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**VMEPH**  
**V i e t n a m**

**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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The Board is pleased to announce that on 19 January 2017, the Company and Sanyang entered into the MIO Manufacture Agreement, pursuant to which, among others, (i) the Group shall provide manufacturing and assembly services in relation to the MIO Motorbikes to the Sanyang Group and (ii) in relation to such manufacturing and assembly services, the Sanyang Group shall supply the MIO Parts to the Group, commencing from the date of the agreement and ending on 31 December 2018.

### **LISTING RULES IMPLICATIONS**

The Transactions are 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. 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 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 each of the (i) annual caps for the manufacturing and assembly cost; and (ii) annual caps for the sourcing of parts, under the MIO Manufacture Agreement exceed 0.1% but all the applicable percentage ratios are less than 5%, the MIO Manufacture Agreement and the annual caps are exempt from the independent shareholders' approval requirement but are subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

## **BACKGROUND**

The Board is pleased to announce that on 19 January 2017, the Company and Sanyang entered into the MIO Manufacture Agreement, pursuant to which, among others, (i) the Group shall provide manufacturing and assembly services in relation to the MIO Motorbikes to the Sanyang Group and (ii) in relation to such manufacturing and assembly services, the Sanyang Group shall supply the MIO Parts to the Group, commencing from the date of the agreement and ending on 31 December 2018.

### **MIO Manufacture Agreement**

Date: 19 January 2017

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

Term: 19 January 2017 to 31 December 2018

### **Major terms and pricing terms of the MIO Manufacture Agreement**

(i) the manufacture and assemble of MIO Motorbikes

Under the MIO Manufacture Agreement, the Group manufactures and assembles the MIO Motorbikes for the Sanyang Group, and deliver the finished products to the customers of the Sanyang Group in European countries pursuant to the purchase orders made between the Sanyang Group and these customers. The pricing at which the Group manufactures and assembles the MIO Motorbikes for the Sanyang Group under such agreement is at a fixed price of US\$945 per motorbike, which was determined by the Group with reference to the estimated cost of production including labour cost, and the purchase cost of components and the MIO Parts required for the manufacturing and assembling of the MIO Motorbikes. The Sanyang Group shall pay for the manufacturing and assembly fee under the MIO Manufacture Agreement in cash within 30 days after the date of the invoice unless the relevant parties determined otherwise in the relevant purchase order.

(ii) the supply of the MIO Parts by Sanyang Group

In connection with the manufacturing and assembly services provided by the Group under the MIO Manufacture Agreement, the Sanyang Group also supplies to the Group certain MIO Parts such as connecting rods, side and body covers, panels and battery lids, for the manufacturing and assembly of the MIO Motorbikes. The pricing at which MIO Parts are to be sold by the Sanyang Group to the 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 MIO Parts plus a margin of 2%. The Group shall pay for the purchases of MIO Parts under the MIO Manufacture Agreement in cash within 30 days after the date of the invoice unless the relevant parties determined otherwise in the relevant purchase order.

**Reasons and benefits for the MIO Manufacture Agreement**

Sanyang Group has developed the MIO Motorbikes and has been supplying the MIO Motorbikes to its customers in the European countries in the past years. The Sanyang Group has decided to cease the manufacture and sale of the MIO Motorbikes to the European market in view of the recent changes in market demand. On the other hand, seeing the potential demand of the MIO Motorbikes in Vietnam, being the exclusive territories the Group is engaged in, the Group plans to engage in the development and manufacturing of the MIO Motorbikes in its own production plants in Vietnam for the domestic sales in Vietnam.

Given that Sanyang Group had already contracted with a number of customers in European countries for the delivery of the MIO Motorbikes in the year 2017, as transition arrangement for the winding down of Sanyang Group's manufacturing of such model in Taiwan, the Sanyang Group will engage the Group to manufacture and assemble the MIO Motorbikes, with a view to complete the export of MIO Motorbikes pursuant to the purchase orders. To enable the Group to take over the Sanyang Group's manufacturing functions of the MIO Motorbikes during such transition period, the Sanyang Group shall also supply the MIO Parts, which are exclusive for the manufacturing and assembly of the specific model of the MIO Motorbikes, at a cost lower than that for the supply of other parts by the Sanyang Group under the Master Purchase Agreement 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 dated 8 December 2015.

The Directors believe it is in the Company's interest to generate additional source of income, increase the utilisation rate and hence economies of scale of the Group's production facilities by carrying out manufacturing and assembly services of MIO Motorbikes to the Sanyang Group in response to their needs during the transition period. The supply of MIO Parts by the Sanyang Group, being the developer of the MIO Motorbikes and have good understanding of the specification and production need of the MIO Motorbikes, at a favourable cost to the Group also ensure that the production process is to be carried out smoothly in a cost effective manner.

## **PROPOSED ANNUAL CAPS AND BASIS**

- (i) annual caps for the manufacturing and assembly cost under the MIO Manufacture Agreement

Based on the number of confirmed purchase orders between the Sanyang Group and the third party customers for the MIO Motorbikes, it is expected that not more than 1,800 units of MIO Motorbikes will be manufactured and assembled by the Group under the MIO Manufacture Agreement. The Board estimated that the annual caps for the manufacturing and assembly price of the MIO Motorbikes under the MIO Manufacture Agreement for the two financial years ending 31 December 2017 and 31 December 2018 shall be US\$1,701,000 (equivalent to approximately HK\$13,191,255) and US\$1,701,000 (equivalent to approximately HK\$13,191,255), respectively based on the fixed manufacturing and assembly price of US\$945 per motorbike.

- (ii) annual caps for the sourcing of parts under the MIO Manufacture Agreement

Based on the estimated number of units of MIO Motorbikes to be manufactured by the Group under the MIO Manufacture Agreement and the MIO Parts required for the manufacturing and assembly process, the Board estimated that the annual caps for the sourcing of the MIO Parts under the MIO Manufacture Agreement for the two financial years ending 31 December 2017 and 31 December 2018 shall be US\$1,450,000 (equivalent to approximately HK\$11,244,750) and US\$1,450,000 (equivalent to approximately HK\$11,244,750), respectively.

## **INTERNAL CONTROL MEASURES**

The Company has established internal control measures to ensure that the continuing connected transactions contemplated under the MIO Manufacture Agreement are in accordance with the pricing policies and the terms and conditions of the agreement, and that the terms and conditions of the MIO Manufacture Agreement are on normal commercial terms and terms no less favourable than those terms offered to the Group by independent third parties or supplied by the Group to independent third parties for similar products and services. Such internal control measures employed by the Group include the following:

- (i) all the orders under the MIO Manufacture Agreement 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 agreement 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) the transactions thereunder are on normal commercial terms; (iii) the manufacturing and assembly of the MIO Motorbikes are carried out in accordance with the fixed price of US\$945 per motorbike as agreed by the Group and the Sanyang Group; and (iv) 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, before relevant orders are entered into;

- (ii) in relation to the purchase of MIO Parts from the Sanyang Group the pricing of which are determined on a cost-plus basis, 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.

## **DIRECTORS' VIEWS**

As at the date of this announcement, each of Ms. Wu Li Chu, Mr. Liu Wu Hsiung, Mr. Lu Tien Fu, Mr. Chou Ken Yuan and Mr. Chiu Ying Feng (each being a Director) has a 1.93%, 0.013%, 0.001%, 0.016% and 0.002% shareholding in Sanyang respectively. Mr. Chiu Ying Feng is the deputy vice president of Sanyang and the chairman of Nova Design Co., Limited (浩漢產品設計股份有限公司), a direct wholly-owned subsidiary of Sanyang incorporated in Taiwan, who also serves on the board of other members of the Sanyang Group. Mr. Lu Tien Fu is a director of 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. Therefore, pursuant to the articles of association of the Company and the Listing Rules, Ms. Wu Li Chu, Mr. Liu Wu Hsiung, Mr. Lu Tien Fu, Mr. Chou Ken Yuan and Mr. Chiu Ying Feng had abstained from voting in the board meeting to approve the Transactions due to the aforesaid overlapping of roles and shareholding interests in the Sanyang Group.

The Directors (including the independent non-executive Directors) consider that the MIO Manufacture Agreement and the transactions contemplated thereunder are on normal commercial terms or better, fair and reasonable, in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole, and that the annual caps are fair and reasonable, no less favourable than those which would be payable to independent third parties in respect of the manufacturing and assembly of similar products, and the purchase of similar motorbike parts, and in the interests of the Company and the Shareholders as a whole.

## **INFORMATION OF THE GROUP AND SANYANG GROUP**

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**

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## **DEFINITIONS**

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

“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
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries from time to time
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“MIO Manufacture Agreement”	the agreement dated 19 January 2017 entered into between the Company and Sanyang in relation to the Transactions
“MIO Motorbikes”	means the motorbike model named MIO which is developed by the Sanyang Group

“MIO Parts”	means the motorbike parts manufactured by Sanyang Group or purchased by Sanyang Group from third party suppliers for the manufacturing of the MIO Motorbikes from time to time
“PRC”	the People’s Republic of China and for the purpose of this announcement, excludes Taiwan, the Macau Special Administrative Region and Hong Kong
“Sanyang”	Sanyang Motor Co., Limited (三陽工業股份有限公司), formerly known as 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
“Sanyang Group”	Sanyang, its subsidiaries and 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
“Transactions”	the transactions under the MIO Manufacture Agreement, including (i) the provision of manufacturing and assembly services of MIO Motorbikes by the Group to the Sanyang Group; and (ii) the sale of MIO Parts by the Sanyang Group to the Group
“US\$”	United States Dollars, being the lawful currency of the United States
“%”	per cent.

*For the purposes of this announcement, the exchange rate of USD1.00 = HK\$7.7550 has been used, where applicable, for illustrative purposes only and does not constitute a representation that any amount has been, could have been or may be exchanged at such rate or any other rate or at all on the date or dates in question or any other date.*

*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, 19 January 2017

*As at the date of this announcement, the Board comprised four executive Directors, namely Mr. Liu Wu Hsiung, Mr. Lu Tien Fu, Mr. Lin Chun Yu and Mr. Chou Ken Yuan, 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.*