
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Vietnam Manufacturing and Export Processing (Holdings) Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser
to the Independent Board Committee and the Independent Shareholders**

ALTUS CAPITAL LIMITED

A letter from the Board (as defined herein) is set out on pages 5 to 22 of this circular. A letter from the Independent Board Committee (as defined herein) containing its advice to the Independent Shareholders (as defined herein) is set out on page 23 of this circular. A letter from Altus Capital Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 24 to 47 of this circular.

A notice convening the EGM (as defined herein) of Vietnam Manufacturing and Export Processing (Holdings) Limited to be held at Meeting Room 200, 3 Chung Hua Road, Hukou, Hsinchu, Taiwan on Tuesday, 15 March 2022 at 11:00 a.m. is set out on pages 52 to 53 of this circular. A form of proxy for use by the Independent Shareholders at the EGM is enclosed with this circular.

Whether or not you are able to attend the EGM, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time of the EGM (i.e. before 11:00 a.m. on Sunday, 13 March 2022) or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending the EGM and voting in person should you so wish and, in such event, the form of proxy shall be deemed to be revoked.

9 February 2022

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DEFINITIONS

In this circular, the following expressions shall have the meanings set out below unless the content requires otherwise:

“Altus” or “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 SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to the Group 1 Continuing Connected Transactions and the Group 1 Annual Caps
“Annual Cap(s)”	the maximum aggregate annual value of each of the Continuing Connected Transactions for the three financial years ending 31 December 2022, 2023 and 2024 proposed by the Board
“Board”	the board of Directors of 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, whose shares are listed on the Stock Exchange
“Continuing Connected Transactions”	Collectively the Group 1 Continuing Connected Transactions and the Group 2 Continuing Connected Transactions
“Director(s)”	the 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)
“EGM”	the extraordinary general meeting of the Company to be held at Meeting Room 200, 3 Chung Hua Road, Hukou, Hsinchu, Taiwan on Tuesday, 15 March 2022 at 11:00 a.m. to consider, and if thought fit, to approve the Continuing Connected Transactions and the related 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

DEFINITIONS

“Group”	the Company and its subsidiaries
“Group 1 Annual Caps”	the maximum aggregate annual value of each of the Group 1 Continuing Connected Transactions for the three financial years ending 31 December 2022, 2023 and 2024 proposed by the Board
“Group 1 Continuing Connected Transactions”	the transactions under the Master Purchase Agreement, the Distributorship Agreement and the Research and Development Services Agreement which are subject to the reporting, annual review, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules
“Group 2 Annual Caps”	the maximum aggregate annual value of each of the Group 2 Continuing Connected Transactions for the three financial years ending 31 December 2022, 2023 and 2024 proposed by the Board
“Group 2 Continuing Connected Transactions”	the transactions under the Technology Licence Agreement, the Parts Sales Agreement and the 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
“HK\$”	Hong Kong Dollar, being the lawful currency of Hong Kong
“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 Group 1 Continuing Connected Transactions and the Group 1 Annual Caps
“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
“Independent Third Parties”	persons or entities who/which are not connected persons within the meaning of the Listing Rules
“Latest Practicable Date”	7 February 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)

DEFINITIONS

“Master Purchase Agreement”	the agreement dated 3 December 2021 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 3 December 2021 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 circular, excludes Taiwan, the Macau Special Administrative Region of the PRC and Hong Kong
“Production Machinery, Moulds and Equipment Purchase Agreement”	the agreement dated 3 December 2021 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
“Research and Development Services Agreement”	the agreement dated 3 December 2021 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)
“SFO”	the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of Share(s)
“Shares”	ordinary shares in the share capital of the Company with a nominal value of HK\$0.01 each
“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

DEFINITIONS

“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 (越南三申機械工業股份有限公司), 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 circular, 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.

LETTER FROM THE BOARD

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)

Executive Directors:

Mr. Liu Wu Hsiung (*Chairman*)

Mr. Cheng Hsu Chi

Mr. Lin Chun Yu

Non-executive Directors:

Mr. Chiang Chin Yung

Mr. Chen Hsu Pin

Ms. Wu Li Chu

Independent non-executive Directors:

Ms. Lin Ching Ching

Ms. Wu Kwei Mei

Mr. Cheung On Kit Andrew

Registered Office:

Cricket Square

Hutchins Drive

P. O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Principal Place of Business

in Hong Kong:

40th Floor, Dah Sing Financial Centre

No. 248 Queen's Road East

Wanchai, Hong Kong

9 February 2022

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 3 December 2021 in which the Company announced, among others, that as the previous agreements relating to the Continuing Connected Transactions had expired on 31 December 2021, the Company had, on 3 December 2021, entered into new agreements in relation to the Continuing Connected Transactions each with a term of three years ending on 31 December 2024. The Board also proposes the Group 1 Annual Caps for the Group 1 Continuing Connected Transactions for the three years ending on 31 December 2022, 2023 and 2024.

LETTER FROM THE BOARD

The Independent Board Committee has been established by the Company to advise the Independent Shareholders in respect of the Group 1 Continuing Connected Transactions and the Group 1 Annual Caps. Altus has been appointed by the Company as its independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the above matters.

The purpose of this circular is to provide you with details of the Continuing Connected Transactions and the Annual Caps and to seek your approval of the ordinary resolutions set out in the notice of the EGM on pages 52 to 53 of this circular. The recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Group 1 Continuing Connected Transactions and the Group 1 Annual Caps is set out on page 23 of this circular. The letter from Altus to the Independent Board Committee and the Independent Shareholders containing its advice in relation to the Group 1 Continuing Connected Transactions and the Group 1 Annual Caps is set out on pages 24 to 47 of this circular.

PRINCIPAL TERMS OF THE CONTINUING CONNECTED TRANSACTIONS, REASONS AND BENEFITS

Group 1 Continuing Connected Transactions

(A) *Master Purchase Agreement*

- Date:** 3 December 2021
- 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 2022 to 31 December 2024

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 expired on 31 December 2021, on 3 December 2021, 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 and Xia Shing, which are engaged in manufacturing or sourcing of various motorbike parts in different countries and regions.

LETTER FROM THE BOARD

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 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.

LETTER FROM THE BOARD

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 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 and thus it is more efficient in terms of costs and time to source relevant motorbike parts from the Sanyang Group to capture and respond to anticipated market demands.

LETTER FROM THE BOARD

(B) *Distributorship Agreement*

Date: 3 December 2021

Parties:

- (a) the Company (on behalf of other members of the Group) as the distributor
- (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.

LETTER FROM THE BOARD

(C) *Research and Development Services Agreement*

- Date:** 3 December 2021
- Parties:**
- (a) the Company (on behalf of the 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 2022 to 31 December 2024

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.

LETTER FROM THE BOARD

Group 2 Continuing Connected Transactions

(D) *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.

LETTER FROM THE BOARD

(E) Parts Sales Agreement

Date: 3 December 2021

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

Term: 1 January 2022 to 31 December 2024

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.

LETTER FROM THE BOARD

(F) *Production Machinery, Moulds and Equipment Purchase Agreement*

Date: 3 December 2021

Parties:

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

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.

LETTER FROM THE BOARD

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 and Research and Development Services 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 than those terms offered to the Group by Independent Third Parties and in accordance with the pricing policy as agreed under the relevant agreements.

LETTER FROM THE BOARD

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 with utilisation rates of the respective annual caps approved for the relevant years for the three years ended 31 December 2019, 2020 and 2021:

(in US\$)	Transaction amounts for the year ended 31 December 2019 (utilisation rates compared to the respective annual caps (%))	Transaction amounts for the year ended 31 December 2020 (utilisation rates compared to the respective annual caps (%))	Transaction amounts for the year ended 31 December 2021 (based on management accounts of the Group up to 31 December 2021) (utilisation rates compared to the respective annual caps (%))
(A) Master Purchase Agreement	10,826,883 (97.54%)	14,882,963 (59.37%)	36,739,991 (84.46%)
(B) Distributorship Agreement	2,304,048 (69.80%)	2,523,287 (45.16%)	3,848,310 (25.34%)
(C) Research and Development Services Agreement	29,330 (4.07%)	59,555 (3.48%)	– (0%)
(D) Technology Licence Agreement	1,276,535 (49.48%)	1,104,521 (40.76%)	682,891 (24.65%)
(E) Parts Sales Agreement	1,188,103 (76.65%)	548,661 (55.42%)	993,671 (87.16%)
(F) Production Machinery, Moulds and Equipment Purchase Agreement	231,277 (38.55%)	139,111 (9.21%)	281,981 (15.84%)

The actual transaction amounts of the Continuing Connected Transactions for the three years ended 31 December 2019, 2020 and 2021 had not exceeded the respective annual caps of the relevant year.

LETTER FROM THE BOARD

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 2022, 2023 and 2024 be set as follows:

(in US\$)	Annual Cap for the year ending 31 December 2022	Annual Cap for the year ending 31 December 2023	Annual Cap for the year ending 31 December 2024
(A) Master Purchase Agreement	62,560,000	73,020,000	78,190,000
(B) Distributorship Agreement	5,530,000	5,410,000	5,300,000
(C) Research and Development Services Agreement	1,900,000	700,000	500,000
(D) Technology Licence Agreement	1,024,000	1,373,000	650,000
(E) Parts Sales Agreement	1,140,000	1,140,000	1,140,000
(F) Production Machinery, Moulds and Equipment Purchase Agreement	570,000	650,000	300,000

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 annual caps and the utilisation rates of the annual caps of the Continuing Connected Transactions for the three years ended 31 December 2019, 2020 and 2021;
- (v) the transaction amounts of the subject transactions during the current financial year;
- (vi) 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;
- (vii) the expected increase in average unit price of the motorbike parts offered by independent suppliers due to inflation and increased production cost;

LETTER FROM THE BOARD

- (viii) the ongoing diversification of Company business by expanding production to new models which will deploy advance technology components like electronic fuel injection engines; and
- (ix) 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.

In particular, the following factors were taken into account by the Board in determining the Annual Caps in respect of the Continuing Connected Transactions:

(A) *Master Purchase Agreement*

- (i) as part of the Vietnamese government's COVID-19 prevention policies, the Group had to halt its production of scooters from 22 July 2021 to 15 October 2021, as a result of which sales of motorcycles, procurement of raw materials and other operational matters also had to be suspended. However, despite the halt of operations for almost three months, the total amount of motorbike parts purchased by the Group from the Sanyang Group for the ten months ended 31 October 2021 was still higher than the total amount of motorbike parts purchased by the Group from the Sanyang Group for the year ended 31 December 2020 by approximately 72.9%. Further, orders for the Group's motorbikes have been fulfilled since the recommencement of its sales from mid-October 2021, which demonstrates a strong demand for the Group's motorbikes;
- (ii) "DRONE" model scooters (which was developed jointly with GP Motor (Thailand) Co., Ltd) and "Lambretta" motorcycles, which are both high-quality and advanced-level, have been well-received by the market since their respective launches in 2020 and 2019 respectively. The Board expects that these two models would form a significant part of the Group's sales for the three years ending 31 December 2024, with the projected procurement costs (including, among others, the purchase of motorbike parts) being approximately US\$36.9 million, US\$39.4 million and US\$42.5 million for each of the years ending 31 December 2022, 2023 and 2024;
- (iii) the Board targets to launch two new or updated scooter models in Thailand in the year ending 31 December 2022 as part of its plan to continue its expansion and in response to consumers' preferences in the Thailand market, with the projected procurement costs (including, among others, the purchase of motorbike parts) being approximately US\$9.8 million, US\$16.0 million and US\$16.8 million for each of the years ending 31 December 2022, 2023 and 2024;
- (iv) the Board targets to continue its expansion in the Malaysia market, with relevant projected procurement costs (including, among others, the purchase of motorbike parts) being approximately US\$11.4 million, US\$12.8 million and US\$13.5 million for each of the years ending 31 December 2022, 2023 and 2024; and

LETTER FROM THE BOARD

- (v) there has been an increasing demand for the Group's motorbikes as demonstrated by the revenue of the Group for the six months ended 30 June 2021 being more than double the revenue of the Group for the same period in 2020.

(B) *Distributorship Agreement*

- (i) the Group targets a sale of 1,128 units of "SYM" brand motorbikes under its existing business line of the distribution of such bikes for each of the year ending 31 December 2022, 2023 and 2024; and
- (ii) in addition to acting as the exclusive distributor of certain motorbikes and related parts manufactured by the Sanyang Group in the Exclusive Territory, the Board targets to commence providing after-sales motorbike parts (such as motorbike parts for repair and maintenance) to its customers as a new business line in response to consumers' preferences, having taken into account factors including but not limited to the freight costs, delivery deadlines and tariffs, from the year ending 31 December 2022, which are expected to cost US\$2.2 million.

(C) *Research and Development Services Agreement*

- (i) the Board targets to launch two new or updated scooter models in Thailand in the year ending 31 December 2022, which would require a change in engine parts and engine durability tests and therefore more significant costs are expected to be incurred in carrying out relevant research and development. The Board expects that relevant research and development would cost no less than US\$1.2 million; and
- (ii) the Board targets to update the appearances, modify the shapes and/or change the functional equipment of its "MC", "MMC" and "CG" model scooters within the three years ending 31 December 2024, which would require conducting tests including but not limited to durability tests. The Board expects that the relevant average research and development costs would be no less than US\$1 million for each of the three years ending 31 December 2024.

(D) *Technology Licence Agreement*

- (i) the Board estimates that the technology license fees in respect of two new or updated scooter models, which are expected to be launched in Thailand in the year ending 31 December 2022, would be approximately US\$237,000, US\$358,000 and US\$331,000 for each of the years ending 31 December 2022, 2023 and 2024; and
- (ii) further to the launch of the "DRONE" model scooters in the year ended 31 December 2020, the Board estimates that the relevant technology license fees would be approximately US\$598,000 and US\$557,000 for each of the years ending 31 December 2022 and 2023.

LETTER FROM THE BOARD

(E) *Parts Sales Agreement*

- (i) the Annual Caps were determined based on the expected orders for motorbike parts from the Sanyang Group for each of the years ending 31 December 2022, 2023 and 2024 as provided by the Sanyang Group based on their business plans in China and Taiwan.

(F) *Production Machinery, Moulds and Equipment Purchase Agreement*

- (i) further to the Group's expected launch of two new or updated scooter models in Thailand in the year ending 31 December 2022, the Board expects that the fees for procuring relevant high-quality production machinery, moulds and equipment from Sanyang Group would be approximately US\$570,000 for the corresponding financial year;
- (ii) further to the Group's expected launch of the updated version of a scooter model in the Malaysia market in the year ending 31 December 2023, the Board expects that the fees for procuring relevant high-quality production machinery, moulds and equipment from Sanyang Group would be approximately US\$650,000 for the corresponding financial year; and
- (iii) further to the Group's expected launch of the updated version of various scooter models in the Vietnam market in the year ending 31 December 2024, the Board expects that the fees for procuring relevant high-quality production machinery, moulds and equipment from Sanyang Group would be approximately US\$300,000 for the corresponding financial year.

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 Latest Practicable Date, Sanyang, through its wholly-owned subsidiary, SYI, held 608,818,000 issued shares of the Company (approximately 67.07% of the issued share capital of the Company).

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, 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 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 Group 1 Annual Caps for each of the Group 1 Continuing Connected Transactions exceed 5%, the aforesaid 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 Continuing Connected Transactions, their respective agreements and the Group 1 Annual Caps are conditional on approval by the Independent Shareholders being obtained at the EGM.

BOARD VIEWS

As at the Latest Practicable Date, each of Ms. Wu Li Chu, Mr. Chiang Chin Yung, Mr. Liu Wu Hsiung and Mr. Cheng Hsu Chi (all being Directors) has a 2.123%, 0.010%, 0.014% and 0.000002% 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. Chen Hsu Pin is the vice president of the president office of Sanyang and a director of various subsidiaries 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. Cheng Hsu Chi and Mr. Chen Hsu Pin had abstained from voting in the Board meeting to approve the Continuing Connected Transactions due to the aforesaid overlapping of roles and shareholding interests in 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 Group 1 Continuing Connected Transactions.

The pricing policies of the Group 1 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 plus with an agreed margin (for the Master Purchase Agreement and the Research and Development Services 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). 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.

LETTER FROM THE BOARD

The Board (excluding the independent non-executive Directors who have expressed their views in the letter from the Independent Board Committee set out on page 23 of this circular) considers that the Group 1 Continuing Connected 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 Group 1 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.

EGM

A notice convening the EGM to be held at Meeting Room 200, 3 Chung Hua Road, Hukou, Hsinchu, Taiwan on Tuesday, 15 March 2022 at 11:00 a.m. is set out on pages 52 to 53 of this circular. At the EGM, ordinary resolutions will be proposed for the Independent Shareholders to consider and, if thought fit, to approve the Group 1 Continuing Connected Transactions and the Group 1 Annual Caps.

The ordinary resolutions to be proposed at the EGM will be determined by way of poll by the Independent Shareholders. Sanyang, the ultimate controlling shareholder, through its wholly-owned subsidiary, SYI, was interested in 608,818,000 shares of the Company (representing approximately 67.07% of the total issued share capital of the Company) at the Latest Practicable Date. Therefore, Sanyang, its subsidiaries and associates are required to abstain from voting on the resolutions in respect of the Group 1 Continuing Connected Transactions and the Group 1 Annual Caps at the EGM. Save as disclosed above and Ms. Ku Hsiu Ling, the spouse of Mr. Cheng Hsu Chi (a director), who is a holder of 22,000 units of Taiwan depository receipts of the Company which are listed on the Taiwan Stock Exchange (Taiwan Depository Receipts Code: 9110) (which is equivalent to 44,000 shares of the Company), no other Shareholder is required to abstain from voting on the resolutions in respect of the Group 1 Continuing Connected Transactions and the Group 1 Annual Caps at the EGM.

For determining the entitlement to attend and vote in the EGM, the register of members of the Company will be closed from Thursday, 10 March 2022 to Tuesday, 15 March 2022 (both days inclusive) during which period no transfer of Shares will be registered. In order to qualify for the attendance of the EGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 9 March 2022.

A form of proxy for use in connection with the EGM is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong and in any event not later than 48 hours before the time of the EGM (i.e. before 11:00 a.m. on Sunday, 13 March 2022) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish and in such event, the form of proxy shall be deemed to be revoked.

LETTER FROM THE BOARD

RECOMMENDATION

The Independent Board Committee, having taken into account the advice of Altus, is of the opinion that the Group 1 Continuing Connected Transactions have been entered into in the ordinary and usual course of the business of the Group and are based on normal commercial terms, and the terms of the Group 1 Continuing Connected Transactions and the Group 1 Annual Caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, the Board and the Independent Board Committee recommend the Independent Shareholders to vote in favour of the ordinary resolutions to approve the Group 1 Continuing Connected Transactions and the Group 1 Annual Caps at the EGM.

GENERAL

Your attention is drawn to (i) the letter from the Independent Board Committee, (ii) the letter from Altus and (iii) the additional information set out in the appendix to this circular and the notice of the EGM.

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

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)

9 February 2022

To the Independent Shareholders

Dear Sir or Madam,

GROUP 1 CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 9 February 2022 (the “**Circular**”) of which this letter forms a part. Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to advise you in respect of the fairness and reasonableness of the Group 1 Continuing Connected Transactions. Altus has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this regard.

Having taken into account the advice of Altus, including the basis of the pricing of the Group 1 Continuing Connected Transactions and the internal control measures adopted by the Group to ensure that the Group 1 Continuing Connected Transactions are in accordance with the pricing policies and the terms of the relevant agreement, we are of the opinion that the Group 1 Continuing Connected Transactions have been entered into in the ordinary and usual course of the business of the Group and are based on normal commercial terms, and the Group 1 Continuing Connected Transactions and the Group 1 Annual Caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, we would advise the Independent Shareholders to vote in favour of the ordinary resolutions to approve the Group 1 Continuing Connected Transactions and the Group 1 Annual Caps at the EGM.

We also draw the attention of the Independent Shareholders to (i) the letter from the Board, (ii) the letter from Altus, and (iii) the appendix to the Circular.

Yours faithfully,
For and on behalf of the
Independent Board Committee

Ms. Lin Ching Ching
*Independent non-executive
Director*

Ms. Wu Kwei Mei
*Independent non-executive
Director*

Mr. Cheung On Kit Andrew
*Independent non-executive
Director*

LETTER FROM ALTUS

The following is the text of a letter of advice from Altus Capital Limited to the Independent Board Committee and the Independent Shareholders in respect of the Group 1 Continuing Connected Transactions (including the respective Group 1 Annual Caps), which has been prepared for the purpose of incorporation in this circular.

ALTUS.

Altus Capital Limited
21 Wing Wo Street
Central, Hong Kong

9 February 2022

To the Independent Board Committee and the Independent Shareholders
Vietnam Manufacturing and Export Processing (Holdings) Limited
40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wan Chai
Hong Kong

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Group 1 Continuing Connected Transactions contemplated under the Master Purchase Agreement, the Distributorship Agreement and the Research and Development Services Agreement (including the respective Group 1 Annual Caps). Details are set out in the "Letter from the Board" contained in the circular dated 9 February 2022 (the "**Circular**") to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein or required by the context.

The existing agreements relating to the Continuing Connected Transactions have expired on 31 December 2021. The Company had, on 3 December 2021, entered into new agreements in relation to the Continuing Connected Transactions each with a term of three years ending 31 December 2024. The Board also proposes the Group 1 Annual Caps for the Group 1 Continuing Connected Transactions for the three years ending 31 December 2024.

LETTER FROM ALTUS

As at the Latest Practicable Date, each of Ms. Wu Li Chu, Mr. Chiang Chin Yung, Mr. Liu Wu Hsiung and Mr. Cheng Hsu Chi (all being Directors) has a 2.123%, 0.010%, 0.014% and 0.000002% 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. Chen Hsu Pin is the vice president of the president office of Sanyang and a director of various subsidiaries 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. Cheng Hsu Chi and Mr. Chen Hsu Pin had abstained from voting in the Board meeting to approve the Continuing Connected Transactions due to the aforesaid overlapping of roles and shareholding interests in 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.

LISTING RULES IMPLICATION

As at the Latest Practicable Date, 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 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 Group 1 Annual Caps for each Group 1 of the Continuing Connected Transactions exceed 5%, the aforesaid 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 Continuing Connected Transactions, their respective agreements and the respective Group 1 Annual Caps are conditional on approval by the Independent Shareholders being obtained at the EGM.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee consisting of Ms. Lin Ching Ching, Ms. Wu Kwei Mei and Mr. Cheung On Kit Andrew, being all the independent non-executive Directors, has been established to advise the Independent Shareholders on (i) whether the terms and conditions of the Group 1 Continuing Connected Transactions contemplated under the Master Purchase Agreement, the Distributorship Agreement and the Research and Development Services Agreement are on normal commercial terms and are fair and reasonable; (ii) whether the Group 1 Continuing Connected Transactions will be conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; (iii) whether the respective Group 1 Annual Caps have been fairly and reasonably arrived at; and (iv) how to vote at the EGM, taking into account the recommendations of the Independent Financial Adviser.

LETTER FROM ALTUS

INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser to the Independent Board Committee, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the terms and conditions of the Group 1 Continuing Connected Transactions contemplated under the Master Purchase Agreement, the Distributorship Agreement and the Research and Development Services Agreement are on normal commercial terms and are fair and reasonable; (ii) whether the Group 1 Continuing Connected Transactions will be conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; (iii) whether the respective Group 1 Annual Caps have been fairly and reasonably arrived at; and (iv) how the Independent Shareholders should vote in respect of the resolutions relating thereto to be proposed at the EGM.

We have previously acted as the independent financial adviser to the Company with regard to the revision of annual caps for continuing connected transactions and the further revision of annual cap for continuing connected transactions. Details of such transactions were set out in the circulars of the Company dated 13 May 2020 and 24 September 2021 respectively. Save for the aforesaid transactions, we have not acted as an independent financial adviser or financial adviser for other transactions of the Group in the last two years from the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on the Group 1 Continuing Connected Transactions is at market level and not conditional upon successful passing of the resolutions to be proposed at the EGM, and that our engagement is on normal commercial terms, we are independent of and not associated with the Company, its controlling Shareholder(s) or connected person(s).

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others, (i) the Master Purchase Agreement, the Distributorship Agreement and the Research and Development Services Agreement; (ii) annual report of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”); (iii) the interim report of the Company for the six months ended 30 June 2021 (the “**2021 Interim Report**”); and (iv) other information as set out in the Circular.

We have relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at the date of the Circular. The Directors collectively and individually accept full responsibility, including particulars given in compliance with the Listing Rules for the purpose of giving information with regards to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading.

LETTER FROM ALTUS

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Company and the Management have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions and representations. We consider that we have been provided with and have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background information of the Group and its relationship with Sanyang Group

1.1 Principal activities of the Group and Sanyang Group

The Group is principally engaged in the production of scooters and cub motorbikes, engines and related parts. It is one of the leading manufacturers of scooters and cub motorbikes in Vietnam.

Sanyang Group is principally engaged in the manufacturing of motorbikes and related parts, as well as motor cars, trucks and related parts.

1.2 Operating results of the Group

Set out below is a summary of the operating results of the Group for each of the year ended 31 December 2019 and 2020 and the six months ended 30 June 2020 and 2021 (the “**Review Period**”), as extracted from the 2020 Annual Report and the 2021 Interim Report, respectively.

	For the year ended		For the six months ended	
	31 December		30 June	
	2019	2020	2020	2021
	US\$	US\$	US\$	US\$
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	99,499,318	84,107,777	27,782,529	59,955,149
Gross profit	5,371,492	8,109,255	2,402,599	5,419,109
Administrative and other				
operating expenses	(9,565,931)	(7,864,963)	(3,418,334)	(3,539,583)
(Loss) for the period/year	(17,594,249)	(7,285,848)	(4,239,747)	(1,192,071)

Source: 2020 Annual Report and 2021 Interim Report

LETTER FROM ALTUS

Year ended 31 December 2020

Revenue for the year ended 31 December 2020 was approximately US\$84.1 million, representing a decrease of approximately 15.5% compared with approximately US\$99.5 million for the year ended 31 December 2019. The aforementioned decrease in revenue was primarily attributable to a drop in sales volume in Vietnam and other ASEAN countries as a result of the negative impact caused by the COVID-19 pandemic. The subsequent slowdown in economic growth, along with various congregation restrictions and social distance measures imposed by the Vietnamese government led to a slowdown of consumer activities and reduced customer orders. Other major export markets such as Thailand, Malaysia, and the Philippines have also experienced similar economic contraction, resulting in lower income and reduced customer sentiment. According to the 2020 Annual Report, the Group sold a total of approximately 86,700 units of motorbikes, representing a decrease of approximately 26.1% from approximately 117,400 units of motorbikes for the year ended 31 December 2019.

In relation to geographical distribution of the Group's revenue, approximately 44.9% of its total revenue was generated from the domestic market in Vietnam for the year ended 31 December 2020, as compared to approximately 51.0% for the year ended 31 December 2019. Domestic sales in Vietnam decreased to approximately US\$37.7 million for the year ended 31 December 2020, representing a decrease of approximately 25.8% from US\$50.8 million for the year ended 31 December 2019. According to the 2020 Annual Report, an aggregate of approximately 46,000 units of motorbikes (including approximately 5,500 units of scooters, 39,800 units of cubs and 700 units of electric motorbikes) were sold in Vietnam in 2020, representing a decrease of approximately 27.5% from the previous year. This decrease was mainly due to the slowdown or suspension of sales due to the COVID-19 pandemic. Approximately 40,700 units of scooters and cubs were exported and sold to other ASEAN countries during the year ended 31 December 2020, representing a decrease of approximately 24.6% from the previous year, primarily due to the pandemic.

The gross profit of the Group increased by approximately 51.0%, from approximately US\$5.4 million for the year ended 31 December 2019 to approximately US\$8.1 million for the year ended 31 December 2020. The Group's gross profit margin increased from approximately 5.4% for the year ended 31 December 2019 to approximately 9.6% for the year ended 31 December 2020. The increase in gross profit and gross profit margin was mainly due to a reduction in sales of less profitable models domestically. Additionally, for export sales, the Group strengthened the value of its products by launching high-end models, as well as partnering with GPX and Lambretta to launch various products, which has a higher margin in general and contributed to the increase in the Group's gross profit margin.

The Group's administrative and other operating expenses decreased slightly by approximately 17.7% from approximately US\$9.6 million for the year ended 31 December 2019 to approximately US\$7.9 million for the year ended 31 December 2020. The decrease was primarily attributable to a significant reduction in research and development expenses, as well as strengthened management and cost-saving measures.

LETTER FROM ALTUS

As a result of the factors discussed above, the Group's loss for the year ended 31 December 2020 amounted to approximately US\$7.3 million, representing a significant decrease of approximately 58.5% as compared to a loss of approximately US\$17.6 million for the year ended 31 December 2019. This is mainly attributable to the shift of focus to high-end models which led to an improvement of the Group's gross profit margin, as well as other general cost-saving measures of the Group during the year ended 31 December 2020.

Six months ended 30 June 2021

Revenue for the six months ended 30 June 2021 was approximately US\$60.0 million, representing a significant increase of approximately US\$32.2 million from approximately US\$27.8 million for the six months ended 30 June 2020. This is an increase of approximately 116%, or 2.16 times. This significant increase was primarily attributable to a number of reasons. Firstly, local distributors for domestic sales in Vietnam placed orders in advance of the Group's upward adjustment strategy for its product price, which boosted sales and revenue. Similarly, the increase in product price also contributed to a growth in revenue. In addition, for export sales, increased sales of mid-to-high-end products led to revenue growth, although this was partially offset by the recurrent outbreak of the COVID-19 pandemic.

The Group sold approximately 19,800 units of motorbikes (including approximately 2,400 units of scooters, 17,200 units of cubs and 200 units of electric motorbikes, respectively) in Vietnam for the six months ended 30 June 2021, representing an increase of approximately 32.0% as compared to the corresponding period in 2020. Such increase was mainly because of the Group's efforts to proactively roll out several modified motorbike models during the six months ended 30 June 2021, which were well received by customers. The Group has also gradually raised the selling price of its products since May 2021 while distributors in Vietnam have been pre-ordering products in anticipation of the price increase. In addition, the Group sold approximately 29,700 units of scooters and cubs to other ASEAN countries for the six months ended 30 June 2021, representing an increase of 126% from the same period in 2020. Such increase was mainly attributed to the Group's efforts to proactively expand its sales market to Thailand and Greece.

Gross profit of the Group increased by approximately 126%, from approximately US\$2.4 million for the six months ended 30 June 2020 to approximately US\$5.4 million for the six months ended 30 June 2021. The Group's gross profit margin increased from approximately 8.6% for the six months ended 30 June 2020 to approximately 9.0% for the six months ended 30 June 2021. Both increases were mainly caused by the implementation of price adjustment strategies in the domestic Vietnam market, proactive development of new products, market expansion in terms of exports, as well as the optimisation of product sales structure.

The Group's administrative and other operating expenses increased very slightly by approximately 3.5%, from approximately US\$3.4 million for the six months ended 30 June 2020 to approximately US\$3.5 million for the six months ended 30 June 2021. The increase was mainly in line with the growth in sales and the consequent increase in overall administrative expenses.

LETTER FROM ALTUS

As a result of the above, the Group's loss for the six months ended 30 June 2021 decreased significantly by approximately 71.9%, from a loss of approximately US\$4.2 million for the six months ended 30 June 2020 to a loss of approximately US\$1.2 million for the six months ended 30 June 2021.

1.3 Prospects of the Group

The fluctuations of the COVID-19 pandemic will continue to create a series of uncertainties for Vietnam and other ASEAN countries going forward. The economic recovery of ASEAN countries will depend largely on the efficiency of the rapid and large-scale vaccination programmes and sustainable recovery policies implemented by the respective governments. As such, the Group will continue to monitor the development of the pandemic and respond appropriately.

Despite the tough business environment, the Group will adhere to its operating approach of focusing on its primary businesses, product quality and customers' satisfaction. The Group will also adopt product innovation as its key strategy to further strengthen its capabilities in product design and core technology development. For the domestic Vietnam market, the Group will continue to focus on the student market and capitalise on the peak season with its major product, cub motorbikes. For the export market, the Group has accelerated the upgrading of the engine power of its DRONE model and further refined the appearance and colour combinations of its products.

Looking ahead, the Group aims to continue extending the geographical coverage of its sales and services centres. To do so, the Group will step up further to engage in marketing and promotional activities, and to provide better after-sales services overseas.

2. Background and principal terms of the Group 1 Continuing Connected Transactions

2.1 The Master Purchase Agreement

As set out in the "Letter from the Board" of the Circular, the Group entered into the previous master purchase agreement (the "**2018 Master Purchase Agreement**") with Sanyang which allowed the Company to source certain motorbike parts from Sanyang and other members of the Sanyang Group for its production of motorbikes. As the previous master purchase agreement expired on 31 December 2021, the Company entered into the Master Purchase Agreement with Sanyang (for itself and on behalf of other members of Sanyang Group) on 3 December 2021 to continue engaging the Sanyang Group to supply motorbike parts to the Group.

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 motorbikes 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 provision which are in all material respects consistent with the binding principles, guidelines, terms and conditions set out in the Master Purchase Agreement.

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To assess the fairness and reasonableness of the terms of the Master Purchase Agreement, we have considered the following:

a. Major terms and pricing

We noted that pursuant to the Master Purchase Agreement:

- (i) All purchase transactions shall be undertaken on normal commercial terms or on terms no less favourable to the Group than terms available to or from Independent Third Parties.
- (ii) 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.
- (iii) A credit period of 30 to 60 days (as the case may be) after the date of the invoice without interest shall be granted to the Group by Sanyang Group unless the relevant parties determined otherwise in the individual purchase orders.

We noted that the major terms contemplated under the Master Purchase Agreement is the same as those set out in the 2018 Master Purchase Agreement.

In relation of the above major terms, we have reviewed five randomly selected sample purchase orders and purchase invoices for each of the three years ended 31 December 2021 entered into between (i) the Group and Sanyang Group in respect of the purchase of motorbike parts; and (ii) the Group and Independent Third Party suppliers in respect of the purchase of similar motorbike parts during the same period, and noted that thereunder:

- (i) The terms offered by Sanyang Group and Independent Third Party suppliers, namely pricing of parts, delivery time, payment method and credit terms were generally similar.
- (ii) The price of sourcing the motorbike parts from members of the Sanyang Group was at a cost plus basis. Sanyang Group charged 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%). Further discussion about the margin is set out below.

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- (iii) The prices of the motorbike parts purchased by the Group from the Sanyang Group were no less favourable than the prices quoted by Independent Third Party suppliers in the PRC or Vietnam for similar parts within a similar timeframe.
- (iv) The payment terms of the purchase orders between the Group and the Sanyang Group were similar to those of the purchase orders/quotations between the Group and other Independent Third Parties.

The credit terms of the purchase orders (30 to 60 days) after the date of the invoice without interest between the Group and the Sanyang Group were within the range of those of the purchase orders/quotations between the Group and other Independent Third Parties.

With regard to the pricing policy of the aforesaid 10% or 15% margin (depending on the import duty) to be added on to the cost to the Sanyang Group, we have reviewed the relevant pricing ledger of the motorbike parts, their respective prices in US\$ charged to the Group as set out in the sample invoices reviewed by us as mentioned above and the exchange rates used. We noted such pricing policy has been adhered thereto.

We have also compared the price quotations of Independent Third Party suppliers in the PRC for similar motorbike parts within the similar timeframe (i.e. facing same import duty of Vietnam and US\$ to Renminbi (“RMB”) exchange rate) set out in the sample invoices reviewed by us as mentioned above, we noted that the pricing of the products sold by the Sanyang Group to the Group (after taking into account 10% or 15% margins on top of the cost incurred by the Sanyang Group in providing such sourcing services) was no less favourable than terms offered by Independent Third Party suppliers.

Considering the large number of transactions under the 2018 Master Purchase Agreement, and given the samples were selected on a random basis, we believe the approach is practical and the selected samples are sufficient for this purpose.

As the sample invoices (as described above) supported that the major terms and pricing policy of the 2018 Master Purchase Agreement had been consistently adhered to during the three years ended 31 December 2021, and the terms of the Master Purchase Agreement are the same as the 2018 Master Purchase Agreement, we consider the terms of the Master Purchase Agreement are normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

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b. Reasons for and benefits of the Master Purchase Agreement

According to the Management, by centralising and aggregating the Sanyang Group's sourcing of motorbike parts with those of the Group's, the Sanyang Group would be in a position to negotiate better purchase price and terms with the suppliers and enjoy the benefits of bulk purchase, which would also benefit the Group as the Sanyang Group would be able to supply the parts to the Group at lower costs.

The Management also noted that 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 Independent Third Parties outside Vietnam to provide similar services. Additionally, as for the parts sourced in the PRC, this enables the Group to secure a cost effective and stable source of supply of motorbike parts which are supplied at a lower cost in the PRC than in other countries due to lower labour costs and production costs in the PRC. 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. The Sanyang Group would also be able to assist in conducting surveys and performing 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.

The Group also sources motorbike parts from the Sanyang Group locally in Vietnam. This will reduce transportation costs and delivery time and therefore bring flexibility to the Group and allow it to meet unexpected increase of orders or other market contingencies.

We have reviewed (i) the quantity ordered and the amount purchased by the Group from Sanyang Group during the three years ended 31 December 2021 (samples as mentioned in paragraph a above); (ii) the quotations on such motorbike parts obtained by the Group from Independent Third Party suppliers (samples as mentioned in paragraph a above) to compare with the prices obtained by the Group from Sanyang Group; and (iii) the terms and conditions (such as packaging, logistic services, transportation costs and delivery time) offered by Independent Third Party suppliers to the Group set out in the quotations (as mentioned in paragraph a above). As such, we concur with the Management that it is fair and reasonable to purchase through the Sanyang Group and such purchases are in the interests of the Company and the Shareholders as a whole.

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c. *Proposed Annual Caps*

(i) Existing annual caps and historical transaction amount

Below is a table setting out the existing annual caps and the historical transaction amount for each of the year ended 31 December 2019, 2020 and 2021.

	Year ended 31 December		
	2019	2020	2021
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Existing annual caps	11,100,000	25,070,000 <i>(Note 1)</i>	43,500,000 <i>(Note 2)</i>
Historical transaction amount	10,826,883	14,882,963	36,739,991
Utilisation rate	97.5%	59.4%	84.5%

Notes:

1. 2020 annual cap was increased from US\$12,110,000 to US\$25,070,000 on 13 May 2020.
2. 2021 annual cap was increased from US\$12,700,000 to US\$32,590,000 on 13 May 2020, and was further revised to US\$43,500,000 on 24 September 2021.

As shown in the table above, the Group utilised approximately 97.5% of the annual cap for the year ended 31 December 2019, and approximately 59.4% of the revised annual cap for the year ended 31 December 2020. For the year ended 31 December 2021, the Group utilised approximately 84.5% of the revised annual cap for the year ended 31 December 2021.

It is noted that the annual caps for the years ended 31 December 2020 and 2021 were revised on 13 May 2021, and the annual cap for the year ended 31 December 2021 was further revised on 24 September 2021, due to an increased production of motorbikes by the Group. Additionally, two new series of advanced-level motorbikes under the Group's own brand were expected to be introduced into the Vietnamese market. The revision of annual caps led to a lower utilisation rate from 2019 to 2020, despite an increase in transaction amount.

As part of the Vietnamese government's COVID-19 prevention policies, the Group had to halt its production of scooters between 22 July 2021 and 15 October 2021, as a result of which the sales of motorbikes, procurement of raw materials and other operational matters also had to be suspended. However, despite such aforementioned halt, the total amount of motorbike parts purchased by the Group from the Sanyang Group for the year ended 31 December 2021 was still higher than the total amount of motorbike parts purchased by the Group from the Sanyang Group for the year ended 31 December 2020 by approximately 2.5 times. Orders for the Group's motorbikes have also been fulfilled since the recommencement of its sales from mid-October 2021 as a result of the pent-up demand from the previous production halt, which demonstrates a strong demand for the Group's motorbikes.

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The significant increase in sales during the year ended 31 December 2021 as a result of the launch of high-quality, advanced-level models by the Group had also drove up the transaction amount under the 2018 Master Purchase Agreement. Hence the then annual cap for the year ended 31 December 2021 (which was first approved at the extraordinary general meeting in 2019) had to be continuously revised upwards.

(ii) Proposed Annual Caps

	Year ending 31 December		
	2022	2023	2024
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Proposed Annual Caps	62,560,000	73,020,000	78,190,000
Year-on-year percentage change		+16.7%	+7.1%

We note that the proposed Annual Cap for each year under the Master Purchase Agreement has been determined with reference to (i) the historical transaction amount and cost of parts purchased from the Sanyang Group; (ii) the projected and/or targeted growth in revenue and sales volume of the Group; and (iii) the expected increasing demand of parts arisen from the Group's new motorbike models.

According to information provided by Management, the Group has seen increasing demand for the Group's motorbikes. Revenue of the Group for the six months ended 30 June 2021 was more than double the revenue of the Group for the same period in 2020. In addition, as aforementioned, the total amount of motorbike parts purchased by the Group from the Sanyang Group for the year ended 31 December 2021 was higher than the total amount of motorbike parts purchased by the Group from the Sanyang Group for the year ended 31 December 2020 by approximately 2.5 times.

As described in the 2021 Interim Report, the DRONE model, a high-quality scooter developed jointly with GP Motor (Thailand) Co. Ltd, was well received by the mid-to-high-end market in Thailand, and its launch caused a sensation in the local market. The Management projects that the DRONE model, along with the Group's "Lambretta" motorcycles, will form a significant part of the Group's sales for the three years ending 31 December 2024. Furthermore, the Management expects a significant ramp-up of the sales of the DRONE model after its introduction in 2021. The number of DRONE models to be sold is expected to amount to 28,350 units, 28,850 units and 29,850 units for each of the three years ending 31 December 2024, respectively, as compared to 20,824 units for the year ended 31 December 2021.

Additionally, based on our discussions with Management, the Group targets to attain a market share (comprising cub and scooter) in Vietnam of approximately 1.41% in 2022, 1.44% in 2023 and 1.50% in 2024, representing a target sale of 35,200 units, 39,000 units and 42,000 units of motorbikes in Vietnam in the respective years.

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We note that the proposed Annual Cap for the year ending 31 December 2022 represents a significant increase of approximately 43.8% from the 2021 annual cap under the 2018 Master Purchase Agreement. We are of the view that this is in line with the Group's strategy going forward. As per our discussions with Management, the Group is looking to increase the number of new motorbike models, as well as revamp and upgrade existing ones. The Group is looking to target the mid-to-high-end market and expand its production of higher value-add motorbike models to maximise profitability and maintain growth. Additionally, as mentioned under "1.3 Prospects of the Group", the Group aims to continue extending the geographical coverage of its sales. As the variety of motorbikes being sold changes and increases, the Group looks forward to strengthening cooperation with the Sanyang Group to reduce the cost of self-production. In view of the above, the Group is projected to purchase more parts from the Sanyang Group from 2022 to 2024. Thus, the proposed Annual Caps have been increased from approximately US\$43.4 million for the year ended 31 December 2021 to approximately US\$62.3 million for the year ending 31 December 2022 and we are of the view that this is appropriate.

To consider the fairness and reasonableness of the proposed Annual Caps, we have taken into account the individual variables which may have an impact on the proposed Annual Caps:

(aa) Target sales – Vietnam

There were approximately 2.7 million motorbikes sold in Vietnam for the year ended 31 December 2020 according to the report issued by the Vietnam Association of Motorcycle Manufacturers. Although the economy of Vietnam has been volatile in recent years due to the COVID-19 pandemic, given the recent excited reaction of the new models introduced by the Group, the Management believes and we concur that it is fair and reasonable to expect a steady annual market demand in Vietnam in the upcoming three years.

We also note the current population dynamics of Vietnam: (i) the population is constantly rising with about 97.3 million people as at mid-year 2020; (ii) the median age of Vietnam is approximately 32.5 years. Management is of the view that motorcycles will continue to remain a main mode of transport in the foreseeable years, especially among the student population and the youth.

Taking into account (i) the Group had sold approximately 63,400 units, 46,000 units and 28,100 units of motorbikes (comprising scooter, cubs and electric motorbikes) in 2019, 2020 and 2021, respectively in Vietnam despite the COVID-19 pandemic; (ii) the projected growth in the sales resulting from the Group's redefined strategies and new models of motorbikes; and (iii) the Group's sales forecast and budget which we reviewed, the Management believes and we concur that the target sale quantity of 35,200 motorbikes, 39,000 motorbikes and 42,000 motorbikes in Vietnam in the years ending 31 December 2022, 2023 and 2024 respectively, have been fairly and reasonably arrived at.

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(bb) Target sales – other ASEAN countries

We first note the sale of 52,300 units, 38,800 units and 45,000 units of motorbikes in 2019, 2020 and 2021, respectively in relation to the Master Purchase Agreement, in other ASEAN countries despite the COVID-19 pandemic.

We understand from Management that the Group is trying to expand sales and revenue in the export market. In particular, the Group targets to launch two new or updated scooter models in Thailand in the year ending 31 December 2022 as part of its plan to continue its expansion and in response to consumers' preferences in the Thailand market. The Group also targets to continue expansion in the Malaysia market. Such expansion plans and target sales are detailed in the Group's sales forecast and budget which we reviewed.

Taking into account the above, the Management believes and we concur that the target sale quantity of 78,500 motorbikes, 85,718 motorbikes and 86,718 motorbikes by the Group to other ASEAN countries in the years ending 31 December 2022, 2023 and 2024 in relation to the Master Purchase Agreement have been fairly and reasonably arrived at.

Shareholders should note that the proposed Annual Caps represent an estimate based on information currently available and that the actual utilisation and sufficiency of the proposed Annual Caps would depend on a number of factors, including but not limited to, the possible fluctuation in the cost of raw materials in the future and the actual demand of the Group's products. The proposed Annual Caps have no direct relationship to, nor should be taken to have any direct bearing on the Group's financial or potential financial performance.

2.2 Distributorship Agreement

As set out in the "Letter from the Board" of the Circular, the Group entered into the previous distributorship agreement (the "**2018 Distributorship Agreement**") with the Sanyang Group which the Company 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, where the Company will only be entitled to re-sell such motorbikes to customers in Vietnam solely for use in exhibitions). As the 2018 Distributorship Agreement expired on 31 December 2021, the Company entered into the Distributorship Agreement with the Sanyang Group on 3 December 2021 to continue engaging the Company to act as the exclusive distributor of certain motorbikes and related parts manufactured by the Sanyang Group in the Exclusive Territory.

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To assess the fairness and reasonableness of the terms of the Distributorship Agreement, we have considered the following:

a. Major terms and pricing

We noted that pursuant to the Distributorship Agreement:

- (i) 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.
- (ii) The Sanyang Group shall sell 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.
- (iii) The Sanyang Group shall provide the Company with a copy of its current price list for the products from time to time.
- (iv) 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 invoice unless the relevant parties determined otherwise in the relevant purchase order.

We noted that the major terms contemplated under the Distributorship Agreement is the same as those set out in the 2018 Distributorship Agreement, except for the credit terms. The Group shall pay for all purchases made under the 2018 Distributorship Agreement in cash within 30 to 60 days as set out in the 2018 Distributorship Agreement, which was changed to 30 to 90 days in the Distributorship Agreement.

In relation to the above, we have reviewed five randomly selected sample purchase orders and purchase invoices (and related sales invoices) for each of the three years ended 31 December 2021 entered into between (i) the Group and Sanyang Group in respect of the distribution of “SYM” brand motorbikes; and (ii) the Group and Independent Third Party suppliers in respect of the sales of “SYM” brand motorbikes during the three years ended 31 December 2021, and noted that thereunder:

- (i) The 3.5% minimum profit guaranteed for the Group under the previous distributorship has been achieved.
- (ii) The terms under the 2018 Distributorship Agreement as mentioned above had been generally complied with.

Given that the abovementioned sample invoices (as described above) supported the major terms and pricing policy of the Distributorship Agreement had been consistently adhered to during the three years ended 31 December 2021, we believe the aforementioned samples are fair and representative samples.

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We have discussed with the Management and noted that the 3.5% margin was able to cover the administrative and operating expenses attributable to the distributorship operations of the Group. We have reviewed the historical monthly sales data and compared that with the related costs incurred by the Group under the 2018 Distributorship Agreement and noted the 3.5% margin is sufficient to cover the related costs. Taking into account the above factors, the Management believes and we concur that the minimum guaranteed profit of at least 3.5% is fair and reasonable.

Considering the large number of transactions under the 2018 Distributorship Agreement, and given the samples were selected on a random basis, we believe the approach is practical and the selected samples are sufficient for this purpose.

As the sample invoices (as described above) supported that the major terms and pricing policy of the 2018 Distributorship Agreement had been consistently adhered to during the three years ended 31 December 2021, and the terms of the Distributorship Agreement are largely the same as the 2018 Distributorship Agreement, we consider the terms of the Distributorship Agreement are normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

b. Reasons for and benefits of 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.

Taking into account the reasons mentioned above and that the terms of the Distributorship Agreement (as mentioned in the paragraph headed “a. Major terms and pricing” above) are fair and reasonable, we concur with the Management that it is fair and reasonable to act as an exclusive distributor for Sanyang Group in the Exclusive Territory and such transactions contemplated under the Distributorship Agreement are in the interests of the Company and the Shareholders as a whole.

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c. *Proposed Annual Caps*

(i) Existing annual caps and historical transaction amount

Below is a table setting out the existing annual caps under the 2018 Distributorship Agreement, and the historical transaction amount recorded for the year ended 31 December 2019, 2020 and 2021.

	Year ended 31 December		
	2019	2020	2021
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Existing annual cap	3,301,000	5,587,000	15,187,000
		<i>(Note 1)</i>	<i>(Note 2)</i>
Historical transaction amount	2,304,048	2,523,287	3,848,310
Utilisation rate	69.8%	45.2%	25.3%

Notes:

1. 2020 annual cap was increased from US\$3,603,000 to US\$5,587,000 on 13 May 2020.
2. 2021 annual cap was increased from US\$3,603,000 to US\$15,187,000 on 13 May 2020.

As shown in the table above, the Group utilised approximately 69.8% of the 2019 annual cap, and 45.2% of the revised 2020 annual cap. For the year ended 31 December 2021, the Group utilised approximately 25.3% of the revised 2021 annual cap.

It is noted that the annual cap for the years ended 31 December 2020 and 2021 had to be revised on 13 May 2021. This was primarily attributable to a 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. Despite the rise in consumers' demand, the utilisation rate of the 2020 and 2021 annual caps were only 45.2% and 28.3% (on an annualised basis). This is primarily due to the prolonged COVID-19 pandemic in the Exclusive Territory which negatively impacted the sales of motorbikes.

Shareholders should note that the proposed Annual Caps represent an estimate based on information currently available and that the actual utilisation and sufficiency of the proposed Annual Caps would depend on a number of factors. The proposed Annual Caps have no direct relationship to, nor should be taken to have any direct bearing on, the Group's financial or potential financial performance.

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(ii) Proposed Annual Caps

	Year ending 31 December		
	2022	2023	2024
	US\$	US\$	US\$
Proposed Annual Cap	5,530,000	5,410,000	5,300,000
Year-on-year percentage change		-2.17%	-2.03%

We noted that the proposed Annual Caps has been determined with reference to the (i) historical transaction amount and demand for “SYM” brand motorbikes; (ii) the projected sales volume and selling price of the “SYM” brand motorbikes as determined by the Board; and (iii) expected transaction amount under the Group’s new business line to provide after-sales motorbike parts to its customers.

To consider the fairness and reasonableness of the proposed Annual Caps, we have taken into account the individual variables which may have an impact to the proposed Annual Caps:

(aa) Projected sales volume and selling price of the “SYM” brand motorbikes

In terms of the existing business line of distribution of “SYM” brand motorbikes, the expected transaction amount is approximately US\$3.1 million for each of the year ending 31 December 2022, 2023 and 2024, respectively. Such transaction amount represents an expected sale of 1,128 units for each of the year ending 31 December 2022, 2023 and 2024, respectively. We had reviewed the historical transaction under the 2018 Distributorship Agreement, and noted that the expected transaction for the three years ending 31 December 2024 is in line with previous years.

(bb) Expected transaction amount under the Group’s new business line to provide after-sales motorbike parts to its customers

According to Management, in addition to acting as the exclusive distributor of certain motorbikes and related parts manufactured by the Sanyang Group in the Exclusive Territory, the Board targets to commence providing after-sales motorbike parts (such as motorbike parts for repair and maintenance) as a new business line in response to consumers’ preferences.

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The expected transaction amount under this segment is approximately US\$2.4 million, US\$2.3 million and US\$2.2 million for each of the year ending 31 December 2022, 2023 and 2024, respectively. Such transaction amount was estimated based on (i) the expected sales of the Group's after-sales services; (ii) the expected procurement costs in relation to parts; and (iii) the estimated percentage of parts that are required from Sanyang Group. We had reviewed (i) the historical percentages of the revenue of the Group's after-sales services in relation to its motorbike sales for the three years ended 31 December 2021; (ii) related margins of the Group's after-sales services; and (iii) the expected sales of "SYM" brand motorbike sales, and we believe such transaction amount was estimated based on reasonable ground and due care.

Given the above factors, we concur with Management that the aforementioned proposed Annual Caps are fair and reasonable.

Shareholders should note that the proposed Annual Caps represent an estimate based on information currently available and that the actual utilisation and sufficiency of the proposed Annual Caps would depend on a number of factors. The proposed Annual Caps have no direct relationship to, nor should be taken to have any direct bearing on, the Group's financial or potential financial performance.

2.3 Research and Development Services Agreement

As set out in the "Letter from the Board" of the Circular, the Group entered into the Research and Development Services Agreement with the Sanyang Group on 3 December 2021. To assess the fairness and reasonableness of the terms of the Research and Development Services Agreement, we have considered the following:

a. Major terms and pricing

We noted that in pursuant of the Research and Development Services Agreement:

- (i) 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.
- (ii) 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.

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- (iii) 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%.
- (iv) 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.
- (v) The 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.

In relation to the above, we have reviewed all of the purchase orders and purchase invoices entered into between the Group and Sanyang Group in respect of the purchase of research and development services during the three years ended 31 December 2021, and noted that the transactions were carried out in accordance with the terms of the previous research and development services agreement. Furthermore, we had reviewed a set of research and development services agreement entered between Sanyang Group and its member, and noted that the Sanyang Group charges 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 are not higher than that payable by other members of Sanyang Group for the same services.

In light of the above, we consider the terms of the Research and Development Services Agreement are normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

b. Reasons for and benefits of the Research and Development Services Agreement

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. This is mainly because 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.

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As elaborated under the section headed “1.3 Prospects of the Group” in this letter, in light of the Group’s strategy to continue to introduce high-quality and advanced-level models of motorbikes in order to maximise its profitability, and considering the long history of the Sanyang Group’s involvement in motorbike production, we concur with the Management that the research and development services is critical to the Group’s future development. Therefore, we believe the entering of the Research and Development Services Agreement is fair and reasonable, and is in the interests of the Company and the Shareholders as a whole.

c. Proposed Annual Caps

(i) Existing annual caps and historical transaction amount

Below is a table setting out the existing annual caps and the historical transaction amount for each of the year ended 31 December 2019, 2020 and 2021.

	Year ended 31 December		
	2019	2020	2021
	US\$	US\$	US\$
Existing annual caps	720,000	1,710,000	800,000
Historical transaction amount	29,330	59,555	–
Utilisation rate	4.1%	3.5%	0%

As discussed with the Management, the historically low utilisation rate under the previous research and development services agreement was due to the Group’s previous strategy to control research and development costs and focus on sales of existing motorbike models. As the Group’s strategy shifts to diversify its motorbike models and launch more high-quality and advanced-level motorbikes to maximise its profits, it is fair and reasonable for the Group to rely more on the research and development capabilities of Sanyang Group. For further details of the Group’s strategy going forward, please refer to the section headed “1.3 Prospects of the Group” in this letter.

In light of the above, the Management believes and we concur that the relatively low utilisation rates of the existing annual caps as set out above have no bearing on the basis in determining the proposed Annual Caps under the Research and Development Services Agreement.

LETTER FROM ALTUS

(ii) Proposed Annual Caps

	Year ending 31 December		
	2022	2023	2024
	US\$	US\$	US\$
Proposed Annual Caps	1,900,000	700,000	500,000
Year-on-year percentage change		-63.2%	-28.6%

We noted that each of the proposed Annual Caps has been determined with reference to the future projects in research and development and their respective costs.

In the Thailand market, the Group targets to launch a new model which would require a change in engine parts and engine durability tests. Such development is expected to incur a research and development costs of approximately US\$1.2 million during the year ending 31 December 2022. Furthermore, the Group also targets to revamp the outlook of its “MC” model, which is expected to incur a research and development costs of approximately US\$0.7 million during the same year.

In the Malaysia market, the Group aims to undergo a series of developments on its VF model to fit existing market demands, which is expected to cost approximately US\$700,000 during the year ending 31 December 2023.

In the Vietnam market, the Board targets to update the appearances, shapes and/or functional equipment of its “MMC” and “CG” model scooters, which would require conducting tests including but not limited to durability tests. The costs for the abovementioned is expected to amount to approximately US\$500,000 during the year ending 31 December 2024.

Taking into account the above, the Group expects that research and development costs would be higher than previously expected. Accordingly, the proposed Annual Caps have been changed with respect to the aforementioned proposals.

We had reviewed the Group’s internal budget and noted that the expected research and development costs in relation to the new models to be launched by the Group are in line with the proposed Annual Caps. Coupled with the fact that the Group has adopted product innovation as its key strategy, we believe the proposed Annual Caps under the Research and Development Services Agreement have been fairly and reasonably arrived at.

LETTER FROM ALTUS

Shareholders should note that the proposed Annual Caps represent an estimate based on information currently available and that the actual utilisation and sufficiency of the proposed Annual Caps would depend on a number of factors, including but not limited to, the actual demand of the Group's motorbikes. The proposed Annual Caps have no direct relationship to, nor should be taken to have any direct bearing on, the Group's financial or potential financial performance.

3. Internal control measures regarding the Continuing Connected Transactions

Having reviewed the terms in the regulations and procedures manual regarding the purchase and procurement of parts from Sanyang Group, the Group set out various conditions of price adjustments that are subject to approval, the parties who are entitled to make relevant decisions and the guidance on the financing of purchases. We noted that the Company has established internal control measures to ensure that the Continuing Connected Transactions (including the Group 1 Continuing Connected Transactions) are carried out 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 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.

The Group may request Sanyang Group to provide the relevant records of the manufacturing or purchase cost (as the case may be) of products sold to ensure the pricing mechanism under the Master Purchase Agreement has been properly complied with. Sanyang Group undertakes to comply with such requests of the Group. The internal control measures employed by the Group are summarised and set out in the "Letter from the Board" of the Circular.

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

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors are required to review the Continuing Connected Transactions annually and confirm in the Company's annual report that they have been carried out (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In compliance with the Listing Rules, the Company had engaged auditors to report on the Continuing Connected Transactions for the two years ended 31 December 2020. The Company will continue to engage auditors to report on the Continuing Connected Transactions for the year ended 31 December 2021 and on the Continuing Connected Transactions for each of the three years ending 31 December 2024. Given the above, we consider that there exist appropriate procedures and arrangements to ensure that the Group 1 Continuing Connected Transactions will be conducted on terms in compliance with the provisions of the Listing Rules.

LETTER FROM ALTUS

RECOMMENDATION

Having considered the above principal factors, we are of the view that (i) the terms and conditions of the Group 1 Continuing Connected Transactions contemplated under the Master Purchase Agreement, the Distributorship Agreement and the Research and Development Services Agreement are on normal commercial terms and are fair and reasonable; (ii) the respective Group 1 Annual Caps have been fairly and reasonably arrived at; and (iii) the Group 1 Continuing Connected Transactions contemplated under the Master Purchase Agreement, the Distributorship Agreement and the Research and Development Services Agreement will be conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolutions approving the Group 1 Continuing Connected Transactions contemplated under the Master Purchase Agreement, the Distributorship Agreement and the Research and Development Services Agreement (including the respective Group 1 Annual Caps) at the EGM.

Yours faithfully,
For and on behalf of
Altus Capital Limited

Jeanny Leung
Executive Director

Leo Tam
Executive Director

Ms. Jeanny Leung (“Ms. Leung”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has over 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions.

Mr. Leo Tam (“Mr. Tam”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. He has over six years of experience in corporate finance and advisory in Hong Kong, in particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions. Mr. Tam is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives were deemed or taken to have under such provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix 10 of the Listing Rules which is adopted by the Company were as follows:

Name of director	Name of corporation/ associated corporation	Nature of interest	Types of Shares/ underlying shares	Number of Shares held (shares) ⁽¹⁾	Approximate percentage of interest in the share capital (%)
Cheng Hsu Chi	Company	Interest of spouse ⁽²⁾	Ordinary Shares	44,000 (L)	0.005% ⁽³⁾
Liu Wu Hsiung	Sanyang	Beneficial owner	Ordinary Shares	111,380 (L)	0.014% ⁽⁴⁾
Cheng Hsu Chi	Sanyang	Beneficial owner	Ordinary Shares	18 (L)	0.000% ⁽⁴⁾
Chiang Chin Yung	Sanyang	Beneficial owner	Ordinary Shares	80,480 (L)	0.010% ⁽⁴⁾
Wu Li Chu	Sanyang	Beneficial owner	Ordinary Shares	17,046,560 (L)	2.123% ⁽⁴⁾

Notes:

- (1) The letter “L” denotes a long position in such shares.
- (2) Mr. Cheng Hsu Chi’s spouse, Ms. Ku Hsiu Ling, holds 22,000 units of Taiwan depository receipts of the Company which are listed on the Taiwan Stock Exchange (Taiwan Depository Receipts Code: 9110), which is equivalent to 44,000 shares of the Company. Mr. Cheng is deemed to be interested in the shares of the Company held by his spouse, Ms. Ku Hsiu Ling, under Part XV of the SFO.
- (3) The calculation is based on the total number of 907,680,000 shares of the Company in issue as at the Latest Practicable Date.
- (4) The calculation is based on the total number of 803,077,604 shares of Sanyang in issue as at the Latest Practicable Date.

Save as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Directors' positions in substantial shareholders

As at the Latest Practicable Date, as disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, (1) SYI was interested in 608,818,000 Shares of the Company, representing approximately 67.07% of the total number of Shares of the Company in issue; and (2) Sanyang, being the indirect sole shareholder of SYI, was deemed to be interested in the Shares held by SYI.

As at the Latest Practicable Date, Ms. Wu Li Chu is the deputy vice chairperson of Sanyang and she also served as the director 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.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

3. COMPETING BUSINESS INTERESTS OF DIRECTORS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

4. QUALIFICATION

The following is the qualification of the expert who has given an opinion or advice on the information contained in this circular:

Name	Qualification
Altus Capital Limited (Independent Financial Adviser)	Altus Capital limited, a corporation licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

As at the Latest Practicable Date, Altus did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Altus did not have any direct or indirect interest in any assets of the Group which had, since 31 December 2020, being the date to which the latest published audited financial statements of the Group were made up, been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

5. CONSENT

Altus has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they respectively appear herein as of the Latest Practicable Date.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Company is not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited financial statements of the Group were made up.

7. LITIGATION

So far as the Company is aware, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was pending or threatened against the Company or any of its subsidiaries.

8. MISCELLANEOUS

- (a) None of the Directors has entered into or is proposed to enter into a service contract with any member of the Group which does not expire or which is not determinable by such member of the Group within one year without payment of compensation, other than statutory compensation.
- (b) As at the Latest Practicable Date, save as disclosed in this circular, none of the Directors nor Altus was beneficially interested in the share capital of any member of the Group or had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group, and none of the Directors had any interest, either directly or indirectly, in any assets which have been, since 31 December 2020, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (c) As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group, which was subsisting and was significant in relation to the business of the Group.
- (d) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.vmeph.com during the period from the date of this circular to the date of the EGM (both days inclusive):

- (a) the Master Purchase Agreement;
- (b) the Distribution Agreement; and
- (c) the Research and Development Services Agreement.

NOTICE OF EXTRAORDINARY GENERAL MEETING

VMEPH Vietnam

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)

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “EGM”) of Vietnam Manufacturing and Export Processing (Holdings) Limited (the “Company”) will be held at Meeting Room 200, 3 Chung Hua Road, Hukou, Hsinchu, Taiwan on Tuesday, 15 March 2022 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following ordinary resolutions:

ORDINARY RESOLUTIONS

1. “**THAT** the agreement (the “**Master Purchase Agreement**”) dated 3 December 2021 entered into between the Company and Sanyang Motor Co., Limited (“**Sanyang**”) in relation to the purchase of motorbike parts by the Company and its subsidiaries (the “**Group**”) from Sanyang and its subsidiaries (the “**Sanyang Group**”), the transactions contemplated thereunder and the proposed annual caps for each of the three years ending 31 December 2022, 2023 and 2024 be and are hereby approved, confirmed and ratified.”
2. “**THAT** the agreement (the “**Distribution 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, the transactions contemplated thereunder and the proposed annual caps for each of the three years ending 31 December 2022, 2023 and 2024 be and are hereby approved, confirmed and ratified.”
3. “**THAT** the agreement (the “**Research and Development Services Agreement**”) dated 3 December 2021 entered into between the Company and Sanyang in relation to the provision of research and development services by the Sanyang Group to the Group, the transactions contemplated thereunder and the proposed annual caps for each of the three years ending 31 December 2022, 2023 and 2024 be and are hereby approved, confirmed and ratified.”

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

Hong Kong, 9 February 2022

NOTICE OF EXTRAORDINARY GENERAL MEETING

Registered Office:

Cricket Square
Hutchins Drive
P. O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business

in Hong Kong:
40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai, Hong Kong

Notes:

1. For determining the entitlement to attend and vote in the EGM, the register of members of the Company will be closed from Thursday, 10 March 2022 to Tuesday, 15 March 2022 (both days inclusive) during which period no transfer of shares of the Company will be registered. In order to qualify for the attendance of the EGM, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 9 March 2022.
2. Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and to vote in his stead. A proxy need not be a member of the Company. If more than one proxy is appointed, the appointment shall specify the number of Shares in respect of which each such proxy is appointed.
3. In order to be valid, the instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time fixed for holding of the meeting (i.e. before 11:00 a.m. on Sunday, 13 March 2022) or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. In accordance with Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), Sanyang, the ultimate controlling shareholder of the Company, its subsidiaries and associates (as defined in the Listing Rules), and Ms. Ku Hsiu Ling, the spouse of Mr. Cheng Hsu Chi (a director), who is a holder of 22,000 units of Taiwan depository receipts of the Company which are listed on the Taiwan Stock Exchange (Taiwan Depository Receipts Code: 9110) (which is equivalent to 44,000 shares of the Company) are required to abstain from voting on the above ordinary resolutions.
5. The ordinary resolutions set out above will be determined by way of poll.