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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)**

### **CONTINUING CONNECTED TRANSACTIONS**

#### **ADJUSTMENT OF ANNUAL CAPS OF EXISTING CONTINUING CONNECTED TRANSACTIONS**

As disclosed in the Prospectus, the Company has obtained the Waivers from the Stock Exchange from strict compliance with the announcement and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of a number of non-exempt continuing connected transactions between the Group and the Sanyang Group. As demand for the Group's motorbikes has been increasing at a much faster pace than the Group had expected and due to the recent weakening of the US dollar which has resulted in an increase in raw material prices, the Group considers that the annual caps to which the Existing Continuing Connected Transactions are subject as part of the terms of the Waivers will no longer be sufficient. Hence, the Company proposes to revise the annual caps in respect of the Existing Continuing Connected Transactions for the two years ending 31 December 2008 and 2009.

Based on the proposed revised annual caps for the two years ending 31 December 2008 and 2009, the Existing Continuing Connected Transactions may be divided into (i) the Group 1 Transactions, all of which will constitute non-exempt continuing connected transactions of the Company subject to the reporting, announcement and independent shareholders' approval requirements under Rules 14A.45 to 14A.54 of the Listing Rules; and (ii) the Group 2 Transaction, the relevant percentage ratios (other than the profits ratio, which is not applicable) of which will be less than 2.5% and will, therefore, only be subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules.

## **NEW CONTINUING CONNECTED TRANSACTIONS**

### **Production Machinery, Moulds and Equipment Purchase Agreement**

The Company entered into the Production Machinery, Moulds and Equipment Purchase Agreement with Sanyang on 24 April 2008, pursuant to which, the Company may (but is not obliged to), whether itself or through any of its subsidiaries, purchase certain production machinery, moulds and equipment from Sanyang or any of its associates. As at the date of this announcement, Sanyang, through its wholly-owned subsidiary, SYI, held approximately 69.4% of the issued share capital of the Company and, thus, is a connected person of the Company. Hence, the Production Machinery, Moulds and Equipment Purchase Agreement constitutes a continuing connected transaction of the Company.

The Company proposes annual caps of US\$2,900,000 and US\$2,900,000 for transactions to be effected pursuant to the Production Machinery, Moulds and Equipment Purchase Agreement for the two years ending 31 December 2008 and 2009 respectively. Based on such proposed annual caps, each of the relevant percentage ratios (other than the profits ratio, which is not applicable) will be less than 2.5%. In accordance with Rule 14A.34 of the Listing Rules, the Production Machinery, Moulds and Equipment Purchase Transaction will, therefore, only be subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules.

### **Sanyang Global Purchase Transaction**

The Company entered into the Sanyang Global Purchase Agreement with Sanyang Global on 24 April 2008, pursuant to which, the Company may (but is not obliged to), whether itself or through any of its subsidiaries, purchase motorbike parts from Sanyang Global. Sanyang Global is an indirect wholly-owned subsidiary of Sanyang, which is the ultimate controlling shareholder of the Company. As at the date of this announcement, Sanyang, through its wholly-owned subsidiary, SYI, held approximately 69.4% of the issued share capital of the Company and, thus, is a connected person of the Company. Hence, the Sanyang Global Purchase Agreement constitutes a continuing connected transaction of the Company.

The Company proposes annual caps of US\$7,800,000 and US\$10,100,000 for transactions to be effected pursuant to the Sanyang Global Purchase Agreement for the two years ending 31 December 2008 and 2009 respectively. Based on such proposed annual caps, the annual consideration in relation to the Sanyang Global Purchase Agreement for each of the two years ending 31 December 2008 and 2009 is more than HK\$10,000,000 and each of the relevant percentage ratios (other than the profits ratio, which is not applicable) is more than 2.5%. In accordance with Rule 14A.35 of the Listing Rules, the Sanyang Global Purchase Agreement is a non-exempt continuing connected transaction of the Company which is subject to the reporting, announcement and independent shareholders' approval requirements under Rules 14A.45 to 14A.54 of the Listing Rules. Hence, the Sanyang Global Purchase Agreement is conditional on approval by the independent shareholders of the Company being obtained at the extraordinary general meeting of the Company to be held on 30 May 2008 and compliance by the Company with any other applicable requirements under the Listing Rules.

## **GENERAL**

A circular will be despatched to the shareholders of the Company setting out, among other things, details of the Group 1 Transactions, Sanyang Global Purchase Transaction, the proposed annual caps in respect of the Group 1 Transactions and the Sanyang Global Purchase Transaction for the two years ending 31 December 2008 and 2009 and the letters from the independent board committee of the Company and Centurion Corporate Finance Limited, being the independent financial adviser of the Company, in this regard.

## **BACKGROUND**

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

Dealings in the Shares on the Main Board of the Stock Exchange commenced on 20 December 2007. As disclosed in the Prospectus, the Company has obtained the Waivers from the Stock Exchange from strict compliance with the announcement and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of a number of non-exempt continuing connected transactions between the Group and the Sanyang Group.

The Sanyang Group 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, held 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. Pursuant to the Waivers, the maximum aggregate annual value for the non-exempt continuing connected transactions of the Company shall not exceed the applicable annual caps as set out in the Prospectus.

As demand for the Group's motorbikes has been increasing at a much faster pace than the Group had expected and due to the recent weakening of the US dollar which has resulted in an increase in raw material prices, the Group considers that the annual caps to which the Existing Continuing Connected Transactions are subject as part of the terms of the Waivers will no longer be sufficient. While the actual values of the Existing Continuing Connected Transactions in the year ended 31 December 2007 did not exceed the relevant annual caps under the Waivers, the Company proposes to revise the annual caps for the Group 1 Transactions and the Group 2 Transaction for the two years ending 31 December 2008 and 2009.

The Board (excluding the independent non-executive Directors) considers that the Group 1 Transactions have been carried out and will continue to be carried out in the ordinary and usual course of business of the Group and on normal commercial terms and that the terms of such transactions (as summarised below) are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The views of the independent non-executive Directors on the Group 1 Transactions will be stated in the circular to be despatched to the shareholders of the Company in due course.

The Board (including the independent non-executive Directors) considers that the Group 2 Transaction has been carried out and will continue to be carried out in the ordinary and usual course of business of the Group and on normal commercial terms and that the terms of such transaction (as summarised below) are fair and reasonable and in the interests of the shareholders of the Company as a whole.

## **PRINCIPAL TERMS OF THE GROUP 1 AND GROUP 2 TRANSACTIONS**

### **The Group 1 Transactions – subject to independent shareholders' approval**

#### *Sanyang Purchase Transaction*

On 26 November 2007, the Company and Sanyang entered into the VMEP Holdings Purchase Agreement, pursuant to which the Group purchases certain motorbike parts such as carburetors, pulleys and brake units from Sanyang which are either manufactured by the Sanyang Group or sourced by it from Independent Third Parties. Prices of purchases of motorbike parts are on a cost plus basis. Sanyang charges the Group at the manufacturing cost or purchase cost (as the case may be) plus a margin in the range of 10% to 15%. The Group is required to pay for all purchases made under the VMEP Holdings Purchase Agreement in cash within 30 days after the date of delivery.

As demand for the Group's motorbikes has been increasing at a much faster pace than the Group had expected and due to the recent weakening of the US dollar which has resulted in an increase in raw material prices, the Group expects that it will require more motorbike parts from Sanyang for its operations and that the original annual caps for the two years ending 31 December 2008 and 2009 to which the Sanyang Purchase Transaction is subject as part of the terms of the Waivers will no longer be sufficient. Accordingly, subject to independent shareholders' approval, the Company proposes to adjust the original caps in relation to the Sanyang Purchase Transaction.

#### *VTBM Purchase Transaction*

On 26 November 2007, the Company and VTBM entered into the VMEP Holdings VTBM Purchase Agreement, pursuant to which the Group purchases motorbike parts such as fuel tanks, frames and rear shafts manufactured in Vietnam from VTBM. The pricing at which motorbike parts are sold by VTBM to the Group is determined on a market price basis. The Group is required to pay for all purchases under the VMEP Holdings VTBM Purchase Agreement in cash within 45 days after the date of delivery.

As demand for the Group's motorbikes has been increasing at a much faster pace than the Group had expected and due to the recent weakening of the US dollar which has resulted in an increase in raw material prices, the Group expects that it will require a higher volume of motorbike parts from VTBM for its operations and that the original annual caps for the two years ending 31 December 2008 and 2009 to which the VTBM Purchase Transaction is subject as part of the terms of the Waivers will no longer be sufficient.

#### *Technology Licence Transaction*

As set out in the Prospectus, pursuant to the Technology Licence Agreement, Sanyang has granted an exclusive licence to VMEP to use the technology, know-how, trade secrets and production information owned by Sanyang in connection with the Group's manufacture and sale of "SYM" brand motorbikes and related parts in the Exclusive Territory. The licence fee as provided for in the Technology Licence Agreement is 4% of the annual net selling price of products manufactured using such technology from Sanyang and sold by VMEP. The Group is required to settle all undisputed invoices within sixty days from the last day of each six-month period in each calendar year.

As demand for the Group's motorbikes has been increasing at a much faster pace than the Group had expected and due to an increase in the total annual revenue of the Group in the year ended 31 December 2007, the Directors are of the view that the original annual caps in relation to the Technology Licence Transaction will likely be exceeded in the two years ending 31 December 2008 and 2009.

## **The Group 2 Transaction – exempted from independent shareholders' approval**

### *Sanyang Parts Sales Transaction*

On 26 November 2007, the Company and Sanyang entered into the VMEP Holdings Parts Sales Agreement, pursuant to which the Group sells to Sanyang and its associates motorbike parts such as connecting rods, side and body covers, panels and battery lids. The price at which motorbike parts are to be sold by the Group to Sanyang and its associates under such agreement is determined by reference to market price. Sanyang or (as the case may be) its associates are required to pay for all purchases under the VMEP Holdings Parts Sales Agreement in cash within 30 days after the date of delivery.

Due to the recent weakness of the US dollar which has resulted in an increase in raw material costs, the selling prices of motorbike parts to the Sanyang Group have increased accordingly. As a result, the original annual caps for the two years ending 31 December 2008 and 2009 to which the Sanyang Parts Sales Transaction is subject as part of the terms of the Waivers will no longer be sufficient.

## **REASONS FOR THE EXISTING CONTINUING CONNECTED TRANSACTIONS**

The Company believes it is in its best interests to carry out the Existing Continuing Connected Transactions. The reasons for entering into the Existing Continuing Connected Transactions are set out below:

### **Sanyang Purchase Transaction**

Due to the rapid growth in the economy of Vietnam and the Group's business in the Exclusive Territory, an increasing number and types of motorbike parts manufactured by the Sanyang Group or sourced by it from Independent Third Parties are used for the manufacture of motorbikes by the Group. The Group purchases motorbike parts from Sanyang and not directly from Independent Third Parties because they are also required by Sanyang for production and because, by combining its demand with those of the Group's, Sanyang is able to negotiate better terms with those suppliers which in turn benefits the Group. As these motorbike parts are all currently sourced from suppliers outside Vietnam because they are either unavailable or not of acceptable quality or pricing in Vietnam, Sanyang also provides quality testing, packaging, customs clearance and logistics services on the motorbike parts sold to the Group at a lower cost than if the Group had to request such services to be provided by Independent Third Parties outside Vietnam.

### **VTBM Purchase Transaction**

The Company believes it is in the best interests of the Group to secure a cost effective and stable source of supply of motorbike parts in Vietnam required for its operations.

## Sanyang Parts Sales Transaction

The Company believes it is in its best interests to generate an additional source of income, increase the utilisation rate and hence economies of scale of the Group's production facilities by carrying out sales of motorbike parts to the Sanyang Group in response to their needs from time to time, provided that the Sanyang Group purchases from the Group at prices comparable to market prices and/or the terms of such purchases are considered to be fair and reasonable to the Company.

## Technology Licence Transaction

Sanyang owns the proprietary right to the technology, know-how, trade secrets and production information in connection with the manufacture and sale of "SYM" brand motorbikes and related parts. As the sales of "SYM" brand products contribute to a significant percentage of the Group's turnover, the Directors consider the continued use of such technology and related IP rights which enable the Group to continue manufacturing and selling "SYM" brand motorbikes and related parts is essential to the Group's operations and continued growth.

## HISTORICAL VALUES AND ANNUAL CAPS

The table below sets out (1) the respective historical values of each of the Existing Continuing Connected Transactions for the year ended 31 December 2007; (2) the respective historical annual cap for each of the Existing Continuing Connected Transactions for the year ended 31 December 2007; and (3) the original annual caps of such transactions for the two years ending 31 December 2008 and 2009 under the Waivers.

<i>(in US\$)</i>	Transaction amount for the year ended 31 December 2007	Historical annual cap for the year ended 31 December 2007	Original annual cap for the year ending 31 December 2008	Original annual cap for the year ending 31 December 2009
Sanyang Purchase Transaction	29,296,649	32,200,000	29,700,000	27,300,000
VTBM Purchase Transaction	4,370,093	4,400,000	5,200,000	6,200,000
Sanyang Parts Sales Transaction	2,473,527	2,970,000	2,970,000	2,970,000
Technology Licence Transaction	5,985,566	6,000,000	6,900,000	7,900,000

The actual amount of the Existing Continuing Connected Transactions carried out in the year ended 31 December 2007 did not exceed the relevant annual caps for each of those transactions in that year as prescribed under the Waivers. The actual amount of the Existing Continuing Connected Transactions carried out during the three-month period from 1 January 2008 up to 31 March 2008 has not exceeded the original annual caps for each of those transactions for the year ending 31 December 2008 as prescribed under the Waivers.

At the time of determining the original annual caps for the Existing Continuing Connected Transactions, the projections made by the Company were insufficient to cover the current projected increase in sales volume in the two years ending 31 December 2008 and 2009. Demand for the Group's motorbikes has been increasing at a much faster pace than the Group had expected and this has resulted in a significant increase in the level of operations and transactions required to support the Group's ordinary business. The increasing demands for motorbikes and related parts from the Group's customers not only increase the sales of the Group but also the volume and transaction values of the Existing Continuing Connected Transactions, all of which form part of the ordinary and usual course of business of the Group.

The Company also believes that the weakness of the US dollar has resulted in an increase in the prices of its raw materials and parts sourced from the Sanyang Group. As a result of all of the above factors, the respective annual caps of the Sanyang Purchase Transaction, the VTBM Purchase Transaction, the Sanyang Parts Sales Transaction and the Technology Licence Transaction will need to be adjusted to accommodate the increase in transaction volume between the Group and the Sanyang Group.

## **NEW ANNUAL CAPS**

The Board has considered and resolved that the new annual caps for the Existing Continuing Connected Transactions be set as follows:

<i>(in US\$)</i>	<b>Revised annual caps for the year ending 31 December 2008</b>	<b>Revised annual caps for the year ending 31 December 2009</b>
Sanyang Purchase Transaction <i>(Note)</i>	35,000,000	39,000,000
VTBM Purchase Transaction <i>(Note)</i>	6,200,000	7,500,000
Sanyang Parts Sales Transaction	3,130,000	3,130,000
Technology Licence Transaction <i>(Note)</i>	7,800,000	10,200,000

*Note:* The respective new annual cap amounts for the Sanyang Purchase Transaction, the VTBM Purchase Transaction and the Technology Licence Transaction for the two years ending 31 December 2008 and 2009 are subject to the approval of the independent shareholders of the Company.

The new annual cap amounts have been determined with reference to projections of the Company which in turn were prepared by the Company mainly with reference to the following factors:

- historical growth rates of the turnover of the Group and the values of the subject transactions;
- historical percentages of the relevant values of the subject transactions to the turnover of the Group;
- internal target turnover of the Group;
- the recent level of the subject transactions in January, February and March 2008;
- indications received from the relevant members of the Sanyang Group; and/or
- the existing caps for the Existing Continuing Connected Transactions.

The Board (excluding the independent non-executive Directors who will express their view after receiving advice from the independent financial adviser of the Company) considers that the new annual caps for each of the Group 1 Transactions are fair and reasonable.

The Board (including the independent non-executive Directors) considers that the new annual caps for the Group 2 Transaction are fair and reasonable.

## **NEW CONTINUING CONNECTED TRANSACTIONS**

### **Production Machinery, Moulds and Equipment Purchase Transaction – Production Machinery, Moulds and Equipment Purchase Agreement**

Date	:	24 April 2008
Seller	:	Sanyang Group
Purchaser	:	members of the Group
Products	:	production machinery, moulds and equipment for the production of motorbikes and related parts
Pricing	:	market price basis
Payment	:	all purchases will be paid for in cash
Term	:	from the date on which the Company has complied with all applicable requirements under the Listing Rules to 31 December 2009, subject to early termination

The Company proposes annual caps of US\$2,900,000 and US\$2,900,000 for transactions to be effected pursuant to the Production Machinery, Moulds and Equipment Purchase Agreement for the two years ending 31 December 2008 and 2009 respectively. The Group needs to purchase certain new production machinery, moulds and equipment to enable it to produce certain new or modified parts for use in new or modified models of motorbikes which the Group intends to produce in 2008 and 2009. The proposed annual caps for transactions to be carried out under the Production Machinery, Moulds and Equipment Purchase Agreement for the years ending 31 December 2008 and 2009 have been determined by reference to the estimated number of new models of motorbikes which the Group intends to produce in the two years ending 31 December 2008 and 2009 and the estimated number of models of motorbikes which the Group intends to modify in the two years ending 31 December 2008 and 2009. Based on such proposed annual caps, each of the relevant percentage ratios (other than the profits ratio, which is not applicable) will be less than 2.5%. In accordance with Rule 14A.34 of the Listing Rules, the Production Machinery, Moulds and Equipment Purchase Transaction will, therefore, only be subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules.

The Group will pay for all purchases under the Production Machinery, Moulds and Equipment Agreement in cash in the following manner: (a) when the Group places an order with Sanyang or (as the case may be) any of its associates, it will pay 40% of the purchase price; (b) upon delivery of the goods to the Group, it will pay 20% of the purchase price; and (c) after the Group has inspected the goods delivered and is satisfied with the quality of the goods delivered, it will pay the remaining 40% of the purchase price.

The Board (including the independent non-executive Directors) considers that the annual caps for transactions to be effected pursuant to the Production Machinery, Moulds and Equipment Purchase Agreement for the two years ending 31 December 2008 and 2009 are fair and reasonable.



## **Reasons for the Production Machinery, Moulds and Equipment Purchase Agreement**

The Group has been purchasing certain production machinery, moulds and equipment from local manufacturers in Vietnam for use in its operations. In the future, the Group intends to purchase certain production machinery, moulds and equipment from Sanyang or any of its associates as such production machinery, moulds and equipment are of a higher quality than those manufactured by local manufacturers in Vietnam. Such production machinery, moulds and equipment are either manufactured by Sanyang or any its associates in Taiwan and/or the PRC or purchased by Sanyang or any of its associates from Independent Third Parties. The entering into of the Production Machinery, Moulds and Equipment Purchase Agreement allows the Group to secure a stable supply of high quality production machinery, moulds and equipment which it requires for its operations.

The Board (including the independent non-executive Directors) considers that the Production Machinery, Moulds and Equipment Purchase Agreement will be carried out in the ordinary and usual course of business of the Group and on normal commercial terms and that the terms of such transaction (as summarised above) are fair and reasonable and in the interests of the shareholders of the Company as a whole.

## **Sanyang Global Purchase Transaction – Sanyang Global Purchase Agreement**

Date	:	24 April 2008
Seller	:	Sanyang Global
Purchaser	:	members of the Group
Products	:	motorbike parts such as crank case components, pistons and cylinders
Pricing	:	market price basis
Payment	:	all purchases will be paid for in cash
Term	:	from the date on which (i) approval by the independent shareholders of the Company is obtained and (ii) the Company has complied with any other applicable requirements under the Listing Rules, whichever is the later, to 31 December 2009, subject to early termination

The Company proposes annual caps of US\$7,800,000 and US\$10,100,000 for transactions to be effected pursuant to the Sanyang Global Purchase Agreement for the two years ending 31 December 2008 and 2009 respectively. Such proposed annual caps have been determined by reference to the projected increase in sales volume of the Group's motorbikes in the two years ending 31 December 2008 and 2009 and the projected increase in the future requirements of the Group for motorbike parts for use in the production of the Group's motorbikes in the years ending 31 December 2008 and 2009. Based on such proposed annual caps, the annual consideration in relation to the Sanyang Global Purchase Agreement for each of the two years ending 31 December 2008 and 2009 is more than HK\$10,000,000 and each of the relevant percentage ratios (other than the profits ratio, which is not applicable) is more than 2.5%. In accordance with Rule 14A.35 of the Listing Rules, the Sanyang Global Purchase Agreement is a non-exempt continuing connected transaction of the Company which is subject to the reporting, announcement and independent shareholders' approval requirements under Rules 14A.45 to 14A.54 of the Listing Rules. Hence, the Sanyang Global Purchase Agreement is conditional on

approval by the independent shareholders of the Company being obtained at the extraordinary general meeting of the Company to be held on 30 May 2008 and compliance by the Company with any other applicable requirements under the Listing Rules.

The Group will pay for all purchases under the Sanyang Global Purchase Agreement in cash in the following manner: (a) when the Group places an order with Sanyang Global, it will pay 50% of the purchase price; and (b) upon delivery of the goods to the Group, it will pay the remaining 50% of the purchase price.

The Board (excluding the independent non-executive Directors who will express their view after receiving advice from the independent financial adviser of the Company) considers that the annual caps for transactions to be effected pursuant to the Sanyang Global Purchase Transaction are fair and reasonable.

### **Reasons for the Sanyang Global Purchase Agreement**

As motorbike parts are supplied at a lower cost in the PRC than in other countries apart from the PRC due to lower labour costs and production costs in the PRC, the Group intends to purchase motorbike parts in the PRC. Sanyang Global (a subsidiary of Sanyang) was recently established in the PRC and is able to assist the Group in conducting surveys on Independent Third Party suppliers of motorbike parts which are based in the PRC and sourcing motorbike parts from Independent Third Party suppliers which meet the standards of the Group. As the demands for motorbike parts manufactured in the PRC of the Sanyang Group and the Group are combined and handled by Sanyang Global, Sanyang Global is able to negotiate better terms with those suppliers, which in turn benefits the Group. For this reason, the Group purchases motorbike parts from Sanyang Global and not directly from such Independent Third Party Suppliers. The Directors consider that it is in the interests of the Company and its shareholders as a whole to purchase motorbike parts from Sanyang Global as the Group's expenditure in relation to the purchase of motorbike parts will be reduced. The entering into of the Sanyang Global Purchase Agreement allows the Group to secure a cost effective and stable source of supply of motorbike parts required for its operations.

The Board (excluding the independent non-executive Directors) considers that the Sanyang Global Purchase Agreement will be carried out in the ordinary and usual course of business of the Group and on normal commercial terms and that the terms of such transaction (as summarised above) are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The views of the independent non-executive Directors on the Sanyang Global Purchase Agreement will be stated in the circular to be despatched to the shareholders of the Company in due course.

### **LISTING RULES IMPLICATIONS**

#### **In relation to the Existing Continuing Connected Transactions**

Based on the proposed revised annual caps for the two years ending 31 December 2008 and 2009, the Existing Continuing Connected Transactions may be divided into (i) the Group 1 Transactions, all of which will constitute non-exempt continuing connected transactions of the Company subject to the reporting, announcement and independent shareholders' approval requirements under Rules 14A.45 to 14A.54 of the Listing Rules; and (ii) the Group 2 Transaction,

the relevant percentage ratios (other than the profits ratio, which is not applicable) of which will be less than 2.5% and will, therefore, only be subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules.

### **In relation to the New Continuing Connected Transactions**

Based on the proposed annual caps for transactions to be effected pursuant to the Production Machinery, Moulds and Equipment Purchase Agreement for the two years ending 31 December 2008 and 2009 respectively, each of the relevant percentage ratios (other than the profits ratio, which is not applicable) will be less than 2.5%. In accordance with Rule 14A.34 of the Listing Rules, the Production Machinery, Moulds and Equipment Purchase Agreement will, therefore, only be subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules.

Based on the proposed annual caps for transactions to be effected pursuant to the Sanyang Global Purchase Agreement for the two years ending 31 December 2008 and 2009 respectively, the annual consideration in relation to the Sanyang Global Purchase Agreement for each of the two years ending 31 December 2008 and 2009 is more than HK\$10,000,000 and each of the relevant percentage ratios (other than the profits ratio, which is not applicable) is more than 2.5%. In accordance with Rule 14A.35 of the Listing Rules, the Sanyang Global Purchase Agreement is a non-exempt continuing connected transaction of the Company which is subject to the reporting, announcement and independent shareholders' approval requirements under Rules 14A.45 to 14A.54 of the Listing Rules. Hence, the Sanyang Global Purchase Agreement is conditional on approval by the independent shareholders of the Company being obtained at the extraordinary general meeting of the Company to be held on 30 May 2008 and compliance by the Company with any other applicable requirements under the Listing Rules.

Other than the Existing Continuing Connected Transactions and the New Continuing Connected Transactions, the Company does not have any other prior transactions with the Sanyang Group and Sanyang Global which would need to be aggregated with any of the Existing Continuing Connected Transactions or the New Continuing Connected Transactions in accordance with the requirements of Rule 14A.25 of the Listing Rules.

An extraordinary general meeting will be convened by the Company with a view to seeking approval from the independent shareholders of the Company by poll in accordance with the requirements of the Listing Rules. As Sanyang, either itself or its associates, being the counterparty to the Group 1 Transactions and the Sanyang Global Purchase Transaction, is materially interested in those transactions, Sanyang and its associates will abstain from voting at the extraordinary general meeting regarding the resolution to be proposed for approving the above matters. An independent board committee has been established to consider (i) the Group 1 Transactions and the proposed new annual caps in respect of each of the Group 1 Transactions for the two years ending 31 December 2008 and 2009 and (ii) the Sanyang Global Purchase Transaction and the proposed annual caps in respect of the Sanyang Global Purchase Transaction for the two years ending 31 December 2008 and 2009. Centurion Corporate Finance Limited has been appointed by the Company as its independent financial adviser to advise the independent board committee and the independent shareholders of the Company in respect of the above matters.

## GENERAL

In accordance with Rules 14A.49, 14A.58 and 14A.59 of the Listing Rules, a circular will be despatched to the shareholders of the Company setting out, among other things, details of the Group 1 Transactions, the Sanyang Global Purchase Transaction and the proposed annual caps in respect of the Group 1 Transactions and the Sanyang Global Purchase Transaction and the letters from the independent board committee of the Company and Centurion Corporate Finance Limited, being the independent financial adviser of the Company, in this regard.

All of the Existing Continuing Connected Transactions and the New Continuing Connected Transactions are subject to the requirements under Rules 14A.37 to 14A.38 of the Listing Rules.

## DEFINITIONS

“associate”	has the meaning given to that term under the Listing Rules and for the purposes of this announcement, shall exclude the Company and any of its subsidiaries
“Board”	the board of Directors
“Company”	Vietnam Manufacturing And Export Processing (Holdings) Limited, a limited liability company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange
“Directors”	the directors 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
“Existing Continuing Connected Transactions”	the Group 1 Transactions and the Group 2 Transaction
“Group”	the Company and its subsidiaries
“Group 1 Transactions”	the Sanyang Purchase Transaction, the VTBM Purchase Transaction and the Technology Licence Transaction, which are subject to the approval of the independent shareholders of the Company
“Group 2 Transaction”	the Sanyang Parts Sales Transaction which is exempt from the approval of the independent shareholders of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	persons or entities who/which are not connected persons of the Company within the meaning of the Listing Rules

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Continuing Connected Transactions”	the Production Machinery, Moulds and Equipment Purchase Transaction and the Sanyang Global Purchase Transaction
“percentage ratios”	the percentage ratios calculated based on the requirements under Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China and for the purpose of this announcement, excludes Taiwan, the Macau Special Administrative Region and Hong Kong
“Production Machinery, Moulds and Equipment Purchase Agreement”	the agreement dated 24 April 2008 and entered into between the Company and Sanyang in relation to the Production Machinery, Moulds and Equipment Purchase Transaction
“Production Machinery, Moulds and Equipment Purchase Transaction”	purchases of certain production machinery, moulds and equipment by the Group from the Sanyang Group pursuant to the Production Machinery, Moulds and Equipment Purchase Agreement for the manufacture of motorbikes and related parts
“Prospectus”	the prospectus of the Company dated 6 December 2007
“Sanyang”	三陽工業股份有限公司 (Sanyang Industry Co., Limited), a company incorporated in Taiwan and listed on the Taiwan Stock Exchange Corporation (and the ultimate controlling shareholder of the Company)
“Sanyang Global”	Sanyang Global Co., Ltd., a wholly-foreign owned entity incorporated in the PRC on 11 December 2007 and an indirect wholly-owned subsidiary of Sanyang
“Sanyang Global Purchase Agreement”	the agreement dated 24 April 2008 and entered into between the Company and Sanyang Global in relation to the Sanyang Global Purchase Transaction
“Sanyang Global Purchase Transaction”	purchase of motorbike parts by the Group from Sanyang Global
“Sanyang Group”	Sanyang, its subsidiaries and/or associates (as the case may be) other than the Group
“Sanyang Parts Sales Transaction”	sales of motorbike parts by the Group to the Sanyang Group (continuing connected transaction category 2 in the Prospectus)
“Sanyang Purchase Transaction”	purchases of motorbike parts by the Group from Sanyang (continuing connected transaction category 1A in the Prospectus)

“Shares”	ordinary shares in the share capital of the Company with a nominal value of HK\$0.01 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning given that term under section 2(4) of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“SYI”	SY International Ltd., a company incorporated in Samoa with limited liability and a direct controlling shareholder of the Company
“Technology Licence Agreement”	the agreement dated 26 November 2007 and entered into between the Company and VMEP in relation to the Technology Licence Transaction
“Technology Licence Transaction”	the license of technology, know-how, trade secrets and production information in connection with the manufacture and sale of “SYM” brand motorbikes and related parts in the Exclusive Territory pursuant to the Technology Licence Agreement (continuing connected transaction category 3A in the Prospectus)
“US\$” or “US dollar”	United States dollars, the lawful currency of the United States of America
“VMEP”	Vietnam Manufacturing and Export Processing Co., Limited, a wholly-owned subsidiary of the Company
“VMEP Holdings Parts Sales Agreement”	the agreement dated 26 November 2007 and entered into between the Company and Sanyang in relation to the Sanyang Parts Sales Transaction
“VMEP Holdings Purchase Agreement”	the agreement dated 26 November 2007 and entered into between the Company and Sanyang in relation to the Sanyang Purchase Transaction
“VMEP Holdings VTBM Purchase Agreement”	the agreement dated 26 November 2007 and entered into between the Company and VTBM in relation to the VTBM Purchase Transaction
“VTBM”	Vietnam Three Brothers Machinery Industry Co., Limited, a wholly foreign-invested enterprise incorporated in Vietnam on 5 September 2002 and an indirect non wholly-owned subsidiary of Sanyang
“VTBM Purchase Transaction”	purchases of motorbike parts by the Group from VTBM (continuing connected transaction category 1B in the Prospectus)

“Waivers”

waivers from strict compliance with the announcement and/or independent shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of a number of continuing connected transactions of the Company, including but not limited to, the Existing Continuing Connected Transactions, granted by the Stock Exchange to the Company on 28 November 2007

“%”

percent

*As at the date of this announcement, the board of Directors 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 Wu 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, 24 April 2008