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VEDAN INTERNATIONAL (HOLDINGS) LIMITED

味丹國際（控股）有限公司

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

(Stock code: 02317)

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

Reference is made to the Company's announcement dated 15 December 2023 in relation to, among other things, the sales of the Products to the Taiwan Vedan Group pursuant to the New Taiwan Sales Agreement.

Taiwan Vedan Group is a manufacturer of MSG products. Since the cost of fuel and price of raw materials for the production of MSG have gradually stabilized recently and that the fee quotations in relation to the Products provided by the Group to Taiwan Vedan are adjusted accordingly, the Company has been informed that Taiwan Vedan has decided to adjust its sales proposal in relation to MSG. It is expected that the demand on the Products from Taiwan Vedan will increase from the second half of 2024. As a result, the existing cap as set out in the New 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 21 March 2024, the Company entered into the Supplemental Agreement with Taiwan Vedan to revise the annual cap for the continuing connected transactions under the New Taiwan Sales Agreement for each of the three financial years ending 31 December 2026 from US\$3,500,000 (equivalent to approximately HK\$27,370,000) to US\$15,000,000 (equivalent to approximately HK\$117,300,000), subject to approval of the Independent Shareholders having been obtained.

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

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Revised Annual Cap, on an annual basis, exceeds 5% for the purpose of Rule 14.07 of the Listing Rules, the Supplemental Agreement and the Revised Annual Cap are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. Each of Yang Family and their respective associates will abstain from voting on the resolution in respect of the Supplemental Agreement and the Revised Annual Cap at the EGM.

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

A circular containing, among other things, information regarding the Supplemental Agreement and the Revised Annual Cap, the recommendation of the Independent Board Committee, the advice from the Independent Financial Adviser and the notice of the EGM is expected to be dispatched to the shareholders of the Company on or before 16 April 2024.

BACKGROUND

Reference is made to the Company's announcement dated 15 December 2023 in relation to the sales of the Products to the Taiwan Vedan Group pursuant to the New Taiwan Sales Agreement. Pursuant to the New 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\$3,500,000 (equivalent to approximately HK\$27,370,000). As at the date of this announcement, the annual cap under the New Taiwan Sales Agreement has not been exceeded.

HISTORICAL FIGURES AND REVISED ANNUAL CAP

For each of the three financial years ended 31 December 2023, the aggregate amount of sales of the Products to the Taiwan Vedan Group pursuant to the Previous Taiwan Sales Agreement amounted to approximately US\$8,082,147 (equivalent to approximately HK\$63,202,390), US\$10,416,313 (equivalent to approximately HK\$81,455,568) and US\$3,304,948 (equivalent to approximately HK\$25,844,693), respectively. The transaction amount for each of the three financial years ended 31 December 2023 was within the relevant annual cap under the Previous Taiwan Sales Agreement as disclosed in the announcement of the Company dated 4 May 2021 and the circular of the Company dated 2 June 2021, which is US\$50,000,000 (equivalent to approximately HK\$391,000,000).

On 21 March 2024, the Company entered into the Supplemental Agreement with Taiwan Vedan to revise the annual cap for the continuing connected transactions under the New Taiwan Sales Agreement for each of the three financial years ending 31 December 2026 from US\$3,500,000 (equivalent to approximately HK\$27,370,000) to US\$15,000,000 (equivalent to approximately HK\$117,300,000), subject to approval of the Independent Shareholders having been obtained. In arriving at the Revised Annual Cap of US\$15,000,000 (equivalent to approximately HK\$117,300,000), 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 in the second half of 2024 (it is currently expected that Taiwan Vedan Group will place orders on MSG products amounting to approximately US\$9,000,000 and cassava starch-based industrial products amounting to approximately US\$2,000,000); and (iii) the actual aggregate amount of sales of the Products (including but not limited to MSG and cassava starch-based industrial products) by the Group to the Taiwan Vedan Group in the previous financial years. Save and except for the revised maximum transaction amount between the Group and the Taiwan Vedan Group as amended and supplemented by the Supplemental Agreement, the rest of the provisions of the New Taiwan Sales Agreement will remain in full force and effect in accordance with its terms.

PRICING

As disclosed in the announcement of the Company dated 15 December 2023, 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 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.

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. Since the cost of fuel and price of raw materials for the production of MSG have gradually stabilized recently and that the fee quotations in relation to the Products provided by the Group to Taiwan Vedan are adjusted accordingly, the Company has been informed that Taiwan Vedan has decided to adjust its sales proposal in relation to MSG. It is expected that the demand on the Products from Taiwan Vedan will increase from the second half of 2024. As a result, the existing cap as set out in the New Taiwan Sales Agreement will not be sufficient for the expected increase in the volume of business between the Group and the Taiwan Vedan Group.

The Board considers that the terms of the Supplemental Agreement and the Revised Annual Cap were arrived at after arm's length negotiations between the parties involved. The Supplemental Agreement was entered into in the ordinary and usual course of business of the Group. The Directors (excluding the independent non-executive Directors who will express their opinion after considering the advice of the Independent Financial Adviser) consider that the terms of the Supplemental Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole and that the Revised Annual Cap as contemplated by the Supplemental Agreement for each of the three years ending 31 December 2026 is fair and reasonable.

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

INTERNAL CONTROL PROCEDURES

The Group has formulated a series of measures and policies to ensure that the Transactions will be implemented in accordance with the terms of the agreement and the pricing policies.

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

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

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

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

INFORMATION ABOUT TAIWAN VEDAN

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

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 the Supplemental Agreement therefore constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Revised Annual Cap, on an annual basis, exceeds 5% for the purpose of Rule 14.07 of the Listing Rules, the Supplemental Agreement and the Revised Annual Cap are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. Each of Yang Family and their respective associates will abstain from voting on the resolution in respect of the Supplemental Agreement and the Revised Annual Cap at the EGM.

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

A circular containing, among other things, information regarding the Supplemental Agreement and the Revised Annual Cap, the recommendation of the Independent Board Committee, the advice from the Independent Financial Adviser and the notice of the EGM is expected to be dispatched to the shareholders of the Company on or before 16 April 2024.

DEFINITIONS

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

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

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| “GA” | acronym as “glutamic acid”, which is a non-essential amino acid occurring widely in plant and animal tissue and is used by the body to build proteins. MSG is a form of glutamic acid that is used as a food flavour enhancing product; |
| “Group” | the Company and its subsidiaries; |
| “High Capital” | High Capital Investments Limited, a company incorporated in the British Virgin Islands and beneficially owned by Messrs. Yang, Chen-Wen, Yang, Tung, Yang, Wen-Hu, Ms. Yang, Wen-Yin, Ms. Yang, Shu-Hui and Ms. Yang, Shu-Mei as to 26.33%, 26.33%, 26.33%, 7%, 7%, and 7%, respectively, all of whom, together with High Capital Investments Limited, are members of the Yang Family. It directly holds 127,297,646 Shares as at the date of this announcement; |
| “HK\$” | Hong Kong dollars, the lawful currency for the time being of Hong Kong; |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC; |
| “Independent Board Committee” | the independent board committee of the Company comprising Mr. CHAO, Pei-Hong, Mr. KO, Jim-Chen, Mr. CHEN, Joen-Ray and Mr. HUANG, Chung-Fong, established for the purpose of advising the Independent Shareholders in respect of the Supplemental Agreement and the Revised Annual Cap; |
| “Independent Financial Adviser” | Essence Corporate Finance (Hong Kong) Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed by the Board to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Supplemental Agreement and the Revised Annual Cap; |

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| “Independent Shareholders” | the shareholders of the Company other than the Yang Family and their respective associates; |
| “King International” | King International Limited, a company incorporated in the British Virgin Islands and beneficially owned by Messrs. Yang, Tou-Hsiung and Yang, Cheng, as to 65% and 35%, respectively, all of whom, together with King International Limited, are members of the Yang Family. It directly holds 169,730,196 Shares as at the date of this announcement; |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange; |
| “Main Board” | the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange; |
| “MSG” | 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; |
| “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; |
| “PRC” | the People’s Republic of China which, for the purpose of this announcement, 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 7 December 2020 (as amended and supplemented by the supplemental agreement dated 4 May 2021); |
| “Products” | certain GA, MSG, fertiliser and feed products and cassava starch-based industrial products manufactured by the Group from time to time; |

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| “Relevant Period” | the period from 1 January 2024 to 31 December 2026; |
| “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 2026 pursuant to the Supplemental Agreement; |
| “Share(s)” | share(s) of US\$0.01 per share in the share capital of the Company; |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; |
| “Supplemental Agreement” | the supplemental agreement to the New Taiwan Sales Agreement dated 21 March 2024 entered between the Company and Taiwan Vedan to revise the annual cap for each of the three financial years ending 31 December 2026 for the sales of the Products by the Group to the Taiwan Vedan Group pursuant to the New Taiwan Sales Agreement; |
| “Taiwan Vedan” | 味丹企業股份有限公司 (Vedan Enterprise Corporation*) (formerly known as 味丹工業股份有限公司 (Vedan Industrial Corporation*) and 味正食品工業股份有限公司 (Ve Cheng Food Industry Corporation*)), a company incorporated in Taiwan and ultimately owned by the Yang Family; |
| “Taiwan Vedan Group” | Taiwan Vedan and its subsidiaries (other than members of the Group); |
| “Transactions” | the continuing connected transactions contemplated under the New 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; |

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| “US dollars” or “US\$” | the lawful currency of the United States of America; |
| “Yang Family” | Messrs. Yang, Tou-Hsiung, Yang, Cheng, Yang, Yung-Huang, Yang, Kun-Hsiang, Yang, Kun-Chou, Yang, Yung-Jen, Yang, Chen-Wen, Yang, Wen-Hu, Yang, Tung, Ms. Yang, Wen-Yin, Ms. Yang, Shu-Hui and Ms. Yang, Shu-Mei and their respective associates, King International, Concord Worldwide, High Capital, Taiwan Vedan, Tung Hai and Billion Power; |
| “%” | per cent. |

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

Hong Kong, 21 March 2024

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\$7.82.