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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

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

**(Stock code: 02317)**

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

#### NOTICE OF EXTRAORDINARY GENERAL MEETING

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



**Celestial Capital Limited**

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A letter from the Board is set out on pages 6 to 12 of this circular and a letter from the Independent Board Committee to the Independent Shareholders is set out on pages 13 to 14 of this circular.

A letter from Celestial Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 15 to 35 of this circular.

A notice convening the EGM to be held at Kellett Room IV, 3/F, The Excelsior Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong on Wednesday, 23 May 2018 at 3:30 p.m. (or immediately after the end of the annual general meeting of the Company to be held on Wednesday, 23 May 2018) is set out on pages 42 to 43 of this circular. Shareholders are advised to read the notice of the EGM set out on pages 42 to 43 of this circular.

Whether or not you are able to attend the meeting, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

7 May 2018

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following terms or expressions shall have the following meanings:*

“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 Latest Practicable Date;
“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 Latest Practicable Date;
“connected person”	has the meaning ascribed thereto under the Listing Rules;
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be held and convened at Kellett Room IV, 3/F, The Excelsior Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong on Wednesday, 23 May 2018 at 3:30 p.m. (or immediately after the end of the annual general meeting of the Company to be held on Wednesday, 23 May 2018) for the Independent Shareholders to consider and, if thought fit, to approve the Supplemental Agreement and the Revised Annual Cap, or any adjournment thereof;

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## DEFINITIONS

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“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 Latest Practicable Date;
“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 Supplemental Agreement and the Revised Annual Cap;
“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 SFO, being the independent financial adviser appointed by the Board to advise the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Agreement and the Revised Annual Cap;
“Independent Shareholders”	the shareholders of the Company other than the Yang Family and/or their respective associates;

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## DEFINITIONS

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“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 Latest Practicable Date;
“Latest Practicable Date”	30 April 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular;
“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 circular, 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;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);

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## DEFINITIONS

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“Share(s)”	share(s) of US\$0.01 per share in the share capital of the Company;
“Shareholder(s)”	holder(s) of the ordinary share(s) of US\$0.01 each 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 dated 21 December 2017 between Taiwan Vedan and the Company in respect of the sales of the Products by the Group to the Taiwan Vedan Group;
“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;

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## DEFINITIONS

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“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 dated 7 November 2014 between Taiwan Vedan and the Company in respect of the sales of the Products by the Group to the Taiwan Vedan Group; and
“%”	per cent.

*Unless otherwise specified in this circular, conversion of US\$ into HK\$ or vice versa has been calculated by using an exchange rate of US\$1 to HK\$7.80.*

*\* For identification purpose only*

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LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. YANG, Tou-Hsiung  
Mr. YANG, Cheng  
Mr. YANG, Kun-Hsiang  
Mr. YANG, Chen-Wen  
Mr. YANG, Kun-Chou

*Registered Office:*

P.O. Box 10008  
Willow House  
Cricket Square  
Grand Cayman KY1-1001  
Cayman Islands

*Non-executive Directors:*

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

*Principal Place of Business in*

*Hong Kong:*  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

*Independent non-executive Directors:*

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

7 May 2018

*To the Shareholders*

Dear Sir or Madam

**REVISION OF ANNUAL CAP FOR  
CONTINUING CONNECTED TRANSACTIONS  
UNDER THE TAIWAN SALES AGREEMENT  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

Reference is made to the Company's announcement dated 12 April 2018 in relation to the Supplemental Agreement and the Revised Annual Cap.



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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with, among other things, (i) further details regarding the Supplemental Agreement and the Revised Annual Cap; (ii) the advice and recommendation of the Independent Board Committee; (iii) the advice and recommendation of the Independent Financial Adviser; and (iv) the notice of the EGM.

### REVISION OF ANNUAL CAP OF CONTINUING CONNECTED TRANSACTIONS

#### Background

References are made to the Company's announcements dated 21 December 2017, 10 January 2018 and 12 April 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. 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 three financial years ended 31 December 2017 and during the period from 1 January 2018 to the Latest Practicable Date, the aggregate actual amount of sales of the Products to the Taiwan Vedan Group pursuant to the 2014 Taiwan Sales Agreement/the 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), US\$5,901,334 (equivalent to approximately HK\$46,030,405) and US\$1,295,222 (equivalent to approximately HK\$10,102,732), 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 at the Latest Practicable Date, the annual cap under the Taiwan Sales Agreement has not been exceeded.

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 management of the Company will determine the price of the Products after taking into consideration the production costs and the market price of the Products in Taiwan, aiming at maintaining an overall gross margin within a range of approximately 14% to 18%. The price of the Products is subject to review by the Board from time to time and at least once every six months.

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## LETTER FROM THE BOARD

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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.

### **Revision of the Annual Cap**

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 approval by independent shareholders of the Company.

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, with a view to retaining and generating more revenue from its existing customers and market; (ii) the estimated increase in demand for the Products as a result of the increase in the cost of production of MSG in Taiwan together with the pressure to lower the selling price of MSG by the Taiwan Vedan Group due to keen competition from its competitors; and (iii) the actual aggregate amount of sales of the Products by the Group to the Taiwan Vedan Group in the previous financial years.

Although the Revised Annual Cap represents a significant increase from (i) the annual cap under the Taiwan Sales Agreement; and (ii) the aggregate actual amount of sales of the Products to the Taiwan Vedan Group pursuant to the 2014 Taiwan Sales Agreement for each of the three financial years ended 31 December 2017 as stated above, the Revised Annual Cap was determined after the Company has taken into account the estimated increase in demand for MSG from the Taiwan Vedan Group due to (i) a 3% increase in the cost of production of MSG per tonne in Taiwan in 2017 compared to 2016 due to factors including the implementation of maximum working hours, increase in minimum wages and energy costs in Taiwan; and (ii) the pressure to lower the selling price of MSG by the Taiwan Vedan Group. Compared to 2016, the selling price of MSG by the Taiwan Vedan Group to its customers in 2017 has decreased by approximately 4% due to keen competition from its competitors. The Company has also taken into account the average annual historical sales amount of the Products (excluding MSG) by the Group to the Taiwan Vedan Group of approximately US\$2,579,734 (equivalent to approximately HK\$20,121,925) during the three years ended 31 December 2017.

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## LETTER FROM THE BOARD

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The Company expects that the impact of the increase in the cost of production of MSG in Taiwan will manifest in 2018. It is estimated that such increase in cost of production of MSG in Taiwan would result in a 45% difference in the MSG production cost of the Taiwan Vedan Group, which produces its MSG in Taiwan, and that of the Group, which produces its MSG in Vietnam, in 2018. In order for the Taiwan Vedan Group to maintain its competitiveness, it is expected that the Taiwan Vedan Group will increase the purchase of MSG produced by the Group to replace about 14,000 to 20,000 tonnes of its own production of MSG in Taiwan during the Relevant Period. The estimated sales value of MSG from the Group to the Taiwan Vedan Group (based on the estimated volume of MSG to be purchased by the Taiwan Vedan Group to replace about 14,000 to 20,000 tonnes of its own production of MSG in Taiwan and the average historical selling price of the MSG sold by the Group to the Taiwan Vedan Group during the three years ended 31 December 2017) for each of the three years ending 31 December 2020 will be over US\$20,000,000. The average historical selling price of the MSG sold by the Group to the Taiwan Vedan Group during the three years ended 31 December 2017 was lower than the production cost of MSG in Taiwan by the Taiwan Vedan Group by approximately 20% and is expected to remain stable in the next few 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 (including the independent non-executive Directors having taken into account 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 is fair and reasonable.

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## LETTER FROM THE BOARD

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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.

### INTERNAL CONTROL PROCEDURES

The Group has formulated a series of measures and policies to ensure that the continuing connected transactions contemplated under the Taiwan Sales Agreement (as supplemented by the Supplemental Agreement) (the “**Transactions**”) will be implemented in accordance with the terms of the agreement and the pricing policies.

The management of the Company will review, among others, the pricing involved in the transactions contemplated under the Taiwan Sales Agreement and compare it with other independent customers on a quarterly basis to ensure that the pricing and certain major terms of such transactions are fair and reasonable, and shall report the relevant information at least once every six months to the Board for review.

In addition, the management of the Company will also prepare and submit to the independent non-executive Directors the following:

- (a) monthly reports setting out the amount and certain major terms of the Transactions; and
- (b) semi-annual reports on the Transactions with information including, but not limited to, (i) the aggregate transaction amount for the relevant 6-month period in respect of the Transactions; and (ii) whether the relevant annual caps in respect of the Transactions have been exceeded.

The independent non-executive Directors and the auditors of the Company will review the Transactions and report in the annual report pursuant to Rule 14A.55 and Rule 14A.56 of the Listing Rules, respectively.

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## LETTER FROM THE BOARD

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### 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 Latest Practicable Date 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 Latest Practicable Date, 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.

### EGM

A notice of the EGM is set out on pages 42 to 43 of this circular. In accordance with the requirements of the Listing Rules, all votes to be taken at the EGM will be by poll. Taiwan Vedan is ultimately owned by the Yang Family. Each member of the Yang Family and/or his/its respective associates, holding or being interested in an aggregate of 936,408,000 Shares (representing approximately 61.49% of the total Shares in issue) as at the Latest Practicable Date, will abstain from voting on the resolution in respect of the Supplemental Agreement and the Revised Annual Cap at the EGM. Save as disclosed above, no other Shareholder will be required to abstain from voting in respect of the Supplemental Agreement and the Revised Annual Cap.

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## LETTER FROM THE BOARD

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A form of proxy for the EGM is enclosed herewith. Whether or not you intend to attend and vote at the EGM in person, you are requested to complete the form of proxy and return it to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as practicable but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM in person should you so wish.

### RECOMMENDATIONS

Your attention is drawn to the "Letter from the Independent Board Committee" set out on pages 13 to 14 of this circular which contains its advice and recommendation to the Independent Shareholders regarding the Supplemental Agreement and the Revised Annual Cap. Your attention is also drawn to the "Letter from the Independent Financial Adviser" set out on pages 15 to 35 of this circular which contains, among other things, its advice to the Independent Board Committee and the Independent Shareholders in relation to the Supplemental Agreement and the Revised Annual Cap. Based on the advice from the Independent Financial Adviser and the Independent Board Committee, the Directors recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

Your attention is also drawn to the general information of the Group set out in the Appendix of this circular.

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

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Supplemental Agreement and the Revised Annual Cap.*



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)**

7 May 2018

*To the Independent Shareholders*

Dear Sir or Madam,

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

We refer to the circular of the Company to its shareholders dated 7 May 2018 (“**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders on whether the Supplemental Agreement and the Revised Annual Cap are fair and reasonable so far as the Independent Shareholders are concerned and whether the Supplemental Agreement and the Revised Annual Cap are in the interests of the Company and the Shareholders as a whole. Celestial Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

Your attention is drawn to the “Letter from the Board” set out on pages 6 to 12 of the Circular, which contains, among other things, details of the Supplemental Agreement and the Revised Annual Cap, and the “Letter from the Independent Financial Adviser” set out on pages 15 to 35 of the Circular, which contains its advice in respect of the Supplemental Agreement and the Revised Annual Cap.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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As the Independent Board Committee, we have discussed with the management of the Company the reasons for entering into the Supplemental Agreement, the basis upon which the Revised Annual Cap has been determined and the major factors taken into account by the Company in arriving at the Revised Annual Cap. We have also considered the key factors taken into consideration by the Independent Financial Adviser in forming its opinion regarding the Supplemental Agreement and the Revised Annual Cap as set out in the “Letter from the Independent Financial Adviser” on pages 15 to 35 of the Circular, which we urge you to read carefully.

Having considered the advice given by the Independent Financial Adviser and the key factors in arriving at its advice, we consider that the Supplemental Agreement and the Revised Annual Cap were entered into in the ordinary and usual course of business of the Group and on normal commercial terms, or on terms no less favourable to the Group than terms available from independent third parties, the terms of the Supplemental Agreement and the Revised Annual Cap are fair and reasonable and the Supplemental Agreement and the Revised Annual Cap are in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution in respect of the Supplemental Agreement and the Revised Annual Cap.

Yours faithfully,

For and on behalf of

Independent Board Committee

**Vedan International (Holdings) Limited**

<b>Mr. Chao, Pei-Hong</b>	<b>Mr. Ko, Jim-Chen</b>	<b>Mr. Chen, Joen-Ray</b>	<b>Mr. Hsieh, Lung-Fa</b>
<i>Independent</i>	<i>Independent</i>	<i>Independent</i>	<i>Independent</i>
<i>non-executive Director</i>	<i>non-executive Director</i>	<i>non-executive Director</i>	<i>non-executive Director</i>



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter of advice from Celestial Capital Limited, the Independent Financial Adviser, for the purpose of inclusion in this circular, to the Independent Board Committee and the Independent Shareholders regarding the Supplemental Agreement and the Revised Annual Cap.*



**Celestial Capital Limited**  
21st Floor, Low Block  
Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

7 May 2018

*To the Independent Board Committee  
and the Independent Shareholders*

Dear Sirs,

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

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Supplemental Agreement and the Revised Annual Cap, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 7 May 2018 (the “**Circular**”) issued by the Company to the Shareholders, of which this letter forms part. Unless otherwise defined, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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References are made to the announcements of the Company dated 21 December 2017, 10 January 2018 and 12 April 2018. On 12 April 2018, the Company and Taiwan Vedan entered into the Supplemental Agreement for the purpose of revising the annual cap for the continuing connected transactions under the Taiwan Sales Agreement entered into by the two parties on 21 December 2017 from US\$7,000,000 (equivalent to approximately HK\$54,600,000) to US\$30,000,000 (equivalent to approximately HK\$234,000,000) (i.e. the Revised Annual Cap) under the Supplemental Agreement, subject to compliance with the relevant requirements under the Listing Rules and approval of the Independent Shareholders having been obtained.

### LISTING RULES IMPLICATION

As at the Latest Practicable Date, Taiwan Vedan is the controlling shareholder 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 transactions contemplated thereunder (including 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 the member of the Yang Family and/or their respective associates will abstain from voting on the resolution in respect of the Supplemental Agreement and the transactions contemplated thereunder (including the Revised Annual Cap) at the EGM.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors (namely Mr. CHAO, Pei-Hong, Mr. KO, Jim-Chen, Mr. CHEN, Joen-Ray and Mr. HSIEH, Lung-Fa), has been formed to advise the Independent Shareholders as to (i) whether the terms of the Supplemental Agreement and the transactions contemplated thereunder (including the Revised Annual Cap) are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole; (ii) whether the terms of the Supplemental Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group and on normal commercial terms; and (iii) how the Independent Shareholders should vote at the EGM in relation to the Supplemental Agreement and the transactions contemplated thereunder (including the Revised Annual Cap). We, Celestial Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on these matters.

As at the Latest Practicable Date, we were not aware of any relationships or interests between us and the Company, Taiwan Vedan or their respective substantial shareholders or close associates or any other parties that could reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser. In the past two years preceding the Latest Practicable Date, there has been no other engagement between the Company and us. Accordingly, we are considered to be eligible to give independent advice on the continuing connected transactions contemplated under the Supplemental Agreement. Apart from the normal professional fees payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Company, Taiwan Vedan or their respective substantial shareholders or close associates.

### BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have reviewed, among other things, the Taiwan Sales Agreement (together with the relevant announcements of the Company dated 21 December 2017 (the “**December 2017 Announcement**”), 10 January 2018 (the “**January 2018 Announcement**”) and 12 April 2018), the Supplemental Agreement, the 2014 Taiwan Sales Agreement (together with the relevant circular of the Company dated 28 November 2014), the annual reports of the Company for the financial year ended 31 December 2016 (the “**2016 Annual Report**”) and 31 December 2017 (the “**2017 Annual Report**”) and the Circular.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In addition, we have relied on (i) the information, facts and representations provided, and the opinions expressed, by the Company and/or the Directors and/or the management of the Group (including those related to the Taiwan Vedan Group obtained by the Company from Taiwan Vedan) and our review of the relevant public information and statistics; and (ii) the information, facts and representations contained or referred to in the Circular (including those related to the Taiwan Vedan Group) obtained by the Company from Taiwan Vedan), and have assumed that all such information, facts and representations provided, and the opinions expressed to us and/or contained or referred to in the Circular are true, accurate and complete in all material aspects at the time they were made and continue to be so at the Latest Practicable Date. We have also assumed that all statements of beliefs and opinions made by the Directors in the Circular were reasonably made after due and careful enquiry and the expectations and intentions made by the Company and/or the Directors and/or the management of the Group will be met or carried out as the case may be. We have also sought and received confirmation from the Company that no material facts have been omitted from the information provided and the opinions expressed to us.

We consider that the information we have received is sufficient for us to formulate our opinion and recommendation as set out in this letter and have no reason to believe that any material information has been omitted or withheld, or to doubt the truth, accuracy and the completeness of the information provided to us by the Company, the Directors and/or the management of the Group. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules. We have not, however, conducted any independent investigation into the business, financial conditions and affairs of the Group or of the Taiwan Vedan Group in their respective existing state, nor carried out any independent verification of the information (including the information relating to the Taiwan Vedan Group) provided by the Company and/or the Directors and/or the management of the Group.

The Directors jointly and severally accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors having made all reasonable enquires, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or in the Circular misleading.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the terms of the Supplemental Agreement and the continuing connected transactions contemplated thereunder. Except for its inclusion in the Circular, this letter may not be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in respect of the Supplemental Agreement and the transactions contemplated thereunder (including the Revised Annual Cap), we have considered the following principal factors and reasons:

#### 1. Information on the Group and Taiwan Vedan

##### *Information on the Group*

As stated in the Letter from the Board, the Group is currently principally engaged in the manufacturing and sales of fermentation-based amino acids, food additive products and cassava starch based products in Asia. In addition, it was set out in the 2016 Annual Report and 2017 Annual Report that the products of the Group have been categorized into five segments, namely (i) MSG and GA; (ii) modified starch and native starch; (iii) specialty chemicals; (iv) fertiliser and feed products; and (v) others. The products of the Group are sold to food distributors, international trading companies, and manufacturers of food, paper, textile and chemical products in Vietnam and other ASEAN countries, the PRC, Japan, Taiwan and several European countries.

##### *Information on 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 the controlling shareholder holding indirectly approximately 33.62% of the entire issued share capital of the Company as at the Latest Practicable Date.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 2. Reasons for entering into the Supplemental Agreement and the benefits of the Revised Annual Cap

As stated in Letter from the Board, the Group has been selling the Products to the Taiwan Vedan Group. We were further advised by the management of the Company that the two groups have maintained a long-term business relationship since 2003 as the Group has sold the Products to the Taiwan Vedan Group for onward sales and/or sales after further processing (as the case may be) to the Taiwan Vedan Group's customers. For each of the three financial years ended 31 December 2015, 2016 and 2017, the aggregate annual sales amount of the Products by the Group 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 (each of such amounts respectively referred to as the "**Historical Sales Amount**" and collectively referred to as the "**Historical Sales Amounts**"). Each of the Historical Sales Amounts was within the annual cap set under the 2014 Taiwan Sales Agreement, which was US\$50,000,000 (equivalent to approximately HK\$390,000,000) for each of the three financial years ended 31 December 2017.

It was set out in the December 2017 Announcement that, among other things, the Company and Taiwan Vedan entered into the Taiwan Sales Agreement, pursuant to which the Group would continue to sell the Products to the Taiwan Vedan Group for use in Taiwan during the Relevant Period. The Company then estimated that the annual aggregate sales amount of the Products under the Taiwan Sales Agreement would not exceed the annual cap of US\$7,000,000 (equivalent to approximately HK\$54,600,000). It was also set out in the December 2017 Announcement that the parties entered into the Taiwan Sales Agreement on substantially the same terms as the 2014 Taiwan Sales Agreement (save and except that the annual cap for the Taiwan Sales Agreement would be decreased from US\$50,000,000 to US\$7,000,000) and for a term of three years from 1 January 2018 to 31 December 2020 (i.e. the Relevant Period), subject to compliance with the relevant requirements under the Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As set out in the Letter from the Board, 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 the Taiwan Vedan Group will increase the purchase of MSG produced by the Group to replace about 14,000 to 20,000 tonnes of its own production of MSG in Taiwan each year during the Relevant Period. As a result, the Directors expect that the sales of the Products (including MSG) to the Taiwan Vedan Group will increase and the annual 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 during the Relevant Period. 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 the Revised Annual Cap of 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. Save and except such revision of annual cap as amended and supplemented by the Supplemental Agreement, the rest of the provisions of the Taiwan Sales Agreement will remain unchanged and in full force and effect in accordance with its terms.

According to the Letter from the Board, (i) 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; (ii) the Supplemental Agreement and the Revised Annual Cap were entered into in the ordinary and usual course of business of the Group; and (iii) the Directors believe that the continuous sale of the Products to the Taiwan Vedan Group will generate additional income to the Group.

As mentioned above, the Group is currently principally engaged in the manufacturing and sale of fermentation-based amino acids, food additive products and cassava starch based products in Asia, and the Group has generated its revenue from five product segments, namely (i) MSG and GA; (ii) modified starch and native starch; (iii) specialty chemicals; (iv) fertiliser and feed products; and (v) others. On that basis, we concur with the Board's view that the entering into of the Supplemental Agreement, which was entered into for the purpose of revising the annual cap relating to the sales of the Products, being certain GA, MSG, fertiliser and feed products and cassava starch-based industrial products, by the Group to the Taiwan Vedan Group during the Relevant Period is in the ordinary and usual course of business of the Group. In addition, sales of the Products by the Group to the Taiwan Vedan Group would be recognised as revenue of the Group, hence such sales would generate additional income to the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **3. Key terms of the Supplemental Agreement**

We were advised by the management of the Company that the Taiwan Sales Agreement, which has been supplemented by the Supplemental Agreement, is merely a renewal agreement of the 2014 Taiwan Sales Agreement. We have reviewed the 2014 Taiwan Sales Agreement, the Taiwan Sales Agreement and the Supplemental Agreement. Save for (i) the extension for the term of 2014 Taiwan Sales Agreement for three years from 1 January 2018 to 31 December 2020 pursuant to the Taiwan Sales Agreement (as supplemented by the Supplemental Agreement) and (ii) the change of the annual cap set for the sales of the Products by the Group to the Taiwan Vedan Group, which finally be set at the Revised Annual Cap of US\$30,000,000 (equivalent to approximately HK\$234,000,000) pursuant to the Supplemental Agreement, we are not aware of any material change in the terms of the 2014 Taiwan Sales Agreement as compared with the Taiwan Sales Agreement (as supplemented by the Supplemental Agreement). Key terms of the Taiwan Sales Agreement which have not been amended and are not subject of amendment under the Supplemental Agreement are set out in the following section headed “4. Key terms of the Taiwan Sales Agreement which have not been amended by the Supplemental Agreement” for reference.

### **4. Key terms of the Taiwan Sales Agreement which have not been amended by the Supplemental Agreement**

#### ***Pricing policy***

According to the Taiwan Sales Agreement and as set out in the December 2017 Announcement, (i) the prices of the Products payable by Taiwan Vedan Group to the Group shall be determined in accordance with and be not more favourable to the Taiwan Vedan Group than the prices charged by the Group from the independent customers of the Group for the relevant Products; and (ii) the prices of the Products are subject to review by the Board from time to time and at least once every six months. It was further disclosed in the January 2018 Announcement that the management of the Company will determine the prices of the Products after taking into consideration, among other things, the production costs and market prices of the Products, aiming at maintaining the overall gross margin within a range of approximately 14% to 18%.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Payment method*

It was also set out in the December 2017 Announcement that according to the Taiwan Sales Agreement, payment shall be made to the relevant members of the Group by the Taiwan Vedan Group within 60 days from the end of the month in which the relevant Products are delivered by the Group. Based on the 2017 Annual Report and our review of the sample sales invoices in respect of the sales of the Products by the Group to the independent customers, we noted that the credit term under the Taiwan Sales Agreement (supplement by the Supplemental Agreement) is within the range of credit terms offered by the Group to independent customers for sales of the Products up to 60 days (and the Group, subject to the satisfactory results of credit assessment, may grant a longer credit period to certain customers).

### *Other terms*

We noted from the Taiwan Sales Agreement that upon receipt of any order for the Products from the Taiwan Vedan Group, the Group shall as soon as possible notify the Taiwan Vedan Group in writing whether the Group will or will not accept the order. In case the Group refuses to accept the order, the Taiwan Vedan Group may order the relevant Products from other suppliers with the prior written consent of the Company. We were confirmed by the management of the Company that such terms have been considered to provide flexibility to the Group in determining if a specific order from the Taiwan Vedan Group should be accepted or not after taking into account, among other things, the orders on hand and the utilisation rate of the production facilities at the relevant time.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 5. The Revised Annual Cap

#### *Review of the historical transaction amount*

Pursuant to the 2014 Taiwan Sales Agreement, the annual cap in respect of sales of the Products by the Group to the Taiwan Vedan Group for each of the three financial years ended 31 December 2017 was US\$50,000,000 (equivalent to approximately HK\$390,000,000) (the “**Historical Annual Cap(s)**”). The table below sets out the Historical Sales Amounts and the utilisation rates of the Historical Annual Caps during the respective periods:

2015		For the year ended 31 December 2016		2017	
Historical Sales Amount	Utilisation rate of the Historical Annual Cap <i>(Note)</i>	Historical Sales Amount	Utilisation rate of the Historical Annual Cap <i>(Note)</i>	Historical Sales Amount	Utilisation rate of the Historical Annual Cap <i>(Note)</i>
<i>US\$000</i>	<i>%</i>	<i>US\$000</i>	<i>%</i>	<i>US\$000</i>	<i>%</i>
6,729.4	13.5	6,163.6	12.3	5,901.3	11.8

*Note: The utilisation rate is derived by dividing the Historical Sales Amount in a year by the Historical Annual Cap.*

As illustrated in the table above, we noted that the utilisation rates of the Historical Annual Caps amounted to approximately 13.5%, 12.3% and 11.8% for the financial years 2015, 2016 and 2017 respectively. We were advised by the Company that the low utilisation rates of the Historical Annual Caps were mainly due to a lower demand of the Taiwan Vedan Group for the Products than expected in the last three years as the growth in the business of the Taiwan Vedan Group was hindered by the keen competition from other MSG suppliers in terms of product prices. As set out in the Letter from the Board, sales by the Group to the Taiwan Vedan Group under the Taiwan Sales Agreement during the period from 1 January 2018 to the Latest Practicable Date amounted to approximately US\$1,295,222 (equivalent to approximately HK\$10,102,732).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Assessment of the Revised Annual Cap*

The Revised Annual Cap for the sales of the Products pursuant to the Supplemental Agreement for each of the three years ending 31 December 2018, 2019 and 2020 is US\$30,000,000 (equivalent to approximately HK\$234,000,000). As set out in the Letter from the Board, the Revised Annual Cap has been determined based on (i) the production and marketing policy of the Group in respect of the Products, with a view to retain and generate more revenue from its existing customers and market (ii) the estimated increase in demand for the Products of the Group as a result of the increase in the cost of production of the Taiwan Vedan Group's MSG in Taiwan, together with the pressure to lower the selling prices of MSG by the Taiwan Vedan Group due to keen competition from its competitors, and (iii) the actual aggregated amount of sales of the Products by the Group to the Taiwan Vedan Group in the previous financial years.

In assessing the reasonableness of the Revised Annual Cap, we have reviewed the relevant information provided by the Company and have discussed with the management of the Company on the bases and assumptions of determining the Revised Annual Cap and formed our opinion below.

- (i) *The production and marketing policy of the Group in respect of the Products, with a view to retain and generate more revenue from its existing customers and market*

As stated in the 2017 Annual Report, the Group saw both growth and decline in its main products. For example, growth in demand for specialty chemicals, fertilisers and feed products pushed up sales, while competition in the MSG, modified starch and maltose product markets led to drop in revenue and gross profit of these products. We noticed that the MSG and GA segment was the largest product segment of the Group, for sales of MSG and GA accounted for approximately 69.9% and 68.3% of the audited consolidated revenue of the Group for the years ended 31 December 2016 and 2017 respectively. We also noticed that the Group had stated its policy in the 2017 Annual Report that it will prudently and proactively implement strategies aiming to strengthen its businesses, control production costs and develop new products and new markets in order to raise revenue and profitability.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We discussed with the management of the Group and understood that the Revised Annual Cap under the Supplemental Agreement was determined by taking into account (i) the annual estimated sales of approximately 14,000 to 20,000 tonnes of MSG by the Group to the Taiwan Vedan Group during the Relevant Period; and (ii) the average historical sales amount of the Products (excluding MSG) by the Group to the Taiwan Vedan Group for the three years ended 31 December 2017.

We were advised by the management of the Group that it had had discussion with the management of the Taiwan Vedan Group after the end of 2017 and, given the pressures faced by the Taiwan Vedan Group in terms of increasing production costs and keen competition from the other MSG suppliers in terms of product prices, it was expected that volume of MSG of the Group to be purchased of the Taiwan Vedan Group would increase substantially during the three years ending 31 December 2020 as the Taiwan Vedan Group would like to satisfy a substantial part of the demand for MSG of its customers outside Taiwan by reselling the MSG products of the Group purchased under the Taiwan Sales Agreement (instead of selling the self-manufactured MSG of the Taiwan Vedan Group) in order to control its costs and maintain its competitiveness. Based on the information provided by the Taiwan Vedan Group to the Company, the volume of MSG sold by the Taiwan Vedan Group to its customers outside Taiwan accounted for about 50% of the total sales volume of MSG of the Taiwan Vedan Group during each of the three years ended 31 December 2017. As further elaborated in the Letter from the Board, it is estimated that the increase in the cost of production of MSG in Taiwan would result in a 45% difference in the cost of production of MSG in Taiwan by the Taiwan Vedan Group and the cost of production of MSG in Vietnam by the Group in 2018. It is expected by the Company that the Taiwan Vedan Group, for the purpose of maintaining its competitiveness, will increase its purchase of MSG from the Group to replace about 14,000 to 20,000 tonnes of its own production of MSG in Taiwan each year during the Relevant Period for the purpose of fulfilling a substantial part of the demand of its customers outside Taiwan. The relevant annual sales value of MSG to be sold by the Group to the Taiwan Vedan Group, during the Relevant Period, based on the such expected volume of MSG to be purchased by the Taiwan Vedan Group from the Group and the average historical selling price of the MSG sold by the Group to the Taiwan Vedan Group during the three years ended 31 December 2017, is estimated to be over US\$20,000,000 (equivalent to approximately HK\$156,000,000).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We were advised by the Company that even though the Group cannot reach and extend its sales network to the abovementioned customers of the Taiwan Vedan Group directly, it is considered that the Group will benefit from selling MSG to the Taiwan Vedan Group under the Taiwan Sales Agreement (as supplemented by the Supplemental Agreement) as the Group's income will increase while no additional cost (for example cost of marketing) is expected to be incurred by the Group in relation to the generation of such additional income directly. Hence, it is in line with the Group's plan set out in the 2017 Annual Report that it will prudently and proactively implement strategies aiming to raise revenue and profitability.

*(ii) The estimated increase in demand for the Products as a result of the increase in the cost of production of MSG in Taiwan together with the pressure to lower the selling price of MSG by the Taiwan Vedan Group due to keen competition from its competitors*

As mentioned above, the estimated increase in demand for the Products (mainly MSG) of the Group by the Taiwan Vedan Group during the three years ending 31 December 2020 is due to, among other things, the increase in the cost of production of MSG in Taiwan. We discussed with and were advised by the management of the Company that, based on its discussion with the management of the Taiwan Vedan Group and information provided by the Taiwan Vedan Group, it understood that (i) the production cost of MSG manufactured by the Taiwan Vedan Group in Taiwan has been adversely affected by factors including the implementation of maximum working hours, and increases in minimum wages and energy costs in Taiwan; (ii) the MSG production cost of the Taiwan Vedan Group, based on the 2017 records, is higher than both the MSG production cost of the Group in 2017 and the average historical selling price of MSG sold by the Group to the Taiwan Vedan Group during the three years ended 31 December 2017; and (iii) in order to deal with the keen competition in terms of product prices, the Taiwan Vedan Group proposes to satisfy a substantial part of the demand of its customers outside Taiwan for MSG products by reselling the MSG products of the Group procured under the Taiwan Sales Agreement (as supplemented by the Supplemental Agreement) to those customers (instead of supplying self-manufactured MSG of the Taiwan Vedan Group at a higher production cost as compared with the purchase cost of MSG from the Group).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As released in the website of The Ministry of Labor of Taiwan (the “MOL”), the basic wage (minimum wage) has been adjusted upwards several times from 1 July 2015 to 1 January 2018 and set at NT\$22,000 (equivalent to approximately HK\$5,720) per month and NT\$140 (equivalent to approximately HK\$36.4) per hour according to the latest amended measure promulgated on 6 September 2017 which became effective on 1 January 2018, representing an increase of approximately 9.96% and 16.67% respectively as comparing with the effective basic month wage and hourly wage in July 2015. The MOL explains that Article 21 of the Labor Standards Act of Taiwan stipulates that “a worker shall be paid such wages as determined through negotiations with the employer, provided, however, that such wages shall not fall below the basic wage”. In addition, as published by the Department of Standards and Equal Employment on the website of MOL in April 2015, the maximum legal working hours in Taiwan have been shortened from the original 84 hours per 2 weeks to 40 hours per a week starting from 1 January 2016.

In respect of energy costs, we understood from the Company that coal is the major energy source which driven up the overall energy cost of Taiwan Vedan Group for the production of MSG. We have obtained and reviewed samples of purchase receipts of coal by the Taiwan Vedan Group, and noted that the purchase price per tonne of coal paid by it increased by over 25.67% in October 2017 compared to that in October 2016. We further noted from the latest transaction record that the price per tonne of coal in March 2018 remained at the same level as the one in October 2017.

We also obtained information on the respective production cost of MSG (per tonne) of the Taiwan Vedan Group and the Group during the three years ended 31 December 2017, and noted that (i) the production cost incurred by the Taiwan Vedan Group increased by around 3% to 4% annually since 2015; and (ii) such cost of the Taiwan Vedan Group was around 45% higher than that of the Group in 2017.

According to the records obtained from the Company showing details of the historical transactions between the Group and the Taiwan Vedan Group, we noted that the historical selling prices of MSG (per tonne) charged by the Group during each of the three years ended 31 December 2017 were generally lower than the production costs of MSG (per tonne) of the Taiwan Vedan Group in the respective years.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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With regard to the intention of the Taiwan Vedan Group to increase its purchase of MSG from the Group to replace part of its own production in Taiwan as mentioned above, we have obtained and reviewed a note of management meeting of Taiwan Vedan Group held in February 2018 which supported such intention.

We have obtained and reviewed information provided by the Taiwan Vedan Group to the Company relating to sales of MSG by the Taiwan Vedan Group for the three years ended 31 December 2017. We noted that over 20,000 tonnes of MSG were sold by the Taiwan Vedan Group to its customers outside Taiwan annually in last three years, which accounted for about 50% of its total sales volume of MSG. We have also reviewed the information provided by the Taiwan Vedan Group to the Company which showed that the expected sales volume of MSG by the Group to the Taiwan Vedan Group during each of the three years ending 31 December 2020, if realised, represents a substantial part of the sales volume of MSG sold by the Taiwan Vedan Group to its customers outside Taiwan and is lower than the actual volume of MSG sold by the Taiwan Vedan Group in each of the three years ended 31 December 2017. We have been advised by the management of the Company that based on the current production capacity and plan of the Group, the Group is able to meet the expected increase in sales volume of MSG to the Taiwan Vedan Group during the three years ending 31 December 2020. In addition, according to the term of the Taiwan Sales Agreement which has been detailed in the paragraph headed “Other terms” under the section headed “4. Key terms of the Taiwan Sales Agreement which have not been amended by the Supplemental Agreement” above, the management of the Company considered that the Group has been provided with flexibility in determining if a specific order from the Taiwan Vedan Group should be accepted or not after taking into account, among other things, the orders on hand and the utilisation rate of the production facilities at the relevant time. On that basis, the Company is of the opinion that acceptance of orders from the Taiwan Vedan Group is expected not to place constraint on the production of the Group.

Taking into account the above, we consider that it is fair and reasonable for the Directors to expect that the Taiwan Vedan Group will increase the purchase of MSG from the Group to replace about 14,000 to 20,000 tonnes of its own production of MSG in Taiwan each year during the Relevant Period in order to meet a substantial part of the demand of the Taiwan Vedan Group’s customers outside Taiwan.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*(iii) The actual aggregated amount of sales of the Products (excluding MSG) by the Group to the Taiwan Vedan Group in the previous financial years*

Based on the information provided by the Company and as set out in the Letter from the Board, the average annual historical sales amount of the Products (excluding MSG) to the Taiwan Vedan Group was approximately US\$2,579,734 (equivalent to approximately HK\$20,121,925) during the three years ended 31 December 2017. We were advised by the Company that it expected the aggregated sales of the Products (excluding MSG) to the Taiwan Vedan Group would remain at a level similar to such average annual historical sales amount of the Products (excluding MSG) for each of the three years ending 31 December 2020.

It was mentioned in the Letter from the Board that the parties made references to, among other things, the average annual historical sales amount of the Products (excluding MSG) by the Group to the Taiwan Vedan Group of approximately US\$2,579,734 (equivalent to approximately HK\$20,121,925) during the three years ended 31 December 2017 when determining the Revised Annual Cap. With regard to the estimated sales value of MSG, references were made by the parties to the estimated annual sales volume of MSG of above 14,000 to 20,000 tonnes and the average historical selling price of MSG sold by the Group to the Taiwan Vedan Group during the three years ended 31 December 2017. On that basis, the Revised Annual Cap has been determined by the parties after taking into account of, among other things, the relevant historical transaction amount of the Products (other than MSG) and the average historical selling price of MSG during the three years ended 31 December 2017 in compliance with Rule 14A.53(2) of the Listing Rules.

We have compared the historical average sales amount of the Products (excluding MSG) and the historical average selling price of MSG during the three year ended 31 December 2017 mentioned above with the estimated ones which are used by the Group to derive the Revised Annual Cap, and noted that those figures are in line.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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To conclude, the Revised Annual Cap was determined with references to (a) the estimated annual sales value of MSG from the Group to the Taiwan Vedan Group for each of the three years ending 31 December 2020 in the amount of US\$20,000,000 (equivalent to approximately HK\$156,000,000) or more; and (b) the average annual historical sales amount of the Products (excluding MSG) by the Group to the Taiwan Vedan Group of approximately US\$2,580,000 (equivalent to approximately HK\$20,124,000) during the three years ended 31 December 2017. Based on the above discussion and analysis, we consider the bases of determination of the Revised Annual Cap are reasonable. In addition, having considered that (A) the sales of the Products fall within the ordinary business of the Group; (B) the sales of the Products will generate revenue to the Group; and (C) the sales of the Products, according to the terms of the Taiwan Sales Agreement, shall be subject to the standard terms and conditions of sale of the Group fixed from time to time and the prices of the Products payable by Taiwan Vedan Group to the Group shall be determined in accordance with, and be not more favourable to the Taiwan Vedan Group than, the prices charged by the Group from the independent customers of the Group, we consider that the Revised Annual Cap is acceptable.

However, the Shareholders should note that the Revised Annual Cap relates to future events and was determined by the respective management of the Group and the Taiwan Vedan Group based on assumptions including the current estimate of the demand for the Products from the Taiwan Vedan Group and the production plan of the Group, and it does not represent a forecast of turnover to be generated from the transactions contemplated under the Taiwan Sales Agreement (as supplemented by the Supplemental Agreement). Consequently, we express no opinion as to how close the actual transaction amounts of the transactions in comparison to the Revised Annual Cap.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 6. Internal control relating to and annual review of the continuing connected transactions

#### *Internal control procedures*

The following internal control procedures relating to the Taiwan Sales Agreement (as supplemented by the Supplemental Agreement) were set out in the January 2018 Announcement:

- The Group has formulated a series of measures and policies to ensure that the continuing connected transactions contemplated under the Taiwan Sales Agreement (as supplemented by the Supplemental Agreement) will be implemented in accordance with the terms of the Taiwan Sales Agreement and the pricing policy. The management of the Company will review, among others, the pricing involved in the continuing connected transactions contemplated under the Taiwan Sales Agreement and compare it with other independent customers on a quarterly basis to ensure that the pricing and certain major terms of such transactions are fair and reasonable, and shall report the relevant information at least once every six months to the Board for review.
- The management of the Company will review, among others, the pricing involved in the transactions contemplated under the Taiwan Sales Agreement (as supplemented by the Supplemental Agreement) and compare it with other independent customers on a quarterly basis to ensure that the pricing and certain major terms of such transactions are fair and reasonable, and shall report the relevant information at least once every six months to the Board for review.
- The management of the Company will also prepare and submit to the independent non-executive Directors the following:–
  - (a) monthly reports setting out the amount and certain major terms of the transactions contemplated under the Taiwan Sales Agreement (as supplemented by the Supplemental Agreement); and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (b) semi-annual reports on the transactions contemplated under the Taiwan Sales Agreement (as supplemented by the Supplemental Agreement) with information including, but not limited to, (i) the aggregate transaction amount for the relevant 6-month period; and (ii) whether the relevant annual caps in respect of the transactions contemplated under the Taiwan Sales Agreement (as supplemented by the Supplemental Agreement) have been exceeded.
  
- The independent non-executive Directors and the auditors of the Company will review the transactions contemplated under the Taiwan Sales Agreement (as supplemented by the Supplemental Agreement) and report in the annual report pursuant to Rule 14A.55 and Rule 14A.56 of the Listing Rules.

For our due diligent purpose, we obtained and reviewed supporting documents in connection with the abovementioned internal control measures where appropriate and the annual reports of the Company for the years ended 31 December 2015, 2016 and 2017 and noted that (i) the independent non-executive Directors have reviewed the Group's continuing connected transactions (including transactions contemplated under the 2014 Taiwan Sales Agreement) during these three years and have made confirmation according to Rule 14A.55 of the Listing Rules, and (ii) the auditor of the Company has issued unqualified letters containing his finds and conclusions in respect of the Group's continuing connected transactions (including transactions contemplated under the 2014 Taiwan Sales Agreement) during these three years according to Rule 14A.56 of the Listing Rules.

Based on the above internal control procedures, the annual review by the independent non-executive Directors pursuant to Rule 14A.55 of the Listing Rules, and the annual review by the Company's auditors pursuant to Rule 14A.56 of the Listing Rules, we consider that there are appropriate and adequate measures in place to ensure compliance with the terms of the Taiwan Sales Agreement (as supplemented by the Supplemental Agreement) in order to safeguard the interests of the Company and the Independent Shareholders.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Annual review*

Pursuant to Rules 14A.55 and 14A.56 of the Listing Rules, the continuing connected transactions under the Taiwan Sales Agreement (as supplemented by the Supplemental Agreement) are subject to the following requirements:

- (i) the independent non-executive Directors must confirm in the annual reports and accounts that the continuing connected transactions has been entered into:
  - in the ordinary and usual course of business of the Group;
  - on normal commercial terms or better; and
  - according to the agreement governing it on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole;
  
- (ii) the Company must engage its auditors to report on the continuing connected transactions for each financial year of the Company and that the Company's auditors must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions:
  - has not been approved by the Board;
  - was not, in all material respects, in accordance with the pricing policy of the Group if the transaction involves the provision of goods or services by the Group;
  - was not entered into, in all material respects, in accordance with the relevant agreement governing the transaction; and
  - has exceeded the Revised Annual Cap.

In view of the continuing connection transactions will be subject to review by the independent non-executive Directors and the auditors of the Company, we are of the view that appropriate measures will be in place to govern the conduct of the continuing connected transactions and safeguard the interests of the Independent Shareholders.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATION

Having considered the aforementioned factors, we concur with the view of the Directors that (i) the entering into of the Supplemental Agreement is in the ordinary and usual course of business of the Group, (ii) the terms of the Supplemental Agreement are on normal commercial terms, (iii) the Supplemental Agreement, together with the Revised Annual Cap, is fair and reasonable, and (iv) the transactions contemplated under the Supplemental Agreement are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend and we also recommend the Independent Shareholders to vote in favour of the resolution to approve the Supplemental Agreement.

Yours faithfully,  
For and on behalf of  
**Celestial Capital Limited**  
**Daphne Ng**  
*Managing Director*

*Ms. Daphne Ng is a licensed person and responsible officer of Celestial Capital Limited registered with the Securities and Futures Commission to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and has over 20 years of experience in corporate finance industry.*

*Unless otherwise specified in this circular, conversion of NT\$ into HK\$ or vice versa has been calculated by using an exchange rate of NT\$1 to HK\$0.26.*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Interests and short positions of the Directors and chief executive of the Company in the shares and underlying shares of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have taken under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Capacity	Total number of Shares interested	Shareholding percentage
Mr. Yang, Tou-Hsiung	Interest of Corporation controlled by him	169,730,196	11.15%
Mr. Yang, Cheng	Interest of Corporation controlled by him	169,730,196	11.15%
Mr. Huang, Ching-Jung	Beneficial owner	200,000	0.01%
Mr. Chao, Pei-Hong	Beneficial owner	500,000	0.03%

*Notes:*

1. Mr. Yang, Tou-Hsiung is entitled to exercise or control the exercise of more than one-third of the voting power of King International. Mr. Yang, Tou-Hsiung is therefore deemed to be interested in the 169,730,196 Shares held by King International.
2. Mr. Yang, Cheng is entitled to exercise or control the exercise of more than one-third of the voting power of King International. Mr. Yang, Cheng is therefore deemed to be interested in the 169,730,196 Shares held by King International.
3. The interests that Mr. Yang, Tou-Hsiung and Mr. Yang, Cheng have in the 169,730,196 Shares are of the same block of Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Mr. Yang, Tou-Hsiung, Mr. Yang, Cheng, Mr. Yang, Kun-Hsiang, Mr. Yang Kun-Chou and Mr. Yang, Chen-Wen are directors of Taiwan Vedan. Mr. Huang Ching-Jung is the vice president of Taiwan Vedan. Mr. Yang, Tou-Hsiung and Mr. Yang, Cheng are also directors of Billion Power and King International. Mr. Yang, kun-Hsiang is also a director of Billion Power, Concord Worldwide and 丹澤企業股份有限公司. Mr. Yang, Kun-Chou is also a director of Concord Worldwide and 丹澤企業股份有限公司. Mr. Yang, Chen-Wen is also a director of Billion Power and High Capital. Save as disclosed in this circular, none of the Directors or proposed Director is a director or employee of a company which has an interest in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

**(b) Directors' service contracts**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group or any associated company of the Company (excluding contracts expiring or determinable within one year without payment of compensation other than statutory compensation).

**(c) Directors' interest in competing business**

Five Directors, namely Mr. Yang, Tou-Hsiung, Mr. Yang, Cheng, Mr. Yang, Kun-Hsiang, Mr. Yang, Chen-Wen and Mr. Yang, Kun-Chou, were also directors of Taiwan Vedan, the Group's controlling shareholder. In addition, they indirectly held approximately 19.77%, 9.89%, 6.18%, 8.24% and 6.18% interest in Taiwan Vedan respectively. They are therefore considered as having an interest in Taiwan Vedan under Rule 8.10 of the Listing Rules.

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

Both Mr. Yang, Tou-Hsiung and Mr. Yang, Cheng are responsible only for the overall strategic planning and the business development of the Taiwan Vedan Group and the Group, while the daily operations of the Group are managed by Mr. Yang, Kun-Hsiang and Mr. Yang, Chen-Wen together with an independent management team. In Taiwan Vedan, Mr. Yang, Kun-Chou is mainly responsible for the sales of the products of the Company and products of other companies which the Company acts as an agent in Taiwan. In the Group, he provides guidance and assistance for selling the Group's products in Vietnam and the PRC markets. Furthermore, Taiwan Vedan and the Group are operated by separate sales teams which are independent of each other, while market segmentation shall comply with the territorial delineation agreement signed by the Group and Taiwan Vedan. The Directors are therefore of the view that the management and the operational functions of the Group are independent of and separate from those of other members of the Taiwan Vedan Group.

For safeguarding the interests of the Group, the independent non-executive Directors and the audit committee of the Company would on a regular basis review the business and operational results of the Group to ensure, among other things, that the Group's business operations in respect of its product portfolio are and will continue to be run on the basis that they are independent of, and at arm's length from, those of Taiwan Vedan.

**(d) Other interests**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been acquired or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries since 31 December 2017, being the date to which the latest published audited accounts of the Group were made up.



As at the Latest Practicable Date, none of the Directors was materially interested in any contract, save for service contracts as disclosed in paragraph (b) above, or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Group.

### 3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of SFO, the following persons and companies (other than the Directors or chief executive of the Company) had an interest or short position in the shares and the underlying shares which fell to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Capacity	Total number of Shares interested	Approximate percentage of the existing issued share capital of the Company
Billion Power	Beneficial owner	512,082,512	33.62%
Taiwan Vedan	Interest held by its controlled corporation	512,082,512	33.62%
King International	Beneficial owner	169,730,196	11.15%
Concord Worldwide	Beneficial owner	127,297,646	8.36%
High Capital	Beneficial owner	127,297,646	8.36%
丹澤企業股份有限公司 (Danze Corporation Limited*)	Beneficial owner	83,348,000	5.47%

*Notes:*

1. Billion Power is a wholly-owned subsidiary of Taiwan Vedan. Taiwan Vedan is therefore deemed to be interested in the 512,082,512 Shares held by Billion Power.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company was aware of any other person or corporation who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who/which was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or any options in respect of such capital.

#### **4. MATERIAL CONTRACTS**

No member of the Group has entered into any material contract (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this circular which are or may be material.

#### **5. LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration proceedings of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

#### **6. MATERIAL ADVERSE CHANGE**

The Directors were not aware of any material adverse change to the financial or trading position of the Group since 31 December 2017, being the date to which the latest audited consolidated financial statement of the Company were made up.

#### **7. EXPERTS AND CONSENTS**

The following is the qualification of the expert or professional adviser who has given its opinion or advice contained in this circular:

<b>Name</b>	<b>Qualifications</b>
Celestial Capital Limited	A licensed corporation permitted to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Celestial Capital Limited did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Celestial Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or report, as the case may be, and references to its name and logo in the form and context in which they appear.

As at the Latest Practicable Date, Celestial Capital Limited did not have any direct or indirect interest in any asset which had been acquired, disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2017, the date to which the latest audited financial statements of the Group were made up.

## **8. MISCELLANEOUS**

- (a) The registered office of the Company is at P.O. Box 10008, Willow House, Cricket Square, Grand Cayman, KY1-1001, Cayman Islands and the principal place of business of the Company in Hong Kong is at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (b) The Company's Hong Kong branch share registrar and transfer office is Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The company secretary of the Company is Ms. Wong, Wai-Yee, Ella, who is a chartered secretary and an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.
- (d) The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

## **9. DOCUMENTS AVAILABLE FOR INSPECTION**

A copy of the Supplemental Agreement will be available for inspection during normal business hours at the Company's principal office in Hong Kong at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong from the date of this circular up to and including the date of the EGM.

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## NOTICE OF EGM

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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)

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of Vedan International (Holdings) Limited (“**Company**”) will be held at Kellett Room IV, 3/F, The Excelsior Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong on Wednesday, 23 May 2018 at 3:30 p.m. (or immediately after the end of the annual general meeting of the Company to be held on Wednesday, 23 May 2018) for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution of the Company:

#### ORDINARY RESOLUTION

“**THAT** the supplemental agreement dated 12 April 2018 entered into between Vedan Enterprise Corporation and the Company (“**Supplemental Agreement**”), a copy of which is tabled at the meeting and marked “A” and initialled by the chairman of the meeting for identification purposes, and the revised annual cap thereunder, be and are hereby approved, confirmed and ratified and the directors of the Company be and are hereby authorised to, for and on behalf of the Company, do all such acts and things, sign and execute all such documents, deeds, instruments and agreements and take such steps as they may consider necessary, appropriate, desirable or expedient for the purpose of, in connection with or incidental to the matters contemplated under the Supplemental Agreement.”

By Order of the Board of

**Vedan International (Holdings) Limited**

**Yang, Kun-Hsiang**

*Executive Director and Chief Executive Officer*

Hong Kong, 7 May 2018

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## NOTICE OF EGM

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*Notes:*

1. A form of proxy for use at the EGM is enclosed.
2. Any member of the Company entitled to attend and vote at the EGM convened by the above notice is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more Shares may appoint more than one proxy to represent him and vote on his behalf. A proxy need not be a member of the Company.
3. In order to be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of that power of attorney or authority, must be deposited with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting.
4. In the case of joint holders of any Share, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders be present at the EGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.