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Vietnam Manufacturing and Export Processing (Holdings) Limited

越南製造加工出口(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 422)

**FURTHER REVISION OF ANNUAL CAP FOR
CONTINUING CONNECTED TRANSACTIONS**

FURTHER REVISION OF ANNUAL CAP

Reference is made to the Announcement in relation to, among other things, the Master Purchase Agreement entered into between the Group and the Sanyang Group.

The Board expects that the Revised Annual Cap will not be sufficient for the Group's expected production and sales volume of motorbikes for the year ending 31 December 2021. The Board therefore proposes to revise the Revised Annual Cap to the Further Revised Annual Cap for the year ending 31 December 2021, being US\$43,500,000, for the Master Purchase Agreement in relation to the amounts payable by the Group for its purchase of motorbike parts supplied by members of the Sanyang Group.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Sanyang, through its wholly-owned subsidiary, SYI, held approximately 67.07% of the issued share capital of the Company and thus, is an indirect controlling Shareholder. As Sanyang is an indirect controlling Shareholder and thus a connected person of the Company by virtue of Rule 14A.07(1) of the Listing Rules, members of the Sanyang Group are also connected persons of the Company. Accordingly, the Master Purchase Agreement Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54 of the Listing Rules, the Company should re-comply with the applicable requirements under Chapter 14A of the Listing Rules when the proposed annual cap is exceeded. As one or more of the applicable percentage ratios in respect of the Further Revised Annual Cap exceeds 5%, the Master Purchase Agreement is subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

EGM

An EGM will be convened by the Company with a view to, among others, seek the approval of the Further Revised Annual Cap from the Independent Shareholders in accordance with the requirements of the Listing Rules. As Sanyang, either itself or its associates, being the counterparty to the Master Purchase Agreement, is materially interested in those transactions, Sanyang and its associates will abstain from voting in the resolutions to be proposed at the EGM for approving the above matter.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee has been established to consider whether the Further Revised Annual Cap is fair and reasonable, and to advise the Independent Shareholders on how to vote in respect of relevant resolutions.

APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

Altus Capital Limited has been appointed by the Company as its Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the Further Revised Annual Cap is fair and reasonable and as to voting at the EGM so far as the Independent Shareholders are concerned.

CIRCULAR

A circular containing, among other things, further details of the Master Purchase Agreement and the Further Revised Annual Cap, a letter from the Independent Board Committee to the independent Shareholders in respect of the Further Revised Annual Cap, a letter from the Independent Financial Adviser to the Independent Board Committee and the independent Shareholders in respect of the Further Revised Annual Cap, and a notice convening the EGM, is expected to be dispatched to the Shareholders on or before 30 September 2021 as additional time is required to prepare and finalise the information for inclusion in the circular.

BACKGROUND

Reference is made to the Announcement in relation to, among other things, the Master Purchase Agreement entered into between the Group and the Sanyang Group.

The Board expects that the Revised Annual Cap will not be sufficient for the Group’s expected production and sales volume of motorbikes for the year ending 31 December 2021. The Board therefore proposes to revise the Revised Annual Cap to the Further Revised Annual Cap for the year ending 31 December 2021, being US\$43,500,000, for the Master Purchase Agreement in relation to the amounts payable by the Group for its purchase of motorbike parts supplied by members of the Sanyang Group.

Master Purchase Agreement

- Date: 12 November 2018
- Parties: (a) the Company (on behalf of other members of the Group) as the purchaser; and
(b) Sanyang (for itself and on behalf of other members of the Sanyang Group) as the seller
- Term: 1 January 2019 to 31 December 2021

Major terms and pricing terms of the Master Purchase Agreement

Under the Master Purchase Agreement, the Group engages the Sanyang Group to supply motorbike parts, which are either manufactured by the Sanyang Group or sourced by it from Independent Third Parties, for the Group’s production of motorbikes. The pricing at which motorbike parts are to be purchased by the Group from the Sanyang Group under such agreement is at a cost plus basis, which will be determined at the manufacturing cost or purchase cost (as the case may be) of such products plus a margin of 10% (if Vietnam import duty for such product is 20% or more) or of 15% (if Vietnam import duty for such product is less than 20%). Such manufacturing cost or purchase cost (as the case may be) will be determined on an annual basis subject to adjustments in any annual period with respect to fluctuations in foreign exchange rates and modifications to model of motorbikes for which the motorbike parts to be purchased by the Group from Sanyang pursuant to the Master Purchase Agreement is used.

Individual purchase orders will be entered into between the relevant members of the Group and the Sanyang Group from time to time in respect of the specific types of motorbike parts to be purchased, price, delivery arrangements and any other terms which may be relevant to the supply of the parts to the Group. The Group shall settle the purchase costs under the Master Purchase Agreement in cash within 30 to 60 days (as the case may be) after the date of the invoice unless the relevant parties determined otherwise in the individual purchase orders.

Reasons and benefits for the Master Purchase Agreement

The Board believes it is in the Company's best interests to purchase certain motorbike parts from the Sanyang Group because, by centralising and aggregating the Sanyang Group's sourcing of such parts with those of the Group's, the Sanyang Group is in a position to negotiate better purchase price and terms with the suppliers and enjoy benefits of bulk purchase, which also benefits the Group as the Sanyang Group will be able to supply the parts to the Group at lower costs.

Besides, given the Sanyang Group already possesses existing production platforms, know-how and technologies for the production of motorbike parts for advanced-level and high-quality motorbikes and that it has been a long-term business partner of the Group and a reliable supplier of quality motorbike parts, the Board considers it more efficient in terms of costs and time to source relevant motorbike parts from the Sanyang Group to capture the anticipated market demand in the Exclusive Territory and Greece for advanced-level and high-quality motorbikes, and also for the launch in July 2021 of an upgraded version of the DRONE model scooter in Thailand a high quality model developed jointly with GPX, a leading local motorbike manufacturer in Thailand, which has been well received by the mid-to-high-end market in Thailand since its launch in November 2020, in response to its popularity.

Historical transaction amounts of the Master Purchase Agreement Transactions

The table below sets out the historical transaction amounts of the Master Purchase Agreement Transactions for the three years ended 31 December 2018 and 2019 and 2020, and the six months ending 30 June 2021:

Historical transaction amounts between the Group and the Sanyang Group (for the following financial years/ period ended):	(in US\$'000)
31 December 2018 (audited)	13,284
31 December 2019 (audited)	10,827
31 December 2020 (audited)	14,883
30 June 2021(unaudited)	20,832

The actual transaction amounts of the Master Purchase Agreement Transactions for the three years ended 31 December 2018 and 2019 and 2020 had not exceeded the respective annual caps of the relevant years. The actual transaction amount of the Master Purchase Agreement Transactions for the first six months of 2021 and up to the date of this announcement had not exceeded the Revised Annual Cap for the year ending 31 December 2021.

Despite the negative economic impact brought about by the outbreak of the COVID-19 pandemic, which adversely affected the sales of the Group's motorbikes and hence the utilisation rates under the Master Purchase Agreement, the Group still achieved an utilisation rate of approximately 63.92% of the Revised Annual Cap for the year ending 31 December 2021 based on the transaction amount of the Master Purchase Agreement Transactions up to 30 June 2021.

Proposed revision of the Revised Annual Cap of the Master Purchase Agreement and the basis of determination

In light of (i) a significant increase in the sales of motorbikes for the first six months for the year ending 31 December 2021 as compared to that for the corresponding period in the year ended 31 December 2020 which was primarily attributable to the Group's launch of high-quality and advanced-level motorbikes in the year ended 31 December 2020 (for example, the JET X model scooters which target young urban commuters in Malaysia, the DRONE model scooters developed jointly with GPX, and the VF3i 185 model and VF125 model motorbikes under the VF-series which are characterised by their engine performances and endurance and target the mid-to-high-end market in Greece), as a result of which approximately 63.92% of the Revised Annual Cap for the year ending 31 December 2021 has already been utilised as at 30 June 2021, and (ii) the expected launch of an upgraded version of the DRONE model scooters in the second half of the year ending 31 December 2021 in Thailand which encompasses an upgrade of the engine to bring about an improved riding experience and a more delicate design and outlook, the Company expects that the annual amounts payable by the Group under the Master Purchase Agreement for the year ending 31 December 2021 will exceed the Revised Annual Cap based on projections on

the volume of motorbikes to be produced for the second half of the year ending 31 December 2021 and the types and value of motorbike parts to be purchased, which are more advanced and higher in quality and costs, especially for the production of the upgraded version of the DRONE model scooters.

The Board therefore proposes to revise the Revised Annual Cap in respect of the Master Purchase Agreement as follows to reflect the expected increase of such purchase amounts:

	Revised Annual Cap (for the following financial year ending)	Further Revised Annual Cap (for the following financial year ending)
	(in US\$'000)	(in US\$'000)
31 December 2021	32,590	\$43,500

In addition to the basis for determination of the Revised Annual Cap as disclosed in the Announcement, the Further Revised Annual Cap has been determined by the Board based on the historical transaction amounts of the Master Purchase Agreement Transactions and expected production of the relevant motorbikes for the year ending 31 December 2021, taking into account the following factors:

- (i) the Revised Annual Cap for the year ending 31 December 2021;
- (ii) historical transaction amounts and the utilisation rate of the Revised Annual Cap pursuant to the Master Purchase Agreement Transactions;
- (iii) the projected and/or targeted sales volume of the upgraded version of the DRONE model scooters in Thailand for the second half of the year ending 31 December 2021 with the projected procurement costs (including, among others, the purchase of motorbike parts) being approximately US\$14.25 million for the relevant period;
- (iv) general increase in price of motorbike parts in light of the COVID-19 pandemic; and
- (v) the projected and/or targeted demand for the JET X model scooters, and the VF3i 185 model and VF125 model motorbikes for the second half of the year ending 31 December 2021, with the projected procurement costs (including, among others, the purchase of motorbike parts) being approximately US\$4.63 million for the relevant period.

Save for the revision to the Revised Annual Cap for the year ending 31 December 2021, other terms of the Master Purchase Agreement, including but not limited to the internal control measures, remain unchanged.

VIEWS OF THE BOARD

As at the date of this announcement, each of Ms. Wu Li Chu, Mr. Chiang Chin Yung, Mr. Liu Wu Hsiung and Mr. Cheng Hsu Chi (all being Directors) has a 2.123%, 0.010%, 0.014% and 0.000002% shareholding in Sanyang respectively. Ms. Wu Li Chu is the deputy vice chairperson of Sanyang and she serves as the directors of various subsidiaries of Sanyang. Mr. Chen Hsu Pin is the vice president of the president office of Sanyang and a director of various subsidiaries of Sanyang. Therefore, pursuant to the articles of association of the Company and the Listing Rules, Ms. Wu Li Chu, Mr. Chiang Chin Yung, Mr. Liu Wu Hsiung, Mr. Cheng Hsu Chi and Mr. Chen Hsu Pin had abstained from voting in the Board meeting to approve the Further Revised Annual Cap due to the aforesaid overlapping of roles and/or shareholding interests in the Sanyang.

The Directors (excluding the independent non-executive Directors who will express their view after receiving full advice from the Independent Financial Adviser) consider that the Master Purchase Agreement has been and will continue to be carried out in the ordinary and usual course of business of the Group and are on normal commercial terms, and that the terms of such transactions and the Further Revised Annual Cap is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE GROUP AND SANYANG GROUP

The Group is one of the leading manufacturers of scooters and cub motorbikes in Vietnam which is principally engaged in the production of scooters and cub motorbikes, engines and related parts.

Sanyang, together with its subsidiaries, is principally engaged in the manufacturing of (i) motorbikes and related parts and (ii) motor cars, trucks and related parts. As at the date of this announcement, Sanyang, through its wholly-owned subsidiary, SYI, held 608,818,000 shares of the Company (approximately 67.07% of the issued share capital of the Company).

LISTING RULES IMPLICATIONS

As at the date of this announcement, Sanyang, through its wholly-owned subsidiary, SYI, held approximately 67.07% of the issued share capital of the Company and thus, is an indirect controlling Shareholder. As Sanyang is an indirect controlling Shareholder and thus a connected person of the Company by virtue of Rule 14A.07(1) of the Listing Rules, members of the Sanyang Group are also connected persons of the Company. Accordingly, the Master Purchase Agreement Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54 of the Listing Rules, the Company should re-comply with the applicable requirements under Chapter 14A of the Listing Rules when the proposed annual cap is exceeded. As one or more of the applicable percentage ratios in respect of the Further Revised Annual Cap exceeds 5%, the Master Purchase Agreement is subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

EGM

An EGM will be convened by the Company with a view to seek the approval of the Further Revised Annual Cap from the independent Shareholders of the Company in accordance with the requirements of the Listing Rules. As Sanyang, either itself or its associates, being the counterparty to the Master Purchase Agreement, is materially interested in those transactions, Sanyang and its associates will abstain from voting in the resolutions to be proposed at the EGM for approving the above matters.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee has been established to consider whether the Further Revised Annual Cap is fair and reasonable, and to advise the Independent Shareholders on how to vote in respect of relevant resolutions.

APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

Altus Capital Limited has been appointed by the Company as its Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the Further Revised Annual Cap is fair and reasonable and as to voting at the EGM so far as the Independent Shareholders are concerned.

CIRCULAR

A circular containing, among other things, further details of the Master Purchase Agreement and the Further Revised Annual Cap, a letter from the Independent Board Committee to the Independent Shareholders in respect of the Further Revised Annual Cap, a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Further Revised Annual Cap, and a notice convening the EGM, is expected to be dispatched to the Shareholders on or before 30 September 2021 as additional time is required to prepare and finalise the information for inclusion in the circular.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions having the following meanings:

“Announcement”	the announcement of the Company dated 27 March 2020 in relation to, among others, the Master Purchase Agreement
“Board”	the board of Directors the Company
“Company”	Vietnam Manufacturing and Export Processing (Holdings) Limited (越南製造加工出口(控股)有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting to be held by the Company to consider, and if thought fit, to approve the Further Revised Annual Cap
“Exclusive Territory”	all of the member countries of the Association of South East Asian Nations, including Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam
“Further Revised Annual Cap”	the further revised annual cap proposed by the Board for the year ending 31 December 2021 for the Master Purchase Agreement in the amount of US\$43,500,000
“GPX”	GP Motor (Thailand) Co., LTD, an Independent Third Party
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board which comprises all independent non-executive Directors and was established to advise the Independent Shareholders on, among others, the Further Revised Annual Cap
“Independent Financial Adviser”	Altus Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders as to, among others, the Further Revised Annual Cap
“Independent Shareholders”	Shareholders who are not required to abstain from voting on the resolutions to be proposed at the extraordinary general meeting under the articles of association of the Company and the Listing Rules
“Independent Third Party(ies)”	Independent third party(ies) not connected with the Company or its connected persons (as defined in the Listing Rules)
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange

“Master Purchase Agreement”	the agreement dated 12 November 2018 entered into between the Company as the purchaser and Sanyang as the seller in relation to purchases of motorbike parts by the Group from the Sanyang Group
“Master Purchase Agreement Transactions”	the transactions under the Master Purchase Agreement
“PRC”	the People’s Republic of China and for the purpose of this announcement, excludes Taiwan, the Macau Special Administrative Region of the PRC and Hong Kong
“Revised Annual Cap”	the revised annual cap for the year ending 31 December 2021 for the Master Purchase Agreement in the amount of US\$32,590,000
“Sanyang”	Sanyang Motor Co., Limited (三陽工業股份有限公司), a company incorporated in Taiwan and listed on the Taiwan Stock Exchange, which is the ultimate controlling Shareholder of the Company
“Sanyang Group”	Sanyang, its subsidiaries and associates from time to time (excluding the Group)
“Shareholder(s)”	holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SYI”	SY International Ltd., a company incorporated in Samoa with limited liability and a direct controlling shareholder of the Company
“US\$”	United States Dollars, being the lawful currency of the United States
“%”	per cent

In this announcement, unless the context requires otherwise, the terms “associate(s)”, “connected person(s)”, “connected transaction(s)”, “controlling shareholder(s)”, “percentage ratio(s)” and subsidiary(ies)”, shall have the meaning given to such terms in the Listing Rules.

By order of the Board of
**Vietnam Manufacturing and Export
Processing (Holdings) Limited**
Liu Wu Hsiung
Chairman

Hong Kong, 11 August 2021

As at the date of this announcement, the Board comprised four executive Directors, namely Mr. Liu Wu Hsiung, Mr. Cheng Hsu Chi, Mr. Lin Chun Yu and Mr. Chiang Chin Yung, two non-executive Directors, namely Mr. Chen Hsu Pin and Ms. Wu Li Chu and three independent non-executive Directors, namely Ms. Lin Ching Ching, Ms. Wu Kwei Mei and Mr. Cheung On Kit Andrew.