THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

VMEPH
Vietnam

Vietnam Manufacturing and Export Processing (Holdings) Limited
越南製造加工出口(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 422)

CONTINUING CONNECTED TRANSACTIONS

Independent financial adviser
to the Independent Board Committee and the Independent Shareholders

ALTUS CAPITAL LIMITED

A letter from the Board (as defined herein) is set out on pages 4 to 16 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 17 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 18 to 51 of this circular.

A notice convening the EGM (as defined herein) to be held at Suite 2418, 24/F, Jardine House, 1 Connaught Place, Central, Hong Kong at 10:00 a.m. on Friday, 4 March 2016 is set out on pages 56 to 57 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 Rooms 1806-7, 18th 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. Completion and delivery of the form of proxy will not preclude you from attending the EGM and voting in person should you so wish.

28 January 2016

CONTENT

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

"Altus"	Altus Capital Limited, a licensed corporation under the SFO permitted to engage in Types 4, 6 and 9 of the regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions and the related Annual Caps
"Annual Caps"	the maximum aggregate annual value of each of the Continuing Connected Transactions for the three financial years ending 31 December 2018 proposed by the Board
"Board"	the board of Directors the Company
"Company"	Vietnam Manufacturing and Export Processing (Holdings) Limited (越南製造加工出口(控股)有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
"Continuing Connected Transactions"	the transactions under the Master Purchase Agreement, Distributorship Agreement, Technology Licence Agreement and the Research and Development Services Agreement, which are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules
"Director(s)"	director(s) of the Company
"Distributorship Agreement"	the agreement dated 8 December 2015 entered into between the Company and Sanyang in relation to the exclusive distribution by the Group of motorbikes and related parts manufactured by the Sanyang Group in the Exclusive Territory (excluding Vietnam, unless the motorbikes are resold in Vietnam for exhibition purposes)
"EGM"	the extraordinary general meeting of the Company to be held at Suite 2418, 24/F, Jardine House, 1 Connaught Place, Central, Hong Kong at 10:00 a.m. on Friday, 4 March 2016 to approve the Continuing Connected Transactions and the related Annual Caps
"Exclusive Territory"	all of the member countries of the Association of South East Asian Nations, including Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam
"Full Ta"	Hanoi Full Ta Precision Company Limited, an indirect non wholly-owned subsidiary of Sanyang incorporated in Vietnam
"Group"	the Company and its subsidiaries from time to time

"HK$"	Hong Kong Dollar, being the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"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 Continuing Connected Transactions and the related Annual Caps
"Independent Shareholders"	Shareholders who are not required to abstain from voting on the resolution to be proposed at the EGM under the articles of association of the Company and the Listing Rules
"Independent third parties"	persons or entities who/which are not connected persons within the meaning of the Listing Rules
"Latest Practicable Date"	22 January 2016, 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
"Master Purchase Agreement"	the agreement dated 8 December 2015 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
"Nova Design"	Nova Design Co., Limited (浩漢產品設計股份有限公司), a direct wholly-owned subsidiary of Sanyang incorporated in Taiwan
"PRC"	the People's Republic of China and for the purpose of this circular, excludes Taiwan, the Macau Special Administrative Region and Hong Kong
"Qingzhou Machinery"	Zhangjiagang Qingzhou Machinery Industry Co., Limited (張家港慶洲機械摩托有限公司), an indirect wholly- owned subsidiary of Sanyang incorporated in the PRC
"Research and Development and Technical Support Services Agreement"	the agreement dated 9 November 2012 and entered into between the Company and Sanyang in relation to research and development and technical support services provided by the Sanyang Group to the Group
"Research and Development Services Agreement"	the agreement dated 8 December 2015 and entered into between the Company and Sanyang in relation to research and development services provided by the Sanyang Group to the Group

"Sanyang Global"	Sanyang Global Co., Ltd. (三陽環宇 (廈門) 實業有限公司), an indirect wholly-owned subsidiary of Sanyang incorporated in the PRC
"Sanyang Group"	Sanyang, its subsidiaries and associates from time to time (excluding the Group)
"Sanyang"	Sanyang Motor Co., Limited (三陽工業股份有限公司), formerly known as Sanyang Industry Co., Limited, a company incorporated in Taiwan and listed on the Taiwan Stock Exchange Corporation, which is the ultimate controlling shareholder of the Company
"SFO"	the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong)
"Shareholders"	holder of Shares
"Shares"	ordinary shares in the share capital of the Company with a nominal value of HK$0.01 each
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"SYI"	SY International Ltd., a company incorporated in Samoa with limited liability and a direct controlling shareholder of the Company
"Technology Licence Agreement"	the agreement dated 26 November 2007 entered into between VMEP and Sanyang in relation to grant of an exclusive licence to VMEP to use the technology, know-how, trade secrets and production information owned by Sanyang
"US$"	United States Dollars, being the lawful currency of the United States
"VMEP"	Vietnam Manufacturing and Export Processing Co., Limited, a wholly-owned subsidiary of the Company
"VTBM"	Vietnam Three Brothers Machinery Industry Co., Limited, an associate company of the Group and an indirect non wholly-owned subsidiary of Sanyang incorporated in Vietnam
"Xia Shing"	Xiamen Xiashing Motorcycle Co., Ltd. (廈門廈杏摩托有限公司), an indirect non wholly-owned subsidiary of Sanyang incorporated in the PRC
"%"	per cent.

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

VMEPH
Vietnam

Vietnam Manufacturing and Export Processing (Holdings) Limited
越南製造加工出口（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 422)

Executive Directors:
Mr. Liu Wu Hsiung *(Chairman)*
Mr. Lu Tien Fu *(Chief Executive Officer)*
Ms. Wu Li Chu

Non-executive Directors:
Mr. Chang Yung Chieh
Mr. Chiu Ying Feng

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:
Unit 1109,
11/F., Metro Centre I,
32 Lam Hing Street,
Kowloon Bay,
Kowloon, Hong Kong

To the Shareholders

28 January 2016

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

On 8 December 2015, the Company announced, among others, that as the existing agreements relating to the Continuing Connected Transactions (except for the Technology Licence Agreement) will expire on 31 December 2015, the Company had, on 8 December 2015, entered into new agreements in relation to the Continuing Connected Transactions (except for the Technology Licence Agreement) each with a term of three years ending on 31 December 2018. The Board also proposes the Annual Caps for all Continuing Connected Transactions for the three years ending on 31 December 2018.

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

The purpose of this circular is to provide you with details of the Continuing Connected Transactions and the Annual Caps and to seek your approval of the ordinary resolutions set out in the notice of the EGM on pages 56 to 57 of this circular. The recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Continuing Connected Transactions and the Annual Caps is set out on page 17 of this circular. The letter from Altus to the Independent Board Committee and the Independent Shareholders containing its advice in relation to the Continuing Connected Transactions and the Annual Caps is set out on pages 18 to 51 of this circular.

PRINCIPAL TERMS OF THE CONTINUING CONNECTED TRANSACTIONS, REASONS AND BENEFITS

(A) Master Purchase Agreement

Date: 8 December 2015

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 2016 to 31 December 2018

Background

The Group has been sourcing certain motorbike parts from Sanyang and other members of the Sanyang Group for its production of motorbikes. As the previous purchase agreement with Sanyang will expire on 31 December 2015, on 8 December 2015, the Company entered into the Master Purchase Agreement with Sanyang, to continue to engage the Sanyang Group to supply motorbike parts to the Group upon expiry of the previous agreement. The relevant suppliers of motorbike parts under the Master Purchase Agreement are members of the Sanyang Group (including direct or indirect, and wholly-owned or non-wholly owned subsidiaries) from time to time, which include but not limited to Sanyang, VTBM, Full Ta, Sanyang Global, Qingzhou Machinery and Xia Shing, which are engaged in manufacturing or sourcing of various motorbike parts in different countries and regions.

Major terms and pricing for the Master Purchase Agreement

Under the Master Purchase Agreement, the Group purchases certain motorbike parts from the Sanyang Group which are either manufactured by the Sanyang Group or sourced by it from independent third parties, for the Group's production of motorbikes. The motorbike parts to be sourced from Sanyang include electronic fuel injection components, engine control units, carburettors, clutchs and cylinder heads, while that to be sourced from other members of the Sanyang Group include fuel tanks, frames and rear shafts manufactured in Vietnam by VTBM and Full Ta, centrifugal clutchs, cam shafts, pistons, cylinders and gears from Sanyang Global, Qingzhou Machinery and Xia Shing sourced by them from independent third parties in the PRC. The Group may also source other motorbike parts from other members of the Sanyang Group from time to time should it be required by its production process.

The price of sourcing of motorbike parts from members of the Sanyang Group is at a cost plus basis. Sanyang Group charges the Group at the manufacturing cost or purchase cost (as the case may be) of such products plus a margin of 10% (if Vietnam import duty for such product is 20% or more) or of 15% (if Vietnam import duty for such product is less than 20%). The manufacturing cost or purchase cost (as the case may be) will be determined on an annual basis subject to adjustments in any annual period with respect to fluctuations in foreign exchange rates and modifications to model of motorbikes in which the products to be purchased by the Group from Sanyang pursuant to the Master Purchaser Agreement is used.

The Group shall settle the purchase costs under the Master Purchase Agreement in cash within 30 or 60 days (as the case may be) after the date of the invoice unless the relevant parties determined otherwise in the individual purchase orders.

The Master Purchase Agreement is a framework agreement which provides the principles, mechanism and terms and conditions for the Group's purchase of motorbike parts from the Sanyang Group. Individual purchase orders will be entered into between the relevant members of the Group and Sanyang Group from time to time which will specify the types of motorbike parts to be purchased, price, delivery arrangements and any other terms which may be relevant to the supply of the parts to the Group. The individual purchase orders may only contain provisions which are in all material respects consistent with the binding principles, guidelines, terms and conditions set out in the Master Purchase Agreement.

Reasons and benefits for the Master Purchase Agreement

The Group purchases motorbike parts from the Sanyang Group rather than directly from independent third party suppliers because, by centralising and aggregating the Sanyang Group's sourcing of such parts with those of the Group's, the Sanyang Group is in a position to negotiate better purchase price and terms with the suppliers and enjoy benefits of bulk purchase, which also benefits the Group as the Sanyang Group will be able to supply the parts to the Group at lower costs. For motorbike parts which are currently sourced from suppliers outside Vietnam as they are either unavailable or not of acceptable quality or pricing in Vietnam, the Sanyang Group also provides quality testing, packaging, customs clearance and logistics services on the motorbike parts sold to the Group at a lower cost than that for the Group to engage an independent third parties outside Vietnam to provide similar services.

Apart from sourcing from Sanyang, the Group also sources certain motorbike parts from other members of the Sanyang Group (such as Sanyang Global, Qingzhou Machinery and Xia Shing) in the PRC. It enables the Group to secure a cost effective and stable source of supply of motorbike parts as motorbike parts are supplied at a lower cost in the PRC than in other countries due to lower labour costs and production costs in the PRC. Whilst the rising costs of sourcing from the PRC are primarily attributed to the fluctuation of Renminbi, by centralising purchase from/with the Sanyang Group instead of making separate purchase orders to independent suppliers, the Group is able to mitigate and minimise the impact of the increasing sourcing costs. In sourcing the relevant motorbike parts from the Sanyang Group, the Sanyang Group also assists the Group to conduct surveys and perform quality checks on suppliers which are based in the PRC to ensure that the parts supplied by them meet the requirement and standards of the Group.

Certain production plants of the Sanyang Group are located in the southern and northern parts of Vietnam. The Group also sources motorbike parts from the Sanyang Group (such as VTBM and Full Ta) locally in Vietnam for production in its production plant located near the Group's plants. This will reduce transportation costs and delivery time due to the proximity between the manufacturing plants of the Sanyang Group and those of the Group's, as compared to sourcing from other suppliers. Sourcing motorbike parts from the Sanyang Group in Vietnam will also bring flexibility to the Group and allows it to meet unexpected increase of orders or other market contingencies.

Due to the rapid growth in the economy of Vietnam and the expansion of the Group's business in the Exclusive Territory, an increasing number and types of motorbike parts manufactured by the Sanyang Group or sourced by it from independent third parties are used for the manufacture of motorbikes by the Group. Taking into account the Sanyang Group's production capacity and relevant experience in supplying motorbike parts to motorbike manufacturers, quality of the motorbike parts supplied, and the established business relationship with the Group from which the Sanyang Group gained profound understanding of the Group's product specification and production need, the Directors consider the Sanyang Group a long term business partner and reliable supplier of motorbike parts.

(B) Distributorship Agreement

Date: 8 December 2015

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

(b) the Sanyang Group as the supplier

Term: 1 January 2016 to 31 December 2018

Major terms and pricing terms of the Distributorship Agreement

Under the Distributorship Agreement, the Group acts as the exclusive distributor of certain motorbikes and related parts manufactured by the Sanyang Group in the Exclusive Territory (except in the case of Vietnam, the Company will only be entitled to re-sell such motorbikes to customers in Vietnam solely for use in exhibitions). The Group only purchases products from the Sanyang Group when confirmed customer orders are received and the motorbikes to be distributed are restricted to those models which the Group does not produce. The Sanyang Group sells such products to the Group at a price that is at least 3.5% lower than the indicative sales price of such products proposed to be sold by the Group to independent end-customers. The Group shall pay for all purchases made under the Distributorship Agreement in cash within 30 days after the date of invoice unless the relevant parties determined otherwise in the relevant purchase order.

Reasons and benefits for the Distributorship Agreement

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

(C) Technology Licence Agreement

Date: 26 November 2007

Parties: (a) VMEP as the licensee; and

(b) Sanyang as the supplier

Major terms and pricing terms of the Technology Licence Agreement

The Technology Licence Agreement was entered into between VMEP (a wholly-owned subsidiary of the Company) and Sanyang on 26 November 2007, and will continue in force for so long as Sanyang is a controlling shareholder of the Company and for a further period of 20 years after Sanyang ceases to be a controlling shareholder of the Company, subject to certain termination events as set out in the Technology Licence Agreement.

Under the Technology Licence Agreement, Sanyang has granted an exclusive licence to VMEP to use the technology, know-how, trade secrets and production information owned by Sanyang in connection with the Group's manufacture and sale of "SYM" brand motorbikes and related parts in the Exclusive Territory. The licence fee as provided for in the Technology Licence Agreement is 4% of the annual net selling price of products manufactured using such technology from Sanyang and sold by VMEP. The Group shall settle all undisputed invoices within 60 days from the last day of each six-month period in each calendar year.

Reasons and benefits for the Technology Licence Agreement

Sanyang owns the proprietary right to the technology, know-how, trade secrets and production information in connection with the manufacture and sale of "SYM" brand motorbikes and related parts. As the sales of "SYM" brand products contribute to a significant percentage of the Group's turnover, the Directors consider the continued use of such technology and related intellectual property rights which enable the Group to continue manufacturing and selling "SYM" brand motorbikes and related parts is essential to the Group's operations and continued growth.

(D) Research and Development Agreement

Date: 8 December 2015

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 2016 to 31 December 2018

Major terms and pricing terms of the Research and Development Agreement

Under the Research and Development Agreement, Sanyang and certain members of the Sanyang Group (such as Nova Design) provide research and development services to the Group, including assigning their research support staff to work for the Group over a period of time as requested by the Group, and to provide research and development services to the Group with respect to specific new models developed by the Group on a project basis.

In relation to the assignment of its research support staff to work for the Group, the Sanyang Group charges the Group at a fixed rate of US$250 per staff per working day spent on the provision of such support services. In relation to the provision of research and development services to the Group which involves the use of any materials, parts and moulds, the Sanyang Group charges the service fees at a cost plus basis, which will be determined at the manufacturing cost or purchase cost of any materials and other costs incurred by the Sanyang Group in providing such services (as the case may be) plus a margin of 10%. The Sanyang Group shall, prior to the Group engaging it to provide research and development services, prepare a proposal to the Group which include estimate of working hours of research support staff and costs of any materials required for such services. Sanyang agrees that the Sanyang Group will charge the Group the service fees at the similar rates as it charges its other members, and the fees payable by the Group to the Sanyang Group shall not be higher than that payable by other members of Sanyang Group for the same services. The Group shall pay for all research and development services made under the Research and Development Services Agreement in cash within 30 days after the date of invoice unless the relevant parties determined otherwise in the relevant order.

Reasons and benefits for the Research and Development Agreement

The Sanyang Group and its employees have the required expertise and skills and are well-acquainted with the technical specifications of the motorbikes manufactured by the Group given the long history of the Sanyang Group's involvement in motorbike production. The Directors believe the research and development services can improve the quality and speed of launching new models in response to customers' needs from time to time.

INTERNAL CONTROL MEASURES

The Company has established internal control measures to ensure that the Continuing Connected Transactions are in accordance with the pricing policies and the terms of the relevant agreement, and that the purchase price of the relevant products and services from the Sanyang Group are on normal commercial terms and on terms no less favourable than those terms offered to the Group by independent third parties for similar products and/or services. Such internal control measures employed by the Group include the following:

(i) all the orders under the relevant agreements shall be reviewed and approved by the directors and general manager, and finance department of the Company to ensure the terms are in compliance with the relevant agreements under which the transactions are entered into, and in this connection he/she must be satisfied that (i) the pricing policies and internal procedures adopted by the Company have been fully complied with; (ii) the transactions thereunder are on normal commercial terms; (iii) the purchase price of the relevant products and services from the Sanyang Group are no less favourable to the Group than the prices at which such products are offered by independent third parties to the Group, before relevant orders are entered into; and (iv) the selling price of the relevant products and services to the Sanyang Group are no less favourable to the Group than the prices at which such products are offered by it to independent third parties, before relevant orders are entered into;

(ii) in relation to the purchase of products and services from the Sanyang Group the pricing of which are determined on a cost-plus basis, including the transaction pursuant to the Master Purchase Agreement and the Research and Development Services Agreement, the independent internal control team of the Company shall request the Sanyang Group to provide it with the relevant records of the manufacturing cost and/or purchase cost of the products and services incurred by the Sanyang Group, in order to ensure that the pricing mechanisms under the relevant agreements have been properly complied with; and

(iii) the independent non-executive Directors shall, and the Company shall engage it's external auditors to, conduct annual review of the Continuing Connected Transactions in accordance with the Listing Rules requirements.

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

HISTORICAL TRANSACTION AMOUNTS AND PROPOSED ANNUAL CAPS

Historical transaction amounts of the Continuing Connected Transactions

The table below sets out the historical transaction amounts of the Continuing Connected Transactions with utilisation rates of the respective annual caps approved for the relevant years for the two years ended 31 December 2014 and the ten months ended 30 October 2015:

(in US$)		Transaction amounts for the year ended 31 December 2013 (utilisation rates compared to the respective annual caps ((%))	Transaction amounts for the year ended 31 December 2014 (utilisation rates compared to the respective annual caps ((%))	Transaction amounts for the ten months ended 31 October 2015 (based on management accounts of the Group up to 31 October 2015) (utilisation rates compared to the respective annual caps ((%))
(A)	**Master Purchase Agreement**	20,394,333 (44%)	18,721,161 (32%)	9,275,102 (14%)
(B)	**Distributorship Agreement**	17,124,228 (61%)	7,728,284 (27%)	4,912,260 (16%)
(C)	**Technology Licence Agreement**	3,657,862 (46%)	4,157,291 (42%)	2,510,705 (21%)
(D)	**Research and Development and Technical Support Services Agreement**	658,488 (44%)	1,444,071 (96%)	920,024 (55%) *(Note)*

Note: the annual cap for the Research and Development and Technical Support Services Agreement for the year ended 31 December 2015 had been revised to US$1,686,000 in the Company's announcement dated 8 December 2015.

The actual transaction amounts of the Continuing Connected Transactions for the three years ended 31 December 2015 had not exceeded the respective annual caps of the relevant year. The actual transaction amounts of the Continuing Connected Transactions up to the Latest Practicable Date had not exceeded the applicable percentage ratios that require Independent Shareholders' approval.

Proposed Annual Caps of the Continuing Connected Transactions and the basis of determination

The Board proposes that the Annual Caps for the Continuing Connected Transactions for the three years ending 31 December 2018 be set as follows:

(in US$)		**Annual Cap for the year ending 31 December 2016**	**Annual Cap for the year ending 31 December 2017**	**Annual Cap for the year ending 31 December 2018**
(A)	**Master Purchase Agreement**	20,600,000	32,830,000	42,430,000
(B)	**Distributorship Agreement**	10,000,000	10,000,000	10,000,000
(C)	**Technology Licence Agreement**	4,410,000	4,970,000	5,680,000
(D)	**Research and Development Services Agreement**	4,320,000	4,860,000	4,910,000

The Annual Caps have been determined by the Board based on the historical transaction amounts of the Continuing Connected Transactions and expected growth and expansion of the Company's manufacturing and sales for the coming three years, taking into account of the following factors:

(i) historical growth rates of the turnover of the Group and the transaction amounts of the subject transactions;

(ii) historical percentages of the relevant values of the subject transactions to the turnover of the Group;

(iii) projected and/or targeted growth in turnover and sales volume of the Group as determined by the Board;

(iv) the recent transaction amounts of the subject transactions during the current financial year;

(v) the expected rising costs of sourcing from the Sanyang Group as a result of the fluctuation of New Taiwanese Dollar and Renminbi and the constantly rising costs of raw materials;

(vi) the expected increase in average unit price of the motorbike parts offered by independent suppliers due to inflation and increased production cost;

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

(viii) projected increase in the amount of the subject transactions for the purpose of reserved stocks to avoid disruption to Company business in the case of contingency.

The Annual Caps for Master Purchase Agreement

During the year 2015, the Group experienced a serious decline of sales revenue as a result of intensified competition in motorbike market in Vietnam. In the export market, the introduction of consumer tax in the Malaysia in the second half of 2015 also further increased the cost of sales to Malaysia, resulting in a significant decline in sales revenue. The Group recorded an exceptionally low sales amount in 2015 compared to that of previous years, as a result of which the total amount of motorbike parts purchased from the Sanyang Group also dropped to an uncommonly low level during the relevant period.

As the motorbike markets in Vietnam and Malaysia start to pick up in year 2016, and the Group also successfully launched its products to the Philippines market, the Directors expects the demand of the motorbikes manufactured by the Group for the year 2016 will be restored to a normal level comparable to that of 2014. Furthermore, many of the new products to be launched by the Group in the years 2016 to 2018 require complex and advanced motorbike parts (such as high technology electronic fuel injection engines) the selling price of which is general higher than other parts.

Given the unexpectedly severe market conditions resulting in exceptionally low level of demand of motorbikes during year 2015, the Directors consider a significant increase in annual cap for the year 2016 as compared to that of 2015 is necessary and reasonable in anticipation of the increase in motorbikes sales following the market recovery. For the years 2017 and 2018, an annual increase of approximately 59% and 29% respectively compared to the preceding year is considered appropriate to allow market growth. The substantial increase in annual caps for the years 2017 and 2018 is due to a number of factors. First, the Group is expecting to sell more products with complex and advanced motorbike parts, with the percentage of such products contributing to the total units sold by the Group projected to increase by over 100% and over 30% in 2017 and 2018 respectively. As such, the Group is expecting the procurement of such products, generally of higher unit price, from the Sanyang Group will increase substantially in 2017 and 2018. The substantial increase in annual caps for the years 2017 and 2018 is also attributable to the Group's plan to implement high emission engine standards in Vietnam, which is expected to require significantly more motorbike parts and related services from the Sanyang Group. Further, it is projected that the prices for motorbikes parts will continue to increase for Sanyang Group in 2017 and 2018 as a result of inflation, rising cost of raw materials and currency fluctuation.

The Annual Caps for Distributorship Agreement

The sales of the Sanyang motorbikes sourced by the Group to Malaysia in the year 2015, being one of the Group's major export markets, had been seriously affected by the introduction of consumer tax in the Malaysia in the second half of 2015 and the deflation of Malaysia ringgit during the year. As the economy in ASEAN countries, in particular that of Malaysia and Philippines, start to pick up in year 2016, the Directors expects the export sales of motorbikes sourced from the Sanyang Group for the coming years will be restored to a normal level. Having considered the historical purchase amounts paid to Sanyang Group, the Directors consider the sales of motorbikes manufactured by Sanyang Group for the years 2016 to 2018 will remain relatively stable.

The Annual Caps for Technology Licence Agreement

Due to the reasons set out under the heading "The Annual Caps for Master Purchase Agreement" above, notwithstanding the sales amount of the "SYM" brand motorbikes for the year 2015 had reached a record low level, the Directors expect the sales amount for the year 2016 will restore to a level comparable to that of 2014, hence the license fee paid under the Technology Licence Agreement will increase to a normal level with an increase for the year 2017 and 2018 at rates of 13% and 14% respectively on an annual basis mainly attributable to the projected increase of sales of "SYM" brand motorbikes in Vietnam and ASEAN countries and the projected increase of the average annual net selling price of "SYM" brand motorbikes.

The Annual Caps for Research and Development Services Agreement

Due to the reasons set out under the heading "The Annual Caps for Master Purchase Agreement" above, to capture business opportunities in the expected recovery of economy in ASEAN counties in the coming few years, the Group plans to launch a number of new motorbike models to supplement the deficiency in its model lines. In the year 2015, the Group only launched two new advanced models of existing motorbikes, being the "Venus" series and the "Attila V" series. In the year 2016, the Group plans to introduce six completely new motorbike series including "Shark Mini", "16 inches Flagship Motion" and brand new 125cc motors, and also expects to launch a number of new models in years 2017 and 2018 comparable to that of 2016. The substantial increase in annual caps for the Research and Development Services Agreement in year 2016 as compared to previous years is attributable to the launch of more new models specific in the Vietnam market and the export markets in the coming three years, with an increase for the year 2017 and 2018 at rates of 13% and 1% respectively on an annual basis. The significant increase in annual cap for the year 2017 is mainly attributable to the additional materials and costs of expensive parts and materials for the research and development of products that are compliant with the new Euro 3 emission regulations in Vietnam and advanced technology components. The increase in annual cap for the year 2017 and 2018 is also attributable to the projected inflation and currency fluctuations.

INFORMATION OF THE GROUP AND SANYANG GROUP

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

Sanyang, together with its subsidiaries, is principally engaged in the manufacturing of (i) motorbikes and related parts and (ii) motor cars, trucks and related parts. As at the Latest Practicable Date, Sanyang, through its wholly-owned subsidiary, SYI, held 608,318,000 issued ordinary shares of the Company (approximately 67.02% of the issued share capital of the Company).

LISTING RULES IMPLICATIONS

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 Continuing Connected Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Annual Caps for each of the Continuing Connected Transactions exceed 5%, the aforesaid transactions are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Hence, the terms of the Continuing Connected Transactions, their respective agreements (except for the Technology Licence Agreement) and the respective Annual Caps are conditional on approval by the Independent Shareholders being obtained at the EGM.

DIRECTORS' VIEWS

Each of Ms. Wu Li Chu, Mr. Liu Wu Hsiung, Mr. Lu Tien Fu, Mr. Chang Yung Chieh and Mr. Chiu Ying Feng (each being a Director) has a 5.82%, 0.012%, 0.001%, 0.016% and 0.002% shareholding in Sanyang respectively. Mr. Chang Yung Chieh is the general manager of Sanyang, who also serves on the board of other members of the Sanyang Group. Mr. Chiu Ying Feng is the deputy vice president of Sanyang and the chairman of Nova Design, who also serves on the board of other members of the Sanyang Group. Mr. Lu Tien Fu is a director of VTBM. Therefore, pursuant to the articles of association of the Company and the Listing Rules, Ms. Wu Li Chu, Mr. Liu Wu Hsiung, Mr. Lu Tien Fu, Mr. Chang Yung Chieh and Mr. Chiu Ying Feng had abstained from voting in the board meeting to approve the Continuing Connected Transactions due to the aforesaid overlapping of roles and shareholding interests in the Sanyang Group.

The pricing policies of the Continuing Connected Transactions are either on a cost plus basis calculated at the manufacturing cost or purchase cost (as the case may be) of such products or services plus with an agreed margin (for the Master Purchase Agreement and the Research and Development Services Agreement), or based on an agreed upon percentage to the indicative sales price or actual annual net selling price of products (for the Distributorship Agreement and the Technology Licence Agreement). The Directors consider the pricing policies more certain and objective than that for the three years ended 31 December 2015 which were determined with reference to market price, while the Group shall continue to monitor and ensure that the purchase price of the relevant products and services from the Sanyang Group are on normal commercial terms and on terms no less favourable than those terms offered to the Group by independent third parties for similar products and/or services, as set out in the paragraph headed "Internal control measures" above.

The Directors (including the independent non-executive Directors) consider that the Continuing Connected Transactions have been carried out and will continue to be carried out in the ordinary and usual course of business of the Group and on normal commercial terms, and that the terms of such transactions and the respective Annual Caps are fair and reasonable and in the interests of the Shareholders as a whole.

EGM

A notice convening the EGM to be held at Suite 2418, 24/F, Jardine House, 1 Connaught Place, Central, Hong Kong at 10:00 a.m. on Friday, 4 March 2016 is set out on pages 56 to 57 of this circular. At the EGM, ordinary resolutions will be proposed for the Independent Shareholders to consider and, if thought fit, to approve the Continuing Connected Transactions and the related 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 approximately 67.02% of the issued share capital of the Company as at the Latest Practicable Date. Therefore, Sanyang, its subsidiaries and associates are required to abstain from voting 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 2 March 2016 to 4 March 2016 (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 1 March 2016.

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 Rooms 1806-7, 18th 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 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.

RECOMMENDATION

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

GENERAL

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

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

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)

28 January 2016

Dear Independent Shareholders,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 28 January 2016 (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 Continuing Connected Transactions. Altus has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this regard.

Having taken into account the advice of Altus, including the basis of the pricing of the Continuing Connected Transactions and the internal control measures adopted by the Group to ensure that the Continuing Connected Transactions are in accordance with the pricing policies and the terms of the relevant agreement, we are of the opinion that the Continuing Connected Transactions have been entered into in the ordinary and usual course of the business of the Group and are based on normal commercial terms, and the Continuing Connected Transactions and the related 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 Continuing Connected Transactions and the related 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

LIN Ching Ching	**SHEN Hwa Rong**	**WU Kwei Mei**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

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

ALTUS

Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

28 January 2016

To the Independent Board Committee and the Independent Shareholders
Vietnam Manufacturing and Export Processing (Holdings) Limited
Unit 1109, 11/F
Metro Centre I
32 Lam Hing Street
Kowloon Bay
Kowloon
Hong Kong

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions contemplated under the Master Purchase Agreement, the Distributorship Agreement, the Technology Licence Agreement and the Research and Development Services Agreement (including their respective Annual Caps). Details are set out in the "Letter from the Board" contained in the circular dated 28 January 2016 (the "**Circular**") to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein or required by the context.

The agreements relating to the Continuing Connected Transactions (except for the Technology Licence Agreement) expired on 31 December 2015. The Company had, on 8 December 2015, entered into new agreements in relation to the Continuing Connected Transactions (except for the Technology Licence Agreement) each with a term of three years ending on 31 December 2018. The Board also proposed the Annual Caps for all Continuing Connected Transactions (including transactions under the Technology Licence Agreement) for the three years ending on 31 December 2018.

Each of Ms. Wu Li Chu, Mr. Liu Wu Hsiung, Mr. Lu Tien Fu, Mr. Chang Yung Chieh and Mr. Chiu Ying Feng (each being a Director) has a 5.82%, 0.012%, 0.001%, 0.016% and 0.002% shareholding in Sanyang respectively. Mr. Chang Yung Chieh is the general manager of Sanyang, who also serves on the board of other members of Sanyang Group. Mr. Chiu Ying Feng is the deputy vice president of Sanyang and the chairman of Nova Design, who also serves on the board of other members of Sanyang Group. Mr. Lu Tien Fu is a director of VTBM. Therefore, pursuant to the articles of association of the Company and the Listing Rules, Ms. Wu Li Chu, Mr. Liu Wu Hsiung, Mr. Lu Tien Fu, Mr. Chang Yung Chieh and Mr. Chiu Ying Feng had abstained from voting in the board meeting to approve the Continuing Connected Transactions due to the aforesaid overlapping of roles and shareholding interests in Sanyang Group.

LISTING RULES IMPLICATION

As at the Latest Practicable Date, Sanyang, through its wholly-owned subsidiary SYI, held approximately 67.02% of the issued share capital of the Company. 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 Sanyang Group are also connected persons of the Company. Accordingly, the Continuing Connected Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentages ratio in respect of the Annual Caps for each of the transactions under the Continuing Connected Transactions exceed 5%, the Continuing Connected Transactions are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Accordingly, the Company is seeking approval from the Independent Shareholders for the Continuing Connected Transactions, their respective agreements (except for the Technology Licence Agreement) and the respective Annual Caps at the EGM. As Sanyang, either itself or its associates, being the counterparty to the agreements relating to the Continuing Connected Transactions, is materially interested in those transactions, Sanyang Group and its associates will abstain from voting in those resolutions concerning the Continuing Connected Transactions, their respective agreements (except for the Technology Licence Agreement) and the respective Annual Caps at the EGM.

THE INDEPENDENT BOARD COMMITTEE

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

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

BASIS OF OUR ADVICE

In formulating our opinion, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (the "**Management**"). We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at the date of the Circular.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading.

We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Company, the Directors and the Management have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions and representations and have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1.1 Principal activities of the Group and Sanyang Group

The Group is principally engaged in the business of scooter and cub motorbike manufacturing, and is one of the leading manufacturers of scooters and cub motorbikes in Vietnam. The Group is also engaged in the production of motorbike engines and parts, as well as providing services related to moulds for die-cast and forged metal parts.

Sanyang Group is principally engaged in both motorbike and related parts manufacturing and motor cars, trucks and related parts manufacturing in Taiwan, Vietnam and the PRC.

1.2 Operating results of the Group

Set out below is a summary of the operating results of the Group for each of the year ended 31 December 2013 and 2014 and the six months ended 30 June 2014 and 2015 (the "**Review Period**"), as extracted from the annual report of the Company for the year ended 31 December 2014 (the "**2014 Annual Report**") and the interim report of the Company for the six months ended 30 June 2015 (the "**2015 Interim Report**") respectively.

	For the year ended 31 December		For the six months ended 30 June	
	2013	**2014**	**2014**	**2015**
	US$	*US$*	*US$*	*US$*
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	172,666,981	177,510,150	88,359,894	70,511,903
Cost of sales	(159,271,084)	(165,615,205)	(82,223,295)	(65,149,945)
Gross profits	13,395,897	11,894,945	6,136,599	5,361,958
Distribution costs	(13,515,799)	(11,526,877)	(5,641,839)	(4,285,072)
Technology transfer fees	(3,657,862)	(4,157,291)	(2,102,608)	(1,612,434)
Administrative expenses	(12,229,406)	(12,017,270)	(6,365,349)	(4,886,427)
(Loss) for the period/year	(9,529,779)	(10,382,137)	(5,202,737)	(3,800,895)

Source: 2014 Annual Report and 2015 Interim Report

Set out below is a summary of the Group's revenue breakdown by business segment during the Review Period.

	For the year ended 31 December		For the six months ended 30 June	
	2013	**2014**	**2014**	**2015**
	US$	*US$*	*US$*	*US$*
	(audited)	(audited)	(unaudited)	(unaudited)
Manufacture and sale of motorbikes	142,921,920	149,966,313	75,731,609	57,256,199
Manufacture and sale of spare parts and engines	29,546,233	27,441,707	12,602,490	13,198,881
Mould and repair services	198,878	102,130	25,795	56,823
Revenue	172,666,981	177,510,150	88,359,894	70,511,903

Source: 2014 Annual Report and 2015 Interim Report

For the year ended 31 December 2014

Revenue for the year was approximately US$177.5 million, representing an increase of approximately 2.8% compared with approximately US$172.7 million for the year ended 31 December 2013. The increase in revenue was mainly attributable to the rapid growth of export sales in ASEAN countries, especially in Malaysia and the Philippines, off-setting the decrease in sales in Vietnam due to slowdown of economy and domestic spending during the year. According to the Management, 228,320 motorbikes were sold in 2014, representing an increase of approximately 21.7% from 187,646 motorbikes in 2013. Despite the increase in revenue in terms of monetary value and in unit sales, we noted that the average selling price per motorbike decreased over the year.

In relation to geographical distribution, approximately 45.2% of the total revenue was generated from the domestic market in Vietnam for the year ended 31 December 2014, as compared to approximately 56.7% for the year ended 31 December 2013. Domestic sales in Vietnam decreased to approximately US$80.2 million for the year ended 31 December 2014, representing a decrease of approximately 18.2% from approximately US$98.0 million in 2013. According to the Management, 74,135 motorbikes were sold in Vietnam in 2014, representing a decrease of approximately 9.0% from 82,366 motorbikes in 2013; whilst 154,185 motorbikes were sold in other ASEAN countries in 2014, representing an increase of approximately 46.5% from 105,280 motorbikes in 2013. Also according to the Management, reduced sales in Vietnam in 2014 was due to the difficult domestic economic situation; whereas an increased sale in other ASEAN countries (in particular Malaysia and the Philippines) was mainly due to the competitive price range of the Group's products. In addition, the Group faced fierce competition in Vietnam, in particular, the variety of motorbikes models was not as diverse as its competitors' and therefore less attractive to customers who would like to upgrade their motorbikes.

The Group's cost of sales increased by approximately 4.0%, from approximately US$159.3 million for the year ended 31 December 2013 to approximately US$165.6 million for the year ended 31 December 2014. Such increase was primarily due to the increase in labour costs and import costs of advance technology components, despite cost reduction through expanding its procurement sources for materials and components. As a percentage of total revenue, the Group's cost of sales slightly increased from approximately 92.2% for the year ended 31 December 2013 to approximately 93.3% for the year ended 31 December 2014.

The gross profit of the Group decreased by approximately 11.2%, from approximately US$13.4 million for the year ended 31 December 2013 to approximately US$11.9 million for the year ended 31 December 2014. The Group's gross profit margin has also decreased from approximately 7.8% to 6.7% during the respective years. The decline in gross profit was primarily caused by the decrease in the average selling price due to intensive competition in the market and the increase in operating costs, such as wages.

The Group's distribution expenses decreased by approximately 15.3% from approximately US$13.6 million for the year ended 31 December 2013 to approximately US$11.5 million for the year ended 31 December 2014. Such decrease was mainly due to the decrease in warranty of the motorbikes, sales incentives and supporting fees paid to distributors, advertising expenses for promotion.

The technology transfer fees increased by approximately 13.7%, from approximately US$3.7 million for the year ended 31 December 2013 to approximately US$4.2 million for the year ended 31 December 2014, resulting from the increase in the sale of "SYM" brand motorbikes exported to ASEAN countries.

The Group's administrative expenses decreased by approximately 1.7% from approximately US$12.2 million for the year ended 31 December 2013 to approximately US$12.0 million for the year ended 31 December 2014. This was principally due to an increase in research and development expenses which were partly offset by reduced operating costs.

As at 31 December 2014, the Group had 1,833 employees (2013: 1,958). The total amount of salaries and related costs for the year ended 31 December 2014 amounted to approximately US$12.4 million (2013: approximately US$12.0 million).

As a result of the factors described above, the Group's loss for the year ended 31 December 2014 amounted to approximately US$10.4 million, representing an increase of approximately 8.9% as compared to a loss of approximately US$9.5 million for the year ended 31 December 2013.

For the six months ended 30 June 2015

Revenue for the period was approximately US$70.5 million, representing a decrease of approximately 20.2% from approximately US$88.4 million for the corresponding period in 2014. The decrease in revenue was mainly attributable to the decrease in sales of motorbikes in Vietnam and ASEAN countries. According to the Management, 82,715 motorbikes were sold in the six months ended 30 June 2015, representing a decrease of approximately 27.0% from 113,351 motorbikes in the corresponding period in 2014. Due to the keen market competition, we noted that the average selling price per motorbike continued to decrease from the year ended 31 December 2015.

The Group sold approximately 29,900 motorbikes in Vietnam for the six months ended 30 June 2015, representing a decrease of approximately 15% compared to the corresponding period in 2014 due to Vietnam's continuous depressed economy and low domestic spending. In addition, the Group sold approximately 52,800 motorbikes to ASEAN countries (especially in Malaysia) for the six months ended 30 June 2015, representing a decrease of approximately 32% compared to the corresponding period in 2014. Such a sharp fall in sales to Malaysia was mainly due to the introduction of a 6% goods and services tax by the Malaysian government in 2015.

The Group's cost of sales decreased by approximately 20.8%, from approximately US$82.2 million for the six months ended 30 June 2014 to approximately US$65.1 million for the six months ended 30 June 2015, resulting from the drop in total revenue generated from both the domestic market in Vietnam and the other ASEAN countries. As a percentage of total revenue, the Group's cost of sales decreased from approximately 93.1% for the six months ended 30 June 2014 to approximately 92.4% for the six months ended 30 June 2015. Such decrease was primarily due to cost reduction arising from the Group's expansion in procurement sources for materials and components, and its continued effort to enhance cost effectiveness.

Owing to the drop in sales as described above, gross profit of the Group decreased by approximately 12.6%, from approximately US$6.1 million for the six months ended 30 June 2014 to approximately US$5.4 million for the six months ended 30 June 2015. As compared with the corresponding period in 2014, due to an effective cost control measures, the Group's gross profit margin improved from approximately 6.9% to 7.6%.

The Group's distribution expenses decreased by approximately 24.0%, from approximately US$5.6 million for the six months ended 30 June 2014 to approximately US$4.3 million for the six months ended 30 June 2015. Such decrease was mainly attributable to the measures taken by the Group to rectify its existing distribution network, as well as reducing the sales incentives and supporting fees to distributors.

The Group's technology transfer fees decreased by approximately 23.3%, from approximately US$2.1 million for the six months ended 30 June 2014 to approximately US$1.6 million for the same period in 2015, resulting from the decrease in the sales of "SYM" brand motorbikes exported to ASEAN countries.

The Group's administrative expenses decreased by approximately 23.3%, from approximately US$6.4 million for the six months ended 30 June 2014 to approximately US$4.9 million for the six months ended 30 June 2015. The decrease was principally due to the decrease of research and development expenses, and efforts to boost operation efficiency and strengthen cost control.

As at 30 June 2015, the Group had 1,647 employees (30 June 2014: 1,883). The total amount of salaries and related costs for the employees for the six months ended 30 June 2015 amounted to approximately US$5.4 million (2014: approximately US$5.9 million).

As a result of the factors discussed above, the Group's loss for the six months ended 30 June 2015 improved by approximately 26.9%, from a loss of approximately US$5.2 million during the six months ended 30 June 2014 to approximately US$3.8 million in the corresponding period in 2015.

1.3 Prospects of the Group

Vietnam's economic growth is mainly driven by exports and foreign investment, which the Management expects to continue to be subject to changes and fluctuations of the global market. The Vietnamese government has estimated a GDP growth of approximately 6.2% in 2015, with the increased export of approximately 10% and inflation fell to a level of 4% to 5%. Exports will likely keep the positive momentum as the Vietnam central bank decided to devalue the Vietnamese Dong ("**VND**") by 1%, from VND21,243 to VND21,458 per US Dollar on 7 January 2015. The Management believes this will help to make the Group's products more competitive in overseas markets. Vietnam's economy has been improving in the recent years with falling inflation.

Although the central bank of Vietnam has devalued VDN twice in the first half of 2015, which has given some positive momentum to exports, the Management is of the view that the operating environment for motorbikes manufacturers in Vietnam remains to be challenging and competitive in the near future as the pace of economic recovery is slower than expected and domestic consumer expenditure is rather low. On 4 January 2016, the State Bank of Vietnam further devalued the VND by 2% to VND21,896 per USD. Inflation rate reported by the General Statistics Office of Vietnam was averaged 6.9% from 1996 until 2015.

The Group plans to launch new models of motorbikes in the second half of 2015 and in 2016. The new models targeting mainly the younger population are expected to increase the Company's product diversity and competitiveness. The Group also plans to further reduce the operating cost and implement stricter cost control in order to minimise the negative impact of low consumer spending in Vietnam. The Group will continue to focus on ASEAN markets like Malaysia and the Philippines, taking advantage of the devaluation of VND and engage in marketing and promotion activities while introducing new high-value motorbikes to expand the high-value motorbikes market.

2. Background and principal terms of the Continuing Connected Transactions contemplated under the Master Purchase Agreement, the Distributorship Agreement, the Technology Licence Agreement and the Research and Development Services Agreement

2.1 The Master Purchase Agreement

As set out in the "Letter from the Board" of the Circular, the Group entered into the previous master purchase agreement with Sanyang which allowed the Company to source certain motorbike parts from Sanyang Group for its motorbike production. As the previous master purchase agreement expired on 31 December 2015, the Company entered into the Master Purchase Agreement with Sanyang (for itself and on behalf of other members of Sanyang Group) on 8 December 2015 to continue engaging Sanyang Group to supply motorbike parts to the Group.

The Master Purchase Agreement is a framework agreement which provides the principles, mechanism and terms and conditions for the Group's purchase of motorbike parts from Sanyang Group. Individual purchase orders will be entered into between the relevant members of the Group and Sanyang Group from time to time which will specify the types of motorbike parts to be purchased, price, delivery arrangements and any other terms which may be relevant to the supply of the parts to the Group. The individual purchase orders may only contain provisions which are in all material respects consistent with the binding principles, guidelines, terms and conditions set out in the Master Purchase Agreement.

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

a. Major terms and pricing

We note that in pursuant to the Master Purchase Agreement:

(i) All purchase transactions shall be undertaken on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties.

(ii) The price of the parts and products from Sanyang Group is at a cost plus basis. Sanyang Group shall charge the Group at the manufacturing cost or purchase cost (as the case may be) of the products purchased by the Group 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 a margin on top of the cost is to cover Sanyang Group's administrative and operation cost in providing such parts to the Group. The manufacturing cost or purchase cost (as the case may be) will be determined on an annual basis subject to adjustments in any annual period with respect to fluctuations in foreign exchange rates and modifications to model of motorbikes in which the products to be purchased by the Group from Sanyang pursuant to the Master Purchaser Agreement is used.

(iii) A credit period of 30 or 60 days (as the case may be) from the date of the invoice without interest shall be granted to the Group by Sanyang Group in respect of any purchase order.

(iv) The Group may request Sanyang Group to provide the relevant records of the production or purchase cost (as the case may be) of products sold to ensure the pricing mechanism under the Master Purchase Agreement has been properly complied with. Sanyang Group undertakes to comply with such requests of the Group.

In relation to the above, we have reviewed randomly selected sample purchase invoices and purchase contracts (i.e. referring to (i) all items in general – the top 5 purchase invoices plus another 5 randomly selected purchase invoices and (ii) several key parts – the top 2 purchase invoices plus the relevant independent quotations; for each of the two years ended 31 December 2014 and for the ten months ended 31 October 2015) entered into between (i) the Group and Sanyang Group in respect of the purchase of motorbikes parts; and (ii) the Group and independent third party suppliers in respect of the purchase of similar motorbike parts during the two years ended 31 December 2014 and the ten months ended 31 October 2015 (i.e. the latest available financial data in the management accounts of the Group), and noted that thereunder:

(i) The terms offered by Sanyang Group and independent third party suppliers, namely pricing of parts, delivery time, payment method and credit terms were generally similar.

(ii) The price of the parts and products from Sanyang Group was at a cost plus basis. Sanyang Group charged the Group at the manufacturing cost or purchase cost (as the case may be) of the products purchased by the Group plus a margin of 10% (if Vietnam import duty for such product is 20% or more) or of 15% (if Vietnam import duty for such product is less than 20%). Further discussion about the margin is set out below.

(iii) The prices of the parts purchased by the Group from Sanyang Group on a cost-plus basis were no less favourable than the prices quoted by independent third party suppliers in the PRC or Vietnam for similar parts within similar timeframe.

(iv) The payment terms of the purchase orders (e.g. by telegraphic transfer) between the Group and Sanyang Group were similar to those of the purchase orders/quotations between the Group and other independent third party suppliers.

(v) The credit terms of the purchase orders (i.e. 30 to 60 days) from the date of the invoice without interest between the Group and Sanyang Group were similar to those of the purchase orders/quotations between the Group and other independent third party suppliers.

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

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

Given that the sample invoices (as described above) supported the major terms and pricing policy of the Master Purchase Agreement had been consistently adhered to during the past two years ended 31 December 2014 and the ten months ended 31 October 2015, we believe the abovementioned sample invoices are fair and representative samples.

Taking into account the above factors, we consider the transactions contemplated under the Master Purchase Agreement to be on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

b. Reasons for and benefits

According to the Management, by centralising and aggregating Sanyang Group's sourcing of motorbikes parts with those of the Group's, Sanyang Group would be in a better position to negotiate better price and terms with the suppliers and enjoy the benefit of a bulk purchase. As a result, the Directors believe that this would also benefit the Group as Sanyang Group would be able to supply the Group motorbike parts at a lower price based on the cost plus basis than those directly sourced by the Group from independent third party suppliers.

The Management also noted that for motorbike parts sourced from supplier outside Vietnam (because such parts are either unavailable or not of acceptable quality or pricing in Vietnam), Sanyang Group can also provide quality testing, packaging, custom clearance and logistic services at a lower cost than that for the Group to engage an independent third party supplier outside Vietnam to provide similar services. In addition, as for the parts sourced in the PRC, Sanyang Group would be able to provide a centralised sourcing with other members of Sanyang Group and thus reducing the administrative cost. Sanyang Group would also be able to assist in the quality check of parts sourced from the PRC to ensure they meet the requirement and standards of the Group.

The Company also sources motorbike parts from Sanyang Group locally in Vietnam, which will reduce the transportation costs and delivery time and therefore bring more flexibility to the Company's motorbike production (such as allowing it to meet unexpected increase of orders or other market contingencies).

We have reviewed (i) the quantity ordered and the amount purchased by the Group from Sanyang Group during the two years ended 31 December 2014 and the ten months ended 31 October 2015 (samples as mentioned in paragraph a above); (ii) the quotations on such motorbikes parts obtained by the Group from independent third party suppliers (samples as mentioned in paragraph a above) to compare with the prices obtained by the Group from Sanyang Group; and

(iii) the terms and conditions (such as quality testing, packaging, custom clearance, logistic services, transportation costs and delivery time) offered by independent third party suppliers to the Group set out in the quotations (as mentioned in paragraph a above), we concur with the Directors that it is fair and reasonable to purchase through Sanyang Group and such purchases are in the interests of the Company and the Shareholders as a whole.

c. Proposed Annual Caps

(i) 2012 approved annual caps and historical transaction amount

Below is a table setting out the 2012 approved annual caps and the historical transaction amount for each of the year ended 31 December 2013 and 2014 and the ten months ended 31 October 2015.

	For the year ended 31 December		**For the ten months ended 31 October**
	2013	**2014**	**2015**
	US$	*US$*	*US$*
2012 approved annual cap	46,600,000	57,900,000	66,300,000
Historical transaction amount	20,394,333	18,721,161	9,275,102
Utilisation percentage	43.76%	32.33%	16.79% (annualised)

As shown in the table above, the Group utilised approximately 43.76% and 32.33% of the 2012 approved annual caps for the two years ended 31 December 2013 and 2014 respectively. For the ten months ended 31 October 2015, the Group utilised approximately 16.79% (on an annualised basis) of the 2012 approved annual cap for the year ended 31 December 2015.

It is noted that the utilisation rate had declined in the past years, which we understand from the Management was due to a slowdown of domestic consumer expenditure when the domestic economy of Vietnam also slowed down, and in turn, lowered the demand for motorbikes. In addition, the Group also faced fierce competitions from other motorbike manufacturers. Please refer to the description in the section headed "1.2 Operating results of the Group" above. In view of the above, the Group has purchased fewer parts to manufacture motorbikes.

(ii) Proposed Annual Caps

	For the year ending 31 December		
	2016	**2017**	**2018**
	US$	*US$*	*US$*
Proposed Annual Cap	20,600,000	32,830,000	42,430,000
Year-on-year percentage change		+59.37%	+29.24%

We noted that the proposed Annual Cap for each year under the Master Purchase Agreement has been determined with the reference to (i) the historical transaction amount and cost of parts purchased from Sanyang Group, (ii) the projected and/or targeted growth in turnover and sales volume of the Group; (iii) the expected rising costs of sourcing from Sanyang Group as a result of the fluctuation of NTD and RMB and the constantly rising costs of raw materials; (iv) the expected increase in average unit price of the motorbike parts offered by independent suppliers due to inflation and increased production cost; and (v) the Group's new strategy to diversify its product range by adding new models.

According to the historical sales of motorbikes of the Group in Vietnam from 2005 to 2015, the Group achieved a market share of approximately 15.2% (161,173 motorbikes out of a total of 1,058,309 motorbikes) in 2005 among the other major brands like Honda (57.4%), Yamaha (20.7%) and Suzuki (6.6%) respectively. In view of the severe market competition, in particular, when the aforesaid major brands can provide a diversity of products to cover different target markets (e.g. high-end/luxurious, mid-range/functional, low-end/basic, different gender or age group), the Group's market share shrunk to approximately 2.2% (56,427 motorbikes out of a total of 2,555,633 motorbikes) up to and including November 2015 (i.e. the latest available information gathered from The Vietnam Association of Motorcycle Manufacturers, a trade association in Vietnam) among the other major brands like Honda (69.9.0%), Yamaha (25.4%), Piaggio (1.6%) and Suzuki (0.9%) respectively. For the two years ended 31 December 2013 and 2014, the Group's market share in Vietnam was approximately 2.95% (82,366 motorbikes out of a total of 2,793,505 motorbikes) and 2.73% (74,135 motorbikes out of a total of 2,711,156 motorbikes) respectively.

In view of the severe market competition and the shrinking market share, the Group has to revamp its strategy to increase the Group's product diversity and competitiveness by developing new models to replace the existing old models. As described in the "Letter from the Board" of the Circular, in 2015, the Group launched two new advanced models of existing motorbikes, being the "Venus" series and the "Attila V" series. As described in the paragraph headed "The Annual Caps for Research and Development Services Agreement" in the "Letter from the Board" of the Circular, the Group is planning to introduce new motorbike models between 2016 and 2018. Also according to the Management, the Group will be targeting younger city population for scooters and rural population for cubs. Given the rising young population in cities in Vietnam especially young female consumers, the Management expects growth in Vietnam's motorbike market. With the steady expansion of Vietnam's road system, stretching into more rural areas, demand for motorbikes is projected to increase. Based on our discussions with the Management, the Group is targeted to attain a market share in Vietnam of 3.33% in 2016, 3.70% in 2017 and 4.25% in 2018, representing a target sale of 90,000 motorbikes, 100,000 motorbikes and 115,000 motorbikes (i.e. assuming a total of approximately 2,700,000 motorbikes) in the respective years. With regard to the sales to other ASEAN countries, the Group is targeted to sell 113,400 motorbikes, 131,928 motorbikes and 147,000 motorbikes in 2016, 2017 and 2018 respectively.

Accommodating such an expansion of production, the Group is projected to purchase more parts from Sanyang Group from 2016 to 2018. Moreover, the Management takes into account the rise in cost of parts due to potential fluctuations of currency rate between US$ to NT$, US$ to RMB and US$ to VND and the constantly rising cost of raw materials. In addition, due to the new Euro 3 regulations to be implemented in Vietnam on all motorbikes exceeding 100 cubic centimetres (i.e. high emission engines) in 2017, more parts and materials for the production in Vietnam are required to meet the new regulations. Therefore, the Group will need to purchase more parts from Sanyang Group, thus increasing the proposed Annual Caps on a year-on-year basis.

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

(aa) Target sale quantity – Vietnam

Based on the abovementioned information, there were about 2,700,000 motorbikes sold in Vietnam each year in the past few years. As Vietnam's economy has been improving as described in the paragraph headed "1.3 Prospects of the Group" above, the Directors believe and we concur that it is fair and reasonable to expect a steady annual market demand in Vietnam for each year in the next three years ending 31 December 2018.

In addition, we note the current population dynamics of Vietnam, that (i) there were about 92.6 million people at the end of 2015; (ii) female and male accounted for about 49.4% and 50.6%; (iii) about 69.3% of the population age between 15 to 64 years old; and (iv) there is an increasing trend of people moved to town due to urbanisation.

Taking into account (i) the Group had sold 82,366 motorbikes and 74,135 motorbikes in 2013 and 2014 respectively and 56,427 motorbikes during the 11 months up to November 2015 despite intense market competition and a limited product range for customers' selection; (ii) the Group's strategy to target at the rising young population in cities in Vietnam especially young female consumers; and (iii) the Group's strategy to launch new models to replace the existing old models, the Directors believe and we concur that the target sale quantity of 90,000 motorbikes, 100,000 motorbikes and 115,000 motorbikes in Vietnam in the year ending 31 December 2016, 2017 and 2018 respectively, being less than 0.18% of the target customers based on the population dynamics mentioned above, have been fairly and reasonably arrived at. As the base year quantity is relatively low, a year-on-year increment by 10,000 or 15,000 motorbikes, which is less than 0.02% of the target customers based on the abovementioned population dynamics, will give rise to a year-on-year growth of approximately 11.1% and 4.5% respectively.

(bb) Target sale quantity – Other ASEAN countries

We note the historical sales of 88,451 motorbikes and 150,025 motorbikes by the Group to other ASEAN countries in 2013 and 2014 respectively. We also note the reason for a one-off drop in sales (as described in the paragraph headed "1.2 Operating results of the Group" above) to 85,628 motorbikes to other ASEAN countries during the ten months ended 31 October 2015. Given the Group's strategy to increase its product diversity and competitiveness by developing new models to replace the existing models, the revised pricing strategy of the Group's products in Malaysia as well as the year-on-year growth in sales to the Philippines, the Directors believe and we concur that the target sale quantity of 113,400 motorbikes, 131,928 motorbikes and 147,000 motorbikes by the Group to other ASEAN countries in the year ending 31 December 2016, 2017 and 2018 respectively, which represents a year-on-year growth of approximately 16.3% and 11.1% respectively, have been fairly and reasonably arrived at.

(cc) Potential increase in demand for parts due to new regulation

We note the new Euro 3 regulations to be implemented in Vietnam on all motorbikes exceeding 100CC in 2017 and additional parts will be required for the production of such type of high emission engine motorbikes. As a result, the cost of the parts fulfilling Euro3 requirements for the Group's production in 2017 is expected to be higher than those used for the current and 2016 production. We have reviewed randomly selected sample invoices for those parts fulfilling Euro 3 regulations and the budget costing for purchasing parts fulfilling Euro 3 regulations. We note that the cost per motorbike with parts fulfilling Euro 3 regulations will on average be increased by approximately US$22.50 (such amount representing a range of approximately 10.8% to 11.4 times higher than similar parts but non Euro 3 compliant). In deriving the cost of purchase for parts required to fulfil Euro 3 regulations in 2017 and beyond, the Directors believe and we concur that it is fair and reasonable to adjust the cost of purchase of the parts upwards in 2017 and beyond due to the price difference.

(dd) Historical cost of purchase and adjustments for currency fluctuations and inflation

We note the historical cost of purchase of parts were approximately US$139.0 million and US$152.1 million in 2013 and 2014, representing a year-on-year increase of approximately 9.4%. According to the Management, such increase was partly due to the fluctuations of currency rate between US$ to VND, US$ to NT$ and US$:RMB (on average a year-on-year change range from 1% to 3%) and the constantly rising cost of raw materials during the past two years. In deriving the cost of purchase for each of the year ending 31 December 2016, 2017 and 2018, the Directors believe and we concur that it is fair and reasonable to take into account the currency fluctuation and rising cost of raw materials.

We note the proposed Annual Caps for the three years ending 31 December 2018 has a year-on-year percentage growth of approximately 59.37% and 29.24% respectively. However, as the proposed Annual Caps for each of the year ending 31 December 2016, 2017 and 2018 is calculated by multiplying the target sale quantity with the unit price of each parts, and adjusted by the price difference due to the use of certain higher Euro 3 standards parts, the potential currency fluctuations and the rising cost of raw materials, we believe it is the multiplier effect on each item mentioned above give rise to such year-on-year percentage growth. In particular, for the year ending 31 December 2017, the year-on-year percentage growth of approximately 59.37% is mainly attributable to the multiplier effect of (i) a year-on-year growth in quantity of approximately 11.1% in Vietnam; (ii) a year-on-year growth in quantity of approximately 16.3% in ASEAN countries; (iii) an increase in the cost of the parts for Euro 3 compliant (range from 10.8% to 11.4 times); (iv) a year-on-year change in exchange rate of 2%; and (v) a change due to general inflation when the historical averaged rate was 6.9%. Given that each of the aforesaid items has been fairly and reasonably arrived at, we consider that the proposed Annual Caps have also been fairly and reasonably arrived at.

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

2.2 Distributorship Agreement

As set out in the "Letter form the Board" of the Circular, the Group entered into the previous distributorship agreement with Sanyang Group which the Company acts as the exclusive distributor of certain motorbikes and related parts manufactured by Sanyang Group in the Exclusive Territory (except in the case of Vietnam where the right is restricted for exhibition purposes only). As the previous distributorship agreement expired on 31 December 2015, the Company entered into the Distributorship Agreement with Sanyang Group on 8 December 2015 to continue engaging the Company to act as the exclusive distributor of certain motorbikes and related parts manufactured by Sanyang Group in the Exclusive Territory.

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

a. Major terms and pricing

We note that in pursuant to the Distributorship Agreement:

(i) The Group only purchases products from Sanyang Group when confirmed customer orders are received and the motorbikes to be distributed are restricted to those models which the Group does not produce.

(ii) Sanyang Group shall sell the products to the Company at a price that is at least 3.5% lower than the indicative selling price of such products proposed to be sold by the Group to independent end-customers.

(iii) Sanyang Group shall provide the Company with a copy of its current price list for the products from time to time.

(iv) Sanyang Group shall grant the Company in respect of the purchase order, a credit period of not less than 30 days without interest from the date of the invoice.

In relation to the above, we have reviewed randomly selected sample purchase invoices and purchase orders (i.e. referring to the top 5 purchase invoices plus another 5 randomly selected purchase invoices for each of the two years ended 31 December 2014 and for the ten months ended 31 October 2015) entered into between (i) the Group and Sanyang Group; and (ii) the Group and independent third party customers in respect of the distribution of "SYM" brand motorbikes during the two years ended 31 December 2014 and the ten months ended 31 October 2015, and noted that thereunder:

(i) The 3.5% minimum profit guaranteed for the Group under the previous distributorship agreement has been achieved.

(ii) The terms under the previous distributorship agreement as mentioned above had been generally being complied with.

Given that the sample invoices (as described above) supported the major terms and pricing policy of the Distributorship Agreement had been consistently adhered to during the past two years ended 31 December 2014 and the ten months ended 31 October 2015, we believe the abovementioned sample invoices are fair and representative samples.

We have discussed with the Management and noted that the 3.5% margin was able to cover the administrative and operating expenses attributable to the distributorship operations of the Group. We have reviewed the historical monthly sales data and compared with the related costs incurred by the Group under the previous distributorship agreement and noted the difference exceeded 3.5%. We have also discussed with the Management about the possibility to increase the margin of 3.5%. Given Sanyang Group is also facing the challenge of rising cost of production, a higher than 3.5% profit guarantee will unlikely be acceptable by Sanyang Group. On the other hand, given the Group is currently operating under intense competition in the ASEAN markets, any increase in profit margin by increasing the indicative sales price of the products to its end customers may result in lower volume of business to the Group and therefore is not in the interests of the Company and the Shareholders as a whole. Taking into account the above factors, although there is no direct comparable to such 3.5% margin as the Group acts as the exclusive distributor of certain motorbikes and related parts manufactured by Sanyang Group in the Exclusive Territory under the previous distributorship agreement, the Directors believe and we concur that the minimum guaranteed profit of at least 3.5% is fair and reasonable.

In addition, we have considered whether the pricing mechanism adopted by the Company under the Distributorship Agreement is in line with the market practice, we, based on our best endeavor and as far as we are aware, have identified transactions conducted by another company ("**Comparable Company**") which is (i) listed on the Stock Exchange; (ii) principally engaged in the manufacturing and distribution of the types of goods which involve sophisticated technology; (iii) having similar pricing mechanism as that of the Company as set out above; and (iv) also constituted as continuing connected transactions with a duration of three years ended 31 December 2015 and subject to renewal for another three years ending 31 December 2018, as set out below:

> TPV Technology Limited ("**TPV**", stock code 903), as set out in the announcement of TPV dated 28 December 2015, 深圳市桑達匯通電子有限公司 Shenzhen SED Coalition Electronics Co., Ltd. * ("**SZSED Electronics**", a subsidiary of the ultimate controlling shareholder of TPV) entered into the Distribution Agreement (as defined in the announcement) with TPV's wholly-owned subsidiary, whereby SZSED Electronics is a non-exclusive distributor for TPV group in respect of the Philips Mobiles Phones in the PRC, the pricing where SZSED Electronics is to purchase the Philips Mobiles Phones from TPV group shall be determined based on the cost incurred by TPV group plus certain profit margin. As the Group is going to purchase from Sanyang Group at a price 3.5% lower than the indicative sales price of such products proposed to be sold by the Group to independent end-customers, which in other words, is similar to the aforesaid case for Sanyang Group to sell at a price based on the cost plus principle (that is cost incurred by Sanyang Group plus certain profit margin). We consider the pricing mechanism adopted by the Company under the Distribution Agreement is in line with market practice for distribution of the types of goods which involve sophisticated technology.

We wish to clarify that there is only one Comparable Company being identified due to our strict selection criteria mentioned above. On the other hand, during 1 December 2015 to the Latest Practicable Date, within a period of approximately 1.5 months, we have noted three companies, namely:

Date of announcement	Name of company	Stock code	Pricing mechanism
10 December 2015	Shenzhen Neptunus Bio-Technique Company Limited	8329	The average unit price of the pharmaceutical products provided by the connected person to the group shall not be higher than the corresponding average unit price of the same type of products sold to the top five distributors of the connected person.
22 December 2015	Samsonite International S.A.	1910	The maximum profit margin with respect to the products purchased from Samsonite South Asia Private Limited, a non-wholly subsidiary of the group, should not exceed 3% of its net sales of such products. The profit margin available to Bagzone Lifestyles Private Limited, a company controlled by certain members of a connected person, should be within a range that is reasonably consistent with that made by other third party dealers in India to whom Samsonite South Asia Private Limited sell products.
4 January 2016	MicroPort Scientific Corporation	853	Pricing are negotiated between the controlling shareholder group and the group with reference to the prevailing market prices (including but not limited to the comparable tender prices approved by local governments or hospitals) or similar products within the respective markets.

each of which (i) is listed on the Stock Exchange; (ii) is principally engaged in the manufacturing and distribution of consumer goods; (iii) had entered into distribution agreement with connected person as defined in the Listing Rules; (iv) had varied pricing mechanism as described above; and (v) also constituted as continuing connected transactions but with a duration range from one year ending 31 December 2016 to three years ending 31 December 2018. Taking into account the table above, we are of the view that the Comparable Company was selected on a fair and reasonable basis and the Distribution Agreement is in line with the market practice in general (in terms of the operational method or the settlement method or the duration) within a broader group of companies notwithstanding that there is only one Comparable Company being identified which has similar pricing mechanism as well as in terms of the operating method, the settlement method and the duration.

Taking into account the above factors, we consider the transactions contemplated under the Distributorship Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

b. Reasons and benefits

Through distributing specific models and related parts of motorbikes manufactured by Sanyang Group (as the Group does not produce those models) in the Exclusive Territory, the Group can retain its end-customers in the Exclusive Territory who purchase specific models of Sanyang motorbikes. The Group may also leverage on Sanyang Group's customer base to expand the Group's customer base in the Exclusive Territory, increasing its market shares and brand recognition. The pricing mechanism agreed under the Distributorship Agreement also guarantees a minimum 3.5% profit on the sales price for the Group on each product distributed.

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

c. Proposed Annual Caps

(i) 2012 approved annual caps and historical transaction amount

Below is a table setting out the 2012 approve annual caps under the previous distributorship agreement, and the historical transaction amount recorded for each of the year ended 31 December 2013 and 2014 and the ten months ended 31 October 2015.

	For the year ended 31 December		**For the ten months ended 31 October**
	2013	**2014**	**2015**
	US$	*US$*	*US$*
2012 approved annual cap	28,000,000	29,000,000	30,000,000
Historical transaction amount	17,124,228	7,728,284	4,912,260
Utilisation percentage	61.16%	26.65%	19.65% (annualised)

As shown in the table above, the Group utilised approximately 61.16% and 26.65% of the 2012 approved annual caps for the two years ended 31 December 2013 and 2014 respectively. For the ten months ended 31 October 2015, the Group utilised approximately 19.65% (on an annualised basis) of the 2012 approved annual cap for the year ended 31 December 2015. It is noted that the utilisation had declined in the past years, which we understand from the Management was mainly due to a sharp fall in sales to Malaysia as a 6% goods and services tax by the Malaysian government and the deflation of Malaysia ringgit during 2015.

(ii) Proposed Annual Caps

	For the year ending 31 December		
	2016	**2017**	**2018**
	US$	*US$*	*US$*
Proposed Annual Cap	10,000,000	10,000,000	10,000,000
Year-on-year percentage of change		nil	nil

As shown in the table above, the proposed Annual Caps of the Distributorship Agreement stay flat at US$10 million for each of the three years ending 31 December 2018. We note that each of the proposed Annual Cap has been determined with reference to (i) the historical transaction amount and demand for "SYM" brand motorbikes; (ii) the projected sales volume of the Group as determined by the Board; and (iii) the recent transaction amounts of the subject transaction.

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

(i) Total sale quantity of "SYM" brand motorbikes

According to the historical sales record, the Group had distributed 16,829 motorbikes (with an average purchase price of approximately US$1,022.51 per motorbike) and 4,160 motorbikes (with an average purchase price of approximately US$1,863.10 per motorbike) of "SYM" brand motorbikes in the year ended 31 December 2013 and 2014 respectively, 3,566 motorbikes (with an average purchase price of approximately US$1,302.56 per motorbike) of "SYM" brand motorbikes in the ten months ended 31 October 2015. The Group projected a stable sale of 6,600 "SYM" brand motorbikes in the Exclusive Territory in each of the next three years ending 31 December 2018.

Taking into account (i) the historical sales record as described above; (ii) the Group's strategy to increase its product diversity and competitiveness (which the range of "SYM" brand motorbikes will be able to fill the gap); (iii) the recently revamped distribution network of the Group provides better service, which in turn, helps to gain consumer confidence and enhances demand for the Group's products as well as "SYM" brand motorbikes; and (iv) up to the latest practicable date for the purpose of this letter, approximately one-third of the sales target for January 2016 of about 900 "SYM" brand motorbikes has already been achieved, the Directors believe and we concur that the target sales of 6,600 "SYM" brand motorbikes in each of the next three years has been fairly and reasonably arrived at.

(ii) Purchase prices of "SYM" brand motorbikes

Taking into account the historical purchase prices of the "SYM" brand motorbikes as mentioned above, the receptiveness of the "SYM" brand motorbikes by the end-customers of the Group, the Group's strategy to enhance its product diversity (including the demand for more Euro 3 compliant "SYM" brand motorbikes) and the rising selling price of higher standard compliant "SYM" brand motorbikes due to their increasing cost of production (i.e. taking into account the selling price will be adjusted upward as the cost of the parts can be approximately 10.8% to 11.4 times higher than similar parts but non Euro 3 compliant and the fluctuations of currency rates as described in paragraph 2.1 c (ii) (cc) and (dd) above), the Management expects the average purchase price of "SYM" brand motorbikes going forward may demand a higher than the current average purchase price of approximately US$1,302.56 per motorbike for the ten months ended 31 October 2015 (which is still below the historical high average purchase price of US$1,863.10 per motorbike in the past two years and ten months ended 31 October 2015) and we believe such item has been fairly and reasonably arrived at.

In summary, the proposed Annual Caps for the year ending 31 December 2016, 2017 and 2018 is calculated based on the target sale quantity and the average purchase price of the "SYM" brand motorbikes under the Distribution Agreement. Given that each of the aforesaid items has been fairly and reasonably arrived at, we consider that the proposed Annual Caps have also been fairly and reasonably arrived at.

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

2.3 Technology Licence Agreement

On 26 November 2007, VMEP, a wholly-owned subsidiary of the Company, has entered into the Technology Licence Agreement with Sanyang. The Technology Licence Agreement will continue to be in force as long as Sanyang is a controlling shareholder of the Company and for a further period of 20 years after Sanyang ceases to be a controlling shareholder of the Company.

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

a. Major terms and pricing

We note that in pursuant to the Technology Licence Agreement:

(i) Sanyang grants to the Company an exclusive license to use Sanyang's property rights and technology within the Exclusive Territory to manufacture Sanyang motorbikes.

(ii) The Company shall pay Sanyang a licence fee of 4% of the annual net selling price of products manufactured using such technology from Sanyang and sold by VMEP.

(iii) The sum would be calculated in arrears once every 6 months, with a 60 days credit period from the last day of each 6 months period.

Having reviewed the invoices (i.e. referring to all the invoices issued during the two years ended 31 December 2014 and the ten months ended 31 October 2015) in respect of the licence fee paid under the Technology Licence Agreement during the past two years ended 31 December 2014 and the ten months ended 31 October 2015, the terms under the Technology Licence Agreement as mentioned had been complied with. There is no direct comparable to such 4.0% licence fee as the Group, being a non-wholly owned subsidiary of Sanyang Group, will not be able to use the technology, know-how, trade secrets and production information owned by other motorbikes manufacturers in connection with the Group's manufacture and sale of "SYM" brand motorbikes and related parts in the Exclusive Territory. In view of the Group's historical relationship with Sanyang Group, in particular, in relation to its reliance on certain technology and trademarks owned by Sanyang, and when the Group is implementing a strategy to diversify its product range as well as to enhance its competitiveness, we concur with the Directors that it is justifiable and essential for the Group to continue to carry on the transactions contemplated under the Technology Licence Agreement.

For the two years ended 31 December 2014 and the six months ended 30 June 2015, the licence fees paid to Sanyang Group amounted to approximately US$3.7 million, US$4.2 million and US$1.6 million, representing approximately 2.1%, 2.3% and 2.3% of the Group's revenue during the corresponding year/period respectively. If the Group is to establish its own technology team, the Directors believe and we concur that it may take years to develop the technology, know-how, trade secrets and production information and the cost is expected to be substantially higher than the current level of 2.1% to 2.3% of the Group's revenue. Given the historical gross profit margin of the Group for the two years ended 31 December 2014 and the six months ended 30 June 2015 was approximately 7.8%, 6.7% and 8.2% respectively, any substantial increase in cost for technology development to be incurred by the Group may further erode the already thin profit margin of the Group.

In addition, we have considered whether the pricing mechanism adopted by the Company under the Technology Licence Agreement is in line with the market practice, we, based on our best endeavor and as far as we are aware, have identified transactions conducted by another company ("**Comparable Company**") which is (i) listed on the Stock Exchange; (ii) principally engaged in the manufacturing of the types of goods which involve certain sophisticated technology; (iii) having similar pricing mechanism as that of the Company as set out above; and (iv) also constituted as continuing connected transactions with a duration of three years ended 31 December 2015 and subject to renewal for another three years ending 31 December 2018 as set out below:

TPV, as set out in the announcement of TPV dated 28 December 2015, 中國電子信息產業集團有限公司 China Electronics Corporation * ("**CEC**", the ultimate controlling shareholder of TPV) entered into the Trademark Licensing and Sales Agency Agreement (as defined in the announcement) with 武漢艾德蒙科技股份有限公司 Wuhan Admiral Technology Limited * ("**AOC**", a wholly-owned subsidiary of TPV), whereby CEC will grant an exclusive right to AOC and its associates to use the Great Wall Monitor Trademarks and the word "**長城顯示器**" in the PRC, including the rights to manufacture, produce, sales and management of the distributors of the Great Wall Monitors. AOC will pay a royalty and agency fee equivalent to a certain percentage of the net sales of the Great Wall Monitors. Similar to the aforesaid case, the Group entered into the Technology Agreement with Sanyang, whereby Sanyang grants to the Company an exclusive licence to use Sanyang's property rights and technology with the Exclusive Territory to manufacture and sell "SYM" brand motorbikes and the Company shall pay Sanyang a licence fee equals to 4% of the annual net selling price of products manufactured using such technology from Sanyang and sold by VMEP. In view of the above, we consider the pricing mechanism adopted by the Company under the Technology Licence Agreement is in line with market practice for licencing arrangement.

We wish to clarify that there is only one Comparable Company being identified due to our strict selection criteria mentioned above. On the other hand, during 1 December 2015 to the Latest Practicable Date, within a period of 1.5 months, we have noted two companies, namely:

Date of announcement	**Name of company**	**Stock code**	**Pricing mechanism**
1 December 2015	Yashili International Holdings Limited	1230	Pursuant to the Patent License Agreement (as defined in the announcement), NV Nutricia (as licensor) agreed to grant to Dumex Baby Food Co., Ltd. ("**Dumex China**", as licensee) (but not to any parent, subsidiary or affiliate of Dumex China) a non-exclusive, non-transferable and sub-licensable (only to the extent provided in the Patent License Agreement) license for the rights of the Licensed Patents (as defined in the announcement) in relation to the making, using, offering for sale and selling of the Licensed Products (as defined in the announcement) solely in the PRC, Hong Kong and Macau.

Date of announcement	Name of company	Stock code	Pricing mechanism
			As mentioned in the announcement, the consideration for the Proposed Acquisition (as defined in the announcement), being €150 million (equivalent to approximately HK$1,230 million), had already taken into account, among other things, the expected benefits to the Yashili Group in relation to the transactions contemplated under the Patent License Agreement, where the license to use the Licensed Patents was granted on a royalty-free basis. Therefore, no additional consideration is payable by Dumex China to the Patent Licensor under the Patent License Agreement.
29 December 2015	AEON Stores (Hong Kong) Co., Limited	984	AEON Co., Ltd. (a connected person of the company) shall disclose full particulars of the Know-How (as defined in the announcement) to the company and grant the company the non-exclusive right to use the Know-How in relation to the Business (as defined in the announcement) in the Territory (as defined in the announcement) and the PRC. The company shall pay to AEON Co., Ltd. a fee in respect of each financial year of the company: (a) an amount representing 0.2% of the audited consolidated Total of Revenue (as defined in the announcement) of the company and its affiliates for that financial year; and (b) an amount representing 0.05% of the audited Total of Revenue of the company and its affiliates in respect of the Business in the Territory for the relevant financial year.

each of which (i) is listed on the Stock Exchange; (ii) is principally engaged in the manufacturing and distribution of food products or in the operation of general merchandise stores; (iii) had entered into patent licence agreement or trademark and know-how licence agreement with connected person as defined in the Listing Rules; (iv) had different pricing mechanism as described above; and (v) also constituted as continuing connected transactions but with a duration range from three years ending 31 December 2018 to 20 years. Taking into account the table above, we are of the view that the Comparable Company was selected on a fair and reasonable basis and the Technology Licence Agreement is in line with the market practice in general (in terms of the operational method or the settlement method or the duration) within a broader group of companies notwithstanding that there is only one Comparable Company being identified which has a similar pricing mechanism as well as in terms of the operating method, the settlement method and the duration.

Taking into account the above, the Directors believe and we concur that the transactions contemplated under the Technology Licence Agreement have been 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 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

b. Reasons and benefits

Sanyang owns the proprietary right to the technology, trade secrets and production information in connection with the manufacture and sale of "SYM" brand motorbikes and related parts. As the sales of "SYM" brand motorbikes contribute to a significant portion of the Group's revenue, the Directors consider the continued use of such technology and production information essential to the continued growth and operations of the Group.

Taking into account the reasons mentioned above and the terms of the Technology Licence Agreement as mentioned in the paragraph headed "a. Major terms and pricing" above are fair and reasonable, we concur with the Directors that it is essential, fair and reasonable to continue to carry out transactions contemplated under the Technology Licence Agreement.

c. Proposed Annual Caps

(i) 2012 approved annual caps and historical transaction amount

Below is a table setting out the 2012 approved annual caps and the historical transaction amount for each of the year ended 31 December 2013 and 2014 and the ten months ended 31 October 2015.

	For the year ended 31 December		For the ten months ended 31 October
	2013	**2014**	**2015**
	US$	*US$*	*US$*
2012 approved annual cap	8,000,000	10,000,000	12,000,000
Historical transaction amount	3,657,862	4,157,291	2,510,705
Utilisation percentage	45.72%	41.57%	25.11% (annualised)

As shown in the table above, the Group utilised approximately 45.72% and 41.57% of the 2012 approved annual caps for the two years ended 31 December 2013 and 2014 respectively. For the ten months ended 31 October 2015, the Group utilised approximately 25.11% (on an annualised basis) of the 2012 approved annual cap for the year ended 31 December 2015. It is noted that the utilisation had declined in the past years, which we understand from the Management was due to the decreasing sale of motorbikes as described in the paragraph headed "1.2 Operating results of the Group" above.

(ii) Proposed Annual Caps

	For the year ending 31 December		
	2016	**2017**	**2018**
	US$	*US$*	*US$*
Proposed Annual Cap	4,410,000	4,970,000	5,680,000
Year-on-year percentage of change		+12.70%	+14.29%

We note that each of the proposed Annual Caps has been determined with the reference to (i) the historical transaction amounts; (ii) the projected sales volume of the Group; (iii) the expected rising costs of production; and (iv) the projected annual selling price of the products manufactured using Sanyang's technology.

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

(i) Target sale quantity – Vietnam

Please refer to the description in the paragraph headed "2.1 c. (ii) (aa) Target sales quantity – Vietnam" above.

(ii) Target sale quantity – Other ASEAN countries

Please refer to the description in the paragraph headed "2.1 c. (ii) (bb) Target sales quantity – Other ASEAN countries" above.

(iii) Historical selling price of the Group's products

We note the historical sales of 170,817 motorbikes and 224,160 motorbikes by the Group in 2013 and 2014 respectively. We also note the one-off drop in sales (as described in the paragraph headed "1.2 Operating results of the Group" above) to 138,541 motorbikes for the ten months in 2015. During the aforesaid period, the average selling price per motorbike fell from US$763 to US$631. Given the Group's strategy to increase its product diversity and competitiveness by developing new models to replace the existing old models, the Directors believe and we concur that the target selling price per motorbike will likely be adjusted with an annual increment due to the increasing cost of sales (i.e. taking into account (i) the year-on-year change of 4.0% between 2013 to 2014 as described in the paragraph headed "1.2 Operating results of the Group" above; and (ii) the selling price will be adjusted upward as the cost of the parts can be approximately 10.8% to 11.4 times higher than similar parts but non Euro 3 compliant and the fluctuations of currency rates as described in paragraph 2.1 c (ii) (cc) and (dd) above) has been fairly and reasonably arrived at.

We note the proposed Annual Caps for the three years ending 31 December 2018 has a year-on-year percentage growth of approximately 12.70% and 14.29% respectively. As the proposed Annual Caps for each of the year ending 31 December 2016, 2017 and 2018 is calculated by multiplying 4% (i.e. the licence fee) with the target sales quantity and with net selling price of each of those models, we believe it is the multiplier effect on the increment of each item mentioned above give rise to such year-on-year percentage growth. Given that each of the aforesaid items has been fairly and reasonably arrived at, we consider that the proposed Annual Caps have also been fairly and reasonably arrived at.

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

2.4 Research and Development Services Agreement

As set out in the "Letter form the Board" of the Circular, the Group entered into the Research and Development Services Agreement with Sanyang (for itself and on behalf of other members of Sanyang Group) which Sanyang Group will provide research and development services to the Group, including assigning their research support staff to work for the Group over a period of time as requested by the Group, and to provide research and development services to the Group with respect to specific new models developed by the Group on a project basis. As the Research and Development and Technical Support Services Agreement expired on 31 December 2015, the Company entered into the Research and Development Services Agreement on 8 December 2015 to continue engaging Sanyang Group to supply research and development staff and resources to the Group.

To assess the fairness and reasonableness of the terms of the Research and Development Services Agreement, we have considered the following:

a. Major terms and pricing

We note that in pursuant to the Research and Development Services Agreement:

(i) The Company may request Sanyang Group to provide research and development services.

(ii) While providing research and development services, Sanyang Group will exercise skill, due care and diligence in accordance with comparable professional standards.

(iii) Sanyang Group will report to the Company on the performance and progress of the research and development services on a regular basis.

(iv) Sanyang Group will charge the Company at a fixed rate of US$250 for each staff per working day spent on the provision of such support services. If the research and development services require any use of any materials, parts and moulds, Sanyang Group will charge the Company at a cost plus basis (that is to be determined at the manufacturing cost or purchase cost of any materials and other costs incurred by Sanyang Group in providing such services (as the case may be) plus a margin of 10%).

(v) A minimum credit period of 30 days without interest will be given to the Company from the date of the invoice.

(vi) Sanyang Group shall, prior to the Group engaging it to provide research and development services, prepare a proposal to the Group which include estimate of working hours of research support staff and costs of any materials required for such services.

(vii) Sanyang agrees that Sanyang Group will charge the Group the service fees at the similar rates as it charges its other members, and the fees payable by the Group to Sanyang Group shall not be higher than that payable by other members of Sanyang Group for the same services. Sanyang Group will provide relevant records of the cost of material or parts used in the research and development services.

Having reviewed the invoices (i.e. referring to all the invoices issued during the two years ended 31 December 2014 and the ten months ended 31 October 2015) in respect of the service charge paid under the Research and Development and Technical Support Services Agreement during the two years ended 31 December 2014 and the ten months ended 31 October 2015, we noted that the terms under the Research and Development and Technical Support Services Agreement had been generally complied with. We have also reviewed randomly selected sample invoices in respect of the service provided by Sanyang Group to its other members and noted that the service fees charged at the similar rates as it charged the Group, and the fees payable by the other members of Sanyang Group to Sanyang Group were not higher than that payable by the Group for the same services.

There is no independent third party supplier comparable to such service charge as the Group, being a non-wholly owned subsidiary of Sanyang Group, will not be able to use the services provided by other motorbikes manufacturers in connection with the Group's research and development. In view of the Group's historical relationship with Sanyang Group, in particular, in relation to its reliance on the expertise to be provided by Sanyang Group, and when the Group is implementing a strategy to diversify its product range as well as to enhance its competitiveness, we concur with the Directors that it is justifiable and essential for the Group to continue to carry on the transactions contemplated under the Research and Development Services Agreement.

For the two years ended 31 December 2014 and the six months ended 30 June 2015, the service charge paid to Sanyang Group amounted to approximately US$0.7 million, US$1.4 million and US$0.7 million, representing approximately 0.4%, 0.8% and 1.0% of the Group's revenue during the corresponding year/period respectively. If the Group is to establish its own research and development team, the Directors believe and we concur that it may take years to establish a sizeable and experience team to develop new products suitable for the requirements of the Group's customers and the cost is expected to be substantially higher than the current level of 0.4% to 1.0% of the Group's revenue. Given the historical gross profit margin of the Group for the two years ended 31 December 2014 and the six months ended 30 June 2015 was approximately 7.8%, 6.7% and 8.2% respectively, any substantial increase in research and development cost to be incurred by the Group may further erode the already thin profit margin of the Group.

In addition, we have considered whether the pricing mechanism adopted by the Company under the Research and Development Services Agreement is in line with the market practice, we, based on our best endeavor and as far as we are aware, have identified transactions conducted by another company ("**Comparable Company**") which is (i) listed on the Stock Exchange; (ii) principally engaged in the manufacturing of the types of goods which involve certain sophisticated technology; (iii) having similar pricing mechanism as that of the Company as set out above; and (iv) also constituted as continuing connected transactions with a duration of three years ended 31 December 2015 and subject to renewal for another three years ending 31 December 2018, as set out below:

TCL Communication Technology Holdings Limited ("**TCL**", stock code 2618), as set out in the announcement of TCL dated 24 December 2015, TCL entered into the R&D Fund Framework (Renewal 2015) Agreement (as defined in the announcement) with TCL集團股份有限公司 TCL Corporation* ("**TCL Corporation**", the ultimate controlling shareholder of TCL), whereby TCL will have the right to use the products/technology/intellectual property rights jointly developed by TCL and TCL Corporation under the R&D Fund Framework (Renewal 2015) Agreement. TCL will (i) pay a service fee by reference to the actual expenses incurred by TCL Corporation in relation to (aa) the monthly salaries of the staff involved; and (bb) the related reasonable expenses incurred in respect of the daily operation; and (ii) contribute to the R&D Fund at a rate of 0.15% of the revenue from principal operations of the Group for each quarter of the year. Similar to the aforesaid case, the Group entered into the Research and Development Services Agreement with Sanyang, whereby Sanyang Group will charge the Company at a fixed rate of US$250 for each staff per working day spent on the provision of such support services and the related cost of materials. In view of the above, we consider the pricing mechanism adopted by the Company under the Research and Development Services Agreement is in line with market practice for such arrangement.

We wish to clarify that there is only one Comparable Company being identified due to our strict selection criteria mentioned above. On the other hand, during 1 December 2015 to the Latest Practicable Date, within a period of approximately 1.5 months, we have noted two companies, namely:

Date of announcement	Name of company	Stock code	Pricing mechanism
28 December 2015	Semiconductor Manufacturing International Corporation	981	The price for the provision of all business collaboration under the Framework Agreement (as defined in the announcement) will be determined by reference to reasonable market price available from or to independent third parties in the ordinary and usual course of business based on normal commercial terms and on armed by reference to reasonable market price available from or to independent third parties in the ordinary and usual course of business based on normal profit margins in the industry, and will be determined on terms not less favourable than those applicable to sales by independent third parties to the Company or its subsidiaries and not more favourable than those applicable to sales by the Company or its subsidiaries to independent third parties (if any). In relation to the provision of foundry services by the company to Datang Telecom Technology & Industry Holdings Co., Ltd (an associate of the connected person of the company), the company will have reference to the terms (including pricing) which it offers to independent third party customers for services of a comparable nature and quantity, as well as the reasonable market prices which are applicable.

Date of announcement	Name of company	Stock code	Pricing mechanism
31 December 2015	Tan Chong International Limited	693	Pursuant to the Technical Support Agreement (as defined in the announcement), a wholly-owned subsidiary of the company will continue to obtain the technical support and advisory services to be rendered by a connected person of the company. Pursuant to the Technical Support Agreement, the service fee payable by the company to the connected person for the technical support and advisory services to be rendered by the connected person will based on the necessary manpower employed by the connected person to facilitate the ongoing development for an increased proportion of localized vehicle components to be used for the projects of the company in Malaysia.

each of which (i) is listed on the Stock Exchange; (ii) is principally engaged in the integrated circuit foundry and technology services or assembly of motor vehicles and engines; (iii) had entered into business collaboration or technical support agreement with connected person as defined in the Listing Rules; (iv) had different pricing mechanism as described above; and (v) also constituted as continuing connected transactions but with a duration range from one year ending 31 December 2016 to three years ending 31 December 2018. Taking into account the table above, we are of the view that the Comparable Company was selected on a fair and reasonable basis and the Research and Development Agreement is in line with the market practice in general (in terms of the operational method or the settlement method or the duration) within a broader group of companies notwithstanding that there is only one Comparable Company being identified which has similar pricing mechanism and in terms of the operation method, the settlement method and the duration.

Taking into account the above, the Directors believe and we concur that the transactions contemplated under the Research and Development Services Agreement will 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 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

b. ***Reasons and benefits***

The staffs from Sanyang Group have the required expertise and experience with the motorbikes manufactured by the Company given Sanyang Group's long involvement in motorbike production. The research and development services provided by Sanyang Group may improve the quality and speed of launching new models for the Group, in particular, when it is essential for the Group to implement its new strategy under the intensely competitive environment.

Taking into account the reasons mentioned above and the terms of the Research and Development Agreement as mentioned in the paragraph headed "a. Major terms and pricing" above are fair and reasonable, we concur with the Directors that it is essential, fair and reasonable to continue to carry out transactions contemplated under the Research and Development Agreement.

c. ***Proposed Annual Caps***

(i) 2012 approve annual caps (with the Revised 2015 Annual Cap) and historical transaction amount

Below is a table setting out the 2012 approve annual caps (with the Revised 2015 Annual Cap) and historical transaction amount for each of the year ended 31 December 2013 and 2014 and the ten months ended 31 October 2015.

	For the year ended 31 December		**For the ten months ended 31 October**
	2013	**2014**	**2015**
	US$	*US$*	*US$*
2012 approve annual caps (with the Revised 2015 Annual Cap)	1,500,000	1,500,000	1,686,000
Historical transaction amount	658,488	1,444,071	920,024
Utilisation percentage	43.90%	96.27%	65.50% (annualised)

As shown in the table above, the Group utilised approximately 43.90% and 96.27% of the 2012 approved annual caps for the years ended 31 December 2013 and 2014 respectively. For the ten months ended 31 October 2015, the Group utilised approximately 65.50% (on an annualised basis) of the 2015 Revised Annual Cap for the year ended 31 December 2015. It is noted that the utilisation had been increasing in 2014 and 2015 when the Group faced intense competition and implementing a new strategy to develop more new products to suit customers' need.

(ii) Proposed Annual Caps

	For the year ending 31 December		
	2016	**2017**	**2018**
	US$	*US$*	*US$*
Proposed Annual Cap	4,320,000	4,860,000	4,910,000
Year-on-year percentage of change		+12.50%	+1.03%

We note that each of the proposed Annual Caps has been determined with the reference to (i) the Company's plans of developing new models of motorbikes; and (ii) the projected rising cost of parts required for such development projects.

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

(i) The number of new models of motorbikes to be developed in 2016, 2017 and 2018 is expected to be more than double than in 2014 and 2015.

(ii) The time and headcount required for the development of each new model are similar to those used in 2014 and 2015.

(iii) The material costs to be required for the development of a new model (in particular those models which will deploy advance technology components like electronic fuel injection engines) are about 9.5% higher than those used in 2013 to 2015.

We have reviewed project plans (i.e. referring to all research and development projects), including the budget costing, man hour's requirement and the actual invoices during the past two years ended 31 December 2014 and the ten months ended 31 October 2015. Given the Group's strategy to increase its product diversity and the new Euro 3 regulations to be implemented in Vietnam on all motorbikes exceeding 100cc in 2017, the Directors believe and we concur that there is a need to develop more new products and to enhance its existing models in each of the coming three years to suit customers' and government requirements. Taking into account the pace of introducing new models by the Group to the market, the lead time require to develop new model/ enhance existing models and the human resources allocation of Sanyang, we are of the view that each of the above items has been fairly and reasonably arrived at.

With regard to the materials parts and moulds to be used in the research and development services, Sanyang Group will charge the Company at a cost plus basis (that is to be determined at the manufacturing cost or purchase cost of any materials and other costs incurred by Sanyang Group in providing such services (as the case may be) plus a margin of 10%. We note that this cost plus basis and a margin of 10% is consistent with the principle applied under the Master Purchaser Agreement described in paragraph 2.1 a (ii) above. Given that the Company can compare the records of the cost of material or parts to be used by the Group and other members of Sanyang Group in the research and development services, and the amount payable by the Group shall not be higher than those payable by other members of Sanyang Group under the same arrangement, we are of the view that the service fee including an element calculated by a cost plus 10% margin has been fairly and reasonably arrived at.

In summary, the proposed Annual Caps for each of the year ending 31 December 2016, 2017 and 2018 is the sum of the man hour charge (i.e. multiplying US$250 per man day with the expected man day required for each project) and the expected material cost. Given that each of the aforesaid items has been fairly and reasonably arrived at, we consider that the proposed Annual Caps have also been fairly and reasonably arrived at. We note the proposed Annual Caps for the three years ending 31 December 2018 has a year-on-year percentage growth of approximately 12.50% and 1.03% respectively. Given that more parts will be required for the research and development of higher emission standard motorbikes and accordingly the related cost will increase, therefore also contributing to the increase in the proposed Annual Caps.

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

3. Internal control measures regarding the Continuing Connected Transactions

The Company has established internal control measures to ensure that the Continuing Connected Transactions are in accordance with the pricing policies and the terms of the relevant agreement, and that the purchase price of the relevant products and services from Sanyang Group are on normal commercial terms and on terms no less favourable than those terms offered to the Group by independent third parties for similar products and/or services. The internal control measures employed by the Group are summarised and set out in the "Letter from the Board" of the Circular.

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

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

In compliance with the Listing Rules, the Company had engaged auditors to report on the Continuing Connected Transactions for the two years ended 31 December 2014. The Company will continue to engage auditors to report on the Continuing Connected Transactions for the year ended 31 December 2015 and on the Continuing Connected Transactions for each of the three years ending 31 December 2018. Given the above, we consider that there exist appropriate procedures and arrangements to ensure that the Continuing Connected Transactions will be conducted on terms in compliance with the provisions of the Listing Rules.

RECOMMENDATION

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

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

Yours faithfully,
For and on behalf of
Altus Capital Limited
Jeanny Leung
Responsible Officer

*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. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has over 25 years of experience in corporate finance advisory and commercial field in Greater China.*

Altus Capital Limited has not acted as an independent financial adviser of the Company’s other transactions in the last two years from the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on this is at a market level and is not conditional upon successful passing of the resolutions and that our engagement is on normal commercial terms, Altus Capital Limited is independent of the Company.

* *The English translation of the Chinese company names are for identification purpose only.*

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 issuer. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors

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

Name of director	Name of corporation/ associated corporation	Nature of interest	Interests in Shares/ underlying Shares	Total number of Shares[1]	Approximate percentage of interest in the share capital
Liu Wu Hsiung	Sanyang	Personal interest	Ordinary shares	111,380 (L)	0.012%
Lu Tien Fu	Sanyang	Personal interest	Ordinary shares	8,098 (L)	0.001%
Wu Li Chu	Sanyang	Personal interest	Ordinary shares	52,392,560 (L)	5.82%
Chang Yung Chieh	Sanyang	Personal interest	Ordinary shares	139,450 (L)	0.016%
Chiu Ying Feng	Sanyang	Personal interest	Ordinary shares	18,412 (L)	0.002%
Wu Kwei Mei	Sanyang	Personal interest	Ordinary shares	1,000 (L)	0.001%

(1) The letter "L" denotes a long position in such shares.

Save as disclosed above, none of the Directors or the chief executive of the Company had, as at the Latest Practicable Date, 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) SY International Ltd. was interested in 608,318,000 Shares, representing approximately 67.02% of the total number of Shares in issue; and (2) Sanyang, being the indirect sole shareholder of SY International Ltd., was deemed to be interested in the Shares held by SY International Ltd. as reported above.

As at the Latest Practicable Date, each of Mr. Chang Yung Chieh and Mr. Chiu Ying Feng was an employee of Sanyang, who also served on the board of certain subsidiaries of Sanyang. Mr. Lu Tien Fu was a director of VTBM, a subsidiary of Sanyang.

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

3. COMPETING BUSINESS INTERESTS OF DIRECTORS

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

4. QUALIFICATION

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

Name	**Qualification**
Altus Capital Limited	a licensed corporation under the SFO permitted to engage in Types 4, 6 and 9 of the regulated activities under the SFO

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 2014, being the date to which the latest published audited financial statements of the Group were made up.

7. LITIGATION

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

8. MISCELLANEOUS

(a) None of the Directors has entered into or is proposed to enter into a service contract with any member of the Group which does not expire or which is not determinable by such member of the Group within one year without payment of compensation, other than statutory compensation.

(b) As at the Latest Practicable Date, save as disclosed in this circular, none of the Directors or 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 had any interest, either directly or indirectly, in any assets which have been, since 31 December 2014, being the date to which the latest published audited financial statements of the Company 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 company secretary and the qualified accountant of the Company is Mr. Chan Chi Shing who is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

(e) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(f) The principal place of business of the Company in Hong Kong is at Unit 1109, 11/F., Metro Centre I, 32 Lam Hing Street, Kowloon Bay, Kowloon, Hong Kong.

(g) The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited.

(h) The principal share registrar and transfer office of the Company is Royal Bank of Canada Trust Company (Cayman) Limited.

(i) 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 at the offices of the Company at Unit 1109, 11/F., Metro Centre I, 32 Lam Hing Street, Kowloon Bay, Kowloon, Hong Kong from the date of this circular to 4 March 2016 (both days inclusive):

(a) the Master Purchase Agreement;

(b) the Distribution Agreement;

(c) the Technology Licence Agreement;

(d) the Research and Development Services Agreement;

(e) the letter from the Independent Board Committee dated 28 January 2016, the text of which is set out on page 17 of this circular;

(f) the letter from Altus, the text of which is set out on pages 18 to 51 of this circular; and

(g) the consent letter from Altus referred to in the paragraph headed "Consent" in this Appendix.

VMEPH
Vietnam

Vietnam Manufacturing and Export Processing (Holdings) Limited
越南製造加工出口（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 422)

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of shareholders (the "**EGM**") of Vietnam Manufacturing and Export Processing (Holdings) Limited (the "**Company**") will be held at Suite 2418, 24/F, Jardine House, 1 Connaught Place, Central, Hong Kong at 10:00 a.m. on Friday, 4 March 2016 for the purpose of considering and, if thought fit, passing the following ordinary resolutions:

ORDINARY RESOLUTIONS

1. "**THAT** the agreement (the "**Master Purchase Agreement**") dated 8 December 2015 entered into between the Company and Sanyang Motor Co., Limited. ("**Sanyang**") in relation to the purchase of motorbike parts by the Company and its subsidiaries (the "**Group**") from Sanyang and its subsidiaries (the "**Sanyang Group**"), the transactions contemplated thereunder and the proposed annual caps for each of the three years ending 31 December 2018 be and are hereby approved, confirmed and ratified."

2. "**THAT** the agreement (the "**Distribution Agreement**") dated 8 December 2015 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, the transactions contemplated thereunder and the proposed annual caps for each of the three years ending 31 December 2018 be and are hereby approved, confirmed and ratified."

3. "**THAT** the proposed annual caps for each of the three years ending 31 December 2018 in respect of the agreement (the "**Technology Licence Agreement**") dated 26 November 2007 entered into between Vietnam Manufacturing and Export Processing Co., Limited ("**VMEP**") and Sanyang in relation to the grant of an exclusive licence to VMEP to use the technology, know-how, trade secrets and production information owned by Sanyang be and are hereby approved, confirmed and ratified."

4. "**THAT** the agreement (the "**Research and Development Services Agreement**") dated 8 December 2015 entered into between the Company and Sanyang in relation to the provision of research and development services by the Sanyang Group to the Group, the transactions contemplated thereunder and the proposed annual caps for each of the three years ending 31 December 2018 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, 28 January 2016

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

Principal Place of Business in Hong Kong:
Unit 1109,
11/F., Metro Centre I,
32 Lam Hing Street,
Kowloon Bay,
Kowloon, 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 2 March 2016 to 4 March 2016 (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 1 March 2016.

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 Rooms 1806-7, 18th 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 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.

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.