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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 ANNUAL CAP

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

The Board expects that the Original Annual Cap will not be sufficient for the Group's expected production and sales volume of motorbikes for the year ending 31 December 2024. The Board therefore proposes to revise the Original Annual Cap to the Revised Annual Cap for the year ending 31 December 2024, being US\$19,000,000, for the Distributorship Agreement in relation to the distribution of certain motorbikes and related parts 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 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 Cap exceeds 5%, the Distributorship Agreement is subject to the reporting, announcement, circular, annual review 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 Cap 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 Distributorship Agreement, is materially interested in those transactions, Sanyang and its associates will abstain from voting in the resolution to be proposed at the EGM for approving the above matter.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee has been established to consider whether the Revised Annual Cap is fair and reasonable, and to advise the Independent Shareholders on how to vote in respect of relevant resolution.

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 Cap is 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 Distributorship Agreement and the Revised Annual Cap, a letter from the Independent Board Committee to the independent Shareholders in respect of the Revised Annual Cap, a letter from the Independent Financial Adviser to the Independent Board Committee and the independent Shareholders in respect of the Revised Annual Cap, and a notice convening the EGM, is expected to be dispatched to the Shareholders on or before 17 May 2024 as additional time is required to prepare and finalise the information for inclusion in the circular.

BACKGROUND

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

The Board expects that the Original Annual Cap will not be sufficient for the Group's expected production and sales volume of motorbikes for the year ending 31 December 2024. The Board therefore proposes to revise the Original Annual Cap to the Revised Annual Cap for the year ending 31 December 2024, being US\$19,000,000, for the Distributorship Agreement in relation to the distribution of certain motorbikes and related parts manufactured by the Sanyang Group.

Distributorship Agreement

Date: 3 December 2021

Parties: (a) the Company (on behalf of the 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 2022 to 31 December 2024

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 90 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.

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 2021 and 2022 and 2023, and the month ended 31 January 2024:

Historical transaction amounts between the Group and the Sanyang Group (for the following financial years/ period ended):	(in US\$'000)
31 December 2021 (audited)	3,848.3
31 December 2022 (audited)	3,615.5
31 December 2023 (audited)	3,628.2
31 January 2024 (unaudited)	13.1

The actual transaction amounts of the Distributorship Agreement Transactions for the three years ended 31 December 2021 and 2022 and 2023 had not exceeded the respective annual caps of the relevant years. The actual transaction amount of the Distributorship Agreement Transactions for the first month of 2024 and up to the date of this announcement had not exceeded the Original Annual Cap for the year ending 31 December 2024.

Proposed revision of the Original Annual Cap of the Distributorship Agreement and the basis of determination

The Sanyang Group expects to launch two new models of motorbike, namely the HUSKY 150 model and the MAXSYM TL 508 model in March 2024. The HUSKY 150 model is an adventure motorbike featuring a large fuel tank for long range travelling, digital display, all-LED lighting and keyless start function, and the MAXSYM TL 508 model is a sport-touring motorbike featuring a design concept based on supercars, with all-LED lighting, a twin-cylinder eight-valve water-cooled 508c.c. engine and a traction control system. As agreed with the Sanyang Group, the Group expects to commence the distribution of such motorbikes (being relatively mid to high-end models, and in particular, the MAXSYM TL 508 model, which is considered a premium model with functions more advanced than majority of motorbike models in the market) under the Distributorship Agreement so as to meet the demands from customers in Malaysia and thereby increasing the Group's 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:

	Original Annual Cap (for the financial year ending)	Revised Annual Cap (for the financial year ending)
	(in US\$'000)	(in US\$'000)
31 December 2024	5,300	19,000

In addition to the basis for determination of the Original Annual Cap as disclosed in the Announcement, the Revised Annual Cap has been determined by the Board based on the historical transaction amounts of the Distributorship Agreement Transactions and expected growth and expansion of the Company's sales of relevant motorbikes for the year ending 31 December 2024, taking into account the following factors:

- (i) the Original Annual Cap for the year ending 31 December 2024;
- (ii) historical growth rates of the transaction amounts of the Distributorship Agreement Transactions;
- (iii) the confirmed and projected purchase orders of the HUSKY 150 model and the MAXSYM TL 508 model motorbikes in the Exclusive Territory to date for the year ending 31 December 2024;
- (iv) the prices of the HUSKY 150 model and the MAXSYM TL 508 model motorbikes (with the MAXSYM TL 508 model being approximately 3 times higher than bikes of a standard model); and
- (v) the estimated sales of and the projected and/or targeted demand the HUSKY 150 model and the MAXSYM TL 508 model motorbikes for the year ending 31 December 2024.

Save for the revision to the Revised Annual Cap for the year ending 31 December 2024, 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. Liu Ju Cheng and Mr. Liu Wu Hsiung (all being Directors) has, or is deemed to have a 2.138%, 0.037% and 0.014% 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. Chen Hsu Pin is the vice president of the president office of Sanyang and a director of various subsidiaries of Sanyang. Mr. Liu Ju Cheng is the manager of the overseas marketing sector of Sanyang. Therefore, pursuant to the articles of association of the Company and the Listing Rules, Ms. Wu Li Chu, Mr. Liu Ju Cheng, Mr. Liu Wu Hsiung and Mr. Chen Hsu Pin (together, the "**Abstained Directors**") had abstained from voting in the Board meeting to approve the Revised Annual Cap due to the aforesaid overlapping of roles and/or 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 Revised Annual Cap.

The Directors (excluding the Abstained Directors, and the independent non-executive Directors who will express their view after receiving full advice from the Independent Financial Adviser) consider that the Distributorship Agreement has 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 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

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 Distributorship Agreement Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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EGM

An EGM will be convened by the Company with a view to seek the approval of the Revised Annual Cap 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 Distributorship Agreement, is materially interested in those transactions, Sanyang and its associates will abstain from voting in the resolution to be proposed at the EGM for approving the above matter.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee has been established to consider whether the Revised Annual Cap is fair and reasonable, and to advise the Independent Shareholders on how to vote in respect of relevant resolution.

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 Cap is 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 Distributorship Agreement and the Revised Annual Cap, a letter from the Independent Board Committee to the Independent Shareholders in respect of the Revised Annual Cap, a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Revised Annual Cap, and a notice convening the EGM, is expected to be dispatched to the Shareholders on or before 17 May 2024 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 3 December 2021 in relation to, among others, the Distributorship Agreement
“Board”	the board of Directors
“Circular”	the circular of the Company dated 9 February 2022 in relation to, among others, the Distributorship Agreement

“Company”	Vietnam Manufacturing and Export Processing (Holdings) Limited (越南製造加工出口(控股)有限公司), an exempted with limited liability company incorporated in the Cayman Islands, the shares of which are listed on the main board of the Stock Exchange
“Director(s)”	director(s) of the Company
“Distributorship Agreement”	the agreement dated 3 December 2021 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 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, among others, the Revised Annual Cap
“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
“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 Cap
“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 Cap
“Independent Shareholders”	Shareholders who are not required to abstain from voting on the resolutions to be proposed at the EGM under the articles of association of the Company and the Listing Rules
“Independent Third Party(ies)”	independent third party(ies) not connected with the Company or its connected persons (as defined in the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Original Annual Cap”	The annual cap for the year ending 31 December 2024 for the Distributorship Agreement in the amount of US\$5,300,000

“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 annual cap proposed by the Board for the year ending 31 December 2024 for the Distributorship Agreement in the amount of US\$19,000,000
“Sanyang”	Sanyang Motor Co., Ltd. (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 (excluding the Group)
“Shareholder(s)”	holder(s) 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, 13 March 2024

As at the date of this announcement, the Board comprised three executive Directors, namely Mr. Liu Wu Hsiung, Ms. Wu Jui Chiao and Mr. Lin Chun Yu, three non-executive Directors, namely Ms. Wu Li Chu, Mr. Chen Hsu Pin and Mr. Liu Ju Cheng, and three independent non-executive Directors, namely Ms. Lin Ching Ching, Mr. Cheung On Kit Andrew and Ms. Wu Hui Lan.