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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

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References are made to the announcements of the Company dated 9 November 2009, 28 March 2011, 9 November 2012, 8 December 2015, 30 December 2016 and 8 December 2017 in relation to, among other things, the Continuing Connected Transactions entered into between the Group and the Sanyang Group.

As the existing agreements relating to the Continuing Connected Transactions (except for the Technology Licence Agreement) will expire on 31 December 2018, the Company had, on 12 November 2018, entered into new agreements in relation to the Continuing Connected Transactions (except for the Technology Licence Agreement) each with a term of three years ending on 31 December 2021. The Board also proposes the Annual Caps for the transactions contemplated under each of the Continuing Connected Transactions (including transactions under the Technology Licence Agreement) for the three years ending on 31 December 2019, 2020 and 2021.

The Continuing Connected Transactions will be conducted between members of the Group and members of the Sanyang Group. As at the date of this announcement, Sanyang, through its wholly-owned subsidiary, SYI, held approximately 67.07% of the issued share capital of the Company and thus, is an indirect controlling shareholder of the Company.

LISTING RULES IMPLICATIONS

As Sanyang is an indirect controlling shareholder of the Company and thus a connected person of the Company by virtue of Rule 14A.07(1) of the Listing Rules, members of the Sanyang Group are also connected persons of the Company. Accordingly, the Continuing Connected Transactions will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Annual Caps for each of the Group 1 Transactions exceed 5%, the Group 1 Transactions are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Hence, the terms of the Group 1 Transactions, their respective agreements (except for the Technology Licence Agreement) and their respective Annual Caps are conditional on approval by the Independent Shareholders being obtained at the EGM.

As one or more of the applicable percentage ratios in respect of the Annual Caps for each of the Group 2 Transactions exceed 0.1% but all the applicable percentage ratios are less than 5%, the Group 2 Transactions are exempt from the Independent Shareholders' approval requirement but subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

EGM

An EGM will be convened by the Company with a view to seeking approval of the Group 1 Transactions, their respective agreements (except for the Technology Licence Agreement) and the respective Annual Caps from the Independent Shareholders in accordance with the requirements of the Listing Rules. As Sanyang, either itself or its associates, being the counterparty to the agreements relating to the Group 1 Transactions, is materially interested in those transactions, Sanyang and its associates will abstain from voting in the resolutions to be proposed at the EGM for approving the above matters.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee has been established to advise the Independent Shareholders as to whether the terms of the Group 1 Transactions and the related Annual Caps are fair and reasonable, and to advise the Independent Shareholders on how to vote.

APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

Altus Capital Limited has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Group 1 Transactions and the related Annual Caps are fair and reasonable and as to voting at the EGM so far as the Independent Shareholders are concerned.

CIRCULAR

A circular containing, among other things, (i) further details of the Group 1 Transactions and the related Annual Caps; (ii) a letter from the Independent Board Committee in respect of the Group 1 Transactions and the related Annual Caps; (iii) a letter from the Independent Financial Adviser in respect of the Group 1 Transactions and the related Annual Caps; and (iv) other information as required under the Listing Rules together with the notice of the EGM, will be dispatched to the Shareholders on or before 3 December 2018 in accordance with the requirements of the Listing Rules.

BACKGROUND

References are made to the announcements of the Company dated 9 November 2009, 28 March 2011, 9 November 2012, 8 December 2015, 30 December 2016 and 8 December 2017 in relation to, among other things, the Continuing Connected Transactions entered into between the Group and the Sanyang Group.

As the existing agreements relating to the Continuing Connected Transactions (except for the Technology Licence Agreement) will expire on 31 December 2018, the Company had, on 12 November 2018, entered into new agreements in relation to the Continuing Connected Transactions (except for the Technology Licence Agreement) each with a term of three years ending on 31 December 2021. The Board also proposes the Annual Caps for the transactions contemplated under each of the Continuing Connected Transactions (including transactions under the Technology Licence Agreement) for the three years ending on 31 December 2021.

PRINCIPAL TERMS OF THE CONTINUING CONNECTED TRANSACTIONS, REASONS AND BENEFITS

Group 1 Transactions - Non-exempted continuing connected transactions

(A) Master Purchase Agreement

Date: 12 November 2018

Parties: (a) the Company (on behalf of other members of the Group) as the purchaser

(b) Sanyang (for itself and on behalf of other members of the Sanyang Group) as the seller

Term: 1 January 2019 to 31 December 2021

Background

The Group has been sourcing certain motorbike parts from Sanyang and other members of the Sanyang Group for its production of motorbikes. As the previous purchase agreement with Sanyang will expire on 31 December 2018, on 12 November 2018, the Company entered into the Master Purchase Agreement with Sanyang, to continue to engage the Sanyang Group to supply motorbike parts to the Group upon expiry of the previous agreement. The relevant suppliers of motorbike parts under the Master Purchase Agreement are members of the Sanyang Group (including direct or

indirect, and wholly-owned or non-wholly owned subsidiaries) from time to time, which include but are not limited to Sanyang, VTBM, Sanyang Global, Qingzhou Machinery and Xia Shing, which are engaged in manufacturing or sourcing of various motorbike parts in different countries and regions.

Major terms and pricing for the Master Purchase Agreement

Under the Master Purchase Agreement, the Group purchases certain motorbike parts from the Sanyang Group which are either manufactured by the Sanyang Group or sourced by it from Independent Third Parties, for the Group's production of motorbikes. The motorbike parts to be sourced from Sanyang include electronic fuel injection components, engine control units, carburettors, clutches and cylinder heads, while that to be sourced from other members of the Sanyang Group include fuel tanks, frames and rear shafts manufactured in Vietnam by VTBM, centrifugal clutches, cam shafts, pistons, cylinders and gears from Sanyang Global, Qingzhou Machinery and Xia Shing sourced by them from Independent Third Parties in the PRC. The Group may also source other motorbike parts from other members of the Sanyang Group from time to time should it be required by its production process.

The price of sourcing of motorbike parts from members of the Sanyang Group is at a cost plus basis. Sanyang Group charges the Group at the manufacturing cost or purchase cost (as the case may be) of such products plus a margin of 10% (if Vietnam import duty for such product is 20% or more) or of 15% (if Vietnam import duty for such product is less than 20%). The above manufacturing cost or purchase cost (as the case may be) will be determined on an annual basis subject to adjustments in any annual period with respect to fluctuations in foreign exchange rates and modifications to model of motorbikes in which the products to be purchased by the Group from Sanyang pursuant to the Master Purchase Agreement is used.

The Group shall settle the purchase costs under the Master Purchase Agreement in cash within 30 to 60 days (as the case may be) after the date of the invoice unless the relevant parties determined otherwise in the individual purchase orders.

The Master Purchase Agreement is a framework agreement which provides the principles, mechanism and terms and conditions for the Group's purchase of motorbike parts from the Sanyang Group. Individual purchase orders will be entered into between the relevant members of the Group and Sanyang Group from time to time which will specify the types of motorbike parts to be purchased, price, delivery arrangements and any other terms which may be relevant to the supply of the parts to the Group. The individual purchase orders may only contain provisions which are in all material respects consistent with the binding principles, guidelines, terms and conditions set out in the Master Purchase Agreement.

Reasons and benefits for the Master Purchase Agreement

The Group purchases motorbike parts from the Sanyang Group rather than directly from Independent Third Party suppliers because, by centralising and aggregating the Sanyang Group's sourcing of such parts with those of the Group's, the Sanyang Group is in a position to negotiate better purchase price and terms with the suppliers and enjoy benefits of bulk purchase, which also benefits the Group as the Sanyang Group will be able to supply the parts to the Group at lower costs. For motorbike parts which are currently sourced from suppliers outside Vietnam as they are either unavailable or not of acceptable quality or pricing in Vietnam, the Sanyang Group also provides quality testing, packaging, customs clearance and logistics services on the motorbike parts sold to the Group at a lower cost than that for the Group to engage an Independent Third Parties outside Vietnam to provide similar services.

Apart from sourcing from Sanyang, the Group also sources certain motorbike parts from other members of the Sanyang Group (such as Sanyang Global, Qingzhou Machinery and Xia Shing) in the PRC. It enables the Group to secure a cost effective and stable source of supply of motorbike parts as motorbike parts are supplied at a lower cost in the PRC than in other countries due to lower labour costs and production costs in the PRC. Whilst the rising costs of sourcing from the PRC are primarily attributed to the fluctuation of Renminbi, by centralising purchase from/ with the Sanyang Group instead of making separate purchase orders to independent suppliers, the Group is able to mitigate and minimise the impact of the increasing sourcing costs. In sourcing the relevant motorbike parts from the Sanyang Group, the Sanyang Group also assists the Group to conduct surveys and perform quality checks on suppliers which are based in the PRC to ensure that the parts supplied by them meet the requirement and standards of the Group.

Certain production plants of the Sanyang Group are located in the southern and northern parts of Vietnam. The Group also sources motorbike parts from the Sanyang Group (such as VTBM) locally in Vietnam for production in its production plant located near the Group's plants. This will reduce transportation costs and delivery time due to the proximity between the manufacturing plants of the Sanyang Group and those of the Group's, as compared to sourcing from other suppliers. Sourcing motorbike parts from the Sanyang Group in Vietnam will also bring flexibility to the Group and allows it to meet unexpected increase of orders or other market contingencies.

Due to the rapid growth in the economy of Vietnam and the expansion of 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. Taking into account the Sanyang Group's production capacity and relevant experience in supplying motorbike parts to motorbike manufacturers, quality of the motorbike parts supplied, and the established business relationship with the Group from which the Sanyang Group gained profound understanding of the Group's product specification and production need, the Board considers the Sanyang Group a long term business partner and reliable supplier of motorbike parts.

(B) Distributorship Agreement

Date: 12 November 2018

Parties: (a) the Company (on behalf of other members of the Group) as the distributor
(b) the Sanyang (for itself and on behalf of other members of the Sanyang Group) as the supplier

Term: 1 January 2019 to 31 December 2021

Major terms and pricing terms of the Distributorship Agreement

Under the Distributorship Agreement, the Group acts as the exclusive distributor of certain motorbikes and related parts manufactured by the 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 Group only purchases products from the Sanyang Group when confirmed customer orders are received and the motorbikes to be distributed are restricted to those models which the Group does not produce. The Sanyang Group sells such products to the Group at a price that is at least 3.5% lower than the indicative sales price of such products proposed to be sold by the Group to independent end-customers. The Group shall pay for all purchases made under the Distributorship Agreement in cash within 30 to 60 days (as the case may be) after the date

of the invoice unless the relevant parties determined otherwise in the relevant purchase order.

Reasons and benefits for the Distributorship Agreement

Through distribution of specific models of motorbikes and related parts manufactured by the Sanyang Group (which model the Group does not produce) in the Exclusive Territory, the Group can retain the end-customers in the Exclusive Territory who purchase specific models of motorbike manufactured by the Sanyang Group. The Group may leverage on the customer base of the Sanyang Group as a gateway for expanding its own customer base within the Exclusive Territory, increasing its market shares and promoting its corporate and brand recognition. The pricing basis as agreed under the Distributorship Agreement also ensures that the Group will have a minimum guaranteed profit of at least 3.5% of the sales price on each product the Group distributes or re-sells to end-customers in the Exclusive Territory.

(C) Technology Licence Agreement

Date: 26 November 2007

Parties: (a) VMEP as the licensee
(b) Sanyang as the supplier

Major terms and pricing terms of the Technology Licence Agreement

The Technology Licence Agreement was entered into between VMEP (a wholly-owned subsidiary of the Company) and Sanyang on 26 November 2007, and will continue in force for so long as Sanyang is a controlling shareholder of the Company and for a further period of 20 years after Sanyang ceases to be a controlling shareholder of the Company, subject to certain termination events as set out in the Technology Licence Agreement.

Under 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 shall settle all undisputed invoices within 60 days from the last day of each six-month period in each calendar year.

Reasons and benefits for the Technology Licence Agreement

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 Board considers the continued use of such technology and related intellectual property 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.

Group 2 Transactions - Continuing connected transactions exempted from Independent Shareholders' approval

(D) Research and Development Services Agreement

Date: 12 November 2018

Parties: (a) the Company (on behalf of other members of the Group) as the purchaser
(b) Sanyang (for itself and on behalf of other members of the Sanyang Group) as the seller

Term: 1 January 2019 to 31 December 2021

Major terms and pricing terms of the Research and Development Services Agreement

Under the Research and Development Services Agreement, Sanyang and certain members of the Sanyang Group provide research and development services to the Group, including assigning their research support staff to work for the Group over a period of time as requested by the Group, and to provide research and development services to the Group with respect to specific new models developed by the Group on a project basis.

In relation to the assignment of its research support staff to work for the Group, the Sanyang Group charges the Group at a fixed rate of US\$250 per staff per working day spent on the provision of such support services. In relation to the provision of research and development services to the Group which involves the use of any materials, parts and moulds, the Sanyang Group charges the service fees at a cost plus basis, which will be determined at the manufacturing cost or purchase cost of any materials and other costs incurred by the Sanyang Group in providing such services (as the case may be) plus a margin of 10%. The Sanyang Group shall, prior to the Group engaging it to provide research and development services, prepare a proposal to the Group which include estimate of working hours of research support staff and costs of any materials required for such services. Sanyang Group agrees that it will charge the Group the service fees at the similar rates as it charges its other members, and the fees payable by the Group to the Sanyang Group shall not be higher than that payable by other members of Sanyang Group for the same services. The Group shall pay for all research and development services made under the Research and Development Services Agreement in cash within 30 days after the date of invoice unless the relevant parties determined otherwise in the relevant order.

Reasons and benefits for the Research and Development Services Agreement

The Sanyang Group and its employees have the required expertise and skills and are well-acquainted with the technical specifications of the motorbikes manufactured by the Group given the long history of the Sanyang Group's involvement in motorbike production. The Board believes the research and development services can improve the quality and speed of launching new models in response to customers' needs from time to time.

(E) Parts Sales Agreement

Date: 12 November 2018

Parties: (a) Sanyang (for itself and on behalf of other members of the Sanyang Group) as the purchaser

(b) the Company (on behalf of other members of the Group) as the seller

Term: 1 January 2019 to 31 December 2021

Major terms and pricing terms of the Parts Sales Agreement

Under the Parts Sales Agreement, the Group sells to the Sanyang Group motorbike parts such as connecting rods, side and body covers, panels and battery lids. The pricing at which motorbike parts are to be sold by the Group to the Sanyang Group under such agreement is at a cost plus basis, which will be determined at the manufacturing cost or purchase cost (as the case may be) of such products plus a margin of 10% (if import duty for such product is 20% or more) or of 15% (if import duty for such product is less than 20%). The Sanyang Group shall pay for all purchases under the Parts Sales Agreement in cash within 30 to 60 days (as the case may be) after the date of the invoice unless the relevant parties determined otherwise in the relevant purchase order.

Reasons and benefits for the Parts Sales Agreement

The Board 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.

(F) Production Machinery, Moulds and Equipment Purchase Agreement

Date: 12 November 2018

Parties: (a) the Company (on behalf of other members of the Group) as the purchaser

(b) Sanyang (for itself and on behalf of other members of the Sanyang Group) as the seller

Term: 1 January 2019 to 31 December 2021

Major terms and pricing terms of the Production Machinery, Moulds and Equipment Purchase Agreement

Under the Production Machinery, Moulds and Equipment Purchase Agreement, the Group purchases certain production machinery, moulds and equipment for the production of motorbikes and related parts from Sanyang Group which are either manufactured by the Sanyang Group or sourced by it from Independent Third Parties. The price of sourcing of production machinery, moulds and equipment the Sanyang Group is at a cost plus basis. Sanyang Group charges the Group at the manufacturing cost or purchase cost (as the case may be) of such production machinery, moulds and equipment plus a margin of 10% (if Vietnam import duty for such product is 20% or more) or of 15%

(if Vietnam import duty for such product is less than 20%). The Group shall pay for all purchases made under the Production Machinery, Moulds and Equipment Purchase Agreement in cash within 30 to 60 days (as the case may be) after the date of the invoice unless the relevant parties determined otherwise in the relevant purchase order.

Reasons and benefits for the Production Machinery, Moulds and Equipment Purchase Agreement

The Group can secure a stable supply of high quality production machinery, moulds and equipment which are either manufactured by the Sanyang Group in Taiwan and/or the PRC or purchased by the Sanyang Group from Independent Third Parties. Such production machinery, moulds and equipment are of a higher quality than as compared with those manufactured by local manufacturers in Vietnam.

INTERNAL CONTROL MEASURES

The Company has established internal control measures to ensure that the Continuing Connected Transactions are in accordance with the pricing policies and the terms of the relevant agreement, and that the purchase price of the relevant products and services from the Sanyang Group are on normal commercial terms and on terms no less favourable than those terms offered to the Group by Independent Third Parties for similar products and/or services. Such internal control measures employed by the Group include the following:

- (i) all the orders under the relevant agreements shall be reviewed and approved by the Directors and general manager, and finance department of the Company to ensure the terms are in compliance with the relevant agreements under which the transactions are entered into, and in this connection he/she must be satisfied that (i) the pricing policies and internal procedures adopted by the Company have been fully complied with; (ii) each transaction thereunder are on normal commercial terms; (iii) the purchase price of the relevant products and services from the Sanyang Group are no less favourable to the Group than the prices at which such products are offered by Independent Third Parties to the Group; and (iv) the selling price of the relevant products and services to the Sanyang Group are no less favourable to the Group than the prices at which such products are offered by it to Independent Third Parties;
- (ii) in relation to the purchase of products and services from the Sanyang Group the pricing of which are determined on a cost-plus basis, including the transactions pursuant to the Master Purchase Agreement, the Research and Development Services Agreement and the Production Machinery, Moulds and Equipment Purchase Agreement, the independent internal control team of the Company shall request the Sanyang Group to provide it with the relevant records of the manufacturing cost and/or purchase cost of the products and services incurred by the Sanyang Group, in order to ensure that the pricing mechanisms under the relevant agreements have been properly complied with; and
- (iii) the independent non-executive Directors shall, and the Company shall engage its external auditors to, conduct annual review of the Continuing Connected Transactions in accordance with the Listing Rules requirements.

The Board considers that such internal control procedures on pricing could effectively ensure that the pricing and terms of the transactions contemplated under the relevant agreements are conducted on normal commercial terms no less favourable to the Group and in accordance with the pricing policy as agreed under the relevant agreements.

HISTORICAL TRANSACTION AMOUNTS AND PROPOSED ANNUAL CAPS

Historical transaction amounts of the Continuing Connected Transactions

The table below sets out the historical transaction amounts of the Continuing Connected Transactions for the two years ended 31 December 2016 and 2017 and the ten months ended 31 October 2018:

(in US\$)	Transaction amounts for the year ended 31 December 2016	Transaction amounts for the year ended 31 December 2017	Transaction amounts for the ten months ended 31 October 2018 (based on management accounts of the Group up to 31 October 2018)
Group 1 Transactions			
(A) Master Purchase Agreement	13,095,848	7,918,868	12,512,482
(B) Distributorship Agreement	4,079,870	1,287,226	1,845,350
(C) Technology Licence Agreement	3,224,785	934,865	1,271,822
Group 2 Transactions			
(D) Research and Development Services Agreement	1,007,769	729,634	2,536,370
(E) Parts Sales Agreement	510,904	689,793	569,156
(F) Production Machinery, Moulds and Equipment Purchase Agreement	2,007,426	871,181	502,551

The actual transaction amounts of the Continuing Connected Transactions for the two years ended 31 December 2016 and 2017 had not exceeded the respective annual caps of the relevant year. The actual transaction amounts of the Continuing Connected Transactions during the first ten months of 2018 had not exceeded the respective annual caps for the year ending 31 December 2018.

Proposed Annual Caps of the Continuing Connected Transactions and the basis of determination

The Board proposes that the Annual Caps for the Continuing Connected Transactions for the three years ending 31 December 2019, 2020 and 2021 be set as follows:

(in US\$)	Annual Cap for the year ending 31 December 2019	Annual Cap for the year ending 31 December 2020	Annual Cap for the year ending 31 December 2021
Group 1 Transactions			
(A) Master Purchase Agreement	11,100,000	12,110,000	12,700,000
(B) Distributorship Agreement	3,301,000	3,603,000	3,603,000
(C) Technology Licence Agreement	2,580,000	2,710,000	2,770,000
Group 2 Transactions			
(D) Research and Development Services Agreement	720,000	1,710,000	800,000
(E) Parts Sales Agreement	860,000	990,000	1,140,000
(F) Production Machinery, Moulds and Equipment Purchase Agreement	600,000	1,510,000	1,780,000

The Annual Caps have been determined by the Board based on the historical transaction amounts of the Continuing Connected Transactions and expected growth and expansion of the Company's manufacturing and sales for the coming three years, taking into account of the following factors:

- (i) historical growth rates of the turnover of the Group and the relevant transaction amounts of the respective transactions;
- (ii) historical percentages of the relevant values of the subject transactions to the turnover of the Group;
- (iii) internal projected and/or targeted growth in turnover and sales volume of the Group;
- (iv) the recent transaction amounts of the subject transactions during the current financial year;
- (v) the expected rising costs of sourcing from the Sanyang Group as a result of the fluctuation of New Taiwanese Dollar and Renminbi and the constantly rising costs of raw materials;
- (vi) the expected increase in average unit price of the motorbike parts offered by independent suppliers due to inflation and increased production cost;

- (vii) the diversification of Company business by expanding production to new models which will deploy advance technology components like electronic fuel injection engines; and
- (viii) projected increase in the amount of the subject transactions for the purpose of reserved stocks to avoid disruption to Company business in the case of contingency.

BOARD VIEWS

As at the date of this announcement, each of Ms. Wu Li Chu, Mr. Chiang Chin Yung, Mr. Liu Wu Hsiung, Mr. Lin Chih Ming and Mr. Chiu Ying Feng (all being Directors) has a 1.997%, 0.019%, 0.013%, 0.003% and 0.002% shareholding in Sanyang respectively. Ms. Wu Li Chu is the deputy vice chairperson of Sanyang and she serves as the director of various subsidiaries of Sanyang. Mr. Chiu Ying Feng is the deputy vice president of Sanyang. Therefore, pursuant to the articles of association of the Company and the Listing Rules, Ms. Wu Li Chu, Mr. Chiang Chin Yung, Mr. Liu Wu Hsiung, Mr. Lin Chih Ming and Mr. Chiu Ying Feng have abstained from voting in the Board meeting to approve the Continuing Connected Transactions due to the aforesaid overlapping of roles and shareholding interests in the Sanyang. Save as mentioned above, no other Directors were in any way materially interested in and therefore have abstained from voting in the Board meeting approving the Continuing Connected Transactions.

The pricing policies of the Continuing Connected Transactions are either on a cost plus basis calculated at the manufacturing cost or purchase cost (as the case may be) of such products or services with purchased or produced by the Sanyang Group plus an agreed margin (for the Master Purchase Agreement, the Research and Development Services Agreement, the Parts Sales Agreement and the Production Machinery, Moulds and Equipment Purchase Agreement), or based on an agreed upon percentage to the indicative sales price or actual annual net selling price of products (for the Distributorship Agreement and the Technology Licence Agreement). The Board considers the pricing policies to be certain and objective, while the Group shall continue to monitor and ensure that the purchase price of the relevant products and services from the Sanyang Group are on normal commercial terms and on terms no less favourable than those terms offered to the Group by Independent Third Parties for similar products and/or services, as set out in the paragraph headed “Internal Control Measures” above.

The Board (other than the independent non-executive Directors whose views will be set out in the circular to be dispatch to the Shareholders) 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 and the respective Annual Caps have been reached after arm’s length negotiations among the parties, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Board (including the independent non-executive Directors) considers that the Group 2 Transactions have been carried out and will continue to be carried out in the ordinary and usual course of business of the Group and are on normal commercial terms, and that the terms of such transactions and the respective Annual Caps have been reached after arm’s length negotiations among the parties, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE COMPANY, THE GROUP, SANYANG AND SANYANG GROUP

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.

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, SYI, held 608,818,000 issued ordinary shares of the Company (approximately 67.07% of the issued share capital of the Company).

LISTING RULES IMPLICATIONS

The Continuing Connected Transactions will be conducted between members of the Group and members of the Sanyang Group. As Sanyang is an indirect controlling shareholder of the Company and thus a connected person of the Company by virtue of Rule 14A.07(1) of the Listing Rules, members of the Sanyang Group are also connected persons of the Company. Accordingly, the Continuing Connected Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Annual Caps for each of the Group 1 Transactions exceed 5%, the Group 1 Transactions are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Hence, the terms of the Group 1 Transactions, their respective agreements (except for the Technology Licence Agreement) and their respective Annual Caps are conditional on approval by the Independent Shareholders being obtained at the EGM.

As one or more of the applicable percentage ratios in respect of the Annual Caps for each of the Group 2 Transactions exceed 0.1% but all the applicable percentage ratios are less than 5%, the Group 2 Transactions are exempt from the Independent Shareholders' approval requirement but subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

EGM

An EGM will be convened by the Company with a view to seeking approval of the Group 1 Transactions, their respective agreements (except for the Technology Licence Agreement) and the respective Annual Caps from the Independent Shareholders in accordance with the requirements of the Listing Rules. As Sanyang, either itself or its associates, being the counterparty to the agreements relating to the Group 1 Transaction, is materially interested in those transactions, Sanyang and its associates will abstain from voting in the resolutions to be proposed at the EGM for approving the above matters.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee has been established to advise the Independent Shareholders as to whether the terms of the Group 1 Transactions and the related Annual Caps are fair and reasonable, and to advise the Independent Shareholders on how to vote.

APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

Altus Capital Limited has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Group 1 Transactions and the related Annual Caps are fair and reasonable and as to voting at the EGM so far as the Independent Shareholders are concerned.

CIRCULAR

A circular containing, among other things, (i) further details of the Group 1 Transactions and the related Annual Caps; (ii) a letter from the Independent Board Committee in respect of the Group 1 Transactions and the related Annual Caps; (iii) a letter from the Independent Financial Adviser in respect of the Group 1 Transactions and the related Annual Caps; and (iv) other information as required under the Listing Rules together with the notice of the EGM, will be dispatched to the Shareholders on or before 3 December 2018 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:

“Annual Cap(s)”	the maximum aggregate annual value of each of the Continuing Connected Transactions for the three financial years ending 31 December 2019, 2020 and 2021 proposed by the Board
“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
“Continuing Connected Transactions”	Collectively the Group 1 Transactions and the Group 2 Transactions
“Director(s)”	director(s) of the Company
“Distributorship Agreement”	the agreement dated 12 November 2018 entered into between the Company and Sanyang in relation to the exclusive distribution by the Group of motorbikes and related parts manufactured by the Sanyang Group in the Exclusive Territory (excluding Vietnam, unless the motorbikes are resold in Vietnam for exhibition purposes)

“EGM”	the extraordinary general meeting to be held by the Company to consider, and if thought fit, to approve the Continuing Connected Transactions
“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 1 Transactions”	the transactions under the Master Purchase Agreement, Distributorship Agreement and Technology Licence Agreement which are subject to the reporting, annual review, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules
“Group 2 Transactions”	the transactions under the Research and Development Services Agreement, Parts Sales Agreement and Production Machinery, Moulds and Equipment Purchase Agreement, which are exempt from the Independent Shareholders’ approval requirement but subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board which comprises all independent non-executive Directors and was established to advise the Independent Shareholders on the Continuing Connected Transactions
“Independent Financial Adviser”	Altus Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders as to the Group 1 Transactions
“Independent Shareholders”	Shareholders other than Sanyang and its associates and any other Shareholder(s) materially interested in the Continuing Connected Transactions
“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 (as amended from time to time)
“Master Purchase Agreement”	the agreement dated 12 November 2018 entered into between the Company as the purchaser and Sanyang as the seller in relation to purchases of motorbike parts by the Group from the Sanyang Group
“Parts Sales Agreement”	the agreement dated 12 November 2018 entered into between the Company and Sanyang in relation to sales of motorbike parts by the Group to the Sanyang Group
“PRC”	the People’s Republic of China and for the purpose of this announcement, excludes Taiwan, the Macau Special Administrative Region of the PRC and Hong Kong
“Production Machinery, Moulds and Equipment Purchase Agreement”	the agreement dated 12 November 2018 entered into between the Company and Sanyang in relation to purchases of certain production machinery, moulds and equipment by the Group from the Sanyang Group for the manufacture of motorbikes and related parts
“Qingzhou Machinery”	Zhangjiagang Qingzhou Machinery Industry Co., Limited (張家港慶洲機械摩托有限公司), an indirect wholly-owned subsidiary of Sanyang incorporated in the PRC
“Research and Development Services Agreement”	the agreement dated 12 November 2018 and entered into between the Company and Sanyang in relation to research and development services provided by the members of Sanyang Group to the Group
“Sanyang”	Sanyang Motor Co., Limited (三陽工業股份有限公司), a company incorporated in Taiwan and listed on the Taiwan Stock Exchange, which is the ultimate controlling shareholder of the Company
“Sanyang Global”	Sanyang Global Co., Ltd. (三陽環宇(廈門)實業有限公司), an indirect wholly-owned subsidiary of Sanyang incorporated in the PRC
“Sanyang Group”	Sanyang, its subsidiaries and associates (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
“Technology Licence Agreement”	the agreement dated 26 November 2007 entered into between VMEP and Sanyang in relation to grant of an exclusive licence to VMEP to use the technology, know-how, trade secrets and production information owned by Sanyang
“US\$”	United States Dollars, being the lawful currency of the United States
“VMEP”	Vietnam Manufacturing and Export Processing Co., Limited, a wholly-owned subsidiary of the Company
“VTBM”	Vietnam Three Brothers Machinery Industry Co., Limited, an associate company of the Group and an indirect non wholly-owned subsidiary of Sanyang incorporated in Vietnam
“Xia Shing”	Xiamen Xiashing Motorcycle Co., Ltd. (廈門廈杏摩托有限公司), an indirect non wholly-owned subsidiary of Sanyang incorporated in the PRC
“%”	per cent.

In this announcement, unless the context requires otherwise, the terms “associate(s)”, “connected person(s)”, “connected transaction(s)”, “controlling shareholder(s)”, “percentage ratio(s)” and subsidiary(ies)”, shall have the meaning given to such terms in the Listing Rules.

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

Hong Kong, 12 November 2018

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.