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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)

CONNECTED TRANSACTION

THE ACQUISITIONS

On 7 August 2008, the Company, Chin Zong, Sanyang, Chinda and PT Sanyang entered into the Share Purchase Agreement, pursuant to which the Company and Chin Zong have conditionally agreed to purchase the Sanyang Sale Shares and Chinda Sale Shares, respectively, for a consideration of US\$1,188,000 (equivalent to approximately HK\$9,266,400) and US\$12,000 (equivalent to approximately HK\$93,600), respectively. Completion is conditional upon the fulfillment of the Conditions. As at the date of this announcement, Sanyang and Chinda own 99% and 1% of the total issued shares in the capital of PT Sanyang, respectively. Upon Completion, the aggregate consideration payable under the Share Purchase Agreement will be satisfied in cash out of the internal resources of the Group.

Pursuant to the Share Purchase Agreement, the Company has also agreed to grant the Shareholder's Loan to PT Sanyang within three Business Days following the execution of the Share Purchase Agreement. If the Share Purchase Agreement is terminated in accordance with its terms, whether as a result of the Conditions not being fulfilled (or waived) or otherwise, PT Sanyang will be obliged to repay the Shareholder's Loan to the Company without interest within three Business Days of the date on which the Share Purchase Agreement is terminated.

GENERAL

Sanyang, through its wholly-owned subsidiary, SYI, holds approximately 69.4% of the issued share capital of the Company and hence, is an indirect substantial shareholder of the Company and a connected person of the Company. Chinda is a subsidiary of Sanyang and hence, is an associate of Sanyang and also a connected person of the Company. Since Sanyang and Chinda are both connected persons of the Company within the meaning of the Listing Rules, the Share Purchase Agreement constitutes a connected transaction of the Company.

Prior to the Completion, PT Sanyang is a subsidiary of Sanyang and hence, is an associate of

Sanyang and also a connected person of the Company. The Shareholder's Loan, therefore, constitutes a connected transaction of the Company.

Based on the 'five-tests' calculation set out in Rule 14.07 of the Listing Rules, each of the relevant percentage ratios (other than the profits ratio, which is not applicable) in respect of both of the Share Purchase Agreement and the Shareholder's Loan in aggregate is less than 2.5%. The Share Purchase Agreement and the Shareholder's Loan are, therefore, subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules but are exempt from the independent shareholders' approval requirements under the Listing Rules.

THE SHARE PURCHASE AGREEMENT

Date

7 August 2008

Parties

- (1) The Company
- (2) Chin Zong
- (3) Sanyang
- (4) Chinda
- (5) PT Sanyang

Assets to be acquired

The Sale Shares.

Consideration

Pursuant to the Share Purchase Agreement, the Company and Chin Zong have conditionally agreed to purchase the Sanyang Sale Shares and Chinda Sale Shares, respectively, for a consideration of US\$1,188,000 (equivalent to approximately HK\$9,266,400) and US\$12,000 (equivalent to approximately HK\$93,600), respectively. The respective considerations for the Acquisitions were determined after arms-length negotiations with reference to (i) the size and scale of operations of PT Sanyang in terms of the production volume of motorbikes assembled by PT Sanyang and (ii) the net assets value of PT Sanyang as at 30 June 2008 which amounted to approximately Rp11,222,992,579 (equivalent to approximately HK\$9,637,606) according to the unaudited financial statements of PT Sanyang as at 30 June 2008. Upon Completion, the aggregate consideration payable under the Share Purchase Agreement will be satisfied in cash out of the internal resources of the Group.

When PT Sanyang was incorporated, each of Sanyang and Ching Tai subscribed for 99% and 1% of the issued shares in the capital of PT Sanyang, respectively, at a consideration of US\$3,960,000 (equivalent to approximately HK\$30,888,000) and US\$40,000 (equivalent to approximately HK\$312,000), respectively. Each of Sanyang and Ching Tai subsequently subscribed for further

shares in the capital of PT Sanyang at a consideration of US\$1,188,000 (equivalent to approximately HK\$9,266,400) and US\$12,000 (equivalent to approximately HK\$93,600), respectively. On 8 November 2007, Ching Tai merged with Chinda and through this merger, Chinda acquired all of the issued shares in the capital of PT Sanyang previously held by Ching Tai. Chinda became the registered owner of such issued shares in accordance with the relevant laws of Indonesia on 25 July 2008.

Conditions precedent

Completion is conditional upon all of the following conditions precedent being received, fulfilled, obtained or waived:

- (a) Sanyang having obtained its corporate approval for the sale of the Sanyang Sale Shares by Sanyang to the Company pursuant to the Share Purchase Agreement;
- (b) Chinda having obtained its corporate approval for the sale of the Chinda Sale Shares by Chinda to Chin Zong pursuant to the Share Purchase Agreement;
- (c) Sanyang having obtained approval from its creditors approving the sale of the Sanyang Sale Shares by Sanyang to the Company pursuant to the Share Purchase Agreement;
- (d) Chinda having obtained approval from its creditors approving the sale of the Chinda Sale Shares by Chinda to Chin Zong pursuant to the Share Purchase Agreement;
- (e) PT Sanyang having obtained approval from its creditors approving the sale of the Sanyang Sale Shares by Sanyang to the Company and the sale of the Chinda Sale Shares by Chinda to Chin Zong pursuant to the Share Purchase Agreement;
- (f) PT Sanyang having obtained the approval from the relevant government authority in Indonesia for the sale of the Sanyang Sale Shares by Sanyang to the Company and the sale of the Chinda Sale Shares by Chinda to Chin Zong pursuant to the Share Purchase Agreement, as required under the prevailing laws and regulations in Indonesia;
- (g) there being no complaint from any third party on the sale of the Sanyang Sale Shares by Sanyang to the Company and the sale of the Chinda Sale Shares by Chinda to Chin Zong pursuant to the Share Purchase Agreement, that may arise after the announcement of this transaction in the newspapers in Indonesia or (as the case may be) on any website;
- (h) all procedures to effectuate the sale of the Sanyang Sale Shares by Sanyang to the Company and the sale of the Chinda Sale Shares by Chinda to Chin Zong pursuant to the Share Purchase Agreement as are required to be carried out and completed under the prevailing laws and regulations in Indonesia having been carried out and completed by Sanyang, Chinda and PT Sanyang; and
- (i) the representations, warranties, undertakings and covenants under the Share Purchase Agreement not having been breached by Sanyang and Chinda.

The Shareholder's Loan

Pursuant to the Share Purchase Agreement, the Company has also agreed to grant the Shareholder's Loan to PT Sanyang within three Business Days following the execution of the Share Purchase Agreement. If the Share Purchase Agreement is terminated in accordance with its terms, whether as a result of the Conditions not being fulfilled (or waived) or otherwise, PT Sanyang will be obliged to repay the Shareholder's Loan to the Company without interest within three Business Days of the date on which the Share Purchase Agreement is terminated.

Completion

Completion shall take place on the third Business Day following the date on which the last of the Conditions are completed, satisfied or waived by either of the parties to the Share Purchase Agreement.

Upon Completion, PT Sanyang will become a subsidiary of the Company and its results will be consolidated into the financial statements of the Group.

INFORMATION OF THE COMPANY, CHIN ZONG, SANYANG AND CHINDA

The Company

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

Chin Zong

Chin Zong is principally engaged in matters relating to international trade and the wholesale and sale of spare parts of motor cars and motorbikes.

Sanyang

Sanyang is principally engaged in the manufacture of (i) motorbikes and related parts and (ii) motor cars, trucks and related parts. Sanyang, through its wholly-owned subsidiary, SYI, holds approximately 69.4% of the issued share capital of the Company and thus, is an indirect substantial shareholder of the Company and hence, a connected person of the Company.

Chinda

Chinda is principally engaged in investment activities in relation to securities companies, bank and insurance companies, trading companies and companies engaged in the business of manufacturing. Chinda is a subsidiary of Sanyang and thus, is an associate of Sanyang and hence, is a connected person of the Company.

PT Sanyang

PT Sanyang is principally engaged in the assembly and sale of motorbikes and engines in Indonesia.

Financial information

The following table sets out the financial information of PT Sanyang for the years ended 31 December 2006 and 2007 prepared in accordance with the International Accounting Standard:

	For the year ended 31 December 2006 (Rp)	For the year ended 31 December 2007 (Rp)
Turnover	1,913,248,000 (equivalent to approximately HK\$1,642,978)	5,359,515,000 (equivalent to approximately HK\$4,602,417)
Profit/(loss) before taxation and extraordinary items	(9,187,149,000) (equivalent to approximately HK\$(7,889,351))	(14,490,062,000) (equivalent to approximately HK\$(12,443,162))
Profit/(loss) after taxation and extraordinary items	(9,625,208,000) (equivalent to approximately HK\$(8,265,529))	(14,224,083,000) (equivalent to approximately HK\$(12,214,756))

The net assets value of PT Sanyang was approximately Rp15,787,671,683 (equivalent to approximately HK\$13,557,468) as at 31 December 2007.

REASONS FOR AND BENEFITS OF THE ACQUISITIONS

The Company believes the Acquisitions will be beneficial to the Group as the Acquisitions will reduce competition between the Group and Sanyang (the ultimate controlling shareholder of the Company) within the Exclusive Territory. Upon Completion, Sanyang or any of its subsidiaries would not have any direct control over PT Sanyang or any motorbike manufacturing related operations in Indonesia. The Acquisitions will enable the Group to use the manufacturing base of PT Sanyang which is already established in Indonesia to further expand its operations in the Exclusive Territory.

The Directors (including the independent non-executive Directors) consider that the terms of the Acquisitions and the Shareholder's Loan are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

General

Sanyang, through its wholly-owned subsidiary, SYI, holds approximately 69.4% of the issued share capital of the Company and hence, is an indirect substantial shareholder of the Company and a connected person of the Company. Chinda is a subsidiary of Sanyang and hence, is an associate of Sanyang and also a connected person of the Company. Since Sanyang and Chinda are both connected persons of the Company within the meaning of the Listing Rules, the Share Purchase Agreement constitutes a connected transaction of the Company.

Prior to the Completion, PT Sanyang is a subsidiary of Sanyang and hence, is an associate of Sanyang and also a connected person of the Company. The Shareholder's Loan, therefore, constitutes a connected transaction of the Company.

Based on the 'five-tests' calculation set out in Rule 14.07 of the Listing Rules, each of the relevant percentage ratios (other than the profits ratio, which is not applicable) in respect of both of the Share Purchase Agreement and the Shareholder's Loan in aggregate is less than 2.5%. The Share Purchase Agreement and the Shareholder's Loan are, therefore, subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules but are exempt from the independent shareholders' approval requirements under the Listing Rules.

Apart from the Acquisitions and the grant of the Shareholder's Loan, the Company has not entered into any prior transactions with Sanyang or Chinda and/or its ultimate beneficial owners which would need to be aggregated with the Acquisitions and the grant of the Shareholder's Loan under Rule 14A.25 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

'Acquisitions'	the acquisition of the Sanyang Sale Shares by the Company from Sanyang and the acquisition of the Chinda Sale Shares by Chin Zong from Chinda pursuant to the Share Purchase Agreement
'Board'	the board of Directors
'Business Day'	a day (other than a Saturday or Sunday or an official public holiday in Indonesia) on which commercial banks are open in Indonesia for general banking business
'Chinda'	Chinda Investment Company Limited (慶達投資股份有限公司), a company incorporated in Taiwan and a subsidiary of Sanyang
'Chinda Sale Shares'	1% of the total issued shares in the capital of PT Sanyang (being 52 shares of PT Sanyang) as at the date of the Share Purchase Agreement agreed to be acquired by Chin Zong pursuant to the Share Purchase Agreement
'Ching Tai'	Ching Tai Investment Co., Ltd. (慶泰投資股份有限公司), a company incorporated in Taiwan which merged with Chinda on 8 November 2007
'Chin Zong'	Chin Zong Trading Co., Ltd. (慶融貿易股份有限公司), a company incorporated in Taiwan and a wholly-owned subsidiary of the Company
'Company'	Vietnam Manufacturing and Export Processing (Holdings)

	Limited (越南製造加工出口(控股)有限公司), an exempted company with limited liability incorporated in the Cayman Islands and the shares of which are listed on the main board of the Stock Exchange
Completion	completion of the Share Purchase Agreement
Conditions	the conditions precedent pursuant to the Share Purchase Agreement
connected person	has the meaning ascribed thereto in the Listing Rules and the word connected shall be construed accordingly
Director(s)	the director(s) of the Company
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
Group	the Company and its subsidiaries
HK\$	Hong Kong dollar(s), the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Indonesia	Republic of Indonesia
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange
PT Sanyang	PT Sanyang Industri Indonesia, a company incorporated in Indonesia
Rp	Rupiah, the lawful currency of Indonesia
Sale Shares	the Sanyang Sale Shares and Chinda Sale Shares
Sanyang	Sanyang Industry Co., Limited, a company incorporated in Taiwan and an indirect substantial shareholder of the Company
Sanyang Sale Shares	99% of the total issued shares in the capital of PT Sanyang (being 5,148 shares of PT Sanyang) as at the date of the Share Purchase Agreement agreed to be acquired by the Company pursuant to the Share Purchase Agreement
Share(s)	share(s) of HK\$0.01 each in the issued share capital of the Company
Share Purchase Agreement	the conditional agreement dated 7 August 2008 and entered into among the Company, Chin Zong, Sanyang, Chinda and

	PT Sanyang in relation to the Acquisitions
¡Shareholder(s)¡	holder(s) of the Shares
¡Shareholder¡s Loan¡	the amount of US\$400,000 (equivalent to approximately HK\$3,120,000) to be advanced by the Company to PT Sanyang within three Business Days following the execution of the Share Purchase Agreement
¡Stock Exchange¡	The Stock Exchange of Hong Kong Limited
¡US\$¡	United States dollar, the lawful currency of the United States of America
¡Vietnam¡	the Socialist Republic of Vietnam
¡%¡	per cent

Unless otherwise specified, translations of US\$ into Hong Kong dollars in this announcement are for illustration purposes only and are based on a rate of US\$1 equals to HK\$7.8.

Unless otherwise specified, translations of Rp into Hong Kong dollars in this announcement are for illustration purposes only and are based on a rate of HK\$1 equals to Rp 1,164.5.

As at the date of this announcement, the Board comprised four executive Directors, namely Mr. Chang Kwang Hsiung, Mr. Chen Pang Hsiung, Mr. Lee Hsi Chun and Mr. Wang Ching Tung, two non-executive Directors, namely Mr. Huang Kwang Wuu and Mr. Liu Wu Hsiung Harrison, and three independent non-executive Directors, namely Mr. Hsu Nai Cheng Simon, Ms. Lin Ching Ching and Mr. Wei Sheng Huang.

By order of the Board

**Vietnam Manufacturing and Export Processing
(Holdings) Limited**

Chang Kwang Hsiung

Chairman

Hong Kong, 7 August 2008