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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)

**REVISION OF 2012 ANNUAL CAP OF
VMEPH DISTRIBUTORSHIP AGREEMENT**

REVISION OF 2012 ANNUAL CAP

On 9 November 2009, the Company entered into the VMEPH Distributorship Agreement with Sanyang for a term of three years commencing from 1 January 2010 in relation to, among others, the Group's exclusive distributorship of motorbikes and related parts manufactured by Sanyang Group in the Exclusive Territory (except in the case of Vietnam, the Company will only be entitled to re-sell such motorbikes to customers in Vietnam solely for use in exhibitions).

The Board expects that the Original 2012 Annual Cap of the VMEPH Distributorship Agreement will not be sufficient for the expected sales of the Group for the financial year ending 31 December 2012. The Board therefore proposes to further revise the Original 2012 Annual Cap in relation to the distribution of motorbike and related parts manufactured by Sanyang Group in the Exclusive Territory under the VMEPH Distributorship Agreement.

LISTING RULES IMPLICATIONS

As Sanyang is an indirect substantial shareholder of the Company and thus a connected person of the Company by virtue of Rule 14A.11(1) of the Listing Rules, members of the Sanyang Group are also connected persons of the Company. Accordingly, the transactions under the VMEPH Distributorship Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios for the Revised 2012 Annual Cap exceed 5%, the transactions under the VMEPH Distributorship Agreement will constitute non-exempt continuing connected transactions of the Company subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under the Listing Rules.

THE EXTRAORDINARY GENERAL MEETING

An extraordinary general meeting will be convened by the Company with a view to seeking approval of the Revised 2012 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 VMEPH Distributorship Agreement, is materially interested in those transactions, Sanyang and its associates will abstain from voting in the resolutions to be proposed at the extraordinary general meeting to be convened for approving the above matters.

An independent board committee has been established to consider the proposed Revised 2012 Annual Cap. 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.

A circular containing, among other things, further details of the VMEPH Distributorship Agreement and the Revised 2012 Annual Cap, a letter from the independent board committee to the independent Shareholders in respect of the Revised 2012 Annual Cap, a letter from the independent financial adviser to the independent board committee and the independent Shareholders in respect of the Revised 2012 Annual Cap, and a notice convening the extraordinary general meeting, will be dispatched to the Shareholders as soon as practicable on or before 7 June 2012 in accordance with the requirements of the Listing Rules.

Background

Reference is made to the announcements of the Company dated 9 November 2009 and 28 March 2011, in relation to, among other things, the entering into of the VMEPH Distributorship Agreement and the revision of its annual caps for the two years ended 31 December 2012. In view of the recent business expansion and developments, the Board proposes to further revise the 2012 Annual Cap of the VMEPH Distributorship Agreement.

VMEPH Distributorship Agreement

On 9 November 2009, the Company entered into the VMEPH Distributorship Agreement with Sanyang for a term of three years commencing from 1 January 2010 in relation to, among others, the Group's exclusive distributorship of motorbikes and related parts manufactured by Sanyang Group in the Exclusive Territory (except in the case of Vietnam, the Company will only be entitled to re-sell such motorbikes to customers in Vietnam solely for use in exhibitions).

Under the VMEPH Distributorship Agreement, the Group only purchases products from the Sanyang Group when confirmed customer orders are received and the products being purchased are restricted to those models of motorbikes which are not produced by the Group. The Sanyang Group sells such products at a price that is at least 3.5% lower than the indicative purchase price for such products offered by independent third parties (being persons or entities who/which are not connected persons within the meaning of the Listing Rules) customers to whom the Group proposes to re-sell such products. Such pricing basis ensures that the Group will have the benefit of a margin of at least 3.5% as a minimum guaranteed profit on each product manufactured by the Sanyang Group which it re-sells to end customers in the Exclusive Territory. The Group is required to pay for all purchases made under the VMEPH Distributorship Agreement in cash within 30 days after the date of delivery.

Historical Amounts

After the entering into of the VMEPH Distributorship Agreement in November 2009, the Board has revised the annual caps of the VMEPH Distributorship Agreement in August 2010 and July 2011,

respectively. Please refer to the Company's announcements dated 20 August 2010, 25 August 2010 and 28 March 2011 for further details.

The original annual caps (as revised by the Board from time to time) and the historical transaction amounts of the VMEPH Distributorship Agreement for the two years ended 31 December 2011 are set out as follows:

For the year ended 31 December 2010	Proposed annual cap (as revised pursuant to announcement dated 25 August 2010)	US\$10,000,000 (equivalent to approximately HK\$78,000,000)
	Actual transaction amount	US\$9,538,244 (equivalent to approximately HK\$74,398,303)
For the year ended 31 December 2011	Proposed annual cap (as revised pursuant to announcement dated 28 March 2011)	US\$13,000,000 (equivalent to approximately HK\$101,400,000)
	Actual transaction amount	US\$12,883,870 (equivalent to approximately HK\$100,494,186)

Proposed Revised 2012 Annual Cap

The Board expects that the Original 2012 Annual Cap will not be sufficient for the expected sales of the Group for the financial year ending 31 December 2012. The Board therefore proposes to further revise the Original 2012 Annual Cap in relation to the distribution of motorbike and related parts manufactured by Sanyang Group in the Exclusive Territory under the VMEPH Distributorship Agreement.

The Original 2012 Annual Cap, the actual transaction amounts under the VMEPH Distributorship Agreement up to 30 April 2012, and the Revised 2012 Annual Cap proposed by the Board are as follows:

Original 2012 Annual Cap (as revised pursuant to announcement dated 28 March 2011)	US\$14,500,000 (equivalent to approximately HK\$113,100,000)
Actual transaction amount for the four months ended 30 April 2012 (based on unaudited management accounts)	US\$6,764,400 (equivalent to approximately HK\$52,762,320)
Proposed Revised 2012 Annual Cap	US\$28,500,000 (equivalent to approximately HK\$222,300,000)

In determining the Revised 2012 Annual Cap, the Board took into account (i) the historical transaction amounts for the four months ended 30 April 2012, (ii) the confirmed purchase order of motorbikes and related parts for the first half of year 2012 and (iii) the estimated sales for the second half of 2012 when the peak season of sales starts. The Group's purchases of motorbikes (for reselling) under the VMEPH Distributorship Agreement during the four months period ended 30 April 2012 was US\$6,764,400, which represents (i) approximately 47% of the Original 2012 Annual Cap; and (ii) an increase of approximately 50% compared with the same period in 2011.

As at the date of this announcement, based on the Group's latest unaudited management accounts for four months ended 30 April 2012, the actual transaction amounts under the VMEPH Distributorship Agreement have not yet exceeded the Original 2012 Annual Cap.

REASONS FOR AND BENEFITS OF THE REVISED 2012 ANNUAL CAP

The Group manufactures various types of scooters and cubs to cope with different customer demand. Apart from the sales of scooters and cubs manufactured by the Group, it also purchases motorbikes of models which are not produced by the Group and related parts from the Sanyang Group for distribution to the Group's customers in various South-east Asian countries (excluding Vietnam). By strengthening its distribution network and motorbike parts sourcing network, the Group's responsiveness to customer demand and market changes will be enhanced.

Since the first quarter of 2012, the Board noticed a significant increase in demand of motorbikes, scooters and cubs of models with higher output powers, particularly amongst Association of Southeast Asian Nations countries, and expects such strong demand to sustain throughout the year 2012. Therefore, the Group will increase its distribution of higher output powers motorbikes purchased from Sanyang Group under the VMEPH Distributorship Agreement. The expected increase in units of motorbikes to be distributed under VMEPH Distributorship Agreement will enable the Group to meet different customer demands across South-east Asia thereby increasing its market share, and at the same time, to further broaden the revenue stream and increase profit attributable to the motor distribution business.

DIRECTORS' VIEW

Each of Mr. Chang Kwang Hsiung, Mr. Yu Wen Lung and Mr. Chou Ken Yuan (each being a Director) has a 0.0030%, 0.0109%, 0.0024 shareholding in Sanyang, respectively. Mr. Chiang Shih Huang serves on the boards of both Sanyang and the Company, while Mr. Chiu Ying Feng serves on the board of the Company and is an employee of Sanyang. Therefore, pursuant to the Articles of Association of the Company, Mr. Chang Kwang Hsiung, Mr. Yu Wen Lung, Mr. Chou Ken Yuan, Mr. Chiang Shih Huang and Mr. Chiu Ying Feng had abstained from voting in the board meeting to approve the revision of annual cap of VMEPH Distributorship Agreement due to the aforesaid overlapping of roles and shareholding interests in Sanyang.

The Board (excluding the independent non-executive Directors who will express their views after receiving advice from the independent financial adviser of the Company) are of the view that the VMEPH Distributorship Agreement has been entered into in the ordinary and usual course of the business of the Group and are based on normal commercial terms, and the VMEPH Distributorship Agreement and the Revised 2012 Annual Cap are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION OF THE GROUP AND SANYANG GROUP

The Group is one of the leading manufacturers of scooter 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, SY International Ltd., held 608,318,000 issued ordinary shares of the Company (approximately 67.02% of the issued share capital of the Company) and thus, is an indirect substantial shareholder of the Company. Therefore, members of the Sanyang Group are connected persons of the Company.

LISTING RULES IMPLICATIONS

Pursuant to the Listing Rules, if the Company proposes to revise the annual cap for the VMEPH Distributorship Agreement, the Company is required to comply with the provisions of Chapter 14A of the Listing Rules applicable to the relevant continuing connected transactions.

As Sanyang is an indirect substantial shareholder of the Company and thus a connected person of the Company by virtue of Rule 14A.11(1) of the Listing Rules, members of the Sanyang Group are also connected persons of the Company. Accordingly, the transactions under the VMEPH Distributorship Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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A circular containing, among other things, further details of the VMEPH Distributorship Agreement and the Revised 2012 Annual Cap, a letter from the independent board committee to the independent Shareholders in respect of the Revised 2012 Annual Cap, a letter from the independent financial adviser to the independent board committee and the independent Shareholders in respect of the Revised 2012 Annual Cap, and a notice convening the extraordinary general meeting, will be dispatched to the Shareholders as soon as practicable on or before 7 June 2012 in accordance with the requirements of the Listing Rules.

DEFINITIONS

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

“associates”	has the meaning ascribed to it under the Listing Rules
“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

“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	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 from time to time
“HK\$”	Hong Kong Dollars, being the lawful currency of Hong Kong
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Original 2012 Annual Cap”	the original annual cap amount for the VMEPH Distributorship Agreement for the year ending 31 December 2012, as revised pursuant to announcement dated 28 March 2011 and approved by independent Shareholders in an extraordinary general meeting held on 19 July 2011
“PRC”	the People’s Republic of China and for the purpose of this announcement, excludes Taiwan, the Macau Special Administrative Region and Hong Kong
“Revised 2012 Annual Cap”	the revised annual cap amount proposed by the Board in respect of the VMEPH Distributorship Agreement for the year ending 31 December 2012, being US\$28,500,000 (equivalent to approximately HK\$222,300,000)
“Sanyang Group”	Sanyang and its subsidiaries from time to time (excluding the Group)
“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, which is the ultimate controlling shareholder of the Company
“Shareholder(s)”	holder of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“US\$” or “US dollar”	the lawful currency of the United States of America
“VMEPH Distributorship Agreement”	the agreement dated 9 November 2009 and entered into between the Company and Sanyang in relation to the exclusive distribution by the Group of motorbikes and related parts manufactured by Sanyang Group in the Exclusive Territory (excluding Vietnam, unless the

motorbikes are resold in Vietnam for exhibition purposes)

“0%”

per cent.

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

Hong Kong, 18 May 2012

All amounts denominated in US\$ have been translated into HK\$ at an exchange rate of US\$ 1.00 = HK\$7.8 in this announcement for illustration purpose only.

As at the date of this announcement, the Board comprised four executive Directors, namely Mr. Chang Kwang Hsiung, Mr. Chou Ken Yuan, Mr. Wang Ching Tung and Mr. Yu Wen Lung, two non-executive Directors, namely Mr. Chiang Shih Huang and Mr. Chiu Ying Feng, and three independent non-executive Directors, namely Ms. Lin Ching Ching, Mr. Shen Hwa Rong and Mr. Wei Sheng Huang.