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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: 02317)

**REVISION OF ANNUAL CAP FOR
CONTINUING CONNECTED TRANSACTIONS
UNDER THE TAIWAN SALES AGREEMENT**

References are made to the Company's announcements dated 21 December 2017 and 10 January 2018 respectively in relation to the sales of the Products to the Taiwan Vedan Group pursuant to the Taiwan Sales Agreement. As there is an increase in the cost of production of MSG in Taiwan while the cost of production of MSG in Vietnam has been increasing at a lower rate, it is expected that Taiwan Vedan Group will increase the purchase of MSG produced by the Group to replace part of its own production in Taiwan during the Relevant Period. As a result, the Directors expect that the sales of the Products to Taiwan Vedan Group will increase and the existing cap as set out in the Taiwan Sales Agreement will not be sufficient for the expected increase in the volume of business between the Group and the Taiwan Vedan Group. On 12 April 2018, the Company entered into the Supplemental Agreement with Taiwan Vedan to revise the annual cap for the continuing connected transactions under the Taiwan Sales Agreement for each of the three financial years ending 31 December 2020 from US\$7,000,000 (equivalent to approximately HK\$54,600,000) to US\$30,000,000 (equivalent to approximately HK\$234,000,000), subject to compliance with the relevant requirements under the Listing Rules and approval of the Independent Shareholders 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 the Supplemental Agreement 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 Revised Annual Cap, on an annual basis, exceeds 5% for the purposes of Rule 14.07 of the Listing Rules, the Supplemental Agreement and the Revised Annual Cap are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements pursuant to Rule 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 Supplemental Agreement and the Revised Annual Cap at the EGM.

The Independent Board Committee has been set up to advise the Independent Shareholders in connection with the Supplemental Agreement and the Revised Annual Cap. 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 Supplemental Agreement and the Revised Annual Cap.

A circular containing, amongst other things, information regarding the Supplemental Agreement and the Revised Annual Cap, 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 4 May 2018.

BACKGROUND

References are made to the Company's announcements dated 21 December 2017 and 10 January 2018 respectively in relation to the sales of the Products to the Taiwan Vedan Group pursuant to the Taiwan Sales Agreement. Pursuant to the Taiwan Sales Agreement 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. As of the date of this announcement, the annual cap under the Taiwan Sales Agreement has not been exceeded.

HISTORICAL FIGURES AND REVISED ANNUAL CAP

For each of the three financial years ended 31 December 2017, the aggregate amount of sales of the Products to the Taiwan Vedan Group pursuant to the 2014 Taiwan Sales Agreement amounted to US\$6,729,428 (equivalent to approximately HK\$52,489,538), US\$6,163,636 (equivalent to approximately HK\$48,076,360) and US\$5,901,334 (equivalent to approximately HK\$46,030,405), respectively. The transaction amount for each of the three financial years ended 31 December 2017 was within the relevant annual cap as disclosed in the announcement of the Company dated 7 November 2014, which is US\$50,000,000 (equivalent to approximately HK\$390,000,000) for each of the three financial years ended 31 December 2017, respectively.

As there is an increase in the cost of production of MSG in Taiwan while the cost of production of MSG in Vietnam has been increasing at a lower rate, it is expected that Taiwan Vedan Group will increase the purchase of MSG produced by the Group to replace part of its own production in Taiwan during the Relevant Period. As a result, the Directors expect that the sales of the Products to Taiwan Vedan Group will increase and the existing cap as set out in the Taiwan Sales Agreement will not be sufficient for the expected increase in the volume of business between the Group and the Taiwan Vedan Group. On 12 April 2018, the Company entered into the Supplemental Agreement with Taiwan Vedan to revise the annual cap for the continuing connected transactions under the Taiwan Sales Agreement for each of the three financial years ending 31 December 2020 from US\$7,000,000 (equivalent to approximately HK\$54,600,000) to US\$30,000,000 (equivalent to approximately HK\$234,000,000), subject to compliance with the relevant requirements under the Listing Rules and approval of the Independent Shareholders having been obtained.

In arriving at the Revised Annual Cap, the Company has taken into account (i) the production and marketing policy of the Group in respect of the Products; (ii) the estimated increase in demand for the Products as a result of the increase in the cost of production of MSG in Taiwan and (iii) the actual aggregate amount of sales of the Products by the Group to the Taiwan Vedan Group in the previous financial years.

Save and except the revised maximum transaction amount between the Group and the Taiwan Vedan Group as amended and supplemented by the Supplemental Agreement, the rest of the provisions of the Taiwan Sales Agreement will remain in full force and effect in accordance with its terms.

REASONS FOR AND THE BENEFITS OF THE REVISED ANNUAL CAP

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 (including the independent non-executive Directors) are of the opinion that it is beneficial to the Group to continue to sell the Products to the Taiwan Vedan Group on normal commercial terms.

The Board considers that the terms of the Supplemental Agreement and the Revised Annual Cap were arrived at after arm's length negotiations between the parties involved. The Supplemental Agreement and the Revised Annual Cap were entered into in the ordinary and usual course of business of the Group. The Directors (excluding the independent non-executive Directors whose views will be based on the opinion of the Independent Financial Adviser) consider that the terms of the Supplemental Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole and that the Revised Annual Cap as contemplated by the Supplemental Agreement for each of the three years ending 31 December 2020 are fair and reasonable.

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 Supplemental Agreement. Accordingly, they have abstained from voting on the resolutions of the Board in relation to the Supplemental Agreement and the Revised Annual Cap.

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, the transactions contemplated under the Supplemental Agreement 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 Revised Annual Cap, on an annual basis, exceeds 5% for the purposes of Rule 14.07 of the Listing Rules, the Supplemental Agreement and the Revised Annual Cap are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements pursuant to Rule 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 Supplemental Agreement and the Revised Annual Cap at the EGM.

The Independent Board Committee has been set up to advise the Independent Shareholders in connection with the Supplemental Agreement and the Revised Annual Cap. 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 Supplemental Agreement and the Revised Annual Cap.

A circular containing, amongst other things, information regarding the Supplemental Agreement and the Revised Annual Cap, 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 4 May 2018.

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 Supplemental Agreement and the Revised Annual Cap;

“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 Hong Kong;
“Hong Kong”	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 and the Supplemental 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 and the Supplemental Agreement;

“Independent Shareholders”	the shareholders of the Company 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 GEM of the Stock Exchange;
“MSG”	Monosodium glutamate (MSG) is the salt of sodium and glutamate, a naturally occurring amino acid that is present in all proteins such as milk, meat, fish and many vegetables ; it is used as a food flavour enhancing umami taste;
“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 2018 to 31 December 2020;
“Revised Annual Cap”	the revised annual cap for the maximum transaction amount between the Group and the Taiwan Vedan Group for each of the three financial years ending 31 December 2020 pursuant to the Supplemental Agreement;

“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;
“Supplemental Agreement”	the supplemental agreement to the Taiwan Sales Agreement dated 12 April 2018 entered between the Company and Taiwan Vedan to revise the annual cap for each of the three financial years ending 31 December 2020 for the sales of the Products to the Taiwan Vedan Group pursuant 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 21 December 2017;
“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);
“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;

“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;
“2014 Taiwan Sales Agreement”	the agreement in respect of the sales of the Products by the Group to the Taiwan Vedan Group dated 7 November 2014;
“%”	per cent.

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

Hong Kong, 12 April 2018

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\$7.80.