (i) on terms that are fair and reasonable; (ii) on normal commercial terms and in the ordinary and usual course of business of the Group; and (iii) in the interests of the Company and its shareholders as a whole.

Mr. Yang, Tou-Hsiung, Mr. Yang, Cheng, Mr. Yang, Kun-Hsiang, Mr. Yang, Chen-Wen and Mr. Yang, Kun-Chou, being executive Directors, are members of the Yang Family and are considered to have a material interest in the transactions contemplated under the Technology Support Agreement. Accordingly, they have abstained from voting on the resolutions of the Board in relation to the Technology Support Agreement.

2. Taiwan Sales Agreement

Nature of Transaction

Pursuant to the Taiwan Sales Agreement dated 7 November 2014 entered into between Taiwan Vedan and the Company, the Group will continue to sell the Products to the Taiwan Vedan Group for use in Taiwan during the Relevant Period.

The price of the Products payable by Taiwan Vedan and/or other member(s) of the Taiwan Vedan Group to the relevant member of the Group shall be determined in accordance with and be not more favourable to the Taiwan Vedan Group than the price charged by the relevant member of the Group to other independent customers of the Group in respect of the relevant Products. The price of the Products is subject to review by the Board from time to time and at least once every six months.

The price of the Products shall be paid to the relevant member of the Group by Taiwan Vedan and/or other member(s) of the Taiwan Vedan Group within 60 days from the end of the month in which the relevant Products are delivered by the Group.

Historical Figures and Pricing Basis

For each of the two financial years ended 31 December 2013 and the 9 months ended 30 September 2014, the aggregate amount of sales of the Products to the Taiwan Vedan Group pursuant to the Existing Taiwan Sales Agreement amounted to US\$2,875,000 (equivalent to approximately HK\$22,367,500), US\$2,865,000 (equivalent to approximately HK\$22,289,700) and US\$526,800 (equivalent to approximately HK\$4,098,504), respectively. The transaction amount for each of the three financial years ending 31 December 2014 was or is expected to be within the relevant annual caps as disclosed in the announcement of the Company dated 23 December 2011, which is US\$3,000,000 (equivalent to approximately HK\$23,340,000) for each of the three financial years ending 31 December 2014, respectively.

The Company currently estimates that the annual aggregate amount of sales of the Products to the Taiwan Vedan Group pursuant to the Taiwan Sales Agreement will not exceed the maximum cap of US\$50,000,000 (equivalent to approximately HK\$389,000,000) for each of the three financial years ending 31 December 2017.

This estimate was based on (i) the production and marketing policy of the Group in respect of the Products; (ii) the estimated market demand for the Products in Taiwan; and (iii) the expected increase in the Group's production of the Products in the manufacturing facilities in Vietnam.

As set out in the Company's announcement dated 15 August 2013 and circular dated 4 October 2013, Vietnam Vedan acquired a pulverized coal firing boiler, which will be used as an electricity generator in its manufacturing facilities in Vietnam. It is expected that when such boiler is put into operation in early 2015, the electricity costs and hence the production costs of Vietnam Vedan will be reduced to a great extent and thus more resources can be allocated to increase its production of the Products in Vietnam.

Reasons for entering into the Taiwan Sales Agreement

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.

Mr. Yang, Tou-Hsiung, Mr. Yang, Cheng, Mr. Yang, Kun-Hsiang, Mr. Yang, Chen-Wen and Mr. Yang, Kun-Chou, being executive Directors, are members of the Yang Family and are considered to have a material interest in the transactions contemplated under the Taiwan Sales Agreement. Accordingly, they have abstained from voting on the resolutions of the Board in relation to the Taiwan Sales Agreement.

The non-executive Directors are of the opinion that the terms of the Taiwan Sales Agreement are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Independent Board Committee will provide their views on the Taiwan Sales Agreement after considering the advice from the Independent Financial Adviser.

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 33.62% 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

As at the date of this announcement, Taiwan Vedan is one of the controlling shareholders of the Company holding indirectly approximately 33.62% of the entire issued share capital of the Company, therefore constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the transactions contemplated under the Technology Support Agreement is, on an annual basis, greater than 0.1% while all such ratios are below 5% for the purposes of Rule 14.07 of the Listing Rules, such transactions are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules and are exempt from the circular and Independent Shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the transactions contemplated under the Taiwan Sales Agreement is, on an annual basis, exceeds 5% for the purposes of Rule 14.07 of the Listing Rules, such transactions are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Each of Yang Family and/or their respective associates will abstain from voting on the resolution in respect of the Taiwan Sales Agreement at the EGM.

The Independent Board Committee has been set up to advise the Independent Shareholders in connection with the Taiwan Sales Agreement. The Independent Financial Adviser, Celestial Capital Limited, has been appointed for the purpose of providing independent advice to the Independent Board Committee and the Independent Shareholders in connection with the Taiwan Sales Agreement.

CIRCULAR

A circular containing, amongst other things, information regarding the Taiwan Sales Agreement, the recommendation of the Independent Board Committee, the advice from the Independent Financial Adviser and the notice of the EGM is expected to be dispatched to the shareholders of the Company on or before 28 November 2014.

DEFINITIONS

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

“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 512,082,512 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 28.3%, 30%, 13.4%, and 28.3%, 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;
“EGM”	an extraordinary general meeting of the Company to be convened for the Independent Shareholders to consider and, if thought fit, to approve the Taiwan Sales Agreement and the transactions contemplated thereunder;
“Existing Taiwan Agreements”	the Existing Technology Support Agreement and the Existing Taiwan Sales Agreement;
“Existing Taiwan Sales Agreement”	the agreement in respect of the sales of certain GA, MSG and cassava starch-based industrial products by the Group to the Taiwan Vedan Group dated 23 December 2011;
“Existing Technology Support Agreement”	the agreement in respect of the provision of certain technological support services by the Taiwan Vedan Group to the Group dated 23 December 2011;
“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%, 26.33%, 26.33%, 7%, 7%, and 7%, 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 for the time being of the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	the independent board committee of the Company comprising Mr. CHAO, Pei-Hong, Mr. KO, Jim-Chen, Mr. CHEN, Joen-Ray and Mr. HSIEH, Lung-Fa, established for the purpose of advising the Independent Shareholders in respect of the Taiwan Sales Agreement;
“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 terms of the Taiwan Sales Agreement;
“Independent Shareholders”	the shareholders other than the Yang Family and/or their respective associates;

“King International”	King International Limited, a company incorporated in the British Virgin Islands and beneficially owned by Messrs. Yang, Tou-Hsiung and Yang, Cheng, as to 65% and 35%, 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”	certain GA, MSG, fertiliser and feed products and cassava starch-based industrial products manufactured by the Group from time to time;
“Relevant Period”	the period from 1 January 2015 to 31 December 2017;
“Share(s)”	share(s) of US\$0.01 per share in the share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Taiwan Agreements”	the Technology Support Agreement and the Taiwan Sales Agreement;

“Taiwan Sales Agreement”	the agreement in respect of the sales of certain GA, MSG and cassava starch-based industrial products by the Group to the Taiwan Vedan Group dated 7 November 2014;
“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 Support Agreement”	the agreement in respect of the provision of certain technological support services by the Taiwan Vedan Group to the Group dated 7 November 2014;
“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\$”	the lawful currency of the United States of America;
“Vietnam Vedan”	Vedan (Vietnam) Enterprise Corporation Limited, a company incorporated under the laws of Vietnam and an indirect wholly-owned subsidiary of the Company;
“Xiamen Mao Tai”	茂泰食品(廈門)有限公司 (Mao Tai Foods (Xiamen) Co., Ltd.), a wholly foreign-owned enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company;

“Yang Family”

Messrs. Yang, Tou-Hsiung, Yang, Cheng, 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;

“%”

per cent.

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

Hong Kong, 7 November 2014

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. YANG, Kun-Chou

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
Mr. HSIEH, Lung-Fa

* *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\$7.78.