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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

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

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 36 of this circular.

A notice convening the EGM to be held at 24/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong on Thursday, 24 June 2021 at 3:00 p.m. is set out on pages 43 to 44 of this circular. Shareholders are advised to read the notice of the EGM set out on pages 43 to 44 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 54, 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.

2 June 2021

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DEFINITIONS

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 24/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong on Thursday, 24 June 2021 at 3:00 p.m. for the Independent Shareholders to consider and, if thought fit, to approve the Supplemental Agreement and the Revised Annual Cap, or any adjournment thereof;

DEFINITIONS

“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. 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 SFO, 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;

DEFINITIONS

“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”	31 May 2021, 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, 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 circular, excludes Hong Kong, Macau and Taiwan;
“Previous Taiwan Sales Agreement”	the agreement in respect of the sales of the Products by the Group to the Taiwan Vedan Group dated 21 December 2017 (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;

DEFINITIONS

“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“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 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;
“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;

DEFINITIONS

“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; 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\$7.78.

** For identification purpose only*

LETTER FROM THE BOARD



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:

Second Floor, Century Yard
Cricket Square
P.O. Box 902
Grand Cayman KY1-1103
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. HUANG, Chung-Fong

2 June 2021

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 announcement of the Company dated 4 May 2021 in relation to the Supplemental Agreement and the Revised Annual Cap.

LETTER FROM THE BOARD

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

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). 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 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 Products sold to Taiwan Vedan Group by the Group consisted of MSG and starch only for the three financial years ended 31 December 2020. 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).

During the period from 1 January 2021 to the Latest Practicable Date, the aggregate actual amount of sales of the Products to the Taiwan Vedan Group pursuant to the Taiwan Sales Agreement amounted to US\$2,689,296 (equivalent to approximately HK\$20,922,723). 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 than 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.

LETTER FROM THE BOARD

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.

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.

Revision of the Annual Cap

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. It is expected that the aggregate transaction amount in relation to sales of MSG and starch by the Group to Taiwan Vedan Group for the three years ending 31 December 2023 will remain at around US\$10,000,000, which is similar to the historical transaction amount for the year ended 31 December 2020. Further, it is expected that Taiwan Vedan Group would purchase around 30,000 tonnes of GA (which is a semi-finished product of MSG for producing MSG), amounting to transaction amount of approximately US\$40,000,000.

LETTER FROM THE BOARD

It is expected that Taiwan Vedan Group would purchase around 30,000 tonnes of GA for producing approximately 33,000 tonnes to 36,000 tonnes of MSG. In addition, having considered historical figures, it is expected that Taiwan Vedan Group will purchase around 6,000 tonnes of MSG from the Group. These would result in a total of approximately 39,000 tonnes to 42,000 tonnes of MSG, which is similar to the sales volume of MSG by Taiwan Vedan Group for each of the past 3 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.

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. Additional income is expected to be generated to the Group as the manufacturing capacity of the Group is able to meet the additional demand for GA of 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 (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 2023 is fair and reasonable.

LETTER FROM THE BOARD

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 Latest Practicable Date and is therefore a connected person of the Company.

LETTER FROM THE BOARD

As at the Latest Practicable Date, Taiwan Vedan is held as to (i) in aggregate, approximately 83.20% by certain members of the Yang Family (namely 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, and their respective associates); (ii) approximately 7.72% by Kolung Ltd., which is held as to 40%, 30% and 30% by King International, Concord Worldwide and High Capital, respectively; and (iii) approximately 5.09% by Yungjen Investment Co., Ltd., which is held as to, in aggregate, 82% by Yang, Yung-Jen (who is a step-brother of Yang Kun-Hsiang), his spouse, son and daughter. Save as disclosed, there is no other person holding 5% or more of the total number of shares of Taiwan Vedan as at the Latest Practicable Date.

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 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.

LETTER FROM THE BOARD

EGM

A notice of the EGM is set out on pages 43 to 44 of this circular. In accordance with the requirements of the Listing Rules, all votes to be taken at the EGM will be by poll. Each member of the Yang Family and 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.

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 54, 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.

RECOMMENDATION

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 36 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 to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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)

2 June 2021

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 2 June 2021 (“**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 36 of the Circular, which contains its advice in respect of the Supplemental Agreement and the Revised Annual Cap.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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 36 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

Mr. Chao, Pei-Hong

*Independent non-
executive Director*

Mr. Ko, Jim-Chen

*Independent non-
executive Director*

Mr. Chen, Joen-Ray

*Independent non-
executive Director*

Mr. Huang, Chung-Fong

*Independent non-
executive Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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
28/F, Manhattan Place
23 Wang Tai Road,
Kowloon Bay,
Hong Kong

2 June 2021

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 (the “**Circular**”) dated 2 June 2021 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.

References are made to the announcements of the Company dated 7 December 2020 and 4 May 2021. On 4 May 2021, 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 7 December 2020 from US\$7,000,000 (equivalent to approximately HK\$54,460,000) to US\$50,000,000 (equivalent to approximately HK\$389,000,000) (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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

LISTING RULES IMPLICATION

As at the Latest Practicable Date, Taiwan Vedan is one of the controlling Shareholders 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 Chapter 14A of the Listing Rules. Each of Yang Family and their respective associates will abstain from voting on the resolution(s) in respect of the Supplemental Agreement and the Revised Annual Cap at the EGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all of the independent non-executive Directors (namely Mr. CHAO, Pei-Hong, Mr. KO, Jim-Chen, Mr. CHEN, Joen-Ray and Mr. HUANG, Chung-Fong), 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 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.

OUR INDEPENDENCE

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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 7 December 2020 (the “**December 2020 Announcement**”) and 4 May 2021 (the “**May 2021 Announcement**”)), the Supplemental Agreement, the Previous Taiwan Sales Agreement (together with the relevant circular of the Company dated 7 May 2018), the annual reports of the Company for the financial year ended 31 December 2019 (the “**2019 Annual Report**”) and 31 December 2020 (the “**2020 Annual Report**”) and the Circular.

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 the Taiwan Vedan Group) 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 the Taiwan Vedan Group), 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 in their respective existing state, nor carried out any independent verification of the information provided by the Company and/or the Directors and/or the management of the Group.

The Directors jointly and severally accept full responsibility for the 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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.

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 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. In addition, it was set out in the 2019 Annual Report and the 2020 Annual Report that the products of the Group have been categorised into five segments, namely (i) MSG and seasonings; (ii) modified starch, native starch and maltose; (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 one of the controlling Shareholders 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 2020, the aggregate annual sales amount of the Products by the Group to the Taiwan Vedan Group pursuant to the Previous Taiwan Sales Agreement amounted to 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 (each of such amount respectively referred to as the "**Historical Sales Amount**" and collectively referred to as the "**Historical Sales Amounts**"). Each Historical Sales Amount was within the annual cap set under the Previous Taiwan Sales Agreement, which was US\$30,000,000 (equivalent to approximately HK\$233,400,000) for each of the three financial years ended 31 December 2020.

It was set out in the December 2020 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 maximum annual cap of US\$7,000,000 (equivalent to approximately HK\$54,460,000). It was also set out in the December 2020 Announcement that the parties entered into the Taiwan Sales Agreement on substantially similar terms as the Previous Taiwan Sales Agreement (save and except that the annual cap for the Taiwan Sales Agreement would be decreased from US\$30,000,000 to US\$7,000,000) and for a term of three years from 1 January 2021 to 31 December 2023 (i.e. the Relevant Period), subject to compliance with the relevant requirements under the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the Letter from the Board, 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 the Revised Annual Cap of US\$50,000,000 (equivalent to approximately HK\$389,000,000), 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 was entered into in the ordinary and usual course of business of the Group; (iii) 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; (iv) the Revised Annual Cap as contemplated by the Supplemental Agreement for each of the three years ending 31 December 2023 is fair and reasonable; and (v) 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 seasonings; (ii) modified starch, native starch and maltose; (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, manufactured 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 Previous Taiwan Sales Agreement. We have reviewed the Previous Taiwan Sales Agreement, the Taiwan Sales Agreement and the Supplemental Agreement. Save for (i) the extension for the term of the Previous Taiwan Sales Agreement for three years from 1 January 2021 to 31 December 2023 pursuant to the Taiwan Sales Agreement (as supplemented by the Supplemental Agreement); and (ii) 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\$50,000,000 (equivalent to HK\$389,000,000) pursuant to the Supplemental Agreement, we are not aware of any material change in the terms of the Previous 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 “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 2020 Announcement, (i) the prices of the Products payable by the 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 to other independent customers of the Group in respect of the relevant Products; and (ii) the price of the Products is subject to review by the Board from time to time and at least once every six months. It was also disclosed in the May 2021 Announcement that the management of the Company will determine the prices of the Products (other than GA) after taking into consideration, among other things, the production costs and the market prices of the relevant Products (other than GA), aiming at maintaining an overall gross margin of the Group 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.

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Payment method

It was also set out in the December 2020 Announcement that according to the Taiwan Sales Agreement, the prices of the Products shall be paid to the relevant member 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 2020 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 (as supplemented by the Supplemental Agreement), is within the range of credit terms of trade receivable that the Group offered to independent customers for sales of the Products up to 60 days (and the Group may grant a longer credit period to certain customers, subject to the satisfactory results of credit assessment).

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 practicable notify the Taiwan Vedan Group in writing whether the Group will or will not accept such 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 and such consent shall not be unreasonably withheld. 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5. The Revised Annual Cap

Review of the historical transaction amount

Pursuant to the Previous 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 2020 was US\$30,000,000 (equivalent to approximately HK\$233,400,000 (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:

For the year ended 31 December					
2018	2019		2020		
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>
8,687	29.0	7,410	24.7	10,994	36.6

Note: The utilisation rate is derived by dividing the Historical Sales Amount by the Historical Annual Caps.

As illustrated in the table above, we noted that the utilisation rates of the Historical Annual Caps amounted to approximately 29.0%, 24.7% and 36.6% for the financial years 2018, 2019 and 2020 respectively. We have been advised by the Company that the low utilisation rates of the Historical Annual Caps were mainly due to the demand for the MSG of the Taiwan Vedan Group was lower than expected in the previous three years as the Taiwan Vedan Group’s then expected increase in sales of MSG to existing and new customers was hindered by the keen competition from its competitors. 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 2021 to the Latest Practicable Date amounted to approximately US\$2,689,296 (equivalent to approximately HK\$20,922,723).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 2023 is US\$50,000,000 (equivalent to approximately HK\$389,000,000). As set out in the Letter from the Board, the Revised Annual Cap have been determined based on (i) the production and marketing policy of the Group in respect of the Products; (ii) the estimated increase in demand for the Products (mainly GA) as a result of the increase in the cost of production of GA in Taiwan, and (iii) the actual aggregated amount of sales of the Products (other than GA) 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 additional income to the Group*

As stated in the 2020 Annual Report, the performance of the Group's major segments varied in accordance with the demand for products and the degree of competition in different markets. For instance, the overall sales volume and profitability of modified starch, native starch and maltose products surged as a result of the stable price of their raw materials and the rising demand for organic products, while the sales volume and revenue of MSG and seasoning products both dropped slightly as a result of the weaker market demand in the major market of the Group, such as the PRC, US, and European, due to the COVID-19 as well as price competition from the Group's peers. We noticed that the MSG and seasonings products segment was the largest product segment of the Group, for the sales of MSG and seasonings products accounted for approximately 64.3% and 65.3% of the audited consolidated revenue of the Company for the years ended 31 December 2020 and 2019 respectively. It was also stated in the 2020 Annual Report that the Group plans to actively develop new products, expand production scale, focus on satisfying the demand from customers and consumers, optimise cost structure and industry chain integration, implement set actions plans and create new growth drivers to raise profitability.

We have discussed with the management of the Group and understood that the Revised Annual Cap under the Supplemental Agreement was determined by taking into account, among others, (i) the estimated annual sales volume of approximately 30,000 tonnes of GA by the Group to the Taiwan Vedan Group during the Relevant Period; and (ii) the historical sales amount of the Products (other than GA) by the Group to the Taiwan Vedan Group for the three years ended 31 December 2020.

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As discussed in more detail in the paragraph headed “(ii) The estimated increase in demand for the Products (mainly GA) as a result of the increase in the cost of production of GA in Taiwan” below, given the rising cost pressure of producing GA faced by the Taiwan Vedan Group as a result of the increase in the price of molasses, it is expected by the Group that the volume of GA to be purchased by the Taiwan Vedan Group will increase substantially during the Relevant Period to fulfil its expected annual production of approximately 40,000 tonnes of MSG.

Therefore, it is considered that the Group will benefit from selling the Products to the Taiwan Vedan Group under the Taiwan Sales Agreement (as supplemented by the Supplemental Agreement) as (i) 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; and (ii) based on the current production capacity and plan of the Group, the Group would be able to meet the expected increase in the sales volume of GA to the Taiwan Vedan Group and the utilisation rate of the production capacity of the Group would be improved as a result. Hence, it is in line with the Group’s plan mentioned above that it will actively seek opportunities to create new growth drivers to raise profitability.

Based on the aforesaid, we are of the view that it is fair and reasonable for the Directors to determine the Revised Annual Cap based on, among others, the production and marketing policy of the Group in respect of the Products, with a view to retain and generate additional income to the Group.

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- (ii) *The estimated increase in demand for the Products (mainly GA) as a result of the increase in the cost of production of GA in Taiwan*

Increase in the cost of production of GA in Taiwan

As mentioned in the Letter from the Board, 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. We were advised by the management of the Company that, in order to improve bargaining powers with its molasses suppliers, the Group has an arrangement with the Taiwan Vedan Group to purchase molasses in bulk together. As such, the increase in the price of molasses will have the same effect on the costs of producing GA for both the Group and the Taiwan Vedan Group. However, when the increase in the price of molasses coupled with the substantially higher production cost, such as wages and energy costs, in Taiwan, and keen competition from other MSG suppliers in terms of product prices, the Taiwan Vedan Group, in order to control its cost and maintain its competitiveness, indicated its intention to purchase from the Group and/or other suppliers the GA required, instead of producing the GA itself, for its production of MSG in Taiwan.

As stated in the 2020 Annual Report, the output of major sugar production regions was unsatisfactory and the production volume of molasses also continued to drop, resulting in a shortage in supply in the global market. We have obtained and reviewed a table summarising the average historical prices of the imported and Vietnam local molasses procured by the Group for each of the three years ended 2020 and the first quarter 2021 and noted that (i) the actual prices of both the imported and Vietnam local molasses procured by the Group in 2019 remained relatively stable as compared to 2018, (ii) the actual prices of the imported and Vietnam local molasses procured by the Group in 2020 increased by approximately 25% and 30% respectively, as compared to 2019, (iii) the price of imported molasses as quoted by suppliers in the first quarter 2021 increased by approximately 26% to 38% as compared to the actual procurement price in 2020 and; (iv) the actual price of Vietnam local molasses procured by the Group in the first quarter 2021 increased by approximately 8% as compared to 2020.

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Additionally, as stated in the 2020 Annual Report, according to the report issued by the International Sugar Organisation, the supply gap in the global molasses market is expected to be approximately 3,500,000 tonnes. Although Brazil and India, the two major production countries, delivered higher molasses production volumes, these countries remained affected by factors such as extreme climate, surge in fuel and ethanol consumption and tight animal feed markets which created a gloomy prospect for the production volume of molasses, therefore, the management of the Company expects the price of molasses will continue to stand firm in the foreseeable future.

In respect of the wages, we have been advised by the management of the Company that the Taiwan Vedan Group has been adversely affected by factors including the implementation of maximum working hours and increases in minimum wages. 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 January 2018 to 1 January 2021 and set at NT\$24,000 (equivalent to approximately HK\$6,551) per month and NT\$160 (equivalent to approximately HK\$43.7) per hour according to the latest amended measure promulgated on 7 September 2020 which became effective on 1 January 2021, representing an increase of approximately 9.09% and 14.29% respectively as comparing with the effective basic monthly wage and hourly wage in January 2019. 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 stated in the Labor Standards Act of Taiwan and published on the website of MOL, the maximum legal working hours in Taiwan for certain business (or industries), including manufacturing, have been shortened from the original 84 hours per 2 weeks to 40 hours per week since 1 January 2016. We have also been advised by the Company that the wages for workers in Vietnam is approximately 77% lower than in Taiwan based on the 2020 records.

In respect of energy costs, as stated in the 2020 Annual Report, the Group mainly uses self-generated electricity, while the Taiwan Vedan Group purchases electricity from the Taiwan Power Company. In this regard, we have obtained and reviewed information from the Company and provided to the Company by the Taiwan Vedan Group, the energy costs for generating steam for the production of MSG by the Group is approximately 27% lower than that of the Taiwan Vedan Group.

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We have discussed with the management of the Company and understood that the Group had not sold any GA to any of its customers (including the Taiwan Vedan Group) and the Taiwan Vedan Group had not purchased any GA during the three years ended 2020, as GA, being a semi-finished product of MSG, would only be purchased by MSG manufacturers to be further processed into MSG. In any event, we were advised by the management of the Group that, based on the estimated costs of producing GA in the course of producing MSG by the Group and the Taiwan Vedan Group, the estimated production cost of GA of the Group is approximately 8% lower than that of the Taiwan Vedan Group in the second half of 2021.

The estimated increase in demand for GA

We have obtained and reviewed the calculation prepared by the management of the Company in respect of the Revised Annual Cap, which based on the aggregate of the estimated annual sales values of GA, MSG and modified starch from the Group to the Taiwan Vedan Group during the Relevant Period and noted that such estimated annual sales value of GA, which amounted to approximately US\$40,000,000 (equivalent to approximately HK\$311,200,000), was derived from (i) the estimated annual sales volume of approximately 30,000 tonnes of GA from the Group to the Taiwan Vedan Group during the Relevant Period; and (ii) the estimated unit price of GA.

In determining the estimated annual sales volume of approximately 30,000 tonnes of GA, we were advised by the management of the Group that it had had discussions with the management of the Taiwan Vedan Group and had been given to understand that the Taiwan Vedan Group produced on average approximately 41,500 tonnes of MSG each year during the three years ended 2020. Based on the said historical annual production volume of MSG and as stated in its production plan, the Taiwan Vedan Group expected its production volume of MSG would remain at a similar level of approximately 40,000 tonnes each year during the Relevant Period. The Taiwan Vedan Group had also confirmed with the Group that it requires approximately 1 tonne of GA to produce approximately every 1.1 to 1.2 tonnes of MSG.

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In this regard, we have reviewed (i) a table summarising the historical MSG production volume of the Taiwan Vedan Group for the three years ended 2020 provided to the Company by the Taiwan Vedan Group and noted that the annual MSG production volume of the Taiwan Vedan Group remained stable for the three years ended 2020, ranged from approximately 41,000 tonnes to 42,600 tonnes per year and the average production volume is consistent with the figure mentioned above; and (ii) the data on the total production volume of MSG in Taiwan from the Department of Statistics, Ministry of Economic Affairs of Taiwan, that the total production volume of MSG in Taiwan also remained relatively stable in the three years ended 2020 (approximately 46,995 tonnes, 42,880 tonnes and 43,578 tonnes of MSG was produced in Taiwan in 2018, 2019 and 2020, respectively).

Based on the aforesaid, the Directors consider it is justifiable to expect the production volume of the Taiwan Vedan Group will remain at a similar level as the three years ended 2020 during the Relevant Period and its estimation on the annual sales volume to the Taiwan Vedan Group of approximately 30,000 tonnes of GA (which will allow the Taiwan Vedan Group to produce approximately 33,000 to 36,000 tonnes of MSG) is in line and within the Taiwan Vedan Group's production plan to fulfil its expected production volume of 40,000 tonnes of MSG each year during the Relevant Period.

With regard to the estimated unit price of GA, as mentioned above, we have been advised by the management of the Company that the Group had not sold any GA to any of its customers (including the Taiwan Vedan Group) for the three years ended 2020, as GA, being a semi-finished product of MSG, would only be purchased by MSG manufacturers to be further processed into MSG. The estimated unit price of GA was determined after taking into account the market price of GA in Asia, aiming at maintaining an expected gross margin within a range of approximately 6% to 7%, which is in line with the pricing policy as mentioned in the Letter from the Board. In this respect, we have obtained and reviewed a memorandum of a management meeting of Taiwan Vedan Group held in March 2021 provided to the Group by the Taiwan Vedan Group and noted that the Taiwan Vedan Group had obtained a quotation from a major MSG manufacturer in Asia for the supply of GA and the unit prices of GA quoted by the said MSG manufacturer is comparable to the estimated unit price of GA of the Group. We were also advised by the Group that the Taiwan Vedan Group had subsequently contacted three other MSG manufactures in Asia for quotations for the supply of GA and had been informed by two of the MSG manufacturers that they do not supply GA as a semi-finished product, the quotation provided from the remaining manufacturer is also comparable to the estimated unit price of GA of the Group.

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Additionally, we have been advised by the management of the Company that based on the current production capacity and plan of the Group, the Group will be able to meet the expected increase in the sales volume of GA to the Taiwan Vedan Group during the Relevant Period. In addition, according to the terms 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 a constraint on the production of the Group.

Based on the aforesaid, (i) we consider it is justifiable for the Directors to expect the Taiwan Vedan Group will increase its purchase of GA to further process into MSG during the Relevant Period in order to control its cost and maintain its competitiveness; and (ii) we are of the view that it is fair and reasonable for the Directors to determine the Revised Annual Cap based on, among others, the estimated increase in demand for the Products (mainly GA) as a result of the increase in the cost of production of GA in Taiwan.

(iii) The actual aggregated amount of sales of the Products (other than GA) by the Group to the Taiwan Vedan Group in the previous financial years

As mentioned above, we have obtained and reviewed the calculation prepared by the management of the Company in respect of the Revised Annual Cap, which based on the aggregate of the estimated annual sales values of GA, MSG and modified starch from the Group to the Taiwan Vedan Group during the Relevant Period. The estimated annual sales values of MSG and modified starch, amounted to US\$8,430,000 (equivalent to approximately HK\$65,585,400) and US\$1,935,000 (equivalent to approximately HK\$15,054,300) respectively, were derived from (i) the respective estimated annual sales volume of MSG and modified starch from the Group to the Taiwan Vedan Group during the Relevant Period; and (ii) the respective estimated unit price of MSG and modified starch.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In determining the estimated annual sales volumes of MSG and modified starch, the Company made reference to the historical sales volumes of MSG and modified starch sold by the Group to the Taiwan Vedan Group in the three years ended 2020 and the procurement plan of the Taiwan Vedan Group for the Relevant Period. In this respect, we have obtained and reviewed (i) a table summarising the monthly historical sales volumes of MSG and modified starch sold by the Group to the Taiwan Vedan Group and noted that (a) the estimated annual sales volume of MSG is approximately 18% higher and 7% lower than the average historical annual sales volume of MSG sold by the Group to the Taiwan Vedan Group during the three years ended 2020 and the annual sales volume of MSG in 2020, respectively; and (b) the estimated annual sales volume of modified starch is approximately 6% and 5% higher than the average historical annual sales volume of the modified starch sold by the Group to the Taiwan Vedan Group during the three years ended 2020 and the annual sales volume of modified starch sold by the Group to the Taiwan Vedan Group in 2020 respectively; and (ii) a summary of procurement plan of the Taiwan Vedan Group and noted that the estimated annual sales volumes of MSG and modified starch for each of the three years during the Relevant Period are equivalent to the expected procurement amounts stated in the said summary of procurement plan.

In determining the estimated unit prices of MSG and modified starch, the Company made reference to the historical unit prices of MSG and modified starch sold by the Group to the Taiwan Vedan Group in the three years ended 2020. In this respect, we have obtained and reviewed a table summarising the historical monthly unit prices of MSG and modified starch sold by the Group to the Taiwan Vedan Group and noted that (i) the estimated unit price of MSG is approximately 0.02% and 0.43% higher than the average historical unit price of MSG sold by the Group to the Taiwan Vedan Group during the three years ended 2020 and the average unit price of MSG sold by the Group to the Taiwan Vedan Group in 2020, respectively; and (ii) the estimated unit price of modified starch is approximately 0.42% and 0.62% higher than the average historical unit price of modified starch sold by the Group to the Taiwan Vedan Group during the three years ended 2020, and the average unit price of modified starch in 2020, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We also noted from the said table that (i) the average historical sales value during the three years ended 2020 and the historical sales value in 2020 of the MSG sold by the Group to the Taiwan Vedan Group amounted to approximately US\$7,147,000 (equivalent to approximately HK\$55,603,660) and US\$9,043,000 (equivalent to approximately HK\$70,354,540) respectively, which are approximately 15.2% lower and 7.3% higher than the estimated annual sales values of MSG of US\$8,430,000 (equivalent to approximately HK\$65,585,400) for each of the three years during the Relevant Period, respectively; and (ii) the average historical sales value during the three years ended 2020 and the historical sales value in 2020 of the modified starch sold by the Group to the Taiwan Vedan Group amounted to approximately US\$1,829,000 (equivalent to approximately HK\$14,229,620) and US\$1,838,000 (equivalent to approximately HK\$14,299,640) respectively, which are approximately 5.5% and 5.0% lower than the estimated annual sales values of modified starch of US\$1,935,000 (equivalent to approximately HK\$15,054,300) for each of the three years during the Relevant Period, respectively.

In addition, we have discussed with the Company and understood that the MSG purchased from the Group by the Taiwan Vedan Group during the three years ended 2020 was mainly resold to its customers in Africa which required certain specifications that the Taiwan Vedan Group could not manufacture. The Company expects the Taiwan Vedan Group will continue to purchase the MSG from the Group for onward sales to such customers during the Relevant Period. Hence, the Company expects that the estimated increase in the purchase of GA for further processing into MSG by the Taiwan Vedan Group will not affect the estimated sales volume of MSG during the Relevant Period or vice versa.

Based on the aforesaid, (i) we consider it is justifiable for the Directors to determine the estimated annual sales values of MSG and modified starch from the Group to the Taiwan Vedan Group during the Relevant Period based on the historical sales values during the three years ended 2020; and (ii) we are of the view that it is fair and reasonable for the Directors to determine the Revised Annual Cap based on, among others, the actual aggregated amount of sales of the Products (other than GA) by the Group to the Taiwan Vedan Group in the previous financial years.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

To conclude, the Revised Annual Cap was determined with references to (i) the estimated annual sales value of GA from the Group to the Taiwan Vedan Group for each of the three years during the Relevant Period in the amount of approximately US\$40,000,000 (equivalent to approximately HK\$311,200,000); and (ii) the estimated annual sales values of the Products (other than GA) (being MSG and modified starch) from the Group to the Taiwan Vedan Group for each of the three years during the Relevant Period in the amount of US\$10,365,000 (equivalent to approximately HK\$80,639,700). 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 (i) the sales of the Products fall within the ordinary business of the Group; (ii) the sales of the Products will generate revenue to the Group; and (iii) the sales of the Products, according to the terms of the Taiwan Sales Agreement (as supplemented by the Supplemental Agreement), shall be subject to the standard terms and conditions of sale of the Group 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 to the independent customers of the Group, we consider that the Revised Annual Cap is acceptable.

However, 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 of 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 closely the actual transaction amounts of the transactions in comparison to the Revised Annual Cap.

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 May 2021 Announcement:

- 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 Taiwan Sales Agreement and the pricing policy.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- The management of the Company will review, among others, the pricing involved in the Transactions 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; and
 - (b) semi-annual reports on the Transactions with the 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 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.

In this regard, we have reviewed the annual reports of the Company for the years ended 31 December 2018, 2019 and 2020 and noted that (i) the independent non-executive Directors have reviewed the Group's continuing connected transactions (including transactions contemplated under the Previous 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 its findings and conclusions in respect of the Group's continuing connected transactions (including transactions contemplated under the Previous 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 have 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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
Barry Ho
Director

Mr. Barry Ho 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 seven years of experience in corporate finance industry and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.

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\$0.27.

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 2020, 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 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, not being a Director or chief executive of the Company, 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 which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

4. MATERIAL CONTRACTS

No member of the Group has entered into any 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. 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 2020, being the date to which the latest audited consolidated financial statement of the Company were made up.

6. 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:

Name	Qualifications
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 (which has been prepared for inclusion in this circular) 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 2020, the date to which the latest audited accounts of the Group were made up.

The Letter from the Independent Financial Adviser is given as of the date of this circular for incorporation herein.

7. MISCELLANEOUS

- (a) The registered office of the Company is at Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman KY1-1103, 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 54, 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.

8. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Supplemental Agreement will be available for inspection during normal business hours (unless typhoon signal No. 8 or above is hoisted or a black rainstorm warning signal is issued) 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.

NOTICE OF EGM



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 24/F, Admiralty Centre I, 18 Harcourt Road, Hong Kong on Thursday, 24 June 2021 at 3:00 p.m. 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 4 May 2021 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, 2 June 2021

NOTICE OF EGM

Notes:

1. A form of proxy for use at the EGM is enclosed.
2. For determining the entitlement to attend and vote at the EGM to be held on Thursday, 24 June 2021, the Register of Members of the Company will be closed from Monday, 21 June 2021 to Thursday, 24 June 2021, (both days inclusive), during such period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of shares of the Company should ensure all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Tricor Tengis Limited, 54/F, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 18 June 2021.
3. 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.
4. 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 54, 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.
5. 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.