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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**

Reference is made to the Company's announcement dated 7 December 2020 in relation to the sales of the Products to the Taiwan Vedan Group pursuant to the Taiwan Sales Agreement. Taiwan Vedan Group is a manufacturer of MSG products which produces MSG by processing GA (being a semi-finished product of MSG). The price of raw materials of GA, namely, molasses, has increased recently, which will lead to an increase in the cost of producing GA in Taiwan and Vietnam. However, the cost of GA in Vietnam is normally lower than the cost of GA in Taiwan. Therefore, instead of producing GA by itself in Taiwan, it is expected that the Taiwan Vedan Group will increase the purchase of GA from the Group during the Relevant Period. As a result, the existing cap as set out in the Taiwan Sales Agreement will not be sufficient for the expected increase in the volume of business between the Group and the Taiwan Vedan Group. On 4 May 2021, 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 2023 from US\$7,000,000 (equivalent to approximately HK\$54,460,000) to US\$50,000,000 (equivalent to approximately HK\$389,000,000), subject to approval of the Independent Shareholders having been obtained.

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

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Revised Annual Cap, on an annual basis, exceeds 5% for the purpose 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 Chapter 14A of the Listing Rules. Each of Yang Family and their respective associates will abstain from voting on the resolution in respect of the Supplemental Agreement and the Revised Annual Cap at the EGM.

The Independent Board Committee, comprising all the independent non-executive Directors, has been set up to advise the Independent Shareholders in connection with the Supplemental Agreement and the Revised Annual Cap. Celestial Capital Limited has been appointed as the Independent Financial Adviser for the purpose of providing independent advice to the Independent Board Committee and the Independent Shareholders in connection with the Supplemental Agreement and the Revised Annual Cap.

A circular containing, among other things, information regarding the Supplemental Agreement and the Revised Annual Cap, the recommendation of the Independent Board Committee, the advice from the Independent Financial Adviser and the notice of the EGM is expected to be dispatched to the shareholders of the Company on or before 26 May 2021.

BACKGROUND

Reference is made to the Company's announcement dated 7 December 2020 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 sell the Products to the Taiwan Vedan Group for use in Taiwan during the Relevant Period subject to an annual cap of US\$7,000,000 (equivalent to approximately HK\$54,460,000). As at the date of this announcement, the annual cap under the Taiwan Sales Agreement has not been exceeded.

HISTORICAL FIGURES AND REVISED ANNUAL CAP

For each of the three financial years ended 31 December 2020, the aggregate amount of sales of the Products to the Taiwan Vedan Group pursuant to the Previous Taiwan Sales Agreement amounted to approximately US\$8,687,082 (equivalent to approximately HK\$67,585,498), US\$7,410,473 (equivalent to approximately HK\$57,653,480) and US\$10,993,536 (equivalent to approximately HK\$85,529,710), respectively. The transaction amount for each of the three financial years ended 31 December 2020 was within the relevant annual cap under the Previous Taiwan Sales Agreement as disclosed in the announcement of the Company dated 12 April 2018 and the circular of the Company dated 7 May 2018, which is US\$30,000,000 (equivalent to approximately HK\$233,400,000).

On 4 May 2021, 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 2023 from US\$7,000,000 (equivalent to approximately HK\$54,460,000) to US\$50,000,000 (equivalent to approximately HK\$389,000,000), subject to approval of the Independent Shareholders having been obtained. In arriving at the Revised Annual Cap of US\$50,000,000 (equivalent to approximately HK\$389,000,000), the Company has taken into account (i) the production and marketing policy of the Group in respect of the Products; (ii) the estimated increase in demand for the Products by Taiwan Vedan Group as a result of the increase in the cost of GA in Taiwan; and (iii) the actual aggregate amount of sales of the Products by the Group to the Taiwan Vedan Group in the previous financial years. Save and except for 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.

PRICING

As disclosed in the announcement of the Company dated 7 December 2020, 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 (other than GA) after taking into consideration the production costs and the market price of the relevant Products in Taiwan, aiming at maintaining an overall gross margin within a range of approximately 14% to 18%. The price of GA will be determined by the Group with reference to (i) its production costs with a view to having an expected gross margin within a range of approximately 6% to 7%; and (ii) the market price of GA in Asia.

The price of the Products is subject to review by the Board from time to time and at least once every six months.

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. Taiwan Vedan Group is a manufacturer of MSG products which produces MSG by processing GA (being a semi-finished product of MSG). The price of raw materials of GA, namely, molasses, has increased recently, which will lead to an increase in the cost of producing GA in Taiwan and Vietnam. However, the cost of GA in Vietnam is normally lower than the cost of GA in Taiwan. Therefore, instead of producing GA by itself in Taiwan, it is expected that the Taiwan Vedan Group will increase the purchase of GA from the Group during the Relevant Period. As a result, 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.

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 was entered into in the ordinary and usual course of business of the Group. The Directors (excluding the independent non-executive Directors who will express their opinion after considering the advice 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 2023 is fair and reasonable.

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

INTERNAL CONTROL PROCEDURES

The Group has formulated a series of measures and policies to ensure that 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 other things, 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.

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 reports pursuant to Rule 14A.55 and Rule 14A.56 of the Listing Rules, respectively.

INFORMATION ABOUT TAIWAN VEDAN

Taiwan Vedan is a company incorporated under the laws of Taiwan and its principal business is the production of food additive products, including MSG products, and beverages in Taiwan. It is one of the controlling shareholders of the Company holding indirectly approximately 33.62% of the entire issued share capital of the Company as at the date of this announcement and is therefore a connected person of the Company.

INFORMATION ABOUT THE GROUP

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

LISTING RULES REQUIREMENTS

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

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Revised Annual Cap, on an annual basis, exceeds 5% for the purpose 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 Chapter 14A of the Listing Rules. Each of Yang Family and their respective associates will abstain from voting on the resolution in respect of the Supplemental Agreement and the Revised Annual Cap at the EGM.

The Independent Board Committee, comprising all the independent non-executive Directors, has been set up to advise the Independent Shareholders in connection with the Supplemental Agreement and the Revised Annual Cap. Celestial Capital Limited has been appointed as the Independent Financial Adviser for the purpose of providing independent advice to the Independent Board Committee and the Independent Shareholders in connection with the Supplemental Agreement and the Revised Annual Cap.

A circular containing, among other things, information regarding the Supplemental Agreement and the Revised Annual Cap, the recommendation of the Independent Board Committee, the advice from the Independent Financial Adviser and the notice of the EGM is expected to be dispatched to the shareholders of the Company on or before 26 May 2021.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto under the Listing Rules;
“Billion Power”	Billion Power Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Taiwan Vedan, which holds 512,082,512 Shares as at the date of this announcement;
“Board”	the board of Directors;
“Company”	Vedan International (Holdings) Limited, a company incorporated under the laws of the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange;
“Concord Worldwide”	Concord Worldwide Holdings Ltd., a company incorporated in the British Virgin Islands and beneficially owned by Messrs. Yang, Kun-Chou, Yang, Kun-Hsiang, Yang, Yung-Huang and Yang, Yung-Jen as to 28.3%, 30%, 13.4%, and 28.3%, respectively, all of whom together with Concord Worldwide Holdings Ltd., are members of the Yang Family. It directly holds 127,297,646 Shares as at the date of this announcement;
“connected person”	has the meaning ascribed thereto under the Listing Rules;
“Director(s)”	the director(s) of the Company;

“EGM”	an extraordinary general meeting of the Company to be convened for the Independent Shareholders to consider and, if thought fit, to approve the Supplemental Agreement and the Revised Annual Cap;
“GA”	acronym as “glutamic acid”, which is a non-essential amino acid occurring widely in plant and animal tissue and is used by the body to build proteins. MSG is a form of glutamic acid that is used as a food flavour enhancing product;
“Group”	the Company and its subsidiaries;
“High Capital”	High Capital Investments Limited, a company incorporated in the British Virgin Islands and beneficially owned by Messrs. Yang, Chen-Wen, Yang, Tung, Yang, Wen-Hu, Ms. Yang, Wen-Yin, Ms. Yang, Shu-Hui and Ms. Yang, Shu-Mei as to 26.33%, 26.33%, 26.33%, 7%, 7%, and 7%, respectively, all of whom, together with High Capital Investments Limited, are members of the Yang Family. It directly holds 127,297,646 Shares as at the date of this announcement;
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	the independent board committee of the Company comprising Mr. CHAO, Pei-Hong, Mr. KO, Jim-Chen, Mr. CHEN, Joen-Ray and Mr. HUANG, Chung-Fong, 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed by the Board to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Supplemental Agreement and the Revised Annual Cap;
“Independent Shareholders”	the shareholders of the Company other than the Yang Family and their respective associates;
“King International”	King International Limited, a company incorporated in the British Virgin Islands and beneficially owned by Messrs. Yang, Tou-Hsiung and Yang, Cheng, as to 65% and 35%, respectively, all of whom, together with King International Limited, are members of the Yang Family. It directly holds 169,730,196 Shares as at the date of this announcement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange;
“MSG”	monosodium glutamate, which is the salt of sodium and glutamate, a naturally occurring amino acid that is present in all proteins such as milk, meat, fish and many vegetables; it is used as a food flavour enhancing umami taste;
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan;

“Previous Taiwan Agreement”	the agreement in respect of the sales of the Products by the Group to the Taiwan Vedan Group dated 21 December 2017 (as amended and supplemented by a supplemental agreement dated 12 April 2018);
“Products”	the 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 2021 to 31 December 2023;
“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 2023 pursuant to the Supplemental Agreement;
“Share(s)”	share(s) of US\$0.01 per share in the share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Supplemental Agreement”	the supplemental agreement to the Taiwan Sales Agreement dated 4 May 2021 entered between the Company and Taiwan Vedan to revise the annual cap for each of the three financial years ending 31 December 2023 for the sales of the Products by the Group to the Taiwan Vedan Group pursuant to the Taiwan Sales Agreement;
“Taiwan Sales Agreement”	the agreement dated 7 December 2020 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);
“Transactions”	the continuing connected transactions contemplated under the Taiwan Sales Agreement (as supplemented by the Supplemental Agreement);
“Tung Hai”	東海醱酵工業股份有限公司 (Tung Hai Fermentation Industrial Co., Ltd.*), a company incorporated in Taiwan and ultimately owned by the Yang Family;
“US dollars” or “US\$”	the lawful currency of the United States of America;
“Yang Family”	Messrs. Yang, Tou-Hsiung, Yang, Cheng, Yang, Yung-Huang, Yang, Kun-Hsiang, Yang, Kun-Chou, Yang, Yung-Jen, Yang, Chen-Wen, Yang, Wen-Hu, Yang, Tung, Ms. Yang, Wen-Yin, Ms. Yang, Shu-Hui and Ms. Yang, Shu-Mei and their respective associates, King International, Concord Worldwide, High Capital, Taiwan Vedan, Tung Hai and Billion Power;
“%”	per cent.

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

Hong Kong, 4 May 2021

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

Executive Directors:–

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

Non-executive Directors:–

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

Independent non-executive Directors:–

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

* *For identification purpose only*

For the purpose of this announcement, conversion of US\$ into HK\$ or vice versa has been calculated by using an exchange rate of US\$1 to HK\$7.78.