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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)

**DISCLOSEABLE TRANSACTION
IN RELATION TO
THE PROPOSED ACQUISITION OF PROPERTIES**

PROPOSED ACQUISITION OF PROPERTIES

The Company proposed to acquire the Properties located in Cell No. 43, Lot D3B-2, Area D3, Phu Thuong Ward, Tay Ho District, Hanoi, Vietnam. In connection with the Acquisition, from 18 October 2019 (after trading hours) onwards, VMEP (a direct wholly-owned subsidiary of the Company) proposed to enter into a series of transactions through its nominee to acquire the Properties from the Landlord for an aggregate consideration of VND70,000,000,000 (for illustration purpose only, equivalent to approximately HK\$23,660,000).

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Acquisition exceed(s) 5% but are all less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

INTRODUCTION

The Company proposed to acquire the Properties located in Cell No. 43, Lot D3B-2, Area D3, Phu Thuong Ward, Tay Ho District, Hanoi, Vietnam. Due to legal restrictions under the laws of Vietnam, from 18 October 2019 (after trading hours) onwards, VMEP (a direct wholly-owned subsidiary of the Company), through its nominee, proposed to enter into the transactions below to facilitate the Acquisition.

PROPOSED ACQUISITION OF PROPERTIES

(a) The Acquisition

On 18 October 2019, VMEP entered into a nominee arrangement with Ms. Chau, pursuant to which VMEP entrusted Ms. Chau to hold the legal title of the Properties on its behalf subsequent to the Acquisition. It is expected that Ms. Chau (on behalf of VMEP) would enter into a letter of intent with the Landlord on or around 18 October 2019, pursuant to which Ms. Chau (on behalf of VMEP) would pay a deposit of VND1,000,000,000 (for illustration purpose only, equivalent to approximately HK\$338,000) to the Landlord for a 15-day priority right to acquire the Properties. It is then expected that Ms. Chau (on behalf of VMEP) would enter into the Security Deposit Agreement with the Landlord on or around 2 November 2019, pursuant to which Ms. Chau (on behalf of VMEP) would pay an earnest money of VND62,650,000,000 (for illustration purpose only, equivalent to approximately HK\$21,175,700) to the Landlord for obtaining the title deeds of the Properties in order to allow the Group to conduct due diligence on the Properties. After the payment of the said deposit and the earnest money, the Company would retain the original title deeds of the Properties as security for the transaction during the due diligence process, as under the laws of Vietnam, a transfer in title of any properties can only be effected if the original title deeds and payment receipts are being delivered.

Pursuant to the Security Deposit Agreement, if it is subsequently revealed in the Group's due diligence that the Properties has any title defects, Ms. Chau (on behalf of VMEP) has the right not to proceed with the Acquisition and the Landlord is required to repay the deposit of VND1,000,000,000 and the earnest money of VND62,650,000,000 to the Group. If the Group is satisfied with the title deeds of the Properties after the due diligence process, Ms. Chau (on behalf of VMEP) would then enter into a formal agreement with the Landlord, which the deposit of VND1,000,000,000 and the earnest money of VND62,650,000,000 would be used to pay for the consideration for the Acquisition. A further amount of VND3,350,000,000 would be paid into an escrow account which such amount will only be released to the Landlord upon the completion of the change in legal ownership of the Properties to Ms. Chau. VMEP would borrow an amount of VND70,000,000,000 to Ms. Chau for the payment of the amount of the acquisition cost of the Properties and any applicable taxes and legal costs.

(b) Capital injection of the Properties into Dinh Duong by Ms. Chau

After the acquisition of the Properties by Ms. Chau (on behalf of VMEP), it is agreed that within 15 business days after the completion of step (a) above, Ms. Chau would make a capital injection of VND70,000,000,000 (for illustration purpose only, equivalent to approximately HK\$23,660,000) into Dinh Duong, which will be satisfied by the injection of the Properties into Dinh Duong. It is expected that the legal title to the Properties would be vested in Dinh Duong on or around 30 November 2019. Set out below is the ownership structure of Dinh Duong as at the date of this announcement and as at the date of the completion of the capital injection.

	As at the date of this announcement		As at the date of the completion of the capital injection	
Party	Capital contribution (VND)	Percentage of equity interest in Dinh Duong	Capital contribution (VND)	Percentage of equity interest in Dinh Duong
VMEP	29,250,000,000	99.66%	29,250,000,000	29.44%
Ms. Chau	50,000,000	0.17%	70,050,000,000	70.51%
Independent Third Party	50,000,000	0.17%	50,000,000	0.05%
Total	29,350,000,000	100.00%	99,350,000,000	100.00%

(c) Transfer of Ms. Chau’s shareholding in Dinh Duong to VMEP

It is agreed that within 15 business days after the completion of step (b) above, Ms. Chau would repay the amount of VND70,000,000,000 to VMEP by transferring her shareholding in Dinh Duong to VMEP. Set out below is the ownership structure of Dinh Duong immediately after the completion of the said share transfer.

	As at the date of the completion of the transfer	
Party	Capital contribution (VND)	Percentage of equity interest in Dinh Duong
VMEP	99,250,000,000	99.90%
Ms. Chau	50,000,000	0.05%
Independent Third Party	50,000,000	0.05%
Total	29,350,000,000	100.00%

INFORMATION OF THE PROPERTIES

The details of the Properties are summarized below:-

Location of the Properties : The Properties are located at Cell No. 43, Lot D3B-2, Area D3, Phu Thuong Ward, Tay Ho District, Hanoi, Vietnam

Total site area : approximately 194 sq. m.

Proposed use of the Properties : Commercial and residential

Term of the properties use right : 50 years

Consideration : VND70,000,000,000 (for illustration purpose only, equivalent to approximately HK\$23,660,000), which comprises (i) VND67,000,000,000 for the consideration of the Properties; and (ii) VND3,000,000,000 for payment of any applicable taxes and legal fees

Basis of the consideration

The consideration for the Acquisition was arrived at after arm's length negotiation between the Group and the Landlord by reference to a valuation report prepared by an independent valuer. The appraised value of the Properties by the independent valuer using the market approach as at October 2019 was VND68,945,854,000. The Board also considered the recent transactions of the market comparables located in the vicinity of the Properties, and noted that the average price per sq. m. in the same district is approximately VND278,400,000 – VND348,000,000. The consideration of the Properties is VND67,000,000,000, which is equivalent to approximately VND345,000,000 per sq. m., and is within the range specified above.

As stated above, the total contribution in relation to the acquisition of the Properties by the Group is approximately VND70,000,000,000, which will be financed by its internal resources.

REASONS FOR AND BENEFITS OF FORMATION OF THE ACQUISITION

The Directors are of the view that the acquisition of the Properties can enable the Group to expand its business and establish flagship stores with a view to promote its brand image. The Properties are situated at a prime location within a mixed commercial/residential area, which is adjacent to a massive shopping mall complex scheduled to open in 2022. The Properties also sit next to the Ciputra Hanoi International City, a modern cosmopolitan area with strong potentials, which could boost the reputation of the brand and enhance the asset value of the Group. In addition to the above, the Board is of the view that all or parts of the Properties could be leased to potential tenants in return for rental income depending on the market prospects.

Under the laws of Vietnam, foreign-owned companies cannot directly and on its own name enter into a transaction to acquire land and properties in Vietnam. As such, a series of transactions are proposed to be entered into by Dinh Duong, Ms. Chau, VMEP and the Landlord as set out above to facilitate and enable Dinh Duong to acquire the entire legal interest of the Properties. As advised by the Vietnamese legal advisers of the Company, the above arrangements and transactions complied with all applicable laws and regulations of Vietnam and are enforceable against the relevant parties.

The Directors (including the independent non-executive Directors) consider the Acquisition is in the interests of the Company and the Shareholders as a whole, and the terms thereof are on normal commercial terms, which are fair and reasonable.

INFORMATION ON THE PARTIES

The Company is an investment holding company. 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.

VMEP is a company with limited liability incorporated under the laws of Vietnam and is a direct wholly-owned subsidiary of the Company. It is principally engaged in the manufacturing and sales of motorbikes and related spare parts

Dinh Duong is a joint stock company incorporated under the laws of Vietnam. It is

principally engaged in the sales of motorbikes and development and investment in real estate and as at the date of this announcement, it is owned as to 99.66%, 0.17% and 0.17% by VMEP, Ms. Chau and an Independent Third Party respectively.

Ms. Chau is a Vietnam citizen and as at the date of this announcement, she owns as to 0.17% shares in Dinh Duong and is an employee of VMEP.

The Landlord is a Vietnam citizen who engages in hospitality business and is the existing owner of the Properties.

To the best of the Director's knowledge, information and belief having made all reasonable enquiries, the Landlord is a third party independent of and not connected with the Company and its connected persons. Save as being a shareholder of Dinh Duong and an employee of VMEP, to the best of the Director's knowledge, information and belief having made all reasonable enquiries, Ms. Chau is a third party independent of and not connected with the Company and its connected persons.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios for the Acquisition exceed(s) 5% but are all less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the proposed acquisition of the Properties by the Company from the Landlord pursuant to a series of transaction as set out in this announcement
“Board”	the board of Directors
“Company”	Vietnam Manufacturing and Export Processing (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Stock Exchange
“Dinh Duong”	Dinh Duong Joint Stock Company, a joint stock company incorporated under the laws of Vietnam and an indirect non-wholly owned subsidiary of the Company
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Landlord”	Ms. Do Anh Quyen (杜英娟), a Vietnam citizen and the existing owner of the Properties
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Ms. Chau”	Ms. Chau Thi Tu Uyen, a Vietnam citizen, an existing shareholder of Dinh Duong and an employee of VMEP
“Properties”	the plot of land and its associated properties located at Cell No. 43, Lot D3B-2, Area D3, Phu Thuong Ward, Tay Ho District, Hanoi, Vietnam with total site area of 194 sq. m.
“Security Deposit Agreement”	a security deposit agreement proposed to be entered into between Ms. Chau (on behalf of VMEP) and the Landlord, pursuant to which Ms. Chau (on behalf of VMEP) would pay an earnest money of VND62,650,000,000 (for illustration purpose only, equivalent to approximately HK\$21,175,700) to the Landlord
“Shareholders”	holder(s) of the shares of the Company from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vietnam”	Socialist Republic of Vietnam
“VMEP”	Vietnam Manufacturing & Export Processing Company Limited, a company with limited liability incorporated under the laws of Vietnam and a direct wholly-owned subsidiary of the Company
“VND”	Vietnamese Dong, being the lawful currency of Vietnam
“sq. m.”	square metres
“%”	per cent.

In this announcement, unless the context otherwise requires, the terms “applicable percentage ratio”, “connected person(s)” and “subsidiary(ies)” shall have the meanings given to such terms in the Listing Rules, as modified by the Stock Exchange from time to time.

For the purpose of this announcement, unless the context otherwise requires, conversion of VND into HK\$ is based on the approximate exchange rate of VND10,000 to HK\$3.38. The exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in HK\$ or VND have been, could have been or may be converted at such or any other rate or at all.

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

Hong Kong, 18 October 2019

As at the date of this announcement, the Board comprised four executive Directors, namely Mr. Liu Wu Hsiung, Mr. Lin Chih Ming, Mr. Lin Chun Yu and Mr. Chiang Chin Yung, two non-executive Directors, namely Mr. Chiu Ying Feng and Ms. Wu Li Chu, and three independent non-executive Directors, namely Ms. Lin Ching Ching, Mr. Shen Hwa Rong and Ms. Wu Kwei Mei.