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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)

ANNOUNCEMENT REVISION OF ANNUAL CAPS FOR EXISTING CONTINUING CONNECTED TRANSACTIONS

Reference is made to the Company's Announcement dated 9 November 2009 in relation to the VMEPH Distributorship Agreement and the VMEPH Sanyang Global Purchase Agreement.

With the continued development of the Group, and based on internal estimates of demand and operating conditions, the Company expects that the Original Annual Caps will not be sufficient for the Continuing Connected Transaction. The Board therefore proposes to revise the annual caps in relation to the VMEPH Distributorship Agreement and the VMEPH Sanyang Global Purchase Agreement for the three years ending 31 December 2012.

Given that the applicable percentage ratios for the Revised Annual Caps for VMEPH Distributorship Agreement and VMEPH Sanyang Global Purchase Agreement are less than 5%, the transactions under the VMEPH Distributorship Agreement and VMEPH Sanyang Global Purchase Agreement are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the Announcement of the Company dated 9 November 2009 in relation to, among other things, the Continuing Connected Transactions as set out under the VMEPH Distributorship Agreement and the VMEPH Sanyang Global Purchase Agreement.

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.

Sanyang Group 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 approximately 67.02% 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.

THE CONTINUING CONNECTED TRANSACTIONS

VMEPH Distributorship Agreement

On 9 November 2009, the Group entered into the VMEPH Distributorship Agreement with Sanyang Group 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 Sanyang Group when confirmed customer orders are received and restricted to those models of motorbikes which are not produced by the Group. 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 the Independent Third Party customer 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 Sanyang Group which it re-sell 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.

VMEPH Sanyang Global Purchase Agreement

On 9 November 2009, the Group entered into the VMEPH Sanyang Global Purchase Agreement with Sanyang Group for a term of three years commencing from 1 January 2010 in relation to, among others, the purchase of certain motorbike parts by the Group from Sanyang Global.

Under the VMEPH Sanyang Global Purchase Agreement, the Group purchases certain motorbike parts such as crank case components, pistons and cylinders from Sanyang Global which are sourced by it from Independent Third Parties in the PRC. The pricing of purchases of motorbike parts under such agreement is determined by reference to market prices. The Group is required to pay for all purchases made under the VMEPH Sanyang Global Purchase Agreement in cash within 30 days after the date of delivery.

REVISED ANNUAL CAPS

Based on the Group's latest unaudited management accounts for the six months ended 30 June 2010, the Company expects that the Original Annual Caps will not be sufficient for the expected sales of the Group. The Board therefore proposes to revise the Original Annual Caps in relation to (i) the distributorships of motorbike and related parts manufactured by Sanyang Group in the Exclusive Territory under the VMEPH Distributorship Agreement; and (ii) purchase of certain motorbike parts by the Group under the VMEPH Sanyang Global Purchase Agreement.

The Original Annual Caps and the Revised Annual Caps proposed by the Board are as follows:

		For the year ending 31 December 2010	For the year ending 31 December 2011	For the year ending 31 December 2012
VMEPH Distributorship Agreement	Original Annual Caps for VMEPH Distributorship Agreement	US\$7,700,000 (equivalent to approximately HK\$60,060,000)	US\$7,700,000 (equivalent to approximately HK\$60,060,000)	US\$7,700,000 (equivalent to approximately HK\$60,060,000)
	Revised Annual Caps for VMEPH Distributorship Agreement	US\$10,500,000 (equivalent to approximately HK\$81,900,000)	US\$10,500,000 (equivalent to approximately HK\$81,900,000)	US\$10,500,000 (equivalent to approximately HK\$81,900,000)

VMEPH Sanyang Global Purchase Agreement	Original Annual Caps for VMEPH Sanyang Global Purchase Agreement	US\$4,500,000 (equivalent to approximately HK\$35,100,000)	US\$5,100,000 (equivalent to approximately HK\$39,780,000)	US\$5,916,000 (equivalent to approximately HK\$46,144,800)
	Revised Annual Caps for VMEPH Sanyang Global Purchase Agreement	US\$8,100,000 (equivalent to approximately HK\$63,180,000)	US\$9,500,000 (equivalent to approximately HK\$74,100,000)	US\$10,000,000 (equivalent to approximately HK\$78,000,000)

In determining the Revised Annual Purchase Caps for VMEPH Distributorship Agreement, the Board took into account the historical transaction amounts for the six months ended on 30 June 2010, and expected change in sales of specific models in Malaysia and Thailand. The Group's purchases under the VMEPH Distributorship Agreement during the first six months ended 30 June 2010 was US\$3,731,993 and has increased by approximately 237% compared with the same period in 2009.

In determining the Revised Annual Caps for VMEPH Sanyang Global Purchase Agreement, the Board took into account the historical transaction amounts for the six months ended on 30 June 2010, the original expected purchase amount the introduction of new motorbike models, the increase in export sales of engines to Malaysia, and the sourcing of new category of motorbike parts in the PRC through Sanyang Global. The Group's purchase under the VMEPH Sanyang Global Purchase Agreement during the first six months ended 30 June 2010 was US\$4,233,076 and has increased by approximately 56% compared with the same period in 2009.

Historical Amounts

The historical transaction amounts for the Continuing Connected Transactions are set out as follows:

		For the year ended 31 December 2009 (as disclosed in the Company's 2009 Annual Report)	For the period ended 30 June 2010
VMEPH Distributorship Agreement	Annual cap	US\$7,700,000 (equivalent to approximately HK\$60,060,000)	US\$7,700,000 (equivalent to approximately HK\$60,060,000)
	Actual transaction amount	US\$5,071,671 (equivalent to approximately HK\$39,559,034)	US\$3,731,993 (equivalent to approximately HK\$29,109,545)
VMEPH Sanyang Global Purchase Agreement	Annual cap	US\$10,100,000 (equivalent to approximately HK\$78,780,000)	US\$4,500,000 (equivalent to approximately HK\$35,100,000)
	Actual transaction amount	US\$6,350,282 (equivalent to approximately HK\$49,532,200)	US\$4,233,076 (equivalent to approximately HK\$33,017,993)

Based on the Group's unaudited management accounts, (i) the value of motorbikes distributed under the VMEPH Distributorship Agreement from 1 January 2010 up to 30 June 2010 amounted to approximately US\$3,731,993 (equivalent to approximately HK\$29,109,545), representing approximately 48.47% of the relevant Original Annual Cap for the current year, and (ii) the purchase of motorbike parts by the Group from Sanyang Global under VMEPH Sanyang Global Purchase Agreement from 1 January 2010 up to 30 June 2010 amounted to approximately US\$4,233,076 (equivalent to approximately HK\$33,017,993), representing approximately 94.07% of the relevant Original Annual Cap for the current year. As at the date of this announcement, based on the Group's unaudited management accounts, the actual transaction amounts in relation to Continuing Connected Transactions have not exceeded the relevant Original Annual Cap.

REASONS FOR AND BENEFITS OF THE REVISED CAPS

The Group manufactures various types of scooters and cubs to cope with different customer demand so as to raise its market share. By strengthening its distribution network and motorbike parts sourcing network, the Group's responsiveness to customer demand and market changes will be enhanced. Therefore, under the Revised Annual Caps, the increased volumes of motorbikes to be transacted under VMEPH Distributorship Agreement and the sourcing of motorbike parts at lower costs under VMEPH Sanyang Global Purchase Agreement will enable the Group to meet different customer demands across South-east Asia and thus increase market share, while maintaining a lower cost competitive edge.

In determining the Revised Annual Purchase Caps for VMEPH Distributorship Agreement, the Board took into account the historical transaction amounts, and expected increase in demand of specific models in Malaysia and Thailand and therefore expected increase in sales to these markets. The Group's sales to its customers under the VMEPH Distributorship Agreement during the first six months ended 30 June 2010 was US\$3,731,993 and has increased by approximately 237% compared with the same period in 2009.

In determining the Revised Annual Caps for VMEPH Sanyang Global Purchase Agreement, the Board took into account the historical transaction amounts for the six months ended on 30 June 2010, the expected purchase amount of motorbike parts from Sanyang Global with the introduction of new motorbike models, the expected increase in purchase of motorbike parts to satisfy the expected increase in export sales of engines to Malaysia, and the sourcing of new category of motorbike parts in the PRC through Sanyang Global due to cost advantages. The Group's purchase under the VMEPH Sanyang Global Purchase Agreement during the first six months ended 30 June 2010 was US\$4,233,076 and has increased by approximately 56% compared with the same period in 2009.

DIRECTORS' VIEW

In view of the above reasons, the Directors (including all the Independent Non-Executive Directors) consider that the terms of the VMEPH Distributorship Agreement and the VMEPH Sanyang Global Purchase Agreement are fair and reasonable and are based on normal commercial terms, and that the Revised Annual Purchase Caps for VMEPH Distributorship Agreement and VMEPH Sanyang Global Purchase Agreement are in line with the development of the Company and in the interests of the Company and the Shareholders as a whole.

Mr. Chang Kwang Hsiung, Mr. Lou Hen Wen and Mr. Lee Hsi Chun have respectively 0.0012%, 0.0224% and 0.0002% shareholding interests in Sanyang while Mr. Huang Kwang Wu serves on the boards of both Sanyang and the Company and Mr. LIU Wu Hsiung Harrison serves on the board of the Company and is an employee of Sanyang. Therefore pursuant to the Articles of Association of the Company, these five Directors were required to abstain from voting to approve the Revised Annual Caps due to the aforesaid overlapping of roles and shareholding interests in Sanyang.

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 scooter and cub motorbikes, engines and related parts.

Sanyang Group is principally engaged in the manufacture 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 approximately 67.02% 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.

IMPLICATION UNDER THE LISTING RULES

Pursuant to the Listing Rules, if the Company proposes to revise the annual caps for continuing connected transaction, the Company will have to comply with the provisions of Chapter 14A of the Listing Rules applicable to the relevant continuing connected transaction.

Revision of Original Annual Purchase Caps for VMEPH Distributorship Agreement and VMEPH Sanyang Global Purchase Agreement

As Sanyang Group is an indirect substantial shareholder of the Company, a connected person of the Company by virtue of Rule 14A.11(1) of the Listing Rules, the transactions under the VMEPH Distributorship Agreement and VMEPH Sanyang Global Purchase Agreement constitute continuing connected transactions of the Company under Rule 14A.13(1)(a) of the Listing Rules.

Given that the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) for the Revised Annual Caps for VMEPH Distributorship Agreement and VMEPH Sanyang Global Purchase Agreement are less than 5%, pursuant to Rule 14A.34 the transactions under the VMEPH Distributorship Agreement and VMEPH Sanyang Global Purchase Agreement are subject to the reporting, announcement and annual review requirements under Chapter 14A but are exempt from independent shareholders' approval requirement under Chapter 14A 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 management board of the Company
“Company”	Vietnam Manufacturing and Export Processing (Holdings) Limited
“connected person”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transactions”	transactions with terms as set out under VMEPH Distributorship Agreement and VMEPH Sanyang Global Purchase Agreement
“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
“Independent Non-Executive Director(s)”	the independent non-executive director(s) of the Company

“Independent Third Parties”	persons or entities who/which are not connected persons within the meaning of the Listing Rules
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Original Annual Caps”	the Original Annual Caps for VMEPH Distributorship Agreement and Original Annual Caps for VMEPH Sanyang Global Purchase Agreement
“Original Annual Caps for VMEPH Distributorship Agreement”	the original annual cap amounts for US\$7,700,000 under the VMEPH Distributorship Agreement for the three years ending 31 December 2012
“Original Annual Caps for VMEPH Sanyang Global Purchase Agreement”	the original annual cap amounts for US\$4,500,000, US\$5,100,000 and US\$5,916,000 under the VMEPH Sanyang Global Purchase Agreement for the three years ending 31 December 2010, 31 December 2011 and 31 December 2012 respectively
“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 Annual Caps”	Revised Annual Caps for VMEPH Distributorship Agreement and Revised Annual Purchase Caps for VMEPH Sanyang Global Purchase Agreement
“Revised Annual Caps for VMEPH Distributorship Agreement”	the revised annual cap amounts proposed by the Company in respect of the VMEPH Distributorship Agreement, being US\$10,500,000 (equivalent to approximately HK\$81,900,000), US\$10,500,000 (equivalent to approximately HK\$81,900,000) and US\$10,500,000 (equivalent to approximately HK\$81,900,000) for the three years ending 31 December 2012 respectively
“Revised Annual Purchase Caps for VMEPH Sanyang Global Purchase Agreement”	the revised annual cap amounts proposed by the Company in respect of the VMEPH Sanyang Global Purchase Agreement, being US\$8,100,000 (equivalent to approximately HK\$63,180,000), US\$9,500,000 (equivalent to approximately HK\$74,100,000) and US\$10,000,000 (equivalent to approximately HK\$78,000,000) for the three years ending 31 December 2012 respectively
“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 Group”	Sanyang and its subsidiaries and/or associates from time to time (excluding the Group)
“Shareholder(s)”	holder 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
“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) for a consecutive term of three years ending on 31 December 2012
“VMEPH Sanyang Global Purchase Agreement”	the agreement dated 9 November 2009 and entered into between the Company and Sanyang Global in relation to the purchase of motorbike parts by the Group from Sanyang Global for a consecutive term of three years ending on 31 December 2012
“US\$” or “US dollar”	the lawful currency of the United States of America
“%”	per cent.

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

Hong Kong, 20 August 2010

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 of Directors comprised four executive Directors, namely Mr. Chang Kwang Hsiung, Mr. Lou Hen Wen, 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.