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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 CAPS FOR  
CONTINUING CONNECTED TRANSACTIONS**

**REVISION OF ORIGINAL ANNUAL CAPS**

References are made to the Announcement in relation to, among other things, the Master Purchase Agreement and the Distributorship Agreement entered into between the Group and the Sanyang Group.

The Board expects that the Original Annual Caps will not be sufficient for the Group's expected production and sales volume of motorbikes for the two years ending 31 December 2020 and 2021. The Board therefore proposes to revise the Original Annual Caps to the Revised Annual Caps for the two years ending 31 December 2020 and 2021, being US\$25,070,000 and US\$32,590,000 for the Master Purchase Agreement, and US\$5,587,000 and US\$15,187,000 for the Distributorship Agreement, respectively, in relation to the amounts payable by the Group for its purchase of motorbike parts supplied by members of the Sanyang Group and the distribution of certain motorbikes manufactured by the Sanyang Group

**LISTING RULES IMPLICATIONS**

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. As Sanyang is an indirect controlling Shareholder 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 Master Purchase Agreement Transactions and the Distributorship Agreement 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 Caps exceed 5%, the Master Purchase Agreement and the Distributorship Agreement are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **EGM**

An EGM will be convened by the Company with a view to, among others, seek the approval of the Revised 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 Master Purchase Agreement and the Distributorship Agreement, is materially interested in those transactions, Sanyang and its associates will abstain from voting in the resolutions to be proposed at the EGM to be convened for approving the above matters.

## **INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee has been established to consider whether the proposed Revised Annual Caps are fair and reasonable, and to advise the Independent Shareholders on how to vote in respect of relevant resolutions.

## **APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

Altus Capital Limited has been appointed by the Company as its Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the Revised 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, further details of the Master Purchase Agreement, the Distributorship Agreement and the Revised Annual Caps, a letter from the Independent Board Committee to the Independent Shareholders in respect of the Revised Annual Caps, a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Revised Annual Caps, and a notice convening the EGM, is expected to be despatched to the Shareholders on or before 13 May 2020 as additional time is required to prepare and finalise the information for inclusion in the circular.

## **BACKGROUND**

Reference are made to the Announcement in relation to, among other things, the Master Purchase Agreement and the Distributorship Agreement entered into between the Group and the Sanyang Group.

The Board expects that the Original Annual Caps will not be sufficient for the Group's expected production and sales volume of motorbikes for the two years ending 31 December 2020 and 2021. The Board therefore proposes to revise the Original Annual Caps to the Revised Annual Caps for the two years ending 31 December 2020 and 2021, being US\$25,070,000 and US\$32,590,000 for the Master Purchase Agreement, and US\$5,587,000 and US\$15,187,000 for the Distributorship Agreement, respectively, in relation to the amounts payable by the Group for its purchase of motorbike parts supplied by members of the Sanyang Group and the distribution of certain motorbikes manufactured by the Sanyang Group.

## **Master Purchase Agreement**

Date: 12 November 2018

Parties: (a) the Company (on behalf of other members of the Group) as the purchaser; and  
(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 Master Purchase Agreement**

Under the Master Purchase Agreement, the Group engages the Sanyang Group to supply motorbike parts, which are either manufactured by the Sanyang Group or sourced by it from Independent Third Parties, for the Group's production of motorbikes. 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 Vietnam import duty for such product is 20% or more) or of 15% (if Vietnam import duty for such product is less than 20%). Such 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 for which the motorbike parts to be purchased by the Group from Sanyang pursuant to the Master Purchase Agreement is used.

Individual purchase orders will be entered into between the relevant members of the Group and Sanyang Group from time to time in respect of the specific 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 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.

## **Reasons and benefits for the Master Purchase Agreement**

The Board believes it is in the Company's best interests to purchase certain motorbike parts from the Sanyang Group 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.

Besides, given the Sanyang Group already possesses existing production platforms, know-how and technologies for the production of motorbike parts for advanced-level motorbikes and that it has been a long-term business partner of the Group and a reliable supplier of quality motorbike parts, the Board considers it more efficient in terms of costs and time to source relevant motorbike parts from the Sanyang Group to capture the anticipated market demand for and to fulfil orders primarily pursuant to the Strategic Alliance in respect of advanced-level motorbikes under the Company's strategic partner's brand "Lambretta", and also for the production of (i) the two new series of advanced-level motorbikes under the Group's own brand to be introduced by the Group in the Vietnamese market this year and (ii) motorbikes under the Group's own brand to be sold in the Exclusive Territory in accordance with its plan to increase sales in such countries.

## **REVISION OF THE ORIGINAL ANNUAL CAPS FOR THE MASTER PURCHASE AGREEMENT TRANSACTIONS**

### **Historical transaction amounts of the Master Purchase Agreement Transactions**

The table below sets out the historical transaction amounts of the Master Purchase Agreement Transactions for the three years ended 31 December 2017 and 2018 and 2019, and the two months ended 29 February 2020:

#### **Historical transaction amounts between the Group and the Sanyang Group (in US\$'000) (for the following financial years/ period ended):**

31 December 2017 (audited)	7,919
31 December 2018 (audited)	13,284
31 December 2019 (audited)	10,827
29 February 2020 (unaudited)	2,535

The actual transaction amounts of the Master Purchase Agreement Transactions for the three years ended 31 December 2017, 2018 and 2019 had not exceeded the respective annual caps of the relevant years. The actual transaction amount of the Master Purchase Agreement Transactions for the first two months of 2020 and up to the date of this announcement had not exceeded the Original Annual Cap for the year ending 31 December 2020.

#### **Proposed revision of annual cap of the Master Purchase Agreement and the basis of determination**

In light of the Group's expected production of motorbikes primarily pursuant to the Strategic Alliance, and also that of (i) the two new series of advanced-level motorbikes under the Group's own brand to be introduced by the Group in the Vietnamese market this year and (ii) motorbikes under the Group's own brand to be sold in the Exclusive Territory in accordance with its plan to increase sales in such countries, the Company expects that the annual amounts payable by the Group under the Master Purchase Agreement will exceed the Original Annual Caps based on projections on the production volume of motorbikes in the coming years, types and value of motorbike parts to be purchased, which are more advanced, higher in quality and costs, especially for the production of the advanced-level motorbikes under the brand "Lambretta" pursuant to the Strategic Alliance and the two new series of advanced-level motorbikes. The Board therefore proposes to revise the Original Annual Caps in respect of the Master Purchase Agreement as follows to reflect the expected increase of such purchase amounts:

	<b>Original Annual Cap (for the following financial year ending) (in US\$'000)</b>	<b>Revised Annual Cap (for the following financial year ending) (in US\$'000)</b>
31 December 2020	12,110	25,070
31 December 2021	12,700	32,590

In addition to the basis for determination of the Original Annual Caps as disclosed in the Announcement, the Revised Annual Caps have been determined by the Board based on the historical transaction amounts of the Master Purchase Agreement Transactions and expected production of the relevant motorbikes for the two years ending 31 December 2020 and 2021, taking into account the following factors:

- (i) the Original Annual Caps for the two years ending 31 December 2020 and 2021;
- (ii) historical growth rates of the transaction amounts pursuant to the Master Purchase Agreement Transactions;
- (iii) projected and/or targeted demand for (a) the two new series of advanced-level motorbikes to be introduced by the Group and (b) the motorbikes under the Group's own brand in the Exclusive Territory in accordance with its plan to increase sales in such countries, and in turn the relevant production costs (including, among others, the purchase of motorbike parts) as determined by the Board; and
- (iv) the orders and transaction amounts pursuant to the Strategic Alliance to date.

Save for the revision to the Original Annual Caps for the two years ending 31 December 2020 and 2021, other terms of the Master Purchase Agreement, including but not limited to the internal control measures, remain unchanged.

### **Distributorship Agreement**

Date: 12 November 2018

Parties: (a) the Company (on behalf of other members of the Group) as the distributor; and  
(b) 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 Master Purchase 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**

The Board believes it is in the Company's best interests to retain the end-customers in the Exclusive Territory who purchase specific models of motorbike manufactured by the Sanyang Group 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 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.

## **REVISION OF THE ORIGINAL ANNUAL CAPS FOR THE DISTRIBUTORSHIP AGREEMENT TRANSACTIONS**

### **Historical transaction amounts of the Distributorship Agreement Transactions**

The table below sets out the historical transaction amounts of the Distributorship Agreement Transactions for the three years ended 31 December 2017 and 2018 and 2019, and the two months ended 29 February 2020:

#### **Historical transaction amounts between the Group and the Sanyang Group (in US\$'000) (for the following financial years/ period ended):**

31 December 2017 (audited)	1,287
31 December 2018 (audited)	2,638
31 December 2019 (audited)	2,304
29 February 2020 (unaudited)	230

The actual transaction amounts of the Distributorship Agreement Transactions for the three years ended 31 December 2017, 2018 and 2019 had not exceeded the respective annual caps of the relevant years. The actual transaction amount of the Distributorship Agreement Transactions during the first two months of 2020 and up to the date of this announcement had not exceeded the Original Annual Cap for the year ending 31 December 2020.

#### **Proposed revision of annual cap of the Distributorship Agreement and the basis of determination**

In view of the rise in consumers' demand for certain motorbikes manufactured by Sanyang Group in the Exclusive Territory which was unexpected by the Group at the time the Original Annual Caps were determined and is expected to sustain throughout the two years year ending 31 December 2020 and 2021, and in light of the Group's plan to enhance sales in such countries, the Group will increase its distribution of such motorbikes under the Distributorship Agreement so as to meet the demands from its customers in the Exclusive Territory and thereby increasing its market share, and at the same time, to further broaden the revenue stream and increase profit attributable to the motorbike distribution business. The Board therefore proposes to revise the Original Annual Caps in respect of the Distributorship Agreement as follows to reflect the expected increase of such purchase amounts:

	<b>Original Annual Cap</b> <b>(for the following financial year</b> <b>ending)</b> <b>(in US\$'000)</b>	<b>Revised Annual Cap</b> <b>(for the following financial year</b> <b>ending)</b> <b>(in US\$'000)</b>
31 December 2020	3,603	5,587
31 December 2021	3,603	15,187

In addition to the basis for determination of the Original Annual Caps as disclosed in the Announcement, the Revised Annual Caps have been determined by the Board based on the historical transaction amounts of the Distributorship Agreement and expected growth and expansion of the Company's sales of relevant motorbikes for the two years ending 31 December 2020 and 2021, taking into account the following factors:

- (i) the Original Annual Caps for the two years ending 31 December 2020 and 2021;
- (ii) historical growth rates of the transaction amounts of the Distributorship Agreement Transactions;
- (iii) the confirmed purchase order of relevant motorbikes manufactured by Sanyang Group in the Exclusive Territory to date for the year ending 31 December 2020; and
- (iv) the estimated sales of and the projected and/or targeted demand for relevant motorbikes for the two years ending 31 December 2021.

Save for the revision to the Original Annual Caps for the years ending 31 December 2020 and 2021, other terms of the Distributorship Agreement, including but not limited to the internal control measures, 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 Revised Annual Cap due to the aforesaid overlapping of roles and shareholding interests in the Sanyang Group.

The Directors (excluding the independent non-executive Directors who will express their view after receiving full advice from the Independent Financial Adviser) consider that the Master Purchase Agreement and the Distributorship Agreement have been 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 Revised Annual Caps are 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**

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. As Sanyang is an indirect controlling Shareholder 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 Master Purchase Agreement Transactions and the Distributorship Agreement 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 Caps exceed 5%, the Master Purchase Agreement and the Distributorship Agreement are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **EGM**

An EGM will be convened by the Company with a view to seek the approval of the Revised Annual Caps from the independent Shareholders of the Company in accordance with the requirements of the Listing Rules. As Sanyang, either itself or its associates, being the counterparty to the Master Purchase Agreement and the Distributorship Agreement, is materially interested in those transactions, Sanyang and its associates will abstain from voting in the resolutions to be proposed at the EGM to be convened for approving the above matters.

## **INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee has been established to consider whether the proposed Revised Annual Caps are fair and reasonable, and to advise the Independent Shareholders on how to vote in respect of relevant resolutions.

## **APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

Altus Capital Limited has been appointed by the Company as its Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the Revised 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, further details of the Master Purchase Agreement, the Distributorship Agreement and the Revised Annual Caps, a letter from the Independent Board Committee to the Independent Shareholders in respect of the Revised Annual Caps, a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Revised Annual Caps, and a notice convening the EGM, is expected to be despatched to the Shareholders on or before 13 May 2020 as additional time is required to prepare and finalise the information for inclusion in the circular.

## **DEFINITIONS**

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

“Announcement”	the announcement of the Company dated 12 November 2018 in relation to the Master Purchase Agreement and the Distributorship Agreement
“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
“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)
“Distributorship Agreement Transactions”	the transactions under the Distributorship Agreement
“EGM”	the extraordinary general meeting to be held by the Company to consider, and if thought fit, to approve the Revised Annual Caps
“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

“Hong Kong”	the 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, among others, the Revised Annual Caps
“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, among others, the Revised Annual Caps
“Independent Shareholders”	Shareholders who are not required to abstain from voting on the resolutions 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
“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
“Master Purchase Agreement Transactions”	the transactions under the Master Purchase Agreement
“Original Annual Cap(s) ”	the original annual cap(s) for the years ended 31 December 2020 and 2021 for the Master Purchase Agreement Transactions in the amount of US\$12,110,000 and US\$12,700,000, respectively; and/or that for the Distributorship Agreement in the amount of US\$3,603,000 and US\$3,603,000, respectively (as the case may be)
“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(s)”	the revised annual cap(s) proposed by the Board for the years ending 31 December 2020 and 2021 for the Master Purchase Agreement Transactions in the amount of US\$25,070,000 and US\$32,590,000, respectively; and/or that for the Distributorship Agreement in the amount of US\$5,587,000 and US\$15,187,000, respectively (as the case may be)

“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(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategic Alliance”	a strategic alliance entered into between the Company and a business partner of the Company in 2019 pursuant to which the Company would provide original equipment manufacturing services to the business partner in respect of certain advanced-level motorbikes under the brand “Lambretta”
“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, 27 March 2020

*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.*