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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 ANNUAL CAP FOR
CONTINUING CONNECTED TRANSACTIONS**

REVISION OF ORIGINAL ANNUAL CAP

Reference are made to the announcements of the Company dated 8 December 2015, 30 December 2016 and 8 December 2017 in relation to, among other things, the Parts Sales Transactions entered into between the Group and the Sanyang Group.

The Board expects that the Original Annual Cap will not be sufficient for the expected sales volume of motorbike parts and sales revenue received by the Group for the financial year ending 31 December 2018. The Board therefore proposes to revise the Original Annual Cap in relation to motorbike parts sales by the Group to the Revised Annual Cap (i.e. US\$1,000,000).

LISTING RULES IMPLICATIONS

The Parts Sales 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 Parts Sales Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54 of the Listing Rules, the Company should re-comply with the applicable requirements under Chapter 14A of the Listing Rules when the proposed annual cap is exceeded. As one or more of the applicable percentage ratios in respect of the Revised Annual Cap exceed 0.1% but all the applicable percentage ratios are less than 5%, the Parts Sales Agreement and the Revised Annual Cap is exempt from the Independent Shareholders' approval requirement but subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

BACKGROUND

Reference are made to the announcements of the Company dated 8 December 2015, 30 December 2016 and 8 December 2017 in relation to, among other things, the Parts Sales Transactions entered into between the Group and the Sanyang Group (the “**Announcements**”).

The Board expects that the Original Annual Cap will not be sufficient for the expected sales volume of motorbike parts and sales revenue received by the Group for the financial year ending 31 December 2018. The Board therefore proposes to revise the Original Annual Cap in relation to motorbike parts sales by the Group to the Revised Annual Cap.

Parts Sales Agreement

Date: 8 December 2015

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 seller

Term: 1 January 2016 to 31 December 2018

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 Taiwan import duty for such product is 20% or more) or of 15% (if Taiwan 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 days 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 believe it is in the Company’s best interests to generate an additional source of other 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.

REVISION OF THE ANNUAL CAP FOR THE PARTS SALES TRANSACTIONS

Historical transaction amounts of the Parts Sales Transactions

The table below sets out the historical transaction amounts of the Parts Sales Transactions for the three years ended 31 December 2015, 2016 and 2017, and the eleven months ended 30 November 2018:

Historical transaction amounts between the Group and the Sanyang (in US\$)

Group (for the following financial years / period ended):

31 December 2015	413,894
31 December 2016	510,904
31 December 2017	689,793
30 November 2018	621,336

The actual transaction amounts of the Parts Sales Transactions for the three years ended 31 December 2015, 2016 and 2017 had not exceeded the respective annual caps of the relevant years. The actual transaction amounts of the Parts Sales Transactions during the first eleven months of 2018 and up to the date of this announcement had not exceeded the related annual cap for the year ending 31 December 2018.

Proposed revision of annual cap of the Parts Sales Transactions and the basis of determination

As (i) the actual high sales volume of motorbike parts and sales revenue received by the Group pursuant to the Parts Sales Transactions exceeded the Group's expectation in the first eleven months of 2018 ; and (ii) the Company expects that the annual sales revenue received by the Group pursuant to the Parts Sales Transactions will exceed the stated annual cap for the year ending 31 December 2018 based on the projections on sales volume of motorbike parts for the remaining of the year, the Board therefore proposes to revise the Original Annual Cap in respect of the Parts Sales Transactions as follows to reflect the increase of such business of the Group:

	Original Annual Cap (for the following financial year ending) (in US\$)	Revised Annual Cap (for the following financial year ending) (in US\$)
31 December 2018	750,000	1,000,000

In addition to the basis for determination of the Original Annual Cap as disclosed in the Announcements, the Revised Annual Cap has been determined by the Board based on the historical transaction amounts of the Parts Sales Transactions and expected growth and expansion of the Company's manufacturing and sales for the coming year ending 31 December 2018, taking into account of the following factors:

- (i) the Original Annual Cap for the year ending 31 December 2018;
- (ii) historical growth rates of the turnover of the Group and the transaction amounts of the subject transactions;
- (iii) historical percentages of the relevant values of the subject transactions to the turnover of the Group;
- (iv) projected and/or targeted growth in turnover and sales volume of the Group as determined by the Board; and
- (v) the recent transaction amounts of the subject transactions during the current financial year.

Save for the revision to the annual cap for the year ending 31 December 2018, other terms of the Parts Sales Agreements, including but not limited to the internal control measure, remain unchanged.

VIEWS OF THE BOARD

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 directors 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 had abstained from voting in the Board meeting to approve the revision of the annual cap for the continuing connected transactions due to the aforesaid overlapping of roles and shareholding interests in the Sanyang Group.

The Board (including the independent non-executive Directors) consider that the Parts Sales 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 related Revised Annual Cap is fair and reasonable 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 shares of the Company (approximately 67.07% of the issued share capital of the Company).

LISTING RULES IMPLICATIONS

The Parts Sales 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 Parts Sales Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54 of the Listing Rules, the Company should re-comply with the applicable requirements under Chapter 14A of the Listing Rules when the proposed annual cap is exceeded. As one or more of the applicable percentage ratios in respect of the Revised Annual Cap exceed 0.1% but all the applicable percentage ratios are less than 5%, the Parts Sales Agreement and the Revised Annual Cap is exempt from the Independent Shareholders' approval requirement but subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

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
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders who are not required to abstain from voting on the resolution to be proposed at the extraordinary general meeting under the articles of association of the Company and the Listing Rules
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Original Annual Cap”	the original maximum aggregate annual value amounts for the Parts Sales Agreement for the year ending 31 December 2018 in an amount of US\$750,000
“Parts Sales Agreement”	the agreement dated 8 December 2015 entered into between the Company and Sanyang in relation to sales of motorbike parts by the Group to the Sanyang Group
“Parts Sales Transactions”	the transactions under the Parts Sales 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
“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
“Revised Annual Cap”	the revised maximum aggregate annual value proposed by the Board in respect of the Parts Sales Agreement for the year ending 31 December 2018 in an amount of US\$1,000,000
“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 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
“US\$”	United States Dollars, being the lawful currency of the United States
“%”	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, 21 December 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.