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**VEDAN INTERNATIONAL (HOLDINGS) LIMITED**

**味丹國際（控股）有限公司**

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

**(Stock code: 02317)**

## **CONTINUING CONNECTED TRANSACTIONS**

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

References are made to the Company's announcements dated 7 December 2020 and 4 May 2021 and the Company's circular dated 2 June 2021 relating to, among other things, the following continuing connected transactions between the Taiwan Vedan Group and the Group:

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

The Existing Taiwan Agreements will expire on 31 December 2023.

As the transactions contemplated under each of the Existing Taiwan Agreements are expected to continue after the expiration of their respective terms, the Company and Taiwan Vedan have entered into the New Taiwan Agreements on 15 December 2023 on substantially similar terms as the Existing Taiwan Agreements (save and except, among other things, that the cap for the New Taiwan Sales Agreement will be decreased from US\$50,000,000 to US\$3,500,000) and each for a term of three years from 1 January 2024 to 31 December 2026, subject to compliance with the relevant requirements under the Listing Rules.

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

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

## **BACKGROUND**

The Group has been engaging in certain continuing connected transactions with the Taiwan Vedan Group in its ordinary and usual course of business.

References are made to the Company's announcements dated 7 December 2020 and 4 May 2021 and the Company's circular dated 2 June 2021 relating to, among other things, the following continuing connected transactions between the Taiwan Vedan Group and the Group:

- (1) the provision of certain technological support services by the Taiwan Vedan Group to the Group pursuant to the Existing Technology Support Agreement; and
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As the transactions contemplated under each of the Existing Taiwan Agreements are expected to continue after the expiration of their respective terms, the Company and Taiwan Vedan have entered into the New Taiwan Agreements on 15 December 2023 on substantially similar terms as the Existing Taiwan Agreements (save and except, among other things, that the cap for the New Taiwan Sales Agreement will be decreased from US\$50,000,000 to US\$3,500,000) and each for a term of three years from 1 January 2024 to 31 December 2026, subject to compliance with the relevant requirements under the Listing Rules.

## **AGREEMENTS**

### **1. New Technology Support Agreement**

#### ***Nature of Transaction***

Pursuant to the New Technology Support Agreement dated 15 December 2023 entered into between Taiwan Vedan and the Company, Taiwan Vedan has agreed to provide and/or to procure other member(s) of the Taiwan Vedan Group to provide to the Group during the Relevant Period certain technological support services (including provision of staff training and staff secondment to the production complexes of the Group in Vietnam and the PRC upon request of the Group) for the purpose of supporting the product research and development activities of the Group for the development of advanced fermentation technology as may be required by the Group from time to time.

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

The basis of the service fee rate was principally determined after arm's length negotiations and on normal commercial terms after taking into account the following factors: (i) the experience and background of the Taiwan Vedan Group; (ii) to the Directors' knowledge, there being no companies in the Taiwan market the business of which is to provide specific technological support services for the development of advanced fermentation technology; and (iii) the need of the Group for technological support services for research and development of new products.

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

### ***Historical Figures and Pricing Basis***

For each of the two financial years ended 31 December 2022 and the 10 months ended 31 October 2023, the aggregate amount of service fee paid by the Group to the Taiwan Vedan Group directly pursuant to the Existing Technology Support Agreement amounted to US\$2,210,190 (equivalent to approximately HK\$17,239,482), US\$2,139,421 (equivalent to approximately HK\$16,687,484) and US\$1,602,497 (equivalent to approximately HK\$12,499,477), respectively. The transaction amount for each of the three financial years ending 31 December 2023 was or is expected to be within the relevant annual cap as disclosed in the announcement of the Company dated 7 December 2020, which is US\$2,500,000 (equivalent to approximately HK\$19,500,000) for each of the three financial years ending 31 December 2023.

The Company currently estimates that the annual aggregate amount of service fee calculated at the rate described above will not exceed the cap of US\$2,500,000 (equivalent to approximately HK\$19,500,000) for each of the three financial years ending 31 December 2026. This estimate was based on the proposed production plan of the Group in light of the current market situation and the actual transaction amounts in previous financial years.

### ***Reasons for entering into the New Technology Support Agreement***

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

The Directors (including the independent non-executive Directors but excluding Mr. Yang, Tou-Hsiung, Mr. Yang, Cheng, Mr. Yang, Kun-Hsiang, Mr. Yang, Chen-Wen and Mr. Yang Kun-Chou who are required to abstain from voting on the board resolutions) are of the opinion that the New Technology Support Agreement is: (i) on terms that are fair and reasonable; (ii) on normal commercial terms and in the ordinary and usual course of business of the Group; and (iii) in the interests of the Company and its shareholders as a whole.

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

## **2. New Taiwan Sales Agreement**

### ***Nature of Transaction***

Pursuant to the New Taiwan Sales Agreement dated 15 December 2023 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.

The price of the Products payable by Taiwan Vedan and/or other member(s) of the Taiwan Vedan Group to the relevant member of the Group shall be determined in accordance with and be not more favourable to the Taiwan Vedan Group than the price charged by the relevant member of the Group to other independent customers of the Group in respect of the relevant Products. The management of the Company will determine the price of the Products after taking into consideration the production costs and the market price of the Products in Taiwan, aiming at maintaining an overall gross margin within a range of approximately 13% to 17%. The price of the Products is subject to review by the Board from time to time and at least once every six months.

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

### ***Historical Figures and Pricing Basis***

For each of the two financial years ended 31 December 2022 and the 10 months ended 31 October 2023, the aggregate amount of sales of the Products to the Taiwan Vedan Group pursuant to the Existing Taiwan Sales Agreement amounted to US\$8,082,147 (equivalent to approximately HK\$63,040,747), US\$10,416,313 (equivalent to approximately HK\$81,247,241) and US\$2,501,270 (equivalent to approximately HK\$19,509,906), respectively. The transaction amount for each of the three financial years ending 31 December 2023 was or is expected to be within the relevant annual cap as disclosed in the announcement of the Company dated 4 May 2021 and circular of the Company dated 2 June 2021, which is US\$50,000,000 (equivalent to approximately HK\$390,000,000) for each of the three financial years ending 31 December 2023, respectively.

The Company currently estimates that the annual aggregate amount of sales of the Products to the Taiwan Vedan Group pursuant to the New Taiwan Sales Agreement will not exceed the maximum cap of US\$3,500,000 (equivalent to approximately HK\$27,300,000) for each of the three financial years ending 31 December 2026.

This estimate was based on the actual aggregate amount of sales of the Products by the Group to Taiwan Vedan Group in 2023 and the expected sales plan of the business department of the Group.

### ***Reasons for entering into the New Taiwan Sales Agreement***

The Group has been selling the Products to the Taiwan Vedan Group and the Directors believe that the continuous sale of the Products to the Taiwan Vedan Group will generate additional income to the Group.

The Directors (including the independent non-executive Directors but excluding Mr. Yang, Tou-Hsiung, Mr. Yang, Cheng, Mr. Yang, Kun-Hsiang, Mr. Yang, Chen-Wen and Mr. Yang Kun-Chou who are required to abstain from voting on the board resolutions) are of the opinion that the New Taiwan Sales Agreement is: (i) on terms that are fair and reasonable; (ii) on normal commercial terms and in the ordinary and usual course of business of the Group; and (iii) in the interests of the Company and its shareholders as a whole.

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

## **INTERNAL CONTROL PROCEDURES**

The Group has formulated a series of measures and policies to ensure that the continuing connected transactions contemplated under the New Technology Support Agreement and the New Taiwan Sales Agreement (collectively the “**Transactions**”) will be implemented in accordance with the terms of the respective agreements and the respective pricing policies.

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

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

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

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

## INFORMATION ABOUT TAIWAN VEDAN

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

As at the date of this announcement, Taiwan Vedan is held as to:

- (i) in aggregate, approximately 38.82% 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) (other than those disclosed in paragraphs (ii) to (vii) below);
- (ii) approximately 7.90% by Tungan Investment Co., Ltd., which is held as to, in aggregate, 100% by Yang, Wen-Hu (who is a brother of Yang Chen-Wen), his son and daughter;
- (iii) approximately 7.72% by Kolung Ltd., which is held as to 40%, 30% and 30% by King International, Concord Worldwide and High Capital, respectively;
- (iv) approximately 7.09% by Kaotien Investment Co., Ltd., which is held as to, in aggregate, 95% by Yang, Tung (who is a brother of Yang Chen-Wen), his spouse and daughters;
- (v) approximately 7.03% by Danlien Investment Co., Ltd., which is held as to, in aggregate, 98% by Yang, Tou-Hsiung and his sons;
- (vi) approximately 6.61% by Meite Investment Co., Ltd., which is held as to, in aggregate, 33% by Yang Chen-Wen and his daughters; and
- (vii) approximately 5.09% by Yungjen Investment Co., Ltd., which is held as to, in aggregate, 42% by Yang, Yung-Jen (who is a step-brother of Yang Kun-Hsiang) and his spouse.

Save as disclosed, there is no other person holding 5% or more of the total number of shares of Taiwan Vedan as at the date of this announcement.



## **INFORMATION ABOUT THE GROUP**

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

## **LISTING RULES REQUIREMENTS**

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

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

## **DEFINITION**

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

“associate(s)”	has the meaning ascribed thereto under the Listing Rules;
“Billion Power”	Billion Power Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Taiwan Vedan, which holds 512,082,512 Shares as at the date of this announcement;
“Board”	the board of Directors;

“Company”	Vedan International (Holdings) Limited, a company incorporated under the laws of the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange;
“Concord Worldwide”	Concord Worldwide Holdings Ltd., a company incorporated in the British Virgin Islands and beneficially owned by Messrs. Yang, Kun-Chou, Yang, Kun-Hsiang, Yang, Yung-Huang and Yang, Yung-Jen as to 28.3%, 30%, 13.4%, and 28.3%, respectively, all of whom together with Concord Worldwide Holdings Ltd., are members of the Yang Family. It directly holds 127,297,646 Shares as at the date of this announcement;
“connected person”	has the meaning ascribed thereto under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Existing Taiwan Agreements”	the Existing Technology Support Agreement and the Existing Taiwan Sales Agreement;
“Existing Taiwan Sales Agreement”	the agreement in respect of the sales of the Products by the Group to the Taiwan Vedan Group dated 7 December 2020 (as amended and supplemented by the supplemental agreement dated 4 May 2021);
“Existing Technology Support Agreement”	the agreement in respect of the provision of certain technological support services by the Taiwan Vedan Group to the Group dated 7 December 2020;
“GA”	acronym as “glutamic acid”, which is a non-essential amino acid occurring widely in plant and animal tissue and is used by the body to build proteins. MSG is a form of glutamic acid that is used as a food flavour enhancing product;

“Group”	the Company and its subsidiaries;
“High Capital”	High Capital Investments Limited, a company incorporated in the British Virgin Islands and beneficially owned by Messrs. Yang, Chen-Wen, Yang, Tung, Yang, Wen-Hu, Ms. Yang, Wen-Yin, Ms. Yang, Shu-Hui and Ms. Yang, Shu-Mei as to 26.33%, 26.33%, 26.33%, 7%, 7%, and 7%, respectively, all of whom, together with High Capital Investments Limited, are members of the Yang Family. It directly holds 127,297,646 Shares as at the date of this announcement;
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“King International”	King International Limited, a company incorporated in the British Virgin Islands and beneficially owned by Messrs. Yang, Tou-Hsiung and Yang, Cheng, as to 65% and 35%, respectively, all of whom, together with King International Limited, are members of the Yang Family. It directly holds 169,730,196 Shares as at the date of this announcement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange;
“New Taiwan Agreements”	the New Technology Support Agreement and the New Taiwan Sales Agreement;

“New Taiwan Sales Agreement”	the agreement in respect of the sales of the Products by the Group to the Taiwan Vedan Group dated 15 December 2023;
“New Technology Support Agreement”	the agreement in respect of the provision of certain technological support services by the Taiwan Vedan Group to the Group dated 15 December 2023;
“MSG”	acronym as “monosodium glutamate”, which is a white odorless crystalline compound that is a salt of GA; it is used as a food flavour enhancing product and can enrich the savory flavor of the food;
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan;
“Products”	certain GA, MSG, fertiliser and feed products and cassava starch-based industrial products manufactured by the Group from time to time;
“Relevant Period”	the period from 1 January 2024 to 31 December 2026;
“Share(s)”	share(s) of US\$0.01 per share in the share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Taiwan Vedan”	味丹企業股份有限公司 (Vedan Enterprise Corporation*) (formerly known as 味丹工業股份有限公司 (Vedan Industrial Corporation*) and 味正食品工業股份有限公司 (Ve Cheng Food Industry Corporation*)), a company incorporated in Taiwan and ultimately owned by the Yang Family;
“Taiwan Vedan Group”	Taiwan Vedan and its subsidiaries (other than members of the Group);

“Tung Hai”	東海醱酵工業股份有限公司 (Tung Hai Fermentation Industrial Co., Ltd.*), a company incorporated in Taiwan and ultimately owned by the Yang Family;
“US dollars” or “US\$”	the lawful currency of the United States of America;
“Vietnam Vedan”	Vedan (Vietnam) Enterprise Corporation Limited, a company incorporated under the laws of Vietnam and a subsidiary of the Company;
“Xiamen Vedan”	廈門味丹食品有限公司 (Xiamen Vedan Foods Co. Ltd.*) (formerly known as 茂泰食品(廈門)有限公司 (Mao Tai Foods (Xiamen) Co., Ltd.*)), a wholly foreign-owned enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company;
“Yang Family”	Messrs. Yang, Tou-Hsiung, Yang, Cheng, Yang, Yung-Huang, Yang, Kun-Hsiang, Yang, Kun-Chou, Yang, Yung-Jen, Yang, Chen-Wen, Yang, Wen-Hu, Yang, Tung, Ms. Yang, Wen-Yin, Ms. Yang, Shu-Hui and Ms. Yang, Shu-Mei and their respective associates, King International, Concord Worldwide, High Capital, Taiwan Vedan, Tung Hai and Billion Power;
“%”	per cent.

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

Hong Kong, 15 December 2023

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

*Executive Directors:–*

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

*Non-executive Directors:–*

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

*Independent non-executive Directors:–*

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

\* *For identification purpose only*

*For the purpose of this announcement, conversion of US\$ into HK\$ or vice versa has been calculated by using an exchange rate of US\$1 to HK\$7.80.*