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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**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)**

**REVISION OF ANNUAL CAPS FOR  
CONTINUING CONNECTED TRANSACTIONS**

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

**ALTUS CAPITAL LIMITED**

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A letter from the Board (as defined herein) is set out on pages 4 to 14 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 15 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 16 to 32 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, 23 June 2020 at 10:30 a.m. (or immediately after the annual general meeting of the Company convened on the same day, if earlier) is set out on pages 37 to 38 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, Wan Chai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time of the EGM (i.e. before 10:30 a.m. on Sunday, 21 June 2020) 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.

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## CONTENT

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<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b> .....	4
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE</b> .....	15
<b>LETTER FROM ALTUS</b> .....	16
<b>APPENDIX – GENERAL INFORMATION</b> .....	33
<b>NOTICE OF EXTRAORDINARY GENERAL MEETING</b> .....	37

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## DEFINITIONS

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*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, among others, the Revised Annual Caps
“Announcement”	the announcement of the Company dated 12 November 2018 in relation to the Master Purchase Agreement and the Distributorship Agreement
“Board”	the board of Directors 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
“Director(s)”	the director(s) of the Company
“Distributorship Agreement”	the agreement dated 12 November 2018 entered into between the Company and Sanyang in relation to the exclusive distribution by the Group of motorbikes and related parts manufactured by the Sanyang Group in the Exclusive Territory (excluding Vietnam, unless the motorbikes are resold in Vietnam for exhibition purposes)
“Distributorship Agreement Transactions”	the transactions under the Distributorship Agreement
“EGM”	the extraordinary general meeting of the Company to be held at Meeting Room 200, 3 Chung Hua Road, Hukou, Hsinchu, Taiwan on Tuesday, 23 June 2020 at 10:30 a.m. (or immediately after the annual general meeting of the Company convened on the same day, if earlier) to consider, and if thought fit, to approve the Revised Annual Caps
“Exclusive Territory”	all of the member countries of the Association of South East Asian Nations, including Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam

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## DEFINITIONS

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“Group”	the Company and its subsidiaries
“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, comprising the independent non-executive Directors, namely Ms. Lin Ching Ching, Mr. Shen Hwa Rong and Ms. Wu Kwei Mei, established for the purpose of advising the Independent Shareholders in respect of the Revised Annual Caps
“Independent Shareholders”	Shareholders other than Sanyang and its associates and any other Shareholder(s) materially interested in the Distributorship Agreement Transactions and the Master Purchase Agreement Transactions
“Independent Third Parties”	persons or entities who/which are not connected persons of the Company within the meaning of the Listing Rules
“Latest Practicable Date”	12 May 2020, 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)
“Master Purchase Agreement”	the agreement dated 12 November 2018 entered into between the Company as the purchaser and Sanyang as the seller in relation to purchases of motorbike parts by the Group from the Sanyang Group
“Master Purchase Agreement Transactions”	the transactions under the Master Purchase Agreement
“Original Annual Cap(s)”	the original annual cap(s) for the years ending 31 December 2020 and 2021 for the Master Purchase Agreement Transactions in the amount of US\$12,110,000 and US\$12,700,000, respectively; and/or that for the Distributorship Agreement in the amount of US\$3,603,000 and US\$3,603,000, respectively (as the case may be)
“PRC”	the People’s Republic of China and for the purpose of this circular, excludes Taiwan, the Macau Special Administrative Region of the PRC and Hong Kong

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## DEFINITIONS

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“Revised Annual Cap(s)”	the revised annual cap(s) proposed by the Board for the years ending 31 December 2020 and 2021 for the Master Purchase Agreement Transactions in the amount of US\$25,070,000 and US\$32,590,000, respectively; and/or that for the Distributorship Agreement in the amount of US\$5,587,000 and US\$15,187,000, respectively (as the case may be)
“Sanyang”	Sanyang Motor Co., Limited (三陽工業股份有限公司), a company incorporated in Taiwan and listed on the Taiwan Stock Exchange, which is the ultimate controlling shareholder of the Company
“Sanyang Group”	Sanyang, its subsidiaries and associates (excluding the Group)
“SFO”	the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of Shares
“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
“Strategic Alliance”	a strategic alliance entered into between the Company and a business partner of the Company in 2019 pursuant to which the Company would provide original equipment manufacturing services to the business partner in respect of certain advanced-level motorbikes under the brand “Lambretta”
“SYI”	SY International Ltd., a company incorporated in Samoa with limited liability and a direct controlling shareholder of the Company
“US\$”	United States Dollars, being the lawful currency of the United States
“%”	per cent.

*In this circular, unless the context requires otherwise, the terms “applicable percentage ratio”, “associate(s)”, “connected person(s)”, “connected transaction(s)”, “controlling shareholder(s)”, “subsidiary(ies)” and “substantial shareholder(s)” shall have the meaning given to such terms in the Listing Rules.*

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LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. Liu Wu Hsiung (*Chairman*)  
Mr. Lin Chih Ming (*Chief Executive Officer*)  
Mr. Lin Chun Yu  
Mr. Chiang Chin Yung

*Non-executive Directors:*

Mr. Chiu Ying Feng  
Ms. Wu Li Chu

*Independent non-executive Directors:*

Ms. Lin Ching Ching  
Mr. Shen Hwa Rong  
Ms. Wu Kwei Mei

*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, Sunlight Tower  
No. 248 Queen's Road East  
Wanchai, Hong Kong

13 May 2020

*To the Shareholders*

Dear Sir or Madam,

**REVISION OF ANNUAL CAPS FOR  
CONTINUING CONNECTED TRANSACTIONS**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 27 March 2020 in which the Company announced, among others, that as the Board expects that the Original Annual Caps will not be sufficient for the Group's expected production and sales volume of motorbikes for the two years ending 31 December 2020 and 2021, the Board therefore proposes to revise the Original Annual Caps to the Revised Annual Caps for the two years ending 31 December 2020 and 2021, being US\$25,070,000 and US\$32,590,000 for the Master Purchase Agreement, and US\$5,587,000 and US\$15,187,000 for the Distributorship Agreement, respectively, in relation to the amounts payable by the Group for its purchase of motorbike parts supplied by members of the Sanyang Group and the distribution of certain motorbikes manufactured by the Sanyang Group.

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## LETTER FROM THE BOARD

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The Independent Board Committee has been established by the Company to advise the Independent Shareholders in respect of the Revised 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 such matters.

The purpose of this circular is to provide you with details of the Revised Annual Caps and to seek your approval of the ordinary resolutions set out in the notice of the EGM on pages 37 to 38 of this circular. The recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Revised Annual Caps is set out on page 15 of this circular. The letter from Altus to the Independent Board Committee and the Independent Shareholders containing its advice in relation to the Revised Annual Caps is set out on pages 16 to 32 of this circular.

### **Master Purchase Agreement**

- Date:** 12 November 2018
- Parties:**
- (a) the Company (on behalf of other members of the Group) as the purchaser; and
  - (b) Sanyang (for itself and on behalf of other members of the Sanyang Group) as the seller
- Term:** 1 January 2019 to 31 December 2021

### **Major terms and pricing terms of the Master Purchase Agreement**

Under the Master Purchase Agreement, the Group engages the Sanyang Group to supply motorbike parts, which are either manufactured by the Sanyang Group or sourced by it from Independent Third Parties, for the Group's production of motorbikes. The pricing at which motorbike parts are to be sold by the Sanyang Group to the Group under such agreement is at a cost plus basis, which will be determined at the manufacturing cost or purchase cost (as the case may be) of such products plus a margin of 10% (if Vietnam import duty for such product is 20% or more) or of 15% (if Vietnam import duty for such product is less than 20%). Such manufacturing cost or purchase cost (as the case may be) will be determined on an annual basis subject to adjustments in any annual period with respect to fluctuations in foreign exchange rates and modifications to model of motorbikes for which the motorbike parts to be purchased by the Group from Sanyang pursuant to the Master Purchase Agreement is used.

Individual purchase orders will be entered into between the relevant members of the Group and Sanyang Group from time to time in respect of the specific types of motorbike parts to be purchased, price, delivery arrangements and any other terms which may be relevant to the supply of the parts to the Group. The Group shall settle the purchase costs under the Master Purchase Agreement in cash within 30 to 60 days (as the case may be) after the date of the invoice unless the relevant parties determined otherwise in the individual purchase orders.

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## LETTER FROM THE BOARD

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### Reasons and benefits for the Master Purchase Agreement

The Board believes it is in the Company's best interests to purchase certain motorbike parts from the Sanyang Group because, by centralising and aggregating the Sanyang Group's sourcing of such parts with those of the Group's, the Sanyang Group is in a position to negotiate better purchase price and terms with the suppliers and enjoy benefits of bulk purchase, which also benefits the Group as the Sanyang Group will be able to supply the parts to the Group at lower costs.

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

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

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

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

<b>Historical transaction amounts between the Group and the Sanyang Group (for the following financial years/period ended):</b>	<i>(in US\$'000)</i>
31 December 2017 (audited)	7,919
31 December 2018 (audited)	13,284
31 December 2019 (audited)	10,827
31 March 2020 (unaudited)	3,260

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



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## LETTER FROM THE BOARD

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For the Master Purchase Agreement, the Group utilised approximately 97.5% of the Original Annual Cap for the year ended 31 December 2019. The high utilisation rate was primarily a result of (i) the high procurement costs associated with the production of advanced-level “Lambretta” motorcycles under the Strategic Alliance of approximately US\$6.6 million (representing approximately 59.5% of the Original Annual Caps) which was mostly recorded in the second half of 2019 pursuant to the entering into of the Strategic Alliance in April 2019; and (ii) the increased procurement costs in relation to 50 cc cub motorbikes of approximately US\$1.9 million for the year ended 31 December 2019, which represents a growth of approximately 18.8% as compared to the procurement costs recorded in the year ended 31 December 2018 of approximately US\$1.6 million.

Despite the global economic downturn due to the outbreak of COVID-19 in the beginning of 2020, which adversely affected the sales of the Group’s motorbikes and hence the utilisation rates under the Master Purchase Agreement, the Group still achieved an utilisation rate of approximately 26.9% of the Original Annual Cap for the year ending 31 December 2020 based on the transaction amount of the Master Purchase Agreement Transactions up to 31 March 2020.

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

In light of the Group’s expected production of motorbikes primarily pursuant to the Strategic Alliance, and also that of (i) the two new series of advanced-level motorbikes under the Group’s own brand to be introduced by the Group in the Vietnamese market this year, one of which (“Attila 125”) was launched in December 2019 and the other (“Attila 50”) is expected to launch in May 2020 with the demand for “Attila 50”, a 50 cc cub motorbike, expected to be triggered by the Vietnamese government’s suppression on the illegal use of cub motorbikes (an illegal alternative to 50 cc cub motorbikes) and the gradual relaxation by senior high and vocational schools in Vietnam of the restriction on students riding gasoline-powered motorbikes and (ii) advanced-level motorbikes under the Group’s own brand to be sold in the Exclusive Territory in accordance with its plan to increase sales of advanced-level motorbikes in such countries (especially Thailand), the Company expects that the annual amounts payable by the Group under the Master Purchase Agreement will exceed the Original Annual Caps based on projections on the sales volume of motorbikes in the coming years, types and value of motorbike parts to be purchased, which are more advanced, higher in quality and costs, especially for the production of the advanced-level motorbikes under the brand “Lambretta” pursuant to the Strategic Alliance and the two new series of advanced-level motorbikes. The Board therefore proposes to revise the Original Annual Caps in respect of the Master Purchase Agreement as follows to reflect the expected increase of such purchase amounts:

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

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## LETTER FROM THE BOARD

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

- (i) the Original Annual Caps for the two years ending 31 December 2020 and 2021;
- (ii) historical transaction amounts and the utilisation rates of the Original Annual Caps pursuant to the Master Purchase Agreement Transactions;
- (iii) value of motorbike parts associated with producing the “Lambretta” motorcycles and the two new series of advanced-level motorbikes to be sold in the Exclusive Territory; most notably, the procurement costs for the production of a “Lambretta” motorcycle is approximately 7 times higher than that of a motorbike which is not of advanced-level;
- (iv) projected and/or targeted demand for the two new series of advanced-level motorbikes to be introduced by the Group as determined by the Board, with the projected procurement costs (including, among others, the purchase of motorbike parts) being approximately US\$1.7 million and US\$1.9 million for each of the two years ending 31 December 2021, respectively;
- (v) projected and/or targeted demand for the motorbikes under the Group’s own brand to be sold in the Exclusive Territory in accordance with its plan to increase sales in such countries as determined by the Board, with the projected procurement costs (including, among others, the purchase of motorbike parts) being approximately US\$1.1 million and US\$6.1 million for each of the two years ending 31 December 2021, respectively; and
- (vi) the targeted sales volume of the “Lambretta” motorbikes (being approximately 10,000 and 11,500 for each of the two years ending 31 December 2021, respectively), and the confirmed orders pursuant to the Strategic Alliance with 2,700 “Lambretta” motorbikes having been sold as at the Latest Practicable Date (being approximately 27.0% of the targeted sales volume for the year ending 31 December 2020).

The year-on-year increase for the Revised Annual Caps under the Master Purchase Agreement for the two years ending 31 December 2021 is primarily due to (i) the increase in the projected sales volume of the “Lambretta” motorbikes (the production of which only commenced from the second quarter of the year ended 31 December 2019 and the sales of 4,400 motorbikes was recorded for such financial year) from approximately 10,000 for the year ending 31 December 2020 to 11,500 for the year ending 31 December 2021 (resulting in an expected rise in procurement costs of approximately US\$2.2 million) and (ii) the increase in the projected sales volume for the Group’s customers in Thailand (an Exclusive Territory), further to the Group’s plan to expand into such market from the year ending 31 December 2020, from approximately 1,440 for the year ending 31 December 2020 to 7,500 for the year ending 31 December 2021 (resulting in an expected rise in procurement costs of approximately US\$5 million).

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

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## LETTER FROM THE BOARD

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### Distributorship Agreement

- Date:** 12 November 2018
- Parties:** (a) the Company (on behalf of other members of the Group) as the distributor;  
and  
(b) Sanyang (for itself and on behalf of other members of the Sanyang Group) as the supplier
- Term:** 1 January 2019 to 31 December 2021

### Major terms and pricing terms of the Distributorship Agreement

Under the 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, where the Company will only be entitled to re-sell such motorbikes to customers in Vietnam solely for use in exhibitions). The motorbikes and related parts that are subject to the Distributorship Agreement are and will continue to be produced by the Sanyang Group under their “SYM” brand, including but not limited to the “Joyride” series (with models such as “Joyride 200i EVO” and “Joyride S. 200i”), “MAXSYM 400i” model, “TL1” model, “CURiSYM” series (with models such as “CURiSYM 250i” and “CURiSYM 300i”), “Jet 14” series (with models such as “Jet 14 150i”, “Jet 14 125” and “Jet 14 200”) and the “MIO 110” model. The Group only purchases products from the Sanyang Group when confirmed customer orders are received and the motorbikes to be distributed are restricted to those models which the Group does not produce.

The Sanyang Group sells such products to the Group at a price that is at least 3.5% lower than the indicative sales price of such products proposed to be sold by the Group to independent end-customers. The Group shall pay for all purchases made under the Distributorship Agreement in cash within 30 to 60 days (as the case may be) after the date of the invoice unless the relevant parties determine otherwise in the relevant purchase order.

### Reasons and benefits for the Distributorship Agreement

The Board believes it is in the Company’s best interests to retain the end-customers in the Exclusive Territory who purchase specific models of motorbike manufactured by the Sanyang Group through distribution of specific models of motorbikes and related parts manufactured by the Sanyang Group (which model the Group does not produce) in the Exclusive Territory. The Group may leverage on the customer base of the Sanyang Group as a gateway for expanding its own customer base within the Exclusive Territory, increasing its market shares and promoting its corporate and brand recognition. The pricing basis as agreed under the Distributorship Agreement also ensures that the Group will have a minimum guaranteed profit of at least 3.5% of the sales price on each product the Group distributes or re-sells to end-customers in the Exclusive Territory.

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## LETTER FROM THE BOARD

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

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

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

<b>Historical transaction amounts between the Group and the Sanyang Group (for the following financial years/period ended):</b>	<b>(in US\$'000)</b>
31 December 2017 (audited)	1,287
31 December 2018 (audited)	2,638
31 December 2019 (audited)	2,304
31 March 2020 (unaudited)	235

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

For the Distributorship Agreement, approximately 69.8% of the Original Annual Caps for the year ended 31 December 2019 was utilised. Up to the three months ended 31 March 2020, approximately 6.5% of the Original Annual Caps has been utilised for the year ending 31 December 2020, which was adversely affected by the outbreak of COVID-19 from the beginning of 2020. However, the Group expects that the spread of COVID-19 will be gradually contained and alleviated, with consumer spending activities resuming from the second half of the year ending 31 December 2020. As a result, the Group expects that the Distributorship Agreement Transactions will regain momentum and will begin to pick up from the second half of the year ending 31 December 2020 through to the year ending 31 December 2021.

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

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

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## LETTER FROM THE BOARD

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

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

- (i) the Original Annual Caps for the two years ending 31 December 2020 and 2021;
- (ii) historical transaction amounts and the utilisation rates of the Original Annual Caps of the Distributorship Agreement Transactions;
- (iii) the confirmed purchase orders of relevant motorbikes manufactured by Sanyang Group in the Exclusive Territory, with the aggregate transaction amount of motorbikes ordered as at the Latest Practicable Date being approximately 41.2% of the Revised Annual Cap for the Distributorship Agreement (representing approximately 63.9% of the Original Annual Cap) for the year ending 31 December 2020; and
- (iv) the estimated sales of and the projected and/or targeted demand for relevant motorbikes for the two years ending 31 December 2021 with the targeted orders being approximately 3,800 motorbikes and 8,800 motorbikes for each of the two years ending 31 December 2021.

The year-on-year increase for the Revised Annual Caps under the Distribution Agreement for the two years ending 31 December 2021 is primarily due to the Group's business plan to expand into the Exclusive Territory (and in particular, the Thai motorbike market) from the year ending 31 December 2020. The Group is currently in the process of discussing cooperations with, among others, one of the largest retailers of the Thai motorbike market. Such cooperation is expected to commence from the end of the year ending 31 December 2020. Thus, the projected volume of motorbikes to be distributed to Thailand is approximately 5,000 motorbikes for the year ending 31 December 2021 (accounting for approximately 63.0% of the Revised Annual Cap for such financial year) and the distribution of such motorbikes is expected to primarily take place from the beginning of the same financial year, which contributes to the significant rise in in the Revised Annual Caps for the year ending 31 December 2021.

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

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## LETTER FROM THE BOARD

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### 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%).

### LISTING RULES IMPLICATIONS

The Master Purchase Agreement Transactions and the Distributorship Agreement Transactions will be conducted between members of the Group and members of the Sanyang Group. As Sanyang is an indirect controlling shareholder of the Company and thus a connected person of the Company by virtue of Rule 14A.07(1) of the Listing Rules, members of the Sanyang Group are also connected persons of the Company. Accordingly, the Master Purchase Agreement Transactions and the Distributorship Agreement Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54 of the Listing Rules, the Company should re-comply with the applicable requirements under Chapter 14A of the Listing Rules when the proposed annual cap is exceeded. As one or more of the applicable percentage ratios in respect of the Revised Annual Caps exceed 5%, the aforesaid transactions are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Hence, the Revised Annual Caps are conditional on the 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, Mr. Lin Chih Ming and Mr. Chiu Ying Feng (all being Directors) has a 1.997%, 0.019%, 0.013%, 0.003% and 0.002% shareholding in Sanyang respectively. Ms. Wu Li Chu is the deputy vice chairperson of Sanyang and she serves as the director of various subsidiaries of Sanyang. Mr. Chiu Ying Feng is the deputy vice president of Sanyang. Therefore, pursuant to the articles of association of the Company and the Listing Rules, Ms. Wu Li Chu, Mr. Chiang Chin Yung, Mr. Liu Wu Hsiung, Mr. Lin Chih Ming and Mr. Chiu Ying Feng have abstained from voting in the Board meeting to approve the Revised Annual Caps 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 Revised Annual Caps.

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## LETTER FROM THE BOARD

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The Board considers that the Master Purchase Agreement Transactions and the Distributorship Agreement 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 Revised 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, 23 June 2020 at 10:30 a.m. (or immediately after the annual general meeting of the Company convened on the same day, if earlier) is set out on pages 37 to 38 of this circular. At the EGM, ordinary resolutions will be proposed for the Independent Shareholders to consider and, if thought fit, to approve Revised 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 Revised Annual Caps at the EGM. Save as disclosed above, no other Shareholder is required to abstain from voting on the resolutions in respect of the Revised 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, 18 June 2020 to Tuesday, 23 June 2020 (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, Wan Chai, Hong Kong, not later than 4:30 p.m. on Wednesday, 17 June 2020.

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, Wan Chai, Hong Kong and in any event not later than 48 hours before the time of the EGM (i.e. before 10:30 a.m. on Sunday, 21 June 2020) 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.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Independent Board Committee (which has expressed its view in the letter from the Independent Board Committee set out on page 15 of this circular), having taken into account the advice of Altus, is of the opinion that the Revised Annual Caps are fair and reasonable and in the interests of the Company and the 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 Revised Annual Caps at the EGM.

### GENERAL

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

13 May 2020

Dear Independent Shareholders,

**REVISION OF ANNUAL CAPS FOR  
CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular of the Company dated 13 May 2020 (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 Revised Annual Caps. 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, we are of the opinion that the Revised 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 Revised 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*

**Mr. Shen Hwa Rong**  
*Independent non-executive  
Director*

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

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## LETTER FROM ALTUS

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*The following is the text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Revised Annual Caps, which has been prepared for the purposes of incorporation in this circular.*

**ALTUS** .

Altus Capital Limited  
21 Wing Wo Street  
Central  
Hong Kong

13 May 2020

*To the Independent Board Committee and the Independent Shareholders*

Vietnam Manufacturing and Export Processing (Holdings) Limited  
40<sup>th</sup> Floor, Sunlight Tower  
No. 248 Queen's Road East  
Wan Chai  
Hong Kong

Dear Sirs,

### **REVISION OF ANNUAL CAPS FOR 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 Revised Annual Caps, details of which are set out in the "Letter from the Board" contained in the circular of the Company dated 13 May 2020 (the "**Circular**"). Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

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

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## LETTER FROM ALTUS

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### **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 Master Purchase Agreement Transactions and the Distributorship Agreement Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54 of the Listing Rules, the Company should re-comply with the applicable requirements under Chapter 14A of the Listing Rules when the proposed annual cap is exceeded.

As one or more of the applicable percentage ratios in respect of the Revised Annual Caps exceed 5%, the Revised Annual Caps are conditional on the approval by the Independent Shareholders being obtained at the EGM.

As Sanyang, either itself or its associates, being the counterparty to the Master Purchase Agreement and the Distributorship Agreement, is materially interested in those transactions, Sanyang, its subsidiaries and its associates will abstain from voting on the resolutions in respect of the Revised Annual Caps to be proposed at the EGM. Save as disclosed above, no other Shareholder is required to abstain from voting on the resolutions in respect of the Revised Annual Caps at the EGM.

### **THE INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee comprising all the independent non-executive Directors, namely Ms. Lin Ching Ching, Mr. Shen Hwa Rong and Ms. Wu Kwei Mei, has been established to advise the Independent Shareholders on (i) whether the Revised Annual Caps have been fairly and reasonably arrived at; and (ii) how to vote at the EGM, taking into account the recommendation of the Independent Financial Adviser.

### **THE INDEPENDENT FINANCIAL ADVISER**

As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders on (i) whether the Revised Annual Caps have been fairly and reasonably arrived at; and (ii) how the Independent Shareholders should vote in respect of the resolutions relating thereto to be proposed at the EGM.

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## LETTER FROM ALTUS

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We had acted as the independent financial adviser to the Company with regard to the continuing connected transactions in relation to the Master Purchase Agreement, Distributorship Agreement and Technology Licence Agreement, details of which are set out in the circular of the Company dated 10 January 2019. Save for the aforesaid engagement, we have not acted as independent financial adviser in relation to any transactions of the Company in the last two years prior to 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 Revised Annual Caps 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 annual report of the Company for the year ended 31 December 2019; (ii) full invoice list for transactions under the Master Purchase Agreement and the Distributorship Agreement for the year ended 31 December 2019 and the three months ended 31 March 2020; (iii) sample invoices and purchase orders under the Master Purchase Agreement and the Distributorship Agreement respectively for the year ended 31 December 2019; (iv) Company's internal financial budget and sales target for the two years ending 31 December 2021; and (v) Company's market research report and market statistics.

We have also 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 Group (the "**Management**"). 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, the Directors and the Management were reasonably made after due and careful enquiry and were true, accurate and complete at the time they were made and continued to be so as at the date of the Circular.

We have no reason to believe that any of such statements, information, opinions or representations are untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render them untrue, inaccurate or misleading.

We consider that we have been provided with, and have reviewed, sufficient information to reach an informed view and provide a reasonable basis for our opinion. We have not, however, conducted an independent investigation into the business, financial conditions and affairs or future prospects of the Group.

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## LETTER FROM ALTUS

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

#### 1. BACKGROUND INFORMATION

##### *1.1 Principal business 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 Prospects of the Group*

In the beginning of 2020, the outbreak of COVID-19 has affected the Group's operations, causing a slow-down or suspension in sales in multiple jurisdictions in the Exclusive Territory. However, the Management has recently started to note that most of the countries in the Exclusive Territory are observing a slowing down of infection rate. Particularly in Vietnam, where the majority of the Group's revenue is recorded, the outbreak is significantly less severe compared to other countries around the region. The Group has also been informed by its sales agent that motorbike sales have resumed or will be resumed soon and noted the situation in the supply chain has also been improved. As such, along with the acute awareness of the severity of the virus around the world, and all the efforts every country is committing to the battle of the virus, the Management believes that the situation can be contained in the coming months, and the demand for motorbike will recuperate within this year.

Hence, the Group forecasts that the Vietnam motorbike market will be able to achieve a steady growth in 2020 given the strong fundamental factors including (i) rising population; and (ii) increasing portion of younger population, which is the target customers for the motorbikes. The Group believes their procurement will continue to increase to meet the growth in demand in motorbikes and they will need to import a significant amount of parts due to the weak upstream domestic industrial support in Vietnam. However, the Group expects price volatility and competition to persist in the motorbike industry of Vietnam.

Outside the Vietnamese market, the Group expects the economic landscapes to be more complicated in the future as the world's major countries are experiencing increasing tensions resulting in trade disputes that bring uncertainties to the market.

Despite the challenges faced by the Group, the Management considers that there are opportunities to proactively introduce new motorbike models and to expand its geographical coverage to other markets within the Exclusive Territory, in particular Thailand.

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## LETTER FROM ALTUS

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In 2020, the Group plans to introduce a number of new or modified motorbike models in the Vietnamese market and ASEAN countries, including scooter, cub and electric motorbikes, so as to achieve product diversification and greater profitability, and to offer consumers with environmentally-friendly and convenient products at reasonable prices and restructure the product lines to raise the proportion of high value-added products. The number of low gross profit items will be replaced to maintain reasonable profitability.

The Group will step up further to engage in marketing and promotional activities, and to provide better after-sales services. Apart from the ongoing deepening of marketing channels, the Group will make use of its resources for further market expansion together with industry peers and players from other industries. The Group will also introduce a range of original equipment manufacturer products to increase its production scale, thereby maintaining and maximising its brand benefits to achieve an overall and enhanced expansion of the Group's businesses. In particular, the Group has entered into a Strategic Alliance with an European based business partner (the "**European Business Partner**") in which the Group will provide original equipment manufacturing services under the brand "Lambretta".

In addition to the above plans, expanding to the Thai motorbike market is one of the primary focuses in the coming years. The Group is currently formulating strategies including developing new products tailor-made to Thai consumers and cooperating with Thai retailers. The Management expects that export to Thailand will gradually commence in 2020 and the export volume will grow rapidly by 2021.

All in all, despite the COVID-19's impact and uncertainties faced by the Group, the Directors believe that the abovementioned strategies will enhance its business scales and enable it to capture the growth potential of the motorbike markets in the ASEAN region.

### *1.3 Strategic Alliance*

The Strategic Alliance was entered into between the Group and the European Business Partner in January 2019, in which the Group would provide original equipment manufacturing services (i.e. in terms of manufacturing motorbikes for the European Business Partner in respect of certain advanced-level motorbikes under the brand "Lambretta"). Such Lambretta motorbikes are mainly sold to Thailand, Indonesia and Taiwan.

## **2. REASONS FOR THE REVISED ANNUAL CAPS**

In view of the business strategies including increasing its marketing efforts in the ASEAN market and expanding to the Thai motorbike market as mentioned in the paragraph headed "1.2 Prospects of the Group" above, the Board expects that the Original Annual Caps will not be sufficient for the Group's expected production and sales volume of motorbikes for the two years ending 31 December 2021. Hence, the annual caps for the Master Purchase Agreement and the Distributorship Agreement need to be revised upwards to accommodate the latest business needs of the Group.

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## LETTER FROM ALTUS

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Save for the Revised Annual Caps, all other terms and conditions of the Master Purchase Agreement and the Distributorship Agreement shall remain in full force and effect. Accordingly, both the Master Purchase Agreement and the Distributorship Agreement will expire on 31 December 2021.

To assess the fairness and reasonableness of the Revised Annual Caps, we have considered (i) the historical amount and usage; and (ii) the expected amount and usage for the two years ending 31 December 2021 as per the Group's business needs.

### 2.1 *Reasons for revising the Original Annual Caps of the Master Purchase Agreement*

#### 2.1.1 *Historical transactions under the Master Purchase Agreement*

The table below sets out the (i) historical transaction amounts for the year ended 31 December 2019 and the three months ended 31 March 2020 and the respective utilisation rates in terms of the Original Annual Caps; and (ii) the Revised Annual Caps under the Master Purchase Agreement.

	For the year ended 31 December 2019 ("FY2019") (US\$ '000) (audited)	For the three months ended 31 March 2020 ("3M2020") (US\$ '000) (unaudited)	For the year ending 31 December 2020 ("FY2020") (US\$ '000) (forecast)	For the year ending 31 December 2021 ("FY2021") (US\$ '000) (forecast)
<b>Master Purchase Agreement</b>				
Historical transaction figures	10,827	3,260		
(Utilisation rate)	(97.5%)	(26.9%) <i>(Note)</i>	-	-
Original Annual Caps	11,100	-	12,110	12,700
Revised Annual Caps	-	-	25,070	32,590

*Note:* The utilisation rate was calculated by dividing the transaction amount for the three months ended 31 March 2020 against the total Original Annual Caps for the year ending 31 December 2020.

For the Master Purchase Agreement, the Group utilised approximately 97.5% of the Original Annual Caps for the year ended 31 December 2019. The high utilisation rate was primarily due to (i) higher procurement cost in relation to the Strategic Alliance of approximately US\$6.6 million (representing approximately 59.5% of the Original Annual Caps) which was mostly recorded in the second half of 2019; and (ii) increased procurement cost in relation to 50 cc cub motorbikes of approximately US\$1.9 million for the year ended 31 December 2019, which represent a growth of approximately 18.8% as compared to the procurement cost recorded for the year ended 31 December 2018 of approximately US\$1.6 million.

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## LETTER FROM ALTUS

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Notwithstanding that the motorbike market had been negatively impacted by the outbreak of COVID-19 at the beginning of 2020, which in turn affected the sales of the Group's motorbikes and hence the utilisation under the Master Purchase Agreement, the Group still achieved a utilisation rate of approximately 26.9% of the Original Annual Caps for the year ending 31 December 2020.

### *Strategic Alliance*

After entering into the Strategic Alliance with the European Business Partner in January 2019, the Group commenced purchase of motorbike parts for the provision of original equipment manufacturing services under the Strategic Alliance in April 2019. As the Strategic Alliance progresses, the Management noted that higher procurement costs were involved in the manufacturing for the European Business Partner and such additional amount had not been anticipated in the Original Annual Caps. Hence, the Original Annual Caps will not be able to keep up with the planned production under the Strategic Alliance and need to be revised to accommodate the Group's latest business developments.

### *Increased production and sales in relation to 50 cc cub motorbikes*

The increased production and sales in relation to the 50 cc cub motorbikes in Vietnam for the year ended 31 December 2019 was primarily due to an increase in demand of 50 cc cub motorbikes in Vietnam contributed by (i) the aggressive suppression by the Vietnamese government on the illegal use of cub motorbikes (which is an illegal alternative to the 50 cc cub motorbikes); and (ii) the gradual relaxation by senior high and vocational schools in Vietnam of the restriction on students riding gasoline-powered motorbikes. As the Management expects that both situations above will continue to persist in Vietnam, and supported by the increased demand of 50 cc cub motorbikes for the three months ended 31 March 2020, the demand of 50 cc cub motorbikes in Vietnam is expected to continue to grow as demonstrated by the growth rate of approximately 18.8% achieved in 2019. Hence, the Original Annual Caps will need to be revised to reflect the increasing demand in Vietnam.

### *2.1.2 Future transactions under the Master Purchase Agreement*

Apart from the above developments in 2019 which are expected to continue, the Management also considered (i) the expected increase in motorbike sales in the Exclusive Territory due to its increase in marketing and promotional efforts; and (ii) the expected new demand for the two new series of advanced-level motorbikes to be introduced to capture the rising demand of 50 cc cub motorbikes due to the government policy and consumer behaviour as described above.



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## LETTER FROM ALTUS

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### *Expected increase in motorbike sales in the Exclusive Territory*

The Group is currently increasing its sales efforts in the Exclusive Territory to promote its VF-series motorbikes, which is a higher-end motorbike with features such as the anti-lock braking system, in order to capture the demand from the rising segment of higher-end motorbikes in the Exclusive Territory. The production and parts procurement costs of these models are generally higher than the motorbikes currently being sold in the Exclusive Territory, thereby in turn requiring higher annual caps under the Master Purchase Agreement.

Additionally, as part of the Group's expansion plan into the motorbike market in Thailand, the Group is current liaising with the Thai Business Partner (as defined below) to establish a foothold in the Thai market.

### *Expected new demand for the two new series of advanced-level motorbikes*

The Group is introducing two new series of advanced-level motorbikes into the Vietnamese market in 2020. One of the models ("**Attila 125**") has started to launch in December 2019 and the other model ("**Attila 50**") will commence its launch in May 2020. The introduction of these new models is in line with the intention to capture the rising demand of higher-end motorbikes in the Exclusive Territory as mentioned above. Attila 50 sales are also expected to benefit from the developments in government policies and changes in consumer behaviour mentioned in the paragraph headed "Increased production and sales in relation to 50 cc cub motorbikes" under the section headed "2.1.1 Historical transaction under the Master Purchase Agreement" above. The new models feature new systems, such as electronic fuel injection system and some high precision parts, which will in turn increase the cost of production and hence the transaction amount under the Master Purchase Agreement.

After considering (i) the purpose of the Strategic Alliance; (ii) the historical sales amount of Lambretta motorbikes for 2019 and the first quarter of 2020; (iii) the historical sales amount of 50 cc cub motorbikes for 2019 and the first quarter of 2020; (iv) the sales plan for the Exclusive Territory; (v) the meeting minutes between the Group and the European Business Partner which indicate the sales and marketing plan for 2020 and going forward; and (vi) the key data on the Thai motorbike market gathered by the Group, as well as all the factors above, we concur with the Management that the Original Annual Caps of the Master Purchase Agreement will not be sufficient for the two years ending 31 December 2021, and have to be revised to accommodate the Group's business operations going forward.

For further details on the basis of calculating the Revised Annual Caps, please refer to the paragraph headed "3.1.1 Revised Annual Caps for the Master Purchase Agreement" below in this letter.

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## LETTER FROM ALTUS

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### 2.2 *Reasons for revising the Original Annual Caps of the Distributorship Agreement*

#### 2.2.1 *Historical transactions under the Distributorship Agreement*

The table below sets out (i) the historical transaction amounts for the year ended 31 December 2019 and the three months ended 31 March 2020 and the respective utilisation rates in terms of the Original Annual Caps; and (ii) the Revised Annual Caps under the Distributorship Agreement.

	For the year ended 31 December 2019 <i>(US\$'000)</i> <i>(audited)</i>	For the three months ended 31 March 2020 <i>(US\$'000)</i> <i>(unaudited)</i>	For the year ending 31 December 2020 <i>(US\$'000)</i> <i>(forecast)</i>	For the year ending 31 December 2021 <i>(US\$'000)</i> <i>(forecast)</i>
<b>Distributorship Agreement</b>				
Historical transaction figures	2,304	235		
(Utilisation rate)	(69.8%)	(6.5%) <sup><i>(Note)</i></sup>	-	-
Original Annual Caps	3,301	-	3,603	3,603
Revised Annual Caps	-	-	5,587	15,187

*Note:* The utilisation rate was calculated by dividing the transaction amount for the three months ended 31 March 2020 against the total Original Annual Caps for the year ending 31 December 2020.

For the Distributorship Agreement, approximately 69.8% of the Original Annual Caps for the year ended 31 December 2019 was utilised. Up to the three months ended 31 March 2020, approximately 6.5% of the Original Annual Caps has been utilised for the year ending 31 December 2020.

As advised by the Management, the Group's distribution business was negatively impacted by the outbreak of COVID-19 at the beginning of 2020. Nonetheless, as explained in the paragraph headed "1.2 Prospects of the Group" above, the Management expects the situation of COVID-19 will be contained and consumer spending activities will resume. As a result, transactions under the Distributorship Agreement will regain its momentum during the rest of the year ending 31 December 2020, and the improvement will extend into the year ending 31 December 2021.

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## LETTER FROM ALTUS

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### *2.2.2 Future transactions under the Distributorship Agreement*

The Management expects that the Original Annual Caps will not be sufficient for its business needs going forward, primarily due to (i) introduction of new motorbike models in the Exclusive Territory; and (ii) its expansion into the Thai motorbike market.

#### *Introduction of new motorbike models in the Exclusive Territory*

The Group is planning to introduce new higher-end motorbike models “**Cruisym 150i**” to the Philippines and “**Jet 14 200**” to Malaysia. This is in line with the Group’s intention to capture the demand from the rising segment of higher-end motorbikes in the Exclusive Territory as mentioned above. In formulating the sales plan of approximately 2,300 additional motorbikes, which is equivalent to an additional sales amount of approximately US\$2.6 million, the Group takes into consideration the purchase orders placed by its sales agent and the discussion with the sales agent. While there may not be a large influx of new demand of motorbikes in the Philippines and Malaysia, the Management expects that the higher-priced new models will replace some of the lower-priced older models already in sale in those regions and overall will raise the total annual transaction amount, therefore in turn requiring higher annual caps under the Distributorship Agreement for the two years ending 31 December 2021.

#### *Expansion into the Thai motorbike market*

As mentioned in the paragraph headed “1.2 Prospects of the Group”, the Group is expanding into the Thai motorbike market. The Group has already been in negotiation with a well-established Thai motorbike retailer (the “**Thai Business Partner**”) to promote products offered by the Group in Thailand.

The Thai Business Partner was established in 2007 and was one of the first manufacturer and operator in all-terrain vehicle and motocross. In 2013, the Thai Business Partner shifted its focus towards the motorbike market and focuses on high-end and racing motorbikes. According to the Department of Land Transport in Thailand, the Thai Business Partner was the third largest retailer in the Thailand motorbike market with annual sales of over 30,000 motorbikes per year in 2017-2018.

Currently, the Group has devised a sales plan with the Thai Business Partner and already agreed a target sales amount of approximately 5,000 motorbikes, which is equivalent to sales amount of approximately US\$9.6 million for 2021. The 5,000 motorbikes comprise two motorbike models, namely the SC150, an existing motorbike model sold by the Group, and TL1, a tailor-made motorbike model to cater the needs of the consumers in Thailand. TL1 is being developed by Sanyang Group with the assistance of the Thai Business Partner, who has extensive expertise and knowledge of the requirements of the Thai clientele. The Management believes that such cooperation will allow the Group to introduce a motorbike model that best suits the Thai market and allow the Group to achieve its sales target and enhance market recognition of the Group in the motorbike business in Thailand.

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## LETTER FROM ALTUS

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In view of the new cooperation with the Thai Business Partner and expansion plan into Thailand, the Management believes the annual caps of the Distributorship Agreement for the two years ending 31 December 2021 have to be revised in order to reflect the new transaction amount under the Distributorship Agreement.

After considering (i) the distributorship sales plan (breakdown by model) for the Exclusive Territory provided by the Company; (ii) the meeting minutes between the Group and the Thai Business Partner which indicate the sales and marketing plan for 2020 and going forward; and (iii) the key market data gathered by the Group on the new motorbike models to be introduced by the Group, as well as the factors above, we concur with the Management that the Original Annual Caps of the Distributorship Agreement will not be sufficient for the two years ending 31 December 2021, and have to be revised to accommodate the Group's business operations going forward.

For more details on the basis of calculation of the Revised Annual Caps, please refer to the paragraph headed "3.1.2 Revised Annual Caps of the Distributorship Agreement" below in this letter.

### **3. ANALYSIS ON THE REVISED ANNUAL CAPS**

#### ***3.1 Basis for determining the Revised Annual Caps***

##### *3.1.1 Revised Annual Caps of the Master Purchase Agreement*

As advised by the Management, the Revised Annual Caps of the Master Purchase Agreement have been determined with reference to (i) the positive impact from the expected transaction amount as a result of the Strategic Alliance; (ii) the expected increase in sales in the Exclusive Territory; (iii) the expected new demand for the two new series of advanced-level motorbikes in Vietnam; and (iv) the existing motorbikes.

##### *Transaction amounts as a result of the Strategic Alliance*

For the year ending 31 December 2019, the Group recorded a procurement cost attributable to the Strategic Alliance under the Master Purchase Agreement of approximately US\$6.6 million for the 4,400 motorbikes sold. The Group targeted sales of approximately 10,000 motorbikes and 11,500 motorbikes in 2020 and 2021, which are higher than 2019 sales as the sales of the Lambretta motorbikes only commenced in April 2019. Hence, the Management expects that the procurement cost for the two years ending 31 December 2021 will be significantly higher. For the two years ending 31 December 2021, the Group expects to record a procurement cost of parts of approximately US\$10.7 million and US\$12.9 million under the Master Purchase Agreement respectively.

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## LETTER FROM ALTUS

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For the first three months ended 31 March 2020, due to the outbreak of COVID-19 and the delay in certification of its product in Thailand, some of the Group's sales agents suspended sales in accordance to government's restrictions and some other sales agents recorded lower sales in the Exclusive Territory. The Group has recorded a lower sales volume for the Lambretta motorbikes of approximately 14% of the target sales, compared to the estimated sales volume of 20% of the target sales.

As mentioned in the paragraph headed "1.2 Prospects of the Group" above, after communication with their local sales agent and considering the latest outbreak situation in the Exclusive Territory, the Management believes that the adverse situation to be temporary and the sales situation will gradually return to its expected level gradually in the second quarter of 2020. The Management also advised that the certification of its product in Thailand will be completed by June 2020. Due to the above-mentioned factors and considering the amounts sold and orders on hand of approximately 2,700 Lambretta motorbikes as at the Latest Practicable Date received recently, the Management expects the drop in sales in the first quarter will be recovered in the remainder of 2020. As at the Latest Practicable Date, the Group's sales agents in Taiwan, Cambodia and United Arab Emirates have resumed sales and placed purchase orders for April 2020 and the Group's sales agent in Thailand has already placed purchase orders for June and July 2020.

After our review of (i) the historic sales figures of Lambretta's motorbikes for 2019 and the three months ended 31 March 2020; (ii) the amounts sold and orders on hand received by the Group so far for the year ending 31 December 2020; and (iii) the historical procurement cost of parts, we concur with the Management's view that the expected procurement cost of parts due to the Strategic Alliance of approximately US\$10.7 million and US\$12.9 million for the two years ending 31 December 2021 respectively under the Master Purchase Agreement have been fairly and reasonably arrived at.

### *Expected increase in sales in the Exclusive Territory*

The expected procurement cost of parts of approximately US\$1.1 million and US\$6.1 million for the two years ending 31 December 2021 respectively in Thailand were based on (i) the Group's discussions with the Thai Business Partner, (ii) the Group's research and assessment on the Thai motorbike market, estimating sales of approximately 1,400 and 7,500 motorbikes in 2020 and 2021 respectively; and (iii) the historical procurement cost of parts. Given that the Group is trying to secure a foothold in the Thai market in 2020, and it will enter into the market during the second half of 2020, a more conservative estimate was prepared for 2020 as compared to the estimate for 2021 after discussions with the Thai Business Partner.

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## LETTER FROM ALTUS

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The Group also intends to boost the marketing efforts of the VF-series motorbikes in the Exclusive Territory. The increase in procurement cost of parts for the VF-series in the Exclusive Territory of approximately US\$2.4 million and US\$3.1 million under the Master Purchase Agreement in 2020 and 2021 respectively were based on (i) the Group's discussions with its sales agent; (ii) the historical sales and purchase orders received from its sales agents; (iii) the Group's assessment on the Exclusive Territory; and (iv) the historical procurement cost of parts.

We have reviewed (i) the meeting minutes between the Group and the Thai Business Partner containing the agreed target sales amount; (ii) the sales plan provided by the Company; (iii) the key market data obtained by the Company; and (iv) the historical procurement costs of parts. The Management believes and we concur that the expected procurement costs of parts due to the expected increase in sales in the Exclusive Territory of approximately US\$1.1 million and US\$6.1 million for the two years ending 31 December 2021 respectively under the Master Purchase Agreement have been fairly and reasonably arrived at.

*Expected new sales due to the two new series of advanced-level motorbikes*

As advised by the Management, the expected procurement costs of parts for the two new models, Attila 50 and Attila 125, are a total of approximately US\$1.7 million and US\$1.9 million under the Master Purchase Agreement for the two years ending 31 December 2021 respectively. The expected procurement costs are determined based on (i) the market information gathered by the Company and the historical sales record of the Group's similar products for the year ended 31 December 2019; and (ii) the historical procurement costs of parts.

The Management is optimistic about the launching of Attila 50 in May 2020 as it is a part of the 50 cc cub motorbikes line, the sales of which have increased significantly during the year ended 31 December 2019 due to developments in government policies and changes in consumer behaviour. For further details, please refer to the paragraph headed "Increased production and sales in relation to 50 cc cub motorbikes" under the section headed "2.1.1 Historical transaction under the Master Purchase Agreement" above. The Management also advised that the launching of Attila 50 in May 2020 will allow the Group to capitalise the peak season of 50 cc cub motorbikes sales, which usually takes place in June to September.

For the three months ended 31 March 2020, the Group only recorded approximately 36.8% of its expected sales volume. As advised by the Management, the shortfall is mainly due to the outbreak of COVID-19 and the lack of marketing support during the period. The Management expects the sales will regain its momentum once its marketing campaign resumes when the COVID-19 situation is contained.

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## LETTER FROM ALTUS

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We have reviewed (i) the sales plan of two new series motorbikes provided by the Company; (ii) the market data collected by the Company; and (iii) the historical procurement costs of parts. The Management believes and we concur that the expected procurement costs of parts due to the expected sales due to the two new series of advanced-level motorbikes of approximately US\$1.7 and US\$1.9 million for the two years ending 31 December 2021 respectively under the Master Purchase Agreement have been fairly and reasonably arrived at.

### *Existing motorbikes*

The procurement costs of parts for the existing motorbikes are based on the Original Annual Caps and the latest information available to the Management. The launching of new products and the increased marketing efforts on certain newer motorbike models are expected to affect the sales of the other existing products of the Group. In addition, the outbreak of COVID-19, which cannot be reasonably foreseen when deriving the Original Annual Caps, has also negatively impact the sales of the motorbikes as well as the procurement of the motorbike parts. Taking into consideration the above factors, the Management estimates procurement costs of parts for the existing motorbikes of approximately US\$9.2 million and US\$8.6 million for the two years ending 31 December 2021 respectively.

After taking into account the above, we are of the view that the Revised Annual Caps of the Master Purchase Agreement are fair and reasonable.

### *3.1.2 Revised Annual Caps of the Distributorship Agreement*

As advised by the Management, the Revised Annual Caps of the Distributorship Agreement were determined mainly with reference to (i) the introduction of new motorbike models in the Exclusive Territory; (ii) the expansion into the Thai motorbike market; and (iii) the existing motorbikes.

It is estimated that approximately US\$5.6 million and US\$15.2 million of transaction amounts will be recorded for the two years ending 31 December 2021 respectively under the Distributorship Agreement, compared to the estimated transaction amounts of approximately US\$3.6 million in the Original Annual Caps.

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## LETTER FROM ALTUS

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### *Introduction of new motorbike models in the Exclusive Territory*

The target additional transaction amount of approximately US\$2.6 million each year for the two years ending 31 December 2021 from Malaysia and the Philippines were determined with reference to (i) the confirmed purchase orders; (ii) the discussions with local sales agent in Malaysia and the Philippines; (iii) the distribution sales plan for the rest of 2020 and the 2021 for the new motorbike models prepared by the Company, which the Group, has based on the historical transaction amounts, estimated an additional 2,300 motorbikes to be sold in 2020 and 2021; (iv) the historical price of the motorbikes; and (v) downward adjustments due to the impact from the latest COVID-19 outbreak. The sales prices of the new motorbike models were determined with reference to the average historical selling price of the motorbikes for the three months ended 31 March 2020.

We have reviewed (i) the amounts of motorbikes sold and orders on hand as at the Latest Practicable Date, and these aggregate to represent approximately 41.2% of the Revised Annual Caps of the Distributorship Agreement for the year ending 31 December 2020; (ii) the distribution sales plan for the rest of 2020 and the 2021 for the new motorbike models prepared by the Company; and (iii) the prices of the new motorbike models. The Management believes and we concur that the transaction amount arising for the introduction of new motorbikes models in the Exclusive Territory of approximately US\$2.6 million each year for the two years ending 31 December 2021 under the Distributorship Agreement have been fairly and reasonably arrived at.

### *Expansion to the Thai motorbike market*

The Group targets a sales amount of 5,000 motorbikes, which represent a transaction amount of approximately US\$9.6 million motorbikes for the year ending 31 December 2021. The target comprises the sales of two models, including (i) SC150, an existing motorbike model sold by the Group; and (ii) TL1, a new model being developed by Sanyang Group with the assistance of the Thai Business Partner. The target transaction amount was determined after (i) discussions between the Group and the Thai Business Partner; (ii) considering the market data on the new motorbikes models to be introduced by the Company; and (iii) the estimated prices of the motorbikes.

The Management advised that the estimated price of SC150 is determined by reference to the current selling price in other markets within the Exclusive Territory, and the price of the TL1 is determined based on (i) the estimated cost of production; (ii) expected profit margin of at least 3.5%; and (iii) the discussions with the Thai Business Partner.



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## LETTER FROM ALTUS

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We have reviewed (i) meeting minutes between the Group and the Thai Business Partner and the agreed target sale amount contained therein; (ii) the Thailand sales plan prepared by the Company; (iii) the market data collected by the Group on the new motorbike models to be introduced by the Company; and (iv) the basis in determining the estimated retail price of the motorbikes. The Management also advised that Sanyang Group has committed to develop the new model and commence its production by the expected schedule to facilitate the Group's expansion into the Thai market. Hence, the Management believes and we concur that the sales target of the additional 5,000 motorbikes, the prices of the new model motorbikes and hence the related transaction amount of approximately US\$9.6 million for the year ending 31 December 2021 under the Distributorship Agreement have been fairly and reasonably arrived at.

### *Existing motorbikes*

As advised by the Management, the introduction of new products to the Exclusive Territory is expected to affect the sales of the existing products offered. Nonetheless, as the Group has yet to establish its presence in Thailand, the expansion to the Thai motorbike market will not impact the sales other regions in the Exclusive Territory. Taking into consideration the above, the Management devises a transaction amount due to the existing motorbikes of approximately US\$3.0 million each year for the two years ending 31 December 2021.

After taking into account the above, we are of the view that the Revised Annual Caps of the Distributorship Agreement are fair and reasonable.

### RECOMMENDATION

Having considered the above principal factors, we are of the view that the Revised Annual Caps are fair and reasonable. Accordingly, we would recommend the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolutions to be proposed at the EGM to approve the Revised Annual Caps.

Yours faithfully  
For and on behalf of  
**Altus Capital Limited**

**Jeanny Leung**  
*Executive Director*

**Leo Tam**  
*Assistant Director*

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## LETTER FROM ALTUS

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*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 about 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 five 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 and chief executive

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 executive 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 <sup>(1)</sup>	Approximate percentage of interest in the share capital <sup>(2)</sup>
Liu Wu Hsiung	Sanyang	Beneficial owner	Ordinary shares	111,380 (L)	0.013%
Lin Chih Ming	Sanyang	Beneficial owner	Ordinary shares	26,793 (L)	0.003%
Chiang Chin Yung	Sanyang	Beneficial owner	Ordinary shares	165,480 (L)	0.019%
Chiu Ying Feng	Sanyang	Beneficial owner	Ordinary shares	18,412 (L)	0.002%
Wu Li Chu	Sanyang	Beneficial owner	Ordinary shares	17,046,560 (L)	1.997%

Notes:

- (1) The letter “L” denotes a long position in such shares.
- (2) The calculation is based on the total number of 853,595,604 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. Chiu Ying Feng is the deputy vice president 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:

<b>Name</b>	<b>Qualification</b>
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 2019, 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.

#### **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 2019, 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 has 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 2019, 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 AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours of any business days at the principal place of business in Hong Kong of the Company at 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong from the date of this circular to the date of the EGM (both days inclusive):

- (a) the Master Purchase Agreement;
- (b) the Distribution Agreement;
- (c) the letter from the Independent Board Committee dated 13 May 2020, the text of which is set out on page 15 of this circular;
- (d) the letter from Altus, the text of which is set out on pages 16 to 32 of this circular; and
- (e) the consent letter from Altus referred to in the paragraph headed "Consent" in this Appendix.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### **Vietnam Manufacturing and Export Processing (Holdings) Limited**

### **越南製造加工出口(控股)有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 422)**

**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, 23 June 2020 at 10:30 a.m. (or immediately after the annual general meeting of the Company convened on the same day, if earlier) for the purpose of considering and, if thought fit, passing the following ordinary resolutions:

#### **ORDINARY RESOLUTIONS**

1. “**THAT** the proposed revised annual caps for each of the two years ending 31 December 2020 and 2021 (details of which have been set out in the circular (“Circular”) of the Company dated 13 May 2020) in respect of the agreement dated 12 November 2018 entered into between the Company and Sanyang Motor Co., Limited (“Sanyang”) in relation to the purchases of motorbike parts by the Company and its subsidiaries (together, “Group”) from Sanyang and its subsidiaries (together, “Sanyang Group”) be and are hereby approved, confirmed and ratified.”
2. “**THAT** the proposed revised annual caps for each of the two years ending 31 December 2020 and 2021 (details of which have been set out in the Circular) in respect of the agreement dated 12 November 2018 entered into between the Company and Sanyang in relation to the exclusive distribution by the Group of motorbikes and related parts manufactured by the Sanyang Group in the Exclusive Territory (as defined in the Circular) 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, 13 May 2020

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*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, Sunlight Tower  
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, 18 June 2020 to Tuesday, 23 June 2020 (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, Wan Chai, Hong Kong, not later than 4:30 p.m. on Wednesday, 17 June 2020.
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, Wan Chai, Hong Kong, not less than 48 hours before the time fixed for holding of the meeting (i.e. before 10:30 a.m. on Sunday, 21 June 2020) 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) 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.