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

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

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**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**



**CENTURION CORPORATE FINANCE LIMITED**

A letter from the Board (as defined herein) is set out on pages 5 to 14 of this circular. A letter from the Independent Board Committee (as defined herein) containing its advice to the Independent Shareholders (as defined herein) is set out on page 15 of this circular. A letter from Centurion Corporate Finance Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 30 of this circular.

A notice convening the EGM to be held at Montblanc, Pacific Place Conference Centre, 5/F, One Pacific Place, 88 Queensway, Hong Kong on Friday, 30 May 2008 at 4:00 p.m. (or immediately after the conclusion or adjournment of the AGM) is set out on pages 36 to 37 of 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 and voting at the extraordinary general meeting of the Company in person should you so wish.

14 May 2008

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## DEFINITIONS

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

“AGM”	the annual general meeting of the Company to be held at 3:00 p.m. on 30 May 2008
“associate(s)”	has the meaning as ascribed thereto under the Listing Rules
“Board”	the board of directors of the Company
“Centurion”	Centurion Corporate Finance Limited, a deemed licensed corporation under the SFO permitted to engage in types 1, 4, 6 and 9 of the regulated activities as defined under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders
“Company”	Vietnam Manufacturing and Export Processing (Holdings) Limited, a limited liability company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held on Friday, 30 May 2008 to approve the Sanyang Global Purchase Agreement, the Proposed Sanyang Global Annual Caps and the Proposed Revised Annual Caps
“Exclusive Territory”	all of the member countries of the Association of South East Asian Nations, including Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam
“Existing Continuing Connected Transactions”	the Sanyang Purchase Transaction, the VTBM Purchase Transaction and the Technology Licence Transaction, which are subject to the approval of the independent shareholders of the Company
“Group”	the Company and its subsidiaries
“HK\$”	the lawful currency of Hong Kong

## DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising the independent non-executive Directors, namely, Mr. Hsu Nai Cheng Simon, Ms. Lin Ching Ching, and Mr. Wei Sheng Huang, established for the purpose of advising the Independent Shareholders in respect of the Existing Continuing Connected Transactions, the Proposed Revised Annual Caps, the Sanyang Global Purchase Agreement and the Proposed Sanyang Global Annual Caps
“Independent Shareholders”	the independent shareholders of the Company in respect of the Existing Continuing Connected Transactions and the Sanyang Global Purchase Transaction for the purposes of the Listing Rules
“Independent Third Parties”	persons or entities who/which are not connected persons of the Company within the meaning of the Listing Rules
“Latest Practicable Date”	7 May 2008, 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
“percentage ratios”	the percentage ratios calculated based on the requirements under Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China, excluding for the purposes of this circular, Hong Kong, the Macau Special Administrative Region and Taiwan
“Proposed Sanyang Global Annual Caps”	the proposed annual caps for the transactions to be effected pursuant to the Sanyang Global Purchase Agreement for the two years ending 31 December 2008 and 2009, further details of which are set out in the section headed “Sanyang Global Purchase Transaction” of this circular
“Proposed Revised Annual Caps”	the proposed revised annual caps for each of the Existing Continuing Connected Transactions for the two years ending 31 December 2008 and 2009

## DEFINITIONS

“Prospectus”	the prospectus of the Company dated 6 December 2007
“Sanyang”	Sanyang Industry Co., Limited (三陽工業股份有限公司), a company incorporated in Taiwan and listed on the Taiwan Stock Exchange Corporation (and the ultimate controlling shareholder of the Company)
“Sanyang Global”	Sanyang Global Co., Ltd., a wholly-foreign owned entity incorporated in the PRC on 11 December 2007 and an indirect wholly-owned subsidiary of Sanyang
“Sanyang Global Purchase Agreement”	the agreement dated 24 April 2008 and entered into between the Company and Sanyang Global in relation to the Sanyang Global Purchase Transaction
“Sanyang Global Purchase Transaction”	purchase of motorbike parts by the Group from Sanyang Global
“Sanyang Group”	Sanyang, its subsidiaries and/or associates (as the case may be) other than the Group
“Sanyang Purchase Transaction”	purchases of motorbike parts by the Group from Sanyang (continuing connected transaction category 1A in the Prospectus)
“SFO”	the Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning given that term under section 2(4) of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“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 and entered into between Sanyang and VMEP in relation to the Technology Licence Transaction

## DEFINITIONS

“Technology Licence Transaction”	the licence of technology, know-how, trade secrets and production information in connection with the manufacture and sale of “SYM” brand motorbikes and related parts in the Exclusive Territory pursuant to the Technology Licence Agreement (continuing connected transaction category 3A in the Prospectus)
“US\$” or “US dollar”	United States dollars, the lawful currency of the United States of America
“VMEP”	Vietnam Manufacturing and Export Processing Co., Limited, a wholly-owned subsidiary of the Company
“VMEP Holdings Purchase Agreement”	the agreement dated 26 November 2007 and entered into between the Company and Sanyang in relation to the Sanyang Purchase Transaction
“VMEP Holdings VTBM Purchase Agreement”	the agreement dated 26 November 2007 and entered into between the Company and VTBM in relation to the VTBM Purchase Transaction
“VTBM”	Vietnam Three Brothers Machinery Industry Co., Limited, a wholly foreign-invested enterprise incorporated in Vietnam on 5 September 2002 and an indirect non wholly-owned subsidiary of Sanyang
“VTBM Purchase Transaction”	purchases of motorbike parts by the Group from VTBM (continuing connected transaction category 1B in the Prospectus)
“Waivers”	waivers from strict compliance with the announcement and/or independent shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of a number of continuing connected transactions of the Company, including but not limited to, the Existing Continuing Connected Transactions, granted by the Stock Exchange to the Company on 28 November 2007
“%”	percent

## LETTER FROM THE BOARD



### 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. CHANG Kwang Hsiung (*Chairman*)  
Mr. CHEN Pang Hsiung (*Chief Executive Officer*)  
Mr. LEE Hsi Chun  
Mr. WANG Ching Tung

*Non-executive Directors:*

Mr. HUANG Kwang Wuu  
Mr. LIU Wu Hsiung Harrison

*Independent non-executive Directors:*

Mr. HSU Nai Cheng Simon  
Ms. LIN Ching Ching  
Mr. WEI Sheng Huang

*Registered Office:*

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

*Principal Place of Business*

*in Hong Kong:*  
Room 2106, 21/F  
Technology Plaza  
651 King's Road  
North Point  
Hong Kong

14 May 2008

*To the Shareholders*

Dear Sir or Madam,

### **CONTINUING CONNECTED TRANSACTIONS**

#### **INTRODUCTION**

Reference is made to the announcement of the Company dated 24 April 2008 regarding, among others, the adjustment of the annual caps of the Existing Continuing Connected Transactions and the Sanyang Global Purchase Transaction.

The Independent Board Committee has been formed to advise the Independent Shareholders in connection with the Existing Continuing Connected Transactions, the adjustment of the annual caps of the Existing Continuing Connected Transactions, the Sanyang Global Purchase Agreement, the transactions contemplated thereunder and the relevant annual caps. Centurion has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the same.

## LETTER FROM THE BOARD

### **Adjustment of Annual Caps of Existing Continuing Connected Transactions**

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

Dealings in the Shares on the Main Board of the Stock Exchange commenced on 20 December 2007. As disclosed in the Prospectus, the Company has obtained the Waivers from the Stock Exchange from strict compliance with the announcement and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of a number of non-exempt continuing connected transactions between the Group and the Sanyang Group.

The Sanyang Group is principally engaged in the manufacture of (i) motorbikes and related parts and (ii) motor cars, trucks and related parts. Sanyang, through its wholly-owned subsidiary, SYI, held approximately 69.4% of the issued share capital of the Company and thus, is an indirect substantial Shareholder and hence, a connected person of the Company. Pursuant to the Waivers, the maximum aggregate annual value for the non-exempt continuing connected transactions of the Company shall not exceed the applicable annual caps as set out in the Prospectus.

As demand for the Group's motorbikes has been increasing at a much faster pace than the Group had expected and due to the recent weakening of the US dollar which has resulted in an increase in raw material prices, the Group considers that the annual caps to which the Existing Continuing Connected Transactions are subject as part of the terms of the Waivers will no longer be sufficient. Hence, the Company proposes to revise the annual caps in respect of the Existing Continuing Connected Transactions for the two years ending 31 December 2008 and 2009.

Based on the Proposed Revised Annual Caps for the two years ending 31 December 2008 and 2009, the Existing Continuing Connected Transactions will constitute non-exempt continuing connected transactions of the Company subject to the reporting, announcement and independent shareholders' approval requirements under Rules 14A.45 to 14A.54 of the Listing Rules

### **Sanyang Global Purchase Transaction**

The Company entered into the Sanyang Global Purchase Agreement with Sanyang Global on 24 April 2008, pursuant to which, the Company may (but is not obliged to), whether itself or through any of its subsidiaries, purchase motorbike parts from Sanyang Global. Sanyang Global is an indirect wholly-owned subsidiary of Sanyang, which is the ultimate controlling Shareholder. As at the date of this circular, Sanyang, through its wholly-owned subsidiary, SYI, held approximately 69.4% of the issued share capital of the Company and, thus, is a connected person of the Company. As Sanyang Global is an indirect wholly-owned subsidiary of Sanyang, Sanyang Global is also a connected person of the Company. Hence, the Sanyang Global Purchase Agreement constitutes a continuing connected transaction of the Company.



## LETTER FROM THE BOARD

The Company proposes annual caps of US\$7,800,000 and US\$10,100,000 for transactions to be effected pursuant to the Sanyang Global Purchase Agreement for the two years ending 31 December 2008 and 2009 respectively. Based on the Proposed Sanyang Global Annual Caps, the annual consideration in relation to the Sanyang Global Purchase Agreement for each of the two years ending 31 December 2008 and 2009 is more than HK\$10,000,000 and each of the relevant percentage ratios (other than the profits ratio, which is not applicable) is more than 2.5%. In accordance with Rule 14A.35 of the Listing Rules, the Sanyang Global Purchase Agreement is a non-exempt continuing connected transaction of the Company which is subject to the reporting, announcement and independent shareholders' approval requirements under Rules 14A.45 to 14A.54 of the Listing Rules. Hence, the Sanyang Global Purchase Agreement is conditional on approval by the Shareholders being obtained at the EGM to be held on 30 May 2008 and compliance by the Company with any other applicable requirements under the Listing Rules.

As Sanyang, either itself or its associates, being the counterparty to the Existing Continuing Connected Transactions and the Sanyang Global Purchase Transaction, is materially interested in those transactions, Sanyang and its associates will abstain from voting at the EGM regarding the resolutions to be proposed for approving the Sanyang Global Purchase Agreement, the Proposed Sanyang Global Annual Caps and the Proposed Revised Annual Caps.

The Independent Board Committee has been established to consider (i) the Existing Continuing Connected Transactions and the Proposed Revised Annual Caps and (ii) the Sanyang Global Purchase Agreement and the Proposed Sanyang Global Annual Caps. Centurion has been appointed by the Company as its independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The purpose of this circular is to provide you with details of the Existing Continuing Connected Transactions, the Sanyang Global Purchase Agreement, the Proposed Revised Annual Caps and the Proposed Sanyang Global Annual Caps and to seek your approval of the ordinary resolutions set out in the notice of the EGM on pages 36 to 37 of this circular. The recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Existing Continuing Connected Transactions, the Sanyang Global Purchase Agreement, the Proposed Revised Annual Caps and the Proposed Sanyang Global Annual Caps is set out on page 15 of this circular. The letter from Centurion to the Independent Board Committee and the Independent Shareholders containing its advice in relation to the Existing Continuing Connected Transactions, the Sanyang Global Purchase Agreement, the Proposed Revised Annual Caps and the Proposed Sanyang Global Annual Caps is set out on pages 16 to 30 of this circular.

## LETTER FROM THE BOARD

### PRINCIPAL TERMS OF THE EXISTING CONTINUING CONNECTED TRANSACTIONS

#### **Sanyang Purchase Transaction**

On 26 November 2007, the Company and Sanyang entered into the VMEP Holdings Purchase Agreement, pursuant to which the Group purchases certain motorbike parts such as carburetors, pulleys and brake units from Sanyang which are either manufactured by the Sanyang Group or sourced by it from Independent Third Parties. Prices of purchases of motorbike parts are on a cost plus basis. Sanyang charges the Group at the manufacturing cost or purchase cost (as the case may be) plus a margin of 10% or 15%. The Group is required to pay for all purchases made under the VMEP Holdings Purchase Agreement in cash within 30 days after the date of delivery.

#### **VTBM Purchase Transaction**

On 26 November 2007, the Company and VTBM entered into the VMEP Holdings VTBM Purchase Agreement, pursuant to which the Group purchases motorbike parts such as fuel tanks, frames and rear shafts manufactured in Vietnam from VTBM. The pricing at which motorbike parts are sold by VTBM to the Group is determined on a market price basis. The Group is required to pay for all purchases under the VMEP Holdings VTBM Purchase Agreement in cash within 45 days after the date of delivery.

#### **Technology Licence Transaction**

As set out in the Prospectus, pursuant to 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 is required to settle all undisputed invoices within sixty days from the last day of each six-month period in each calendar year.

The Company and the Directors (excluding the independent non-executive Directors who have expressed their views in the letter from the Independent Board Committee set out on page 15 of this circular) consider that the Existing 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 from the perspective of the Company and that the terms of the transactions (as summarised above), including the Proposed Revised Annual Caps, are fair and reasonable and in the interests of the Shareholders as a whole.

## LETTER FROM THE BOARD

### REASONS FOR THE EXISTING CONTINUING CONNECTED TRANSACTIONS

The Company believes it is in its best interests to carry out the Existing Continuing Connected Transactions. The reasons for entering into the Existing Continuing Connected Transactions are set out below:

#### **Sanyang Purchase Transaction**

Due to the rapid growth in the economy of Vietnam and 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. The Group purchases motorbike parts from Sanyang and not directly from Independent Third Parties because they are also required by Sanyang for production and because, by combining its demand with those of the Group's, Sanyang is able to negotiate better terms with those suppliers which in turn benefits the Group. As these motorbike parts are all currently sourced from suppliers outside Vietnam because they are either unavailable or not of acceptable quality or pricing in Vietnam, Sanyang also provides quality testing, packaging, customs clearance and logistics services on the motorbike parts sold to the Group at a lower cost than if the Group had to request such services to be provided by Independent Third Parties outside Vietnam.

#### **VTBM Purchase Transaction**

The Company believes it is in the best interests of the Group to secure a cost effective and stable source of supply of motorbike parts in Vietnam required for its operations.

#### **Technology Licence Transaction**

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 IP rights which enable the Group to continue manufacturing and selling "SYM" brand motorbikes and related parts is essential to the Group's operations and continued growth.

## LETTER FROM THE BOARD

### HISTORIC VALUES AND ANNUAL CAPS

The table below sets out (1) the respective historical values of each of the Existing Continuing Connected Transactions for the year ended 31 December 2007; (2) the respective historical annual cap for each of the Existing Continuing Connected Transactions for the year ended 31 December 2007; and (3) the original annual caps of such transactions for the two years ending 31 December 2008 and 2009 under the Waivers.

	Transaction amount for the year ended 31 December 2007 <i>(in US\$)</i>	Historical annual cap for the year ended 31 December 2007 <i>(in US\$)</i>	Original annual cap for the year ending 31 December 2008 <i>(in US\$)</i>	Original annual cap for the year ending 31 December 2009 <i>(in US\$)</i>
Sanyang Purchase Transaction	29,296,649	32,200,000	29,700,000	27,300,000
VTBM Purchase Transaction	4,370,093	4,400,000	5,200,000	6,200,000
Technology Licence Transaction	5,985,566	6,000,000	6,900,000	7,900,000

The actual amount of the Existing Continuing Connected Transactions carried out in the year ended 31 December 2007 did not exceed the relevant annual caps for each of those transactions in that year as prescribed under the Waivers. The actual amount of the Existing Continuing Connected Transactions carried out from 1 January 2008 up to the Latest Practicable Date has not exceeded the original annual caps for each of those transactions for the year ending 31 December 2008 as prescribed under the Waivers.

At the time of determining the original annual caps for the Existing Continuing Connected Transactions, the projections made by the Company were insufficient to cover the current projected increase in sales volume in the two years ending 31 December 2008 and 2009. Demand for the Group's motorbikes has been increasing at a much faster pace than the Group had expected and this has resulted in a significant increase in the level of operations and transactions required to support the Group's ordinary business. The increasing demands for motorbikes and related parts from the Group's customers not only increase the sales of the Group but also the volume and transaction values of the Existing Continuing Connected Transactions, all of which form part of the ordinary and usual course of business of the Group. The Company also believes that the weakness of the US dollar has resulted in an increase in the prices of its raw materials and parts sourced from the Sanyang Group. As a result of all of the above factors, the respective annual caps of the Sanyang Purchase Transaction, the VTBM Purchase Transaction, and the Technology Licence Transaction will need to be adjusted to accommodate the increase in transaction volume between the Group and the Sanyang Group.

## LETTER FROM THE BOARD

### PROPOSED ANNUAL CAPS

The Board has considered and resolved that the Proposed Revised Annual Caps for the Existing Continuing Connected Transactions (subject to the approval of the Independent Shareholders) be set as follows:

	<b>Revised annual caps for the year ending 31 December 2008 <i>(in US\$)</i></b>	<b>Revised annual caps for the year ending 31 December 2009 <i>(in US\$)</i></b>
Sanyang Purchase Transaction	35,000,000	39,000,000
VTBM Purchase Transaction	6,200,000	7,500,000
Technology Licence Transaction	7,800,000	10,200,000

The Proposed Revised Annual Caps have been determined with reference to projections of the Company which in turn were prepared by the Company mainly with reference to the following factors:

- historical growth rates of the turnover of the Group and the values of the subject transactions;
- historical percentages of the relevant values of the subject transactions to the turnover of the Group;
- internal target turnover of the Group;
- the recent level of the subject transactions in January, February and March 2008;
- indications received from the relevant members of the Sanyang Group; and/or
- the existing caps for the Existing Continuing Connected Transactions.

The Company and the Directors (excluding the independent non-executive Directors who have expressed their views in the letter from the Independent Board Committee set out on page 15 of this circular) consider that the Proposed Revised Annual Caps are fair and reasonable and in the interests of the Shareholders as a whole. The Existing Continuing Connected Transactions are subject to the annual review requirements under Rules 14A.37 to 14A.38 of the Listing Rules.

## LETTER FROM THE BOARD

### PRINCIPAL TERMS OF THE SANYANG GLOBAL PURCHASE TRANSACTION

- Date : 24 April 2008
- Seller : Sanyang Global
- Purchaser : members of the Group
- Products : motorbike parts such as crank case components, pistons and cylinders
- Pricing : market price basis
- Payment : all purchases will be paid for in cash in the following manner: (a) when the Group places an order with Sanyang Global, it will pay 50% of the purchase price; and (b) upon delivery of the goods to the Group, it will pay the remaining 50% of the purchase price
- Term : from the date on which (i) approval by the Independent Shareholders of the Company is obtained and (ii) the Company has complied with any other applicable requirements under the Listing Rules, whichever is the later, to 31 December 2009, subject to early termination

The Board has considered and resolved that the annual caps for the Sanyang Global Purchase Transaction (subject to the approval of the Independent Shareholders) be set at US\$7,800,000 and US\$10,100,000 for the two years ending 31 December 2008 and 2009 respectively. The Proposed Sanyang Global Annual Caps have been determined by reference to the projected increase in sales volume of the Group's motorbikes in the two years ending 31 December 2008 and 2009 and the projected increase in the future requirements of the Group for motorbike parts for use in the production of the Group's motorbikes in the years ending 31 December 2008 and 2009. Based on the Proposed Sanyang Global Annual Caps, the annual consideration in relation to the Sanyang Global Purchase Agreement for each of the two years ending 31 December 2008 and 2009 is more than HK\$10,000,000 and each of the relevant percentage ratios (other than the profits ratio, which is not applicable) is more than 2.5%. In accordance with Rule 14A.35 of the Listing Rules, the Sanyang Global Purchase Agreement is a non-exempt continuing connected transaction of the Company which is subject to the reporting, announcement and independent shareholders' approval requirements under Rules 14A.45 to 14A.54 of the Listing Rules. Hence, the Sanyang Global Purchase Agreement is conditional on approval by the independent shareholders of the Company being obtained at the EGM to be held on 30 May 2008 and compliance by the Company with any other applicable requirements under the Listing Rules.

The Company and the Directors (excluding the independent non-executive Directors who have expressed their views in the letter from the Independent Board Committee set out on page 15 of this circular) consider that the Sanyang Global Purchase Transaction will be carried out in the ordinary and usual course of business of the Group and on normal commercial terms from the perspective of the Company and that the terms of the transaction (as summarised above), including the Proposed Sanyang Global Annual Caps, are fair and reasonable and in the interests of the Shareholders as a whole.

## LETTER FROM THE BOARD

The Company and the Directors (excluding the independent non-executive Directors who have expressed their views in the letter from the Independent Board Committee set out on page 15 of this circular) consider that the Proposed Sanyang Global Annual Caps are fair and reasonable and in the interests of the Shareholders as a whole. The Sanyang Global Purchase Transaction is subject to the annual review requirements under Rules 14A.37 to 14A.38 of the Listing Rules.

### **REASONS FOR THE SANYANG GLOBAL PURCHASE AGREEMENT**

As motorbike parts are supplied at a lower cost in the PRC than in other countries apart from the PRC due to lower labour costs and production costs in the PRC, the Group intends to purchase motorbike parts in the PRC. Sanyang Global (a subsidiary of Sanyang) was recently established in the PRC and is able to assist the Group in conducting surveys on Independent Third Party suppliers of motorbike parts which are based in the PRC and sourcing motorbike parts from Independent Third Party suppliers which meet the standards of the Group. As the demands for motorbike parts manufactured in the PRC of the Sanyang Group and the Group are combined and handled by Sanyang Global, Sanyang Global is able to negotiate better terms with those suppliers, which in turn benefits the Group. For this reason, the Group purchases motorbike parts from Sanyang Global and not directly from such Independent Third Party suppliers. The Directors consider that it is in the interests of the Company and its shareholders as a whole to purchase motorbike parts from Sanyang Global as the Group's expenditure in relation to the purchase of motorbike parts will be reduced. The entering into of the Sanyang Global Purchase Agreement allows the Group to secure a cost effective and stable source of supply of motorbike parts required for its operations.

### **EGM**

A notice convening the EGM to be held at Montblanc, Pacific Place Conference Centre, 5/F, One Pacific Place, 88 Queensway, Hong Kong on Friday, 30 May 2008 at 4:00 p.m. (or immediately after the conclusion or adjournment of the AGM) is set out on pages 36 to 37 of this circular. At the EGM, ordinary resolutions will be proposed for the Independent Shareholders to consider and, if thought fit, to approve the Sanyang Global Purchase Agreement, the Proposed Revised Annual Caps and the Proposed Sanyang Global 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 69.40% of the issued share capital of the Company as at the Latest Practicable Date. Therefore, Sanyang, its subsidiaries and associates are required to and will abstain from voting at the EGM in respect of such resolutions.

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,

## LETTER FROM THE BOARD

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 Centurion, is of the opinion that (i) the transactions effected or to be effected pursuant to the VMEP Holdings Purchase Agreement, VMEP Holdings VTBM Purchase Agreement and Technology Licence Agreement 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 are fair and reasonable and in the interests of the Shareholders as a whole; (ii) the transactions to be effected pursuant to the Sanyang Global Purchase 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 Shareholders as a whole; and (iii) the Proposed Revised Annual Caps and the Proposed Sanyang Global Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and its Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to approve the Sanyang Global Purchase Agreement, the Proposed Revised Annual Caps and the Proposed Sanyang Global Annual Caps at the EGM.

### GENERAL

Your attention is drawn to the letter from the Independent Board Committee, the letter from Centurion and the additional information set out in the appendix to this circular and the notice of the EGM.

Yours faithfully,  
By order of the Board  
**Chang Kwang Hsiung**  
*Chairman*



## LETTER FROM THE INDEPENDENT BOARD COMMITTEE



### 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)**

14 May 2008

Dear Independent Shareholders,

#### **CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular (the “**Circular**”) dated 14 May 2008 of the Company 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 Existing Continuing Connected Transactions and the Sanyang Global Purchase Transaction and the fairness and reasonableness of the Proposed Revised Annual Caps and the Proposed Sanyang Global Annual Caps. Centurion 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 Centurion, we are of the opinion that (i) the transactions effected or to be effected pursuant to the VMEP Holdings Purchase Agreement, VMEP Holdings VTBM Purchase Agreement and Technology Licence Agreement 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 are fair and reasonable and in the interests of the Shareholders as a whole; (ii) the transactions to be effected pursuant to the Sanyang Global Purchase 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 Shareholders as a whole; and (iii) the Proposed Revised Annual Caps and the Proposed Sanyang Global Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned 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 Sanyang Global Purchase Agreement, the Proposed Revised Annual Caps and the Proposed Sanyang Global 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 Centurion, and (iii) the appendix to the Circular.

Yours faithfully,

For and on behalf of the Independent Board Committee

**HSU Nai Cheng Simon**

*Independent non-executive  
Director*

**LIN Ching Ching**

*Independent non-executive  
Director*

**WEI Sheng Huang**

*Independent non-executive  
Director*

## LETTER FROM CENTURION

*The following is the text of the letter of advice to the Independent Board Committee and the Independent Shareholders from Centurion dated 14 May 2008 for incorporation in this circular:*



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14 May 2008

*To the Independent Board Committee and the Independent Shareholders  
of Vietnam Manufacturing and Export Processing (Holdings) Limited*

Dear Sirs,

### **CONTINUING CONNECTED TRANSACTIONS**

#### **INTRODUCTION**

We have been engaged to advise the Independent Board Committee and the Independent Shareholders with respect to the terms of the continuing connected transactions contemplated under the VMEP Holdings Purchase Agreement, VMEP Holdings VTBM Purchase Agreement, Technology Licence Agreement and the Sanyang Global Purchase Agreement, details of which are outlined in the "Letter From The Board" set out from pages 5 to 14 of the circular dated 14 May 2008 to the Shareholders ("Circular") of which this letter forms a part. We have been appointed to give an opinion as to whether the terms of the aforesaid agreements, the continuing connected transactions contemplated thereunder and their respective relevant caps are of normal commercial terms, and are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

The Company announced on 24 April 2008 the revised caps for the Existing Continuing Connected Transactions and the entering into of the Sanyang Global Purchase Agreement with Sanyang Global and for the reasons set out in the "Letter From The Board", these transactions constitute "continuing connected transaction" of the Company under the Listing Rules. As such, the Existing Continuing Connected Transactions, their respective Proposed Revised Annual Caps, the Sanyang Global Purchase Agreement and its annual caps are subject to the approval of the Independent Shareholders at the EGM. In so far as the ordinary resolutions approving the revised annual caps for each of the Existing Continuing Connected Transactions, the continuing connected transactions under the Sanyang Global Purchase Agreement and its relevant caps are concerned, since Sanyang and its associates are connected persons of the Company for the purpose of the Listing Rules and thus (i) Sanyang and its associates are required to abstain from voting at the EGM; and (ii) such ordinary resolutions will be taken by way of poll. In this regard, please refer to the section headed "EGM" as set out in the "Letter From The Board" for further details.

## LETTER FROM CENTURION

The Independent Board Committee has been formed to advise the Independent Shareholders in relation to the terms of the Existing Continuing Connected Transactions, their respective revised annual caps, the terms of the Sanyang Global Purchase Agreement, the continuing connected transactions contemplated thereunder and the relevant annual caps.

The Existing Continuing Connected Transactions and the Sanyang Global Purchase Transaction are also subject to the annual review requirements of Rules 14A.37 to 14A.41 of the Listing Rules.

### **BASIS OF OUR OPINION**

In formulating our opinion and recommendation, we have relied on the accuracy of the information, opinions and representation contained in the Circular, the Prospectus and other documents (including but not limited to the VMEP Holdings Purchase Agreement, VMEP Holdings VTBM Purchase Agreement, Technology Licence Agreement and the Sanyang Global Purchase Agreement) which have been provided to us by the Directors and for which they take full responsibility. We have also assumed that all statements, information, opinions and representations made or referred to in the Circular were true at the time they were made and continued to be true at the date of this Circular. We have also assumed that all statements of belief, opinions and intention made by the Directors in the Circular are reasonably made after due and careful enquiry.

In respect of the financial information of each of the Group and the Sanyang Group, we have relied principally on their respective audited and/or unaudited financial statements, all prepared by the Company and for which the Directors take full responsibility. We have also sought and obtained confirmation from the Company that no material facts have been omitted from the information provided and/or referred to in the Circular.

We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We consider that we have reviewed sufficient financial information to enable us to reach an informed view and to justify reliance on the accuracy of the financial information of the Group as contained in the Circular. We have not, however, conducted any form of independent or in-depth investigation into the businesses and affairs of the prospects of the Group, Sanyang Group, or any of their respective subsidiaries or associates, or the cap amounts sought, nor have we independently verified any of the information supplied to us.

# LETTER FROM CENTURION

## PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

### 1. BACKGROUND

The Group is one of the leading manufacturers of scooter and cub motorbikes in Vietnam and currently ranks third amongst the principal foreign-owned motorbike manufacturers in terms of sales. The Group's motorbikes are retailed under the SYM and SANDA brand names and its operations in Vietnam commenced in 1992. The Group also produces motorbike engines and parts for internal use and for sale to overseas customers, and sells and provides services in respect of moulds for making die-cast and forged metal parts. Principal operations of the Group are undertaken through VMEP. The following table summarises the Group's segment revenue for the year ended 31 December 2007:–

**Table A: Segment revenue of the Group for the year ended 31 December 2007 (in US\$)\***

	Manufacture and sales of motorbikes	Manufacture and sales of spare parts and engines	Moulds and repair services	Inter- segment elimination	Group
Revenue from external customers	234,123,202	25,005,797	608,333	–	259,737,332
Inter segment revenue	–	95,552,679	887,714	(96,440,393)	–
<b>Total revenue</b>	<u>234,123,202</u>	<u>120,558,476</u>	<u>1,496,047</u>	<u>(96,440,393)</u>	<u>259,737,332</u>
<b>Segment results</b>	<u>30,331,420</u>	<u>14,537,575</u>	<u>146,982</u>	<u>(12,445,054)</u>	<u>32,570,923</u>

(\* Source: 2007 annual report of the Company)

The Company completed its initial public offering of its Shares and dealings in the Shares on the Main Board of the Stock Exchange commenced on 20 December 2007. As disclosed in the Prospectus, the Company obtained the Waivers from the Stock Exchange from strict compliance with the announcement and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of a number of non-exempt continuing connected transactions between the Group and the Sanyang Group.

## LETTER FROM CENTURION

The Sanyang Group is principally engaged in the manufacture of (i) motorbikes and related parts and (ii) motor cars, trucks and related parts. Sanyang, through its wholly-owned subsidiary, SYI, held approximately 69.4% of the issued share capital of the Company and thus, is an indirect substantial Shareholder of the Company and hence, a connected person of the Company. Pursuant to the Waivers, the maximum aggregate annual value for the non-exempt continuing connected transactions of the Company shall not exceed the applicable annual caps as set out in the Prospectus.

As set out in the “Letter From The Board”, demand for the Group’s motorbikes has been increasing at a much faster pace than the Group had expected and due to the recent weakening of the US dollar which has resulted in an increase in raw material prices, the Group considers that the annual caps to which the Existing Continuing Connected Transactions are subject as part of the terms of the Waivers will no longer be sufficient. While the actual values of the Existing Continuing Connected Transactions in the year ended 31 December 2007 did not exceed the relevant annual caps under the Waivers, the Company proposes to revise such annual caps for the two years ending 31 December 2008 and 2009 respectively.

## **2. PRINCIPAL TERMS, TRANSACTION VALUES AND CAP AMOUNTS OF THE EXISTING CONTINUING CONNECTED TRANSACTIONS AND THE SANYANG GLOBAL PURCHASE TRANSACTION**

### **2.1 Sanyang Purchase Transaction**

On 26 November 2007, the Company and Sanyang entered into the VMEP Holdings Purchase Agreement, pursuant to which the Group purchases certain motorbike parts such as, but not necessarily be limited to, carburetors, pulleys and brake units from Sanyang which are either manufactured by the Sanyang Group or sourced by it from Independent Third Parties. Prices of purchases of motorbike parts are on a cost plus basis. As set out in the Prospectus, Sanyang charges the Group at the manufacturing cost or purchase cost (as the case may be) plus a margin of 10% (if import duty charged by the Vietnamese government for the import of such part is 20% or more) or 15% (if such import duty is less than 20%). As set out in the “Letter From The Board”, the Group is required to pay for all purchases made under the VMEP Holdings Purchase Agreement in cash within 30 days after the date of delivery.

## LETTER FROM CENTURION

As set out in the Prospectus, the Sanyang Purchase Transaction was referred to as “Category 1A”, the historical transaction values and existing annual caps of these continuing connected transactions are set out in the following table:–

**Table B: Historical transaction values and existing annual caps of the Sanyang Purchase Transaction as set out in the Prospectus (in US\$)**

	<b>Transaction amount for the year ended 31 December 2004</b>	<b>Transaction amount for the year ended 31 December 2005</b>	<b>Transaction amount for the year ended 31 December 2006</b>
Sanyang Purchase Transaction	50,292,400	28,718,038	24,826,803
	<b>For the year ended 31 December 2007</b>	<b>For the year ending 31 December 2008</b>	<b>For the year ending 31 December 2009</b>
Sanyang Purchase Transaction Transaction amount	29,296,649		
Original caps sought in 2007	32,200,000	29,700,000	27,300,000

For the various reasons set out in the “Letter From The Board” and below under the section headed “Reasons For And Bases Of The Revised Caps For The Existing Continuing Connected Transactions”, the following new annual caps are to be sought. Accordingly, subject to Independent Shareholders’ approval, the Company proposes to adjust the original caps in relation to the Sanyang Purchase Transaction with the following revised and new annual caps.

**Table C: Revised annual caps of the Sanyang Purchase Transaction to be sought (in US\$)**

	<b>For the year ended 31 December 2007</b>	<b>For the year ending 31 December 2008</b>	<b>For the year ending 31 December 2009</b>
New caps proposed to be sought now	Not applicable	35,000,000	39,000,000

## LETTER FROM CENTURION

### 2.2 VTBM Purchase Transaction

On 26 November 2007, the Company and VTBM entered into the VMEP Holdings VTBM Purchase Agreement, pursuant to which the Group purchases motorbike parts such as, but not necessarily be limited to, fuel tanks, frames and rear shafts manufactured in Vietnam from VTBM. The pricing at which motorbike parts are sold by VTBM to the Group is determined on a market price basis. The Group is required to pay for all purchases under the VMEP Holdings VTBM Purchase Agreement in cash within 45 days after the date of delivery.

The VTBM Purchase Transaction was referred to as “Category 1B” in the Prospectus, the historical transaction values and annual caps of these transactions are set out in the following table:–

**Table D: Historical transaction values and existing annual caps of the VTBM Purchase Transaction as set out in the Prospectus (in US\$)**

	Transaction amount for the year ended 31 December 2004	Transaction amount for the year ended 31 December 2005	Transaction amount for the year ended 31 December 2006
VTBM Purchase Transaction	7,492,192	5,750,094	3,387,337
	<b>For the year ended 31 December 2007</b>	<b>For the year ending 31 December 2008</b>	<b>For the year ending 31 December 2009</b>
VTBM Purchase Transaction amount	4,370,093		
Original caps sought in 2007	4,400,000	5,200,000	6,200,000

For the various reasons set out in the “Letter From The Board” and herein, the following revised and new annual caps are to be sought.

## LETTER FROM CENTURION

**Table E: Revised annual caps of the VTBM Purchase Transaction to be sought (in US\$)**

	For the year ended 31 December 2007	For the year ending 31 December 2008	For the year ending 31 December 2009
New caps proposed to be sought now	Not applicable	6,200,000	7,500,000

### 2.3 Technology Licence Transaction

As set out in the Prospectus, pursuant to 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 is required to settle all undisputed invoices within 60 days from the last day of each six-month period in each calendar year.

The Technology Licence Transaction was referred to as "Category 3A" in the Prospectus, the historical transaction values and annual caps of these transactions are set out in the following table:–

**Table F: Historical transaction values and existing annual caps of the Technology Licence Transaction as set out in the Prospectus (in US\$)**

	Transaction amount for the year ended 31 December 2004	Transaction amount for the year ended 31 December 2005	Transaction amount for the year ended 31 December 2006
Technology Licence Transaction	7,800,000	4,900,000	3,100,000



## LETTER FROM CENTURION

	For the year ended 31 December 2007	For the year ending 31 December 2008	For the year ending 31 December 2009
Technology Licence Transaction			
Transaction amount	5,985,566		
Original caps sought in 2007	6,000,000	6,900,000	7,900,000

For the various reasons set out in the “Letter From The Board” and herein, the following revised and new annual caps are to be sought.

**Table G: Revised annual caps of the Technology Licence Transaction to be sought (in US\$)**

	For the year ended 31 December 2007	For the year ending 31 December 2008	For the year ending 31 December 2009
New caps proposed to be sought now	Not applicable	7,800,000	10,200,000

### 2.4 Sanyang Global Purchase Transaction

#### *Principal terms*

Pursuant to the Sanyang Global Purchase Agreement entered into between the Company and Sanyang Global on 24 April 2008, Sanyang Global will on behalf of the Group, source the various motorbike parts such as, but not necessarily be limited to, crank case components, pistons and cylinders in the PRC from the date on which (i) approval by the Independent Shareholders of the Company is obtained and (ii) the Company has complied with any other applicable requirements under the Listing Rules, whichever is the later, to 31 December 2009, subject to early termination.

The Group will pay for all purchases under the Sanyang Global Purchase Agreement in cash in the following manner: (a) when the Group places an order with Sanyang Global, it will pay 50% of the purchase price; and (b) upon delivery of the goods to the Group, it will pay the remaining 50% of the purchase price.

## LETTER FROM CENTURION

### ***New annual caps proposed to be sought and the relevant Listing Rules implications***

The Company proposes the following annual caps to be sought:–

**Table H: Annual caps of the Sanyang Global Purchase Transaction proposed to be sought (in US\$)**

	<b>For the year ending 31 December 2008</b>	<b>For the year ending 31 December 2009</b>
New annual caps proposed to be sought	7,800,000	10,100,000

These proposed annual caps have been determined by reference to the projected increase in sales volume of the Group's motorbikes in the two years ending 31 December 2008 and 2009 and the projected increase in the future requirements of the Group for motorbike parts for use in the production of the Group's motorbikes in the two years ending 31 December 2008 and 2009 respectively.

Based on such proposed annual caps, the annual consideration in relation to the Sanyang Global Purchase Agreement for each of the two years ending 31 December 2008 and 2009 is more than HK\$10,000,000 and each of the relevant percentage ratios (other than the profits ratio, which is not applicable) is more than 2.5%. In accordance with Rule 14A.35 of the Listing Rules, the Sanyang Global Purchase Agreement is a non-exempt continuing connected transaction of the Company which is subject to the reporting, announcement and Independent Shareholders' approval requirements under Rules 14A.45 to 14A.54 of the Listing Rules. Hence, the Sanyang Global Purchase Agreement is conditional on approval by the Independent Shareholders being obtained at the EGM and compliance by the Company with any other applicable requirements under the Listing Rules.

### **2.5 Terms of the Existing Continuing Connected Transactions and Sanyang Global Purchase Transaction**

In order to satisfy ourselves that the terms of the continuing transactions contemplated under the Existing Continuing Connected Transactions and the Sanyang Global Purchase Transaction will be, in general, on normal commercial terms and on terms no less favourable to the Group than those available to Independent Third Parties and where applicable, the pricing thereof will in general, be in line with the prevailing market price, we have reviewed certain recent invoices and price quotations on comparable motorbike parts submitted by Independent Third Parties suppliers and compared the principal terms of these invoices and price quotations against

## LETTER FROM CENTURION

those under the Sanyang Purchase Transaction, the VTBM Purchase Transaction and the Sanyang Global Purchase Transaction. Our findings are as follows:

(i) *Sanyang Purchase Transaction*

The pricing policy of the aforesaid 10% or 15% margin (depending on the import duty) to be added on to the cost to Sanyang, based on the relevant pricing ledger reviewed by us, is generally correct on the assumption that sales prices and costs are all in NT\$. However, it should be noted that the actual invoicing of the parts sold by Sanyang to the Group, based on the sample invoices reviewed by us, are all in US dollar. As a result, depending on the relevant NT\$:US\$ exchange rate used, actual margins do exceed the stipulated 10% or 15% margin, albeit not significantly. We therefore take the view that the margins are still either 10% or 15%, which are fair and reasonable.

(ii) *Sanyang Purchase Transaction and the VTBM Purchase Transaction*

Sample invoices and price quotations involving Independent Third Parties do contain principal terms which are, in general, consistent with those under the Sanyang Purchase Transaction and the VTBM Purchase Transaction. We have noted that Independent Third Party quotations for VTBM Purchase Transaction are rather limited, as we understand that some of the parts are co-developed by VTBM with its selected parts manufacturer(s) only.

(iii) *Technology Licence Agreement*

The licence fee as provided for in the Technology Licence Agreement remains unchanged at the same 4% set out in the Prospectus, which has also indicated that such licence fee was determined by reference to licence fees payable in connection with comparable technology licensing arrangements in the motorbike industry in Vietnam. The licence fee is calculated based on 4% of the annual net selling price of products manufactured using such technology from Sanyang and sold by VMEP. The expected increase in such licence fee payment is due to the expected increase in the Group's turnover of the products manufactured using such technology for the two years ending 31 December 2009, as evidenced by the increased new caps sought under the Sanyang Purchase Transaction and the VTBM Purchase Transaction. Given the expected increase in sales, we therefore view such proposed increase in licence fee payment reasonable.

(iv) *Sanyang Global Purchase Transaction*

For the various motorbike parts such as, but not necessarily be limited to, crank case components, pistons and cylinders to be sourced by Sanyang Global in the PRC on behalf of the Group, Sanyang Global will sell such components to the Group on a market price basis, which we understand from the management of Sanyang, will usually mean sourcing cost incurred by

## LETTER FROM CENTURION

Sanyang Global plus a mark-up. We have made enquiries with the management of Sanyang and we are given to understand that even with such mark-up, given the combined purchase volume handled by Sanyang Global, the cost to the Group will still be lower than those costs for similar motorbike parts had they been sourced directly by the Group.

Since Sanyang Global has only been established recently in the PRC, no sample invoices issued by Sanyang Global with respect to comparable transactions with Independent Third Parties are available. In view of this particular circumstance, we have reviewed certain sample invoices involving sourcing of motorbike parts in the PRC by the Group through Independent Third Parties prior to the establishment of Sanyang Global. Furthermore, we understand from the management of the Company that from time to time, such historical purchase of parts by the Group in the PRC would be compared against quotation(s) obtained from other Independent Third Party supplier(s). Going forward, management of the Company has also represented to us that the Group will procure competitive quotations to ensure that pricing to be charged by Sanyang Global for motorbike parts sourced will indeed be in line with market price under the proposed Sanyang Global Purchase Transaction.

In view of the aforesaid and the Group's historical relationship with the Sanyang Group in relation to procurement, its reliance on certain technology and trade marks owned by Sanyang, the need of the Group to source motorbike parts from or through Sanyang due to pricing, quality and other supply chain requirements such as quality testing, packaging, customs clearance and logistics services, details of which are set out in the section headed "Reasons for the Existing Continuing Connected Transactions and the Sanyang Global Purchase Transaction" below, we are in concurrence with the Board that the Sanyang Purchase Transaction, the VTBM Purchase Transaction, the Technology Licence Transaction and the Sanyang Global Purchase 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 shareholders of the Company as a whole.

### **3. REASONS FOR AND BASES OF THE REVISED CAPS FOR THE EXISTING CONTINUING CONNECTED TRANSACTIONS**

#### **3.1 Reasons**

The actual amount of each of the Existing Continuing Connected Transactions carried out in the year ended 31 December 2007 did not exceed the relevant annual caps for each of those transactions in that year as prescribed under the Waivers. The actual amount of each of the Existing Continuing Connected Transactions carried out from 1 January 2008 up to the Latest Practicable Date has not exceeded the original annual caps for each of those transactions for the year ending 31 December 2008 as prescribed under the Waivers.

## LETTER FROM CENTURION

The aforesaid notwithstanding, the Directors expect the original annual caps for the Existing Continuing Connected Transactions as mentioned in the Tables above to be insufficient going forward.

At the time of determining such original annual caps, the projections made by the Company were insufficient to cover the current projected increase in sales volume in the two years ending 31 December 2008 and 2009 respectively. Demand for the Group's motorbikes has been increasing at a much faster pace than the Group had expected and this has resulted in a significant increase in the level of operations and transactions required to support the Group's ordinary business. The increasing demands for motorbikes and related parts from the Group's customers not only increase the sales of the Group but also the volume and transaction values of the Existing Continuing Connected Transactions, all of which form part of the ordinary and usual course of business of the Group.

The Company also believes that the weakness of the US dollar has resulted in an increase in the prices of its raw materials and parts sourced from the Sanyang Group. As a result of all of the above factors, the respective annual caps of the Sanyang Purchase Transaction, the VTBM Purchase Transaction and the Technology Licence Transaction will need to be adjusted to accommodate the increase in transaction volume between the Group and the Sanyang Group.

### **3.2 Bases**

As set out in the "Letter From The Board", the Proposed Revised Annual Caps have been determined with reference to projections of the Company which in turn were prepared by the Company mainly with reference to the following factors:

- historical growth rates of the turnover of the Group and the values of the subject transactions;
- historical percentages of the relevant values of the subject transactions to the turnover of the Group;
- internal target turnover of the Group;
- the recent level of the subject transactions in January, February and March 2008;
- indications received from the relevant members of the Sanyang Group; and/or
- the existing caps for the Existing Continuing Connected Transactions.

Having considered the aforesaid bases and the fact that there is inadequacy of the existing caps, we take the view that the Group is faced with a number of complicated business and economic factors in determining the adequacy of the

Proposed Revised Annual Caps. In line with all projections, actual events are likely to be different and this is particularly so for a business as complicated as that of the Group. As such, there is always the possibility that a particular new cap is either too conservative or aggressive. The aforesaid notwithstanding, in view of the considerable efforts undertaken by the executive Directors in determining the new caps, in particular, their assessment on the forthcoming market demand for various scooter and cub motorbikes manufactured by the Group, the recent experience the Group has had in meeting such demand, the resulting needs on various motorbike parts, when viewed against weakness in the US dollar which has resulted in an increase in the prices of its raw materials and parts, we are of the opinion that their bases in determining the revised annual caps are fair and reasonable.

#### **4. REASONS FOR THE EXISTING CONTINUING CONNECTED TRANSACTIONS AND THE SANYANG GLOBAL PURCHASE TRANSACTION**

The Company believes it is in its best interests to carry out the Existing Continuing Connected Transactions and the Sanyang Global Purchase Transaction for the reasons set out in the following sub-sections 4.1 to 4.4:

##### **4.1 Sanyang Purchase Transaction**

Due to the rapid growth in the economy of Vietnam and 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. The Group purchases motorbike parts from Sanyang and not directly from Independent Third Parties because they are also required by Sanyang for production and because, by combining its demand with those of the Group's, Sanyang is able to negotiate better terms with those suppliers which in turn benefits the Group. As these motorbike parts are all currently sourced from suppliers outside Vietnam because they are either unavailable or not of acceptable quality or pricing in Vietnam, Sanyang also provides quality testing, packaging, customs clearance and logistics services on the motorbike parts sold to the Group at a lower cost than if the Group had to request such services to be provided by Independent Third Parties outside Vietnam.

##### **4.2 VTBM Purchase Transaction**

The Company believes it is in the best interests of the Group to secure a cost effective and stable source of supply of motorbike parts in Vietnam required for its operations.

##### **4.3 Technology Licence Transaction**

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 IP 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.

#### **4.4 Sanyang Global Purchase Transaction**

As set out in the “Letter From The Board”, motorbike parts are supplied at a lower cost in the PRC than in other countries apart from the PRC due to lower labour costs and production costs in the PRC, the Group intends to purchase motorbike parts in the PRC. Sanyang Global (a subsidiary of Sanyang) was recently established in the PRC and is able to assist the Group in conducting surveys on Independent Third Party suppliers of motorbike parts which are based in the PRC and sourcing motorbike parts from Independent Third Party suppliers which meet the standards of the Group. As the demands for motorbike parts manufactured in the PRC of the Sanyang Group and the Group are combined and handled by Sanyang Global, Sanyang Global is able to negotiate better terms with those suppliers, which in turn benefits the Group. For this reason, the Group purchases motorbike parts from Sanyang Global and not directly from such Independent Third Party suppliers. The Directors consider that it is in the interests of the Company and its shareholders as a whole to purchase motorbike parts from Sanyang Global as the Group’s expenditure in relation to the purchase of motorbike parts will be reduced. The entering into of the Sanyang Global Purchase Agreement allows the Group to secure a cost effective and stable source of supply of motorbike parts required for its operations.

#### **4.5 Our views**

Independent Shareholders should take note of the special and close relationship between the Group and the Sanyang Group, details of which are set out in the Prospectus under the section headed “Relationship With The Sanyang Group”. The Sanyang Group began selling its motorbikes in 1970s in Taiwan. Sanyang, which was incorporated in Taiwan in 1961 with its shares having been listed on the Taiwan Stock Exchange since 29 July 1996, has the depth and breadth in the manufacture of motorbikes and related parts.

The reasons for the Existing Continuing Connected Transactions are also set out in the Prospectus under the section headed “Connected Transactions”. It stated that the Group would purchase parts from Sanyang and not directly from Independent Third Parties suppliers which were also known to the Group because the combined purchase volume of Sanyang and the Group would enable Sanyang to negotiate better terms with those suppliers which in turn, would benefit the Group. We also understand from management of the Company that the whole supply chain arrangement of the Group is driven by a combination of important factors like pricing, quality, logistics services and supports, these are therefore the reasons for the Existing Continuing Connected Transactions and the Sanyang Global Purchase Transaction.

## LETTER FROM CENTURION

In so far as the Sanyang Global Purchase Transaction is concerned, the Group has been sourcing parts in the PRC from Independent Third Parties prior to the establishment of Sanyang Global. The proposal to consolidate these sourcing exercises with that of the Sanyang Group under Sanyang Global is driven by business and cost reasons and are viewed by the Directors as beneficial to the Group. As referred to in the "Letter From The Board", the Proposed Sanyang Global Annual Caps have been determined by reference to the projected increase in sales volume of the Group's motorbikes in the two years ending 31 December 2008 and 2009 respectively and the projected increase in the future requirements of the Group for motorbike parts for use in the production of the Group's motorbikes. Such projected increase in sales volume is based on the same sales projections for the Proposed Revised Annual Caps, details of which are set out in the above section headed "Bases". The size of the Proposed Sanyang Global Annual Caps are therefore, arrived at based on management's experience in the Group's motorbike production, the historical purchases of parts from the PRC and its best estimates on future needs of motorbike parts sourced from the PRC for such production. The fact that Sanyang Global has been sourcing parts in the PRC further supports the bases and reasons for the annual caps as sought by the Company under the Sanyang Global Purchase Transaction.

In light of the aforesaid, in particular, the motorbike manufacturing capability of the Sanyang Group, the Group's historical relationship with Sanyang, the need to source parts from or through the Sanyang Group due to pricing, quality, stability of supply and other supply chain factors, given the rising material costs and other prevailing economic circumstances, we are in concurrence with the abovementioned reasons as cited by the Board for the entering into of the Existing Continuing Connected Transactions and the Sanyang Global Purchase Transaction, the transactions contemplated thereunder and their new annual caps are in the ordinary and usually course of business of the Group and their respective terms are fair and reasonable.

### RECOMMENDATION

Having considered the principal factors and reasons set out above, we consider that the terms of the Existing Continuing Connected Transactions under the VMEP Holdings Purchase Agreement, VMEP Holdings VTBM Purchase Agreement and Technology Licence Agreement and the Sanyang Global Purchase Transaction under the Sanyang Global Purchase Agreement and their respective relevant caps are on normal commercial terms, are fair and reasonable so far as the Company and the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We therefore, advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolutions approving each of the proposed revised annual caps for the two years ending 31 December 2008 and 2009 respectively for the Existing Continuing Connected Transactions, the Sanyang Global Purchase Agreement and the Sanyang Global Purchase Transaction (including the annual caps contemplated thereunder for the two years ending 31 December 2008 and 2009 respectively) at the EGM.

Yours faithfully,  
for and on behalf of  
**Centurion Corporate Finance Limited**  
**Baldwin LEE**  
*Managing Director*



## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regards to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein 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	Nature of interest	Interests in Shares/ underlying Shares	Total number of ordinary Shares <sup>(1)</sup>	Approximate percentage of the total voting rights
Chang Kwang Hsiung	The Company	Personal interest	Share options <sup>(2)</sup>	498,000(L)	0.05%
Chen Pang Hsiung	The Company	Personal interest	Share options <sup>(2)</sup>	498,000(L)	0.05%
Wang Ching Tung	The Company	Personal interest	Share options <sup>(2)</sup>	398,000(L)	0.04%
Lee Hsi Chun	The Company	Personal interest	Share options <sup>(2)</sup>	398,000(L)	0.04%
Huang Kwang Wu	The Company	Personal interest	Share options <sup>(2)</sup>	498,000(L)	0.05%
Liu Wu Hsiung Harrison	The Company	Personal interest	Share options <sup>(2)</sup>	413,000(L)	0.05%

(1) The letter “L” denotes the entity’s long position in such Shares.

(2) The share options will not carry any voting rights until the conversion of such equity interests into Shares upon the exercise of such equity interests.

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) Interests of substantial shareholders

So far as is known to any Director or the chief executive of the Company, as at the Latest Practicable Date, Shareholders (other than the Directors or the chief executive of the Company) who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Nature of interest	Number of Shares <sup>(1)</sup>	Approximate percentage of shareholding <sup>(2)</sup>
SYI <sup>(3)</sup>	Corporate interest	629,520,000(L)	69.4%
Sanyang <sup>(3)</sup> <sup>(5)</sup>	Interest in a controlled corporation	629,520,000(L)	69.4%
Indopark Holdings Limited <sup>(4)</sup>	Corporate interest	51,240,000(L)	5.65%
Merrill Lynch L.P. Holdings Inc. <sup>(4)</sup>	Interest in a controlled corporation	51,240,000(L)	5.65%
Merrill Lynch Group, Inc. <sup>(4)</sup>	Interest in a controlled corporation	51,240,000(L)	5.65%
Merrill Lynch & Co., Inc. <sup>(4)</sup>	Interest in a controlled corporation	51,240,000(L)	5.65%

(1) The letter "L" denotes the entity's long position in such Shares.

(2) The relevant percentages have been calculated by reference only to 907,680,000 Shares, being the aggregate number of Shares in issue as at the Latest Practicable Date.

(3) SYI is a direct wholly-owned subsidiary of Sanyang and therefore, Sanyang is deemed or taken to be interested in the Shares held by SYI for the purposes of the SFO.

(4) Indopark Holdings Limited is a direct wholly-owned subsidiary of Merrill Lynch L.P. Holdings Inc., which is a direct wholly-owned subsidiary of Merrill Lynch Group, Inc., which is a direct wholly-owned subsidiary of Merrill Lynch & Co., Inc., and therefore, each of Merrill Lynch L.P. Holdings Inc., Merrill Lynch Group, Inc. and Merrill Lynch & Co., Inc. is deemed or taken to be interested in the Shares held by Indopark Holdings Limited for the purposes of the SFO.

- (5) Mr. Huang Kwang Wu, a Director, is also a director of Sanyang and Mr. Liu Wu Hsiung Harrison, a Director, is also a vice general director of the overseas business division of Sanyang.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any persons (other than the Directors or the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any options in respect of such share capital.

### 3. COMPETING BUSINESS INTERESTS OF DIRECTORS

As at the Latest Practicable Date, none of the Directors nor 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
Centurion Corporate Finance Limited	a deemed licensed corporation under the SFO permitted to engage in types 1, 4, 6 and 9 of the regulated activities as defined in the SFO

### 5. CONSENT

Centurion 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

The Company is not aware of any material adverse change in the financial or trading position of the Group since 31 December 2007, 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. RIGHT TO DEMAND A POLL**

Article 66 of the articles of association of the Company sets out the procedures by which Shareholders may demand a poll, and provides that, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded or otherwise required under the Listing Rules. A poll may be demanded by:

- (i) the chairman of such meeting; or
- (ii) at least three Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (iii) a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (iv) a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring such right; or
- (v) any Director or Directors who, individually or collectively, hold proxies in respect of Shares representing 5% or more of the total voting rights at such meeting.

**9. 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 Centurion 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 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 Room 2106, 21/F, Technology Plaza, 651 King's Road, North Point, 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 Butterfield Fund Services (Cayman) Limited.
- (i) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

#### **10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the offices of Norton Rose Hong Kong at 38th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong from the date of this circular to Friday, 30 May 2008 (both days inclusive):

- (a) the VMEP Holdings Purchase Agreement;
- (b) the VMEP Holdings VTBM Purchase Agreement;
- (c) the Technology Licence Agreement; and
- (d) the Sanyang Global Purchase Agreement.

## NOTICE OF EGM



### 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 of Vietnam Manufacturing and Export Processing (Holdings) Limited (the “**Company**”) will be held at Montblanc, Pacific Place Conference Centre, 5/F, One Pacific Place, 88 Queensway, Hong Kong on Friday, 30 May 2008 at 4:00 p.m. (or immediately after the conclusion or adjournment of the annual general meeting of the Company to be held on the same date and at the same place) for the purpose of considering and, if thought fit, passing the following ordinary resolutions:

#### **ORDINARY RESOLUTIONS**

1. **“THAT** the proposed revised annual caps for the years ending 31 December 2008 and 2009 (details of which have been set out in the circular of the Company dated 14 May 2008 (the “Circular”)) in respect of the transactions under the following agreements be and are hereby approved:
  - (i) the agreement dated 26 November 2007 and entered into between the Company and Sanyang Industry Co., Limited (“**Sanyang**”) in relation to purchases of motorbike parts by the Company and its subsidiaries (the “**Group**”) from Sanyang;
  - (ii) the agreement dated 26 November 2007 and entered into between the Company and the Vietnam Three Brothers Machinery Industry Co., Limited (“**VTBM**”) in relation to purchases of motorbike parts by the Group from VTBM; and
  - (iii) the agreement dated 26 November 2007 and entered into between Vietnam Manufacturing and Export Processing Co., Limited (“**VMEP**”) and Sanyang in relation to the grant by Sanyang of an exclusive licence to VMEP to continue to use certain technology, know-how, trade secrets and production information in connection with the manufacture and sale of “SYM” brand motorbikes and related parts in the member countries of the Association of South East Asian Nations.”

## NOTICE OF EGM

2. **“THAT** the agreement (the **“Sanyang Global Purchase Agreement”**) dated 24 April 2008 and entered into between the Company and Sanyang Global Co., Ltd. (**“Sanyang Global”**) in relation to purchases of motorbike parts by the Group from Sanyang Global, the transactions contemplated under the Sanyang Global Purchase Agreement and the proposed annual caps for the years ending 31 December 2008 and 2009 in respect of the transactions under the Sanyang Global Purchase Agreement (details of which have been set out in the Circular) be and are hereby approved.”

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

Hong Kong, 14 May 2008

*Registered Office:*

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

*Principal Place of Business*

*in Hong Kong:*  
Room 2106, 21/F  
Technology Plaza  
651 King's Road  
North Point  
Hong Kong

*Notes:*

1. The register of members of the Company will be closed from Wednesday, 28 May 2008 to Friday, 30 May 2008, both days inclusive, during which period no transfer of shares of the Company (the “Shares”) can be registered.
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. 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.
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.