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If you have sold or transferred all your shares in **VEDAN INTERNATIONAL (HOLDINGS) LIMITED**, you should at once hand this circular 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 in the Cayman Islands with limited liability)

(Stock code: 2317)

CONTINUING CONNECTED TRANSACTIONS

**Independent Financial Adviser to the Independent Board Committee
and Independent Shareholders**

CASH
Celestial Capital Limited
時富融資有限公司

13 January 2009

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

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| “Agency Agreement” | the agreement in respect of the sale, distribution, supply and/or provision of the Group’s Product Portfolio to the Customers in the Group’s Exclusive Markets or in Taiwan dated 23 December 2008; |
| “ASEAN” | the Association of South East Asian Nations, a multi-national organisation established to promote economic co-operation and development amongst member countries, such member countries are, for the purpose herein, Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore and Thailand; |
| “Assets Transfer Agreement” | the agreement entered into between Ordino, Xue Hua and the JV Company in respect of the transfer of certain assets by Xue Hua to the JV Company as referred to under the sub-section headed “Assets Transfer Agreement” of the section headed “Joint Venture Contract” of the “Letter from the Board” contained in the circular of the Company dated 15 February 2006; |
| “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 460,237,609 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 26.7 per cent., 26.7 per cent., 26.7 per cent., and 19.9 per cent., 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; |

DEFINITIONS

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| “connected person” | has the meaning ascribed thereto under the Listing Rules; |
| “Customers” | any purchaser or potential purchaser of any of the Group’s Product Portfolio in the Group’s Exclusive Markets or Taiwan (as the case may be); |
| “Director(s)” | the director(s) of the Company; |
| “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; |
| “Group’s Exclusive Markets” | Vietnam, ASEAN countries and the PRC; |
| “Group’s Product Portfolio” | the products that are produced or proposed to be produced by the Group from time to time; |
| “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 per cent., 26.33 per cent., 26.33 per cent., 7 per cent., 7 per cent., and 7 per cent., 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” | an independent committee of the Directors comprising all the independent non-executive Directors, namely Mr. Chao, Pei-Hong, Mr. Ko, Jim-Chen and Mr. Chen, Joen-Ray; |

DEFINITIONS

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| “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 Raw Materials Purchase Agreement; |
| “Independent Shareholders” | all the shareholders of the Company; |
| “Joint Venture Contract” | the contract entered into between Ordino and Xue Hua in relation to the establishment of the JV Company in the PRC on 22 December 2005; |
| “JV Company” | 山東味丹雪花實業有限公司 (Shandong Vedan Snowflake Enterprise Co., Ltd.), a PRC joint venture company established by Ordino and Xue Hua pursuant to the Joint Venture Contract, and the equity interests in which are held as to 70% by Ordino and 30% by Xue Hua; |
| “King International” | King International Limited, a company incorporated in the British Virgin Islands and beneficially owned by Messrs. Yang, Tou-Hsiung, Yang, Cheng, Yang, Wen-Chung and Yang, Ching-Han as to 40 per cent., 20 per cent., 20 per cent., and 20 per cent., 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” | 8 January 2009, being the latest practicable date prior to the printing of this circular for 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 Growth Enterprise Market 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; |

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| “Ordino” | Ordino Investments Pte Ltd, a company incorporated under the laws of Singapore and a wholly-owned subsidiary of the Company; |
| “Original Agency Agreement” | the agreement in respect of the sale, distribution, supply and/or provision of the Group’s Product Portfolio to the Customers in the Group’s Exclusive Markets or in Taiwan dated 14 December 2005; |
| “Original Raw Materials Purchase Agreement” | the agreement in respect of the supply of certain raw materials by Xue Hua to the JV Company entered into between Ordino, Xue Hua and the JV Company on 28 December 2005 as supplemented by a supplemental agreement dated 31 December 2006 entered into between Xue Hua and the JV Company; |
| “Original Taiwan Agreements” | the Original Technology Support Agreement, the Original Taiwan Sales Agreement and the Original Agency Agreement; |
| “Original Taiwan Sales Agreement” | the agreement in respect of the sales of certain GA, MSG and cassava starch-based industrial products by the Group to the Taiwan Vedan Group dated 14 December 2005 as supplemented by a supplemental agreement dated 4 January 2007; |
| “Original Technology Support Agreement” | the agreement in respect of the provision of certain technological support services by the Taiwan Vedan Group to the Group dated 14 December 2005 as supplemented by a supplemental agreement dated 4 January 2007; |
| “PRC” | the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Macau and Taiwan; |
| “Raw Materials Purchase Agreement” | the agreement in respect of the renewal of the Original Raw Materials Purchase Agreement dated 23 December 2008; |
| “Relevant Period” | for the Taiwan Sales Agreement and the Agency Agreement, the period from 1 January 2009 to 31 December 2011; and for the Technology Support Agreement, the period from 1 January 2009 to 31 December 2009; |
| “RMB” and “Renminbi” | Renminbi, the lawful currency of the PRC; |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time; |

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| “Share(s)” | share(s) of US\$0.01 per share in the share capital of the Company; |
| “Shareholder(s)” | shareholder(s) of the Company; |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; |
| “Taiwan Agreements” | the Technology Support Agreement, the Taiwan Sales Agreement and the Agency Agreement; |
| “Taiwan Sales Agreement” | the agreement in respect of the sales of certain GA, MSG and cassava starch-based industrial products by the Group to the Taiwan Vedan Group dated 23 December 2008; |
| “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); |
| “Technology Services Agreement” | the agreement dated 22 December 2005 entered into between Ordino and Xue Hua in respect of the provision of certain technology services by Ordino to Xue Hua as referred to under the sub-section headed “Technology Services Agreement” of the section headed “Joint Venture Contract” of the announcement dated 23 December 2005; |
| “Technology Support Agreement” | the agreement in respect of the provision of certain technological support services by the Taiwan Vedan Group to the Group dated 23 December 2008; |
| “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; |

* For identification purpose only

DEFINITIONS

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| “Vietnam Vedan” | Vedan (Vietnam) Enterprise Corporation Limited, a company incorporated under the laws of Vietnam and an indirect wholly-owned subsidiary of the Company; |
| “Xiamen Mao Tai” | 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; |
| “Xue Hua” | 山東雪花生物化工股份有限公司 (Shandong Xue Hua Bio-chemical Co., Ltd.); and |
| “Yang Family” | Messrs. Yang, Tou-Hsiung, Yang, Wen-Chung, Yang, Cheng, Yang, Ching-Han, 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. |

For the purpose of this circular, conversion of US\$ into HK\$ or vice versa has been calculated by using an exchange rate of US\$1 to HK\$7.75, and conversion of RMB into HK\$ or vice versa has been calculated by using an exchange rate of RMB1 to HK\$1.13.

LETTER FROM THE BOARD

VEDAN

INTERNATIONAL

VEDAN INTERNATIONAL (HOLDINGS) LIMITED

味丹國際（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2317)

Directors:

Mr. Yang, Tou-Hsiung
Mr. Yang, Cheng
Mr. Yang, Kun-Hsiang
Mr. Yang, Chen-Wen
Mr. Wang, Joel J.

Registered Office:

Century Yard
Cricket Square
Hutchins Drive
George Town
Grand Cayman
British West Indies

Non-executive Directors:

Mr. Huang, Ching-Jung
Mr. Chou, Szu-Cheng

*Principal Place of Business
in Hong Kong:*

Suite 3706, 37th Floor
West Tower, Shun Tak Centre
200 Connaught Road Central
Hong Kong

Independent non-executive Directors:

Mr. Chao, Pei-Hong
Mr. Ko, Jim-Chen
Mr. Chen, Joen-Ray

13 January 2009

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

BACKGROUND

Reference is made to the announcement of the Company dated 23 December 2008.

The Group has been engaging in certain continuing connected transactions with the Taiwan Vedan Group and Xue Hua in its ordinary and usual course of business, some of which are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules and some of which are also subject to the independent shareholders' approval requirements under the said rules.

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References are also made to the announcements of the Company dated 15 December 2005 and 4 January 2007, respectively, relating to, amongst 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 Original Technology Support Agreement; and
- (2) the sales of certain GA, MSG and cassava starch-based industrial products by the Group to the Taiwan Vedan Group pursuant to the Original Taiwan Sales Agreement.

In addition, the Company has been engaging in certain continuing connected transactions with Taiwan Vedan which are exempted from all reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Pursuant to the Original Agency Agreement, each of Taiwan Vedan and the Company has agreed to appoint the Company and Taiwan Vedan respectively to act as its sole and exclusive agent to sell, distribute, supply and/or provide the Group's Product Portfolio to the Customers in the Group's Exclusive Markets or in Taiwan (as the case may be).

The Original Taiwan Agreements had expired on 31 December 2008.

References are also made to the announcement and circular of the Company dated 23 December 2005 and 15 February 2006, respectively, relating to, amongst other things, the supply of certain raw materials by Xue Hua to the JV Company. Ordino, Xue Hua and the JV Company entered into the Original Raw Materials Purchase Agreement to govern such transactions and the Original Raw Materials Purchase Agreement had expired on 27 December 2008.

As the transactions contemplated under each of the Original Taiwan Agreements and the Original Raw Materials Purchase Agreement are expected to continue after the expiration of their respective terms, the Company and Taiwan Vedan have entered into the Taiwan Agreements on substantially the same terms as the Original Taiwan Agreements and each for a term of three years from 1 January 2009 to 31 December 2011 (except for the Technology Support Agreement, which is for a term of one year from 1 January 2009 to 31 December 2009); and Ordino, Xue Hua and the JV Company have entered into the Raw Materials Purchase Agreement to renew the Original Raw Materials Purchase Agreement on substantially the same terms and for a term of three years from 28 December 2008 to 27 December 2011 (with the JV Company's right to renew for a successive term of three years each until the end of the term of the JV Company subject to compliance with the relevant requirements under the Listing Rules), subject to compliance with the relevant requirements under the Listing Rules and approval of the Independent Shareholders (if required) having been obtained.

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AGREEMENTS

1. Technology Support Agreement

Nature of Transaction

Pursuant to the Technology Support Agreement dated 23 December 2008 entered into between Taiwan Vedan and the Company, Taiwan Vedan has agreed to continue to provide and/or to procure other member(s) of the Taiwan Vedan Group to continue to provide to the Group during the Relevant Period certain technological support services (including provision of staff training and staff secondment to the Group's production complexes 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 polyglutamic acid products and other 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 one per cent. of the turnover of Xiamen Mao Tai and Vietnam Vedan during the Relevant Period, for the financial year ending 31 December 2009 of the Company or a pro-rata proportion thereof in respect of an incomplete year, which is the same as the service fee rate under the Original 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 factors such as the experience and background of the Taiwan Vedan Group.

The service fee shall be paid by cash in US dollars within 60 days from the publication of the Company's audited accounts for the financial year ending 31 December 2009 and shall be subject to a cap of US\$1,700,000 (equivalent to approximately HK\$13,175,000) notwithstanding that the actual annual total amount of the service fee may exceed such amount.

Historical Figures and Pricing Basis

For the three financial years ended 31 December 2008, the total aggregate amount of service fee paid by the Group to the Taiwan Vedan Group directly or through Tung Hai amounted to approximately HK\$18,762,000, HK\$20,569,000 and HK\$21,674,000, respectively. The transaction amount for each of the three financial years ended 31 December 2008 was within the relevant annual cap as disclosed in the announcement of the Company dated 4 January 2007, which is US\$2,800,000 (equivalent to approximately HK\$21,700,000) for each of the three financial years ended 31 December 2008.

LETTER FROM THE BOARD

The Company currently estimates that the annual total aggregate amount of service fee calculated at the rate described above will be around or may exceed US\$1,700,000 (equivalent to approximately HK\$13,175,000) for the financial year ending 31 December 2009. This estimate was based on the proposed production plan of the Group in light of the current market situation. However, it was agreed by the Company and Taiwan Vedan that the annual total aggregate amount of service fee payable by the Group shall be subject to a cap of US\$1,700,000 (equivalent to approximately HK\$13,175,000) as a support extended by Taiwan Vedan to the Group. The Company will comply with the relevant requirements of the Listing Rules if such agreed cap is exceeded for whatever reason.

As the annual cap represents less than 2.5% of each of the applicable percentage ratios (as defined in the Listing Rules) of the Company under Rule 14A.34 of the Listing Rules, the transactions contemplated under the Technology Support Agreement are subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reasons for entering into the Technology Support Agreement

The Taiwan Vedan Group has been providing to the Group technological support services for the development of polyglutamic acid products 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.

2. **Taiwan Sales Agreement**

Nature of Transaction

Pursuant to the Taiwan Sales Agreement dated 23 December 2008 entered into between Taiwan Vedan and the Company, the Group will continue to sell certain GA, MSG and cassava starch-based industrial products ("**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 the price charged by the relevant member of the Group to other unrelated customers of the Group in respect of the relevant Products.

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.

LETTER FROM THE BOARD

Historical Figures and Pricing Basis

For the three financial years ended 31 December 2008, the total aggregate amount of sales of the Products to the Taiwan Vedan Group amounted to approximately HK\$31,662,000, HK\$19,935,000 and HK\$18,393,000, respectively. The transaction amount for each of the three financial years ended 31 December 2008 was within the relevant annual cap as disclosed in the announcement of the Company dated 4 January 2007, which is US\$4,100,000 (equivalent to approximately HK\$31,775,000) for each of the three financial years ended 31 December 2008.

The Company currently estimates that the annual total aggregate amount of sales of the Products to the Taiwan Vedan Group pursuant to the Taiwan Sales Agreement will not exceed the maximum cap of US\$1,700,000 (equivalent to approximately HK\$13,175,000) for each of the three financial years ending 31 December 2011. This estimate was based on (i) the production and marketing policy of the Group in respect of the Products; and (ii) the estimated market demand for the Products in Taiwan.

As the annual cap represents less than 2.5% of each of the applicable percentage ratios (as defined in the Listing Rules) of the Company under Rule 14A.34 of the Listing Rules, the transactions contemplated under the Taiwan Sales Agreement are subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reasons for entering into the 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.

3. Agency Agreement

Nature of Transaction

Pursuant to the Agency Agreement dated 23 December 2008 entered into between Taiwan Vedan and the Company, each of Taiwan Vedan and the Company has agreed to continue to appoint the Company and Taiwan Vedan respectively to act as its sole and exclusive agent to sell, distribute, supply and/or provide the Group's Product Portfolio to the Customers in the Group's Exclusive Markets or in Taiwan (as the case may be) during the Relevant Period.

LETTER FROM THE BOARD

Each of the Company and Taiwan Vedan shall be entitled to a commission calculated and payable at the rate of 1% of the aggregate selling price of the Group's Product Portfolio sold by the Group or the Taiwan Vedan Group (as the case may be) as agent of the Taiwan Vedan Group or the Group (as the case may be) during the Relevant Period, which is the same as the commission rate under the Original Agency Agreement. The basis of the commission rate was principally determined after arm's length negotiations and on normal commercial terms after taking into account factors such as the prevailing market rates for agency sales in the market. The commission shall be paid within 60 days from the end of the month in which the invoice in respect of the Group's Product Portfolio in question is issued to the Customers.

Historical Figures and Pricing Basis

For the three financial years ended 31 December 2008, the total aggregate amount of the commission received by the Group amounted to approximately HK\$562,000, HK\$660,000 and HK\$871,000, respectively, and no commission was payable by the Group to the Taiwan Vedan Group for the aforesaid periods. The transaction amount for each of the three financial years ended 31 December 2008 was within the relevant annual caps of US\$150,000 (equivalent to approximately HK\$1,162,500) and US\$80,000 (equivalent to approximately HK\$620,000) in respect of the commission received by the Group and the Taiwan Vedan Group for each of the three financial years ended 31 December 2008, respectively.

The Company currently estimates that the annual total aggregate amount of commission to be received by each of the Group and the Taiwan Vedan Group will not exceed the maximum cap of US\$150,000 (equivalent to approximately HK\$1,162,500) and US\$80,000 (equivalent to approximately HK\$620,000) for each of the three financial years ending 31 December 2011. This estimate was based on (i) the actual commission paid by the Group and the Taiwan Vedan Group in the previous financial years; and (ii) the estimated market demand of the Group's Product Portfolio in the Group's Exclusive Markets or in Taiwan. As the annual cap for the commission to be received by each of the Group and the Taiwan Vedan Group represents less than 2.5% of each of the applicable percentage ratios (as defined in the Listing Rules) of the Company under Rule 14A.34 of the Listing Rules, the transactions contemplated under the Agency Agreement are subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

Reasons for entering into the Agency Agreement

Each of Taiwan Vedan and the Company has been acting as the sole and exclusive agent of the other party to sell, distribute, supply and/or provide the Group's Product Portfolio to the Customers in the Group's Exclusive Markets or in Taiwan (as the case may be). The Directors believe that the Group will continue to benefit from the Agency Agreement as the Group will receive additional commission income from selling activities in the Group's Exclusive Markets that cannot be achieved by the Group's production capacity and the Group will also continue to benefit from the Agency Agreement in respect of additional sales to customers in Taiwan which may not be satisfied by the production capacity of, or the available products from, the Taiwan Vedan Group.

4. Raw Materials Purchase Agreement

Nature of Transaction

Pursuant to the Raw Materials Purchase Agreement dated 23 December 2008 entered into between Ordino, Xue Hua and the JV Company, the JV Company will purchase certain raw materials (including GA, steam, electricity, starch and sulfuric acid) ("**Raw Materials**") from Xue Hua during the term of the agreement. The Raw Materials Purchase Agreement will be for a term of three years from 28 December 2008 to 27 December 2011 (with the JV Company's right to renew for a successive term of three years each until the end of the term of the JV Company subject to compliance with the relevant requirements under the Listing Rules), subject to compliance with the relevant requirements under the Listing Rules and approval of the independent shareholders of the Company (if required) having been obtained.

Under the Raw Materials Purchase Agreement, Xue Hua will guarantee to the JV Company that in the event of the GA products produced by the JV Company utilising the Raw Materials reaching 25,000 tonnes per annum (no guarantee will be provided if the GA products produced do not reach 25,000 tonnes per annum), the lower of the following:

- (a) the average profit before tax for each tonne (i.e. the average selling price minus the average production costs and all related selling expenses) of such GA products will be not less than RMB450; or
- (b) the annual profit before tax for such GA products produced will reach RMB11,470,000 (equivalent to approximately HK\$12,961,100),

and Xue Hua will reimburse the shortfall to the JV Company for a period, up to a maximum term of five years from 1 May 2006 to 30 April 2011 or when an amount of RMB71,420,000 (equivalent to approximately HK\$80,704,600) (which includes the service fees payable by Xue Hua to Ordino under the Technology Services Agreement) or RMB60,570,000 (equivalent to approximately HK\$68,444,100) (which excludes the service fees payable under the Technology Services Agreement) is reached, whichever is earlier. The Company confirmed that the amount of RMB71,420,000 (equivalent to approximately HK\$80,704,600) was arrived at with reference to relevant consideration for the acquisition of the GA manufacturing factory

LETTER FROM THE BOARD

(together with crystal transfer factory) and the related equipment by the JV Company from Xue Hua as part of the assets acquired by the JV Company from Xue Hua under the Assets Transfer Agreement. The Company will comply with the requirements under Rule 14A.57 of the Listing Rules, pursuant to which the Company must publish an announcement in accordance with the requirements of the Listing Rules if the said actual profit before tax is less than the amount guaranteed.

Pursuant to the Raw Materials Purchase Agreement, Xue Hua is entitled to claim reasonable damages from the JV Company (in terms of cost differential or otherwise) in case of the JV Company sells products to the Group at a price level lower than the then average selling price available from Xue Hua of a comparable product.

The price of the Raw Materials payable by the JV Company to Xue Hua shall be determined in accordance with the relevant market price as set out below and shall be paid by cash in Renminbi:

| Raw Materials | Purchase price |
|----------------------|--|
| (a) GA | the average selling price (ex-factory price, exclusive of tax) of the comparable products charged by Xue Hua to its three largest customers (in terms of sales amount) (<i>Note 1</i>), to be deducted by packaging cost and transportation cost |
| (b) steam | the relevant assigned price level (<i>Note 2</i>) to be adjusted proportionately if triggered by a 10% movement of the market coal price from the then market level prevailing around the date of the Joint Venture Contract |
| (c) electricity | the relevant assigned price level (<i>Note 3</i>) to be adjusted proportionately if triggered by a 10% movement of the market coal price from the then market level prevailing around the date of the Joint Venture Contract |
| (d) starch | the relevant market price (<i>Note 4</i>) to be deducted by a fixed sum of (1) drying cost per tonne and (2) packaging cost per tonne |
| (e) sulfuric acid | the relevant market price (<i>Note 4</i>) to be deducted by a fixed sum of transportation cost per tonne |

Notes:

1. If the aggregate sales amount of the three largest customers of Xue Hua constitute 60% or less of the aggregate sales volume of Xue Hua for the relevant period, the selling price charged to the fourth and (if applicable) the subsequent largest customer(s) of Xue Hua shall be included in the calculation of the average selling price to take the aggregate sales volume of such largest customers to just above 60% of the sales amount of Xue Hua.

LETTER FROM THE BOARD

2. Not less favourable than the market price level available from independent third parties prevailing around the date of the Raw Materials Purchase Agreement.
3. Not less favourable than the market price level available from independent third parties prevailing around the date of the Raw Materials Purchase Agreement.
4. The relevant market price refers to the lowest ex-factory price of comparable products of Xue Hua to be deducted by the corresponding packaging cost.

Historical Figures and Pricing Basis

For the three financial years ended 31 December 2008, the total aggregate amount of the Raw Materials purchased by the JV Company from Xue Hua amounted to approximately HK\$100,159,000, HK\$109,212,000 and HK\$117,369,000, respectively. The transaction amount for each of the three financial years ended 31 December 2008 was within the relevant annual caps as disclosed in the announcement and circular of the Company dated 23 December 2005 and 15 February 2006, respectively, which is RMB120,000,000 (equivalent to approximately HK\$135,600,000) for each of the three financial years ended 31 December 2008. The Company currently estimates that the annual total aggregate amount of the Raw Materials to be purchased by the JV Company from Xue Hua pursuant to the Raw Materials Purchase Agreement will not exceed the maximum cap of RMB200,000,000 (equivalent to approximately HK\$226,000,000) for each of the three financial years ending 31 December 2011. This estimate was based on (i) the actual production volume of Xue Hua in November of 2008; (ii) the anticipated production capacity of the JV Company; and (iii) the estimated amount of Raw Materials which may be required by the JV Company for producing GA and MSG in the forthcoming three financial years.

As the annual cap represents more than 2.5% of each of the applicable percentage ratios (as defined in the Listing Rules) of the Company and the annual consideration is more than HK\$10,000,000, the transactions contemplated under the Raw Materials Purchase Agreement are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reasons for entering into the Raw Materials Purchase Agreement

The Directors are of the view that the entering into of the Raw Materials Purchase Agreement will continue to allow the Group to establish a channel source in the PRC for the supply of Raw Materials to be used by the Group in the PRC. Further, Xue Hua is a company which produces the Raw Materials and is strategically located in Jining of the Shandong Province of the PRC where there is abundant natural resources and cost-competitive utility resources for the production of the Raw Materials. The entering into of the Raw Materials Purchase Agreement will provide stable supply of the Raw Materials and cost benefits to the Group for its businesses.

The Directors (including the independent non-executive Directors) consider that the entering into of the Taiwan Agreements and the Raw Materials Purchase Agreement is in the ordinary course of business of the Group and the terms and conditions of such agreements are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

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 30.22% of the entire issued share capital of the Company as at the Latest Practicable Date and is therefore a connected person of the Company.

INFORMATION ABOUT XUE HUA

Xue Hua is a company established in the PRC and its principal business is the production of GA, starch and fertilizer in the PRC. It is a substantial shareholder of the JV Company holding 30% of the equity interest in the JV Company as at the Latest Practicable Date and is therefore a connected person of the Company.

INFORMATION ABOUT THE GROUP

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

LISTING RULES REQUIREMENTS

As at the Latest Practicable Date, Taiwan Vedan is one of the controlling shareholders of the Company holding indirectly approximately 30.22% of the entire issued share capital of the Company, and Xue Hua is a substantial shareholder of the JV Company holding 30% of the equity interest in the JV Company, the transactions contemplated under each of the Taiwan Agreements and the Raw Materials Purchase Agreement therefore constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios (as defined in the Listing Rules) for the transactions contemplated under each of the Taiwan Agreements is, on an annual basis, less than 2.5% under Rule 14A.34 of the Listing Rules, such transactions are subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios (as defined in the Listing Rules) for the transactions contemplated under the Raw Materials Purchase Agreement is, on an annual basis, more than 2.5% and the annual consideration is more than HK\$10,000,000, such transactions are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

GENERAL

Since no Shareholder is required to abstain from voting at the general meeting for the approval of the Raw Materials Purchase Agreement, and the Company has obtained a written approval dated 13 December 2008 from Billion Power, King International, Concord Worldwide and High Capital, a closely allied group of Shareholders who together hold 884,563,097 shares of the Company (representing approximately 58.09% of the Company's issued shares) as at the Latest Practicable Date, having the right to attend and vote at the Company's general meeting to approve the Raw Materials Purchase Agreement, the Company has applied to the Stock Exchange for acceptance of such written approval in lieu of holding a general meeting pursuant to Rule 14A.43 of the Listing Rules and the Stock Exchange has granted its approval to the Company. Consequently, no general meeting of the Company will be convened for the approval of the Raw Materials Purchase Agreement.

The Board has (i) formed the Independent Board Committee to consider and advise the Independent Shareholders on the terms of the Raw Materials Purchase Agreement and the proposed annual caps in relation thereto for the three financial years ending 31 December 2011 and (ii) appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the Raw Materials Purchase Agreement is on normal commercial terms, in the ordinary and usual course of business of the Group, and whether the terms of such transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Independent Financial Adviser considers that the Raw Materials Purchase Agreement (including the annual cap) and the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group. In addition, the terms of the Raw Materials Purchase Agreement (including the annual cap) and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. The text of the letter of advice from the Independent Financial Adviser is set out on pages 19 to 28 of this circular.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers the Raw Materials Purchase Agreement fair and reasonable and in the interests of the Company and the Shareholders as a whole. The full text of the letter from the Independent Board Committee is set out on page 18 of this circular.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

VEDAN

INTERNATIONAL

VEDAN INTERNATIONAL (HOLDINGS) LIMITED

味丹國際（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2317)

13 January 2009

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We have been appointed as members of the Independent Board Committee to advise you in connection with the Raw Materials Purchase Agreement, details of which are set out in the letter from the Board in a circular dated 13 January 2009 to the Shareholders (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Your attention is drawn to the “Letter from the Independent Financial Adviser”, containing its advice to us regarding the fairness and reasonableness of the terms and conditions of the Raw Materials Purchase Agreement as set out on pages 19 to 28 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 7 to 17 of the Circular and the additional information set out in the appendix to the Circular.

Having considered the advice of the Independent Financial Adviser, we consider the terms and conditions of the Raw Materials Purchase Agreement (including the annual cap) to be fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole.

Yours faithfully,

Vedan International (Holdings) Limited

Mr. Chao, Pei-Hong Mr. Ko, Jim-Chen Mr. Chen, Joen-Ray

Independent Board Committee

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice to the Independent Board Committee and the Independent Shareholders from Celestial Capital Limited dated 13 January 2009 prepared for incorporation in this circular.



Celestial Capital Limited
21/F., Low Block, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

13 January 2009

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

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 terms of the Raw Materials Purchase Agreement and the transactions contemplated thereunder (the "Transactions"), particulars of which are set out in the letter from the Board (the "Letter from the Board") as contained in this circular dated 13 January 2009 (the "Circular") issued by the Company to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Reference is made to the announcement of the Company dated 23 December 2008. On 23 December 2008, Ordino, Xue Hua and the JV Company entered into the Raw Materials Purchase Agreement to renew the Original Raw Materials Purchase Agreement on substantially the same terms and for a term of three years from 28 December 2008 to 27 December 2011 (with the JV Company's right to renew for a successive term of three years each until the end of the term of the JV Company subject to compliance with the relevant requirements under the Listing Rules) as the Original Raw Materials Purchase Agreement had expired on 27 December 2008. Details of the Raw Materials Purchase Agreement and the Transactions are set out in the Letter from the Board.

Xue Hua is a substantial shareholder of the JV Company (a 70%-owned subsidiary of the Company) holding 30% of the equity interest in the JV Company as at the Latest Practicable Date and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. As the annual cap for the Transactions represents more than 2.5% of each of the applicable percentage ratios (as defined in the Listing Rules) of the Company and the annual consideration exceeds HK\$10,000,000, the Raw Materials Purchase Agreement and the Transactions are subject to reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Mr. Chao, Pei-Hong, Mr. Ko, Jim-Chen and Mr. Chen, Joen-Ray, has been established to advise the Independent Shareholders as to whether the Raw Materials Purchase Agreement and the Transactions are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. In this regard, we have been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the terms of the Raw Materials Purchase Agreement and the Transactions.

BASIS OF OUR OPINION

In formulating our opinion in relation to the terms of the Raw Materials Purchase Agreement and the Transactions, we have relied on the information, facts and representations provided by, and the opinions expressed by the Directors and the management of the Company and its subsidiaries. We have also relied on the information, facts and representations contained or referred to in the Circular and have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continue to be true and accurate on the date of the Circular. We have also assumed that all statements of beliefs, and opinions made by the Directors in the Circular were reasonably made after due enquiry and the expectations and intentions made by the Directors and the management of the Company and its subsidiaries will be met or carried out as the case may be. We consider that we have reviewed sufficient information on which to form a reasonable basis for our opinion and have no reason to doubt the truth, accuracy and completeness of the information, facts and representations provided to us by the Directors, the management of the Company and its subsidiaries. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors and the management of the Company and its subsidiaries.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We have relied on such information and opinions and have not, however, carried out any independent verification of the information provided by the Company, nor have we conducted any independent investigation into the business and affairs of the Group, Xue Hua, the JV Company or their future prospects.

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 Raw Materials Purchase Agreement and the Transactions. Except for its inclusion in the Circular, this letter is not to 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the Raw Materials Purchase Agreement and the Transactions, we have considered the following principal factors and reasons:

1. Background of and reasons for entering into the Raw Materials Purchase Agreement

The Group is principally engaged in the manufacturing and sale of fermentation-based amino acids, food additive products and cassava starch based products in Asia.

The JV Company is an equity joint venture established in the PRC. Its current principal activities are manufacturing and sale of GA and MSG in the PRC. The equity interests in the JV Company are held as to 70% by Ordino, a wholly-owned subsidiary of the Company, and 30% by Xue Hua.

Xue Hua is a company established in the PRC and its principal business is the production of GA, starch and fertiliser in the PRC. Xue Hua is also a substantial shareholder of the JV Company, holding 30% of the equity interests in the JV Company as at the Latest Practicable Date.

According to the reports of the Directors as set out in the 2006 and 2007 annual reports of the Company, the Directors, including the independent non-executive Directors, have reviewed and confirmed that the continuing connected transactions under the Original Raw Materials Purchase Agreement, were entered into in the ordinary and usual course of business, conducted on normal commercial terms, and in accordance with the terms of the Original Raw Materials Purchase Agreement.

As set out in the Letter from the Board, the Director are of the view that the entering into of the Raw Materials Purchase Agreement will continue to allow the Group to establish a channel source in the PRC for a stable supply of Raw Materials to be used by the Group in the PRC and to provide cost benefits to the Group for its GA and MSG manufacturing businesses since Xue Hua is located in Jining, Shandong Province of the PRC where there is abundant natural resources and cost-competitive utility resources for the production of the Raw Materials by Xue Hua.

Further, we have been confirmed by the management of the Company that, under the Raw Materials Purchase Agreement, the Raw Materials to be purchased by the JV Company from Xue Hua comprise five types of raw materials, namely GA, steam, electricity, starch and sulfuric acid, and all of these Raw Materials are essential for the downstream production of MSG by the JV Company. As the Transactions only capture the purchases of Raw Materials by the JV Company from Xue Hua, we are of the opinion that the Transactions are in line with the ambit of the businesses currently run by the Group and are entered into in the ordinary and usual course of the Group's businesses.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Key terms of the Raw Materials Purchase Agreement

The Raw Materials Purchase Agreement is merely a renewal agreement of the Original Raw Materials Purchase Agreement for a term of three years from 28 December 2008 to 27 December 2011 (with the JV Company's right to renew for a successive term of three years each until the end of the term of the JV Company subject to compliance with the relevant requirements under the Listing Rules). Save for the revision of the annual cap of the Transactions, there is no material change on the terms of the Original Raw Materials Purchase Agreement.

The entering into the Raw Materials Purchase Agreement will not affect the terms of profit guarantee as set out in the Original Raw Materials Purchase Agreement (details of the profit guarantee are set out in the Letter from the Board). The profit guarantee provided by Xue Hua to the JV Company continues to be in effect till 30 April 2011 or when the maximum amount payable by Xue Hua pursuant to the profit guarantee is reached, whichever is earlier.

3. Annual cap of the Raw Materials to be purchased

a. Historical annual cap

Pursuant to the Original Raw Materials Purchase Agreement, the maximum aggregate value of the purchases of Raw Materials by the JV Company from Xue Hua for each of the three financial years ended 31 December 2008 was RMB120,000,000 (equivalent to approximately HK\$135,600,000) (the "historical annual cap"). The table below sets out the aggregate amounts of the Raw Materials purchased by the JV Company from Xue Hua provided by the Company, the historical annual cap and the utilisation rates of the historical annual cap, which took place during the respective periods:

Purchases of Raw Materials by the JV Company from Xue Hua

| For the year ended 31 December 2006 | | For the year ended 31 December 2007 | | For the year ended 31 December 2008 | | Historical annual cap for each of the three years ended 31 December 2008 |
|--|---------------------|--|---------------------|--|---------------------|---|
| Actual purchases | Utilisation rate | Actual purchases | Utilisation rate | Actual purchases | Utilisation rate | |
| HK\$'000 | (Note 1) % | HK\$'000 | (Note 1) % | HK\$'000 | (Note 1) % | (Note 2) HK\$'000 |
| 100,159 | 73.86 | 109,212 | 80.54 | 117,369 | 86.56 | 135,600 |

Notes:

1. The utilisation rate is derived by dividing the amount of actual purchases in each of the three years ended 31 December 2008 by the historical annual cap in Hong Kong dollars.
2. The amount is equivalent to RMB120,000,000.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated in the table above, the Group did not exceed the historical annual cap granted in respect of the actual purchases from Xue Hua by the JV Company for each of the three years ended 31 December 2008. With reference to the utilisation rates as tabulated above, we note that the Company has substantially utilised the historical annual cap and the utilisation rates increased from approximately 73.86% in 2006 to approximately 80.54% in 2007 and further to approximately 86.56% in 2008. Having considered that the utilisation rates are significant and in an increasing trend throughout the past three years, we are of the view that it is reasonable for the Directors to propose the revision in the annual cap for each of the three financial years ending 31 December 2011.

b. Basis for determining the proposed annual cap

The Company currently estimates that the annual aggregate amount of the Raw Materials to be purchased by the JV Company from Xue Hua will not exceed the maximum cap of RMB200,000,000 (equivalent to approximately HK\$226,000,000) (the “proposed annual cap”) for each of the three financial years ending 31 December 2011. Such proposed annual cap represents an increase of approximately 66.67% as compared with the historical annual cap for the transactions contemplated under the Original Raw Materials Purchase Agreement.

For the purpose of assessing whether such maximum cap is justifiable, we have analysed the basis of arriving at such cap amount in terms of quantity and price respectively:

(i) Quantity

Pursuant to the Raw Materials Purchase Agreement, the maximum quantity of Raw Materials to be purchased by the JV Company from Xue Hua for the three financial years ending 31 December 2011 is summarised below:

| Raw materials | Maximum quantity |
|----------------------|---|
| (a) GA | Depend on the actual need of the JV Company (Note 1) |
| (b) steam | Depend on the actual need of the JV Company (Note 1) |
| (c) electricity | Depend on the actual need of the JV Company (Note 2) |
| (d) starch | 60,000 tonnes/year |
| (e) sulfuric acid | 25,000 tonnes/year |

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. Estimated at a fixed level of tonnes/year for the purpose of arriving at the annual cap.
2. Estimated at a fixed level of kilowatt hours/year for the purpose of arriving at the annual cap.

Upon discussion with the Company, we understand that the maximum quantity of Raw Materials to be purchased for the three financial years ending 31 December 2011 have been determined with reference to (a) the actual production volume of Xue Hua in November 2008, (b) the anticipated increasing utilisation rate of the production capacity of the JV Company in the three years ending 31 December 2011, and (c) the estimated amount of Raw Materials which may be required by the JV Company for producing GA and MSG in the three financial years ending 31 December 2011.

As advised by the management of the Group, the expected demand for the Raw Materials is mainly stem from the expansion of the Group's production of MSG. We understand from the management of the Company that the production capacity of MSG of the JV Company increased by 100% from 25,000 tonnes per year to 50,000 tonnes per year by the end of 2007 as a result of the transfer of a MSG production line from Xiamen Mao Tai to the JV Company. However, the JV Company's actual production volume of MSG in 2008 was not increased in line with the increase in its production capacity. The management of the Company has confirmed to us that, although the surge in raw materials and energy costs as well as the high inflation rate pushed up the Group's production cost in 2008, the price of the Group's MSG products was unable to fully reflect the risen production cost as a result of the intense competition arisen from the MSG market consolidation during the year 2008. The management of the Company therefore decided to operate only one of the two MSG production lines of the JV Company in 2008 to minimise such impact on the profit margin.

On 8 October 2008, Vietnam Vedan received a decision from the Vietnam Environmental Protection Administration in Vietnam (the "Inspection Unit") in respect of certain environmental issues concerning the discharge of wastewater in Dong Nai Province, Vietnam. According to the decision from the Inspection Unit, Vietnam Vedan is required to, among other things, improve the existing environmental protection system and install and remove certain sewage treatment equipment. Since then, the production of MSG of Vietnam Vedan has been reduced and the management of the Company expected that such condition will continue until the production and sewage system of Vietnam Vedan are fully complied with the environmental laws in Vietnam. As a result of the above, the management of the Company expects that it is necessary for the Group to shift part of the production from Vietnam Vedan to the JV Company in the coming years.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In view of the above, the management of the Company plans to operate both of the two MSG production lines of the JV Company in the three financial years ending 31 December 2011. We have reviewed the production plan of the JV Company for the three financial years ending 31 December 2011 provided by the Company and its underlying assumptions. The MSG production volume of the JV Company is expected to increase from approximately 16,600 tonnes (representing approximately 33% of its total production capacity) in 2008 to approximately 25,200 tonnes, 30,000 tonnes and 32,400 tonnes (representing approximately 50%, 60% and 65% of its total production capacity) in the three financial years ending 31 December 2011 respectively.

As a result, we consider that there is a pre-defined basis in arriving at the quantity of Raw Materials to be purchased for the three years ending 31 December 2011 for the purpose of determining the proposed annual caps.

(ii) Price

Pursuant to the Raw Materials Purchase Agreement and as further advised by the Company, the price of each of the Raw Materials payable by the JV Company to Xue Hua for the three financial years ending 31 December 2011 shall be determined as below:

| Raw materials | Purchase price |
|----------------------|---|
| (a) GA | the average selling price (ex-factory price, exclusive of tax) of the comparable products charged by Xu Hua to its three largest customers (in terms of sales amount) (<i>Note 1</i>), to be deducted by packaging cost and transportation cost |
| (b) steam | the relevant assigned price level of steam (<i>Note 2</i>) to be adjusted proportionately if triggered by a 10% movement of the market coal price from the then market level prevailing around the date of the Joint Venture Contract |
| (c) electricity | the relevant assigned price level of electricity (<i>Note 3</i>) to be adjusted proportionately if triggered by a 10% movement of the market coal price from the then market level prevailing around the date of the Joint Venture Contract |
| (d) starch | the relevant market price (<i>Note 4</i>) to be deducted by a fixed sum of (i) drying cost per tonne and (ii) packaging cost per tonne |
| (e) sulfuric acid | the relevant market price (<i>Note 4</i>) to be deducted by a fixed sum of transportation cost per tonne |

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. If the aggregate sales amount of the three largest customers of Xue Hua constitute 60% or less of the aggregate sales volume of Xue Hua for the relevant period, the selling price charged to the fourth and (if applicable) the subsequent largest customer(s) of Xue Hua shall be included in the calculation of the average selling price to take the aggregate sales volumes of such largest customers to just above 60% of the sales amount of Xue Hua.
2. Not less favourable than the market price level available from independent third parties prevailing around the date of the Raw Materials Purchase Agreement.
3. Not less favourable than the market price level available from independent third parties prevailing around the date of the Raw Materials Purchase Agreement.
4. The relevant market price refers to the lowest ex-factory price of comparable products of Xue Hua to be deducted by the corresponding packaging cost.

On the above basis, and given that the purchase price to be adopted is typically the average selling price charged by Xue Hua to its three (or more, as the case may be) largest customers, the relevant market price or no less favourable than the market price available from independent third parties (to be deducted by a fixed sum of transportation cost, packaging cost or drying cost (where applicable), or to be adjusted in line with the market coal price), we consider that there is a pre-defined and justifiable basis in arriving at the price of Raw Materials to be purchased for the three financial years ending 31 December 2011 for the purpose of determining the annual cap.

(iii) Maximum cap

Having regard to

- (a) the pre-defined basis of determining the maximum quantity of Raw Materials to be purchased with reference to (a) the actual production volume of Xue Hua in November 2008, (b) the anticipated increasing utilisation rate of the production capacity of the JV Company in the three years ending 31 December 2011, and (c) the estimated amount of Raw Materials which may be required by the JV Company for producing GA and MSG in the three financial years ending 31 December 2011;
- (b) the pre-defined basis in arriving at the price of Raw Materials to be purchased for the three financial years ending 31 December 2011 (which represents typically the average selling price charged by Xue Hua to its three (or more, as the case may be) largest customers, the relevant market price or a level no less favourable than the market price available from independent third parties (to be deducted by a fixed sum of transportation cost, packaging cost or drying cost (where applicable), or to be adjusted in line with the market coal price);
- (c) the fact that both the maximum quantity and the price level of Raw Materials to be purchased for the three financial years ending 31 December 2011 has been explicitly agreed and governed under the Raw Materials Purchase Agreement; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (d) the fact that the purchases under the Raw Materials Purchase Agreement are subject to certain conditions as set out in the following paragraph headed “The conditions” which is regarded as a mechanism to protect the interest of the Independent Shareholders,

we consider that the maximum proposed annual cap of RMB200,000,000 (equivalent to approximately HK\$226,000,000) per annum is fair and reasonable for the purpose of accommodating the purchases under the Raw Materials Purchase Agreement.

- (iv) The conditions

As the annual cap for the Transactions represents more than 2.5% of each of the applicable percentage ratios (as defined in the Listing Rules) of the Company and the annual consideration exceeds HK\$10,000,000, the Raw Materials Purchase Agreement and the Transactions are subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Subject to Rule 14A.43 of the Listing Rules, the Company will therefore seek the approval by the Independent Shareholders of the Raw Materials Purchase Agreement and the Transactions (including the annual cap) for the three financial years ending 31 December 2011 subject to the following conditions:

1. The Transactions contemplated under the Raw Materials Purchase Agreement will be:
 - (a) entered into in the ordinary and usual course of the business of the Group;
 - (b) conducted on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available from independent third parties; and
 - (c) entered into in accordance with the terms of the Raw Materials Purchase Agreement that are fair and reasonable and in the interests of the Shareholders as a whole;
2. The aggregate amount of the purchase under the Raw Materials Purchase Agreement for each of the three financial years ending 31 December 2011 shall not exceed RMB200,000,000 (equivalent to approximately HK\$226,000,000); and
3. The Company will comply with all other relevant requirements under the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

After our discussion with the management of the Company and taking into account of the conditions attached to the Transactions, in particular (i) the restriction by way of setting the annual cap; and (ii) the compliance with all relevant requirements under the Listing Rules (which include the annual review and/or confirmation by the independent non-executive Directors and the auditors of the Company on the actual execution of the Transactions pursuant to Rule 14A.37 and 14A.38 of the Listing Rules), we consider that the Company has taken appropriate measures to govern the Group in carrying out the Transactions, thereby safeguarding the interests of the Shareholders thereunder.

Based on the terms of the Raw Materials Purchase Agreement and the above analysis, we consider that the Transactions are on normal commercial terms, in the ordinary and usual course of the Group's business, fair and reasonable and in the interests of the Company and the Shareholders as a whole (taking into account that they are conditional upon being carried out as such Rule 14A.37 of the Listing Rules). Pursuant to the terms of the Raw Materials Purchase Agreement, we note that the Transactions are subject to periodic review, renewal, amendment or supplement to meet the requirements of the Listing Rules and other rules and regulations from time to time.

CONCLUSION

Having considered the above principal factors and reasons, we are of the view that the Raw Materials Purchase Agreement and the Transactions are on normal commercial terms and are in ordinary and usual course of business of the Group. Moreover, we are of the view that the terms, including the purposed annual cap of the Raw Materials Purchase Agreement and the Transactions are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Since no Shareholder is required to abstain from voting at the general meeting for the approval of the Raw Materials Purchase Agreement and the Transactions, the Company has obtained a written approval dated 13 December 2008 from Billion Power, King International, Concord Worldwide and High Capital, a closely allied group of Shareholders who together hold 884,563,097 shares of the Company (representing approximately 58.09% of the Company's issued shares) as at the Latest Practicable Date, having the right to attend and vote at the Company's general meeting to approve the Raw Materials Purchase Agreement and the Transactions. The Company has applied to the Stock Exchange for acceptance of such written approval in lieu of holding a general meeting of the Company pursuant to Rule 14A.43 of the Listing Rules and the Stock Exchange has granted its approval to the Company. Consequently, no general meeting of the Company will be convened for the approval of the Raw Materials Purchase Agreement and the Transactions.

Yours faithfully,

For and on behalf of

Celestial Capital Limited

Benson Chan
Managing Director

Daphne Ng
Deputy Managing Director

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which 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 they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange, were as follows:

Long position in shares of the Company

| Name of Director | Number of Shares in which interested | Percentage holdings |
|-------------------------|---|----------------------------|
| Mr. Yang, Tou-Hsiung | 169,730,196 (Note 1) | 11.15% |
| Mr. Wang, Joel J. | 750,000 | 0.05% |
| Mr. Huang, Ching-Jung | 200,000 | 0.01% |
| Mr. Chao, Pei-Hong | 500,000 | 0.03% |

Notes:

- Mr. Yang, Tou-Hsiung's interest in Shares are held in the following capacities:

| Capacity | Number of Shares |
|---------------------------------------|-------------------------|
| Interest of company controlled by him | 169,730,196* |

- * Mr. Yang, Tou-Hsiung is entitled to exercise or control the exercise of more than one-third of the voting power of King International and King International is the holder of such 169,730,196 Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which 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 they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Save as disclosed in the announcements of the Company dated 25 September 2008 and 9 October 2008, as at the Latest Practicable Date, none of the Directors:

- (a) had any direct or indirect interests in any assets which have since 31 December 2007 (being the date to which the latest published audited accounts of the Group were made up) been acquired or disposed of by or leased to any members of the Group, or are proposed to be acquired or disposed of by or leased to any members of the Group; and
- (b) was materially interested in any contracts or arrangements entered into by any members of the Group subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.
- (c) are aware of any material adverse change in the financial or trading position or prospect of the Group since 31 December 2007, the date to which the latest published audited financial statements of the Group were made up.

SUBSTANTIAL SHAREHOLDERS

Given below are the names of all parties (other than members of the Group or the Directors or the chief executives of the Company) which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group, the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at the Latest Practicable Date as recorded in the register kept by the Company under section 336 of the SFO and the percentages which the shares represented to the issued share capital of the Company:

| Name | Number of Shares interested or deemed to be interested (long position) | Percentage holdings |
|--------------------------------------|---|---------------------|
| Billion Power (<i>Note 5</i>) | 460,237,609 (<i>Note 1</i>) | 30.22% |
| Taiwan Vedan (<i>Note 5</i>) | 460,237,609 (<i>Note 1</i>) | 30.22% |
| King International (<i>Note 5</i>) | 169,730,196 (<i>Note 2</i>) | 11.15% |
| Concord Worldwide (<i>Note 5</i>) | 127,297,646 (<i>Note 3</i>) | 8.36% |
| High Capital (<i>Note 5</i>) | 127,297,646 (<i>Note 4</i>) | 8.36% |

Notes:

1. Taiwan Vedan is entitled to exercise or control the exercise of more than one-third of the voting power of Billion Power and is therefore taken to be interested in these 460,237,609 Shares held by Billion Power.
2. The capacity of King International in holding the 169,730,196 Shares was as beneficial owner.
3. The capacity of Concord Worldwide in holding the 127,297,646 Shares was as beneficial owner.
4. The capacity of High Capital in holding the 127,297,646 Shares was as beneficial owner.
5. The following table shows the posts of the Directors or proposed Directors held in the above companies respectively as at the Latest Practicable Date:

| Name of Director | Posts |
|--|---------------------------------|
| Messrs. Yang, Tou-Hsiang, Yang, Cheng and Yang Kun-Hsiang | Directors of Billion Power |
| Messrs. Yang, Tou-Hsiung, Yang, Cheng, Yang, Kun-Hsiang and Yang, Chen-Wen | Directors of Taiwan Vedan |
| Messrs. Yang, Tou-Hsiang and Yang, Cheng | Directors of King International |
| Mr. Yang, Kun-Hsiang | Director of Concord Worldwide |
| Mr. Yang, Chen-Wen | Director of High Capital |

Save as disclosed above, so far as is known to the Directors or chief executives of the Company, no other person (not being a Director or chief executive of the Company) who had any interests or short positions in shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange, under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital.

SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group which does not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, four Directors of the Company, namely, Messrs. Yang, Tou-Hsiung, Yang, Cheng, Yang, Kun-Hsiang and Yang, Chen-Wen, were also directors of the Group's controlling shareholder, Taiwan Vedan. In addition, Messrs. Yang, Tou-Hsiung, Yang, Cheng, Yang, Kun-Hsiang and Yang, Chen-Wen indirectly held approximately 19.77 per cent., 9.89 per cent., 6.18 per cent., and 8.24 per cent. interest in Taiwan Vedan respectively and they were 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, inter alia, 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 the Group's Product Portfolio.

Since Messrs. Yang, Tou-Hsiung and Yang, Cheng are both responsible only for the overall strategic planning and the business development of the Taiwan Vedan Group and the Group and the daily operations of the Group are managed by Messrs. Yang, Kun-Hsiang, Yang, Chen-Wan and Wang, Joel J. with an independent management team, the Directors are 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, inter alia, that the Group's business operations in respect of the Group's Product Portfolio is and continues to be run on the basis that it is independent of, and at arm's length from, that of Taiwan Vedan.

QUALIFICATIONS OF THE EXPERT

The following are the qualifications of the expert who has been named in this circular or has given opinions or advice which are contained in this circular:

| Name | Qualification |
|---------------------------|--|
| 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 |

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of the circular with the inclusion herein of its letter or references to its name in the form and context in which they appear.

The Independent Financial Adviser does 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.

The Independent Financial Adviser did not have any direct or indirect interests in any assets which have since 31 December 2007 (being the date to which the latest published audited accounts of the Group were made up) been acquired or disposed of by or leased to any members of the Group, or are proposed to be acquired or disposed of by or leased to any members of the Group.

SECRETARY AND QUALIFIED ACCOUNTANT OF THE COMPANY

The secretary and qualified accountant of the Company is Lo Chi Man, FCCA, FHKSA and CPA.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business in Hong Kong of the Company at Suite 3706, 37th Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong up to and including 6 February 2009.

- the Original Technology Support Agreement and the Technology Support Agreement;
- the Original Taiwan Sales Agreement and the Taiwan Sales Agreement;
- the Original Agency Agreement and the Agency Agreement; and
- the Original Raw Materials Purchase Agreement and the Raw Materials Purchase Agreement.

MISCELLANEOUS

- The head office and transfer office of the Company is at Suite 3706, 37th Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong.
- The English text of this circular prevails over the Chinese text.